



**The Zarasai Group Ltd.**  
**זה זראסאי גראופ לטד ("החברה")**

**פרק ו'**

**הערכתות השווי של נכסים אשר זכויות החברה בהם משועבדות**  
**לטובת מחזיקי אגרות החוב סדרה ה' של החברה :**

- 86-06 35 Avenue .1
- 3647 Broadway .2
- 3657 Broadway .3
- 143 Linden Boulevard .4
- Joralemon .5



APPRAISAL REPORT

86-06 35th Avenue  
Jackson Heights, NY 11372

Multifamily Building

REQUESTED BY

Moshe Weinberger

The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

DATE OF VALUE

As Is: December 31, 2023

PREPARED BY



Michelle Zell,  
MAI



Maren Lewis,  
MAI



Brandon Pan



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

March 12, 2024

Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

Re: Appraisal File No. 2400031769  
Multifamily Building  
86-06 35th Avenue  
Jackson Heights, NY 11372

Dear Mr. Weinberger,

In accordance with your request, we have completed an appraisal of 86-06 35th Avenue for the purpose of advancing an opinion of the As Is fair value of the Leased Fee Interest in the subject.

The client and intended user is The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus and financial statements to be published in the Tel Aviv Stock Exchange in 2024 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this report is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The report is intended only for use in The Pinnacle Group financial statements. The use by others is not intended by Bowery Valuation.

The subject is a 6-story, elevated, multifamily building consisting of 90 residential units, 89 of which are rent stabilized, and one unit (1N) is free market that is occupied by the super as part of their compensation package. The property also generates income from an indoor garage with 30 parking spots. The subject contains 83,238 square feet of gross building area and is 97% occupied, with one unit occupied rent-free by the super (1N) and three vacant rent stabilized units (2D, 2L, and 6C).

The subject is situated on a 23,000 square foot parcel in an R7-1 zone and an R5 zone and is identified in Jackson Heights, Queens County tax maps as Block 1460, Lot 1. The subject property is located along the south side of the full block on 35th Avenue between 86th and 87th Street in the Jackson Heights neighborhood of Central Queens. Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued multifamily use is concluded to be the highest and best use as improved.

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

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

#### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value Excluding Parking	December 31, 2023	Leased Fee Interest	\$16,500,000
As Is Fair Value Parking Only	December 31, 2023	Leased Fee Interest	\$1,060,000
Total As Is Fair Value Including Parking	December 31, 2023	Leased Fee Interest	\$17,560,000



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

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

The Federal Reserve Board met on Jan 31, 2024 and voted, for the 4th meeting in a row, to leave its policy rate unchanged. The FOMC noted that job growth and economic growth remain strong. While inflation has come down, it still remains above their target rate of 2%. The decision leaves the overnight lending target rate for banks between 5.25% and 5.5%, where it has been since the Committee's meeting in July. The FOMC meets again in March 2024 and signaled that rate cuts are not likely in that meeting. Committee members still expect the federal funds rate to fall to 4.6% by the end of 2024, suggesting rate cuts totaling 75 basis points during the year, with cuts possibly starting with their meeting in May.

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup>. We note the use of this/these hypothetical condition(s) may have affected the assignment results:

- None.

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

Thank you for the opportunity to serve you.

Sincerely,

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

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

# Summary of Salient Facts & Conclusions

## 86-06 35th Avenue



The subject is a 6-story, elevatored, multifamily building consisting of 90 residential units, 89 of which are rent stabilized, and one unit (1N) is free market that is occupied by the super. The property also generates income from an indoor garage with 30 parking spots. The subject contains 83,238 square feet of gross building area and is 97% occupied, with one unit occupied by the super (1N) as part of their compensation package and three vacant rent stabilized units (2D, 2L, and 6C).

## Salient Facts

### Property

<b>Address</b>	86-06 35th Avenue
<b>City</b>	Jackson Heights
<b>State</b>	New York
<b>County</b>	Queens County
<b>Block/Lot</b>	Block 1460, Lot 1
<b>Highest and Best Use - Vacant</b>	Multifamily
<b>Highest and Best Use - As Improved</b>	Multifamily
<b>Date of Inspection</b>	February 29, 2024
<b>Report Date</b>	March 12, 2024
<b>Effective Date(s) of Value</b>	
<b>As Is</b>	December 31, 2023

### Building Characteristics

<b>Property Type</b>	Multifamily
<b>GBA</b>	83,238 sq. ft.
<b>Year Built</b>	1951
<b>No. of Floors</b>	6
<b>Residential Units</b>	90

<b>Occupancy</b>	Current: 97% Stabilized: 97%
<b>Condition</b>	Average
<b>Total Economic Life</b>	60 years
<b>Effective Age</b>	16 years
<b>Remaining Economic Life</b>	45 years

### Site Characteristics

<b>Site Area (acres/sq. ft)</b>	23,000 sq. ft.
<b>Site Shape</b>	Rectangular
<b>Topography</b>	Generally level at street grade
<b>Zoning</b>	R7-1 and R5 within Jackson Heights Historic District
<b>Flood Zone</b>	Zone X

### Financial Indicators

	<b>Total</b>	<b>Per SF - GBA</b>
Potential Gross Income	\$1,735,289	\$20.85
Effective Gross Income	\$1,683,519	\$20.23
Operating Expense Ratio	51%	-
Net Operating Income	\$825,040	\$9.91
Capitalization Rate	5.00%	-
Stabilized Residential Occupancy	97.00%	-
Income Capitalization Approach As Is	\$16,500,000	\$198.23
Sales Comparison Approach As Is	\$17,500,000	\$210.24

### Value Conclusion

#### Final Value Conclusion

<b>Value Premise</b>	<b>Date of Value</b>	<b>Interest Appraised</b>	<b>Value Conclusion</b>
As Is Fair Value Excluding Parking	December 31, 2023	Leased Fee Interest	\$16,500,000
As Is Fair Value Parking Only	December 31, 2023	Leased Fee Interest	\$1,060,000
Total As Is Fair Value Including Parking	December 31, 2023	Leased Fee Interest	\$17,560,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

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

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

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# Introduction

## Purpose & Date of Value

The purpose of the appraisal is to provide an opinion of As Is Fair Value of the leased fee interest as of December 31, 2023, in accordance with IFRS 13.

## Identification of the Client

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

## Intended Use & User

The type and definition of value sought in the appraisal of the subject was an "As Is" Fair Value opinion for the Leased Fee interest in the property as of December 31, 2023, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery.

## Property Rights Appraised<sup>5</sup>

In this appraisal we provide an opinion of As Is fair value of the leased fee interest.

## Property History

According to the New York Department of Finance, the owner of 86-06 35th Avenue is 86-06 35 Ave. Realty Co. LLC. The subject property has not sold within the past three years.

The subject was previously appraised by Bowery Valuation as of the following dates:

- June 30, 2023 for \$15,700,000 plus \$1,160,000 for the parking garage,
- December 31, 2022 for \$15,500,000 plus \$1,220,000 for the parking garage,
- December 31, 2021 for \$18,800,000 plus \$1,100,000 for the parking garage, and on
- August 5, 2020, for \$19,800,000 plus \$1,150,000 for the parking garage.

The current value of \$16,500,000 plus \$1,060,000 for the parking garage is 4.15% higher than the June 2023 value. This is due to total operating expenses decreasing by 7.4% comprised primarily of a reduction in the subject's real estate tax liability expense since the previous appraisal while the effective gross income increased by 0.9%. Additionally, the capitalization rate was increased from 4.75% in the previous appraisal to 5.00% for the current appraisal. This increase is due to the impact of inflation and elevated interest rates, which have led to increases in capitalization rates across the subject's market. This was corroborated through discussions with local market participants.

We are not aware of any current bids, offers, or options to purchase for this asset.

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

## Exposure Time<sup>6</sup>

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 9 months and 12 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

## General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

## Definition of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

- a) the particular asset or liability being measured;
- b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- c) the market in which an orderly transaction would take place for the asset or liability; and

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

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

## Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, parking garage, stairs and roof of the subject property, and the following units we were granted access to: 006C.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the As Is fair value of the identified interest.

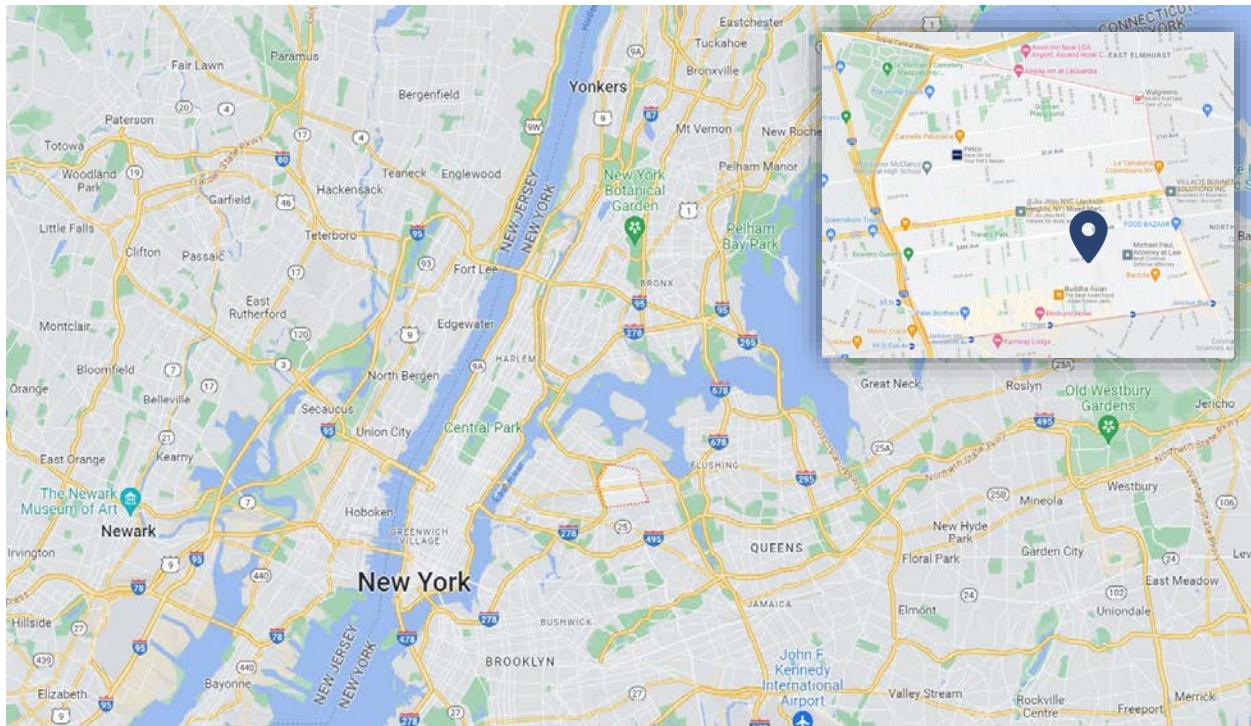
## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): NYC Department of Finance, NYC Department of Buildings, NYC Department of Planning Zoning & Land Use, Claritas, CoStar, Federal Reserve, and FEMA. The subject photos were taken by Jon Nathanson on 2/29/2024, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

### Resource Verification

Data	Source/Verification
Site Size	Public Record
Excess/Surplus Land	Tax Map
Gross Size/Units	Public Record
Residential SF	Appraiser's Estimate; Inspection
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Area Analysis	Bureau of Labor Statistics
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables
Comparable Rental Data	CoStar; Primary Source
Comparable Sales Data	CoStar; CreXi; LoopNet; Public Record; Primary Source

# Neighborhood & Demographic Overview



Source: Google Maps

## Jackson Heights at a Glance

Jackson Heights is a neighborhood in the northwestern portion of the borough of Queens in New York City. Jackson Heights is neighbored by North Corona to the east, Elmhurst to the south, Woodside to the west, northern Astoria to the northwest, and East Elmhurst to the northeast. Jackson Heights is a suburban community, with a diverse range of relatively affordable housing, access to recreational activities and shopping, and proximity to multiple modes of transit. Housing in Jackson Heights consists primarily of apartment buildings, co-op complexes, and multi-family homes. The housing stock caters to a diverse range of residents, from young professionals to families and seniors. Retailers and businesses in the neighborhood cater to the diverse needs of the community. Roosevelt Avenue and 37th Avenue are major commercial corridors, offering a variety of shops, markets, eateries, and more. Local and national tenants can be found in the area. Recreational activities in Jackson Heights include access to local parks like Travers Park, which hosts a farmer's market and community events. The neighborhood is also known for its annual Jackson Heights Arts Festival. Public transit options are abundant in Jackson Heights. The neighborhood is served by multiple subway lines (7, E, F, M, R) and various bus routes, providing easy access to other parts of Queens and Manhattan. Nearby airports include LaGuardia Airport and John F. Kennedy International Airport, providing air travel options for residents and visitors.

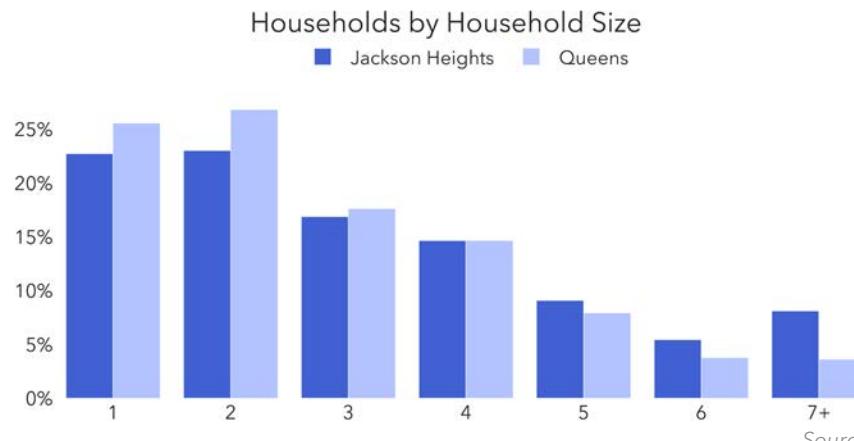
## Population and Households

The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market.

### Population Growth

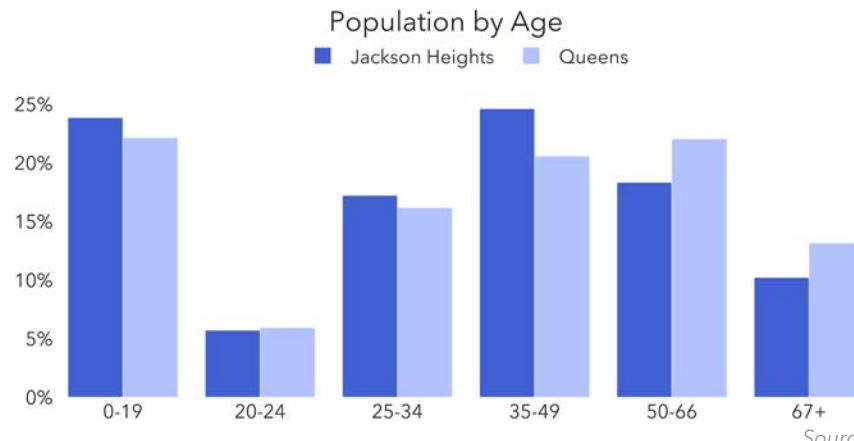
	<b>Area</b>	<b>2010 Census</b>	<b>Current Estimate</b>	<b>Annual % Change</b>
Population	Jackson Heights	127,568	134,397	0.6%
	Queens	2,230,722	2,405,464	0.9%

Households in Jackson Heights tend to be slightly larger than those in Queens. Households in Jackson Heights have an average size of 2.9 people, compared to 2.8 people in Queens. 2 people households account for the largest share in both Jackson Heights and Queens.



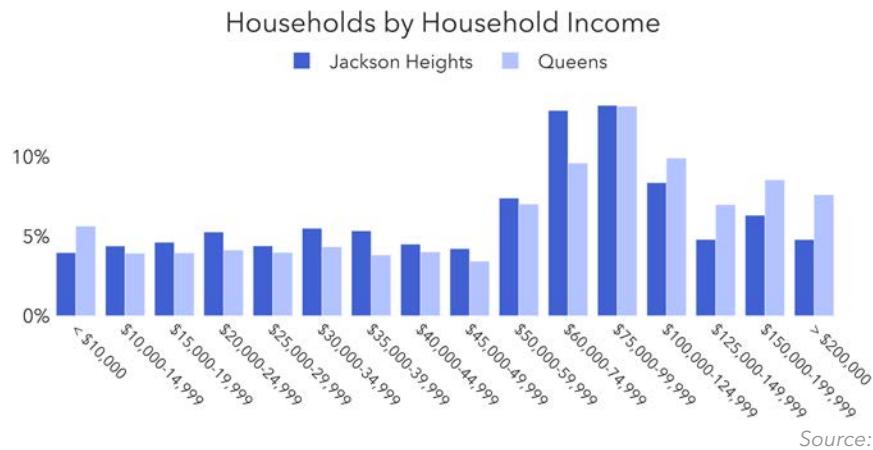
Source: U.S. Census Bureau

The median age of Jackson Heights residents is younger than in Queens. Residents of Jackson Heights have a median age of 38.4, compared to 39.0 in Queens. In Jackson Heights, those between 35 and 49 years account for the largest cohort, compared to Queens where children & teens accounts for the largest cohort.



Source: U.S. Census Bureau

Households in Jackson Heights have a lower median income than those in Queens. Households in Jackson Heights have a median income of \$62,151, compared to \$68,666 for households in Queens. The chart below indicates the share of households by income brackets. In both Jackson Heights and Queens, the largest share of households have a household income of between \$75k-99,999.



Source: U.S. Census Bureau

## Housing

Housing is one of the most identifiable characteristics of an area. Different factors, such as property type, renter/owner mix, housing age, and household characteristics play roles in how an area is defined. In Jackson Heights, housing is [diverse with varying density, tenure status, and price points but largely homogeneous with the majority of the housing stock consisting of properties with 50+ units, followed by 20-49 unit properties.



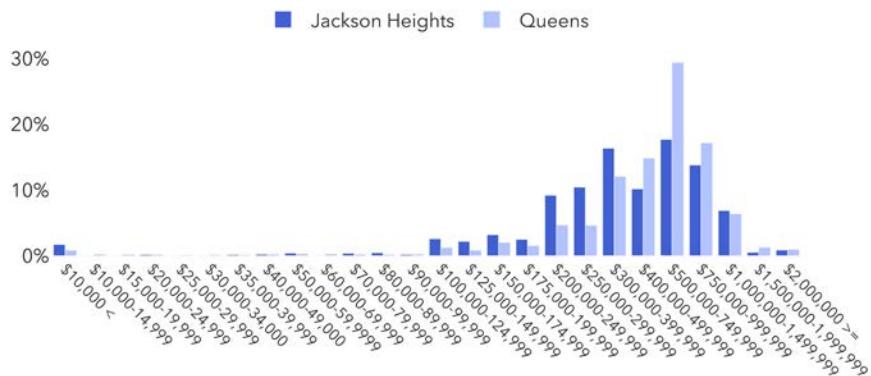
Source: U.S. Census Bureau



Source: U.S. Census Bureau

Homes in Jackson Heights have a median value of \$523,904, compared to \$543,800 for Queens. In Jackson Heights, the largest share of homes have a value between \$500k - \$749k, compared to between \$500k - \$749k for Queens.

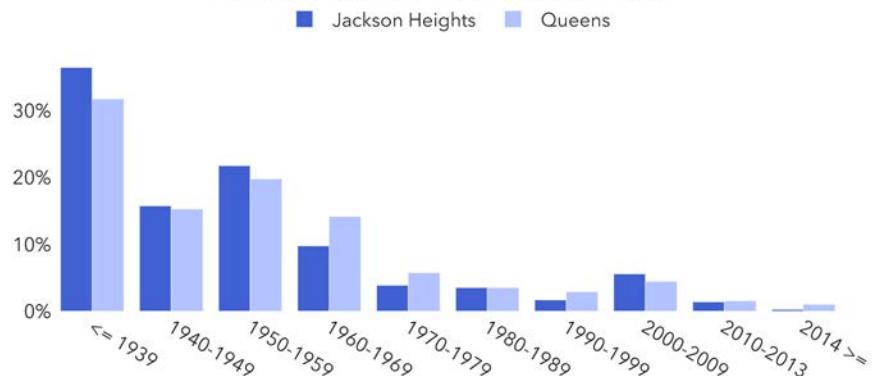
### Owner Occupied Housing Units by Value



Source: U.S. Census Bureau

Homes in Jackson Heights have a median year built of 1954, compared to 1952 for Queens. In Jackson Heights, the largest share of homes were built before WWII, compared to before WWII for Queens.

### Housing Units by Year Structure Built

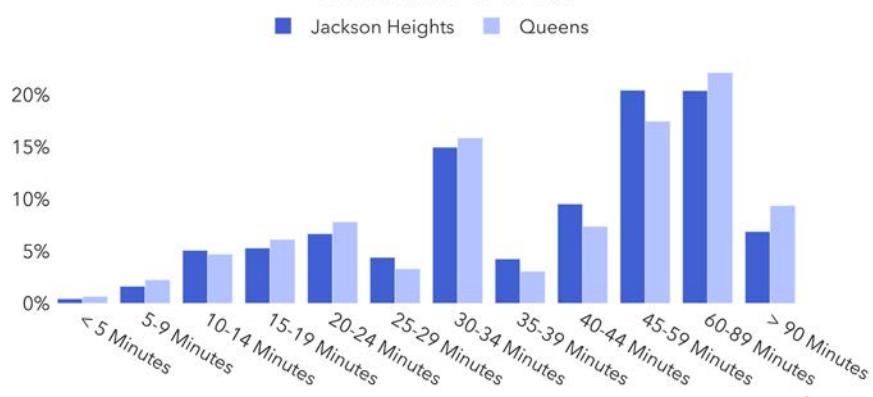


Source: U.S. Census Bureau

## Transportation

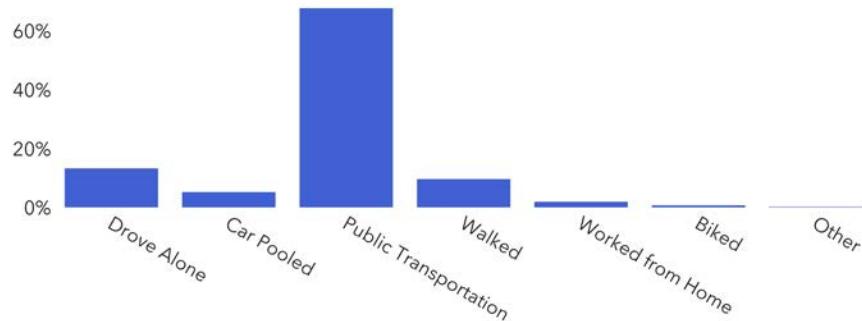
In Jackson Heights, the majority of residents use public transit, followed by a small cohort of those that drive to work. As such, the time it takes to commute to work from Jackson Heights varies considerably. Commuters in Jackson Heights have a median commute time of about 42 minutes. In Jackson Heights, the largest share of commuters have a commute between 45-59 minutes, compared to 60-89 minutes for Queens.

### Travel Time to Work



Source: U.S. Census Bureau

### Travel Mode to Work



Source: U.S. Census Bureau

### Transportation Methods

- Walk Score: 97 (Walker's Paradise)
- Major roads include Interstate 278, which borders to west and Grand Central Parkway, which borders to the north. State Route 25A runs east and west through the neighborhood and connects to Interstate 278 and Interstate 678.
- On the southside of Jackson Heights are multiple MTA train stations that provide access to the 7, E, F, M, and R, routes.
- A number of bus routes run through the neighborhood, including the Q49, Q66, and Q33 routes.
- The neighborhood borders LaGuardia International airport to the north.

### Conclusion

The Jackson Heights neighborhood offers a diverse range of amenities and services including a wide range of housing options and at different price points, retailers and businesses, community facilities, and many transit options. It has experienced moderate population and household growth, a trend likely to continue, especially along the southern border where there is transit-oriented housing development.

## Zoning Summary

86-06 35th Avenue is in a R7-1 zone and a R5 zone. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

Per the Landmark Designation Committee, 86-06 35th Avenue is a landmarked building. It is located in the Jackson Heights Historic District.

Historic districts are collections of landmark buildings that, together, create a distinct sense of place. Individual landmarks are standalone structures that have architectural, cultural, or historical significance. The regulatory process is the same for historic districts and individual landmarks, although certain features and sites may be identified as significant at the time of designation. Many of the City's individual landmarks are located in historic districts. Owners of individual landmarks and buildings within historic districts are required to obtain permits from the Landmarks Commission for most types of alterations.

### Zoning Summary

Authority	Classification
Property Jurisdiction	Queens <sup>7</sup>
Existing Zoning Classification	R7-1 and R5 within Jackson Heights Historic District
Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance)	None known

Lot Area	Zone	% in Zone	FAR	Permitted Area
23000	R7-1	83.95%	3.44	66,421
23000	R5	16.05%	1.25	4,614
<b>Combined Permitted Area</b>			<b>71,036</b>	
<b>Blended FAR</b>			<b>3.09</b>	

### Summary of Use and Bulk Regulations

	Permitted	Actual	Status
Current Use	Residential and community facility	Residential	Conforming
Max. Density (FAR)	3.09	3.62	Non-complying
Min. Parking Required	45	30	Non-complying

Based on the blended maximum effective residential FAR of 3.09 and lot area of 23,000 square feet, 71,036 square feet of buildable area is permitted on site. The subject contains 83,238 square feet of gross building area above grade. The subject is pre-existing non-complying with regards to bulk regulations.

The residential property is in R7-1 and R5 zones, which permit residential and community facility uses as of right. The subject is conforming with regards to the allowable uses.

Based on the subject's current zoning regulations, 45 parking spaces are required on the subject property. The subject has 30 available and is non-complying with regards to parking regulations.

<sup>7</sup> The zoning map can be found in the Map Gallery, which is located in the Addenda.

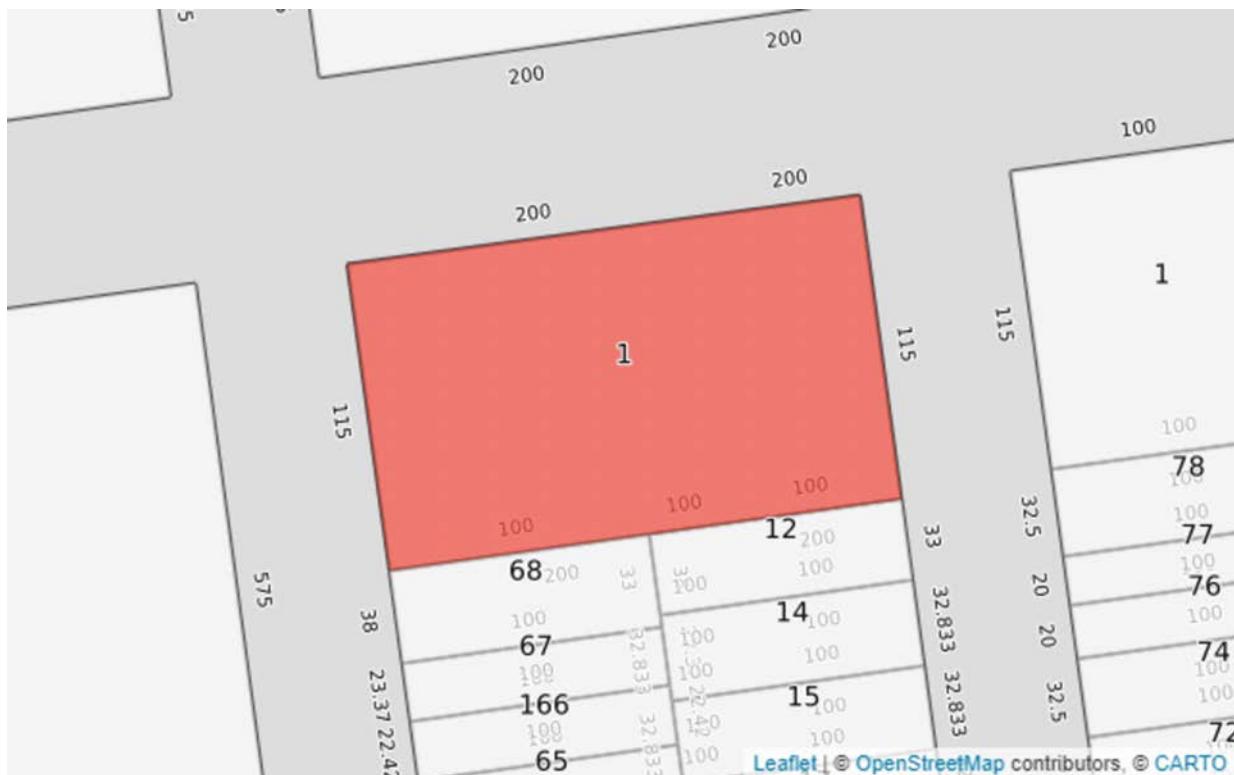
**We have also included information pertinent to the Property's zoning classification regarding the state's Reconstruction clause, including rebuildability:**

According to the New York City Zoning Code: If a non-complying building or other structure is damaged or destroyed by any means, including any demolition, to the extent of 75 percent or more of its total floor area, such building may be reconstructed only in accordance with the applicable district bulk regulations, except in the case of a one- or two-family residence, such residence may be reconstructed provided that such reconstruction shall not create a new non-compliance nor increase the pre-existing degree of non-compliance with the applicable bulk regulations.

If the extent of such damage or destruction is less than 75% percent of the floor area and more than 25 percent of the perimeter walls of such existing building, and the replacement of any portion thereof, shall be considered a development.

In the event that any demolition, damage or destruction of an existing building other than one-or two-family residences produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, and the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent of more of the total floor area of such building, then such building may be reconstructed only in accordance with the applicable district bulk regulations.

## Assessed Value & Real Estate Taxes



### Current Tax Liability

86-06 35th Avenue is located in Queens County (borough of Queens), Queens, NY. It is designated on the tax maps as Block 1460, Lot 1. The property tax class is Class 2. We have applied the 2024 tax rate of 12.502% to the most recent assessed value of the property to determine its current tax liability. The lower of the Actual or the Transitional Assessed Value is applied, in the subject's case, it is the Actual Assessed Value.

#### 2024-2025 Tentative Tax Assessment

	Actual	Transitional
Land	\$776,250	\$776,250
Building	+\$2,180,250	\$2,525,040
<b>Total</b>	<b>\$2,956,500</b>	<b>\$3,301,290</b>

#### Current and Historical Real Estate Tax Rates

Year	Class 2
2023/2024	12.502%
2022/2023	12.267%
2021/2022	12.235%
2020/2021	12.267%
2019/2020	12.473%
2018/2019	12.612%
2017/2018	12.719%

### Tax Liability

	<b>Total</b>	<b>PSF</b>
Taxable Assessed Value (Actual)	\$2,956,500	\$35.52
Tax Rate (New York City - Class 2)                   ×	12.502%	12.502%
<b>Tax Liability</b>	<b>\$369,621.63</b>	<b>\$4.44</b>

### Comparable Tax Liabilities

In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

	<b>Year Built</b>	<b>GBA</b>	<b>Taxes PSF</b>
85-05 35th Avenue	1952	83,238	\$3.91
84-09 35th Avenue	1947	80,754	\$4.42
78-01 34th Avenue	1950	90,950	\$4.50
75-05 35th Avenue	1930	75,648	\$4.00
92-01 Lamont Avenue	1962	82,500	\$5.25
82-15 Britton Avenue	1928	78,128	\$4.30
51-15 Van Kleeck Street	1960	74,600	\$5.11
		<b>Min</b>	<b>\$3.91</b>
		<b>Average</b>	<b>\$4.50</b>
		<b>Max</b>	<b>\$5.25</b>

### Conclusion

#### Tax Liability Summary

	<b>Taxes PSF</b>
Comp Min.	\$3.91
Comp Avg.	\$4.50
Comp Max.	\$5.25
<b>Current</b>	<b>\$4.44</b>

The subject property's taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability of \$369,621.63, or \$4.44 per square foot, in our analysis.

The taxes decreased from \$417,567 in our last valuation.

## Site Description



<b>Location</b>	The subject property is located along the south side of the full block on 35th Avenue between 86th and 87th Street in the Jackson Heights neighborhood of Central Queens.										
<b>Surrounding Uses</b>	It is located on a primarily residential block with surrounding land uses consisting primarily of one- or two-family dwellings and multifamily buildings as well as a public facility directly north of the subject across 35th Avenue.										
<b>Transportation</b>	The 90 St - Elmhurst Av subway station is a 9 minute walk away. The 82 Street subway station is a 10 minute walk away. A transportation summary is provided below:										
	<table border="0"> <tbody> <tr> <td style="vertical-align: top;"> <span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at 90th St Elmhurst                 </td> <td style="vertical-align: top; text-align: right;">0.31 miles</td> </tr> <tr> <td style="vertical-align: top;"> <span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at 82nd St-Jackson Heights                 </td> <td style="vertical-align: top; text-align: right;">0.34 miles</td> </tr> <tr> <td style="vertical-align: top;"> <span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at Junction Blvd                 </td> <td style="vertical-align: top; text-align: right;">0.59 miles</td> </tr> <tr> <td style="vertical-align: top;"> <span style="color: brown; border: 1px solid brown; border-radius: 50%; padding: 2px 5px;">M</span> <span style="color: yellow; border: 1px solid yellow; border-radius: 50%; padding: 2px 5px;">R</span> at Elmhurst Av                 </td> <td style="vertical-align: top; text-align: right;">0.64 miles</td> </tr> <tr> <td style="vertical-align: top;"> <span style="color: blue; border: 1px solid blue; border-radius: 50%; padding: 2px 5px;">E</span> <span style="color: orange; border: 1px solid orange; border-radius: 50%; padding: 2px 5px;">F</span> <span style="color: brown; border: 1px solid brown; border-radius: 50%; padding: 2px 5px;">M</span> <span style="color: yellow; border: 1px solid yellow; border-radius: 50%; padding: 2px 5px;">R</span> <span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at Roosevelt Av-Jackson Hts                 </td> <td style="vertical-align: top; text-align: right;">0.64 miles</td> </tr> </tbody> </table>	<span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at 90th St Elmhurst	0.31 miles	<span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at 82nd St-Jackson Heights	0.34 miles	<span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at Junction Blvd	0.59 miles	<span style="color: brown; border: 1px solid brown; border-radius: 50%; padding: 2px 5px;">M</span> <span style="color: yellow; border: 1px solid yellow; border-radius: 50%; padding: 2px 5px;">R</span> at Elmhurst Av	0.64 miles	<span style="color: blue; border: 1px solid blue; border-radius: 50%; padding: 2px 5px;">E</span> <span style="color: orange; border: 1px solid orange; border-radius: 50%; padding: 2px 5px;">F</span> <span style="color: brown; border: 1px solid brown; border-radius: 50%; padding: 2px 5px;">M</span> <span style="color: yellow; border: 1px solid yellow; border-radius: 50%; padding: 2px 5px;">R</span> <span style="color: purple; border: 1px solid purple; border-radius: 50%; padding: 2px 5px;">7</span> at Roosevelt Av-Jackson Hts	0.64 miles
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<b>Site Area</b>	23,000 square feet										
<b>Shape</b>	Rectangular										
<b>Frontage</b>	86th Street: 115 feet 35th Avenue: 200 feet										

	86th Street: 115 feet
<b>Access</b>	The primary access is from 35th Avenue
<b>Topography</b>	Generally level at street grade
<b>Drainage</b>	Assumed adequate
<b>Paving</b>	All roads are paved with asphalt and are in satisfactory condition.
<b>Street Lighting</b>	Adequate
<b>Hazardous Substances</b>	We observed no evidence of toxic or hazardous substances during our inspection of the site.
<b>Easements, Encroachments, and Restrictions</b>	Based upon a review of the tax map, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. We know of no deed restrictions, private or public, that further limit the subject property's use. It is noted that any further research required to determine whether or not such restrictions exist, is beyond the scope of this appraisal assignment. Our valuation assumes no adverse impacts from easements, encroachments or restrictions, and further assumes that the subject has clear and marketable title.
<b>Utilities &amp; Services</b>	Water/Sewer and Refuse - City Police & Fire Protection - City Gas - Con Ed Electricity - Con Ed
<b>Flood Hazard Status</b>	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970094F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains.
<b>Conclusion</b>	The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate.

# Description of Improvements

## Building Description

The subject is a 6-story, elevatored, multifamily building built in 1951 consisting of 90 residential units, 89 of which are rent stabilized, and one unit (1N) is free market that is occupied by the super. The property also generates income from an indoor garage with 30 parking spots. The subject contains 83,238 square feet of gross building area and is 97% occupied, with one unit occupied rent-free by the super (1N) and three vacant rent stabilized units (2D, 2L, and 6C).

## Building Inspection

On February 29, 2024, Jon Nathanson conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, parking garage, and roof. We were able to inspect the stairs and they are in average condition. We were able to inspect the roof and it is in average condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

## Unit Inspection

### Inspected Units Summary

#	Unit #	Unit Type	Lease Status	Condition	Status for Occupancy
1	006C	Two Bedroom	Vacant	Good	Ready for occupancy

We inspected unit 006C which is a vacant unit in good condition. We assume the units that were not inspected are of generally similar condition to the units inspected.

## Structural, Utilities & Mechanicals

### Structural

<b>Foundation</b>	Poured concrete and fieldstone
<b>Structural System</b>	Brick/masonry
<b>Exterior Walls</b>	Brick and Masonry
<b>Framing</b>	Structural steel with masonry concrete encasement
<b>Windows</b>	Double-hung
<b>Roof</b>	The subject contains a roof at multiple levels. The roof types include a Spray Polyurethane Foam roof, an EPDM Rubber roof, and a Bitumen roof with asphalt rolls.

### Utilities

<b>Electricity</b>	Individual electric meters are located in the basement.
<b>Hot Water</b>	Provided by boiler located in the basement.
<b>Gas</b>	Individual gas meters are located in the basement.

**Heating/Cooling** Dual fired boiler (oil #2) located in the basement for heating. Window A/C unit located in the unit for cooling.

#### Mechanicals

**Elevators** The subject is an elevatored building.

**Plumbing** PVC, Copper, Iron

**Sprinklers** None

#### Layout & Finishes

**Basement** The basement is accessed from the interior and exterior of the building and is semi-finished with a laundry room, a utility room, on-site parking, and a trash compactor.

**Entry & Hallways** The entryway and interior hallways are in average condition.

**Laundry** The subject contains a laundry room.

**Stairwell** There are 2 interior staircases that run from the basement to the roof.

**Security** Security cameras and Door locks

#### Amenities

##### Building Amenities

**Laundry Room** There is a laundry room in the building.

**Storage Units** There are no storage units in the building.

**Parking** There are 30 on-site parking spaces located in the basement.

#### Residential Unit Finishes

The units generally feature average quality finishes relative to typical units in similar elevatored buildings in the area. We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.

**Kitchens** The units typically contain ceramic tile flooring, laminate counter tops, white laminate cabinets, white standard oven range stovetops, and standard white refrigerators.

**Bathrooms** The units typically contain ceramic tile flooring, bathtub shower combo tubs, laminate top set-in cabinet sinks, and ceramic toilets.

**Bedrooms/Living Area** The units typically contain hardwood flooring, and sheet rock walls.

#### Residential Unit Distribution Summary

Unit Type	No. of Units	Avg. Rooms/Unit	Total Rooms	Avg. SF/Unit (Est.)	Total Leasable SF
Studio	36	2	72	625	22,500
1 BR	29	3	87	855	24,795
2 BR	21	4	84	1,085	22,785
3 BR	4	5	20	1,315	5,260
<b>Totals/Average</b>	<b>90</b>		<b>263</b>	<b>837</b>	<b>75,340</b>

The unit size was estimated by applying a 10% loss factor to the gross building area.

We changed the unit designation of 2L from a two bedroom to a one bedroom this year per owner's rent roll. The unit is vacant.

## Condition, Deferred Maintenance & Remaining Economic Life

### Condition

Based on our inspection, the subject is in average condition and appears to have been periodically updated over time. The subject was constructed in 1951.

### Deferred Maintenance

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

The subject is in average condition. During our visit to the building, we noticed no significant items of deferred maintenance.

### Remaining Economic Life

While the improvements were originally constructed in 1951, we estimate the effective age to be 16 years; given a useful life of 60 years, the remaining economic life of the building is estimated as 45 years.

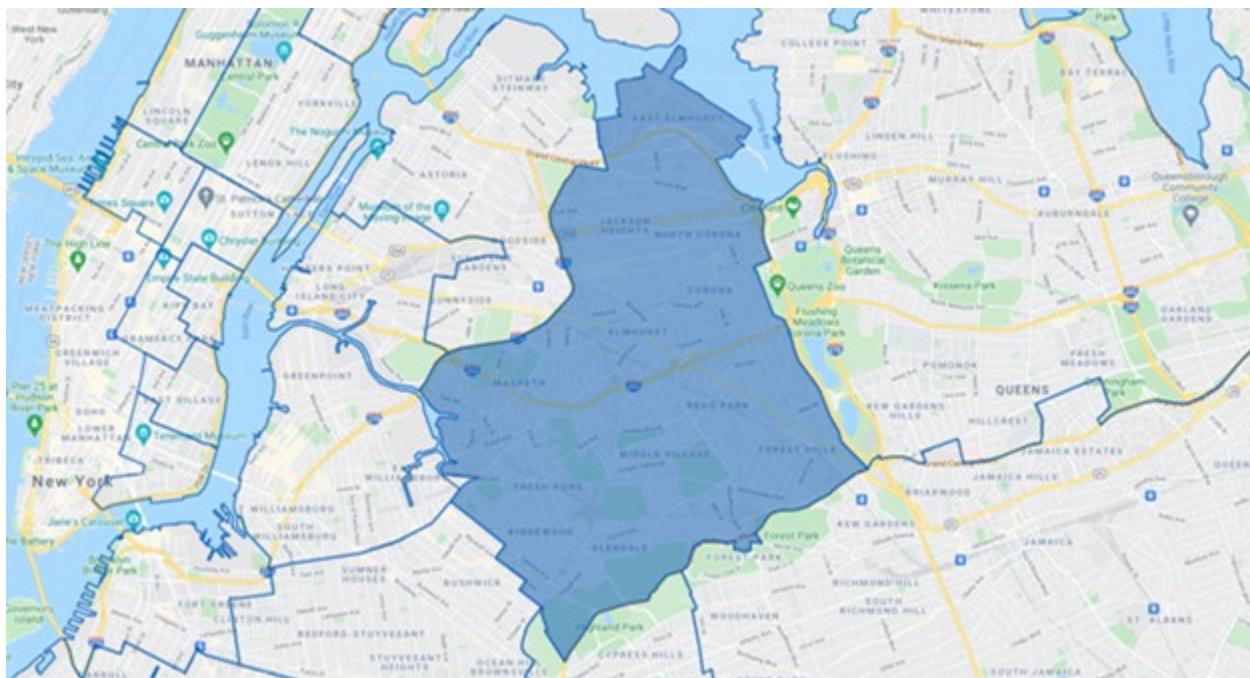
## Summary

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# Submarket Analyses

## Central Queens: Multifamily Submarket Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the Central Queens Multifamily Submarket ("Submarket") located in the New York Market ("Market").



### Overview

The subject property is in the Central Queens Submarket of the New York Market, defined in the map above. This Submarket accounts for 3.0% of the Markets total inventory with 47.1k units. Economic uncertainty and elevated pipelines have coincided with a slowdown in demand over the first half of 2023, continuing into the 2nd half of 2023. With upward pressure on vacancies, rent growth has normalized across most markets across the Nation. With softening fundamentals occurring alongside the elevated cost of debt, investors have tightened their lending standards, slowing transaction activity, putting upward pressure on cap rates, and driving down values. In the Central Queens Submarket, demand has improved recently but vacancy rates remain up on the year, increasing to 1.0%. Despite this, rents are up 2.6% over the past year, after increasing 1.0% in the latest quarter. With softening fundamentals, values decreased in the past quarter and -12.8% yoy, ultimately decreasing to \$273,269/unit.

### Sector Fundamentals

	<b>Central Queens</b>	<b>YoY</b>	<b>QoQ</b>	<b>New York</b>	<b>YoY</b>	<b>QoQ</b>
Market Rent/Unit	\$2,148	2.6%	1.0%	\$3,060	2.0%	0.0%
Vacancy Rate	0.96%	8 bps	-1 bps	2.56%	14 bps	3 bps
Net Absorption Units	5	-64.3%	-99.2%	5,430	24.9%	0.0%
Asset Value/Unit	\$273,269	-12.8%	-2.1%	\$396,924	-11.6%	-2.0%
Market Cap Rate	5.13%	63 bps	9 bps	5.11%	60 bps	7 bps
Transaction Count	15	7%	50%	202	-33%	-28%
Sales Volume	\$47,188,484	36%	-14%	\$962,639,744	-64%	-49%

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

#### Historical Multifamily Performance: Central Queens Submarket

Period	Inventory Units	Under Construction Units	Net			Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Delivered Units	12 Mo	Absorption Units 12 Mo			
2023 Q4	47,065	1,239	924	878	1.0%	\$2,148	\$273,269	5.13%
2023 Q3	47,065	1,239	939	887	1.0%	\$2,127	\$279,171	5.05%
2022	46,141	1,809	106	156	0.9%	\$2,094	\$313,333	4.51%
2021	46,035	1,547	142	478	1.0%	\$2,047	\$339,550	4.07%
2020	45,893	1,084	282	279	1.7%	\$2,017	\$307,678	4.32%
2019	45,611	615	434	329	1.7%	\$2,019	\$295,833	4.51%
2018	45,177	787	163	198	1.5%	\$2,002	\$281,127	4.61%
2017	45,014	657	314	273	1.6%	\$1,963	\$272,347	4.61%
2016	44,700	465	231	483	1.5%	\$1,960	\$264,416	4.63%
2015	44,469	528	360	211	2.1%	\$1,899	\$250,759	4.67%
2014	44,109	382	37	57	1.8%	\$1,839	\$226,800	4.87%

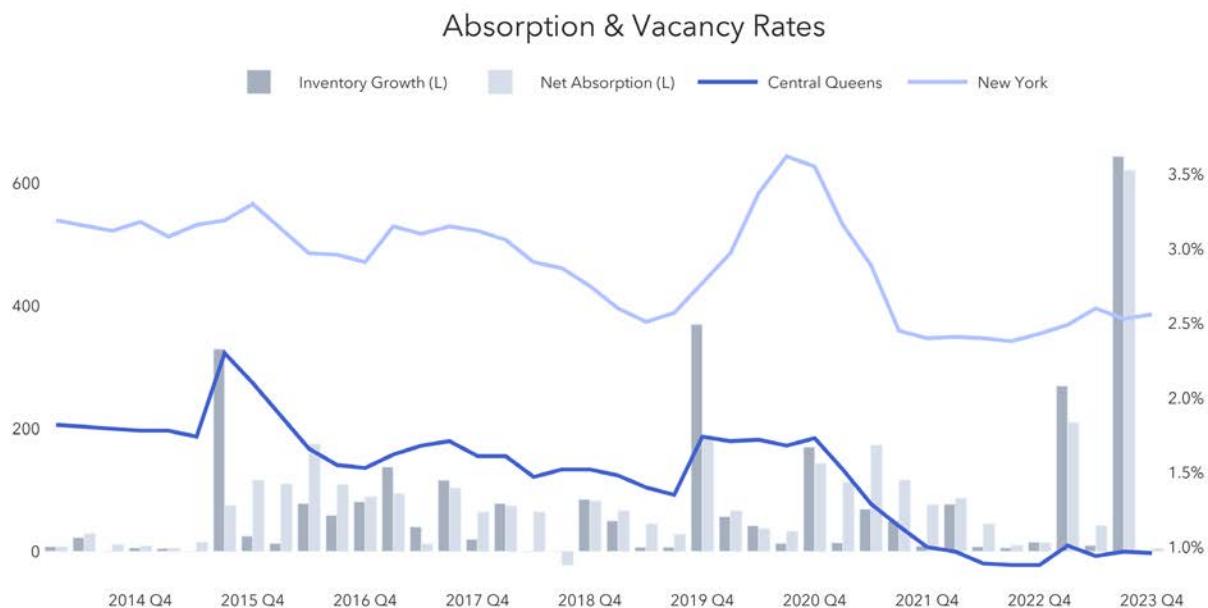
#### Supply & Demand

The Submarket has 47.1k units of multifamily space, and developers have added, net of demolitions, 3k units over the past ten years, increasing inventory by 6.8% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 1.8% to 1.0%.

Demand has fallen short of inventory growth and vacancy rates in the Submarket have increased 8 bps over the past year from 0.9% to 1.0%, remaining below the 10-year average of 1.5%, and below the Market average by 160 bps. In the fourth quarter, multifamily tenants in the Submarket absorbed 5 units, a decrease from the 621 units absorbed in 2023 Q3, and also down from the 14 units absorbed in the same quarter last year.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Submarket	1.8%	2.1%	1.5%	1.6%	1.5%	1.7%	1.7%	1.0%	0.9%	1.0%	1.0%
Class A	1.4%	62.8%	10.2%	5.7%	7.6%	20.2%	5.2%	2.2%	0.9%	3.9%	2.8%
Class B	2.1%	1.9%	1.9%	2.7%	2.4%	2.4%	2.9%	1.6%	1.1%	1.1%	1.2%
Class C	1.7%	1.5%	1.3%	1.3%	1.2%	1.1%	1.3%	0.8%	0.8%	0.8%	0.8%



#### Rents

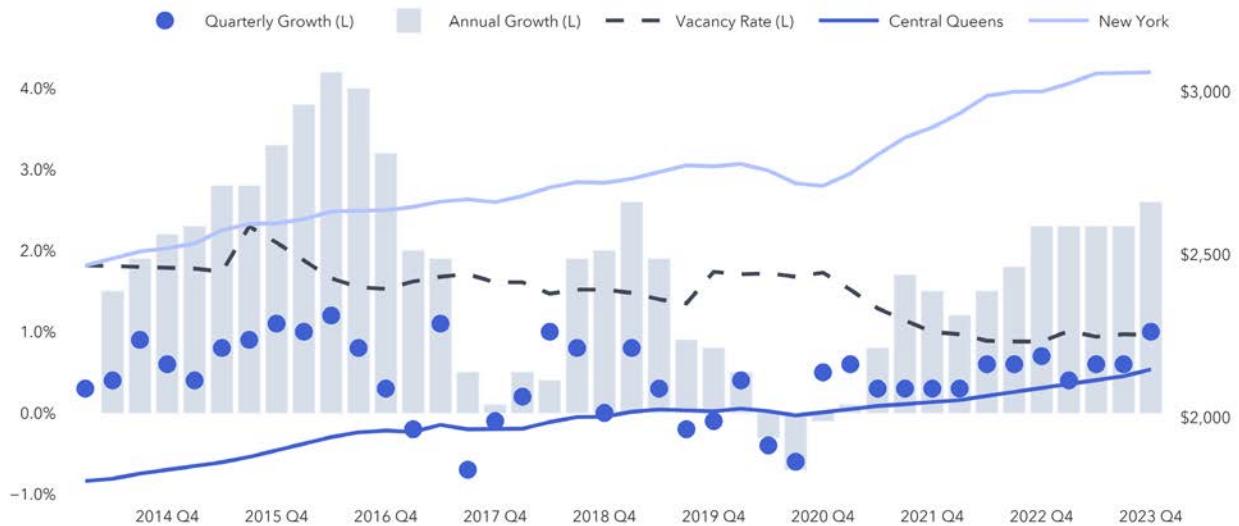
At \$2,148/unit, rents in the Central Queens Submarket are roughly 30% lower than the Market average of \$3,060/unit. Rents vary throughout the Submarket. Class A apartment units are a premium with an average effective rent rate of \$3,054/unit, followed by \$2,562/unit for Class B and \$1,954/unit for Class C units. Rents in the Submarket have increased 1.9% per annum over the past decade, falling short of the Market, where rents increased 2.4% per annum during that time.

#### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Submarket	\$1,839	\$1,899	\$1,960	\$1,963	\$2,002	\$2,019	\$2,017	\$2,047	\$2,094	\$2,127	\$2,148
Class A	\$2,638	\$2,658	\$2,772	\$2,840	\$2,885	\$2,963	\$2,962	\$3,049	\$3,112	\$3,086	\$3,054
Class B	\$2,052	\$2,143	\$2,262	\$2,175	\$2,245	\$2,277	\$2,242	\$2,325	\$2,418	\$2,506	\$2,562
Class C	\$1,719	\$1,771	\$1,809	\$1,838	\$1,868	\$1,876	\$1,885	\$1,893	\$1,924	\$1,942	\$1,954

Prior to the pandemic, the Central Queens Multifamily Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, and was below the historical average, with annual growth of 0.8%. In 2020 Q2, quarterly rent growth fell to -0.4%. By the end of 2020, rents had fallen 0.1% from the 2019 Q4 rent level of \$2,019/unit. From 2019 Q4 to 2021 Q4, rents increased 1.4%. Quarterly rent growth in 2023 Q4 increased 1.0%, pushing annual growth to 2.6%.

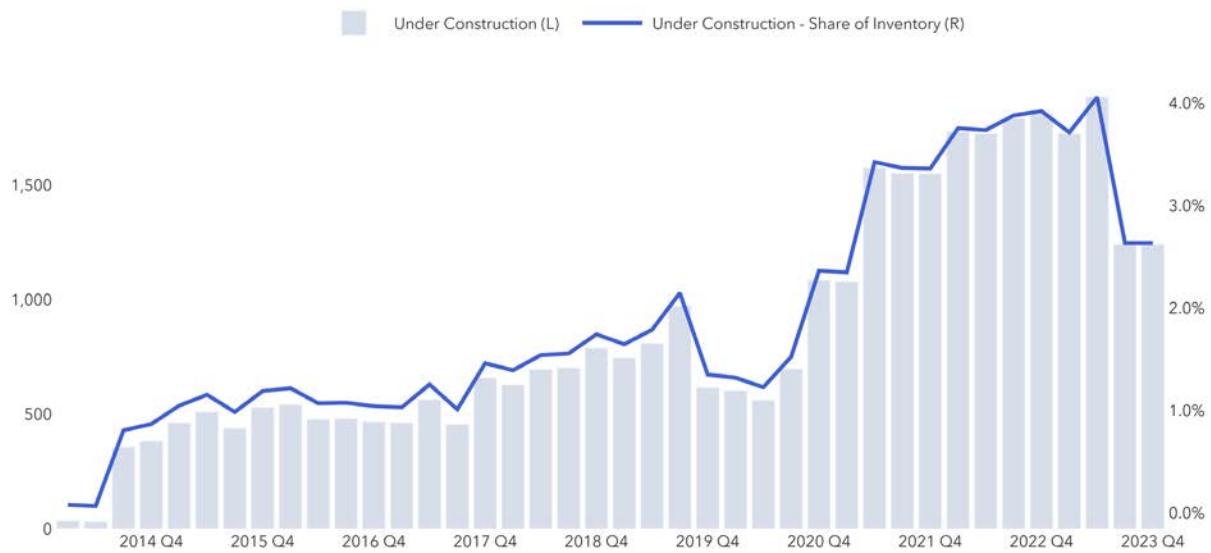
## Market Effective Rent/Unit - Annual & Quarterly Growth



## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 3k units to the Submarket over that time, expanding inventory by 6.8%. Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 1.2k units, or the equivalent of 2.6% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

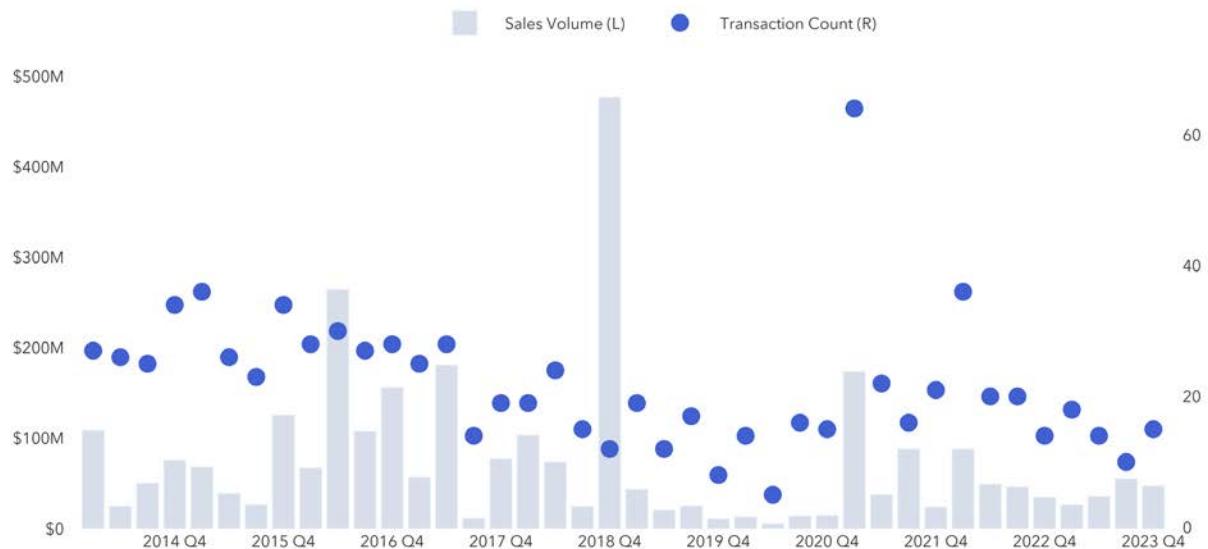
## Under Construction Units - Share of Inventory



## Capital Markets

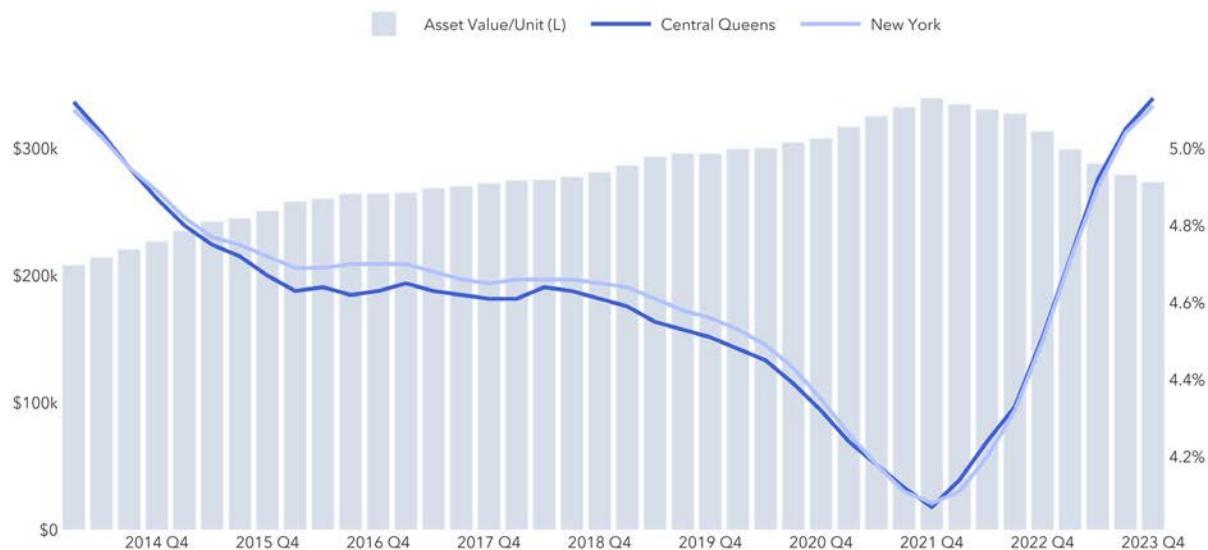
Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average, 90 transactions per year with an annual average sales volume of \$235.1 million. Over the past year, there were 57 closed transactions across 969 units, for a total sales volume of \$164 million. As of 2023 Q4, CoStar data indicates there were 15 transactions for a total sales volume of \$47.2 million, compared to \$55 million in the previous quarter.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$273,269/unit. Values have compressed 12.8% over the past year and continued to fall in the past quarter, decreasing 2.1% in 2023 Q4. Capitalization rates have increased 63 bps over the past year to 5.1% and increased 9 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

## Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation. Multifamily market conditions in the Central Queens Submarket indicate that demand increased but fell short of rising inventory levels, increasing vacancy rates slightly over the past year. However, with vacancy rates considerably lower than the Market average, rent growth remains strong, accelerating to 2.6%. Looking ahead to the near term, it is likely that absorption remains positive, aided by a slowing pipeline.

## Highest & Best Use

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

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

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

### As Vacant

<b>Legally Permissible</b>	The subject is in zones R7-1 and R5, which permit residential and community facility use as of right. Based on the maximum effective FAR of 3.09 and lot area of 23,000 square feet, 71,036 square feet of max buildable area is permitted on site. There are no zoning changes anticipated and no easements or encroachments that preclude development.
<b>Physically Possible</b>	The site contains 23,000 square feet with 115 feet of frontage along 86th Street, 200 feet of frontage along 35th Avenue and 115 feet of frontage along 86th Street. The size falls within the range of improved sites in the area. All necessary utilities are available, and the site appears functional for a variety of permitted uses.
<b>Financially Feasible</b>	The subject is located within a residential neighborhood. Based on our analysis of the market, there is sufficient demand for multifamily properties. Market conditions are such that new multifamily construction is feasible, as the value would sufficiently exceed the cost-plus developer's profit. New construction in the neighborhood is currently underway and new developed multifamily apartments in the subject's submarket are selling, an indication of feasibility.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop a multifamily use. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as if vacant is to develop a multifamily building.

### As Improved

<b>Legally Permissible</b>	The subject is in zones R7-1 and R5, which permit residential and community facility use as of right. The subject's FAR of 3.62 and gross building area of 83,238 is above the maximum permitted amount and is pre-existing non-complying with bulk regulations. Its multifamily use conforms with R7-1 and R-5 permitted uses. There are no zoning changes anticipated and no easements or encroachments that preclude development.
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<b>Physically Possible</b>	The subject is a 6-story, elevated, multifamily building consisting of 90 residential units. The property also generates income from an indoor garage with 30 parking spots. As previously indicated within the zoning section, the subject appears to be non-complying to the bulk requirements and as per the zoning ordinance can continue as its conforming use.
<b>Financially Feasible</b>	The subject property is located within a desirable residential neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 97% occupancy, and is generating a positive net cash flow, and an adequate return to the owners. Therefore, the use as a multifamily is financially feasible. Also, demolition is not an option due to rent stabilized status of the subject units.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. Continued multifamily use is concluded to be maximally productive.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued multifamily use is concluded to be the highest and best use as improved.
<b>Most Probable Buyer</b>	Taking into account the size and characteristics of the property and its multifamily occupancy, the likely buyer is a local and regional investor/developer.

## Appraisal Valuation Process

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

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

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

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

**Approaches to Value Applied**

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

The Cost Approach is not used in this assignment due to the age and condition of the improvements and the difficulty in credibly isolating the influence of physical and economic depreciation. More importantly, investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value. The exclusion of this approach is not considered to impact the reliability of the appraisal.

## Income Capitalization Approach

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

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

### Income Analysis

#### Current Residential Rent Roll

86-06 35th Avenue currently contains 87 occupied units and 3 vacant units (2D, 2L, and 6C) generating \$1,626,090 of total annual residential income. Unit 1N is occupied rent-free by the super as part of their compensation package.

**Subject In-Place Rent Roll**

#	Unit #	Rooms	Bedrooms	Rent Status	Lease Status	Monthly Rent	Rent / Room
1	001A	3	1	Rent Stabilized	Occupied	\$1,148.25	\$383
2	001B	2	0	Rent Stabilized	Occupied	\$848.13	\$424
3	001C	5	3	Rent Stabilized	Occupied	\$1,950.01	\$390
4	001D	2	0	Rent Stabilized	Occupied	\$1,663.13	\$832
5	001E	4	2	Rent Stabilized	Occupied	\$1,576.58	\$394
6	001F	2	0	Rent Stabilized	Occupied	\$1,390.87	\$695
7	001G	2	0	Rent Stabilized	Occupied	\$1,613.01	\$807
8	001H	2	0	Rent Stabilized	Occupied	\$1,750.00	\$875
9	001J	4	2	Rent Stabilized	Occupied	\$1,889.11	\$472
10	001K	2	0	Rent Stabilized	Occupied	\$1,002.48	\$501
11	001L	2	0	Rent Stabilized	Occupied	\$1,798.66	\$899
12	001M	3	1	Rent Stabilized	Occupied	\$1,948.90	\$650
13	001N	2	0	Employee	Occupied	\$0.00	\$0
14	001O	3	1	Rent Stabilized	Occupied	\$1,996.94	\$666
15	001P	2	0	Rent Stabilized	Occupied	\$1,555.76	\$778
16	002A	2	0	Rent Stabilized	Occupied	\$1,643.78	\$822
17	002B	2	0	Rent Stabilized	Occupied	\$1,226.99	\$613
18	002C	5	3	Rent Stabilized	Occupied	\$1,874.63	\$375
19	002D	3	1	Rent Stabilized	Vacant	-	-
20	002E	2	0	Rent Stabilized	Occupied	\$1,098.20	\$549
21	002F	2	0	Rent Stabilized	Occupied	\$1,917.66	\$959
22	002G	4	2	Rent Stabilized	Occupied	\$1,886.20	\$472
23	002H	2	0	Rent Stabilized	Occupied	\$1,624.38	\$812
24	002J	3	1	Rent Stabilized	Occupied	\$1,754.45	\$585
25	002K	3	1	Rent Stabilized	Occupied	\$1,533.27	\$511
26	002L	3	1	Rent Stabilized	Vacant	-	-
27	002M	3	1	Rent Stabilized	Occupied	\$1,660.33	\$553
28	002N	4	2	Rent Stabilized	Occupied	\$2,245.27	\$561
29	002O	4	2	Rent Stabilized	Occupied	\$1,511.62	\$378
30	002P	2	0	Rent Stabilized	Occupied	\$1,434.09	\$717
31	003A	2	0	Rent Stabilized	Occupied	\$1,732.50	\$866
32	003B	2	0	Rent Stabilized	Occupied	\$1,113.60	\$557
33	003C	5	3	Rent Stabilized	Occupied	\$1,452.40	\$290
34	003D	2	0	Rent Stabilized	Occupied	\$1,635.65	\$818
35	003E	4	2	Rent Stabilized	Occupied	\$2,650.00	\$663
36	003F	3	1	Rent Stabilized	Occupied	\$1,857.30	\$619

37	003G	5	3	Rent Stabilized	Occupied	\$2,233.78	\$447
38	003H	2	0	Rent Stabilized	Occupied	\$959.24	\$480
39	003J	3	1	Rent Stabilized	Occupied	\$1,938.78	\$646
40	003K	2	0	Rent Stabilized	Occupied	\$1,232.35	\$616
41	003L	2	0	Rent Stabilized	Occupied	\$1,101.90	\$551
42	003M	2	0	Rent Stabilized	Occupied	\$972.26	\$486
43	003N	4	2	Rent Stabilized	Occupied	\$2,228.94	\$557
44	003O	4	2	Rent Stabilized	Occupied	\$1,329.07	\$332
45	003P	2	0	Rent Stabilized	Occupied	\$1,495.59	\$748
46	004A	3	1	Rent Stabilized	Occupied	\$1,378.65	\$460
47	004B	4	2	Rent Stabilized	Occupied	\$1,273.08	\$318
48	004C	4	2	Rent Stabilized	Occupied	\$2,378.80	\$595
49	004D	3	1	Rent Stabilized	Occupied	\$1,857.16	\$619
50	004E	2	0	Rent Stabilized	Occupied	\$1,035.79	\$518
51	004F	2	0	Rent Stabilized	Occupied	\$1,231.18	\$616
52	004G	4	2	Rent Stabilized	Occupied	\$2,043.58	\$511
53	004H	3	1	Rent Stabilized	Occupied	\$1,703.63	\$568
54	004J	4	2	Rent Stabilized	Occupied	\$1,745.22	\$436
55	004K	2	0	Rent Stabilized	Occupied	\$1,304.25	\$652
56	004L	3	1	Rent Stabilized	Occupied	\$1,995.00	\$665
57	004M	2	0	Rent Stabilized	Occupied	\$1,292.00	\$646
58	004N	4	2	Rent Stabilized	Occupied	\$1,987.54	\$497
59	004O	3	1	Rent Stabilized	Occupied	\$1,418.81	\$473
60	004P	2	0	Rent Stabilized	Occupied	\$1,131.83	\$566
61	005A	3	1	Rent Stabilized	Occupied	\$1,181.97	\$394
62	005B	3	1	Rent Stabilized	Occupied	\$1,932.28	\$644
63	005C	2	0	Rent Stabilized	Occupied	\$1,608.00	\$804
64	005D	2	0	Rent Stabilized	Occupied	\$1,756.44	\$878
65	005E	4	2	Rent Stabilized	Occupied	\$1,226.40	\$307
66	005F	3	1	Rent Stabilized	Occupied	\$1,821.78	\$607
67	005G	2	0	Rent Stabilized	Occupied	\$1,190.68	\$595
68	005H	2	0	Rent Stabilized	Occupied	\$1,515.99	\$758
69	005J	3	1	Rent Stabilized	Occupied	\$1,187.82	\$396
70	005K	3	1	Rent Stabilized	Occupied	\$1,543.37	\$514
71	005L	3	1	Rent Stabilized	Occupied	\$1,354.30	\$451
72	005M	3	1	Rent Stabilized	Occupied	\$1,904.70	\$635
73	005N	4	2	Rent Stabilized	Occupied	\$1,639.89	\$410
74	005O	2	0	Rent Stabilized	Occupied	\$1,178.64	\$589
75	005P	4	2	Rent Stabilized	Occupied	\$2,083.74	\$521
76	006A	3	1	Rent Stabilized	Occupied	\$830.04	\$277
77	006B	2	0	Rent Stabilized	Occupied	\$1,262.68	\$631
78	006C	4	2	Rent Stabilized	Vacant	-	-
79	006D	3	1	Rent Stabilized	Occupied	\$1,436.66	\$479
80	006E	4	2	Rent Stabilized	Occupied	\$1,826.78	\$457
81	006F	2	0	Rent Stabilized	Occupied	\$894.70	\$447
82	006G	3	1	Rent Stabilized	Occupied	\$1,873.78	\$625
83	006H	3	1	Rent Stabilized	Occupied	\$1,591.87	\$531
84	006J	3	1	Rent Stabilized	Occupied	\$2,100.00	\$700
85	006K	3	1	Rent Stabilized	Occupied	\$1,565.04	\$522
86	006L	4	2	Rent Stabilized	Occupied	\$1,321.54	\$330
87	006M	2	0	Rent Stabilized	Occupied	\$1,278.90	\$639
88	006N	4	2	Rent Stabilized	Occupied	\$1,403.75	\$351
89	006O	3	1	Rent Stabilized	Occupied	\$1,784.14	\$595
90	006P	4	2	Rent Stabilized	Occupied	\$1,959.06	\$490
<b>Totals/Avg's</b>		<b>263</b>	<b>83</b>			<b>\$135,507.52</b>	<b>\$515.24</b>
<b>Annual</b>						<b>\$1,626,090.24</b>	

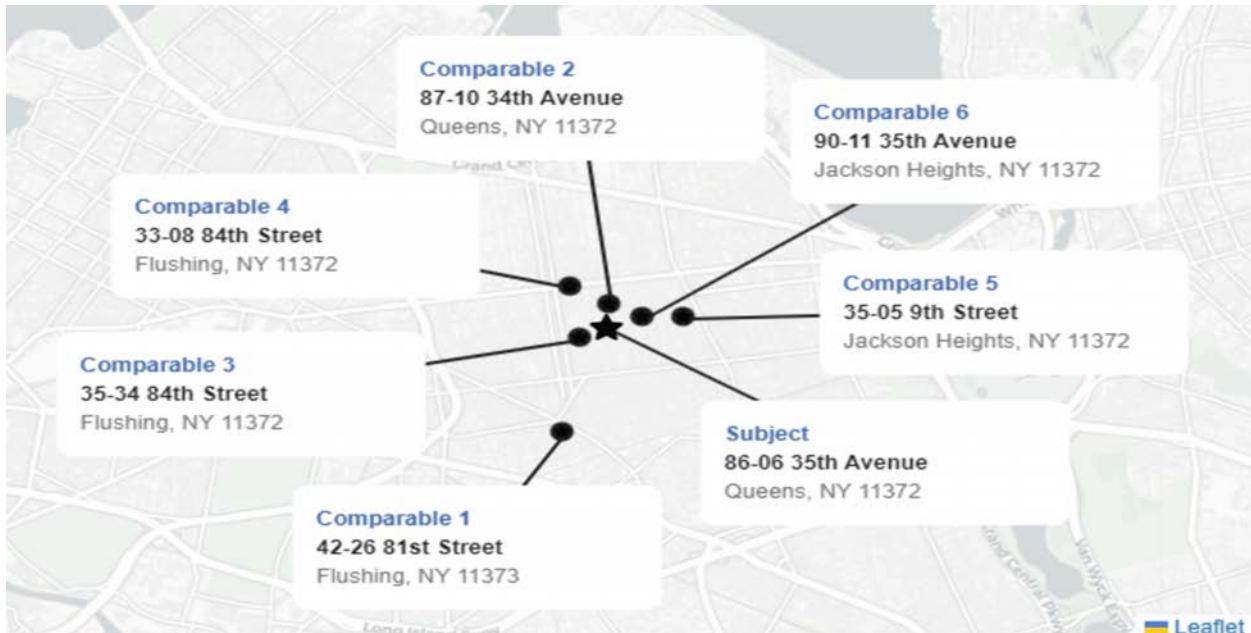
### In-Place Rent Roll Summary by Unit Type

Unit Type	No. of Occupied Units	No. of Vacant Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Studio	36	0	\$848 - \$1,918	\$569,895.72	\$1,356.89
1 Bedroom	27	2	\$830 - \$2,100	\$531,590.64	\$1,640.71
2 Bedroom	20	1	\$1,226 - \$2,650	\$434,474.04	\$1,810.31
3 Bedroom	4	0	\$1,452 - \$2,234	\$90,129.84	\$1,877.71
<b>Totals/Averages</b>	<b>87</b>	<b>3</b>		<b>\$1,626,090.24</b>	<b>\$1,575.69</b>

### Comparable Rentals

In order to gauge the reasonableness of the contract rents, we have examined the following nearby rental activity:

#### Studio Rentals



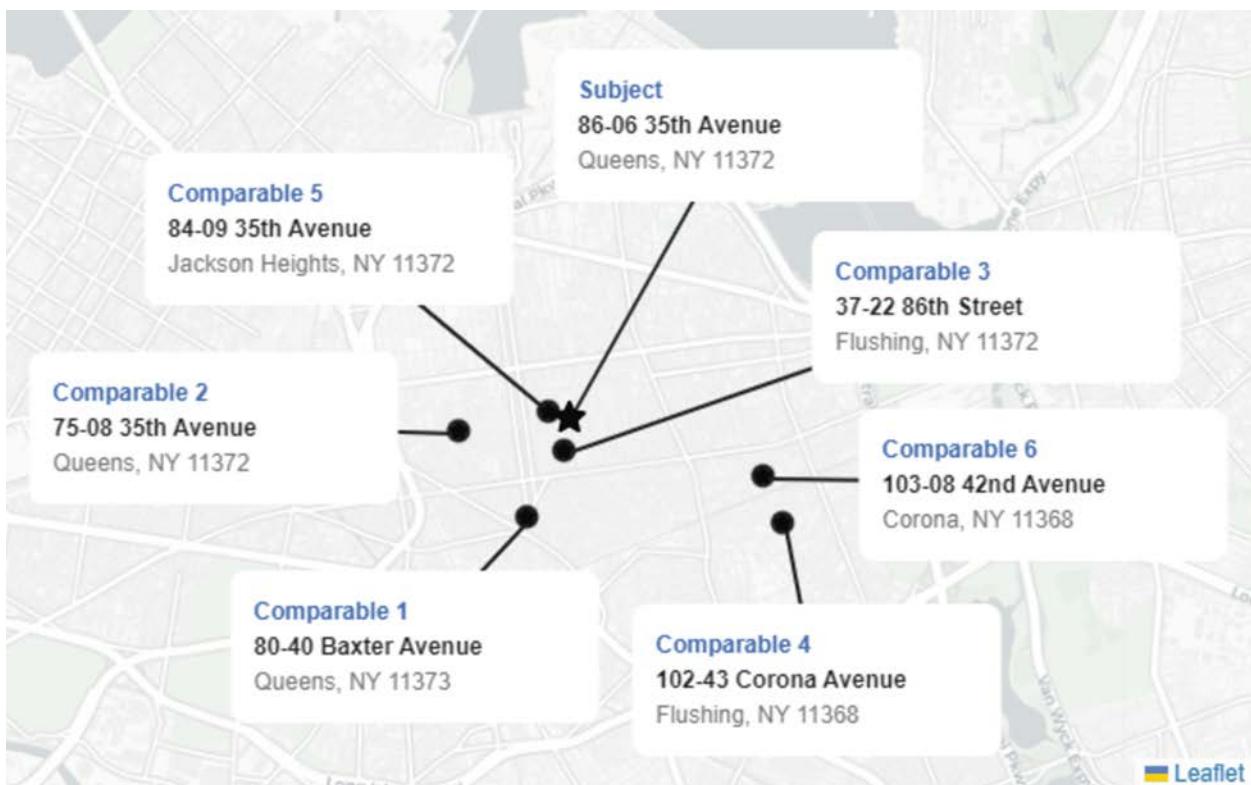
### Studio Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	42-26 81st Street, Flushing, NY	2	0	\$1,800	\$900
2	87-10 34th Avenue, Queens, NY	2	0	\$1,800	\$900
3	35-34 84th Street, Flushing, NY	2	0	\$1,675	\$838
4	33-08 84th Street, Flushing, NY	2	0	\$1,725	\$863
5	35-05 9th Street, Jackson Heights, NY	2	0	\$1,750	\$875
6	90-11 35th Avenue, Jackson Heights, NY	2	0	\$1,750	\$875
				Min \$1,675	\$838
				Average \$1,750	\$875
				Max \$1,800	\$900

### Studio Units

The subject has one studio occupied by the super and the remaining 35 units are all rent stabilized. The in-place leases range from \$848 per month to \$1,918 per month, with an average of \$1,357 per month. There are 11 units with market-oriented in-place leases range from \$1,608 to \$1,918 per month. Comparable studio units range from \$1,675 to \$1,800 per month with an average of \$1,750 per month. Based on the subject's in-place market-oriented rents and the range of the comparables, we forecast a market rent of \$1,700 per month.

## 1 BR Rentals



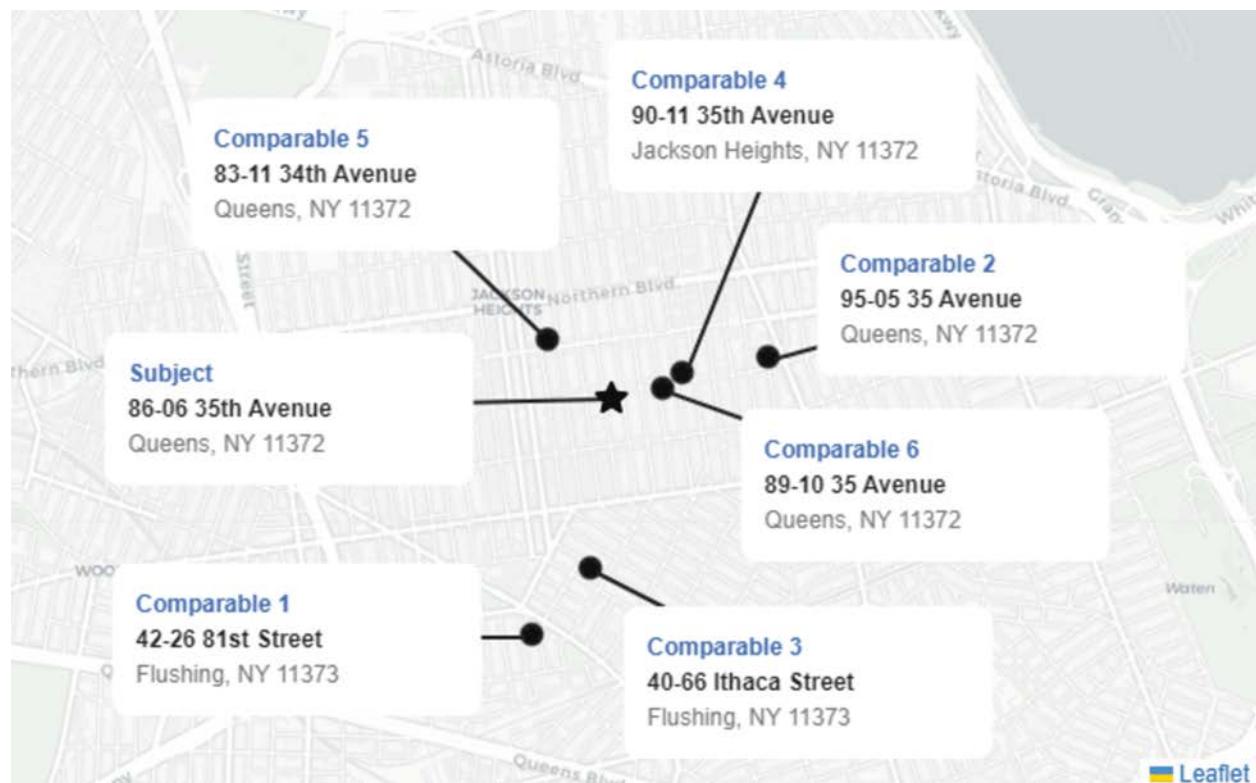
### 1 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	80-40 Baxter Avenue, Queens, NY	3	1	\$1,850	\$617
2	75-08 35th Avenue, Queens, NY	3	1	\$1,995	\$665
3	37-22 86th Street, Flushing, NY	3	1	\$1,750	\$583
4	102-43 Corona Avenue, Flushing, NY	3	1	\$1,850	\$617
5	84-09 35th Avenue, Jackson Heights, NY	3	1	\$1,900	\$633
6	103-08 42nd Avenue, Corona, NY	3	1	\$1,850	\$617
Min \$1,750					
Average \$1,866					
Max \$1,995					

## 1 BR Units

The subject's one-bedroom units are all rent stabilized and range from \$831 per month to \$2,100 per month, with an average of \$1,641 per month. There are 14 units with market-oriented in-place leases range from \$1,704 to \$2,100 per month. Comparable one-bedroom units range from \$1,750 to \$1,995 per month with an average of \$1,866 per month. Based on the subject's in-place market-oriented rents and the range of the comparables, we forecast a market rent of \$1,850 per month.

## 2 BR Rentals



## 2 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	42-26 81st Street, Flushing, NY	4	2	\$2,500	\$625
2	95-05 35 Avenue, Queens, NY	4	2	\$2,400	\$600
3	40-66 Ithaca Street, Flushing, NY	4	2	\$2,500	\$625
4	90-11 35th Avenue, Jackson Heights, NY	4	2	\$2,400	\$600
5	83-11 34th Avenue, Queens, NY	4	2	\$2,275	\$569
6	89-10 35 Avenue, Queens, NY	4	2	\$2,300	\$575
Min \$2,275					
Average \$2,396					
Max \$2,500					

## 2 BR Units

The subject's two-bedroom units are all rent stabilized and range from \$1,226 to \$2,650 per month, with an average of \$1,810 per month. There are 6 units with market-oriented in-place leases range from \$2,044 to \$2,650 per month. Comparable two-bedroom units range from \$2,275 to \$2,500 per month with an average of \$2,396 per month. Based on the subject's in-place market-oriented rents and the range of the comparables, we forecast a market rent of \$2,300 per month.

### 3 BR Rentals



### 3 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	69-19 31st Avenue, Flushing, NY	5	3	\$2,800	\$560
2	30-27 69th Street, Flushing, NY	5	3	\$2,700	\$540
3	41-16 54th Street, Flushing, NY	5	3	\$2,650	\$530
4	33-54 83rd Street, Flushing, NY	5	3	\$2,995	\$599
5	48-45 58th Street, Woodside, NY	5	3	\$2,800	\$560
Min \$2,650					
Average \$2,789					
Max \$2,995					

### 3 BR Units

The subject's three-bedroom units range are all rent stabilized and range from \$1,452 to \$2,234 per month, with an average of \$1,878. There are no market-oriented in-place leases. Due to a dearth of comparable three-bedroom apartments within larger buildings, we have included comparables of units located within smaller two-family or three-family dwellings. The comparable three-bedroom units range from \$2,650 to \$2,995 per month with an average of \$2,789 per month. Based on the subject's in-place rents and the range of the comparables, we forecast a market rent of \$2,650 per month.

## Rent Reconciliation

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 primarily residential section of Jackson Heights, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has good access to mass transportation, and the block is appealing. The comparables are similar in their physical and locational appeal and are good indicators of value. Thus, our analysis of the forecast of market rents is presented:

**Market Rent Comparison**

<b>Bedroom</b>	<b>Market Survey</b>	<b>Subject In-Place Leases</b>	<b>In-Place Subject Market-Oriented Units</b>	<b>Market Rent Conclusion</b>
Studio Minimum	\$1,675	\$848	\$1,608	
Studio Average	\$1,750	\$1,357	\$1,704	\$1,700
Studio Maximum	\$1,800	\$1,918	\$1,918	
1 BR Minimum	\$1,750	\$830	\$1,704	
1 BR Average	\$1,865	\$1,641	\$1,891	\$1,850
1 BR Maximum	\$1,995	\$2,100	\$2,100	
2 BR Minimum	\$2,275	\$1,226	\$2,044	
2 BR Average	\$2,396	\$1,810	\$2,272	\$2,300
2 BR Maximum	\$2,500	\$2,650	\$2,650	
3 BR Minimum	\$2,650	\$1,452	-	
3 BR Average	\$2,789	\$1,878	-	\$2,650
3 BR Maximum	\$2,995	\$2,234	-	

## Vacant Units

The subject vacant units are rent stabilized, thus the last legal rent is applied in the stabilized rent roll:

**Vacant Unit Forecast**

<b>Unit</b>	<b>Unit Type</b>	<b>Last Legal Rent</b>	<b>Market Rent</b>	<b>Applied Rent</b>	<b>Annual Total</b>
2D	1 BR	\$1,336.54	\$1,850	\$1,336.54	\$16,038.48
2L	1 BR	\$1,198.31	\$1,850	\$1,198.31	\$14,379.72
6C	2 BR	\$1,562.96	\$2,300	\$1,562.96	\$18,755.52
<b>Total</b>		<b>\$4,097.81</b>	<b>\$6,000</b>	<b>\$4,097.81</b>	<b>\$49,173.72</b>

## Base Residential Income

86-06 35th Avenue contains 90 residential units; the residential rent roll is summarized by unit type and rent regulation status. We note the average rent per month calculations do not include the unit occupied by the subject superintendent.

**Rent Roll Summary by Unit Type**

<b>Unit Type</b>	<b>No. of Units</b>	<b>Rental Range Per Month</b>	<b>Total Annual Rent</b>	<b>Avg. Rent Per Month</b>
Studio	36	\$848 - \$1,918	\$569,896	\$1,357
1 BR	29	\$830 - \$2,100	\$562,009	\$1,615
2 BR	21	\$1,226 - \$2,650	\$453,230	\$1,799
3 BR	4	\$1,452 - \$2,234	\$90,130	\$1,878
<b>Totals/Average</b>	<b>90</b>		<b>\$1,675,264</b>	<b>\$1,569</b>

## Rent Roll Summary by Rent Regulation Status

Income Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Rent Stabilized	89	\$830 - \$2,650	\$1,675,264	\$1,569
Market Rate	1	\$0	\$0	\$0
<b>Totals/Average</b>	<b>90</b>		<b>\$1,675,264</b>	<b>\$1,569</b>

The average forecasted monthly rent is \$1,569 compared to \$1,554 in Q2 2023.

The contract rents are based on the following expense structure:

**Landlord's Obligations** Common area electricity, heat, refuse removal, water/sewer and common area maintenance.

**Tenant Obligations** In-unit electricity and cooking gas.

## Rent Adjustments

## Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

For one-year leases, allowable increases for units subject to rent stabilization are 3.00% and for two-year leases allowable increases are set for 2.75% in the first year and 3.2% in the second year based on the previous year's rent (an effective increase of 6.038%). Given that most rent stabilized units will turnover during our forecast period, it is necessary to reflect this in our pro forma. After applying the average allowable rent growth to the assumption that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases, the adjusted weighted average increase for rent stabilized units amounts to 3.01%.

## Project Rent Stabilized Rent Growth

	Allowable Increase	Tenancy		12-Mo. Adj. Factor	Blended Increase
1-Year	3.00%	x 50%	x	100%	= 1.50%
2-Year	6.04%	x 50%	x	50%	= 1.51%
<b>Weighted Average Increase</b>					<b>3.01%</b>

## Potential Gross Residential Income

Potential gross residential income is summarized by income type:

### Potential Gross Residential Income

<b>Income Type</b>	<b>Annual Rent</b>	<b>Increase</b>	<b>PGI</b>
Rent Stabilized	\$1,675,264	x	1.03010 = \$1,725,689
Market Rate	\$0	x	1.00000 = \$0
<b>Total</b>	<b>\$1,675,264</b>		<b>\$1,725,689</b>

Based on our market rent conclusions and stabilized income projection, the residential rent roll is 80% of market.

## Miscellaneous Income

### Laundry Income

The subject derives additional income from washers and dryers in the laundry room. The laundry facilities are leased to Hercules for \$800 per month or \$9,600 annually, which equates to \$8.89 per unit per month. Based on comparable assets in the marketplace, this income is reasonable and will be applied in the stabilized pro forma.

### Parking Income

The subject property has 30 parking spaces available.

### Residential Vacancy and Collection Loss

CoStar reports the submarket rate near 99.04% and metro area rate near 97.44%. Based on 86-06 35th Avenue's current and historical operating results, macro market conditions, and investor expectations, a 3.00% residential vacancy and collection loss has been applied. We note that the subject is 97% occupied and contains 89 rent stabilized residential units and 1 market rate residential unit. We do not apply vacancy loss to the laundry income.

### Effective Gross Income Summary

#### Effective Gross Income

Potential Residential Income	\$1,725,689
Potential Laundry Income	\$9,600
<b>Potential Gross Income</b>	<b>\$1,735,289</b>
Less Residential V/C Loss @ 3.00%	-\$51,771
<b>Effective Gross Income</b>	<b>\$1,683,519</b>

## Operating Expense Analysis

We were provided with the owner's historical operating expenses for 2019, 2020, 2021, 2022 November YTD Annualized, and 2023. We did not receive a pro forma. Therefore, we analyzed the subject's historical operating expenses as well as expense reports of comparable properties in developing our forecast of operating expenses. The data, analyzed in terms of residential units and gross square footage, is presented below

## Owner's Operating Expense History

<b>Historical Expenses</b>								
	<b>2019 Actual</b>				<b>2020 Actual</b>			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
<b>Effective Gross Revenue</b>	\$1,548,378	\$18.60	\$17,204	\$5,865	\$1,504,280	\$18.07	\$16,714	\$5,698
<b>Operating Expenses</b>								
Real Estate Taxes	\$379,810	\$4.56	\$4,220	\$1,439	\$399,409	\$4.80	\$4,438	\$1,513
Insurance	\$49,836	\$0.60	\$554	\$189	\$94,250	\$1.13	\$1,047	\$357
Electricity & Fuel	\$78,588	\$0.94	\$873	\$298	\$75,064	\$0.90	\$834	\$284
Water & Sewer	\$73,222	\$0.88	\$814	\$277	\$73,179	\$0.88	\$813	\$277
Repairs & Maintenance	\$69,608	\$0.84	\$773	\$264	\$45,384	\$0.55	\$504	\$172
Payroll & Benefits	\$83,130	\$1.00	\$924	\$315	\$78,179	\$0.94	\$869	\$296
General & Administrative	\$12,782	\$0.15	\$142	\$48	\$26,187	\$0.31	\$291	\$99
Management Fees	\$64,273	\$0.77	\$714	\$243	\$62,486	\$0.75	\$694	\$237
<b>Total Operating Expenses</b>	<b>\$811,249</b>	<b>\$9.75</b>	<b>\$9,014</b>	<b>\$3,073</b>	<b>\$854,138</b>	<b>\$10.26</b>	<b>\$9,490</b>	<b>\$3,235</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$431,439</b>	<b>\$5.18</b>	<b>\$4,794</b>	<b>\$1,634</b>	<b>\$454,729</b>	<b>\$5.46</b>	<b>\$5,053</b>	<b>\$1,722</b>
<b>2021 Actual</b>								
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
<b>Effective Gross Revenue</b>	\$1,532,501	\$18.41	\$17,028	\$5,805	\$1,548,667	\$18.61	\$17,207	\$5,866
<b>Operating Expenses</b>								
Real Estate Taxes	\$390,317	\$4.69	\$4,337	\$1,478	\$386,486	\$4.64	\$4,294	\$1,464
Insurance	\$112,619	\$1.35	\$1,251	\$427	\$117,972	\$1.42	\$1,311	\$447
Electricity & Fuel	\$86,174	\$1.04	\$957	\$326	\$99,861	\$1.20	\$1,110	\$378
Water & Sewer	\$59,072	\$0.71	\$656	\$224	\$109,718	\$1.32	\$1,219	\$416
Repairs & Maintenance	\$59,400	\$0.71	\$660	\$225	\$45,165	\$0.54	\$502	\$171
Payroll & Benefits	\$81,517	\$0.98	\$906	\$309	\$85,353	\$1.03	\$948	\$323
General & Administrative	\$16,956	\$0.20	\$188	\$64	\$27,799	\$0.33	\$309	\$105
Management Fees	\$63,503	\$0.76	\$706	\$241	\$61,946	\$0.74	\$688	\$235
<b>Total Operating Expenses</b>	<b>\$869,558</b>	<b>\$10.45</b>	<b>\$9,662</b>	<b>\$3,294</b>	<b>\$934,300</b>	<b>\$11.22</b>	<b>\$10,381</b>	<b>\$3,539</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$479,241</b>	<b>\$5.76</b>	<b>\$5,325</b>	<b>\$1,815</b>	<b>\$547,814</b>	<b>\$6.58</b>	<b>\$6,087</b>	<b>\$2,075</b>
<b>2023 Actual</b>								
	Gross	Per SF	Per Unit	Per Room				
<b>Effective Gross Revenue</b>	\$1,609,948	\$19.34	\$17,888	\$6,121				
<b>Operating Expenses</b>								
Real Estate Taxes	\$413,639	\$4.97	\$4,596	\$1,573				
Insurance	\$109,926	\$1.32	\$1,221	\$418				
Electricity & Fuel	\$94,283	\$1.13	\$1,048	\$358				
Water & Sewer	\$62,187	\$0.75	\$691	\$236				
Repairs & Maintenance	\$59,768	\$0.72	\$664	\$227				
Payroll & Benefits	\$84,432	\$1.01	\$938	\$321				
General & Administrative	\$26,467	\$0.32	\$294	\$101				
Management Fees	\$64,398	\$0.77	\$716	\$245				
<b>Total Operating Expenses</b>	<b>\$915,100</b>	<b>\$10.99</b>	<b>\$10,168</b>	<b>\$3,479</b>				
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$501,461</b>	<b>\$6.02</b>	<b>\$5,572</b>	<b>\$1,907</b>				

## Comparable Operating Expenses

### Basis & Totals

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Comp 7</b>	<b>Average</b>
SF	46,500	47,400	46,500	42,064	114,300	79,170	62,256	62,599
Units	46	59	46	48	121	54	41	59
Real Estate Taxes	\$89,220	\$106,229	\$80,712	-	\$507,874	\$307,064	\$7,500	\$183,100
Insurance	\$21,692	\$43,171	\$20,740	-	\$96,469	\$49,434	\$77,971	\$51,580
Electricity & Fuel	\$27,140	\$67,049	\$34,330	\$57,725	\$124,739	\$46,848	\$43,944	\$57,396
Water & Sewer	\$49,012	\$68,059	\$51,940	\$49,000	\$112,615	\$68,312	\$71,789	\$67,247
Repairs & Maintenance	\$5,408	\$30,695	\$7,516	\$24,500	\$86,294	\$31,340	\$105,096	\$41,550
Payroll & Benefits	\$17,300	\$42,999	\$17,852	\$20,580	\$124,800	\$73,989	\$35,338	\$47,551
General & Administrative	-	-	-	-	\$13,471	\$8,713	\$28,478	\$16,887
Management Fees	\$988	-	\$1,148	\$19,427	\$72,665	\$54,061	\$52,949	\$33,540
<b>Total Operating Expenses</b>	<b>\$210,760</b>	<b>\$358,202</b>	<b>\$214,238</b>	<b>\$171,232</b>	<b>\$1,138,927</b>	<b>\$639,761</b>	<b>\$423,065</b>	<b>\$450,884</b>

### Per Square Foot

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Comp 7</b>	<b>Average</b>
Real Estate Taxes	\$1.92	\$2.24	\$1.74	-	\$4.44	\$3.88	\$0.12	\$2.39
Insurance	\$0.47	\$0.91	\$0.45	-	\$0.84	\$0.62	\$1.25	\$0.76
Electricity & Fuel	\$0.58	\$1.41	\$0.74	\$1.37	\$1.09	\$0.59	\$0.71	\$0.93
Water & Sewer	\$1.05	\$1.44	\$1.12	\$1.16	\$0.99	\$0.86	\$1.15	\$1.11
Repairs & Maintenance	\$0.12	\$0.65	\$0.16	\$0.58	\$0.75	\$0.40	\$1.69	\$0.62
Payroll & Benefits	\$0.37	\$0.91	\$0.38	\$0.49	\$1.09	\$0.93	\$0.57	\$0.68
General & Administrative	-	-	-	-	\$0.12	\$0.11	\$0.46	\$0.23
Management Fees	\$0.02	-	\$0.02	\$0.46	\$0.64	\$0.68	\$0.85	\$0.45
<b>Total Operating Expenses</b>	<b>\$4.53</b>	<b>\$7.56</b>	<b>\$4.61</b>	<b>\$4.07</b>	<b>\$9.96</b>	<b>\$8.08</b>	<b>\$6.80</b>	<b>\$6.52</b>

### Per Unit

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Comp 7</b>	<b>Average</b>
Real Estate Taxes	\$1,940	\$1,800	\$1,755	-	\$4,197	\$5,686	\$183	\$2,594
Insurance	\$472	\$732	\$451	-	\$797	\$915	\$1,902	\$878
Electricity & Fuel	\$590	\$1,136	\$746	\$1,203	\$1,031	\$868	\$1,072	\$949
Water & Sewer	\$1,065	\$1,154	\$1,129	\$1,021	\$931	\$1,265	\$1,751	\$1,188
Repairs & Maintenance	\$118	\$520	\$163	\$510	\$713	\$580	\$2,563	\$738
Payroll & Benefits	\$376	\$729	\$388	\$429	\$1,031	\$1,370	\$862	\$741
General & Administrative	-	-	-	-	\$111	\$161	\$695	\$322
Management Fees	\$21	-	\$25	\$405	\$601	\$1,001	\$1,291	\$557
<b>Total Operating Expenses</b>	<b>\$4,582</b>	<b>\$6,071</b>	<b>\$4,657</b>	<b>\$3,567</b>	<b>\$9,413</b>	<b>\$11,847</b>	<b>\$10,319</b>	<b>\$7,208</b>

## Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

### Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$369,622 annually or \$4.44 per square foot.

### Insurance

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.60			
2020 Actual	\$1.13			
2021 Actual	\$1.35			
2022 Annualized Historical	\$1.42			
2023 Actual	\$1.32			
Comparable		\$0.45	\$0.76	\$1.25
<b>Appraiser's Forecast</b>	<b>\$1.32</b>			

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. With greatest consideration of the 2023 actual historical expenses, we have projected this expense at \$1.32 per square foot, or \$109,874 annually.

### Utilities (Electricity & Fuel)

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.94			
2020 Actual	\$0.90			
2021 Actual	\$1.04			
2022 Annualized Historical	\$1.20			
2023 Actual	\$1.13			
Comparable		\$0.59	\$0.93	\$1.41
<b>Appraiser's Forecast</b>	<b>\$1.15</b>			

The tenant is responsible for in-unit electricity and cooking gas. The owner is responsible for heat and common area electricity. We note that utility costs increased significantly in 2022, due to factors such as the war in Ukraine and rising inflation. With emphasis on the recent actual historical expense as well as consideration of the comparable expenses, we have projected this expense at \$1.15 per square foot, or \$95,724 annually.

### Water & Sewer

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$814			
2020 Actual	\$813			
2021 Actual	\$656			
2022 Annualized Historical	\$1,219			
2023 Actual	\$691			
Comparable		\$931	\$1,188	\$1,751
<b>Appraiser's Forecast</b>	<b>\$800</b>			

With consideration of the subject historical expense history as well as the comparable expenses, we have projected this expense at \$800 per unit, or \$72,000 annually.

### Repairs & Maintenance

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$0.84			
2020 Actual	\$0.55			
2021 Actual	\$0.71			
2022 Annualized Historical	\$0.54			
2023 Actual	\$0.72			
Comparable		\$0.12	\$0.62	\$1.69
<b>Appraiser's Forecast</b>	<b>\$0.65</b>			

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. Balancing the historical expenses, the annualized historical expense and comparable expenses, we have projected this expense at \$0.65 per square foot, or \$54,105 annually.

### Payroll & Benefits

<b>Per Unit Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$924			
2020 Actual	\$869			
2021 Actual	\$906			
2022 Annualized Historical	\$948			
2023 Actual	\$938			
Comparable		\$376	\$741	\$1,370
<b>Appraiser's Forecast</b>	<b>\$800</b>			

Payroll costs will cover building staff whose duties will include trash removal, common area cleaning and general maintenance. Payroll taxes and fringes cover state and federal taxes as well as benefits that building employees receive. The subject contains one studio unit occupied rent free by the super as part of their compensation package. Thus, we project a lower payroll expense at \$800 per unit, or \$72,000 annually.

### General & Administrative

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$0.15			
2020 Actual	\$0.31			
2021 Actual	\$0.20			
2022 Annualized Historical	\$0.33			
2023 Actual	\$0.32			
Comparable		\$0.11	\$0.23	\$0.46
<b>Appraiser's Forecast</b>	<b>\$0.20</b>			

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. With consideration of the historical expenses as well as the comparable expenses, we have projected this expense at \$0.20 per square foot, or \$16,648 annually. We have balanced the historical operating expenses and the comparables. We note that ownership does not project any replacement reserves. We will project reserves separately. The combined projection of general and administrative and replacement reserves is equal to \$0.42 per square foot, which is reasonably positioned above the 2023 actual historical expense and within the comparable range.

### Management Fees

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$0.77			
2020 Actual	\$0.75			
2021 Actual	\$0.76			
2022 Annualized Historical	\$0.74			
2023 Actual	\$0.77			
Comparable		\$0.02	\$0.45	\$0.85
<b>Appraiser's Forecast</b>	<b>\$0.61</b>			

Typically, management fees for residential properties range from 2% to 6% of effective gross income. We have projected this expense at \$0.61 per square foot, which equates to 3.00% of effective gross income.

### Replacement Reserves

<b>Per Unit Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
Comparable		-	-	-
<b>Appraiser's Forecast</b>	<b>\$200</b>			

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner nor any of the comparables reported this expense. We have projected this expense at \$200 per unit, or \$18,000 annually.

### Total Operating Expenses

<b>Per Square Foot</b>				
<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$5.18			
2020 Actual	\$5.46			
2021 Actual	\$5.76			
2022 Annualized Historical	\$6.58			
2023 Actual	\$6.02			
Comparable		\$2.61	\$4.47	\$6.68
<b>Appraiser's Forecast</b>	<b>\$5.87</b>			

### Per Unit

<b>Per Unit Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$4,794			
2020 Actual	\$5,053			
2021 Actual	\$5,325			
2022 Annualized Historical	\$6,087			
2023 Actual	\$5,572			
Comparable		\$2,642	\$4,985	\$10,136
<b>Appraiser's Forecast</b>	<b>\$5,432</b>			

Operating expenses, exclusive of real estate taxes, were forecasted at \$5.87 per square foot and \$5,432 per unit. Excluding real estate taxes, the comparables ranged from \$2.61 to \$6.68 per square foot and \$2,642 to \$10,136 per unit. Our forecast is within the comparable range on both a per square foot and per unit basis, as well as logically placed in relation to the historical performance of the asset. Thus, this forecast is reasonable and will be applied in our valuation analysis.

## Stabilized Income & Expenses

Pro Forma					
Pro Forma	\$	PSF	Per Unit	Per Room	% of PGI
<b>Income</b>					
Potential Residential Income	\$1,725,689	\$20.73	\$19,174	\$6,562	99.45%
Laundry Income	\$9,600	\$0.12	\$107	\$37	0.55%
<b>Potential Gross Income</b>	<b>\$1,735,289</b>	<b>\$20.85</b>	<b>\$19,281</b>	<b>\$6,598</b>	
Less Residential V/C Loss @ 3.00%	-\$51,771	-\$0.62	-\$575	-\$197	3.0%
<b>Effective Gross Income</b>	<b>\$1,683,519</b>	<b>\$20.23</b>	<b>\$18,706</b>	<b>\$6,401</b>	<b>97.02%</b>
<b>Operating Expenses</b>					
Real Estate Taxes	\$369,622	\$4.44	\$4,107	\$1,405	21.96%
Insurance	\$109,874	\$1.32	\$1,221	\$418	6.53%
Electricity & Fuel	\$95,724	\$1.15	\$1,064	\$364	5.69%
Water & Sewer	\$72,000	\$0.86	\$800	\$274	4.28%
Repairs & Maintenance	\$54,105	\$0.65	\$601	\$206	3.21%
Payroll & Benefits	\$72,000	\$0.86	\$800	\$274	4.28%
General & Administrative	\$16,648	\$0.20	\$185	\$63	0.99%
Management Fees	\$50,506	\$0.61	\$561	\$192	3.00%
Replacement Reserves	\$18,000	\$0.22	\$200	\$68	1.07%
<b>Total Operating Expenses</b>	<b>\$858,479</b>	<b>\$10.31</b>	<b>\$9,539</b>	<b>\$3,264</b>	<b>50.99%</b>
Total Expenses Excluding RE Taxes	\$488,857	\$5.87	\$5,432	\$1,859	29.04%
<b>Net Operating Income</b>	<b>\$825,040</b>	<b>\$9.91</b>	<b>\$9,167</b>	<b>\$3,137</b>	<b>49.01%</b>
Operating Expense Ratio		51%			

## Net Operating Income Comparison

	2019 Actual	2020 Actual	2021 Actual	2022 Annualized Historical	2023 Actual	Bowery Pro Forma
Effective Gross Income	\$1,548,378	\$1,504,280	\$1,532,501	\$1,548,667	\$1,609,948	\$1,683,519
Operating Expense						
Real Estate Taxes	\$379,810	\$399,409	\$390,317	\$386,486	\$413,639	\$369,622
Insurance	\$49,836	\$94,250	\$112,619	\$117,972	\$109,926	\$109,874
Electricity & Fuel	\$78,588	\$75,064	\$86,174	\$99,861	\$94,283	\$95,724
Water & Sewer	\$73,222	\$73,179	\$59,072	\$109,718	\$62,187	\$72,000
Repairs & Maintenance	\$69,608	\$45,384	\$59,400	\$45,165	\$59,768	\$54,105
Payroll & Benefits	\$83,130	\$78,179	\$81,517	\$85,353	\$84,432	\$72,000
General & Administrative	\$12,782	\$26,187	\$16,956	\$27,799	\$26,467	\$16,648
Management Fees	\$64,273	\$62,486	\$63,503	\$61,946	\$64,398	\$50,506
Replacement Reserves	-	-	-	-	-	\$18,000
<b>Total Operating Expenses</b>	<b>\$811,249</b>	<b>\$854,138</b>	<b>\$869,558</b>	<b>\$934,300</b>	<b>\$915,100</b>	<b>\$858,479</b>
Total Expenses Excluding RE Taxes	\$431,439	\$454,729	\$479,241	\$547,814	\$501,461	\$488,857
<b>Net Operating Income</b>	<b>\$737,129</b>	<b>\$650,142</b>	<b>\$662,943</b>	<b>\$614,367</b>	<b>\$694,848</b>	<b>\$825,040</b>
Operating Expense Ratio	52%	57%	57%	60%	57%	51%

## Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; and (3) Band of Investment.

### Band of Investment Technique

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

#### Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

#### Survey of Competitive Rates

Federal Funds Rate	5.25%-5.50%
5-year CD	4.80%-5.70%
10-year Treasury Bond	4.30%
30-year Treasury Bond	4.41%
Corporate Bonds (AAA)	4.87%

*Source: Federal Reserve Economic Data (FRED)*

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.30% suggesting mortgage rates of roughly 6.05% to 8.30% or higher. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 65% of value at an annual interest rate of 6.50% and a 30-year payout. Therefore, the mortgage constant is 0.0758.

#### Equity Component

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

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

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

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

**Amount of Equity Investment Required-** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey indicates an average equity dividend rate of 9.59% and ranges from 4.66% to 13.63%.

#### Investor Surveys

<b>Survey</b>	<b>Type of Product</b>	<b>Equity Dividend Rates</b>
Realty Rates	National Apartment	4.66% to 13.63%
4Q 2023	Market	9.59% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

An investor would likely accept an initial annual return of 2% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location in a good residential area, and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

#### Selected Loan Terms

<b>Typical Loan Terms</b>	<b>Value</b>
Mortgage Rate	6.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	65%
Equity Ratio	35%
Mortgage Constant	7.58%

#### Band of Investment

<b>Band of Investment</b>	<b>Value</b>
Mortgage Ratio	65%
Annual Mortgage Constant	x 7.58%
<b>Mortgage Component</b>	<b>4.93%</b>
Equity Ratio	35%
Equity Dividend Rate	x 2.00%
<b>Equity Component</b>	<b>0.70%</b>
<b>Indicated Overall Rate</b>	<b>5.63%</b>

## Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	Number of Units	Year Built	Sale Date	Capitalization Rate
1	94-05, 94-19, & 95-05 35th Avenue, Queens, NY	Multifamily	103	1925	6/15/23	5.50%
2	35-25 29 Street, Queens, NY	Multifamily	32	1930	5/2/23	5.80%
3	37-20 99th Street, Queens, NY	Multifamily	63	1928	2/16/23	4.78%
4	35-28 95th Street, Queens, NY	Multifamily	20	1928	8/12/22	4.23%
5	24-60 32nd Street, Queens, NY	Multifamily	16	1928	5/13/22	5.56%
6	110-20 73rd Road, Queens NY	Multifamily	78	1937	5/2/22	4.50%
7	86-22 Dongan Avenue, Queens, NY	Multifamily	83	1932	3/24/22	4.82%
<b>Avg</b>						<b>5.03%</b>

We analyzed sales of comparable multifamily assets within the subject's periphery and they exhibit overall capitalization rates from 4.23% to 5.80% with an average of 5.03%. We have supplemented our capitalization rate comparables with additional comparables not used in our sales comparison approach. The additional rates are good indicators for capitalization rates for the subject and are recent, however, there are differences regarding the comparables which do not justify utilizing the comparable in the sales comparison approach (i.e. location, size, etc.).

94-05, 94-19, & 95-05 35th Avenue is the sale of three contiguous parcels each improved with a 4-story, walk-up, multifamily building with addresses at 94-05 35th Avenue, 94-19 35th Avenue, and 95-05 35th Avenue. The three buildings contain a total of 103 rent stabilized residential units ranging from studios, one-bedroom, and two-bedroom units and 100,260 square feet of gross building area per public records.

35-25 29<sup>th</sup> Street is the sale of a four-story multifamily property located at 35-25 29 Street, Astoria, New York. The property, built in 1930, consists of 32 residential units, of which 31 are rent stabilized. The sale took place on May 2, 2023, for a price of \$6,400,000. The property is in average condition and has a gross building area of 20,600 square feet. The building features no specific amenities.

37-20 99th Street is a 5-story, walk-up multifamily building with 63 units. The property contains 55 rent stabilized units, 5 section-8 units, 1 rent controlled unit, 1 DRIE unit, and 1 SCRIE unit. The unit mix includes 12 studio units, 38 one-bedroom units, 11 two-bedroom-units, and 2 three-bedroom units. Several units have been renovated and the building has been brick pointed recently and fire escapes painted, roof is in excellent condition. It is currently in-contract, with 100% occupancy. This sale was also included as a comparable in our Sales Comparison Approach.

35-28 95th Street is the sale of a five-story, 20-unit apartment building in Jackson Heights. The property includes 20 rent stabilized, two-bedroom units. One of the units is occupied by the superintendent. The property was noted to be in good condition. This sale was also included as a comparable in our Sales Comparison Approach.

24-60 32nd Street is a 16-unit, walk-up apartment building. Each apartment contains one bedroom, and the building includes a mix of rent stabilized and free market units. The building contains a super's unit where the super lives rent-free. The property also earns additional income from antennas and billboards.

110-20 73 Road is a 6-story, elevatored mixed-use apartment building with 77 residential units and 1 commercial unit used as a dentist office. It was built in 1937, but has received more than \$2,500,000 in capital improvements since 2012, including renovations to the apartments, elevators, waterproofing and pointing, concrete work, and electrical upgrades. It contains 61 rent stabilized units, 15 free market units, and 1 superintendent's unit. There is 1 studio unit, 65 one-bedroom units, 5 two-bedroom units, and 6 three-bedroom units.

86-22 Dogan Avenue is an 83-unit elevated multifamily property in Queens. The property was built in 1932 and contains 64,509 square feet of gross building area on an 18,100 square foot lot. The property is in average condition. According to the Department of Finance, the property contains 82 rent stabilized units. It most recently sold for \$14,500,000 on March 24, 2022, between Chestnut Holdings (buyer) and Eb Management Associates LLC (seller). This equates to a price per unit of \$174,699, and a price per square foot of \$225. This sale was also included as a comparable in our Sales Comparison Approach.

Comparables 1, 3, and 4 which are included in our Sales Comparison Approach, are considered to be our strongest comparables, and are thus given the strongest consideration in our cap rate selection.

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

## National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 8%, with an average between 5.3% and 5.59%.

## Personal Survey

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

## Summary

Survey	Low	Avg	High
Band of Investment	-	5.63%	-
PwC 4Q 2023	4.00%	5.59%	8.00%
Situs-RERC 4Q 2023	4.50%	5.30%	6.50%
Comparable Cap Rates	4.23%	5.03%	5.80%

## Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the comparable range for the subject property. Our opinion is based on the following:

- The subject is 97% occupied while the rent roll is operating at 80% of market rents, suggesting security to the cash flow, but limited potential for future income spikes.
- While 89 of the 90 subject units are rent stabilized, there are 31 units leased at market-oriented rents.
- The asset is in average condition, suggesting limited risk of unscheduled capital investment necessary during the holding period.
- It is in a market where there has been continually strong demand for investment and capitalization rates have been continually strong.
- The comparables include primarily rent stabilized units, and a mix of elevator and walk-up buildings.
- Overall, the cap rate comparables offer similar opportunities for net income spikes as the subject property. Additionally, the subject property and comparables are in similar locations overall.
- Further, the subject property and comparables are in similar condition overall, with similar risk of necessary capital improvements during the holding period.
- The building contains a parking garage (valued separately) but this makes the overall property more desirable to investors.

An overall rate of 5.00% is applied in the analysis and in line with investor expectations. The value is calculated below:

#### Value Opinion Via the Income Capitalization Approach

	Date of Value	Value	Final Value (RD)
NOI		\$825,040	-
Cap Rate		5.00%	-
<b>As Is Fair Value Via the Income Capitalization Approach</b>	<b>December 31, 2023</b>	<b>\$16,500,800</b>	<b>\$16,500,000</b>

In consideration of the above analysis, the As Is Fair Value exclusive of parking \$16,500,000 reflects a unit value of \$183,333 per unit or \$198 per square foot. The final value is rounded to the nearest \$100,000.

## Parking Income Analysis

The subject has 30 parking spaces, 3 of which are vacant and another that is reserved for the super. Per the rent roll, the rents range from \$105.06 to \$229.44 per month, with an average of \$178.60 per month. According to the in-place rent roll, the current income is \$55,725 annually. We deduct a 2.00% vacancy factor, yielding EGI of \$54,610 less 3.00% operating expenses, yielding an NOI of \$52,972. We apply the same cap rate of 5.00%, which gives a value of \$1,060,000 (rounded). Thus, the total value of the residential building and the garage is \$17,560,000.

#### Parking Income Analysis

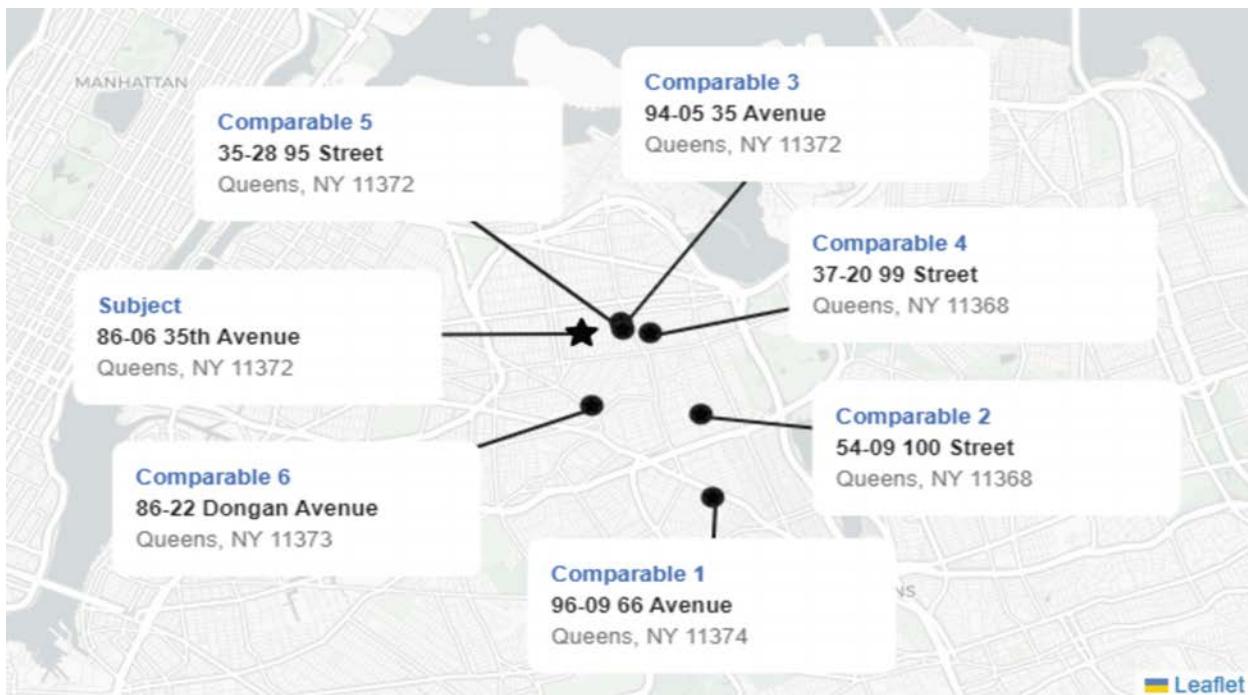
Annual Income	\$55,725	
V/C	-\$1,114	2.00%
EGI	\$54,610	
OpEx	-\$1,638	3.00%
NOI	\$52,972	
Cap Rate	5.00%	
<b>Parking Garage Indicated Value</b>	<b>\$1,059,435</b>	
<b>Parking Garage Value (Rounded)</b>	<b>\$1,060,000</b>	
<b>Total Value (Residential &amp; Garage)</b>	<b>\$17,560,000</b>	

## Sales Comparison Approach

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

The steps taken to apply this approach include the following: (a) research, confirm and verify all pertinent data for the most relevant sales within the defined market area; (b) analyze the sales considering appropriate adjustments for material difference in comparison to the subject property; and (c) reconcile the range of adjusted sale data into an opinion of value.

In order to analyze comparable sales, it is necessary to convert the sale prices to an appropriate unit of comparison, a process which facilitates price comparisons between properties of different sizes, and it also enables adjustment for qualitative differences. Since investors typically purchase multi-unit residential buildings in the subject's area in terms of value per residential unit, we have applied this unit of comparison. We note that there are a limited amount of sales for multifamily properties with greater than 25 residential units, and even fewer that contain properties that contain primarily rent regulated units. Further, within the limited number of sales, fewer fit as a strong comparable for the subject when accounting for size, location, and amenities, amongst other things.



Comparable Sales Summary<sup>8</sup>

Address	Sale Date	Square Feet	Sale Price	Sale Price Per Square Foot	NOI Per Square Feet	Cap Rate
1 96-09 66 Avenue, Queens, NY	11/28/2023	78,384	\$10,800,000	\$137.78	N/A	N/A
2 54-09 100 Street, Queens, NY	06/29/2023	266,316	\$39,000,000	\$146.44	N/A	N/A
3 94-05, 94-19, 95-05 35 Avenue, Queens, NY	06/15/2023	100,260	\$14,500,000	\$144.62	\$8	5.50%
4 37-20 99 Street, Queens, NY	02/16/2023	42,102	\$9,500,000	\$225.64	\$11	4.78%
5 35-28 95 Street, Queens, NY	08/12/2022	15,504	\$2,840,000	\$183.18	\$8	4.23%
6 86-22 Dongan Avenue, Queens, NY	03/24/2022	64,509	\$14,500,000	\$224.77	N/A	N/A

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.

## Comparable Sales Adjustment Grid

Comparable #	Subject	1	2	3	4	5	6
Address	86-06 35th Avenue, Queens, NY	96-09 66 Avenue, Queens, NY	54-09 100 Street, Queens, NY	94-05, 94-19, 95-05 35 Avenue, Queens, NY	37-20 99 Street, Queens, NY	35-28 95 Street, Queens, NY	86-22 Dongan Avenue, Queens, NY
Sale Date		11/28/2023	06/29/2023	06/15/2023	02/16/2023	08/12/2022	03/24/2022
SF	83,238	78,384	266,316	100,260	42,102	15,504	64,509
Average Unit Size (SF)	837	800	651	876	601	698	699
Year Built	1951	1939	1989	1925	1928	1928	1932
Condition	Average	Average	Average	Average	Average	Average	Average
Property Rights	Leased Fee Interest	Leased Fee Interest	Leased Fee Interest	Leased Fee Interest	Leased Fee Interest	Leased Fee Interest	Leased Fee Interest
Sale Price		\$10,800,000	\$39,000,000	\$14,500,000	\$9,500,000	\$2,840,000	\$14,500,000
<b>Price Per Square Foot:</b>		<b>\$138</b>	<b>\$146</b>	<b>\$145</b>	<b>\$226</b>	<b>\$183</b>	<b>\$225</b>
Property Rights	Leased Fee Interest	0%	0%	0%	0%	0%	0%
Financing Terms	None	0%	0%	0%	0%	0%	0%
Conditions of Sale	None	0%	0%	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2023	0%	0%	0%	0%	-10%	-10%
<b>Cumulative Price Per Square Foot:</b>		<b>\$138</b>	<b>\$146</b>	<b>\$145</b>	<b>\$226</b>	<b>\$165</b>	<b>\$202</b>
Location	Jackson Heights	0%	0%	0%	0%	0%	0%
Utility	Elevated	5%	-5%	10%	10%	10%	0%
Size	83,238	0%	10%	5%	-10%	-10%	-5%
Rent Stabilization Level	99%	-5%	5%	0%	0%	0%	0%
Condition	Average	0%	10%	0%	0%	0%	0%
Average Unit Size	837	0%	5%	0%	5%	5%	5%
<b>Net Adjustments</b>		<b>0%</b>	<b>25%</b>	<b>15%</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>
<b>Adjusted Price Per Square Foot</b>		<b>\$138</b>	<b>\$183</b>	<b>\$166</b>	<b>\$237</b>	<b>\$173</b>	<b>\$202</b>

Unadjusted	Adjusted
Low	Low
Average	Average
High	High
Median	Median

<b>Property Rights Appraised</b>	The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required.
<b>Financing Terms</b>	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.
<b>Conditions of Sale</b>	Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.
<b>Market Conditions (Time)</b>	The purpose of this adjustment is to account for changes in market conditions. Comparable 5 and 6 received a downward adjustment to account for moderate market depreciation that occurred over the course of the year as rising inflation and interest rates impacted the market.
<b>Location</b>	The subject property is located in the Jackson Heights neighborhood of Queens, New York. All comparables used in this analysis are in similar locations compared to the subject property. Therefore, no adjustments were required.
<b>Utility</b>	The subject is a multifamily, corner, elevated building. It features average quality overall finishes and features a laundry room and on-site parking.
	We have considered corner vs. mid-block location, unit and property finishes, walk-up vs. elevator, unit and building amenities, and commercial space within the scope of the utility adjustment. Based on these factors, the following adjustments were made to the comparables, while other minor differences were considered qualitatively in the sale value conclusion.
	<b>Elevator:</b> The subject property has an elevator. Elevated buildings typically command a higher price per square foot. Comparables 2 and 6 are similar elevated buildings warranting no adjustment, however, comparables 3 and 4 are walk-up properties warranting an upward adjustment.
	<b>Amenities:</b> Comparable 2 features a doorman which is a superior amenity warranting a downward adjustment. Comparables 1, 3, 4, and 5 lack on-site parking, and thus required upward adjustments.
<b>Size</b>	This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per residential unit such that smaller properties will sell for higher prices per residential unit and vice versa. Comparables 2 and 3 warranted upward adjustments as they are significantly larger than the subject. Comparables 4, 5 and 6 warranted downward adjustments as they are significantly smaller than the subject.

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Elevator	0%	0%	5%	5%	5%	0%
Amenities	5%	-5%	5%	5%	5%	0%
<b>Total Utility Adjustment</b>	<b>5%</b>	<b>-5%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>0%</b>

<b>Rent Stabilization Level</b>	The subject is 99% rent stabilized, of the 90 residential units, 89 are rent stabilized. All comparables feature similar levels of rent stabilization warranting no adjustments except comparable 1 which features a lower level of stabilization. We note that Comparable 2 reportedly has extended the property's affordability restrictions for an additional 40 years under a new affordable housing program through Article XI where current legal rents remain in place. Rents for new residents will be further restricted, with rents set to 30% AMI (35 units), 50% AMI (8 units), 80% AMI (230 units) and 100% AMI (22 units) warranting an upward adjustment.
<b>Condition</b>	The subject property was constructed in 1951 and is in average condition. Comparable 2 is in an inferior condition and the buyer plans to renovate the roofing and solar panels, as well as make kitchen and bathroom apartment upgrades, and thus required a positive adjustment.
<b>Average Unit Size</b>	The subject average unit size is 837 square feet. The comparables range between 601 to 876 square feet per unit on average. We have upwards adjusted all comparables due to their smaller average unit size except comparables 1 and 3 which features a similar average unit size to the subject.

After adjustments, the comparable sales exhibited a range between \$138 per square foot and \$237 per square foot with an average of \$183 per square foot and a median of \$178 per square foot.

According to the Ariel Property Advisors Multifamily Year In Review New York City 2023 report, sales of buildings within the Queens sub-market that are 75%+ rent stabilized reported having an average sales price of \$152,801 per unit or \$209 per square foot. This category of properties represented 68% of the transactions and 57% of the dollar volume in the Queens sub-market.

We emphasize comparables 3 and 4 which are similar in size and in proximity to the subject having traded recently during 2023 reflecting current market conditions. We also consider the Ariel Property Advisors report. Thus, considering the elements of comparison noted above, our opinion of market value is \$210 per square foot.

#### Value Opinion via the Sales Comparison Approach

	Date of Value	Value	Final Value (RD)
Concluded Value Per Square Foot		\$210	-
Gross Building Area (SF)		83,238	-
<b>As Is Fair Value Via the Sales Comparison Approach</b>	<b>December 31, 2023</b>	<b>\$17,479,980</b>	<b>\$17,500,000</b>

The final value is rounded to the nearest \$100,000.

## Reconciliation & Final Value

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

Estimated Values			
Approach	Value	Date	Conclusion
Cost Approach	As Is Fair Value	N/A	Not Applied
Income Capitalization Approach	As Is Fair Value Excluding Parking	December 31, 2023	\$16,500,000
Income Capitalization Approach	As Is Fair Value Parking Only	December 31, 2023	\$1,060,000
Income Capitalization Approach	Total As Is Fair Value	December 31, 2023	\$17,560,000
Sales Comparison Approach	As Is Fair Value	December 31, 2023	\$17,500,000

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of this approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value. 86-06 35th Avenue was constructed in 1951 and has notable physical and economic depreciation, therefore we chose not to use this approach.

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

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of the Income Approach.

### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value Excluding Parking	December 31, 2023	Leased Fee Interest	\$16,500,000
As Is Fair Value Parking Only	December 31, 2023	Leased Fee Interest	\$1,060,000
Total As Is Fair Value Including Parking	December 31, 2023	Leased Fee Interest	\$17,560,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

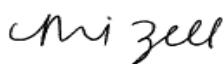
<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Jon Nathanson has made a personal inspection of the property that is the subject of this report on 2/29/2024. Michelle Zell, Maren Lewis and Brandon Pan have not made a personal inspection of the property that is the subject of this report.
- Jon Nathanson provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI and Maren Lewis, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.



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## Addenda

### Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

## Subject Property Photos

All subject photos were taken on the date of value of this appraisal.

Building Facade



Subject Street



Subject Street



Subject Street



Subject Street

Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance



Exterior Entrance



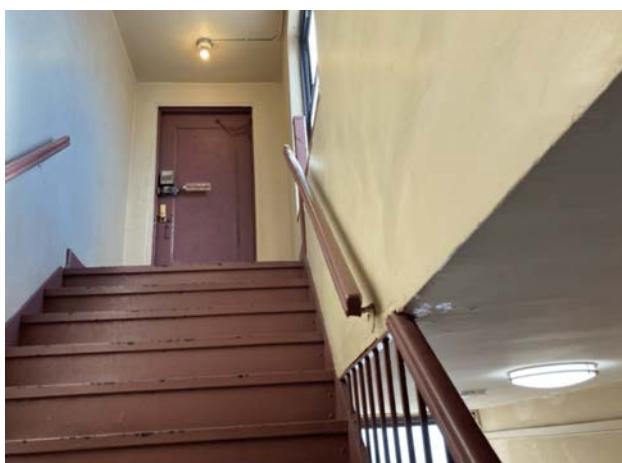
Exterior Entrance



Exterior Entrance



Typical Stairway



Typical Kitchen



Typical Bathroom



Typical Bedroom



Typical Bedroom



Typical Living Room



Typical Living Room



Electric Meters



Electric Meters



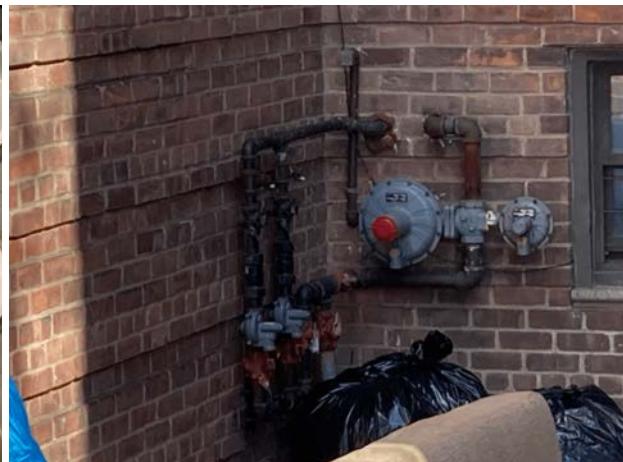
Electric Meters



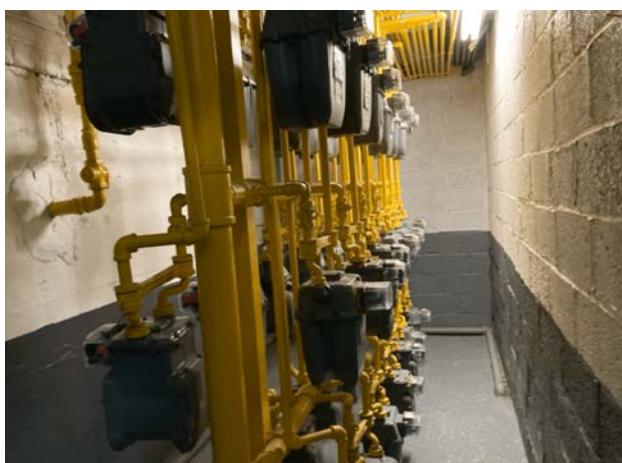
Electric Meters



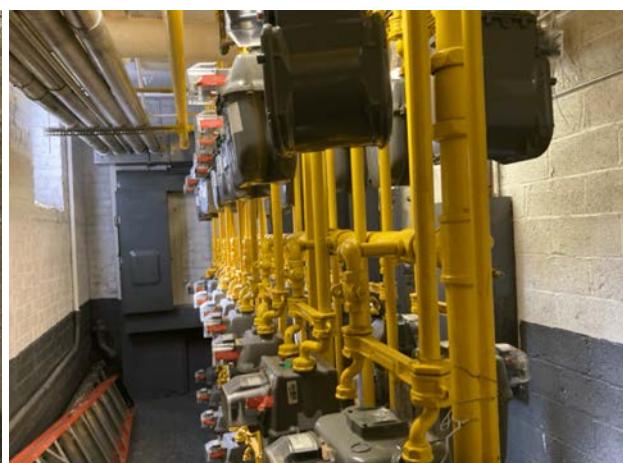
Gas Meters



Gas Meters



Gas Meters



Hot Water System



Hot Water System



Hot Water System



Roof



Roof



Roof



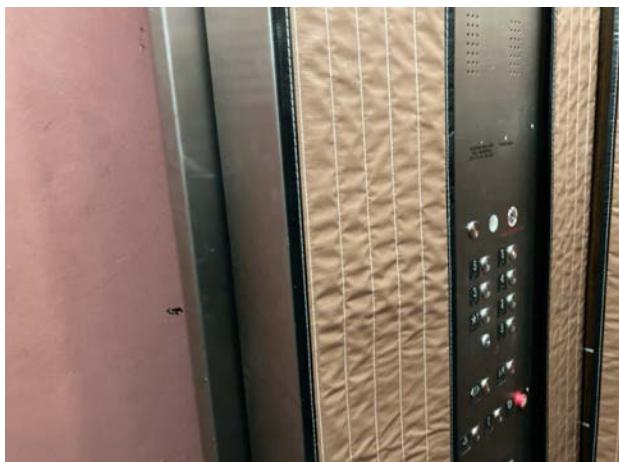
Roof



Elevator



Elevator



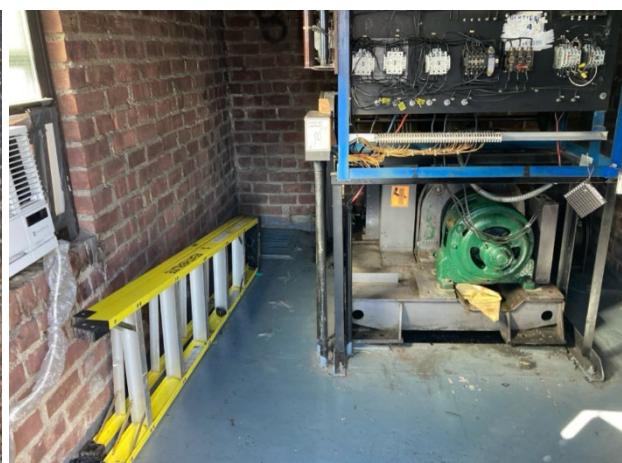
Elevator



Elevator



Elevator



Laundry Room



Laundry Room



Laundry Room



Parking



Parking



Parking



Parking

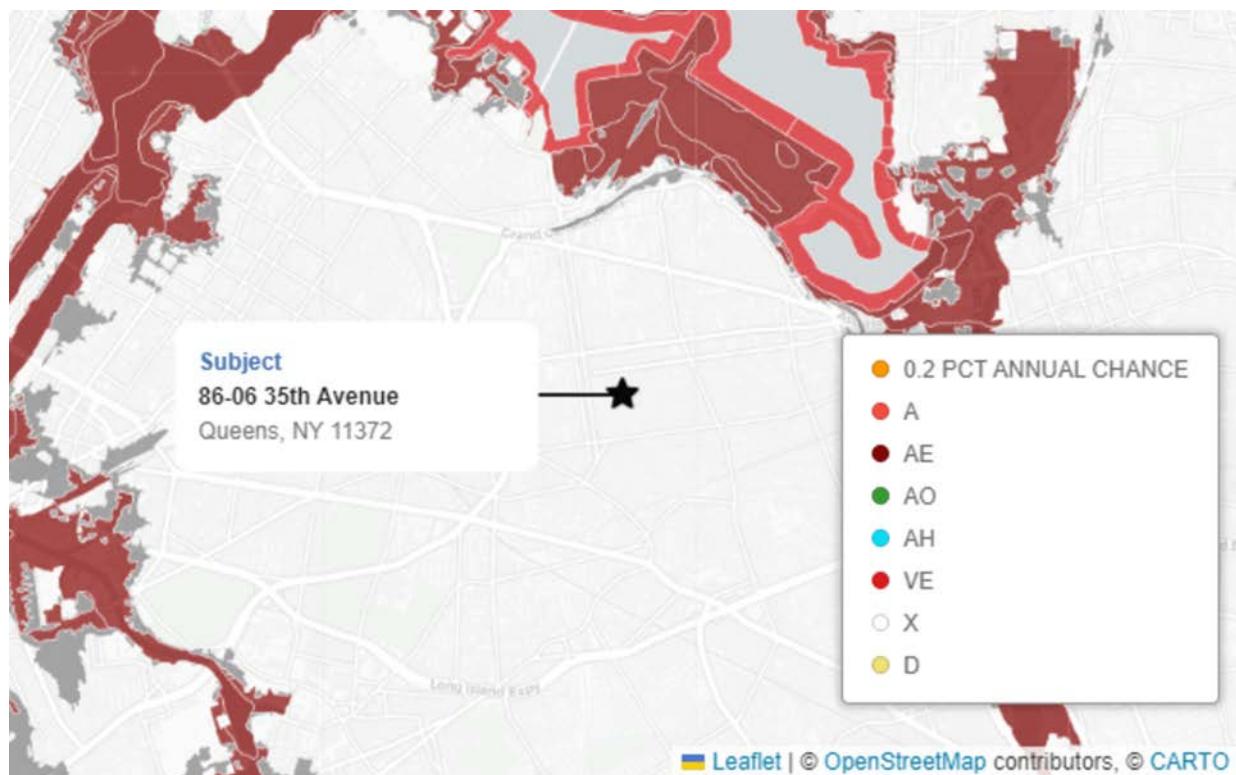


## Map Gallery

### Zoning Map



## Flood Map



## Rent Roll & Financial Statements

### 86-06 35th Avenue

#	Unit #	Rooms	BDs	Rent Status	Monthly Rent	Rent / Room	Bowery Rent Estimate
1	001A	3	1	Rent Stabilized	\$1,148.25	\$383	\$1,850
2	001B	2	0	Rent Stabilized	\$848.13	\$424	\$1,700
3	001C	5	3	Rent Stabilized	\$1,950.01	\$390	\$2,650
4	001D	2	0	Rent Stabilized	\$1,663.13	\$832	\$1,700
5	001E	4	2	Rent Stabilized	\$1,576.58	\$394	\$2,300
6	001F	2	0	Rent Stabilized	\$1,390.87	\$695	\$1,700
7	001G	2	0	Rent Stabilized	\$1,613.01	\$807	\$1,700
8	001H	2	0	Rent Stabilized	\$1,750.00	\$875	\$1,700
9	001J	4	2	Rent Stabilized	\$1,889.11	\$472	\$2,300
10	001K	2	0	Rent Stabilized	\$1,002.48	\$501	\$1,700
11	001L	2	0	Rent Stabilized	\$1,798.66	\$899	\$1,700
12	001M	3	1	Rent Stabilized	\$1,948.90	\$650	\$1,850
13	001N	2	0	Market Rate	\$0.00	\$0	\$1,700
14	001O	3	1	Rent Stabilized	\$1,996.94	\$666	\$1,850
15	001P	2	0	Rent Stabilized	\$1,555.76	\$778	\$1,700
16	002A	2	0	Rent Stabilized	\$1,643.78	\$822	\$1,700
17	002B	2	0	Rent Stabilized	\$1,226.99	\$613	\$1,700
18	002C	5	3	Rent Stabilized	\$1,874.63	\$375	\$2,650
19	002D	3	1	Rent Stabilized	\$1,336.54	\$446	\$1,850
20	002E	2	0	Rent Stabilized	\$1,098.20	\$549	\$1,700
21	002F	2	0	Rent Stabilized	\$1,917.66	\$959	\$1,700
22	002G	4	2	Rent Stabilized	\$1,886.20	\$472	\$2,300
23	002H	2	0	Rent Stabilized	\$1,624.38	\$812	\$1,700
24	002J	3	1	Rent Stabilized	\$1,754.45	\$585	\$1,850
25	002K	3	1	Rent Stabilized	\$1,533.27	\$511	\$1,850
26	002L	3	1	Rent Stabilized	\$1,198.31	\$399	\$1,850
27	002M	3	1	Rent Stabilized	\$1,660.33	\$553	\$1,850
28	002N	4	2	Rent Stabilized	\$2,245.27	\$561	\$2,300
29	002O	4	2	Rent Stabilized	\$1,511.62	\$378	\$2,300
30	002P	2	0	Rent Stabilized	\$1,434.09	\$717	\$1,700
31	003A	2	0	Rent Stabilized	\$1,732.50	\$866	\$1,700
32	003B	2	0	Rent Stabilized	\$1,113.60	\$557	\$1,700
33	003C	5	3	Rent Stabilized	\$1,452.40	\$290	\$2,650
34	003D	2	0	Rent Stabilized	\$1,635.65	\$818	\$1,700
35	003E	4	2	Rent Stabilized	\$2,650.00	\$663	\$2,300
36	003F	3	1	Rent Stabilized	\$1,857.30	\$619	\$1,850
37	003G	5	3	Rent Stabilized	\$2,233.78	\$447	\$2,650
38	003H	2	0	Rent Stabilized	\$959.24	\$480	\$1,700
39	003J	3	1	Rent Stabilized	\$1,938.78	\$646	\$1,850
40	003K	2	0	Rent Stabilized	\$1,232.35	\$616	\$1,700
41	003L	2	0	Rent Stabilized	\$1,101.90	\$551	\$1,700
42	003M	2	0	Rent Stabilized	\$972.26	\$486	\$1,700
43	003N	4	2	Rent Stabilized	\$2,228.94	\$557	\$2,300
44	003O	4	2	Rent Stabilized	\$1,329.07	\$332	\$2,300
45	003P	2	0	Rent Stabilized	\$1,495.59	\$748	\$1,700
46	004A	3	1	Rent Stabilized	\$1,378.65	\$460	\$1,850
47	004B	4	2	Rent Stabilized	\$1,273.08	\$318	\$2,300
48	004C	4	2	Rent Stabilized	\$2,378.80	\$595	\$2,300
49	004D	3	1	Rent Stabilized	\$1,857.16	\$619	\$1,850
50	004E	2	0	Rent Stabilized	\$1,035.79	\$518	\$1,700
51	004F	2	0	Rent Stabilized	\$1,231.18	\$616	\$1,700
52	004G	4	2	Rent Stabilized	\$2,043.58	\$511	\$2,300

53	004H	3	1	Rent Stabilized	\$1,703.63	\$568	\$1,850
54	004J	4	2	Rent Stabilized	\$1,745.22	\$436	\$2,300
55	004K	2	0	Rent Stabilized	\$1,304.25	\$652	\$1,700
56	004L	3	1	Rent Stabilized	\$1,995.00	\$665	\$1,850
57	004M	2	0	Rent Stabilized	\$1,292.00	\$646	\$1,700
58	004N	4	2	Rent Stabilized	\$1,987.54	\$497	\$2,300
59	004O	3	1	Rent Stabilized	\$1,418.81	\$473	\$1,850
60	004P	2	0	Rent Stabilized	\$1,131.83	\$566	\$1,700
61	005A	3	1	Rent Stabilized	\$1,181.97	\$394	\$1,850
62	005B	3	1	Rent Stabilized	\$1,932.28	\$644	\$1,850
63	005C	2	0	Rent Stabilized	\$1,608.00	\$804	\$1,700
64	005D	2	0	Rent Stabilized	\$1,756.44	\$878	\$1,700
65	005E	4	2	Rent Stabilized	\$1,226.40	\$307	\$2,300
66	005F	3	1	Rent Stabilized	\$1,821.78	\$607	\$1,850
67	005G	2	0	Rent Stabilized	\$1,190.68	\$595	\$1,700
68	005H	2	0	Rent Stabilized	\$1,515.99	\$758	\$1,700
69	005J	3	1	Rent Stabilized	\$1,187.82	\$396	\$1,850
70	005K	3	1	Rent Stabilized	\$1,543.37	\$514	\$1,850
71	005L	3	1	Rent Stabilized	\$1,354.30	\$451	\$1,850
72	005M	3	1	Rent Stabilized	\$1,904.70	\$635	\$1,850
73	005N	4	2	Rent Stabilized	\$1,639.89	\$410	\$2,300
74	005O	2	0	Rent Stabilized	\$1,178.64	\$589	\$1,700
75	005P	4	2	Rent Stabilized	\$2,083.74	\$521	\$2,300
76	006A	3	1	Rent Stabilized	\$830.04	\$277	\$1,850
77	006B	2	0	Rent Stabilized	\$1,262.68	\$631	\$1,700
78	006C	4	2	Rent Stabilized	\$1,562.96	\$391	\$2,300
79	006D	3	1	Rent Stabilized	\$1,436.66	\$479	\$1,850
80	006E	4	2	Rent Stabilized	\$1,826.78	\$457	\$2,300
81	006F	2	0	Rent Stabilized	\$894.70	\$447	\$1,700
82	006G	3	1	Rent Stabilized	\$1,873.78	\$625	\$1,850
83	006H	3	1	Rent Stabilized	\$1,591.87	\$531	\$1,850
84	006J	3	1	Rent Stabilized	\$2,100.00	\$700	\$1,850
85	006K	3	1	Rent Stabilized	\$1,565.04	\$522	\$1,850
86	006L	4	2	Rent Stabilized	\$1,321.54	\$330	\$2,300
87	006M	2	0	Rent Stabilized	\$1,278.90	\$639	\$1,700
88	006N	4	2	Rent Stabilized	\$1,403.75	\$351	\$2,300
89	006O	3	1	Rent Stabilized	\$1,784.14	\$595	\$1,850
90	006P	4	2	Rent Stabilized	\$1,959.06	\$490	\$2,300
<b>Totals/Avg's</b>		<b>263</b>	<b>119</b>		<b>\$139,605.33</b>	<b>\$531</b>	<b>\$173,750</b>
<b>Annual</b>					<b>\$1,675,263.96</b>		<b>\$2,085,000</b>

## Comparable Sales Outline

### Comparable Sale 1



#### Location Overview

<b>Street Address</b>	96-09 66 Avenue
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11374
<b>Property ID</b>	3087/33
<b>Neighborhood/District</b>	Forest Hills

#### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	20,000 SF
<b>Year Built</b>	1939 est.	<b>Residential Units</b>	66
<b># Floors</b>	6	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Elevator	<b>Commercial Units</b>	0
<b>GBA</b>	78,384 SF	<b>Average Unit Size</b>	800 SF

#### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$10,800,000
<b>Sale Date</b>	11/28/2023	<b>Per Unit</b>	\$163,636
<b>Grantee</b>	96-09 Rego Park LLC	<b>Per SF</b>	\$138
<b>Grantor</b>	96-09 Realty Co LLC	<b>Cap Rate</b>	N/A
<b>Unique Sale ID</b>	2023000315188	<b>Property Rights</b>	Leased Fee Interest

#### Appraiser Comments

This is the sale of a six-story elevator building located at 96-09 66 Avenue in the Rego Park neighborhood of Queens, New York. The property consists of 66 residential units and has a gross building area of 78,384 square feet. The average unit size is 1,069 square feet. The property was built in 1939, it is considered to be in average condition, and features a live-in super and laundry on-site. Photos of individual units on StreetEasy feature hardwood floors and stainless steel appliances. The sale took place on November 28, 2023, with a sale price of \$10,800,000. The price per square foot for the sale was approximately \$138, and the price per unit was approximately \$163,636. The buyer is 96-09 Rego Park LLC, and the seller is 96-09 Realty Co LLC. The property rights are in the form of a leased fee interest. The sale was an arms-length transaction and the sources used for verification were public records and CoStar.

## Comparable Sale 2



### Location Overview

<b>Street Address</b>	54-09 100 Street
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11368
<b>Property ID</b>	1937/1
<b>Neighborhood/District</b>	Corona

### Property Information

<b>Property Name</b>	Queenswood	<b>Site Area</b>	127,000 SF
<b>Condition</b>	Average	<b>Residential Units</b>	296
<b>Year Built</b>	1989 est.	<b>Comparable Type</b>	Multifamily
<b># Floors</b>	8	<b>GBA</b>	266,316 SF
<b>Building Type</b>	Elevator	<b>Average Unit Size</b>	651 SF
<b>Building Amenities</b>	Doorman/Concierge, Elevator, On-Site Superintendent, Common Lounge Space, Uncovered Parking	<b>Unit Types</b>	1 BR, 2 BR, Studio

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$39,000,000
<b>Sale Date</b>	6/29/2023	<b>Per Unit</b>	\$131,757
<b>Grantee</b>	Queenswood Owner LLC	<b>Per SF</b>	\$146
<b>Grantor</b>	Queenswood Associates, L.p.,	<b>Cap Rate</b>	N/A
<b>Unique Sale ID</b>	2023000169374	<b>Property Rights</b>	Leased Fee Interest

### Appraiser Comments

Data was reported from CoStar and confirmed with public record. This is the sale of a 2.92-acre parcel improved with two 8-story, elevatored, multifamily buildings known as Queenswood Apartments. The two buildings contain a total of 296 rent stabilized residential units ranging from studios, one-bedroom, and two-bedroom units and 266,316 square feet of gross building area per public records. Amenities featured on-site include a playground and private courtyard, controlled access gated entry, a 24-hour laundry facility, and on-site parking. The sale was between Queenswood Associates, L.p., (Grantor) and Queenswood Owner LLC (Grantee) on June 29, 2023 for \$39,000,000 or \$131,757 per unit.

The sale was facilitated by a team of experienced brokers from Marcus & Millichap. The team, consisting of Shaun Riney, Seth Glasser, Sean Fopeano, Louis Zarif, and Joe Koicim. According to a news article, the buyer plans "to renovate the roofing and solar panels, as well as make kitchen and bathroom apartment upgrades, all while making the buildings more affordable." The buyer negotiated with NEW YORK CITY HOUSING DEVELOPMENT CORPORATION to extend affordability restrictions for an additional 40 years under a new affordable housing program through Article XI where current legal rents remain in place. Rents for new residents will be further restricted, with rents set to 30% AMI (35 units), 50% AMI (8 units), 80% AMI (230 units) and 100% AMI (22 units).

## Comparable Sale 3



### Location Overview

<b>Street Address</b>	94-05, 94-19, & 95-05 35 Avenue
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11372
<b>Property ID</b>	1455/50, 80, & 85
<b>Neighborhood/District</b>	Jackson Heights

### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	32,135 SF
<b>Year Built</b>	1925 est.	<b>Residential Units</b>	103
<b># Floors</b>	4	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Walk Up	<b>Commercial Units</b>	0
<b>GBA</b>	100,260 SF	<b>Unit Types</b>	Studio, 1 BR, 2 BR

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$14,500,000
<b>Sale Date</b>	6/15/2023	<b>Per Unit</b>	\$140,777
<b>Grantee</b>	JH 35 LLC	<b>Per SF</b>	\$145
<b>Grantor</b>	Jackson Heights 35 LLC	<b>Cap Rate</b>	5.50%
<b>Unique Sale ID</b>	2023000200088	<b>Property Rights</b>	Leased Fee Interest

### Appraiser Comments

Data was reported from CoStar and confirmed with public record. This is the sale of three contiguous parcels each improved with a 4-story, walk-up, multifamily building with addresses at 94-05 35th Avenue, 94-19 35th Avenue, and 95-05 35th Avenue. The three buildings contain a total of 103 rent stabilized residential units ranging from studios, one-bedroom, and two-bedroom units and 100,260 square feet of gross building area per public records. The sale was between Jackson Heights 35 LLC (Grantor) and JH 35 LLC (Grantee) on June 15, 2023 for \$14,500,000 or \$140,777 per unit. It reportedly traded with 100% occupancy and CoStar reported a cap rate of 5.5% indicating an approximate \$797,500 net operating income. The sale was facilitated by a team of experienced brokers from Marcus & Millichap. The team, consisting of Shaun Riney, Seth Glasser, Sean Fopeano, Louis Zarif, and Joe Koicim.

## Comparable Sale 4



### Location Overview

<b>Street Address</b>	37-20 99 Street
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11368
<b>Property ID</b>	1761/12
<b>Neighborhood/District</b>	North Corona

### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	12,500 SF
<b>Year Built</b>	1928 est.	<b>Residential Units</b>	63
<b># Floors</b>	5	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Walk Up	<b>Commercial Units</b>	0
<b>GBA</b>	42,102 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$9,500,000
<b>Sale Date</b>	2/16/2023	<b>Per Unit</b>	\$150,794
<b>Grantee</b>	Taqwa 99th St LLC	<b>Per SF</b>	\$226
<b>Grantor</b>	Ram Sham Realty Corp.	<b>Cap Rate</b>	4.78%
<b>Unique Sale ID</b>	2023000064140	<b>Property Rights</b>	Leased Fee Interest

### Appraiser Comments

This is the sale of a five-story walk-up multifamily property located at 37-20 99 Street in the North Corona neighborhood of Queens, New York. The property consists of 63 residential units and was built in 1928. The gross building area is approximately 42,102 square feet, and the site area is 12,500 square feet. The sale was an arms-length transaction and involved the leased fee interest. The property originally had an asking price of \$9,800,000 before being sold for \$9,500,000 on February 16, 2023. The sale price equates to approximately \$225.64 per square foot and \$150,793.65 per unit. The property condition is reported as average.

99 Street is a bustling street in the North Corona neighborhood of Queens, New York. It offers convenient access to various amenities, including shops, restaurants, and public transportation options. The neighborhood is known for its diverse community and vibrant atmosphere. It is located in close proximity to Flushing Meadows-Corona Park, which offers recreational activities and green spaces for residents to enjoy.

## Comparable Sale 5



### Location Overview

<b>Street Address</b>	35-28 95 Street
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11372

### Property Information

<b>Year Built</b>	1928	<b>Residential Units</b>	20
<b>GBA</b>	15,504 SF	<b>Comparable Type</b>	Multifamily
<b>Site Area</b>	0 SF	<b>Commercial Units</b>	0

### Sale Information

<b>Sale Status</b>	Transaction	<b>Per Unit</b>	\$142,000
<b>Sale Date</b>	8/12/2022	<b>Per SF</b>	\$183
<b>Deed Sale Price</b>	\$2,840,000	<b>Cap Rate</b>	4.23%

### Verification Source

<b>Contact Name</b>	<b>Role</b>
<b>Company</b>	<b>Verification Date</b>

### Appraiser Comments

This is the sale of a five-story, 20 unit apartment building in Jackson Heights. The property includes 20 rent stabilized, two-bedroom units. One of the units is occupied by the superintendent. The sale was marketed by Marcus & Millichap with an initial asking price of \$3,100,000. A copy of the offering memorandum prepared by Marcus & Millichap was obtained, which noted that the seller had been in possession of the property for about 35 years and had kept it in good condition, updating units over the years as they became vacant. Data was reported from CoStar, confirmed with public record, and verified by Danzel Williams of Marcus & Millichap.

## Comparable Sale 6



### Location Overview

<b>Street Address</b>	86-22 Dongan Avenue
<b>City</b>	Queens
<b>State</b>	NY
<b>Zip</b>	11373
<b>Property ID</b>	1581/14
<b>Neighborhood/District</b>	Elmhurst

### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	18,100 SF
<b>Year Built</b>	1932 est.	<b>Residential Units</b>	83
<b># Floors</b>	6	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Elevator	<b>Commercial Units</b>	0
<b>Building Amenities</b>	On Site Superintendent, Elevator	<b>Average Unit Size</b>	454 SF
<b>GBA</b>	64,509 SF	<b>Unit Types</b>	Studio, 1 BR

### Sale Information

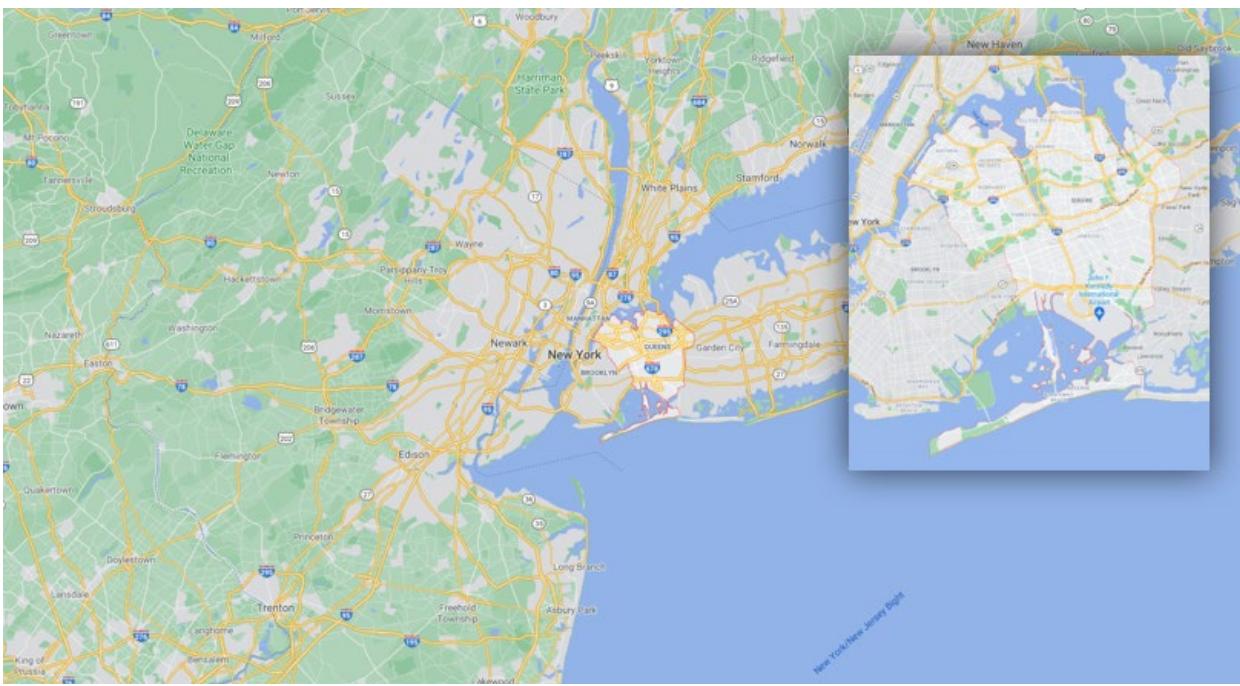
<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$14,500,000
<b>Sale Date</b>	3/24/2022	<b>Per Unit</b>	\$174,699
<b>Grantee</b>	Chestnut Holdings	<b>Per SF</b>	\$225
<b>Grantor</b>	Eb Management Associates	<b>Cap Rate</b>	N/A
<b>Unique Sale ID</b>	LLC	<b>Property Rights</b>	Leased Fee Interest
	2022000144196		

### Appraiser Comments

Data was reported from CoStar and confirmed with public record. This is the sale of an 83-unit walk-up multifamily property in Queens, NY. The property was built in 1932 and contains 64,509 square feet of gross building area on an 18,100 square foot lot. The property is in average condition. According to the Department of Finance, the property contains 82 rent stabilized units. It most recently sold for \$14,500,000 on March 24, 2022, between Chestnut Holdings (buyer) and Eb Management Associates LLC (seller). This equates to a price per unit of \$174,699, and a price per square foot of \$225. All data was reported from CoStar and confirmed with public record.

## Queens County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2023 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

### Queens County at a Glance

The subject property is located in Queens County, New York. Queens County is a borough of New York City, New York. It is the largest borough of New York City in area and is adjacent to the borough of Brooklyn at the western end of Long Island, with Nassau County to the east. Queens also shares water borders with the boroughs of Manhattan, the Bronx, and Staten Island (via the Rockaways). Queens is the second largest in population of the five New York City boroughs and would rank as the fifth-most-populous City in the U.S., after Los Angeles, Chicago, Brooklyn, and Houston. The economy of Queens is diverse and includes a range of industries such as finance, healthcare, retail, and technology. Some of the top employers in Queens include the New York City Health and Hospitals Corporation, Macy's, and JFK International Airport. Landmarks in Queens which support its economy include Flushing Meadows-Corona Park, John F. Kennedy International Airport and LaGuardia Airport, Citi Field, and the Aqueduct Racetrack. Flushing is undergoing rapid change while Long Island City is undergoing rapid change due to its proximity across the East River from Manhattan. The borough has diverse housing, ranging from high-rise apartment buildings in some areas of western and central Queens, such as Ozone Park, Jackson Heights, Flushing, Astoria, and Long Island City, to neighborhoods with many low-rise structures in the eastern part of the borough. Housing options in Queens vary greatly, from historic homes and apartment buildings to newer developments and high-rise buildings. The cost of living in Queens is lower than in other parts of New York City, making it an attractive option for those looking for housing. There are also many community parks and open spaces, such as Flushing Meadows-Corona Park and Forest Park, which provide residents with opportunities for recreation and relaxation. Queens is well-connected by a network of local corridors and major roads, including the Grand Central Parkway and the Long Island Expressway (Interstate 495). The borough is also served by several subway lines, including the E, F, J, M, R, and Z lines, as well as several bus routes operated by the Metropolitan Transportation Authority (MTA). JFK International Airport is located in Queens and provides air travel options for residents of the borough.

### Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	1,083,159	-1.2%	Slower than MSA
GDP	\$103.3 billion	1.1%	Slower than MSA
Population	2,278,029	-0.1%	Slower than MSA
Per Capita Personal Income	\$54,261	4.6%	Faster than MSA

### Labor Market Conditions

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 8,006,763 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 2,068,632 (25.6%), 1,611,109 (20.0%), and 1,530,596 (19.0%) private sector workers in the Metro, respectively.

### MSA Private Employment Composition & Wages by Industry (2023 Q2)



Source: U.S. Bureau of Labor Statistics

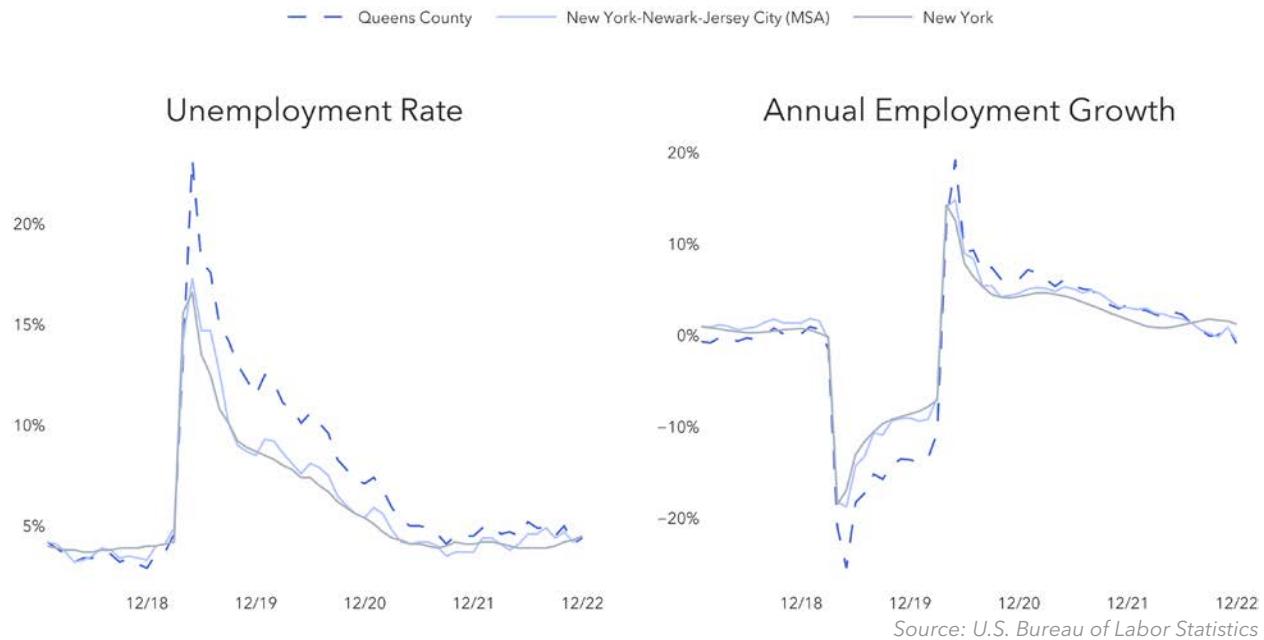
The latest data from the 2023 Q2 Quarterly Census of Employment and Wages, Queens County employed 729,846 employees. Establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Leisure & Hospitality industries accounted for the top three employers. These industries employ 260,454 (35.3%), 157,684 (21.4%), and 63,819 (8.7%) workers in the County, respectively. Queens County has an especially large share of workers in the Public Administration industry. In fact, its 7.5% fraction of workers is 1.9 times higher than the National average.

## County Employment Composition & Wages by Industry (2023 Q2)



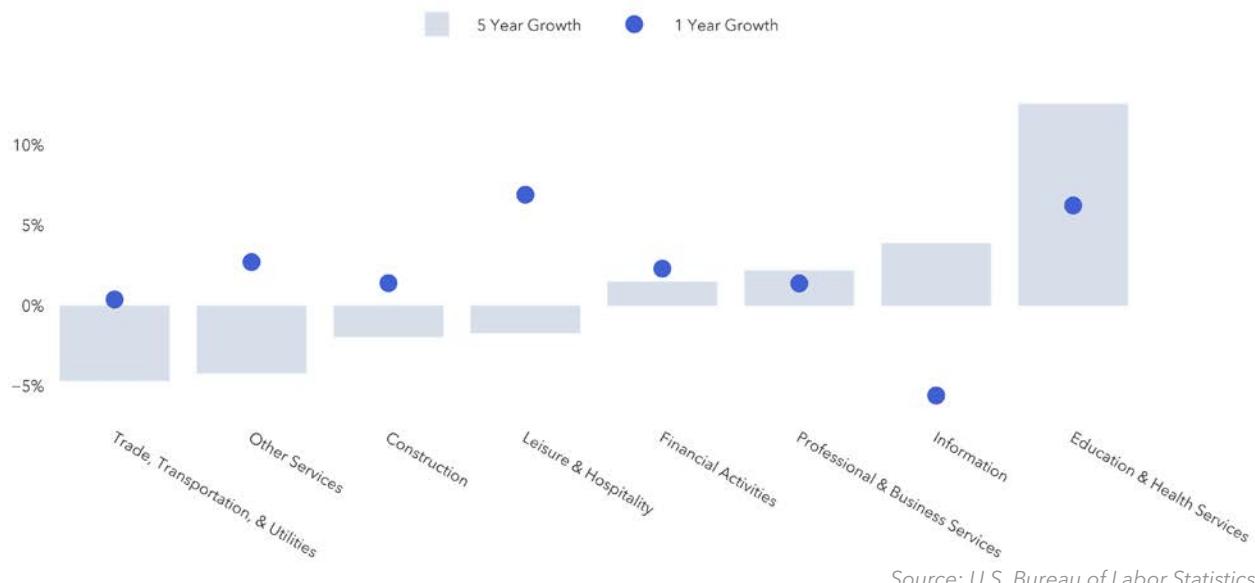
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, Queens County area employers shed 21.5% of their workforce, expanding the unemployment rate from 3.7% in February 2020 to 13.5% just two months later. The unemployment rate in Queens County has compressed over the past year to the current rate of 4.4%, just slightly below the New York-Newark-Jersey City rate of 4.5%. As of 12/23, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.7%.



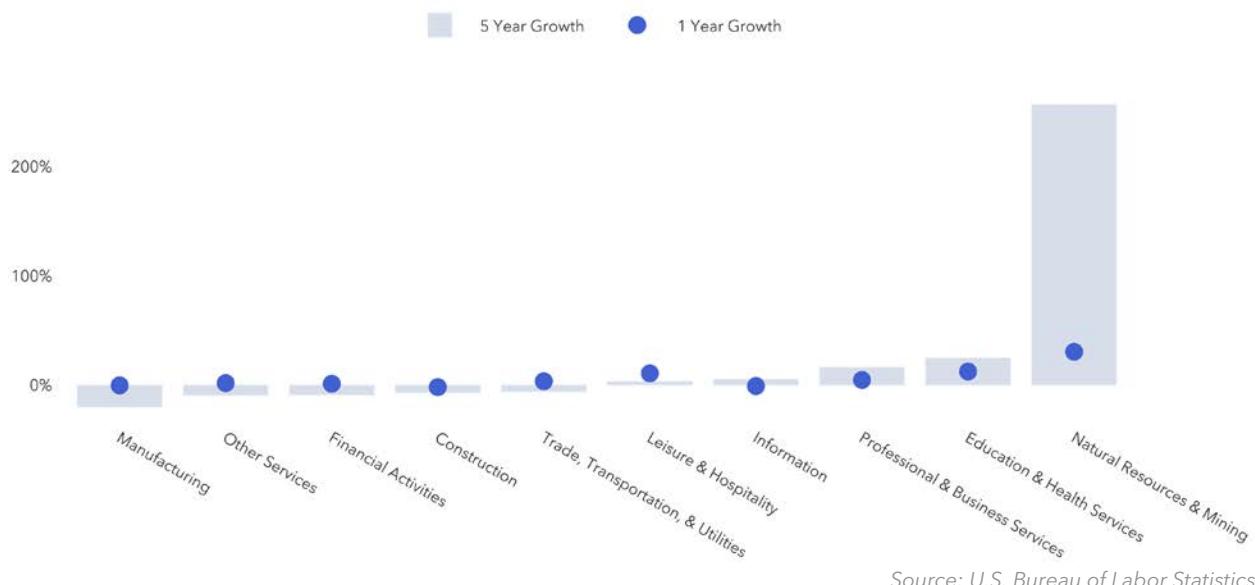
According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 2.7% (210,049) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 12.6%, 3.9%, and 2.2%, respectively. Meanwhile, the Trade, Transportation, & Utilities Industry has experienced employment collapse of 4.7% over the previous five years.

### Private Employment Growth by Industry (MSA) (2023 Q2)

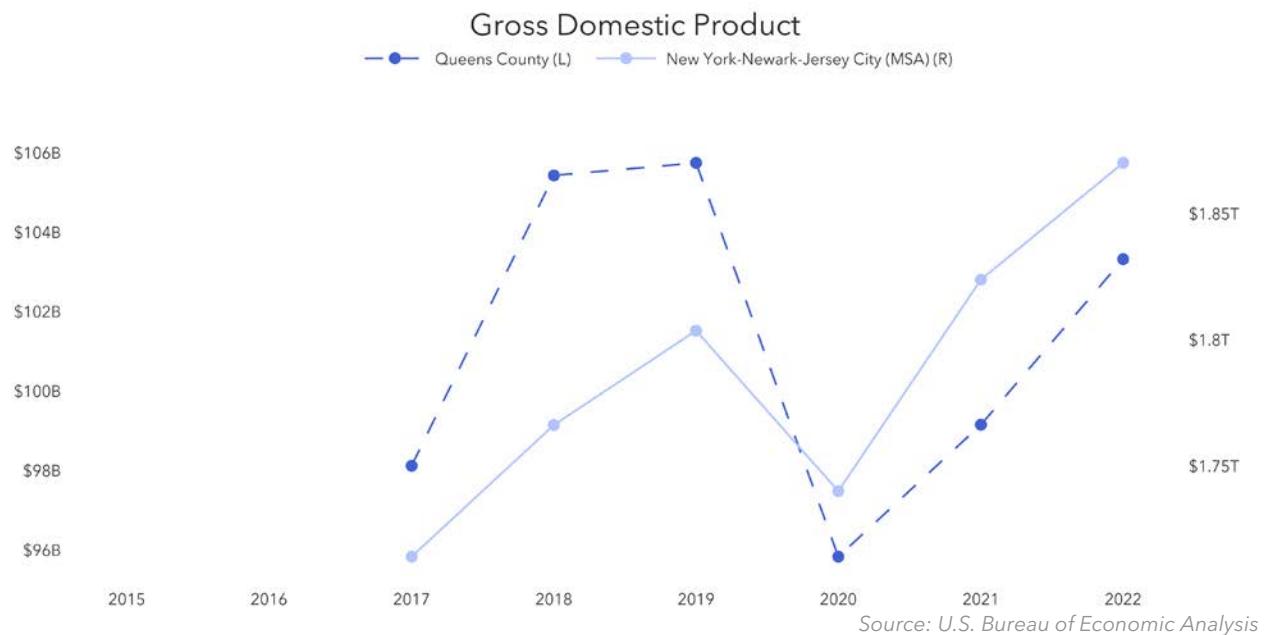


According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Queens County has experienced private employment expand 6.1% (35,494) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Professional & Business Services industries saw the strongest growth, expanding 256.7%, 24.9%, and 16.3%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse of 20.0% over the previous five years.

### Private Employment Growth by Industry (County) (2023 Q2)

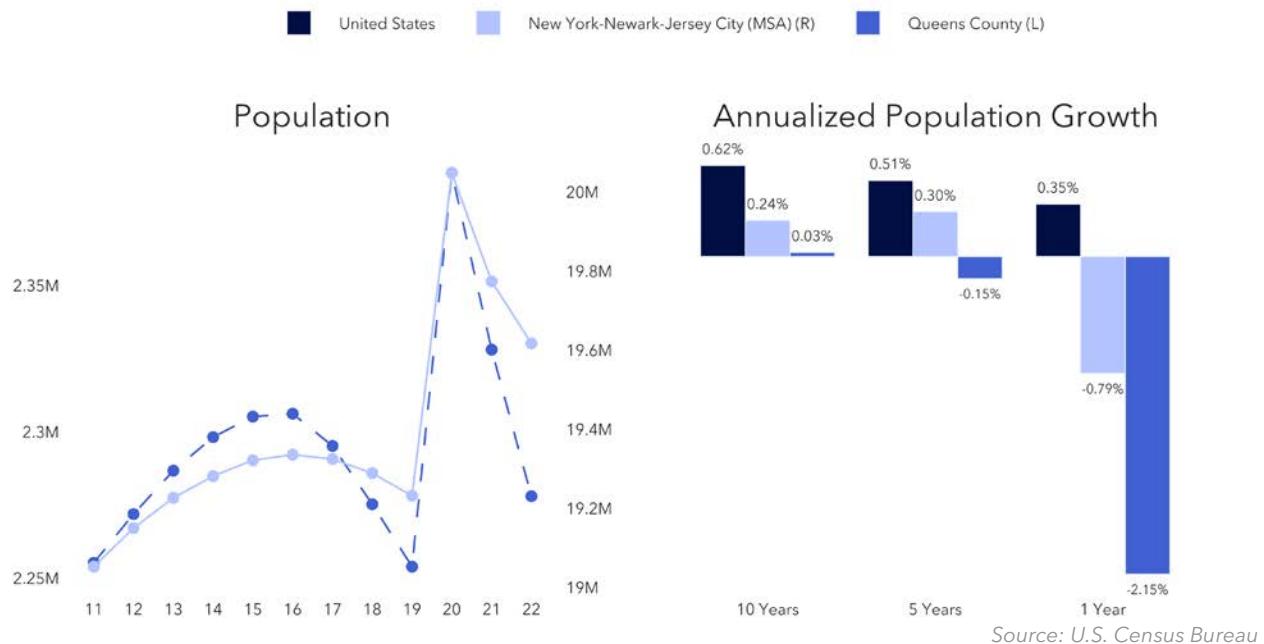


## Economic Production

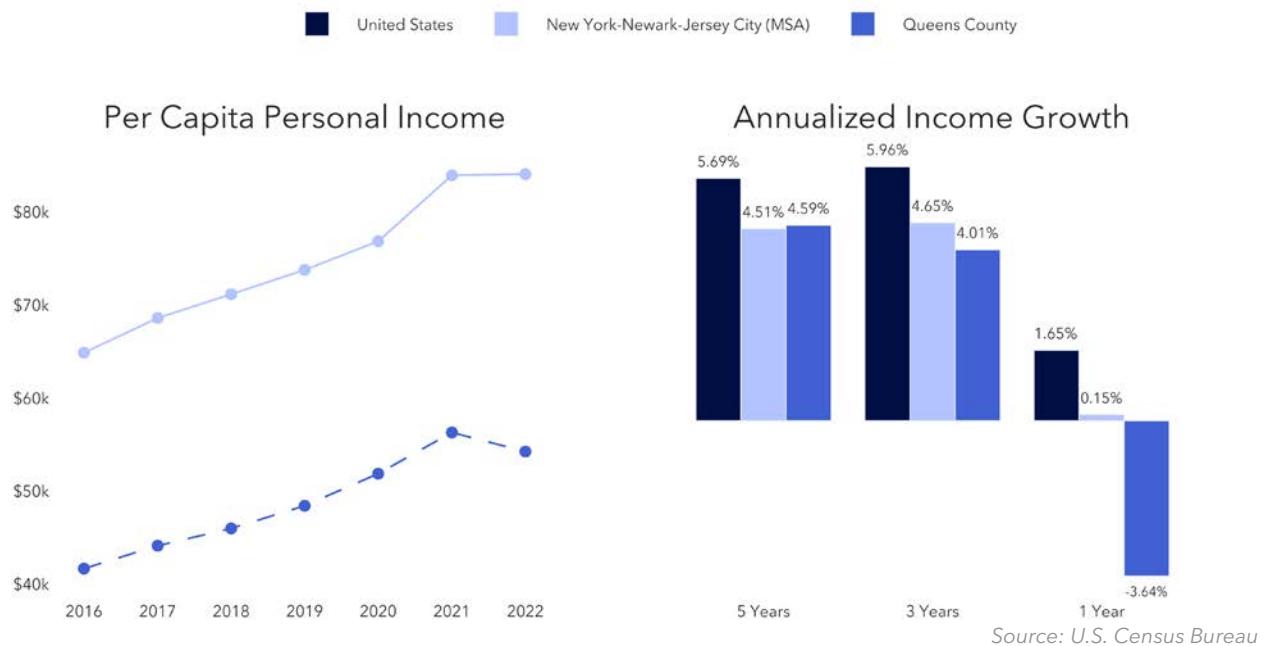


## Demographics

Going back ten years, Queens County's population has expanded 0.0% per annum to the 2022 count of 2,278,029. Over the past five years, growth has declined, contracting 0.1% per annum since 2017. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.



Going back five years, Queens County residents' per capita personal income has expanded 4.6% per annum to the 2022 level of \$54,261. Over the past three years, growth has declined, growing 4.0% per annum since 2019. This growth rate lags the Nation, which has expanded 6.0% per year over the last three years.



## Infrastructure

### Transportation Methods

- 🚗 Interstate 495 (Long Island Expressway) is the main commercial corridor running through the area, but there is also access to the Cross Island Parkway, Grand Central Parkway, Interstate 678, Interstate 278, and the Belt Parkway, amongst others.
- /Subway/ Twelve New York City Subway routes traverse Queens, serving 81 stations on seven main lines. The A, G, J/Z, and M routes connect Queens to Brooklyn without going through Manhattan first. The F, M, N, and R trains connect Queens and Brooklyn via Manhattan, while the E, W, and 7/7 trains connect Queens to Manhattan only. A commuter train system, the Long Island Railroad, operates 22 stations in Queens with service to Manhattan, Brooklyn, and Long Island. Jamaica station is a hub station where all the lines in the system but one (the Port Washington Branch) converge. It is the busiest commuter rail hub in the United States. The elevated AirTrain people mover system connects JFK International Airport to the New York City Subway and the Long Island Railroad along the Van Wyck Expressway.
- Bus/ About 100 local bus routes operate within Queens, and another 20 express routes shuttle commuters between Queens and Manhattan, under the MTA New York City Bus and MTA Bus brands.
- Airplane/ Queens has crucial importance in international and interstate air traffic, with two of the New York metropolitan area's three major airports located there. John F. Kennedy International Airport is the busiest airport in the United States by international passenger traffic. LaGuardia Airport is located in East Elmhurst, in northern Queens, on Flushing Bay. The Port Authority of New York and New Jersey began a \$4 billion project to renovate LaGuardia Airport's terminals and entryways.

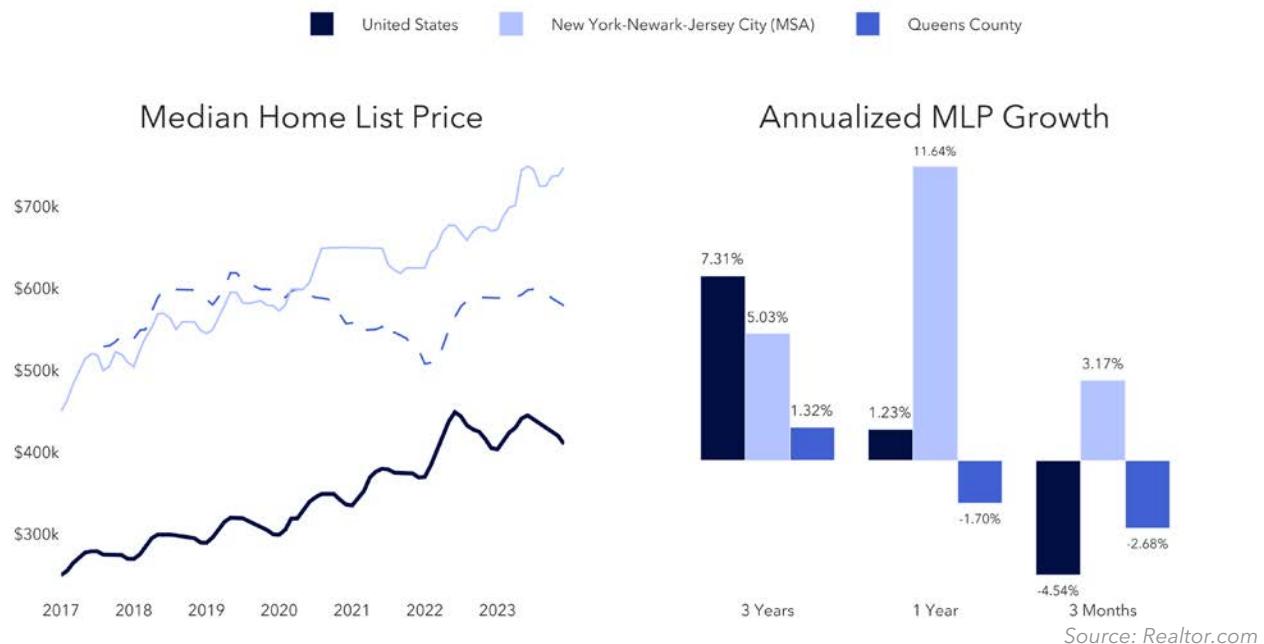
## Housing

New York City recently eliminated the 421-a tax break program, which offset the high cost of building in New York. Previously buildings participating in the 421-a program must set aside 25% to 30% of their units for affordable housing at specified household income levels. About 90 percent of all residential construction in the city in the last decade received either 421-a or other tax breaks. The elimination of this program is one of the causes of limited new construction starts which will only further worsen the housing affordability crisis likely until a replacement has been put in place.

The subject property is located in New York City which has a number of housing regulations that could impact the property. In 2019, New York City enacted Local Law 97 to drive deep emissions cuts from buildings. Starting in 2024, Local Law 97 places emissions limits on most individual buildings greater than 25,000 square foot, and levies large fines for exceeding carbon caps. Each buildings carbon limit depends on its size, property type and compliance year. Based on todays energy performance, about 20 percent of properties are over the caps set for 2024, while about 76 percent of properties are over the caps set for 2030.

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

In Queens County, Realtor.com data points to negative growth in values over the past year. As of 12/2023, the median home list price sits at \$579,000, a decrease of 1.7% compared to an increase of 11.6% for the New York-Newark-Jersey City Metro, and an increase of 1.2% across the Nation over the past year. With the recent sharp rise in mortgage rates, the county median list price has experienced a decrease of 2.7% over the past 3 months, compared to an increase of 3.2% for the New York-Newark-Jersey City Metro in the same period.



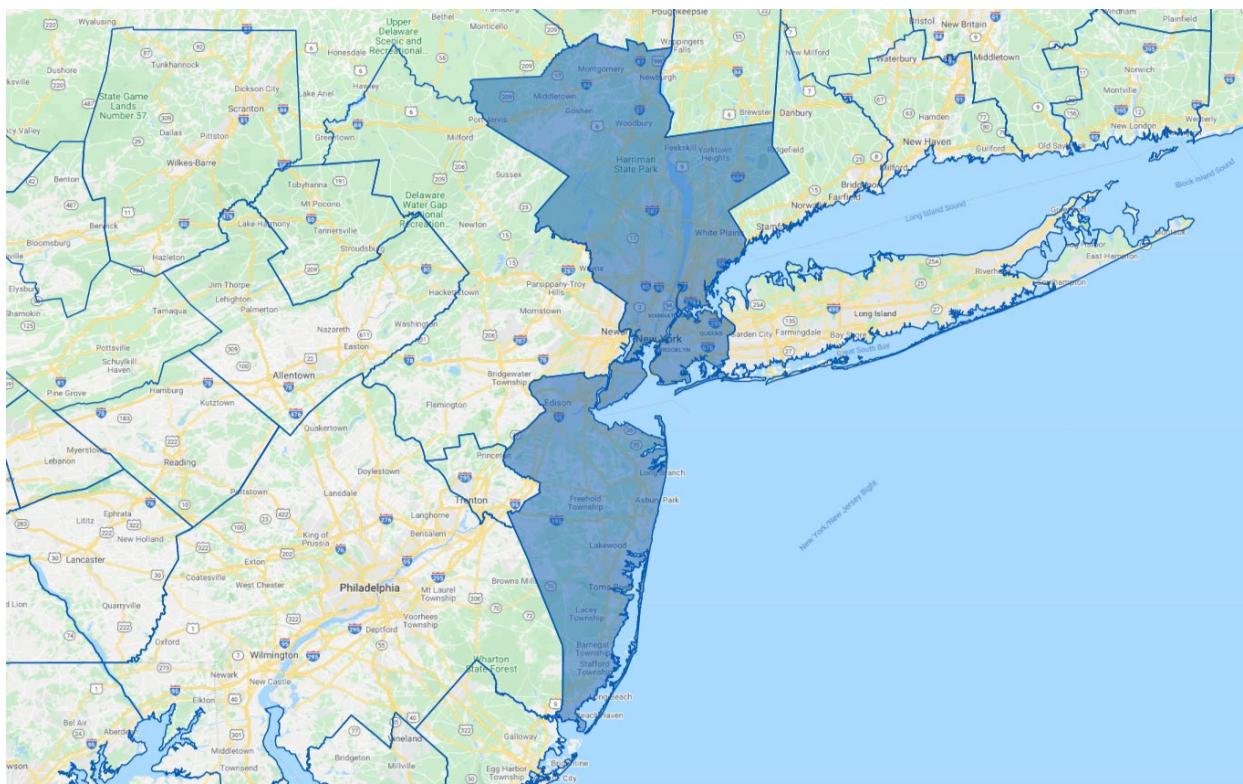
## Outlook

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

The current unemployment rate in Queens County of 4.4% is below its five-year average. By contrast, that rate is also below the state rate of 4.5%, but above the national rate of 3.7%. Queens County continues to experience population loss with one- and five-year annual growth rates of -2.2% and -0.1%. Despite its diversified economy, when considering its negative GDP growth over the five years prior to the pandemic, and its declining population, the county faces severe challenges before it can be well positioned for near- and long-term growth.

## New York: Multifamily Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Multifamily Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 1.5 million units of multifamily space. At the start of 2024, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate, at 2.6%, stands at near historic lows and remains the tightest among U.S. markets with at least 100,000 units. Clear signs exist, however, that the apartment market is slightly slowing down. Absorption totals have declined for the second consecutive year in 2023 as supply outpaced demand, with 23,300 units delivered, compared to 20,700 units absorbed over the past 12 months. While annual rent growth is positive at 2.0% no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -11.6% yoy, ultimately decreasing to \$396,924/unit.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/Unit	\$3,060	2.0%	0.0%	\$1,647	0.7%	-0.6%
Vacancy Rate	2.56%	14 bps	3 bps	7.56%	108 bps	29 bps
Net Absorption Units	5,430	24.9%	0.0%	71,148	1369.8%	-20.2%
Asset Value/Unit	\$396,924	-11.6%	-2.0%	\$236,627	-11.3%	-1.8%
Market Cap Rate	5.11%	60 bps	7 bps	5.88%	60 bps	6 bps
Transaction Count	202	-33%	-28%	2,834	-39%	-14%
Sales Volume	\$962,639,744	-64%	-49%	\$19,361,206,272	-52%	-24%

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

### Historical Multifamily Performance: New York Market

Period	Inventory Units	Under Construction Units	Net		Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Absorption Units 12 Mo				
2023 Q4	1,546,897	69,163	23,273	20,675	2.6%	\$3,060	\$396,924	5.11%
2023 Q3	1,540,793	65,063	22,324	19,592	2.5%	\$3,059	\$404,986	5.04%
2022	1,523,624	61,047	28,189	27,229	2.4%	\$3,001	\$448,930	4.50%
2021	1,495,434	53,619	20,482	37,182	2.4%	\$2,891	\$500,189	4.08%
2020	1,474,953	54,535	16,855	5,029	3.5%	\$2,711	\$452,896	4.35%
2019	1,458,098	51,286	20,406	19,614	2.8%	\$2,772	\$440,985	4.56%
2018	1,437,692	46,089	24,178	28,818	2.8%	\$2,721	\$425,682	4.65%
2017	1,413,514	49,922	29,519	25,829	3.1%	\$2,661	\$424,474	4.65%
2016	1,383,992	58,593	15,290	20,133	2.9%	\$2,637	\$413,297	4.70%
2015	1,368,699	54,585	14,648	12,573	3.3%	\$2,596	\$395,266	4.72%
2014	1,354,051	40,955	11,652	11,663	3.2%	\$2,520	\$365,570	4.89%

### Supply & Demand

The Market has 1.5 million units of multifamily space, and developers have added, net of demolitions, 202k units over the past ten years, increasing inventory by 15.0% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.2% to 2.6%. Renters continue to relocate here despite the exorbitant costs of living. Despite initial worries that a decline in office utilization would hamper the apartment market, it's apparent that the dining, culture, and arts scene in New York City are proving to be more influential drivers of demand for renters. The increase in hybrid work arrangements has instead greatly benefited submarkets located outside of New York City.

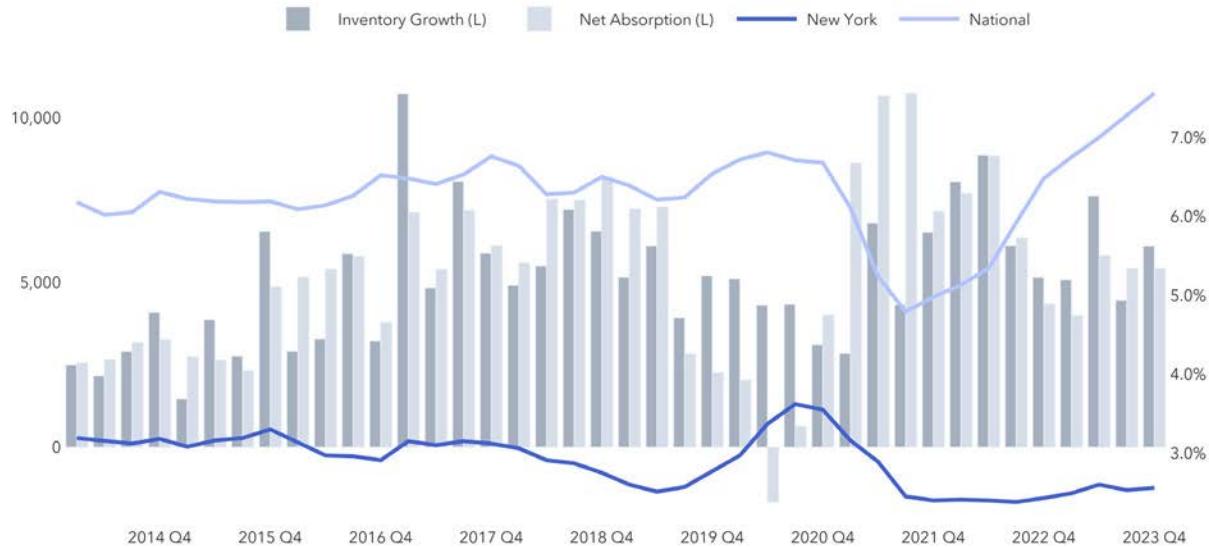
More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 14 bps over the past year from 2.4% to 2.6%, remaining below the 10-year average of 2.9%, and below the National average by 500 bps. In the fourth quarter, multifamily tenants in the Market absorbed 5.4k units, an increase from the 5.4k units absorbed in 2023 Q3, and an improvement from the 4.3k units absorbed in the same quarter last year.

Still, much of what is slated to be delivered is located in submarkets that are popular with renters and that have a history of absorbing new construction such as Brooklyn, Jersey City, and Long Island City. This creates a possibility that the vacancy rate may be relatively unchanged when compared over the long term. However, if a near-term recession were to come to fruition, submarkets that are less popular, have had a sizable amount of new projects deliver over the past year, and contain a fair amount of units under construction, such as those in the Bronx, Westchester County, and Bergen County, may drive vacancy expansion across the metro.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Class A	7.4%	10.0%	6.9%	8.5%	6.3%	6.1%	8.5%	6.0%	6.2%	6.2%	6.1%
Class B	3.2%	3.3%	3.1%	3.2%	2.9%	3.1%	3.7%	2.3%	2.3%	2.4%	2.5%
Class C	2.7%	2.6%	2.3%	2.3%	2.1%	2.0%	2.5%	1.7%	1.6%	1.7%	1.7%

## Absorption & Vacancy Rates



### Rents

At \$3,060/unit, rents in the New York Market are roughly 86% higher than the National average average of \$1,647/unit. Rents vary throughout the Market. Rents in popular submarkets in Manhattan and Brooklyn easily top \$4,000/month. A notable amount of submarkets located in the Bronx, Queens, and Westchester County continue to be considered value plays among renters as rent totals are below \$2,500/month. While these submarket rents are below the metro average, they are still more expensive than 90% of U.S. metro markets.

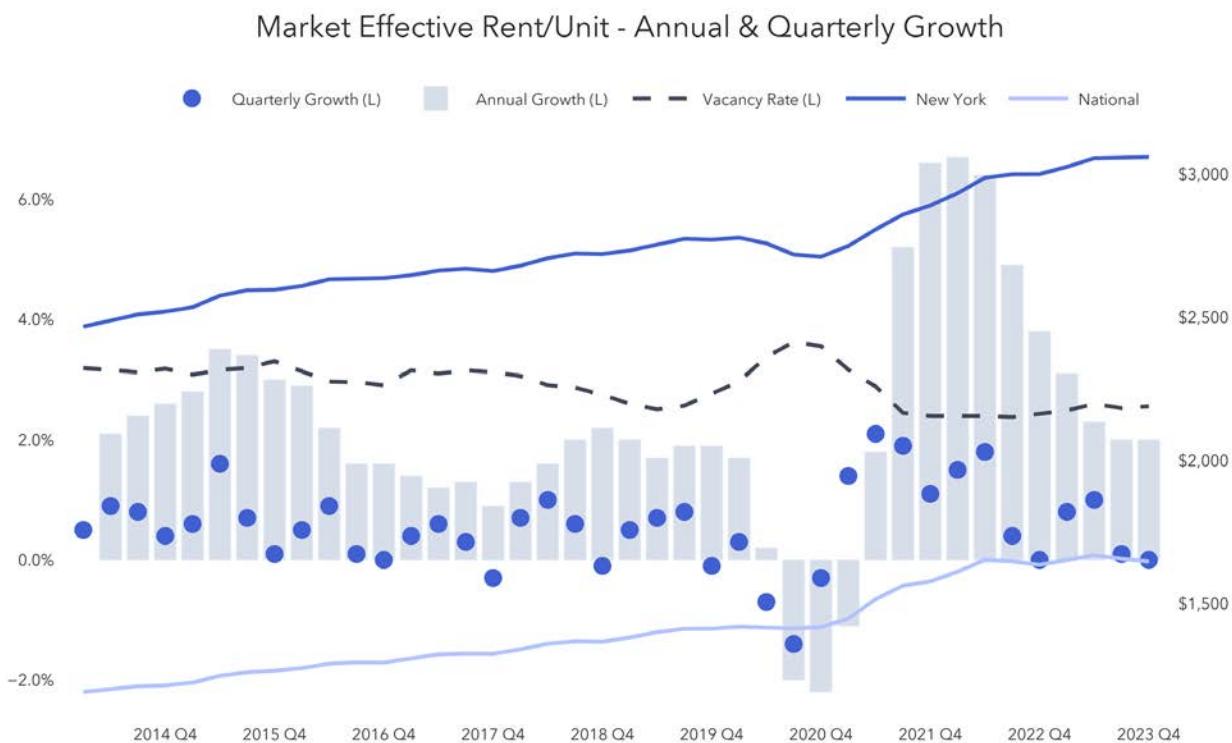
Class A apartment units are a premium with an average effective rent rate of \$4,124/unit, followed by \$3,266/unit for Class B and \$2,138/unit for Class C units. Rents in the Market have grown 2.4% per annum over the past decade, falling short of the National average, where rents increased 3.8% per annum during that time.

### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Class A	\$3,355	\$3,444	\$3,478	\$3,501	\$3,595	\$3,675	\$3,517	\$3,859	\$4,046	\$4,129	\$4,124
Class B	\$2,698	\$2,787	\$2,832	\$2,855	\$2,914	\$2,965	\$2,908	\$3,101	\$3,205	\$3,265	\$3,266
Class C	\$1,779	\$1,835	\$1,877	\$1,904	\$1,940	\$1,970	\$1,974	\$2,030	\$2,093	\$2,133	\$2,138

In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.7% in 2020 Q2. By the end of 2020, rents fell 2.2% from the 2019 Q4 rent level of \$2,772/unit. From 2019 Q4 to 2021 Q4, rents increased 4.3%. Quarterly rent growth in 2023 Q4 stalled, softening annual growth to 2.0%. At the start of 2024, the largest annual rent gains had occurred in submarkets located in New Jersey such as Hackensack/Teaneck, North Middlesex County, and Greater Bergen County.

Concessions are typically not part of the equation for much of the metro's apartment buildings. Still, there has been a slow but steady uptick in the number of buildings offering concessions over the past 12 months. By the close of December, an average of 24% of all multifamily properties in the New York area were offering some sort of concession, an increase from the 13% concession rate observed a year ago. This practice has largely been observed in recently completed buildings in an attempt to quickly stabilize occupancy levels, with up to two months of free rent offered. This can be seen as a response to the moderating absorption levels witnessed in recent quarters.

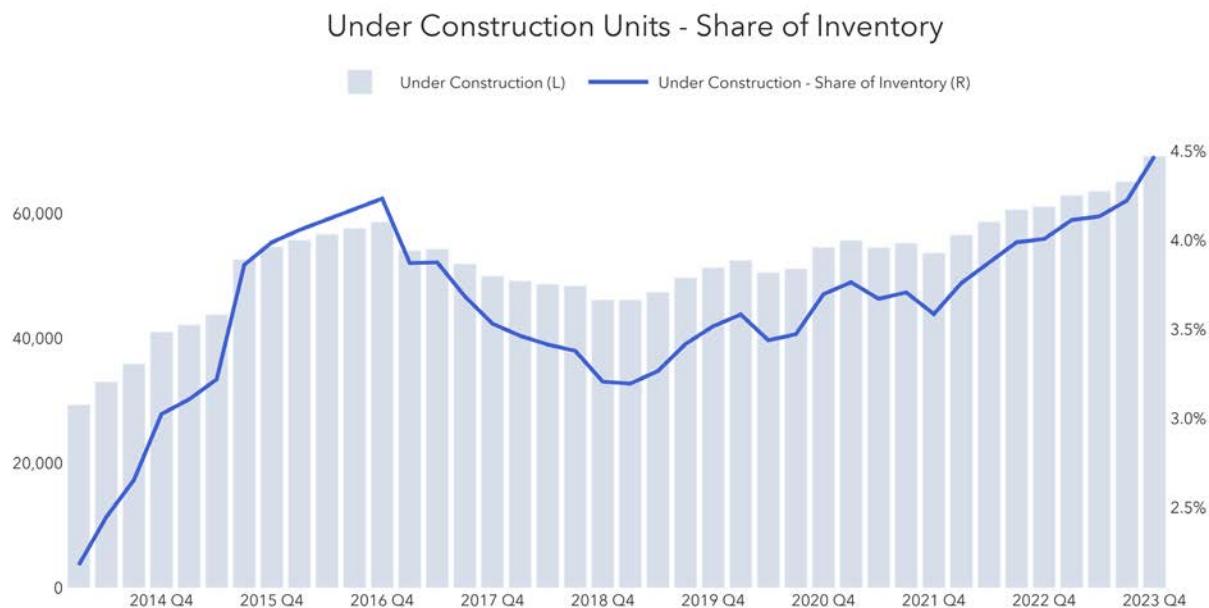


## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 209.1k units to the Market over that time, expanding inventory by 15.0%. Developers remain active in the Market despite elevated construction and debt costs. In fact, developers are currently active with 69.2k units, or the equivalent of 4.5% of existing inventory, underway. A significant amount of units are underway in Brooklyn and Long Island City. These are popular neighborhoods where a supply wave has been ongoing for more than five years as renters continue to target modern apartment buildings located just outside of Manhattan.

With construction costs, acquisition costs of development sites, and competition in popular submarkets all rising, development activity has spread to more suburban parts of the metro where lower barriers to entry exist. This has resulted in an influx of transit-oriented development built to attract renters who work in New York City, but would rather rent in a considerably more affordable building that has been recently built.

Submarkets utilizing this trend include those in Hudson County, where apartment buildings are located in proximity to NJ Transit lines, and in Westchester County, where new apartments are located within walking distance of Metro North train stations. However, proximity to mass transit is not the sole motivating factor. To further attract renters, recently delivered buildings are typically built to a high standard with modern amenity offerings that are geared towards health and wellness.



## Capital Markets

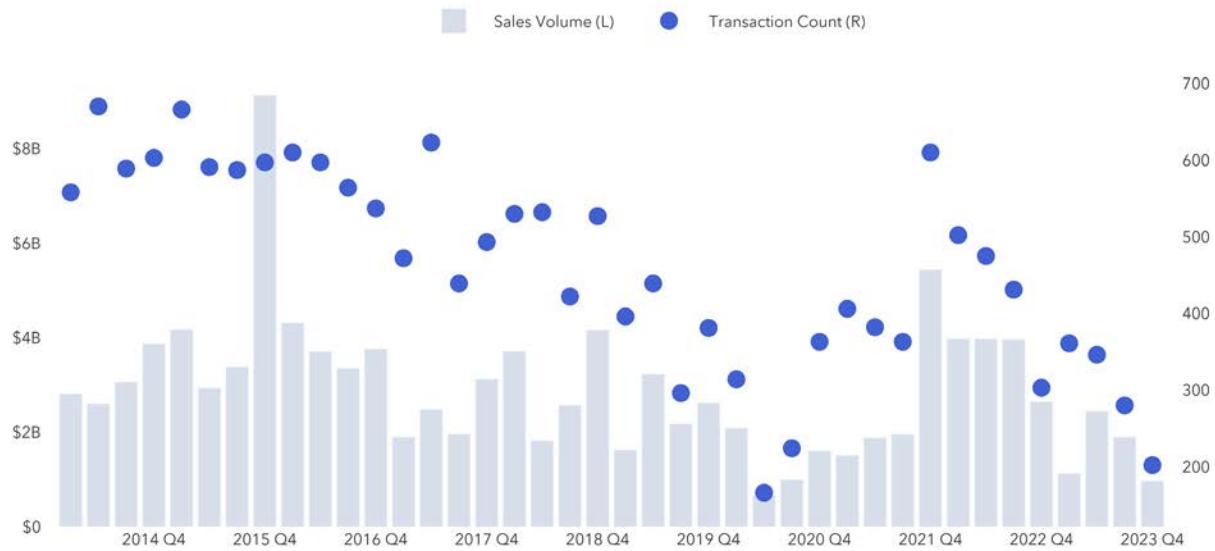
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average, 1,554 transactions per year with an annual average sales volume of \$10.6 billion. Over the past year, there were 1,189 closed transactions across 26.4k units, for a total sales volume of \$6.4 billion. As of 2023 Q4, CoStar data indicates there were 202 transactions for a total sales volume of \$962.6 million, compared to \$1.9 billion in the previous quarter.

Apartment buildings built within the past decade or that are located in popular renter neighborhoods in Brooklyn and Manhattan remain in heavy demand and are driving recent transaction activity. There is a growing desire to manage risk through owning better-quality assets where unexpected capital expenses are less likely or fear of absorption totals cratering is minimal.

An example of this was the \$402 million purchase of the Solow Tower Apartments, a 4 Star building with 322 units, by GO Partners. The pricing (\$1.2 million/unit) reflects the building's desirable location in Manhattan's Upper East Side, its 100% occupancy rate, and its substantial renovation performed in 2015. Similar characteristics were found in the sale of 8 Marcy Ave, a Class B property that sold for \$97 million or \$792,000/unit. The Carlyle Group was motivated by the building's location in Williamsburg, its brand-new build, and its 100% occupancy rate.

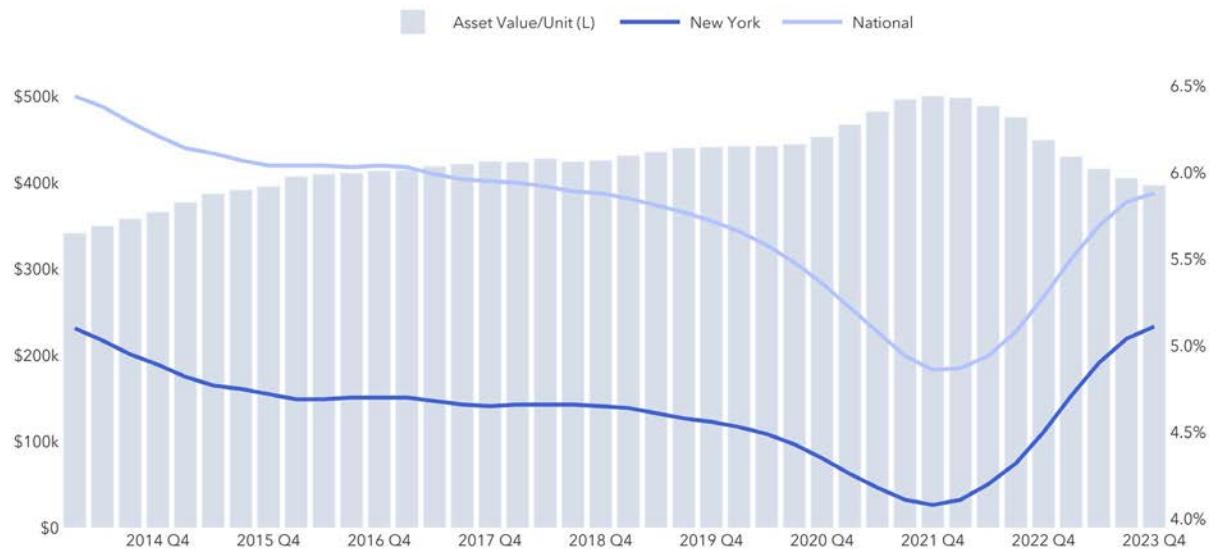
Some buyers have shown a willingness to transact on quality buildings located outside city limits at elevated valuation levels despite where interest rates currently are. This was witnessed during the \$115 million sale, or \$261,000/unit, of the Addison at Princeton Meadows in Plainsboro, NJ, and the \$151 million sale, or \$324,000/unit, of Mountain View Crossing in Wayne, NJ. In both instances, the buyers lauded the fact that the buildings were located in areas featuring both desirable demographics and high barriers to entry which should allow room for future rent growth.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$396,924/unit. Values have compressed 11.6% over the past year and continued to fall in the past quarter, decreasing 2.0% in 2023 Q4. Capitalization rates have increased 60 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

## Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the New York Market indicate strong demand, although it has fallen short of the pipeline. With vacancy rates increasing over the past year, rent growth has been minimal. Looking ahead to the near term, it is likely that tenant demand improves in early spring, with the slowing pipeline aiding absorption rates. Still, with market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Appendix

### New York Multifamily Market Overview

Submarket	Inventory Units	Vacancy Rate	Under Construction Units	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
West Bronx	92,775	0.5%	2,400	\$1,514	\$165,580	6.06%
South Bronx	66,132	3.5%	1,972	\$2,054	\$198,001	5.86%
Prospect Park	62,851	1.8%	4,174	\$2,851	\$372,573	5.03%
Flatbush	60,747	1.5%	887	\$2,025	\$252,244	5.13%
Upper East Side	58,301	2.2%	13	\$4,222	\$636,903	4.39%
Upper West Side	57,807	2.9%	294	\$4,928	\$669,020	4.44%
Upper Manhattan	55,318	1.0%	2,371	\$2,159	\$327,734	5.02%
Bushwick	51,907	2.6%	1,080	\$2,640	\$326,904	5.22%
Harlem	48,534	2.3%	624	\$2,436	\$374,537	4.80%
Central Queens	47,065	1.0%	1,239	\$2,148	\$273,269	5.13%
Northwestern Queens	41,280	1.0%	1,597	\$2,357	\$288,743	5.06%
Williamsburg	40,249	4.3%	4,203	\$4,116	\$533,912	4.82%
Southwest Brooklyn	39,195	1.5%	31	\$1,737	\$228,776	5.37%
North Middlesex County	36,293	4.4%	502	\$2,188	\$257,126	5.55%
East Village	33,907	1.5%	0	\$4,207	\$518,539	4.34%
Greater Hudson County	33,626	7.2%	2,845	\$2,440	\$315,360	5.68%
Yonkers/Mt Vernon/New Rochelle	32,949	4.5%	2,273	\$2,266	\$267,106	5.75%
Midtown West	32,576	3.1%	920	\$4,407	\$767,278	4.32%
South Shore Brooklyn	30,902	0.9%	1,504	\$1,918	\$277,933	4.98%
Lower West Side	29,945	2.5%	18	\$4,797	\$844,851	4.16%
Southeast Queens	27,270	2.4%	2,309	\$1,965	\$290,283	5.11%
Chelsea	27,050	3.5%	1,202	\$5,083	\$868,564	4.30%
Southeast Bronx	26,332	0.6%	50	\$1,556	\$168,634	5.80%
Downtown Brooklyn	26,017	3.2%	4,726	\$4,315	\$673,428	4.53%
Northeast Queens	25,980	1.4%	190	\$1,981	\$239,432	5.27%
Greater Bergen County	24,199	2.5%	1,038	\$2,191	\$263,554	5.34%
Jersey City Waterfront	23,569	2.9%	6,247	\$3,843	\$609,297	4.93%
Long Island City	23,241	3.7%	5,299	\$3,840	\$779,015	4.43%
East Monmouth County	22,968	2.3%	207	\$2,067	\$228,802	5.56%
East Harlem	22,294	4.7%	453	\$2,901	\$471,967	4.69%
North Hudson County	21,128	3.1%	704	\$2,910	\$300,589	5.68%
Jersey City/Journal Square	21,037	4.5%	5,381	\$2,649	\$450,015	5.15%
Passaic County	20,524	2.5%	401	\$1,908	\$202,719	6.02%
Murray Hill/Kips Bay	19,810	6.2%	0	\$4,548	\$683,054	4.37%
East Bronx	18,144	0.5%	416	\$1,548	\$164,651	6.01%
Midtown South	17,174	2.3%	85	\$4,806	\$794,965	4.39%
Turnpike West	16,540	3.7%	0	\$2,140	\$246,202	5.48%
Hackensack/Teaneck	15,376	4.3%	963	\$2,248	\$314,763	5.28%
Lower East Side	15,275	2.7%	845	\$4,095	\$676,109	4.27%
Midtown East	15,253	2.2%	291	\$4,728	\$753,503	4.45%
Financial District	14,723	5.1%	2,391	\$4,559	\$945,107	4.44%
Bergen County Waterfront	14,449	2.6%	415	\$3,024	\$370,522	5.25%
Turnpike East	13,923	4.6%	268	\$2,088	\$263,782	5.29%
East New York	11,649	0.4%	978	\$1,428	\$323,222	5.32%
North Ocean County	11,457	1.8%	560	\$1,821	\$207,435	5.46%
Hoboken	10,018	3.0%	216	\$4,072	\$405,350	5.44%
Northwest Bronx	9,583	1.0%	26	\$2,605	\$217,215	5.45%
Staten Island	9,543	1.1%	221	\$1,788	\$234,290	5.55%

Rockland County	9,121	5.0%	104	\$2,365	\$254,322	5.41%
Westchester County South	9,014	4.4%	18	\$2,786	\$283,472	5.25%
Westchester County North	8,620	4.8%	1,069	\$2,599	\$340,163	5.34%
South Shore Queens	8,390	1.9%	237	\$1,729	\$241,541	5.24%
Little Italy/Chinatown	7,957	1.7%	0	\$3,860	\$497,986	4.38%
White Plains	6,263	9.8%	1,891	\$3,008	\$548,895	4.74%
Middletown/Goshen	4,377	3.2%	224	\$1,935	\$205,594	5.54%
Outlying Orange County	4,150	1.9%	149	\$1,688	\$177,426	5.37%
Morningside Heights	4,133	2.7%	0	\$3,978	\$592,246	4.50%
Roosevelt Island	3,119	1.5%	357	\$3,959	\$648,912	4.33%
West Monmouth County	2,222	3.3%	285	\$2,424	\$295,227	5.23%
Newburgh	1,636	2.4%	0	\$1,990	\$205,815	5.41%
South Ocean County	1,010	3.3%	0	\$2,241	\$243,767	5.52%

## Summary of Rent Stabilization Laws

There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted as a means to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits)

Rent Control is the older and more restrictive form of regulation. Rent regulation in New York City went into effect in 1943. In order for a unit to be Rent Controlled the building must have been constructed prior to 1947. In addition, the tenant must have been in continuous occupancy since before July 1, 1971. For Rent Control, rent is a function of the Maximum Base Rent (MBR) system, a function of the initial filing when the law went into effect. Rent Controlled apartments typically rent for a fraction of market rent. Due to the significant leasehold advantage created by the rent control guidelines, apartments seldom turn over (in most cases only upon the tenant's death). Less than 2% of the City's housing stock remains Rent Controlled.

Rent Stabilization is by far the more common of the two forms of rent regulation, affecting approximately 45% of the housing stock. Rental increases are set by the Rent Stabilization Guidelines Board for either one or two-year leases. In general, units in buildings containing six or more dwelling units completed prior to January 1, 1974, buildings built on or after January 1, 1974 receiving property tax benefits such as 421-a, and certain housing rehabilitated under governmental loan programs can be stabilized.

The New York State Division of Housing and Community Renewal (DHCR) administers both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

### Rent Adjustments

#### Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

For one-year leases, allowable increases for units subject to rent stabilization are 3.00% and for two-year leases allowable increases are set for 2.75% in the first year and 3.2% in the second year based on the previous year's rent (an effective increase of 6.038%). Given that most rent stabilized units will turnover during our forecast period, it is necessary to reflect this in our pro forma. After applying the average allowable rent growth to the assumption that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases, the adjusted weighted average increase for rent stabilized units amounts to 3.01%.

Project Rent Stabilized Rent Growth

	Allowable Increase	Tenancy	12-Mo. Adj. Factor	Blended Increase
1-Year	3.00%	x 50%	x 100%	= 1.50%
2-Year	6.038%	x 50%	x 50%	= 1.51%
<b>Weighted Average Increase</b>				<b>3.01%</b>

## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

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

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

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

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

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

#### Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

#### Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member  Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	State of New York (# 4600049921) State of Florida (# RZ4135) State of Georgia (# 404989) State of Louisiana (# G4507) State of Maine (# CG 4769) Commonwealth of Massachusetts (# 1000274) State of New Hampshire (# NHCG-1055) State of Tennessee (# 6208) State of Texas (# TX 1380938G) Commonwealth of Pennsylvania (# GA004611)

#### Publications

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

**Maren Lewis, MAI**

Senior Vice President

**Experience**

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

Maren has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels, and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Maren served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Maren worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for eight years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations for senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Maren worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

**Education**

**Cornell University, School of Hotel Administration** Bachelor of Science with a focus on the hospitality industry and a concentration in finance

**Certifications & Professional Designations**

**Appraisal Institute** MAI, Designated Member

Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser** State of New York (# 46000053421)  
State of Illinois (# 553.003005)  
State of Michigan (# 1205078256)  
State of New Jersey (# 42RG00282100)

## Brandon Pan

Valuation Associate

### Experience

Brandon Pan is a Valuation Associate at Bowery Valuation who joined the firm in January 2021. Mr. Pan is actively engaged in appraising retail, office, mixed-use, hospitality, and multifamily properties.

Before joining Bowery, Mr. Pan served as a Revenue Analyst at Domio, a national short-term rental operator, and Highgate Hotels based in New York.

Mr. Pan graduated from New York University with a Bachelor of Science degree in Hotel and Tourism Management with a concentration in Marketing and Revenue Management.

### Education

<b>New York University, School of Professional Studies</b>	Dean's List, Alfred Pisani Corinthia Scholar 2017 Bachelor of Science in Hotel and Tourism Management with a concentration in Marketing and Revenue Management
<b>Appraisal Institute</b>	Basic Appraisal Principles Basic Appraisal Procedures
<b>American Hotel &amp; Lodging Association</b>	CHIA, Certification in Hotel Industry Analytics

**Jon Nathanson**

Valuation Specialist

**Experience**

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

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

**Education**

**Western Connecticut State University** Bachelor of Art, History

<b>Appraisal Classes</b>	Basic Appraisal Principles Basic Appraisal Procedures PA Supervisor-Trainee Course MA Supervisor-Trainee Course CT Supervisor-Trainee Course 15-hr National USPAP Course Green Building Concepts for Appraisers 7-hr National USPAP Course
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**Certifications & Professional Designations**

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

**Real Estate Appraiser Trainee** State of Massachusetts (# 1027514)

**Licensed Appraiser Trainee** Commonwealth of Pennsylvania (# LAT001261)

## Licenses

Michelle Zell, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000049921	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>		FOR OFFICE USE ONLY Control No. <b>115542</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO   DAY   YR 05   09   19	
<input checked="" type="checkbox"/> ZELL MICHELLE R C/O BBG INC 112 MADISON AVE 11TH FL NEW YORK, NY 10016		EXPIRATION DATE MO   DAY   YR 05   08   21	
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER			
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROSSANA ROSADO</b> <b>SECRETARY OF STATE</b>			
DOS-1098 (Rev. 3/01)			

Maren Lewis, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053421	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>		FOR OFFICE USE ONLY Control No. <b>1546034</b>
DUPLICATE LICENSE	PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO   DAY   YR 10   08   21
<input checked="" type="checkbox"/> LEWIS MAREN H C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012-4446		EXPIRATION DATE MO   DAY   YR 10   07   23	
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER			
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROSSANA ROSADO</b> <b>SECRETARY OF STATE</b>			
DOS-1098 (Rev. 3/01)			

## Letter of Engagement



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

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### ENGAGEMENT LETTER FOR PROFESSIONAL VALUATION SERVICE

**Date of Agreement:**

February 26, 2024

**PARTIES TO AGREEMENT:****Client:**

Mr. Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119  
moshe@pinnacleny.com

**Appraisers:**

Bowery Valuation  
61-63 Crosby Street, 3rd Floor  
New York, NY 10012  
212.634.9397  
Michelle Cell 917.533.3141

Client hereby engages Bowery Valuation to complete an appraisal assignment as follows:

**PROPERTY IDENTIFICATION**

16 Full reports as of December 31, 2023



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## PROPERTY TYPES

Multifamily and Land

## INTEREST VALUED

Leased fee Interest and Fee Simple For Land

## INTENDED USERS

The Intended User(s) of the report is The Zarasai Fund, and its related entities, successors, and/or assigns, and auditors.

## INTENDED USE

The Intended Use is asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE.

## TYPE OF VALUE

The current fair value per IFRS 13.

## DATE OF VALUE

12/31/2023

## PAYMENT TO BOWERY VALUATION

\$60,000.

## PAYMENT DUE DATE

Bowery Valuation shall invoice Client for services rendered pursuant to this Agreement based upon the fees specified in this Agreement. 50% due upon signing the engagement letter and the balance upon delivery of the spreadsheet and reports.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## DELIVERY DATE

March 1, 2024

## DELIVERY METHOD

Final report delivered as PDF via email. Up to 3 printed reports delivered if requested.

## HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS

Used if necessary, will be discussed with the client.

## APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Reports will also be prepared in accordance with International Financial Reporting Standards ("IFRS") for an appraisal report for the purpose of financial reporting.

## ANTICIPATED SCOPE OF WORK

### Site visit:

Interior and Exterior

## VALUATION APPROACHES

Appraisers shall use all approaches necessary to develop a credible opinion of value; all three approaches considered: Sales comparison approach / Cost approach / Income approach

## APPRAISAL REPORT

### Report option:

Written Appraisal Report (fka Self-Contained Appraisal Report)

## FORM OR FORMAT

Narrative



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## CONTACT FOR PROPERTY ACCESS, IF APPLICABLE

To be provided by client

## CONTRACT FOR SALE

If the property appraised is currently under contract for sale, Client shall provide to Appraisers a copy of said contract including all addenda.

## PROPOSED IMPROVEMENTS

If the property appraised consists of proposed improvements, Client shall provide to Appraisers plans, specifications or other documentation sufficient to identify the extent and character of the proposed improvements.

## ADDITIONAL DOCUMENTATION

Client agrees to provide Appraisers with the documentation as needed.

## WHEN BOWERY VALUATION'S OBLIGATIONS ARE COMPLETE

Bowery Valuation's obligations pursuant to this Agreement are complete when the Draft Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery, however they are to be considered beyond the scope of the engagement.

## CONFIDENTIALITY

Bowery Valuation shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

## USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Bowery Valuation



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

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shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

### **SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

### **TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment. If the appraisers are required to testify or make statements related to any part of the appraisal report by any party, the fee to the client shall be \$500 per hour.

### **CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

### **CANCELLATION**

Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Client shall pay Bowery Valuation for work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, unless otherwise agreed upon by Bowery Valuation and Client in writing.

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Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by the law of the state in which Bowery Valuation's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

## APPRAISER INDEPENDENCE

Appraisers cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

## NOTICES

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

## NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## MEDIATION & ARBITRATION

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Bowery Valuation's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

## SPECIAL OR CONSEQUENTIAL DAMAGES

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.

## ASSIGNMENT

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

---

Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

## **SEVERABILITY**

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

## **CLIENT'S DUTY TO INDEMNIFY APPRAISERS**

Client agrees to defend, indemnify and hold harmless Bowery Valuation and Appraisers from any damages, losses or expenses, including attorneys' fees and litigation expenses at trial or on appeal, arising from allegations asserted against Appraisers by any third party that if proven to be true would constitute a breach by Client of any of Client's obligations, representations or warranties made in this Agreement, or any violation by Client of any federal, state or local law, ordinance or regulation, or common law (a "Claim"). In the event of a Claim, Bowery Valuation shall promptly notify Client of such Claim, and shall cooperate with Client in the defense or settlement of any Claim. Client shall have the right to select legal counsel to defend any Claim, provided that Appraisers shall have the right to engage independent counsel at Bowery Valuation's expense to monitor the defense or settlement of any Claim. Client shall have the right to settle any Claim, provided that Bowery Valuation shall have the right to approve any settlement that results in any modification of Appraisers' rights under this Agreement, which approval will not be unreasonably withheld, delayed or conditioned.

## **CLIENT'S REPRESENTATIONS AND WARRANTIES**

Client represents and warrants to Bowery Valuation that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

### EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Client and Bowery Valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Bowery Valuation. This Agreement includes the Appendices (if any), which are incorporated into, and made a part of this Agreement.

### EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both an agent for Bowery Valuation and Client within 5 days of the Date of Agreement specified.

As Agent for Bowery

Handwritten signature of Michelle Zell.

(Signature)

Michelle Zell

2/26/2024

(Date)

By Client:

Handwritten signature of the addressee.

(Signature)

Addressee

Handwritten signature of the addressee.

(Date)



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

---

25-35 Hillside Avenue
86-06 35th Avenue
4530 Broadway
3647 Broadway
3657 Broadway
955 Underhill Avenue & 910 Thieriot Avenue
706 Lefferts Avenue
24 Joralemon Street
143 Linden Boulevard
25 Cumming Street (aka Seaman Street)
233 East 77th Street
323 W 96th Street
12-34 Crown Street
142-20 Franklin Avenue
111 Worth Street
1880 E Tremont (5 parcels in total)

## Glossary of Terms

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

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

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

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

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



APPRAISAL REPORT

3647 Broadway  
New York, NY 10031

Mixed-Use Building

REQUESTED BY

Moshe Weinberger

The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

DATE OF VALUE

As Is: December 31, 2023

PREPARED BY



Michelle  
Zell, MAI



Maren  
Lewis, MAI



Jack  
Brandon



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

March 15, 2024

Moshe Weinberger  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

Re: Appraisal File No. 2400031770  
Mixed-Use Building  
3647 Broadway  
New York, NY 10031

Dear Mr. Weinberger,

In accordance with your request, we have completed an appraisal of 3647 Broadway for the purpose of advancing an opinion of the As Is Fair Value of the Leased Fee Interest in the subject in accordance with IFRS-13.

The client and intended user is The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus and financial statements to be published in the Tel Aviv Stock Exchange in 2024 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The subject is a 10-story, elevated, mixed-use building consisting of 83 residential units and 3 commercial units. It contains 123,314 square feet of gross building area. The subject is 96.5% occupied with 4 vacant residential units and contains 75 rent stabilized residential units and 8 rent controlled residential units. In addition, there is a super unit in the basement. There are 3 occupied retail units.

The subject is situated on a 15,000 square feet parcel in an R8 zone with a C1-4 commercial overlay. It is identified in New York County tax maps as Block 2097, Lot 27. The subject is located in the Hamilton Heights neighborhood of Upper Manhattan. Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued mixed-use apartment use is concluded to be the highest and best use as improved.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This appraisal is prepared in compliance with the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010.

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

#### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,000,000



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

Mr. Weinberger  
Page 2  
March 15, 2024

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

The Federal Reserve Board met on Jan 31, 2024 and voted, for the 4th meeting in a row, to leave its policy rate unchanged. The FOMC noted that job growth and economic growth remain strong. While inflation has come down, it still remains above their target rate of 2%. The decision leaves the overnight lending target rate for banks between 5.25% and 5.5%, where it has been since the Committee's meeting in July. The FOMC meets again in March 2024 and signaled that rate cuts are not likely in that meeting. Committee members still expect the federal funds rate to fall to 4.6% by the end of 2024, suggesting rate cuts totaling 75 basis points during the year, with cuts possibly starting with their meeting in May.

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

Mr. Weinberger  
Page 3  
March 15, 2024

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

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

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI  
Senior Vice President  
Certified General Real Estate Appraiser  
NY License No. 46000049921  
FL Cert Gen RZ4135  
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Jack Brandon  
Valuation Associate  
[jack.brandon@boweryvaluation.com](mailto:jack.brandon@boweryvaluation.com)  
(224) 234-5195

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

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

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# Summary of Salient Facts & Conclusions

## 3647 Broadway, New York, NY



The subject is a 10-story, elevatored, mixed-use building consisting of 83 residential units and 3 commercial units. It contains 123,314 square feet of gross building area. The subject is 96.5% occupied with 4 vacant residential units and contains 75 rent stabilized residential units and 8 rent controlled residential units. In addition, there is a super unit in the basement. There are 3 occupied retail units.

## Salient Facts

### Property

Address	3647 Broadway
City	New York
State	New York
County	New York County
Block/Lot	Block 2097, Lot 27
Highest and Best Use – Vacant	Mixed-Use Commercial/Apartment
Highest and Best Use - As Improved	Mixed-Use Commercial/Apartment
<b>Date of Inspection</b>	February 28, 2024
<b>Report Date</b>	March 15, 2024
<b>Effective Date(s) of Value</b>	
<b>As Is</b>	December 31, 2023

### Building Characteristics

Property Type	Mixed-Use
GBA	123,314 sq. ft.
Year Built	1917
No. of Floors	10
Residential Units	83
Commercial Units	3

<b>Occupancy</b>	95%
<b>Condition</b>	Average
<b>Total Economic Life</b>	60 years
<b>Effective Age</b>	15 years
<b>Remaining Economic Life</b>	45 years

### Site Characteristics

Site Area	15,000 sq. ft.
Site Shape	Rectangular
Topography	Generally level at street grade
<b>Zoning</b>	R8 with a C1-4 commercial overlay
<b>Flood Zone</b>	Zone X

### Financial Indicators

	<b>Total</b>	<b>Per SF - GBA</b>	<b>Per Unit</b>
Potential Gross Income	\$2,396,723	\$19.44	\$28,876
Effective Gross Income	\$2,327,839	\$18.88	\$28,046
Operating Expense Ratio	46%	-	-
Net Operating Income	\$1,262,371	\$10.24	\$15,209
Capitalization Rate	5.75%	-	-
Stabilized Blended Occupancy	97.13%	-	-
Income Capitalization Approach As Is	\$22,000,000	\$178.41	\$265,060
Sales Comparison Approach As Is	\$21,600,000	\$175.16	\$260,241

### Value Conclusion

#### Final Value Conclusion

<b>Value Premise</b>	<b>Date of Value</b>	<b>Interest Appraised</b>	<b>Value Conclusion</b>
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup>. We note the use of this/these hypothetical condition(s) may have affected the assignment results:

- None.

---

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

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

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# Introduction

## Purpose & Date of Value

Value Premise	Date of Value	Interest Appraised
As Is Fair Value	December 31, 2023	Leased Fee Interest

## Identification of the Client

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

## Intended Use & User

The type and definition of value sought in the appraisal of the subject was an "As Is" Fair Value opinion for the Leased Fee interest in the property as of December 31, 2023, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery.

## Property Rights Appraised<sup>5</sup>

In this appraisal we provide an opinion of As Is Fair Value of the leased fee interest.

## Property History

According to the New York Department of Finance, the owner of 3647 Broadway is 3647 Realty Co.. The subject property has, to the best of our knowledge, not sold within the past three years.

The subject was appraised by Bowery Valuation as of June 30, 2023 for \$22,700,000, as of December 31, 2022 for \$25,700,000, as of December 31, 2021 for \$31,200,000, and as of August 5, 2020, for \$31,100,000. The current value of \$22,000,000 is 3% less than the prior value. NOI has increased, but with consideration of recent increases in interest rates and upward pressure on cap rates, we have increased the cap rate by 25 bps to 5.75%.

We are not aware of any current bids, offers, or options to purchase for this asset.

## Exposure Time<sup>6</sup>

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 6 months and 9 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

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

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

## General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

## Definition of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

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

## Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs and roof of the subject property, and the following units we were granted access to: 003G.

- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history and projections, as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the As Is Fair Value of the identified interest.

## Geographic Competency

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

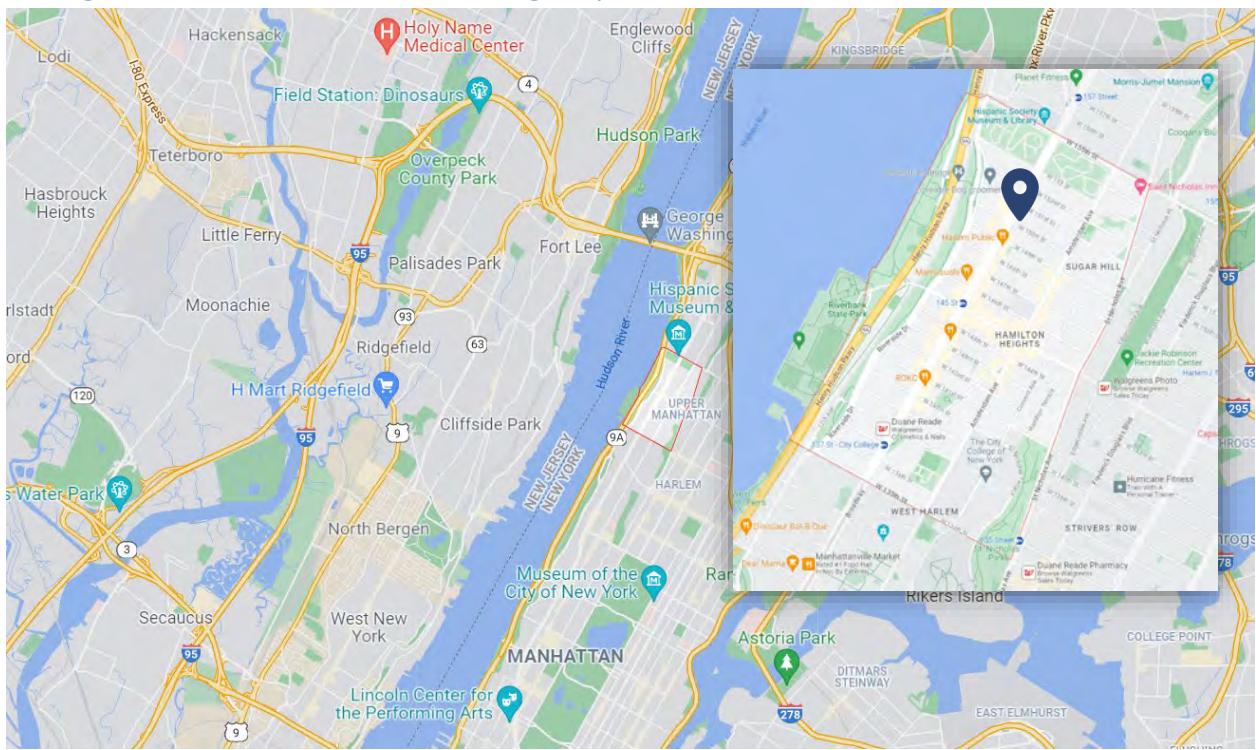
## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): NYC Department of Finance, NYC Department of Buildings, NYC Department of Planning Zoning & Land Use, Claritas, CoStar, Federal Reserve, and FEMA. The subject photos were taken by Jonathan Nathanson on 02/28/2024, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

### Resource Verification

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

# Neighborhood & Demographic Overview



Source: Google Maps

## Hamilton Heights at a Glance

Hamilton Heights is a neighborhood in the northern part of Manhattan. Hamilton Heights is bounded by 135th Street to the south, Riverside Drive to the west, 155th Street to the north, and Edgecombe Avenue and Saint Nicholas Avenue to the east. The community derives its name from Founding Father Alexander Hamilton, who lived the last two years of his life in what is now the Hamilton Grange National Memorial, back when Upper Manhattan was mostly farmland. Today, the neighborhood of Hamilton Heights is urban, with a mix of residential and commercial properties. Residential properties include historic brownstones, pre-war apartment buildings, and some newer developments, many of which are situated on the tree-lined east running streets of the neighborhood. Commercial properties include local ground floor retailers and businesses, larger community facilities, and some industrial space. The neighborhood also offers several parks, including the Riverbank State Park, Riverside Park, Morningside Park, and St. Nicholas Park. These parks provide many walking trails, exercise equipment, sports courts, and picnic areas. Broadway and Amsterdam Avenue, and 145<sup>th</sup> Street are major corridors in the area, lined with businesses, restaurants, and services. Public transit options include subway lines (A, B, C, D, and 1 trains) and several bus routes, providing easy access to other parts of Manhattan and beyond.

## Population and Households

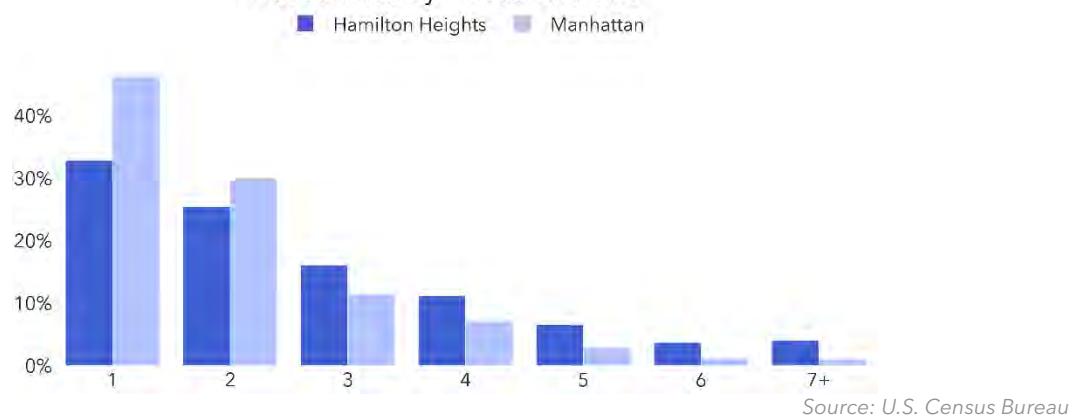
The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Hamilton Heights reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Hamilton Heights and Manhattan reflect data from the 2021 5-year American Community Survey (ACS) and the 2020 Census, respectively.

### Population Growth

Area				Annual %	
		2010 Census	2020 Census	Change	2025 Forecast
Population	Hamilton Heights	64,085	65,721	0.3%	66,658
	Manhattan	1,585,873	1,694,251	0.8%	1,759,560

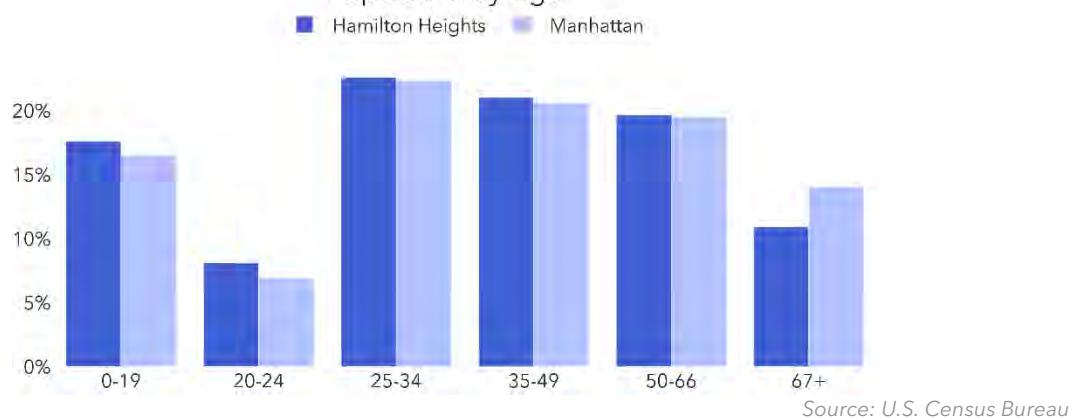
Households in Hamilton Heights are, on average, larger than those in Manhattan. Households in Hamilton Heights have an average size of 2.00 people, compared to 1.99 people in Manhattan. 1 person households account for the largest share in both Hamilton Heights and Manhattan.

### Households by Household Size



The median age of Hamilton Heights residents is younger than in Manhattan. Residents of Hamilton Heights have a median age of 35.2, compared to 37.5 in Manhattan. In both Hamilton Heights and Manhattan, young professionals account for the largest cohort.

### Population by Age

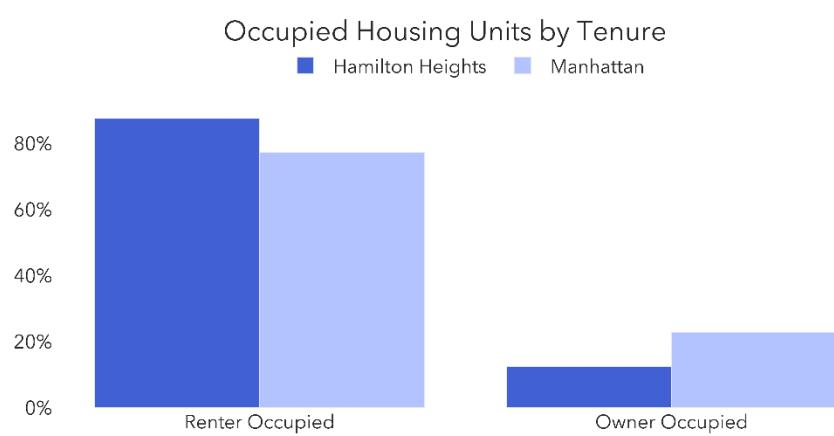
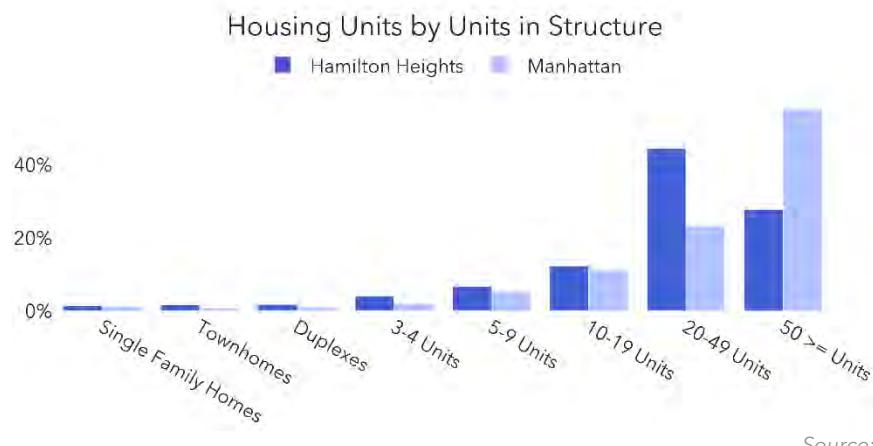


Households in Hamilton Heights have a lower median income than those in Manhattan. Households in Hamilton Heights have a median income of \$54,950, compared to \$86,553 for households in Manhattan. The chart below indicates the share of households by income brackets. In Hamilton Heights, the most common household income is between \$75k-99,999, compared to \$200k or higher for Manhattan.



## Housing

20-49-unit properties, followed by properties with 50+ units then 10-19-unit properties account for the most common forms of housing in Hamilton Heights. 12% of the housing units in Hamilton Heights are occupied by their owner. This percentage of owner-occupation is lower than the Manhattan level of 23%.



Homes in Hamilton Heights have a median value of \$489,788, compared to \$987,700 for Manhattan. In Hamilton Heights, the most common home value is between \$500k - \$749k, compared to between over \$2 million for Manhattan.



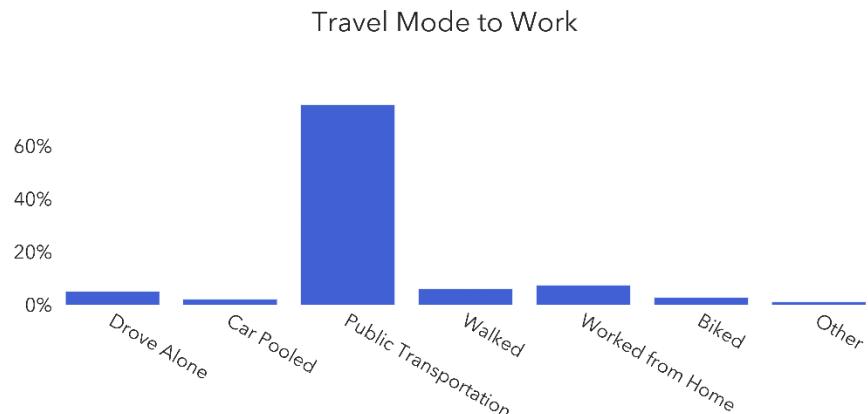
Source: U.S. Census Bureau

## Transportation

In Hamilton Heights, the majority of residents use public transit with nearly  $\frac{3}{4}$  of people using the subway or bus. Commuters in Hamilton Heights have a median commute time of about 42 minutes. In Hamilton Heights, the most common commute time is between 45-59 minutes, compared to 30-34 minutes for Manhattan.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

### Transportation Methods

-  Walk Score: 97 (Walker's Paradise)
-  North of the neighborhood, in northern Washington Heights, the George Washington Bridge provides access to New Jersey and the New Jersey Turnpike, while the Alexander Hamilton Bridge provides access to the Bronx. Also, commuters can take the Henry Hudson Parkway (NY 9A) further south into Manhattan.
-  The New York City Subway's IRT Broadway - Seventh Avenue Line stops in Hamilton Heights at the 137th Street - City College and 145th Street stations (1 train). The IND Eighth Avenue Line runs under St. Nicholas Avenue, providing service at 135th Street (A, B, and C trains), 145th Street (A, B, C, and D trains) and 155th Street (A and C trains). The IND Concourse Line branches off north of the 145th Street station and runs under Saint Nicholas Place to serve the 155th Street (B and D trains).
-  Several MTA Regional Bus Operations bus routes are located nearby in Hamilton Heights. There are buses on all major avenues. The MTA Regional Bus Operations' M3, M4, M5, M10, M11, M100, M101, Bx6, Bx6 SBS, Bx19, Bx33 buses serve the area, according to the Metropolitan Transportation Authority.
-  The closest major airport is LaGuardia Airport, although John F Kennedy International Airport, and Newark Liberty International Airport are easily accessible with access to the Henry Hudson Parkway/West Side Highway and the George Washington Bridge.

### Conclusion

Overall, Hamilton Heights is a diverse neighborhood offering a wide range of amenities and services for its residents and businesses. There are many public transit options, including multiple subway and bus routes and major corridors provide local and regional access for cars. The housing stock is diverse, offering small and large rental buildings, newer condos, historical townhomes, and affordable housing. It is home to the City College of New York and is just north of Columbia University. The neighborhood has experienced moderate growth, which has accelerated over the past few years.

## Zoning Summary

3647 Broadway is in an R8 zone with a C1-4 commercial overlay. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

### Zoning Summary

Authority	Classification
Property Jurisdiction	New York <sup>7</sup>
Existing Zoning Classification	R8 with a C1-4 commercial overlay
Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance)	None known

### Summary of Use and Bulk Regulations

	Required	Actual	Status
Current Use	Commercial, residential, and community facility	Residential and commercial	Conforming
Max. Density (FAR)	6.02	8.22	Non-complying

## R8 Zoning Regulations

Apartment buildings in R8 districts can range from mid-rise, eight- to ten-story buildings to much taller buildings set back from the street on large zoning lots. This high-density residential district is mapped along the Grand Concourse in the Bronx and on the edge of Brooklyn Heights. R8 districts are also widely mapped in Manhattan neighborhoods, such as Washington Heights. New buildings in R8 districts may be developed under either height factor regulations or the optional Quality Housing regulations that often reflect the older, pre-1961 neighborhood streetscape.

### Height Factor Regulations

The floor area ratio (FAR) for height factor development in R8 districts ranges from 0.94 to 6.02; the open space ratio (OSR) ranges from 5.9 to 11.9. A taller building may be obtained by providing more open space. In the diagram, for example, 64% of the zoning lot with the 17-story building must be open space ( $6.02 \text{ FAR} \times 10.7 \text{ OSR}$ ). Thus, the maximum FAR is achievable only where the zoning lot is large enough to accommodate a practical building footprint as well as the required amount of open space. There are no absolute height limits; the building must be set within a sky exposure plane which, in R8 districts, begins at a height of 85 feet above the street line and then slopes inward over the zoning lot.

Off-street parking is required for only 40% of dwelling units since these districts are easily accessed by mass transit. It can be waived if 15 or fewer parking spaces are required or if the zoning lot is 10,000 square feet or less.

### R8 Height Factor Regulations

District	FAR	OSR	Building Height	Min. Required Parking <sup>1</sup>
R8	0.94-6.02	5.9-11.9	Governed by sky exposure plane	40% of dwelling units

<sup>1</sup> 20% if zoning lot is between 10,001 and 15,000 sf; waived if zoning lot is 10,000 sf or less, or if 15 or fewer spaced required

<sup>7</sup> The zoning map can be found in the Map Gallery, which is located in the Addenda.

## Quality Housing Regulations

The optional Quality Housing regulations in R8 districts utilize height limits to produce lower, high lot coverage buildings set at or near the street line. With floor area ratio (FAR) equal to or greater than can be achieved using R8 height factor regulations, the optional Quality Housing regulations produce new buildings in keeping with many of the city's established neighborhoods.

The maximum FAR is 6.02, and the base height before setback is 60 to 80 feet with a maximum building height of 105 feet. On wide streets outside the Manhattan Core, the FAR rises to 7.2, and the base height before setback is 60 to 85 feet with a maximum building height of 120 feet. The street wall of the building must extend along the width of the zoning lot and at least 70% of the street wall must be within eight feet of the street line.

The area between a building's street wall and the street line must be planted and the building must have interior amenities for residents pursuant to the Quality Housing Program.

Off-street parking requirements are the same as for height factor buildings: 40% of the dwelling units.

### R8 Quality Housing Option

R8 Type	Max FAR <sup>3</sup>	Max Corner Lot Coverage	Max Interior Lot Coverage	Base Height	Max Building Height	Min. Required Parking <sup>4</sup>
Wide Street <sup>1</sup>	7.2	80%	70%	60-85 ft	120 ft	40% of dwelling units
Narrow Street <sup>2</sup>	6.02	80%	70%	60-85 ft	105 ft	40% of dwelling units

<sup>1</sup> Outside the Manhattan Core

<sup>2</sup> Includes wide streets within the Manhattan Core

<sup>3</sup> 7.2 FAR with Inclusionary Housing designated area

<sup>4</sup> 20% if zoning lot is between 10,001 and 15,000; waived if zoning lot is 10,000 sf or less, or if 15 or fewer spaces required

Based on the maximum effective residential FAR of 6.02 and lot area of 15,000 square feet, 90,300 square feet of buildable area is permitted on site. The subject contains 123,314 square feet of gross building area above grade. The subject is pre-existing non-complying with regards to bulk regulations.

The residential and commercial property is in an R8 zone, which permits residential and community facility uses as of right, as well as commercial uses due to the C1-4 commercial overlay. The subject is conforming with regards to the allowable uses.

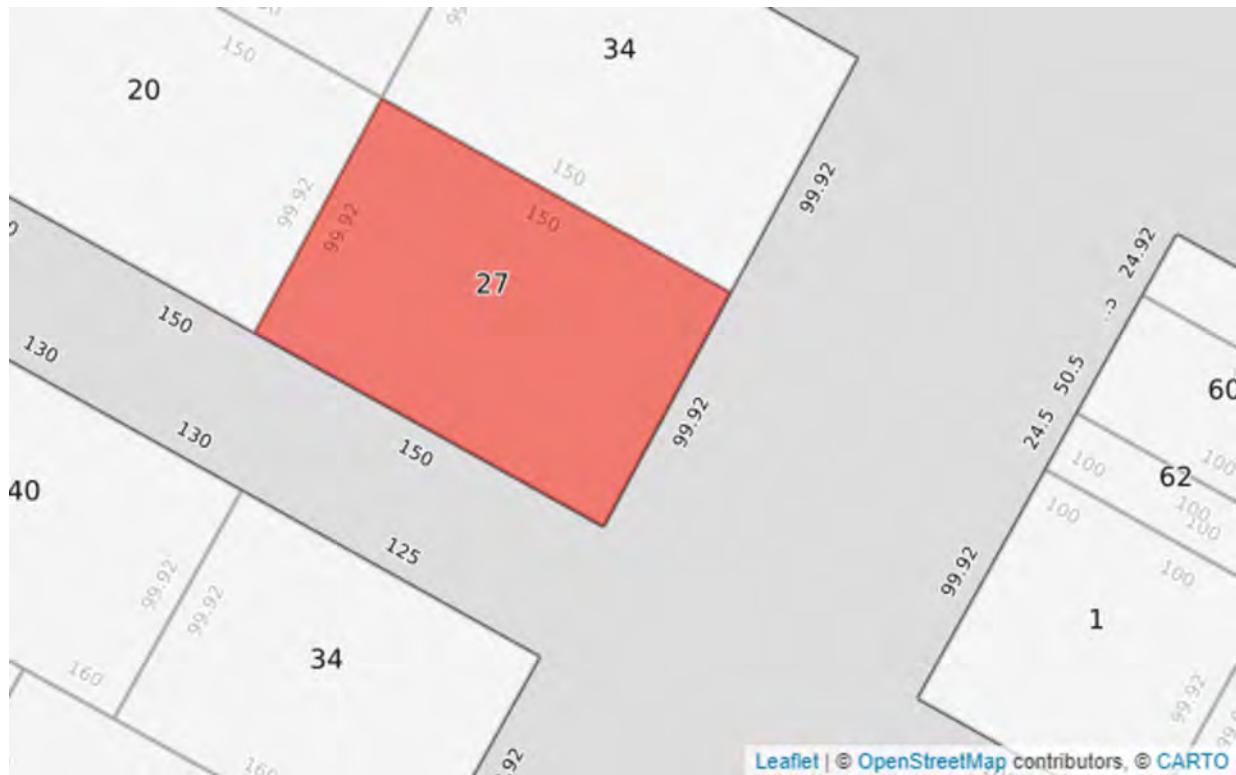
### We have also included information pertinent to the Property's zoning classification regarding the state's Reconstruction clause, including rebuildability:

According to the New York City Zoning Code: If a non-complying building or other structure is damaged or destroyed by any means, including any demolition, to the extent of 75 percent or more of its total floor area, such building may be reconstructed only in accordance with the applicable district bulk regulations, except in the case of a one- or two-family residence, such residence may be reconstructed provided that such reconstruction shall not create a new non-compliance nor increase the pre-existing degree of non-compliance with the applicable bulk regulations.

If the extent of such damage or destruction is less than 75% percent of the floor area and more than 25 percent of the perimeter walls of such existing building, and the replacement of any portion thereof, shall be considered a development.

In the event that any demolition, damage or destruction of an existing building other than one-or two-family residences produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, and the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent of more of the total floor area of such building, then such building may be reconstructed only in accordance with the applicable district bulk regulations

## Assessed Value & Real Estate Taxes



### Current Tax Liability

3647 Broadway is located in New York County (borough of Manhattan), New York, NY. It is designated on the tax maps as Block 2097, Lot 27. The property tax class is Class 2. We have applied the 2024 tax rate of 12.502% to the most recent assessed value of the property to determine its current tax liability. The lower of the Actual or the Transitional Assessed Value is applied, in the subject's case, it is the Actual Assessed Value.

#### '24/25 Tentative Tax Assessment

	Actual	Transitional
Land	\$385,200.00	\$385,200.00
Building	\$3,071,700.00	\$3,409,910.00
Total	\$3,456,900.00	\$3,795,110.00

#### Tax Liability

	Total	PSF
Taxable Assessed Value (Actual)	\$3,456,900.00	\$28.03
Tax Rate (New York City - Class 2, 2023) ×	12.502%	12.502%
Tax Liability	\$432,181.64	\$3.50

## Comparable Tax Liabilities

In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

	Year Built	GBA	Taxes PSF
3489 Broadway, New York, NY	1910	99,946	\$3.17
3458 Broadway, New York, NY	1910	91,274	\$2.66
3841 Broadway, New York, NY	1913	109,022	\$2.14
3851 Broadway, New York, NY	1920	105,000	\$4.43
2941 Broadway, New York, NY	1912	126,478	\$4.65
179 Bennett Avenue, New York, NY	1960	80,927	\$4.39
		<b>Min</b>	<b>\$2.14</b>
		<b>Average</b>	<b>\$3.57</b>
		<b>Max</b>	<b>\$4.65</b>

## Conclusion

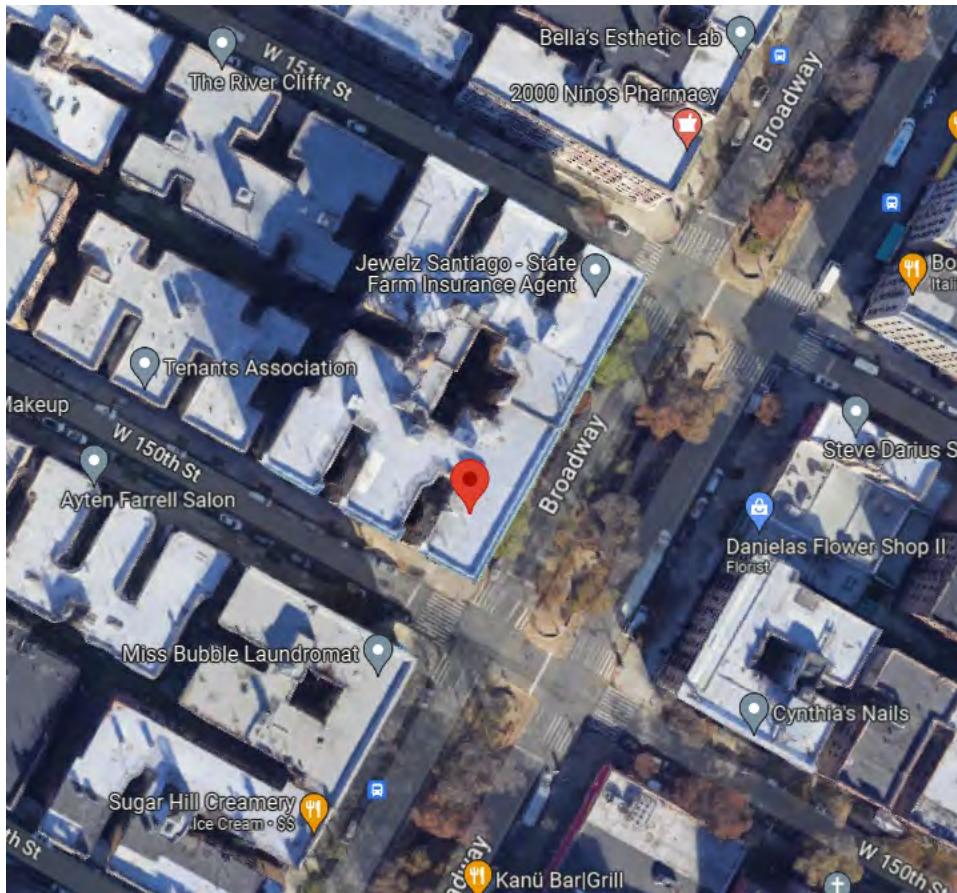
### Tax Liability Summary

	Taxes PSF
Comp Min.	\$2.14
Comp Avg.	\$3.57
Comp Max.	\$4.65
Subject Tax Liability	\$3.50

The subject property's taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability of \$432,181.64 or \$3.50/sf in our analysis.

The taxes decreased from \$446,745 in the Q2 2023 report.

## Site Description



Location	The subject property is located in the Hamilton Heights neighborhood of Upper Manhattan.										
Surrounding Uses	It is located on a primarily residential and commercial block.										
Transportation	The 145 St subway station is a 5 minute walk away. The 157 Street subway station is an 8 minute walk away. The 155 St subway station is an 11 minute walk away. A transportation summary is provided below:										
	<table border="1"> <tbody> <tr> <td>1 at 145th St</td> <td>0.25 miles</td> </tr> <tr> <td>1 at 157th St</td> <td>0.33 miles</td> </tr> <tr> <td>C at 155th St</td> <td>0.36 miles</td> </tr> <tr> <td>A, C, B, D at 145th St</td> <td>0.39 miles</td> </tr> <tr> <td>C at 163rd St</td> <td>0.57 miles</td> </tr> </tbody> </table>	1 at 145th St	0.25 miles	1 at 157th St	0.33 miles	C at 155th St	0.36 miles	A, C, B, D at 145th St	0.39 miles	C at 163rd St	0.57 miles
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1 at 157th St	0.33 miles										
C at 155th St	0.36 miles										
A, C, B, D at 145th St	0.39 miles										
C at 163rd St	0.57 miles										
Site Area	15,000 square feet										
Shape	Rectangular										
Frontage	Broadway: 99.92 feet W 150th Street: 150 feet										

Access	The primary access is from Broadway
Topography	Generally level at street grade
Drainage	Assumed adequate
Paving	All roads are paved with asphalt and are in satisfactory condition.
Street Lighting	Adequate
Hazardous Substances	We observed no evidence of toxic or hazardous substances during our inspection of the site.
Easements, Encroachments, and Restrictions	Based upon a review of the tax map and deed, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value.
Utilities & Services	Water/Sewer and Refuse - City Police & Fire Protection - City Gas - Con Ed Electricity - Con Ed
Flood Hazard Status	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970079F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains.
Conclusion	The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate.

# Description of Improvements

## Building Description

The subject is a 10-story, elevatored, mixed-use building consisting of 83 residential units and 3 commercial units. It contains 123,314 square feet of gross building area. The subject is 96.5% occupied with 4 vacant residential units and contains 75 rent stabilized residential units and 8 rent controlled residential units. In addition, there is a super unit in the basement. There are 3 occupied retail units.

It was built in 1917 and according to public records was last altered in 1986 with various improvements made since then.

## Building Inspection

On February 28, 2024, Jonathan Nathanson of Bowery Valuation conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, and roof. We were able to inspect the stairs and they are in average condition. We were able to inspect the roof and it is in average condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

## Unit Inspection

### Inspected Units Summary

#	Unit #	Unit Type	Lease Status	Condition	Status for Occupancy
1	003G	One Bedroom	Vacant	Average	Ready for occupancy
2	Taco Bell	Commercial	Occupied	Average	N/A
3	Tribeca Peds	Commercial	Occupied	Average	N/A
4	CAF Tax	Commercial	Occupied	Average	N/A

We inspected 4 units: 003G, Taco Bell, Tribeca Peds, and CAF Tax. 003G is a vacant unit, that is average, and ready for occupancy. We assume the units that were not inspected are of generally similar condition to the units inspected.

## Structural, Utilities & Mechanicals

### Structural

Foundation	Poured concrete
Structural System	We assume the structural system is adequate.
Exterior Walls	Brick and Masonry
Windows	Double-hung
Roof	Spray polyurethane foam roof

### Utilities

Electricity	Individual electric meters are located in the basement.
Hot Water	Central hot water heater system located in the basement.

Gas	Individual gas meters are located in the unit.
Heating/Cooling	Steam heating located in the basement for heating. Tenant provided window A/C unit located in the unit for cooling.

### Mechanicals

Elevators	The subject is an elevatored building.
Plumbing	We assume the plumbing is adequate and meets local building code requirements.
Sprinklers	Sprinkler systems located in common interior space.

### Layout & Finishes

Basement	The basement is accessed from the interior and exterior of the building, and is partially finished.
Entry & Hallways	The entryway and interior hallways are in average condition.
Laundry	The subject contains a laundry room.
Stairwell	There is 1 interior staircase that runs from the basement to the roof.
Security	Security cameras, Door locks, and doorman

### Amenities

#### Building Amenities

Laundry Room	There is a laundry room in the building.
Storage Units	There are no storage units in the building.
Parking	There is no parking space on the property site.

### Residential Unit Finishes

The units generally feature good quality finishes relative to typical units in similar walk-up buildings in the area. We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.

Kitchens	The units typically contain laminate tile flooring, laminate counter tops, white laminate cabinets, standard oven range stovetops, and standard refrigerators.
Bathrooms	The units typically contain ceramic tile flooring, bathtub shower combo tubs, laminate top set-in cabinet sinks, and ceramic toilets.
Bedrooms / Living Area	The units typically contain hardwood flooring, and sheet rock walls.

### Residential Unit Distribution Summary

Unit Type	No. of Units	Avg. Rooms/Unit	Total Rooms	Avg. SF/Unit (Est.)	Total Leasable SF
1 BR	11	3	33	700	7,700
2 BR	33	4	132	900	29,700
3 BR	11	5	55	1,200	13,200
4 BR	28	6	168	1,600	44,800
Totals/Average	83		388	1,149	95,400

We estimated the total leasable area and resulting average square footage per unit based on a loss factor of 10% applied to the gross building area.

### Commercial Space

The subject contains 3 commercial units spanning 3,000 square feet. Each unit is approximately 1,000 square feet at grade. Unit 1 is located on the corner of Broadway and W 150th Street, unit 2 has frontage on Broadway, and unit has frontage on W 150th Street.

### Commercial Unit Distribution Summary

Unit Number	Tenant Name	Floor	SF
1	Taco Bell	Ground Floor	1,000
2	Tribeca Peds	Ground Floor	1,000
3	CAF Tax	Ground Floor	1,000
Total			3,000

### Condition, Deferred Maintenance & Remaining Economic Life

#### Condition

Based on our inspection, the subject is in average condition. The subject was constructed in 1917.

#### Deferred Maintenance

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

The subject is in average condition. During our visit to the building, we noticed no significant items of deferred maintenance.

#### Remaining Economic Life

While the improvements were originally constructed in 1917, we estimate the effective age to be 15 years; given a useful life of 60 years, the remaining economic life of the building is estimated as 45 years.

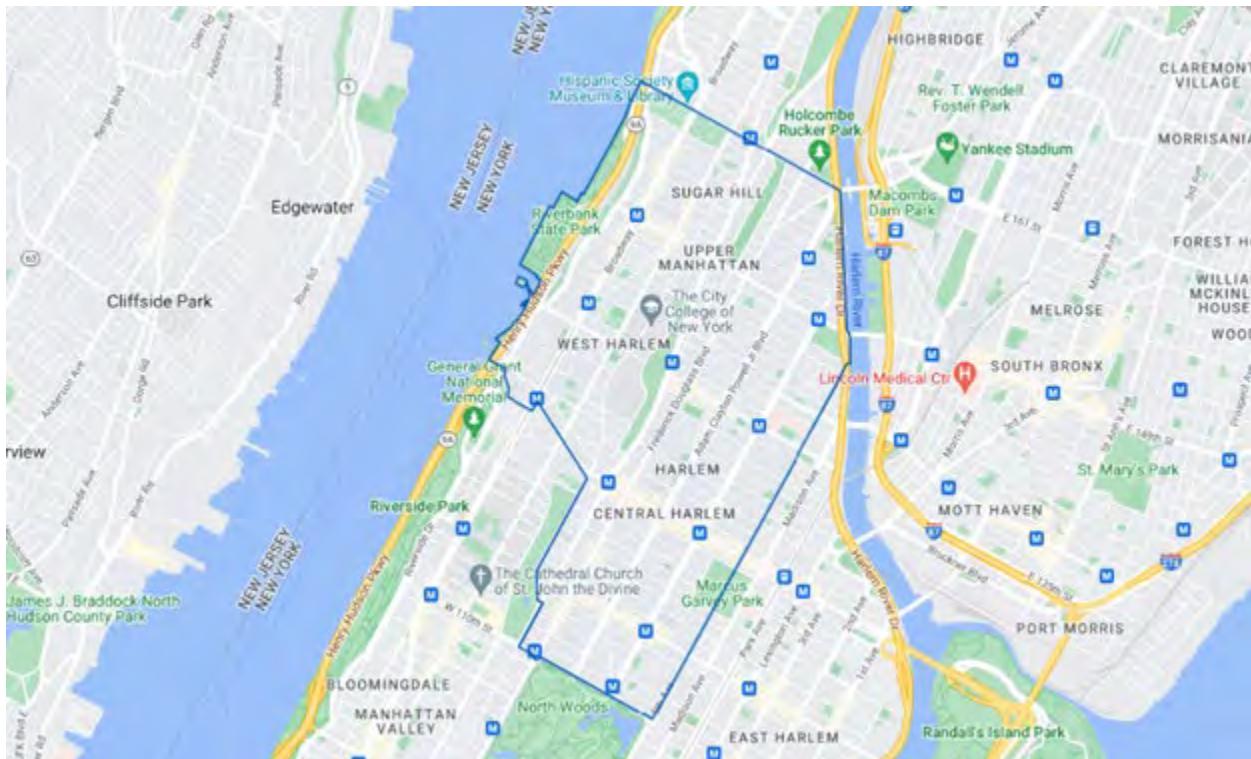
### Summary

The subject was constructed in 1917 and based on our inspection, the subject is in average condition. The building features a functional design with typical site coverage. No significant functional obsolescence was noted during our inspection. The layout, site coverage of the improvements and positioning of the improvements as well as the construction quality of the improvements, interior layout, building mechanicals, building-wide and unit amenities and finishes are functional by market standards.

# Submarket Analyses

## Harlem: Multifamily Submarket Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the Harlem Multifamily Submarket ("Submarket") located in the New York Market ("Market").



### Overview

The subject property is in the Harlem Submarket of the New York Market, defined in the map above. This Submarket accounts for 3.1% of the Markets total inventory with 48.5k units. Economic uncertainty and elevated pipelines have coincided with a slowdown in demand over the first half of 2023, continuing into the 2nd half of 2023. With upward pressure on vacancies, rent growth has normalized across most markets across the Nation. With softening fundamentals occurring alongside the elevated cost of debt, investors have tightened their lending standards, slowing transaction activity, putting upward pressure on cap rates, and driving down values. In the Harlem Submarket, demand has improved recently but vacancy rates are up compared to the same time last year. While rents are up 1.9% over the past year, they declined 0.6% in the latest quarter. With softening fundamentals, values decreased in the past quarter and -12.9% yoy, ultimately decreasing to \$374,537/unit.

### Sector Fundamentals

	<b>Harlem</b>	<b>YoY</b>	<b>QoQ</b>	<b>New York</b>	<b>YoY</b>	<b>QoQ</b>
Market Rent/Unit	\$2,436	1.9%	-0.6%	\$3,060	2.0%	0.0%
Vacancy Rate	2.29%	10 bps	-10 bps	2.56%	14 bps	3 bps
Net Absorption Units	50	400.0%	-65.0%	5,430	24.9%	0.0%
Asset Value/Unit	\$374,537	-12.9%	-2.6%	\$396,924	-11.6%	-2.0%
Market Cap Rate	4.8%	61 bps	9 bps	5.11%	60 bps	7 bps
Transaction Count	3	-79%	-70%	202	-33%	-28%
Sales Volume	\$13,150,000	-51%	-56%	\$962,639,744	-64%	-49%

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

#### Historical Multifamily Performance: Harlem Submarket

Period	Inventory Units	Under Construction Units	Net			Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Delivered Units	12 Mo	Absorption Units 12 Mo			
2023 Q4	48,534	624	604	540	2.3%	\$2,436	\$374,537	4.80%
2023 Q3	48,534	624	604	500	2.4%	\$2,452	\$384,679	4.71%
2022	47,930	749	1	234	2.2%	\$2,390	\$429,889	4.20%
2021	47,929	662	202	441	2.7%	\$2,348	\$469,195	3.78%
2020	47,727	250	266	144	3.2%	\$2,294	\$420,687	4.03%
2019	47,461	487	73	26	3.0%	\$2,326	\$405,893	4.22%
2018	47,388	426	32	112	2.9%	\$2,278	\$388,384	4.28%
2017	47,356	460	73	158	3.0%	\$2,240	\$378,437	4.28%
2016	47,283	154	64	117	3.2%	\$2,211	\$359,438	4.33%
2015	47,219	118	-27	65	3.3%	\$2,159	\$339,157	4.36%
2014	47,246	74	-12	80	3.5%	\$2,112	\$307,907	4.54%

#### Supply & Demand

The Submarket has 48.5k units of multifamily space, and developers have added, net of demolitions, 1.3k units over the past ten years, increasing inventory by 2.7% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.6% to 2.3%. Solid demand drivers in the form of increased development from higher-ed institutions should also help keep absorption levels positive. Columbia University's recently built Jerome L. Greene Science Center supports roughly 1,000 researchers and students of all degrees. The massive project, which is expected to add 17 new buildings by 2030, will also include a host of community amenities that should benefit rental property owners in Harlem. The campus has added publicly accessible green space and retail, widened sidewalks, and revitalized streetscapes.

Demand has fallen short of inventory growth and vacancy rates in the Submarket have increased 10 bps over the past year from 2.2% to 2.3%, remaining below the 10-year average of 3.0%, and below the Market average by 27 bps. In the fourth quarter, multifamily tenants in the Submarket absorbed 50 units, a decrease from the 143 units absorbed in 2023 Q3, but an improvement from the 10 units absorbed in the same quarter last year.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Submarket	3.5%	3.3%	3.2%	3.0%	2.9%	3.0%	3.2%	2.7%	2.2%	2.4%	2.3%
Class A	5.0%	3.3%	6.0%	2.3%	2.6%	5.1%	5.8%	21.8%	5.8%	14.5%	10.8%
Class B	3.5%	3.4%	3.1%	2.9%	2.8%	3.0%	3.3%	2.2%	2.0%	1.9%	1.9%
Class C	3.5%	3.3%	3.2%	3.1%	2.9%	2.9%	3.0%	2.5%	2.2%	2.2%	2.2%



### Rents

At \$2,436/unit, rents in the Harlem Submarket are roughly 20% lower than the Market average of \$3,060/unit. The lower asking rent average is largely indicative of the amount of vintage 2 and 3 Star apartments located here, along with the lower median incomes observed compared to other parts of Manhattan. Still, newly constructed buildings have been built to a high standard and are asking upwards of \$3,500/month.

Class A apartment units are a premium with an average effective rent rate of \$3,887/unit, followed by \$2,570/unit for Class B and \$2,133/unit for Class C units. Rents in the Submarket have increased 1.8% per annum over the past decade, falling short of the Market, where rents increased 2.4% per annum during that time.

### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Submarket	\$2,112	\$2,159	\$2,211	\$2,240	\$2,278	\$2,326	\$2,294	\$2,348	\$2,390	\$2,452	\$2,436
Class A	\$3,409	\$3,510	\$3,569	\$3,630	\$3,714	\$3,780	\$3,785	\$3,801	\$3,987	\$3,853	\$3,887
Class B	\$2,153	\$2,174	\$2,244	\$2,276	\$2,309	\$2,393	\$2,315	\$2,416	\$2,460	\$2,614	\$2,570
Class C	\$1,908	\$1,969	\$2,005	\$2,028	\$2,063	\$2,078	\$2,080	\$2,100	\$2,122	\$2,132	\$2,133

Prior to the pandemic, the Harlem Multifamily Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, but was in line with the historical average, with annual growth of 2.1%. In 2020 Q2, quarterly rent growth fell to -1.9%. By the end of 2020, rents had fallen 1.4% from the 2019 Q4 rent level of \$2,326/unit. From 2019 Q4 to 2021 Q4, rents increased 1.0%. Quarterly rent growth in 2023 Q4 contracted by -0.6%, with annual growth slowing to 1.9%.

## Market Effective Rent/Unit - Annual & Quarterly Growth

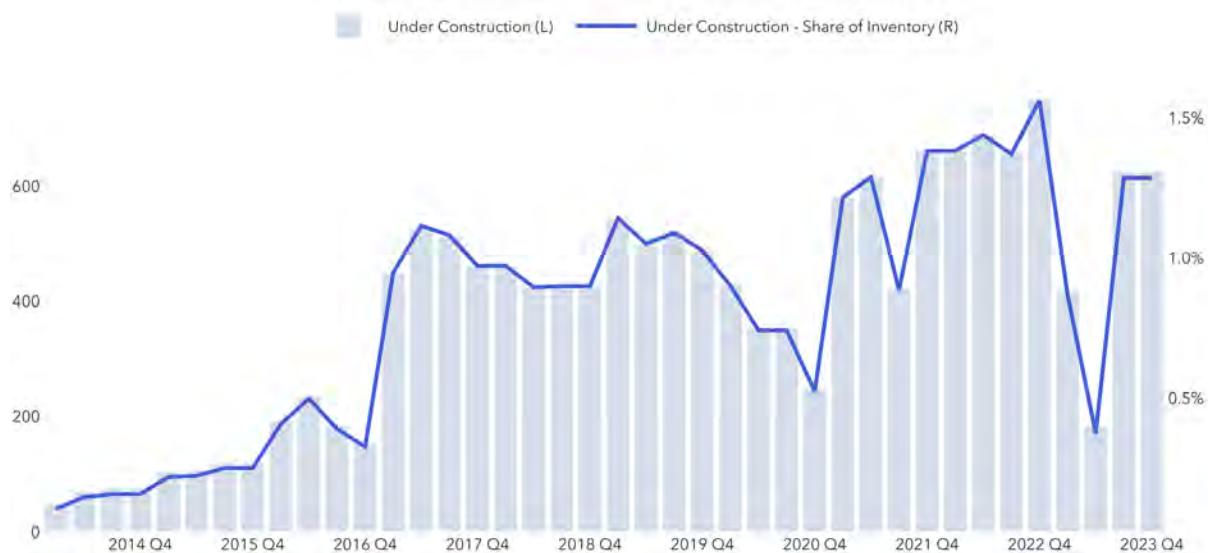


## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 1.4k units to the Submarket over that time, expanding inventory by 2.7%. The addition of a Whole Foods Market on the 125th Street retail corridor in 2017 has spurred developers to action, and consequently, many of the high-end projects in the pipeline are clustered near the juncture of West 125th Street and Malcolm X Boulevard. High-end developments are also clustered in Manhattanville, near the existing and underway campuses of the City College of New York and Columbia University.

Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 624 units, or the equivalent of 1.3% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

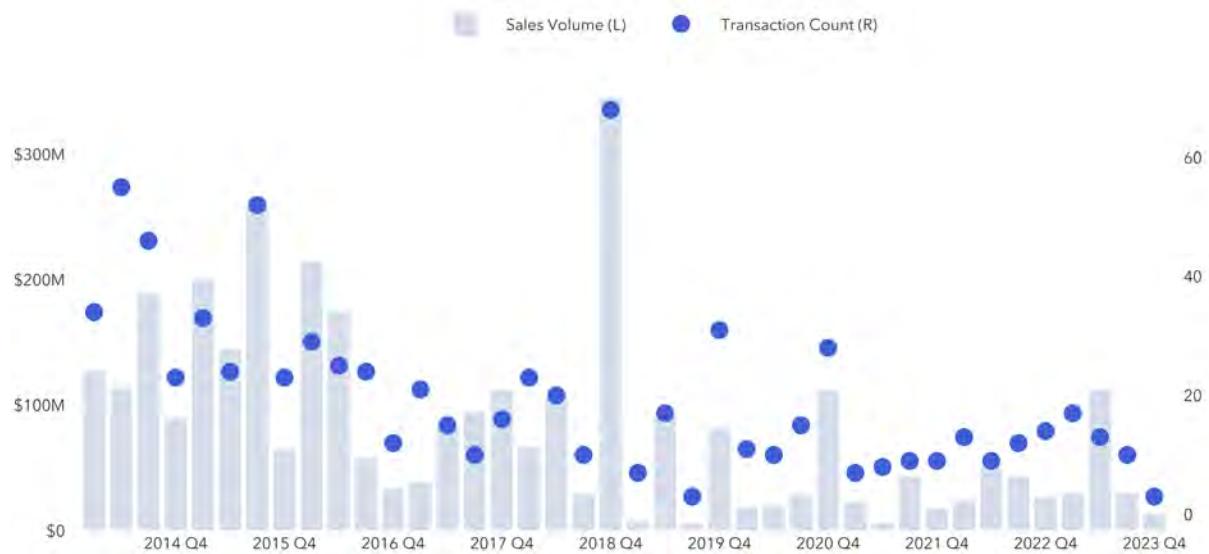
## Under Construction Units - Share of Inventory



## Capital Markets

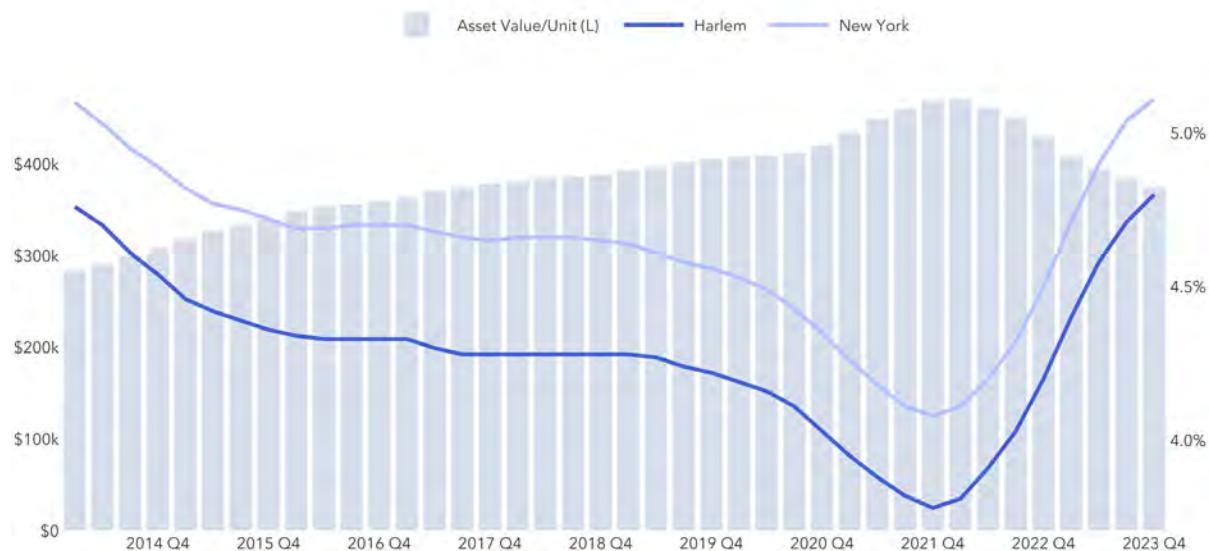
Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average, 41 transactions per year with an annual average sales volume of \$139.2 million. Over the past year, there were 43 closed transactions across 1.1k units, for a total sales volume of \$184.8 million. As of 2023 Q4, CoStar data indicates there were 3 transactions for a total sales volume of \$13.2 million, compared to \$29.6 million in the previous quarter.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$374,537/unit. Values have compressed 12.9% over the past year and continued to fall in the past quarter, decreasing 2.6% in 2023 Q4. Capitalization rates have increased 61 bps over the past year to 4.8% and increased 9 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation. Multifamily market conditions in the Harlem Submarket indicate strong but slowing demand, which has fallen short of new supply coming online. While quarterly rent growth contracted, annual growth remains positive. Looking ahead to the near term, it is likely that tenant demand improves, as is normal during the spring, although the pipeline remains active and will continue to add pressure to vacancy rates, slowing growth in rents and values.

## Highest & Best Use

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

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

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

### As Vacant

Legally Permissible	The subject is in zone R8, which permits residential and community facility use as of right as well as commercial uses due to the C1-4 commercial overlay. Based on the maximum effective FAR of 6.02 and a lot area of 15,000 square feet, 90,300 square feet of max buildable area is permitted on site. There are no zoning changes anticipated and no easements or encroachments that preclude development.
Physically Possible	The site contains 15,000 square feet with 100 feet of frontage along Broadway and 150 feet of frontage along W 150th Street. The size falls within the range of improved sites in the area. All necessary utilities are available and the site appears functional for a variety of permitted uses.
Financially Feasible	The subject is located within a primarily mixed-use neighborhood. Based on our analysis of the market, there is sufficient demand for mixed-use commercial/apartment properties. Market conditions are such that new mixed-use commercial/apartment construction is feasible, as the value would sufficiently exceed the cost plus developer's profit. New construction in the neighborhood is currently underway and newly developed mixed-use commercial/apartment buildings in the subject's submarket are selling, an indication of feasibility.
Maximally Productive/ Highest and Best Use	There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop for mixed-use commercial/apartment use. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.
Conclusion	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as vacant is to develop a mixed-use commercial/apartment building to the highest density permitted by zoning and supported within the market.

### As Improved

Legally Permissible	The subject improvements consist of 123,314 square feet of gross building area on a 15,000 square feet site which reflect an FAR of 8.22. Located in the R8 zone, permitted uses include residential and community facility. The current mixed-use use of the improvements is not a permitted use. The improvements do not comply to the bulk requirements as specified and discussed in the zoning section of the report. Based on the age of the improvements and our zoning analysis, we determine the existing improvements represent a pre-existing, non-conforming use.
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Physically Possible	The subject is a 10-story, elevated, mixed-use building consisting of 83 residential units and 3 commercial units with 123,314 square feet of gross building area. The layout, site coverage and positioning of the improvements are considered functional for the current use. While it would be physically possible for a wide variety of uses, based on legal restrictions in place and the design of the improvements, continued use of the property as mixed-use use is considered the most functional. Additionally, there is no excess or surplus land noted nor excess FAR to consider.
Financially Feasible	The subject property is located within a primarily mixed-use neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 94% occupancy and will generate a positive net cash flow. Therefore, use as a mixed-use commercial/apartment property is financially feasible. Also, demolition is not an option.
Maximally <b>Productive</b> / Highest and Best Use	There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as vacant. Continued mixed-use commercial/apartment use is concluded to be maximally productive.
Conclusion	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued mixed-use commercial/apartment use is concluded to be the highest and best use as improved.
Most Probable Buyer	Taking into account the size and characteristics of the property and its multifamily occupancy, the likely buyer is a local investor/developer.

## Appraisal Valuation Process

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

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

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

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

### Approaches to Value Applied

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

The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value, therefore it was not found to be appropriate in our value development.

## Income Capitalization Approach

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

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

### Income Analysis

#### Current Residential Rent Roll

3647 Broadway currently contains 79 occupied units and 4 vacant units generating \$1,972,725 of total annual residential income.

**Rent Roll Summary by Unit Type**

Unit Type	No. of Occupied Units	No. of Vacant Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
1 Bedroom	10	1	\$824 - \$2,487	\$212,824.44	\$1,773.54
2 Bedroom	33	0	\$790 - \$2,846	\$733,128.96	\$1,851.34
3 Bedroom	10	1	\$1,110 - \$3,179	\$281,590.56	\$2,346.59
4 Bedroom	26	2	\$877 - \$4,076	\$745,181.40	\$2,388.40
Totals/Averages	79	4		\$1,972,725.36	\$2,080.93

## Comparable Rentals

In order to gauge the reasonableness of the contract rents and forecast market rent for the vacant units, we have examined the following rental activity in the submarket:

### 1 BR Rentals



### 1 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	838 Riverside Drive, New York, NY	3	1	\$2,350	\$783
2	612 West 138th Street, New York, NY	3	1	\$1,900	\$633
3	100 West 139th Street, New York, NY	3	1	\$2,000	\$667
4	454 West 148th Street, New York, NY	3	1	\$2,095	\$698
5	56 East 130th Street, New York, NY	3	1	\$2,450	\$817
Min \$1,900					
Average \$2,159					
Max \$2,450					

## 2 BR Rentals



## 2 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	239 West 137th Street, New York, NY	4	2	\$2,700	\$675
2	222 West 139th Street, New York, NY	4	2	\$2,695	\$674
3	126 West 139th Street, New York, NY	4	2	\$2,600	\$650
4	612 West 144th Street, New York, NY	4	2	\$3,100	\$775
5	10 West 122nd Street, New York, NY	4	2	\$2,795	\$699
Min \$2,600					
Average \$2,778					
Max \$3,100					

## 3 BR Rentals



## 3 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	508 West 136th Street, New York, NY	5	3	\$2,850	\$570
2	1056 Saint Nicholas Avenue, New York, NY	5	3	\$2,995	\$599
3	522 West 157th Street, New York, NY	5	3	\$3,100	\$620
4	3681 Broadway, New York, NY	5	3	\$3,200	\$640
5	742 Saint Nicholas Avenue, New York, NY	5	3	\$3,150	\$630
				Min \$2,850	\$570
				Average \$3,059	\$612
				Max \$3,200	\$640

## 4 BR Rentals



## 4 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	1722 Amsterdam Avenue, New York, NY	6	4	\$3,650	\$608
2	234 West 135th Street, New York, NY	6	4	\$3,800	\$633
3	622 West 136th Street, New York, NY	6	4	\$4,000	\$667
4	520 West 136th Street, New York, NY	6	4	\$3,500	\$583
5	561 West 144th Street, New York, NY	6	4	\$3,800	\$633
				Min \$3,500	\$583
				Average \$3,750	\$625
				Max \$4,000	\$667

## Rent Reconciliation

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 mixed-use section of Hamilton Heights, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has good access to mass transportation, and the block is appealing. The comparables are similar in their physical and locational appeal and are good indicators of value. Thus, our analysis of the forecast of market rents is presented:

### 1 BR Units

The subject has no market rate one-bedroom units, as they are all currently rent stabilized. Currently, the in-place rental range is from \$824 to \$2,487 per month. The market-oriented in-place lease of the subject's units rents for \$2,487.20. Comparable one-bedroom units range from \$1,900 to \$2,450 per month with an average of \$2,159 per month. Based on the range of the comparables, we forecast a market rent of \$2,250 per month. We apply the subject's in-place leases in our analysis.

### 2 BR Units

The subject has no market rate two-bedroom units, as they are all currently rent controlled or rent stabilized. Currently, the in-place rental range is from \$790 to \$2,846 per month. The market-oriented in-place leases of the subject's units rent for \$2,846.18 and \$2,757.88. Comparable two-bedroom units range from \$2,600 to \$3,100 per month with an average of \$2,778 per month. Based on the range of the comparables, we forecast a market rent of \$2,750 per month. Unit 5F was leased in December 2023 for \$2750. We apply the subject's in-place leases in our analysis.

### 3 BR Units

The subject has no market rate three-bedroom units, as they are all currently rent stabilized or rent controlled. Currently, the in-place rental range is from \$1,110 to \$3,179 per month. The market-oriented in-place leases of the subject's units rent for \$3,178.96 and \$3,088.29 per month, respectively. Comparable three-bedroom units range from \$2,850 to \$3,200 per month with an average of \$3,059 per month. Based on the range of the comparables, we forecast a market rent of \$3,100 per month. We apply the subject's in-place leases in our analysis.

### 4 BR Units

The subject has no market rate four-bedroom units, as they are all currently rent stabilized or rent controlled. Currently, the in-place rental range is from \$877 to \$4,076 per month. The market-oriented in-place leases of the subject's units rent for \$3,589.04, \$3,784.75, \$4,075.84, and \$3,758.15 per month, respectively. Comparable four-bedroom units range from \$3,500 to \$4,000 per month with an average of \$3,750 per month. Based on the range of the comparables, we forecast a market rent of \$3,800 per month. We apply the subject's in-place leases in our analysis.

**Market Rent Comparison**

Bedroom	Market Survey	Subject Units - In-Place	Market Rent Conclusion
1 BR Minimum	\$1,900.00	\$824	
1 BR Average	\$2,159.00	\$1,774	\$2,250.00
1 BR Maximum	\$2,450.00	\$2,487	
2 BR Minimum	\$2,600.00	\$790	
2 BR Average	\$2,778.00	\$1,823	\$2,750.00
2 BR Maximum	\$3,100.00	\$2,846	
3 BR Minimum	\$2,850.00	\$1,110	
3 BR Average	\$3,059.00	\$2,347	\$3,100.00
3 BR Maximum	\$3,200.00	\$3,179	
4 BR Minimum	\$3,500.00	\$877	
4 BR Average	\$3,750.00	\$2,388	\$3,800.00
4 BR Maximum	\$4,000.00	\$4,076	

## Rent Adjustments

### Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll, and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

**Project Rent Stabilized Rent Growth**

	Allowable Increase	Tenancy	12-Mo. Adj. Factor	Blended Increase
1-Year	3.00%	x 50%	x 100%	= 1.50%
2-Year	6.04%	x 50%	x 50%	= 1.51%
Weighted Average Increase				3.01%

### Rent Controlled Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals, which is currently 1.7%.

### Vacant Unit Forecast

The vacant units are all rent stabilized; thus, we apply the lower of market rent or the last legal rent for the vacant units. In each case, the legal rent is lower for each of the vacant units and is applied:

**Vacant Unit Forecast**

Unit Number	Unit Type	Market Rent	Legal Rent	Applied Rent	Annual Total
003G	1BR	\$2,250	\$1,167.75	\$1,167.75	\$14,013.00
005C	3BR	\$3,100	\$1,950.42	\$1,950.42	\$23,405.04
002B	4BR	\$3,800	\$1,150.08	\$1,150.08	\$13,800.96
003H	4BR	\$3,800	\$3,456.03	\$3,456.03	\$41,472.36
Total		\$12,950	\$10,478.05	\$7,724.28	\$92,691.36

## Base Residential Income

3647 Broadway contains 83 residential units; the residential rent roll is summarized by unit type and rent regulation status.

**Rent Roll Summary by Unit Type**

Unit Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
1 BR	11	\$824 - \$2,487	\$226,837	\$1,718
2 BR	33	\$790 - \$2,846	\$733,129	\$1,851
3 BR	11	\$1,110 - \$3,179	\$304,996	\$2,311
4 BR	28	\$877 - \$4,076	\$800,455	\$2,832
Totals/Average	83		\$2,065,417	\$2,474

### Rent Roll Summary by Rent Regulation Status

Income Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Rent Stabilized	75	\$790 - \$4,076	\$1,951,754	\$2,169
Rent Controlled	8	\$849 - \$1,449	\$113,663	\$1,184
Totals/Average	83		\$2,065,417	\$2,074

The average forecasted monthly rent is \$2,074 against \$2,060 in the Q3 2023 report.

The contract rents are based on the following expense structure:

Landlord's Obligations      Common area electricity and heat.

Tenant Obligations      In-unit electricity and cooking gas.

### Potential Gross Residential Income

Potential gross residential income is summarized by income type:

#### Potential Gross Residential Income

Income Type	Annual Rent	Increase	PGI
Rent Stabilized	\$1,951,754	x	\$2,010,502
Rent Controlled	\$113,663	x	\$115,595
Total	\$2,065,417		\$2,126,097

Based on our market rent conclusions and stabilized income projection, the residential rent roll is 68% of market.

## Commercial Income

The subject contains 3 retail units. The leases are summarized below:

### Current Commercial Rent Roll

#### 3647 Broadway

Tenant	Use	Lease Status	Start Date	Expiration Date	SF	Annual Rent	Monthly Rent	Rent PSF
Taco Bell	Retail	Occupied	04/01/2009	03/31/2024	1,000	\$126,986	\$10,582	\$126.99
Tribeca Peds	Retail	Occupied	10/01/2020	09/30/2030	1,000	\$91,789	\$7,649	\$91.79
CAF Tax	Retail	Occupied	01/01/2023	12/31/2027	1,000	\$31,200	\$2,600	\$31.20
Totals					3,000	\$249,975	\$20,831	\$83.33

### Commercial Rent Comparables

In order to determine the reasonableness of the contract rents, we have conducted a survey of the recently signed leases for commercial units in the subject's neighborhood.

Commercial Rent Comparables Map



	Address	Tenant	Start Date	Sq. Ft.	Base Rent	Lease Terms
1	555 West 160th Street, New York, NY	Retail Tenant	Aug-23	550	\$38.00	Modified gross
2	550 West 145th Street, New York, NY	Retail Tenant	Jul-23	1,835	\$126.00	Modified gross
3	2794 Frederick Douglass Boulevard, New York, NY	Retail Tenant	Jul-23	719	\$75.00	Modified gross
4	1277 Saint Nicholas Avenue, New York, NY	Andiamo Cafe	Jul-23	800	\$60.00	Modified gross
5	520 West 145th Street, New York, NY	Retail Tenant	Jul-23	1,000	\$74.40	Modified gross
6	1328 Saint Nicholas Avenue, New York, NY	Retail Tenant	Jul-23	800	\$131.25	Modified gross
7	1627 Amsterdam Avenue, New York, NY	Retail	Apr-23	2,200	\$81.81	Modified gross
			Min	550	\$38.00	
			Avg	1,129	\$83.78	
			Max	2,200	\$131.25	

### Commercial Rent Reconciliation Adjustment Grid

Details	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	Comp 7
Tenant Name	Retail Tenant	Retail Tenant	Retail Tenant	Andiamo Cafe	Retail Tenant	Retail Tenant	Retail
Address	555 West 160th Street	550 West 145th Street	2794 Frederick Douglass Boulevard	1277 Saint Nicholas Avenue	520 West 145th Street	1328 Saint Nicholas Avenue	1627 Amsterdam Avenue
Date Signed	8/22/2023	7/26/2023	7/21/2023	7/19/2023	7/5/2023	7/2/2023	4/9/2023
Square Feet	550	1,835	719	800	1,000	800	2,200
Corner	mid-block	corner	mid-block	mid-block	mid-block	corner	corner
Lease Terms	modified gross	modified gross	modified gross	modified gross	modified gross	modified gross	modified gross
<b>Rent /SF</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Lease Terms Adjustment	0%	0%	0%	0%	0%	0%	0%
<b>Lease Terms Adjustment Sub-Total</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Market Conditions (Time)	0%	0%	0%	0%	0%	0%	0%
<b>Trended Rent/SF</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Square Feet	0%	0%	0%	0%	0%	0%	0%
Neighborhood	0%	0%	0%	0%	0%	0%	0%
Location	0%	0%	0%	0%	0%	0%	0%
Frontage	0%	0%	0%	0%	0%	0%	0%
Ceiling	0%	0%	0%	0%	0%	0%	0%
Corner	0%	0%	0%	0%	0%	0%	0%
Condition	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Adjusted Rent/SF</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>

#### Commercial Rent Comparables Reconciliation Discussion

Adjustments for the comparable units have been considered based on comparison to the subject for market, size, location, utility, condition, and lease terms. All adjustments are percentages. A positive adjustment indicates an inferior characteristic to subject. A negative adjustment indicates a superior characteristic to subject.

### Commercial Discussion

The indicated unadjusted range of the comparable commercial units is from \$38.00 per square foot to \$131.25 per square foot, with an average of \$83.78 per square foot and a median of \$75.00 per square foot.

The subject's Unit 1, occupied by Taco Bell / KFC, is located on the corner of Broadway and W 150<sup>th</sup> Street and is currently paying \$123.29 per square foot. This is on the high end of our comparable range, which reasonable considering the superior corner location. Unit 2, leased to Tribeca Peds, has an in-place rent of \$89.12 per square foot. This is around the middle of our comparable range and is reasonable given that the unit is located mid-block, but its street exposure is to Broadway, on a strong commercial corridor. Unit 3, leased to CAF Tax, has an in-place rent of \$31.20 per square foot. This is below our comparable range, but it is considered reasonable because the unit is located mid-block with frontage on West 150<sup>th</sup> Street, which is a side street and is inferior to the subject's other units which have exposure on Broadway. Based on the information above, we forecast market rents of \$125 per square foot for unit 1, \$90 per square foot for unit 2, and \$35 per square foot for unit 3.

Local market participants have informed us that market lease terms have a modified gross structure in which the tenant pays for utilities, maintains their own unit, and is responsible for a proportionate share of property tax increases above a base year. The subject's leases all have terms that are market oriented.

The subject's leases are all market-oriented with regards to both rent and lease terms, and we apply these leases in our analysis.

### Commercial Stabilized Rent Roll

The subject contains 3 commercial units. The terms are summarized below.

#### 3647 Broadway

Tenant	Use	Lease Terms	Lease Status	Start Date	Expiration Date	SF	Annual Rent	Monthly Rent	Rent PSF
Taco Bell	Retail	Modified Gross	Occupied	04/01/2009	03/31/2024	1,000	\$126,986	\$10,582	\$126.99
Tribeca Peds	Retail	Modified Gross	Occupied	10/01/2020	09/30/2030	1,000	\$91,789	\$7,649	\$91.79
CAF Tax	Retail	Modified Gross	Occupied	01/01/2023	12/31/2027	1,000	\$31,200	\$2,600	\$31.20
Totals						3,000	\$249,975	\$20,831	\$83.33

The contract rents are based on the following expense structures:

#### Lease Structure

#	Tenant	Use	Lease Status	Lease Terms	Rent Steps	Taxes	Electric	Insurance	Maintenance	Renewal Options
1	Taco Bell	Retail	Occupied	MG	-	Shared	Tenant	Owner	Shared	-
2	Tribeca Peds	Retail	Occupied	MG	-	Shared	Tenant	Owner	Shared	-
3	CAF Tax	Retail	Occupied	MG	3% annually	Shared	Tenant	Owner	Shared	One 5-year option with same terms

## Commercial Expense Reimbursement

Real Estate Taxes (Increase Over Base Year)						
Tenant	Base Year	Current Year Liability	Base Year Liability	Increase	Reimb. Share	Annual Reimb.
Taco Bell	2009	\$432,181.64	- \$179,630.00 = \$252,551.64	x 2% = \$5,051.03		
Tribeca Peds	2020	\$432,181.64	- \$443,378.05 = -\$11,196.41	x 2.5% = \$0.00		
CAF Tax	2022	\$432,181.64	- \$496,703.10 = -\$64,521.46	x 7% = \$0.00		
Total Reimbursement						\$5,051.03

According to the leases, Taco Bell/KFC, Tribeca Peds, and CAF Tax are required to reimburse 2%, 2.5%, and 7%, respectively, per year of any increase over the base year as a real estate tax reimbursement. We have applied a vacancy and collection loss of 3%, which is in line with the vacancy and collection loss applied to the commercial income. This has been added to our Pro Forma.

## Potential Gross Commercial Rent

### Base Rent Plus Reimbursements

Base Rent Plus Reimbursements	Annual	PSF
Base Rent	\$249,975	\$83
Commercial Expense Reimbursement	\$5,051	\$2
Total Gross Commercial Rent	\$255,026	\$85

## Miscellaneous Income

### Laundry Income

The subject property derives additional income from washers and dryers in the laundry room. The laundry room is owner managed and was reported as \$15,600. This income equates to \$188 per unit per annum, which is \$4 per unit per week, and is reasonable.

### Residential Vacancy and Collection Loss

CoStar reports the submarket rate near 2.29% and metro area rate near 2.56%. Based on 3647 Broadway's current and historical operating results, macro market conditions, and investor expectations, a 3.00% residential vacancy and collection loss has been applied. We note that the subject is 95% occupied with 4 vacant residential units, but contains 75 rent stabilized residential units and 8 rent controlled residential units.

### Commercial Vacancy & Collection Loss

As indicated, retail vacancy in the subject's submarket is currently at approximately 7.07%, and the subject's specific location is excellent for retail space. Considering these factors, as well as investor expectations for retail vacancy and collection loss, we have applied a 2.00% vacancy and collection allowance to the retail income.

These conclusions also consider the fact that the tenant may vacate at some point during a five or ten year leasing cycle.

We have applied a vacancy and collection loss of 2% to the real estate taxes reimbursement, which has been added to our Pro Forma.

## Effective Gross Income Summary

Effective Gross Income	
Potential Residential Income	\$2,126,097
Potential Retail Income	\$249,975
Potential Real Estate Taxes Reimbursement	\$5,051
Potential Laundry Income	\$15,600
<b>Potential Gross Income</b>	<b>\$2,396,723</b>
Less Residential V/C Loss @ 3.00%	-\$63,783
Less Retail V/C Loss @ 2.00%	-\$5,000
Less Real Estate Taxes V/C Loss @ 2.00%	-\$101
Less Laundry V/C Loss @ 0.00%	\$0
<b>Effective Gross Income</b>	<b>\$2,327,839</b>

## Operating Expense Analysis

We were provided with the owner's historical operating expenses for the subject property. Therefore, we analyzed the subject's operating expense projections, as well as expense reports of comparable properties, in developing our forecast of operating expenses. The data, analyzed in terms of residential units and gross square footage, is presented below.

## Owner's Operating Expense History

	Historical Expenses							
	2019 Actual				2020 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,091,651	\$16.96	\$25,201	\$5,391	\$2,092,754	\$16.97	\$25,214	\$5,394
<b>Operating Expenses</b>								
Real Estate Taxes	\$440,734	\$3.57	\$5,310	\$1,136	\$463,976	\$3.76	\$5,590	\$1,196
Insurance	\$41,525	\$0.34	\$500	\$107	\$82,544	\$0.67	\$995	\$213
Utilities	\$102,655	\$0.83	\$1,237	\$265	\$117,560	\$0.95	\$1,416	\$303
Water & Sewer	\$85,470	\$0.69	\$1,030	\$220	\$89,786	\$0.73	\$1,082	\$231
Repairs & Maintenance	\$49,744	\$0.40	\$599	\$128	\$50,515	\$0.41	\$609	\$130
Payroll & Benefits	\$271,642	\$2.20	\$3,273	\$700	\$276,679	\$2.24	\$3,333	\$713
General & Administrative	\$36,876	\$0.30	\$444	\$95	\$50,554	\$0.41	\$609	\$130
Management Fees	\$83,666	\$0.68	\$1,008	\$216	\$83,710	\$0.68	\$1,009	\$216
<b>Total Operating Expenses</b>	<b>\$1,112,312</b>	<b>\$9.02</b>	<b>\$13,401</b>	<b>\$2,867</b>	<b>\$1,215,324</b>	<b>\$9.86</b>	<b>\$14,642</b>	<b>\$3,132</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$671,578</b>	<b>\$5.45</b>	<b>\$8,091</b>	<b>\$1,731</b>	<b>\$751,348</b>	<b>\$6.09</b>	<b>\$9,052</b>	<b>\$1,936</b>

	2020 - 2021 Actual T12				2022 Annualized Historical			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,096,588	\$17.00	\$25,260	\$5,404	\$2,182,246	\$17.70	\$26,292	\$5,624
<b>Operating Expenses</b>								
Real Estate Taxes	\$458,107	\$3.71	\$5,519	\$1,181	\$467,205	\$3.79	\$5,629	\$1,204
Insurance	\$97,448	\$0.79	\$1,174	\$251	\$100,941	\$0.82	\$1,216	\$260
Utilities	\$100,148	\$0.81	\$1,207	\$258	\$140,205	\$1.14	\$1,689	\$361
Water & Sewer	\$95,636	\$0.78	\$1,152	\$246	\$100,694	\$0.82	\$1,213	\$260
Repairs & Maintenance	\$61,758	\$0.50	\$744	\$159	\$44,099	\$0.36	\$531	\$114
Payroll & Benefits	\$268,800	\$2.18	\$3,239	\$693	\$298,391	\$2.42	\$3,595	\$769
General & Administrative	\$62,635	\$0.51	\$755	\$161	\$66,436	\$0.54	\$800	\$171
Management Fees	\$83,863	\$0.68	\$1,010	\$216	\$87,290	\$0.71	\$1,052	\$225
<b>Total Operating Expenses</b>	<b>\$1,228,395</b>	<b>\$9.96</b>	<b>\$14,800</b>	<b>\$3,166</b>	<b>\$1,305,261</b>	<b>\$10.58</b>	<b>\$15,726</b>	<b>\$3,364</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$770,288</b>	<b>\$6.25</b>	<b>\$9,281</b>	<b>\$1,985</b>	<b>\$838,056</b>	<b>\$6.80</b>	<b>\$10,097</b>	<b>\$2,160</b>

	2023 Actual			
	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,210,606	\$17.93	\$26,634	\$5,697
<b>Operating Expenses</b>				
Real Estate Taxes	\$471,017	\$3.82	\$5,675	\$1,214
Insurance	\$85,944	\$0.70	\$1,035	\$222
Utilities	\$141,385	\$1.15	\$1,703	\$364
Water & Sewer	\$107,617	\$0.87	\$1,297	\$277
Repairs & Maintenance	\$48,412	\$0.39	\$583	\$125
Payroll & Benefits	\$314,923	\$2.55	\$3,794	\$812
General & Administrative	\$48,542	\$0.39	\$585	\$125
Management Fees	\$88,424	\$0.72	\$1,065	\$228
<b>Total Operating Expenses</b>	<b>\$1,306,264</b>	<b>\$10.59</b>	<b>\$15,738</b>	<b>\$3,367</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$835,247</b>	<b>\$6.77</b>	<b>\$10,063</b>	<b>\$2,153</b>

## Comparable Operating Expenses

### Basis & Totals

	Comp 1 NY	Comp 2 NY	Comp 3 NY	Comp 4 NY	Comp 5 NY	Average
State	Annualized	Actual T12	Actual T12	Actual T12	Annualized	-
Expense Period	Historical				Historical	-
Expense Year	2023	2023	2023	2023	2022	-
SF	109,200	87,000	77,047	114,300	121,636	101,837
Units	157	98	72	121	111	112
Insurance	\$189,641	\$68,521	\$55,786	\$96,469	\$144,173	\$110,918
Utilities	\$185,230	\$119,750	\$71,811	\$124,739	\$144,436	\$129,193
Water & Sewer	\$184,001	\$108,693	\$76,299	\$112,615	\$114,572	\$119,236
Repairs & Maintenance	\$45,151	\$84,029	\$59,150	\$86,294	\$52,934	\$65,512
Payroll & Benefits	\$255,991	\$49,128	\$51,003	\$124,800	\$215,121	\$139,209
General & Administrative	\$56,177	\$19,443	\$21,521	\$13,471	\$32,204	\$28,563
Management Fees	\$116,345	\$55,842	\$38,756	\$72,665	\$72,207	\$71,163
Replacement Reserves	-	-	-	-	-	-
Total Operating Expenses	<b>\$1,032,536</b>	<b>\$505,406</b>	<b>\$374,326</b>	<b>\$631,053</b>	<b>\$775,647</b>	\$663,794

### Per Square Foot

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Average
Insurance	\$1.74	\$0.79	\$0.72	\$0.84	\$1.19	\$1.06
Utilities	\$1.70	\$1.38	\$0.93	\$1.09	\$1.19	\$1.26
Water & Sewer	\$1.68	\$1.25	\$0.99	\$0.99	\$0.94	\$1.17
Repairs & Maintenance	\$0.41	\$0.97	\$0.77	\$0.75	\$0.44	\$0.67
Payroll & Benefits	\$2.34	\$0.56	\$0.66	\$1.09	\$1.77	\$1.29
General & Administrative	\$0.51	\$0.22	\$0.28	\$0.12	\$0.26	\$0.28
Management Fees	\$1.07	\$0.64	\$0.50	\$0.64	\$0.59	\$0.69
Replacement Reserves	-	-	-	-	-	-
Total Operating Expenses	<b>\$9.46</b>	<b>\$5.81</b>	<b>\$4.86</b>	<b>\$5.52</b>	<b>\$6.38</b>	\$6.41

### Per Unit

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Average
Insurance	\$1,208	\$699	\$775	\$797	\$1,299	\$956
Utilities	\$1,180	\$1,222	\$997	\$1,031	\$1,301	\$1,146
Water & Sewer	\$1,172	\$1,109	\$1,060	\$931	\$1,032	\$1,061
Repairs & Maintenance	\$288	\$857	\$822	\$713	\$477	\$631
Payroll & Benefits	\$1,631	\$501	\$708	\$1,031	\$1,938	\$1,162
General & Administrative	\$358	\$198	\$299	\$111	\$290	\$251
Management Fees	\$741	\$570	\$538	\$601	\$651	\$620
Replacement Reserves	-	-	-	-	-	-
Total Operating Expenses	<b>\$6,577</b>	<b>\$5,157</b>	<b>\$5,199</b>	<b>\$5,215</b>	<b>\$6,988</b>	\$5,827

## Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

### Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$432,182 annually or \$3.50 per square foot.

### Insurance

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.34			
2020 Actual	\$0.67			
2020 - 2021 Actual T12	\$0.79			
2022 Annualized Historical	\$0.82			
2023 Actual	\$0.70			
Comparable		\$0.72	\$1.06	\$1.74
Appraiser's Forecast	\$0.70			

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. Based on the information above, we have projected this expense at \$0.70 per square foot, or \$86,320 annually. We place the most emphasis on the subject's historical expenses.

### Utilities

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.83			
2020 Actual	\$0.95			
2020 - 2021 Actual T12	\$0.81			
2022 Annualized Historical	\$1.14			
2023 Actual	\$1.15			
Comparable		\$0.93	\$1.26	\$1.70
Appraiser's Forecast	\$1.15			

Based on the information above, we have projected this expense at \$1.15 per square foot, or \$141,811 annually. We place the most emphasis on the subject's historical expenses.

### Water & Sewer

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$1,030			
2020 Actual	\$1,082			
2020 - 2021 Actual T12	\$1,152			
2022 Annualized Historical	\$1,213			
2023 Actual	\$1,297			
Comparable		\$931	\$1,061	\$1,172
Appraiser's Forecast	\$1,300			

Based on the information above, we have projected this expense at \$1,300 per unit, or \$107,900 annually. We place the most emphasis on the subject's historical expenses.

### Repairs & Maintenance

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.40			
2020 Actual	\$0.41			
2020 - 2021 Actual T12	\$0.50			
2022 Annualized Historical	\$0.36			
2023 Actual	\$0.39			
Comparable		\$0.41	\$0.67	\$0.97
<b>Appraiser's Forecast</b>	<b>\$0.45</b>			

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. Based on the information above, we have projected this expense at \$0.45 per square foot, or \$55,491 annually. We place the most emphasis on the subject's historical expenses.

### Payroll & Benefits

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$3,273			
2020 Actual	\$3,333			
2020 - 2021 Actual T12	\$3,239			
2022 Annualized Historical	\$3,595			
2023 Actual	\$3,794			
Comparable		\$501	\$1,162	\$1,938
<b>Appraiser's Forecast</b>	<b>\$1,500</b>			

Payroll costs will cover building staff whose duties will include trash removal, common area cleaning and general maintenance. Payroll taxes and fringes cover state and federal taxes as well as benefits that building employees receive. Based on the information above, we have projected this expense at \$1,500 per unit, or \$124,500 annually. Ownership's payroll expenses tend to be above market, as they run other expenses such as office rents, through this category. The subject contains one basement unit occupied rent free by the super. Thus, we project a lower payroll expense.

### General & Administrative

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.30			
2020 Actual	\$0.41			
2020 - 2021 Actual T12	\$0.51			
2022 Annualized Historical	\$0.54			
2023 Actual	\$0.39			
Comparable		\$0.12	\$0.28	\$0.51
<b>Appraiser's Forecast</b>	<b>\$0.25</b>			

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. Based on the information above, we have projected this expense at \$0.25 per square foot, or \$30,829 annually.

### Management Fees

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.68			
2020 Actual	\$0.68			
2020 - 2021 Actual T12	\$0.68			
2022 Annualized Historical	\$0.71			
2023 Actual	\$0.72			
Comparable		\$0.50	\$0.69	\$1.07
<b>Appraiser's Forecast</b>	<b>\$0.57</b>			

Typically, management fees for similar properties range from 2% to 6% of effective gross income. We have projected this expense at 3% of effective gross income, which equates to \$0.57 per square foot or \$69,774 annually.

### Replacement Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. According to PWCs Q3 2022 National Apartment Investors Survey, an investors typical replacement reserves for multifamily apartments ranges from \$200 per unit to \$300 per unit. We have projected this expense at \$200 per unit, or \$15,800 annually.

### Total Operating Expenses

#### Per Square Foot

PSF Summary	Value	Low	Average	High
2019 Actual	\$5.45			
2020 Actual	\$6.09			
2020 - 2021 Actual T12	\$6.25			
2022 Annualized Historical	\$6.80			
2023 Actual	\$6.77			
Comparable		\$4.86	\$6.41	\$9.46
<b>Appraiser's Forecast</b>	<b>\$5.14</b>			

#### Per Unit

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$8,091			
2020 Actual	\$9,052			
2020 - 2021 Actual T12	\$9,281			
2022 Annualized Historical	\$10,097			
2023 Actual	\$10,063			
Comparable		\$5,157	\$5,827	\$6,988
<b>Appraiser's Forecast</b>	<b>\$7,629</b>			

Operating expenses, exclusive of real estate taxes, were forecasted at \$5.14 per square foot and \$7,629 per unit. Excluding real estate taxes, the comparables ranged from \$4.86 to \$9.46 per square foot and \$5,157 to \$6,988 per unit. Our forecast is within the comparable range on a per square foot basis, but above the range on a per unit basis, which is appropriate due to the relatively large sizes of the subject's units. Further, our forecast is logically placed in relation to the historical performance of the asset. Thus, this forecast is reasonable and will be applied in our valuation analysis.

## Stabilized Income & Expenses

Pro Forma					
Pro Forma	\$	PSF	Per Unit	Per Room	% of PGI
<b>Income</b>					
Potential Residential Income	\$2,126,097	\$17.24	\$25,616	\$5,480	88.71%
Retail Income	\$249,975	\$2.03	\$3,012	\$644	10.43%
Potential Real Estate Taxes Reimbursement	\$5,051	\$0.04	\$61	\$13	0.21%
Laundry Income	\$15,600	\$0.13	\$188	\$40	0.65%
<b>Potential Gross Income</b>	<b>\$2,396,723</b>	<b>\$19.44</b>	<b>\$28,876</b>	<b>\$6,177</b>	
Less Residential V/C Loss @ 3.00%	-\$63,783	-\$0.52	-\$768	-\$164	2.7%
Less Retail V/C Loss @ 2.00%	-\$5,000	-\$0.04	-\$60	-\$13	-0.21%
Less Real Estate Taxes V/C Loss @ 2.00%	-\$101	-\$0.00	-\$1	-\$0	-0.0%
<b>Effective Gross Income</b>	<b>\$2,327,839</b>	<b>\$18.88</b>	<b>\$28,046</b>	<b>\$6,000</b>	<b>97.13%</b>
<b>Operating Expenses</b>					
Real Estate Taxes	\$432,182	\$3.50	\$5,207	\$1,114	18.57%
Insurance	\$86,320	\$0.70	\$1,040	\$222	3.71%
Utilities	\$141,811	\$1.15	\$1,709	\$365	6.09%
Water & Sewer	\$107,900	\$0.88	\$1,300	\$278	4.64%
Repairs & Maintenance	\$55,491	\$0.45	\$669	\$143	2.38%
Payroll & Benefits	\$124,500	\$1.01	\$1,500	\$321	5.35%
General & Administrative	\$30,829	\$0.25	\$371	\$79	1.32%
Management Fees	\$69,835	\$0.57	\$841	\$180	3.00%
Replacement Reserves	\$16,600	\$0.13	\$200	\$43	0.71%
<b>Total Operating Expenses</b>	<b>\$1,065,468</b>	<b>\$8.64</b>	<b>\$12,837</b>	<b>\$2,746</b>	<b>45.77%</b>
Total Expenses Excluding RE Taxes	\$633,286	\$5.14	\$7,630	\$1,632	27.20%
<b>Net Operating Income</b>	<b>\$1,262,371</b>	<b>\$10.24</b>	<b>\$15,209</b>	<b>\$3,254</b>	<b>54.23%</b>
Operating Expense Ratio	46%				

## Net Operating Income Comparison

	2019 Actual	2020 Actual	2020 - 2021 Actual T12	2022 Annualized Historical	2023 Actual	Bowery Pro Forma
Effective Gross Income	\$2,091,651	\$2,092,754	\$2,096,588	\$2,182,246	\$2,210,606	\$2,327,839
Operating Expense						
Real Estate Taxes	\$440,734	\$463,976	\$458,107	\$467,205	\$471,017	\$432,182
Insurance	\$41,525	\$82,544	\$97,448	\$100,941	\$85,944	\$86,320
Utilities	\$102,655	\$117,560	\$100,148	\$140,205	\$141,385	\$141,811
Water & Sewer	\$85,470	\$89,786	\$95,636	\$100,694	\$107,617	\$107,900
Repairs & Maintenance	\$49,744	\$50,515	\$61,758	\$44,099	\$48,412	\$55,491
Payroll & Benefits	\$271,642	\$276,679	\$268,800	\$298,391	\$314,923	\$124,500
General & Administrative	\$36,876	\$50,554	\$62,635	\$66,436	\$48,542	\$30,829
Management Fees	\$83,666	\$83,710	\$83,863	\$87,290	\$88,424	\$69,835
Replacement Reserves	-	-	-	-	-	\$16,600
<b>Total Operating Expenses</b>	<b>\$1,112,312</b>	<b>\$1,215,324</b>	<b>\$1,228,395</b>	<b>\$1,305,261</b>	<b>\$1,306,264</b>	<b>\$1,065,468</b>
Total Expenses Excluding RE Taxes	\$671,578	\$751,348	\$770,288	\$838,056	\$835,247	\$633,286
<b>Net Operating Income</b>	<b>\$979,339</b>	<b>\$877,430</b>	<b>\$868,193</b>	<b>\$876,985</b>	<b>\$904,342</b>	<b>\$1,262,371</b>
Operating Expense Ratio	53%	58%	59%	60%	59%	46%

## Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; and (3) Band of Investment.

### Band of Investment Technique

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

#### Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

#### Survey of Competitive Rates

Federal Funds Rate	5.25%-5.50%
5-year CD	5.00%-5.70%
10-year Treasury Bond	4.30%
30-year Treasury Bond	4.41%
Corporate Bonds (AAA)	5.10%

*Source: Federal Reserve Economic Data (FRED)*

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.30% suggesting mortgage rates of roughly 6.05% to 8.30%. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 65% of value at an annual interest rate of 6.5% and a 30-year payout. Therefore, the mortgage constant is 0.0758.

#### Equity Component

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

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

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

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

**Amount of Equity Investment Required-** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey from 2023 Q4 indicates an average equity dividend rate in 2023 Q3 of 9.59% and ranges from 4.66% to 13.63%.

#### Investor Surveys

Survey	Type of Product	Equity Dividend Rates
Realty Rates 3Q 2023	National Apartment Market	4.66% to 13.63% 9.59% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

An investor would likely accept an initial annual return of 2% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location in a good residential area, and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

#### Selected Loan Terms

Typical Loan Terms	Value
Mortgage Rate	6.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	65%
Equity Ratio	35%
Mortgage Constant	7.58%

#### Band of Investment

Band of Investment	Value
Mortgage Ratio	65%
Annual Mortgage Constant	x 7.58%
<b>Mortgage Component</b>	<b>4.93%</b>
Equity Ratio	35%
Equity Dividend Rate	x 2.00%
<b>Equity Component</b>	<b>0.70%</b>
Indicated Overall Rate	5.63%

## Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	GBA	Year Built	Sale Date	Capitalization Rate
1	75 Wadsworth Terrace, New York, NY	Multifamily	63,935	1925	11/17/23	6.38%
2	9 Post Avenue, New York, NY	Multifamily	42,064	1920	6/23/23	5.66%
3	4441 Broadway, New York, NY	Mixed-Use	20,988	1930	5/22/23	6.85%
4	401 Edgecombe Avenue, New York, NY	Multifamily	53,815	1920	5/18/23	5.00%
5	4300 Broadway, New York, New York 10033	Mixed-Use	52,598	1955	4/21/23	7.00%
6	3856 Broadway, New York, NY	Mixed-Use	46,309	1909	3/31/23	6.98%
7	3900 Broadway, New York, New York 10032	Mixed-Use	49,576	1925	3/31/23	7.10%
8	2 Adrian Avenue, New York, New York 10463	Multifamily	75,642	1926	3/2/23	5.00%
Avg						6.25%

We analyzed sales of comparable mixed-use assets within the subject's periphery and they exhibit overall capitalization rates from 5.00% to 7.10% with an average of 6.25%. We have supplemented our capitalization rate comparables with additional comparables not used in our sales comparison approach. The additional rates are good indicators for capitalization rates for the subject and are recent, however, there are differences regarding the comparables which do not justify utilizing the comparable in the sales comparison approach (i.e. location, size, etc.). A number of the cap rates were determined by the appraiser, by analyzing offering memorandums of the comparable sales and accounting for the full set of operating expenses (including reserves).

## National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 8%, with an average between 5.1% and 5.59%.

## Summary

Survey	Low	Avg	High
Band of Investment	-	5.63%	-
PwC 4Q 2023	4.00%	5.59%	8.00%
Situs-RERC 3Q 2023	4.30%	5.10%	6.00%
Comparable Cap Rates	5.00%	6.25%	7.10%

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

## Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the comparable range for the subject property. Our opinion is based on:

- With respect to income, the subject is 95% occupied while the residential rent roll is operating at 68% of market rents, suggesting security to the cash flow, but limited potential for future income spikes.
- The subject contains 75 rent stabilized units and 8 rent controlled units, indicating limited potential for future income spikes.
- While the subject's units are all rent stabilized or rent controlled, there are 20 units leased at market-oriented rents.
- The asset is in average condition, suggesting typical risk of unscheduled capital investment necessary during the holding period. Additionally, it is in a market where there has been continually strong demand for investment and capitalization rates have been continually strong.
- The subject's location on Broadway in a strong retail corridor lends itself to lower cap rates.
- The subject's 3 retail spaces are all occupied at market-oriented rents and lease terms.
- Overall, the cap rate comparables offer similar opportunities for net income spikes as the subject property. Additionally, the subject property and comparables are in similar locations overall.
- The market cap rate per Costar's Harlem Multifamily Market is 4.80%.
- Per the Ariel Property Advisor's Multifamily Year in Review 2023, the average price per unit and price per square foot over the year for multifamily assets in Upper Manhattan with 75% or more rent stabilized units were \$150,329 and \$164, respectively.
- Further, the subject property and comparables are in similar condition overall, with similar risk of necessary capital improvements during the holding period.

An overall rate of 5.75% is applied in the analysis and in line with investor expectations. The value is calculated below:

**Value Opinion Via the Income Capitalization Approach**

	Date of Value	Value	Final Value (RD)
NOI		\$1,262,371	-
Cap Rate		5.75%	-
<b>As Is Fair Value Via the Income Capitalization Approach</b>	<b>December 31, 2023</b>	<b>\$21,954,278</b>	<b>\$22,000,000</b>

In consideration of the above analysis, the As Is Fair Value of \$22,000,000 reflects a unit value of \$178 per square foot. The final value is rounded to the nearest \$100,000.

## Sales Comparison Approach

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

The steps taken to apply this approach include the following: (a) research, confirm and verify all pertinent data for the most relevant sales within the defined market area; (b) analyze the sales considering appropriate adjustments for material difference in comparison to the subject property; and (c) reconcile the range of adjusted sale data into an opinion of value.

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



Comparable Sales Summary<sup>8</sup>

Address	Sale Date	Square Feet	Sale Price	Sale Price Per Square Feet	NOI Per Square Feet	Cap Rate
1 4441 Broadway, New York, NY	05/22/2023	20,988	\$3,200,000	\$152.47	\$9	6.08%
2 5008 Broadway, New York, NY	04/27/2023	48,576	\$10,600,000	\$218.21	\$16	7.30%
3 3900 Broadway, New York, NY	04/04/2023	49,576	\$9,152,823	\$184.62	\$12	6.35%
4 3856 Broadway, New York, NY	03/31/2023	46,309	\$10,947,177	\$236.39	\$17	6.98%

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.

## Comparable Sales Adjustment Grid

Comparable #	Subject	1	2	3	4
Address	3647 Broadway, New York, NY	4441 Broadway, New York, NY	5008 Broadway, New York, NY	3900 Broadway, New York, NY	3856 Broadway, New York, NY
Sale Date		05/22/2023	04/27/2023	04/04/2023	03/31/2023
SF	123,314	20,988	48,576	49,576	46,309
Year Built	1917	1930	1934	1925	1909
Condition	Average	Average	Good	Good	Good
Property Rights	Leased Fee Interest				
Sale Price		\$3,200,000	\$10,600,000	\$9,152,823	\$10,947,177
<b>Price Per Square Foot:</b>		<b>\$152</b>	<b>\$218</b>	<b>\$185</b>	<b>\$236</b>
Property Rights		0%	0%	0%	0%
Financing Terms	None	0%	0%	0%	0%
Conditions of Sale	None	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2023	0%	0%	0%	0%
<b>Cumulative Price Per Square Foot:</b>		<b>\$152</b>	<b>\$218</b>	<b>\$185</b>	<b>\$236</b>
Location	Hamilton Heights	0%	0%	0%	0%
Utility	N/A	0%	0%	0%	0%
Size	123,314	-10%	-5%	-5%	-5%
Rent Stabilization Level	100%	0%	0%	0%	0%
Condition	Average	0%	0%	0%	0%
<b>Net Adjustments</b>		<b>-10%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
<b>Adjusted Price Per Square Foot</b>		<b>\$137</b>	<b>\$207</b>	<b>\$175</b>	<b>\$225</b>

Unadjusted	Adjusted
Low	Low
Average	Average
High	High
Median	Median

Property Rights Appraised	The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required.
Financing Terms	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.
Conditions of Sale	Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.
Market Conditions (Time)	The purpose of this adjustment is to account for changes in market conditions. All comparables used in this analysis sold at a similar time; therefore, no adjustments were required. We have applied a downward adjustment to sales that traded prior to June 2019 as a result of the passing of the TPA.
Location	The subject property is located in the Hamilton Heights neighborhood of New York, New York. All comparables used in this analysis are in similar locations compared to the subject property. Therefore, no adjustments were required.
Utility	The subject is a mixed use, corner, elevatored building. It features a satisfactory quality kitchen, satisfactory living, satisfactory bedroom, and average bathroom area finishes. The subject property features the following amenities: laundry room.
	We have considered corner vs. mid-block location, unit and property finishes, walk-up vs. elevator, unit and building amenities, and commercial space within the scope of the utility adjustment. All comparables used in this analysis have similar utility; therefore, no adjustments were required.
Size	This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per square foot such that smaller properties will sell for higher prices per square foot and vice versa. Comparables 1, 2, 3 and 4 warranted downward adjustments as they are significantly smaller than the subject.
Rent Stabilization Level	The subject is 100% rent regulated, of the 83 residential units, 75 are rent stabilized and 4 are rent controlled. No adjustments were necessary as the comparables have similar rent stabilization levels.
Condition	The subject property was constructed in 1917 and is in average condition. The comparables sold in similar condition to the subject, and no adjustment was warranted.

After adjustments, the comparable sales exhibited a range between \$137.22 per square foot and \$224.57 per square foot with an average of \$186.12 per square foot and a median of \$191.35 per square foot. We place the most emphasis on Comparables 3 due to its proximity. Thus, considering the elements of comparison noted above, our opinion of market value is \$175.00 per square foot.

**Value Opinion via the Sales Comparison Approach**

	Date of Value	Value	Final Value (RD)
Concluded Value Per Square Foot		\$175.00	-
Square Feet		123,314	-
<b>As Is Market Value Via the Sales Comparison Approach</b>	<b>December 31, 2023</b>	<b>\$21,579,950</b>	<b>\$21,600,000</b>

The final value is rounded to the nearest \$100,000.

## Reconciliation & Final Value

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

Estimated Values			
Approach	Value	Date	Conclusion
Cost Approach	As Is Fair Value	N/A	Not Applied
Income Capitalization Approach	As Is Fair Value	December 31, 2023	\$22,000,000
Sales Comparison Approach	As Is Fair Value	December 31, 2023	\$21,600,000

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical depreciation and obsolescence affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis once a property is operating on a stabilized basis as its cost bears little relationship to the value; therefore, we exclude this approach from our analysis.

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

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of other approaches.

### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,000,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

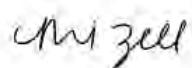
<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

## Certification

We certify to the best of our knowledge:

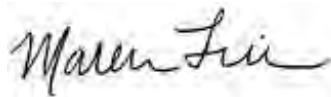
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Jonathan Nathanson has made a personal inspection of the property that is the subject of this report on 02/28/2024. Michelle Zell, Maren Lewis and Jack Brandon have not made a personal inspection of the property that is the subject of this report.
- Jonathan Nathanson provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI and Maren Lewis, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



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## Addenda

### Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

## Subject Property Photos

All subject photos were taken on the date of value of this appraisal.

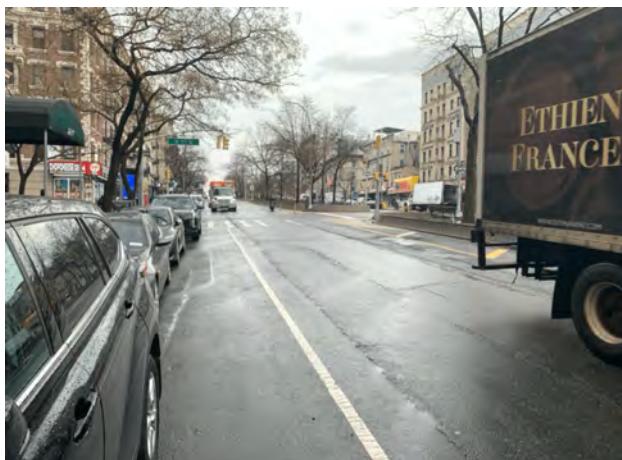
Building Facade



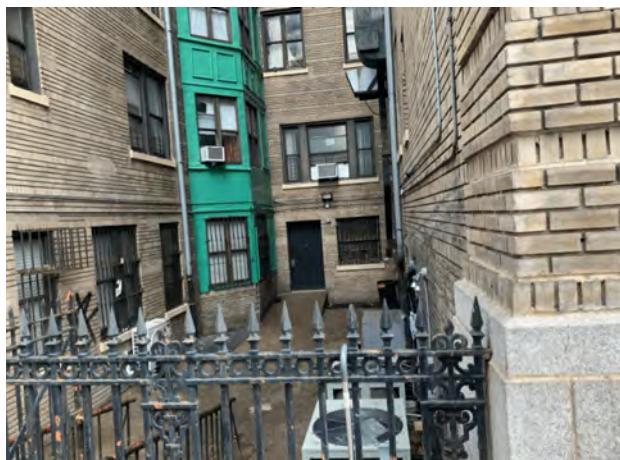
Subject Street



Subject Street



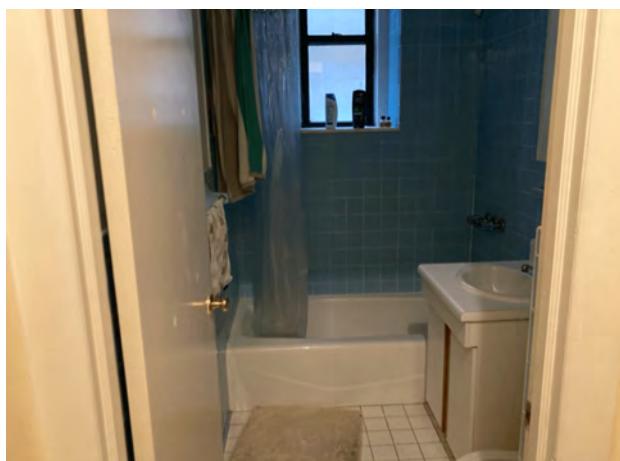
Exterior Entrance



Typical Kitchen



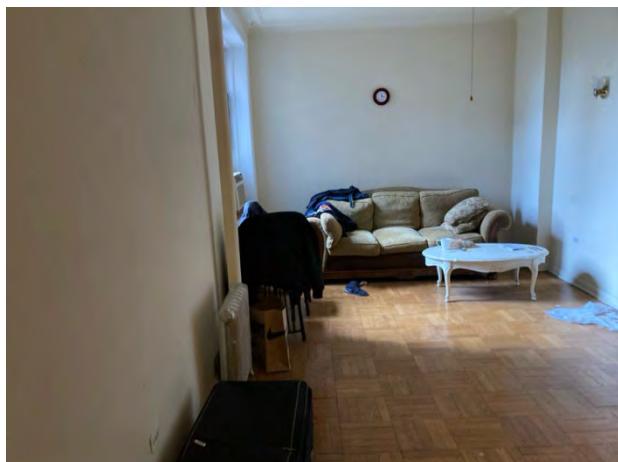
Typical Bathroom



Typical Bedroom



Typical Living Room



Electric Meters



Heating System



Heating System



Laundry Room



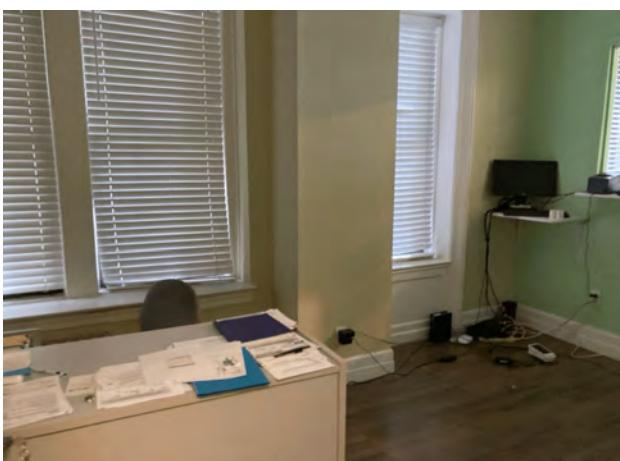
Commercial Space



Commercial Space



Commercial Space



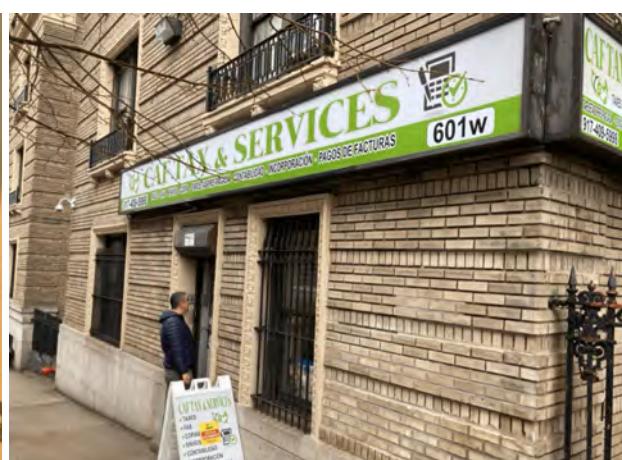
Commercial Space



Commercial Space



Commercial Space



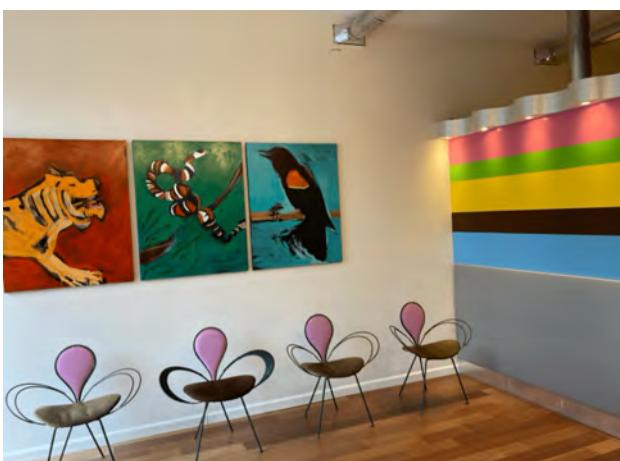
Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Elevator

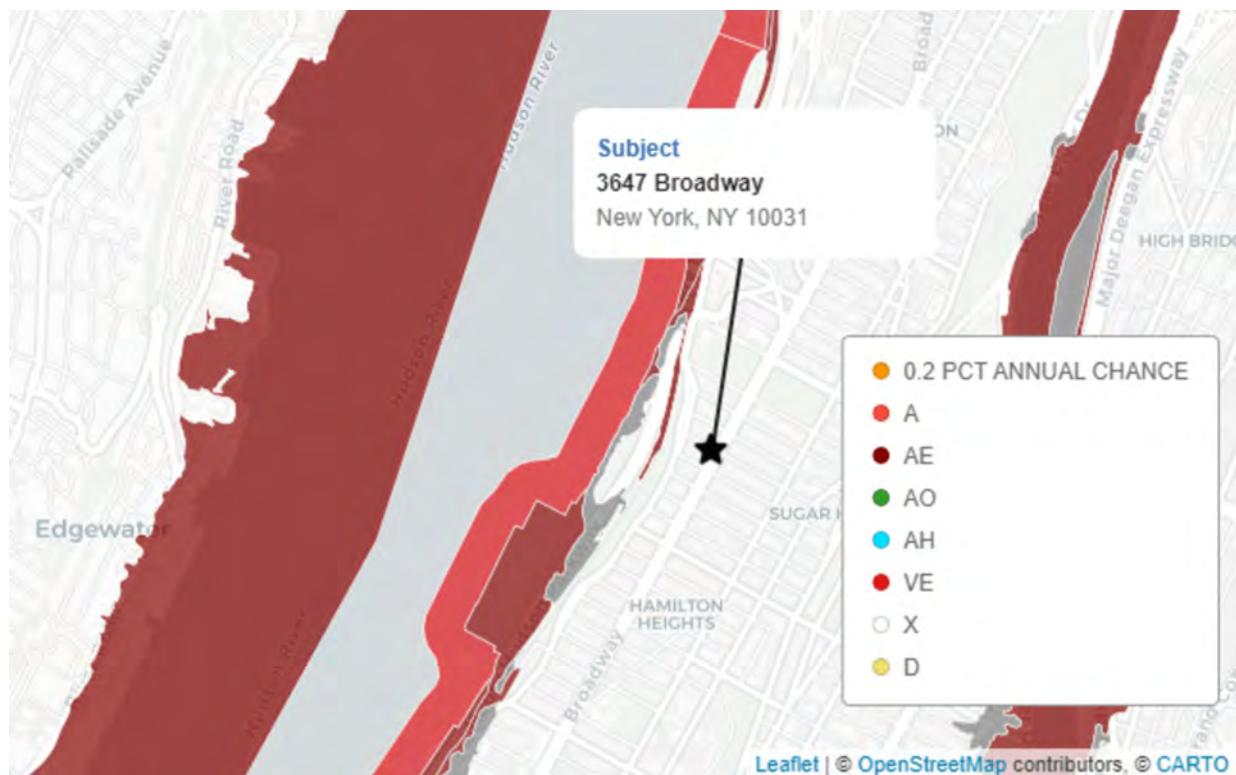


## Map Gallery

### Zoning Map



## Flood Map



## Rent Roll & Financial Statements

### 3647 Broadway

#	Unit #	Rooms	BDs	Rent Status	Monthly Rent	Rent / Room	Bowery Rent Estimate
1	001B	6	4	Rent Stabilized	\$877.26	\$146	\$3,700
2	001C	5	3	Rent Stabilized	\$2,800.64	\$560	\$3,100
3	001D	4	2	Rent Controlled	\$993.23	\$248	\$2,750
4	001E	4	2	Rent Stabilized	\$1,353.47	\$338	\$2,750
5	001F	4	2	Rent Stabilized	\$2,799.15	\$700	\$2,750
6	001G	3	1	Rent Stabilized	\$2,068.36	\$689	\$2,250
7	002A	6	4	Rent Stabilized	\$1,541.70	\$257	\$3,700
8	002B	6	4	Rent Stabilized	\$1,150.08	\$192	\$3,700
9	002C	5	3	Rent Stabilized	\$2,587.60	\$518	\$3,100
10	002D	4	2	Rent Stabilized	\$1,634.69	\$409	\$2,750
11	002E	4	2	Rent Stabilized	\$1,476.16	\$369	\$2,750
12	002F	4	2	Rent Stabilized	\$1,545.70	\$386	\$2,750
13	002G	3	1	Rent Stabilized	\$1,620.52	\$540	\$2,250
14	002H	6	4	Rent Stabilized	\$4,075.84	\$679	\$3,700
15	003A	6	4	Rent Stabilized	\$1,588.87	\$265	\$3,700
16	003B	6	4	Rent Stabilized	\$1,122.70	\$187	\$3,700
17	003C	5	3	Rent Stabilized	\$3,007.50	\$602	\$3,100
18	003D	4	2	Rent Stabilized	\$2,174.03	\$544	\$2,750
19	003E	4	2	Rent Stabilized	\$1,085.23	\$271	\$2,750
20	003F	4	2	Rent Controlled	\$848.55	\$212	\$2,750
21	003G	3	1	Rent Stabilized	\$1,167.75	\$389	\$2,250
22	003H	6	4	Rent Stabilized	\$3,491.03	\$582	\$3,700
23	004A	6	4	Rent Stabilized	\$3,758.15	\$626	\$3,700
24	004B	6	4	Rent Stabilized	\$2,242.08	\$374	\$3,700
25	004C	5	3	Rent Stabilized	\$2,892.65	\$579	\$3,100
26	004D	4	2	Rent Stabilized	\$2,686.24	\$672	\$2,750
27	004E	4	2	Rent Stabilized	\$1,781.27	\$445	\$2,750
28	004F	4	2	Rent Stabilized	\$2,846.18	\$712	\$2,750
29	004G	3	1	Rent Stabilized	\$2,487.20	\$829	\$2,250
30	004H	6	4	Rent Controlled	\$1,334.98	\$222	\$3,700
31	005A	6	4	Rent Controlled	\$1,448.97	\$241	\$3,700
32	005B	6	4	Rent Stabilized	\$3,074.16	\$512	\$3,700
33	005C	5	3	Rent Stabilized	\$1,950.42	\$390	\$3,100
34	005D	4	2	Rent Stabilized	\$2,599.32	\$650	\$2,750
35	005E	4	2	Rent Controlled	\$966.87	\$242	\$2,750
36	005F	4	2	Rent Stabilized	\$2,750.00	\$688	\$2,750
37	005G	3	1	Rent Stabilized	\$2,095.98	\$699	\$2,250
38	005H	6	4	Rent Controlled	\$1,304.55	\$217	\$3,700
39	006A	6	4	Rent Stabilized	\$3,589.04	\$598	\$3,700
40	006B	6	4	Rent Stabilized	\$3,074.16	\$512	\$3,700
41	006C	5	3	Rent Stabilized	\$1,109.66	\$222	\$3,100
42	006D	4	2	Rent Stabilized	\$1,101.04	\$275	\$2,750
43	006E	4	2	Rent Stabilized	\$990.63	\$248	\$2,750
44	006F	4	2	Rent Stabilized	\$2,060.88	\$515	\$2,750
45	006G	3	1	Rent Stabilized	\$824.14	\$275	\$2,250
46	006H	6	4	Rent Stabilized	\$2,896.78	\$483	\$3,700
47	007A	6	4	Rent Stabilized	\$1,673.78	\$279	\$3,700
48	007B	6	4	Rent Controlled	\$1,321.42	\$220	\$3,700
49	007C	5	3	Rent Controlled	\$1,253.32	\$251	\$3,100
50	007D	4	2	Rent Stabilized	\$2,242.60	\$561	\$2,750
51	007E	4	2	Rent Stabilized	\$2,757.88	\$689	\$2,750
52	007F	4	2	Rent Stabilized	\$979.61	\$245	\$2,750

53	007G	3	1	Rent Stabilized	\$1,910.10	\$637	\$2,250
54	007H	6	4	Rent Stabilized	\$3,784.75	\$631	\$3,700
55	008A	6	4	Rent Stabilized	\$3,388.52	\$565	\$3,700
56	008B	6	4	Rent Stabilized	\$3,160.40	\$527	\$3,700
57	008C	5	3	Rent Stabilized	\$1,220.08	\$244	\$3,100
58	008D	4	2	Rent Stabilized	\$2,341.59	\$585	\$2,750
59	008E	4	2	Rent Stabilized	\$2,607.50	\$652	\$2,750
60	008F	4	2	Rent Stabilized	\$1,004.91	\$251	\$2,750
61	008G	3	1	Rent Stabilized	\$1,997.61	\$666	\$2,250
62	008H	6	4	Rent Stabilized	\$3,256.44	\$543	\$3,700
63	009A	6	4	Rent Stabilized	\$2,972.99	\$495	\$3,700
64	009B	6	4	Rent Stabilized	\$3,152.22	\$525	\$3,700
65	009C	5	3	Rent Stabilized	\$3,178.96	\$636	\$3,100
66	009D	4	2	Rent Stabilized	\$2,587.90	\$647	\$2,750
67	009E	4	2	Rent Stabilized	\$790.04	\$198	\$2,750
68	009F	4	2	Rent Stabilized	\$2,249.88	\$562	\$2,750
69	009G	3	1	Rent Stabilized	\$1,113.55	\$371	\$2,250
70	009H	6	4	Rent Stabilized	\$1,387.44	\$231	\$3,700
71	010A	6	4	Rent Stabilized	\$1,423.18	\$237	\$3,700
72	010B	6	4	Rent Stabilized	\$3,366.25	\$561	\$3,700
73	010C	5	3	Rent Stabilized	\$3,088.29	\$618	\$3,100
74	010D	4	2	Rent Stabilized	\$2,486.23	\$622	\$2,750
75	010E	4	2	Rent Stabilized	\$1,191.79	\$298	\$2,750
76	010F	4	2	Rent Stabilized	\$1,687.43	\$422	\$2,750
77	010G	3	1	Rent Stabilized	\$2,029.54	\$677	\$2,250
78	010H	6	4	Rent Stabilized	\$1,281.82	\$214	\$3,700
79	GC	5	3	Rent Stabilized	\$2,327.18	\$465	\$3,100
80	GD	4	2	Rent Stabilized	\$1,763.38	\$441	\$2,750
81	GE	4	2	Rent Stabilized	\$2,103.20	\$526	\$2,750
82	GF	4	2	Rent Stabilized	\$2,607.50	\$652	\$2,750
83	GG	3	1	Rent Stabilized	\$1,588.37	\$529	\$2,250
<b>Totals/Avg's</b>		<b>388</b>	<b>222</b>		<b>\$172,153.06</b>	<b>\$444</b>	<b>\$253,200</b>
<b>Annual</b>					<b>\$2,065,836.72</b>		<b>\$3,038,400</b>

## Comparable Sales Outline

### Comparable Sale 1



#### Location Overview

<b>Street Address</b>	4441 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10040
<b>Property ID</b>	2180/505
<b>Neighborhood/District</b>	Washington Heights North

#### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	5,000 SF
<b>Year Built</b>	1930 est.	<b>Residential Units</b>	25
<b>Year Renovated</b>	1989	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	2
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	2,000 SF
<b>GBA</b>	20,988 SF		

#### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$3,200,000
<b>Sale Date</b>	5/22/2023	<b>Per Unit</b>	\$128,000
<b>Grantee</b>	Getty Industries, LLC	<b>Per SF</b>	\$152
<b>Grantor</b>	Broadway 4441, LLC	<b>Cap Rate</b>	6.08%
<b>Unique Sale ID</b>	25818435	<b>Property Rights</b>	Leased Fee Interest

#### Verification Source

<b>Contact Name</b>	Jordan Sutton	<b>Role</b>	Listing Broker
<b>Company</b>	Cushman & Wakefield	<b>Verification Date</b>	9/13/2023

### Appraiser Comments

This property is a six-story mixed-use building located at 4441 Broadway in the Washington Heights North neighborhood of New York City. The building, constructed in 1930, features 25 residential units and 2 commercial units with a total gross building area of 20,988 square feet. According to the Department of Finance, 17 of the units are rent stabilized and 8 are market rate. The property is equipped with an elevator and has a commercial area of 2,000 square feet. The site area is 5,000 square feet and is described as gross. The unit mix consists of primarily three-bedroom and four-bedroom units. Photos of the units show good interior finishes, with premium hardwood flooring and modern kitchen appliances. The building does not feature amenities. The property transacted for the price of \$3,200,000. The property rights transferred are leased fee interest. The indicated cap rate is 6.08%. The sale took place on May 22, 2023, and the buyer was Getty Industries, LLC, while the seller was Broadway 4441, LLC. The sale has been verified with public record, and the price per square foot is \$152.47, while the price per unit is \$118,518.52. The information is sourced from public records and CoStar. Details of the sale have been verified with Jordan Sutton from Cushman & Wakefield, who was the listing broker on the sale. He noted the transaction was arm's length and the property was fully occupied at the time of sale.

## Comparable Sale 2



### Location Overview

<b>Street Address</b>	5008 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10034
<b>Property ID</b>	2230/5
<b>Neighborhood/District</b>	Inwood

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	10,175 SF
<b>Year Built</b>	1934 est.	<b>Residential Units</b>	50
<b># Floors</b>	6	<b>Comparable Type</b>	Mixed-Use
<b>Building Type</b>	Elevator	<b>Commercial Units</b>	5
<b>GBA</b>	48,576 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$10,600,000
<b>Sale Date</b>	4/27/2023	<b>Per Unit</b>	\$212,000
<b>Grantee</b>	GETTY INDUSTRIES LLC	<b>Per SF</b>	\$218
<b>Grantor</b>	5008 BROADWAY LLC	<b>Cap Rate</b>	7.30%
<b>Unique Sale ID</b>	2023000106269	<b>Property Rights</b>	Leased Fee Interest

### Verification Source

<b>Contact Name</b>	Robert Shapiro	<b>Role</b>	Listing Broker
<b>Company</b>	Cushman & Wakefield	<b>Verification Date</b>	5/25/2023

### Appraiser Comments

This is the sale of a mixed-use building located in the Inwood neighborhood of New York City, NY. The property sold on April 27, 2023, for \$10,600,000, and features six floors, 50 residential units, and five commercial units. The building was constructed in 1934 and is estimated to be in good condition based on the reported renovation history. Of the 50 units, 8 are rent stabilized. The property is located on Broadway, a major thoroughfare that runs through the northern part of Manhattan. The street is home to a variety of retail shops, restaurants, and services. There are several parks nearby, including Inwood Hill Park, which offers hiking trails, sports fields, and playgrounds. The property is located near public transportation, including the 1 train and several bus lines. We verified the sale with Robert Shapiro of Cushman & Wakefield on May 25, 2023.

## Comparable Sale 3



### Location Overview

<b>Street Address</b>	3900 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10032
<b>Property ID</b>	2122/58
<b>Neighborhood/District</b>	Washington Heights South

### Property Information

<b>Property Name</b>	North Manhattan	<b>GBA</b>	49,576 SF
<b>Condition</b>	Good	<b>Site Area</b>	9,992 SF
<b>Year Built</b>	1925 est.	<b>Residential Units</b>	27
<b>Year Renovated</b>	1987	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	5
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	3,564 SF

### Sale Information

<b>Sale Status</b>	Transaction	<b>Per Unit</b>	\$338,993
<b>Sale Date</b>	4/4/2023	<b>Per SF</b>	\$185
<b>Grantee</b>	GPS 3900 LLC	<b>Cap Rate</b>	6.35%
<b>Grantor</b>	3900 Broadway Holding LLC	<b>Property Rights</b>	Leased Fee Interest
<b>Deed Sale Price</b>			\$9,152,823

### Verification Source

<b>Contact Name</b>	Seth Glasser	<b>Role</b>	Senior Vice President
<b>Company</b>	Marcus & Millichap	<b>Verification Date</b>	12/22/2022

### Appraiser Comments

This is the sale of a mixed-use, 6-story elevator building in Upper Manhattan. The building contains 27 residential units and 5 commercial units. The units are a mix of rent stabilized (18), rent controlled (1), and free market (8) units. Further, there are 5 three bedroom units, 15 four bedroom units, and 7 five bedroom units. One commercial unit is currently vacant. Property record lists the property as having 5 commercial units, but the offering memorandum only lists 3. The property has received nearly \$1.7 million in capital improvements since 2014, with money spent on the electric system, boiler, brick pointing, security camera, hallways, windows, and individual apartment improvements. The building is situated on a corner parcel with 100 feet of frontage on Broadway and on West 163rd Street. The sale was marketed by Seth Glasser and the NYM Team at Marcus & Millichap. According to Mr. Glasser and his team, the initial asking price was \$11,750,000. The property went into contract in December of 2022 and it closed in April of 2023 for a price of \$9,152,823. Data was confirmed with public record.

## Comparable Sale 4



### Location Overview

<b>Street Address</b>	3856 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10032
<b>Property ID</b>	2119/5
<b>Neighborhood/District</b>	Upper Manhattan

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	9,992 SF
<b>Year Built</b>	1909	<b>Residential Units</b>	39
<b>Year Renovated</b>	2014	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	6
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	5,303 SF
<b>GBA</b>	46,309 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$10,947,177
<b>Sale Date</b>	3/31/2023	<b>Per Unit</b>	\$280,697
<b>Grantee</b>	GPS 3850 LLC	<b>Per SF</b>	\$236
<b>Grantor</b>	3850 Broadway Holding LLC	<b>Cap Rate</b>	6.98%
<b>Unique Sale ID</b>	N/A	<b>Property Rights</b>	Leased Fee Interest

### Verification Source

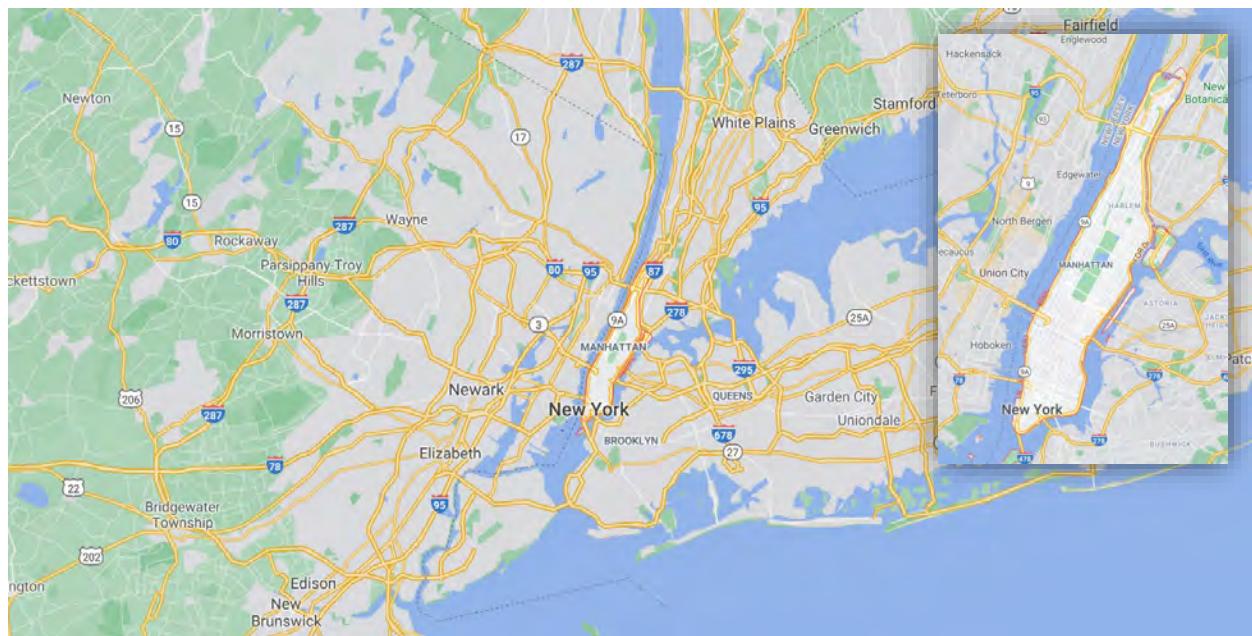
<b>Contact Name</b>	Seth Glasser	<b>Role</b>	Senior Vice President
<b>Company</b>	Marcus & Millichap	<b>Verification Date</b>	12/22/2022

### Appraiser Comments

This is the sale of a mixed-use, 6-story elevator building in Upper Manhattan. The building contains 39 residential units and 6 commercial units. The units are a mix of rent stabilized (31), rent controlled (3), and free market (5) units. Further, there are 3 studio units, 12 two bedroom units, 14 three bedroom units, 6 four bedroom units, and 4 five bedroom units. One commercial unit is currently vacant. The property has received more than \$2.1 million in capital improvements since 2014, with money spent on the roof, brick pointing, hallways, security camera, boiler, elevator, cooking gas, and individual apartment improvements. The building is situated on a corner parcel with 100 feet of frontage on Broadway and on West 161st Street. The sale was marketed by Seth Glasser and the NYM Team at Marcus & Millichap. According to Mr. Glasser and his team, the initial asking price was \$13,250,000. The property went into contract in December of 2022, and closed in March of 2023 for \$10,947,177. Data was confirmed with public record.

## New York County Area Analysis

This report was compiled using data as of 2021 Q3 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis, and the U.S. Census Bureau.



### Overview

New York County (Manhattan) is the most densely populated and geographically smallest of the five boroughs of New York City. It is the urban core of the New York metropolitan area and serves as the city's economic and administrative center. The borough consists mostly of Manhattan Island, bounded by the Hudson, East, and Harlem rivers, as well as several small adjacent islands. 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. Despite being the second-smallest American county overall, it is the most populated and most densely populated U.S. county. Manhattan has the third-largest population of New York City's five boroughs, after Brooklyn and Queens. Numerous colleges and universities are located in Manhattan, including Columbia University, New York University, Cornell Tech, Weill Cornell Medical College, and Rockefeller University, which have been ranked among the top 40 in the world.

At the start of 2020, New York City's economy was on solid footing. Tech, media, and finance firms were continuing to expand their presence, leading to near-record levels of employment and participation. Tourism was at an all-time high, contributing to an economic impact of \$70 billion in 2019 which helped fuel the growth of both the retail and hospitality sectors. Today, however, the pandemic has significantly weakened the economy. Many residents relocated out of New York City in droves as the area became the initial epicenter of the outbreak. The economy suffered further when businesses were forced to cut staff or close altogether. This sudden and extreme reaction resulted in New York County area employers shedding over 193,267 jobs (21.5% of the labor market). New York City was the hotspot for the virus and policymakers imposed a strict lockdown to slow the spread, negatively impacting the economy and labor market. With vaccinations ramping up over the spring, restrictions have eased. Hiring has picked up over the past few months, as of 09/21, New York County's economic output is growing at 1.9% per year. The unemployment rate currently sits at 6.9%, above its five-year average of 5.5% but below the state level of 7.1%. The largest industry in terms of employment in New York County is Professional & Business Services, which employs 25.6% of all workers in the County.

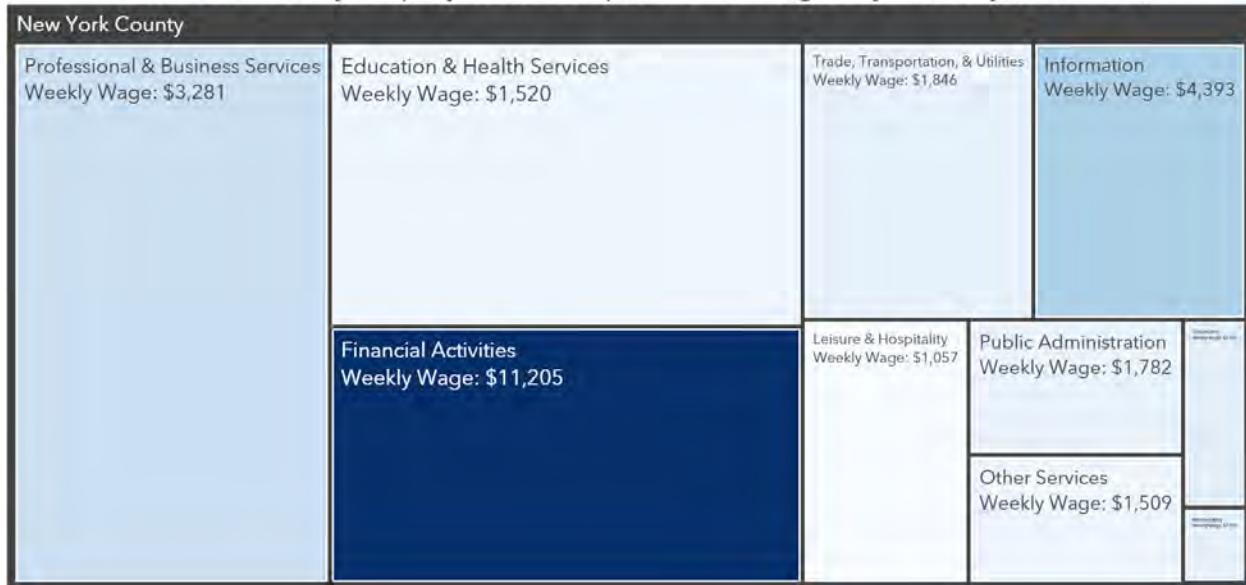
### Area Fundamentals

Attribute	County Level Value	5 Year Growth Rate	Relative to Baseline (MSA)
Employment	816,200	-5.8%	Slower than MSA
GDP	\$635.3 billion	12.6%	Faster than MSA
Population	1,611,989	-1.5%	Slower than MSA
Per Capita Personal Income	\$197,847	30.9%	Faster than MSA

### Labor Market Conditions

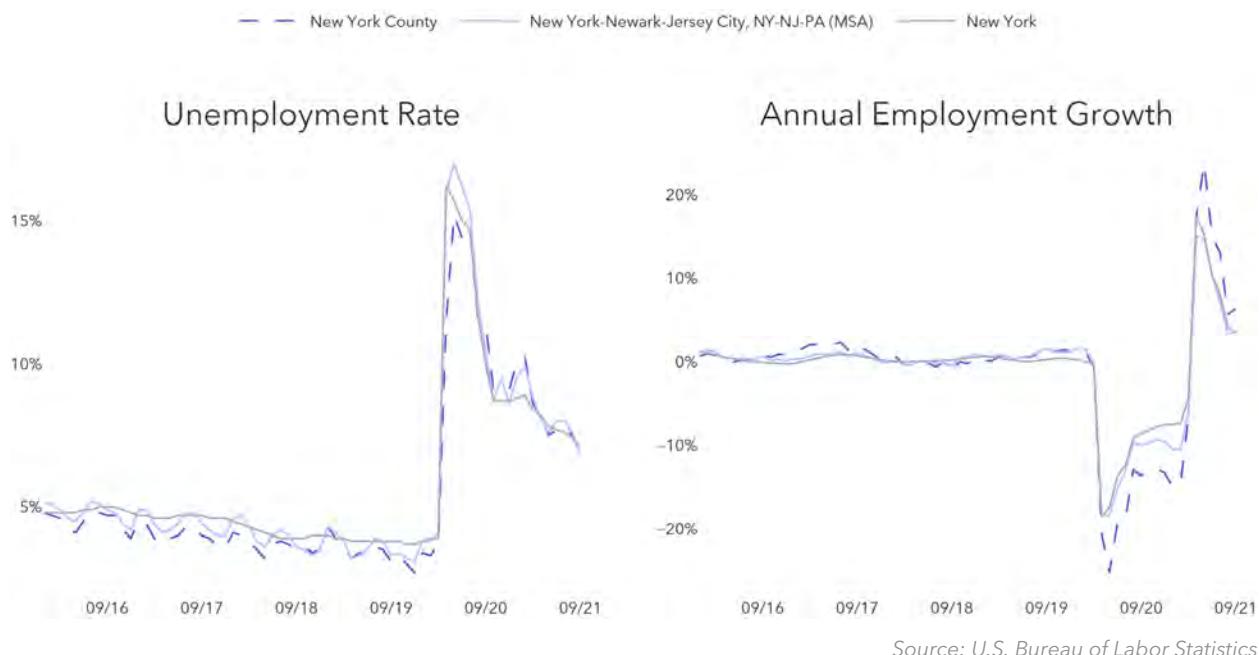
According to the Q1 2021 Quarterly Census of Employment and Wages, New York County employed 2,066,618 employees, with establishments in the Professional & Business Services, Education & Health Services, and Financial Activities industries accounting for the top three employers. These industries employ 530,440 (25.6%), 415,529 (20.1%), and 377,078 (18.2%) workers in the County, respectively. New York County has an especially large share of workers in the Information industry. In fact, its 8.8% fraction of workers is 4.4 times higher than the National average.

**New York County Employment Composition & Wages by Industry (2021 Q1)**

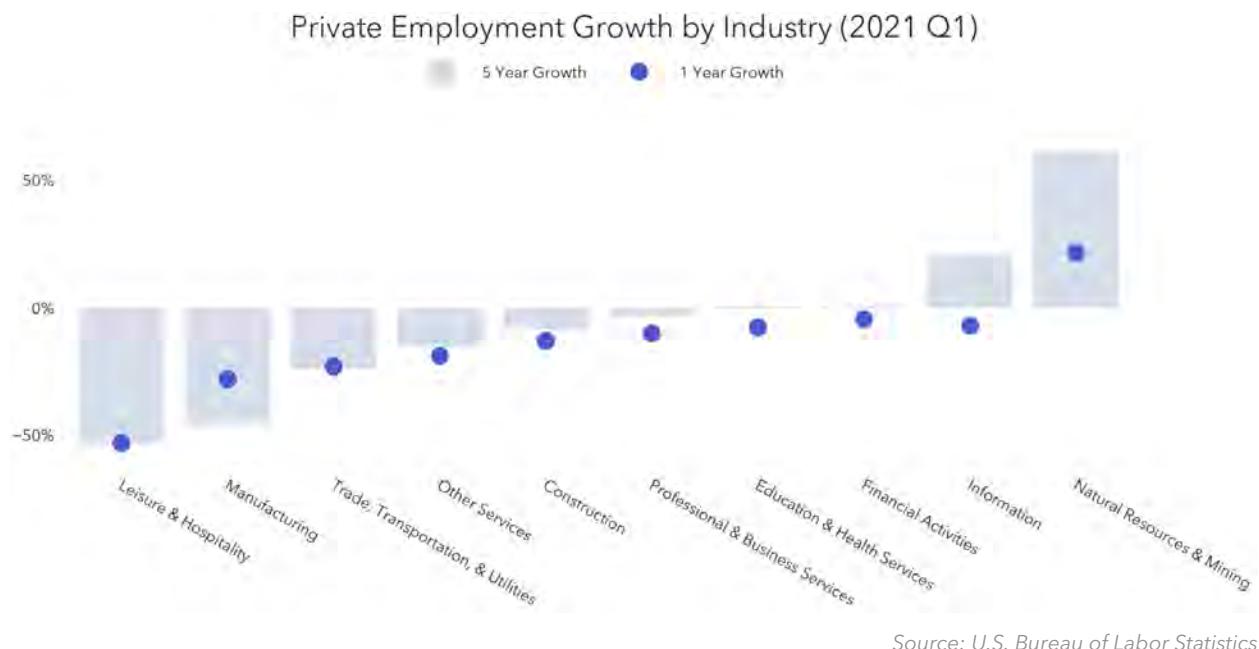


Source: U.S. Bureau of Labor Statistics

The unemployment rate in New York County has compressed over the past year to the current rate of 6.9%, just slightly above the New York-Newark-Jersey City, NY-NJ-PA rate of 6.8%. As of 09/21, total employment is up 6% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.3%.



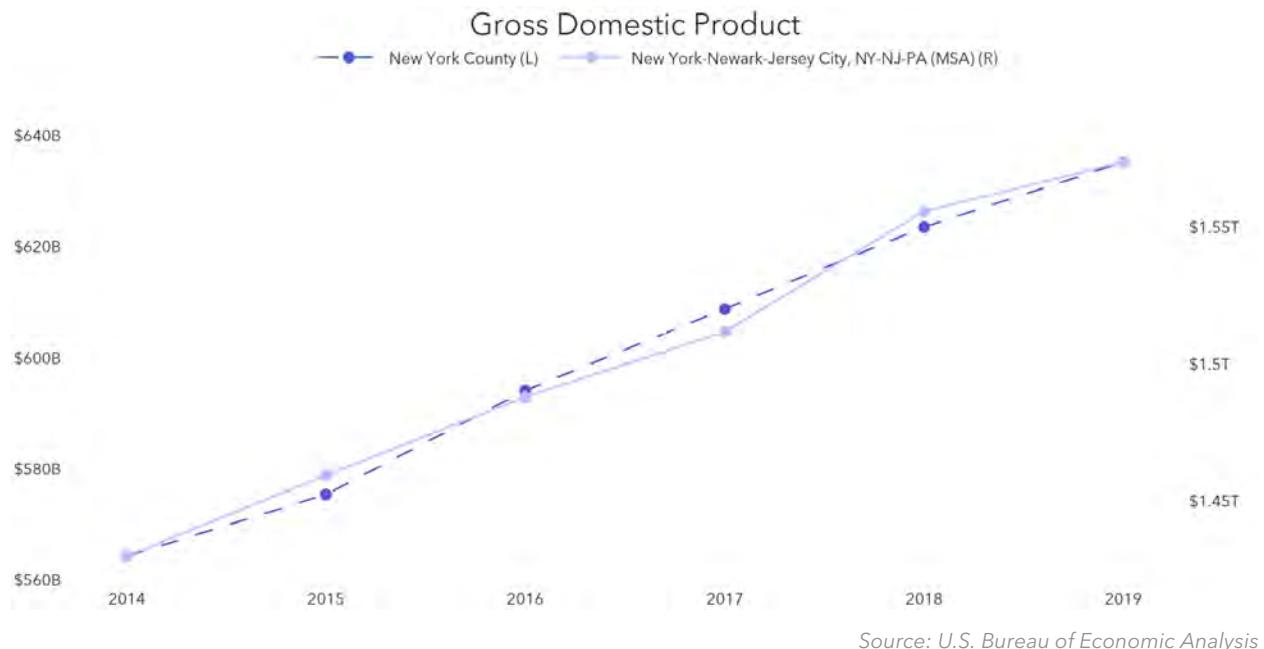
According to the Q1 2021 Quarterly Census of Employment and Wages, New York County has seen private employment compress 10.7% (-228,587) in total over the last five years. During that time, the Natural Resources & Mining, Information, and Financial Activities industries saw the strongest growth, expanding 61.5%, 20.6%, and 0.8%, respectively. Meanwhile, the Leisure & Hospitality Industry has seen employment collapse 53.1% over the previous five years. Over the past year, most industries have lost employees. The Leisure & Hospitality sector saw the largest decline in employees and remains 53.1% below Q1 2020 levels.



Note: Employment growth rates are not displayed for industries where the BLS has suppressed employment data for quality or privacy concerns.

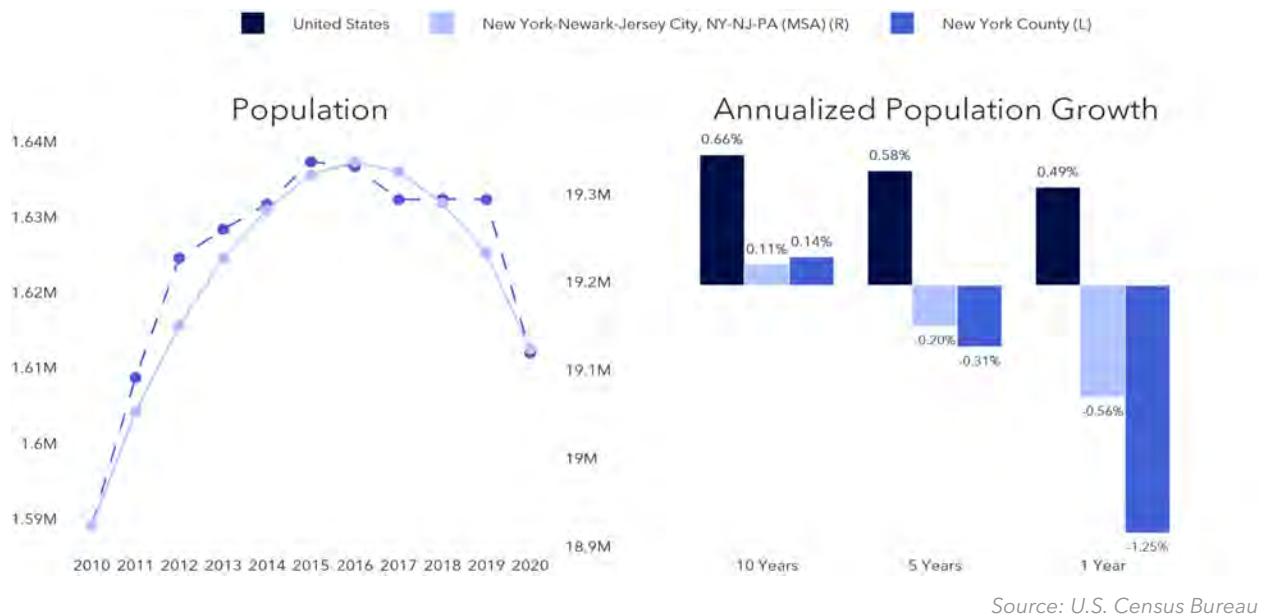
## Economic Production

GDP by county is a measure of the market value of final goods and services produced within a county area in a particular period. While GDP data at the county level is not yet available, 2019 data from the U.S. Bureau of Economic Analysis points to steady growth for New York County, which produced ~\$635.3 billion of output that year, representing an annual change of 1.9% compared to 1.2% for the Metro.

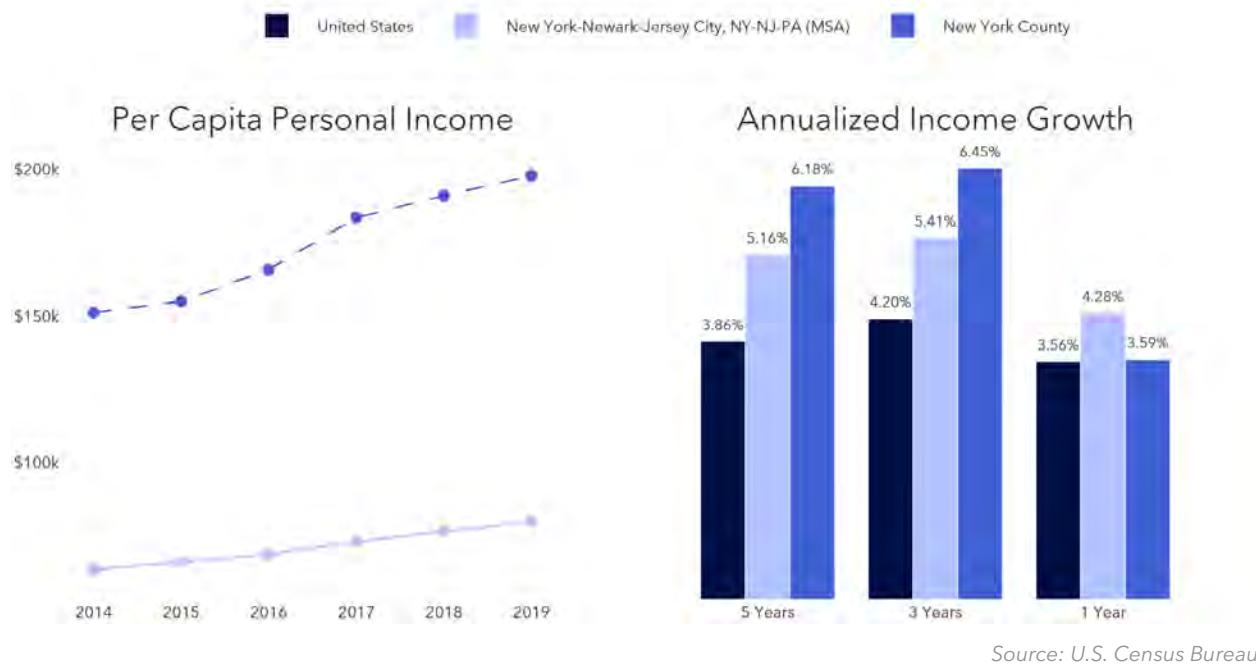


## Demographics

Going back ten years, New York County has seen its population expand 0.1% per annum to the 2020 count of 1,611,989. Over the past five years, growth has declined, contracting 0.3% per annum since 2015. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Going back five years, New York County residents have seen its per capita personal income expand 6.2% per annum to the 2019 level of \$197,847. Over the past three years, growth has expanded, growing 6.4% per annum since 2016. This growth rate exceeds the Nation, which has expanded 4.2% per year over the last three years.



## Infrastructure

The transportation system of New York City is a network of complex infrastructural systems. New York City, being the most populous city in the United States, has a transportation system which includes one of the largest subway systems in the world, regional commuter trains, an extensive bus system in each of the five boroughs, citywide and Staten Island ferry systems, yellow taxis and ride-sharing apps throughout the city, and multiple international airports.



The New York region's expressway network is extensive and includes four primary Interstate Highways: Interstate 78, Interstate 80, Interstate 87, and Interstate 95. Interstate 78 and Interstate 87, which have, respectively, their eastern and southern termini in the city, as well as Interstate 95 enter the city limits, while Interstate 80's eastern terminus is in Teaneck, New Jersey.



The dominant mode of transportation in New York City is rail. The New York City Subway is the largest subway system in the world when measured by number of stations (472) and provides more than 100 stations in New York County along more than a dozen routes.

New York City's commuter rail system is the most extensive in the United States, with about 250 stations and 20 rail lines serving more than 150 million commuters annually in the tri-state region. Commuter rail service from the suburbs is operated by two agencies. The MTA operates the Long Island Railroad on Long Island and the Metro-North Railroad in the Hudson Valley and Connecticut. New Jersey Transit operates the rail network west of the Hudson River. These rail systems converge at the two busiest train stations in the United States, Penn Station and Grand Central Terminal, both in Manhattan. Intercity service is provided by Amtrak, connecting to many cities in the Northeast Corridor, stretching from Washington, DC north through Baltimore, Philadelphia, Trenton, NYC, Stamford, New Haven, and Boston.

The Port Authority Trans-Hudson (PATH) is a rapid transit system that links New York County to Jersey City, Hoboken, Harrison, and Newark, in New Jersey.



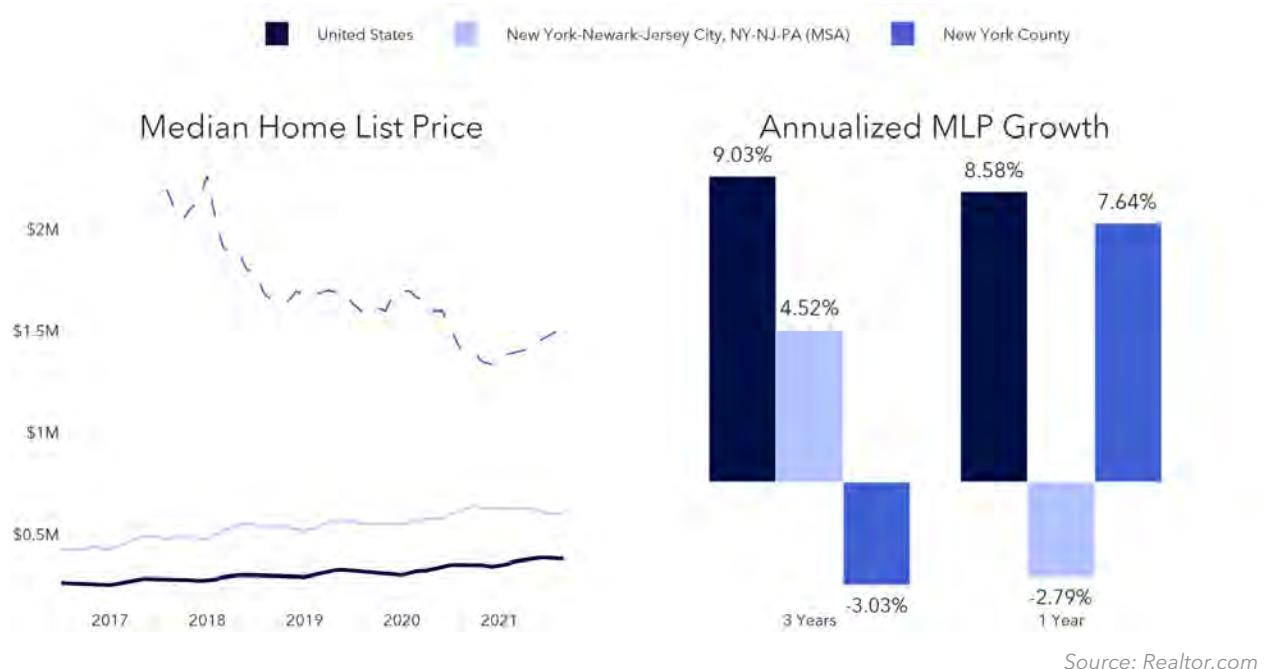
Operated by the MTA, New York City and New York County have the largest bus system in the U.S. running 24/7 across the five boroughs encompassing 238 routes. There are several private bus companies providing transit within New York City and throughout the region.



Within the New York City metropolitan area, the airport system—which includes John F. Kennedy International Airport, LaGuardia Airport, Newark Liberty International Airport

## Housing

Not only did the pandemic shock the economy, but it has had different economic effects on sectors and regions. For example, the residential housing market in the United States has been robust since the initial shutdown in Q1 and Q2 2020. Historically low mortgage rates, the desire for more space, and the ability to work from home have led to the highest number of home sales while historically low inventory levels have pushed values to record highs in most counties and metros across the Nation. In New York County, Realtor.com data points to continued growth in values. In fact, as of 09/2021, the median home list price sits at \$1,500,000, an increase of 8% compared to a decrease of 3% for the New York-Newark-Jersey City, NY-NJ-PA Metro, and an increase of 9% across the Nation over the past year.

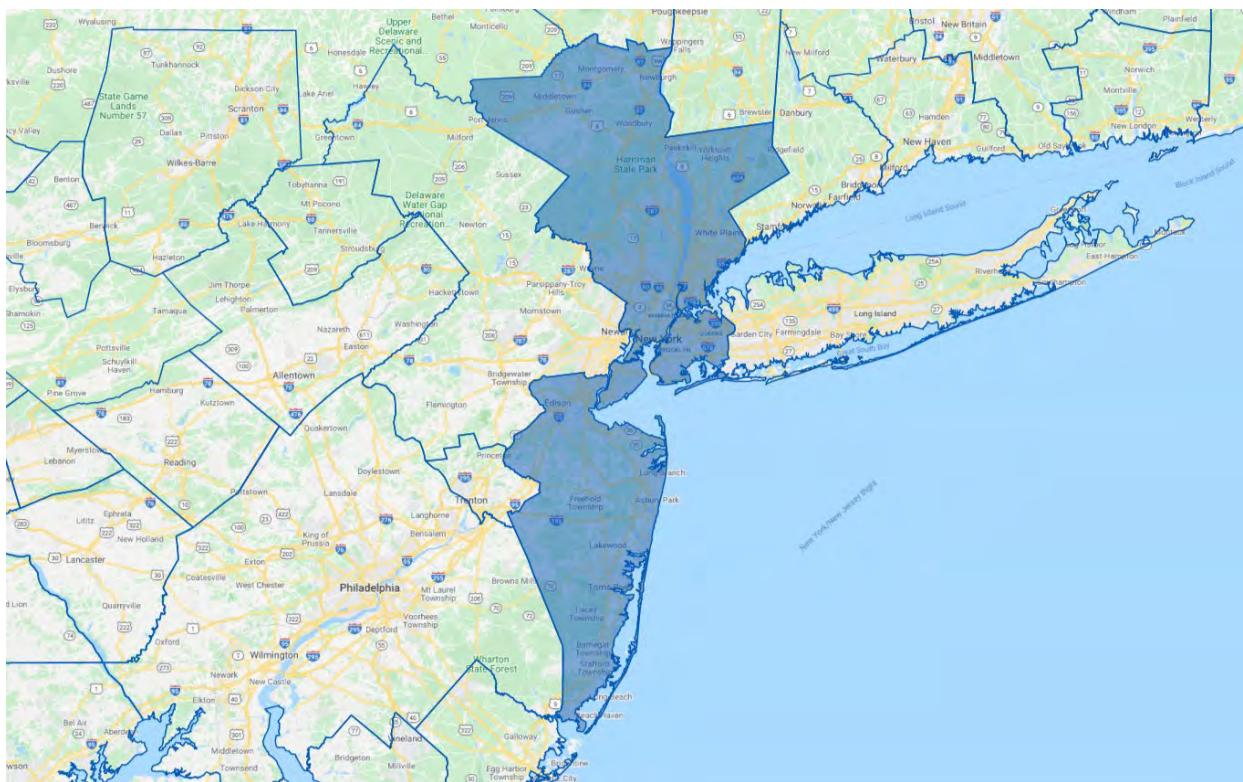


## Outlook

The United States economy continues to recover from the aftermath of the Covid-19 pandemic. The labor market has restored almost 17 million of the 21 million jobs lost at the beginning of the pandemic, as measured by non-farm employment, bringing the unemployment rate to 4.8% as of September 2021. GDP increased at a historically fast annual rate of 6.7% in Q2 2021, according to data released by the Bureau of Economic Analysis. Growth of 6.7% in Q2 was up from the first quarter, when real GDP increased 6.3%. The increase in second quarter GDP reflected the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. Supply chain issues as well as a slowdown in consumer spending growth slowed GDP growth down to 2% in the third quarter. Supply-chain disruptions such as delays at U.S. ports and international manufacturing issues contributed to a sharp increase in inflation and pose a risk to the economic outlook. Despite supply-side challenges, many economic observers expect the economy to regain momentum in the final months of the year conditional on Covid-19 cases continuing to fall. At the start of 2020, New York City's economy was on solid footing. Tech, media, and finance firms were continuing to expand their presence, leading to near-record levels of employment and participation. Tourism was at an all-time high. That all reversed course in 2020 but has rebounded relatively fast in 2021. Growth has been slow, but the gradual reopening of businesses has led to a resurgence of activity. New York City remains resilient and many new growth opportunities have emerged.

## New York: Multifamily Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Multifamily Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 1.5 million units of multifamily space. At the start of 2024, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate, at 2.6%, stands at near historic lows and remains the tightest among U.S. markets with at least 100,000 units. Clear signs exist, however, that the apartment market is slightly slowing down. Absorption totals have declined for the second consecutive year in 2023 as supply outpaced demand, with 23,300 units delivered, compared to 20,700 units absorbed over the past 12 months. While annual rent growth is positive at 2.0% no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -11.6% yoy, ultimately decreasing to \$396,924/unit.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/Unit	\$3,060	2.0%	0.0%	\$1,647	0.7%	-0.6%
Vacancy Rate	2.56%	14 bps	3 bps	7.56%	108 bps	29 bps
Net Absorption Units	5,430	24.9%	0.0%	71,148	1369.8%	-20.2%
Asset Value/Unit	\$396,924	-11.6%	-2.0%	\$236,627	-11.3%	-1.8%
Market Cap Rate	5.11%	60 bps	7 bps	5.88%	60 bps	6 bps
Transaction Count	202	-33%	-28%	2,834	-39%	-14%
Sales Volume	\$962,639,744	-64%	-49%	\$19,361,206,272	-52%	-24%

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

### Historical Multifamily Performance: New York Market

Period	Inventory Units	Under Construction Units	Net		Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Absorption Units 12 Mo				
2023 Q4	1,546,897	69,163	23,273	20,675	2.6%	\$3,060	\$396,924	5.11%
2023 Q3	1,540,793	65,063	22,324	19,592	2.5%	\$3,059	\$404,986	5.04%
2022	1,523,624	61,047	28,189	27,229	2.4%	\$3,001	\$448,930	4.50%
2021	1,495,434	53,619	20,482	37,182	2.4%	\$2,891	\$500,189	4.08%
2020	1,474,953	54,535	16,855	5,029	3.5%	\$2,711	\$452,896	4.35%
2019	1,458,098	51,286	20,406	19,614	2.8%	\$2,772	\$440,985	4.56%
2018	1,437,692	46,089	24,178	28,818	2.8%	\$2,721	\$425,682	4.65%
2017	1,413,514	49,922	29,519	25,829	3.1%	\$2,661	\$424,474	4.65%
2016	1,383,992	58,593	15,290	20,133	2.9%	\$2,637	\$413,297	4.70%
2015	1,368,699	54,585	14,648	12,573	3.3%	\$2,596	\$395,266	4.72%
2014	1,354,051	40,955	11,652	11,663	3.2%	\$2,520	\$365,570	4.89%

### Supply & Demand

The Market has 1.5 million units of multifamily space, and developers have added, net of demolitions, 202k units over the past ten years, increasing inventory by 15.0% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.2% to 2.6%. Renters continue to relocate here despite the exorbitant costs of living. Despite initial worries that a decline in office utilization would hamper the apartment market, it's apparent that the dining, culture, and arts scene in New York City are proving to be more influential drivers of demand for renters. The increase in hybrid work arrangements has instead greatly benefited submarkets located outside of New York City.

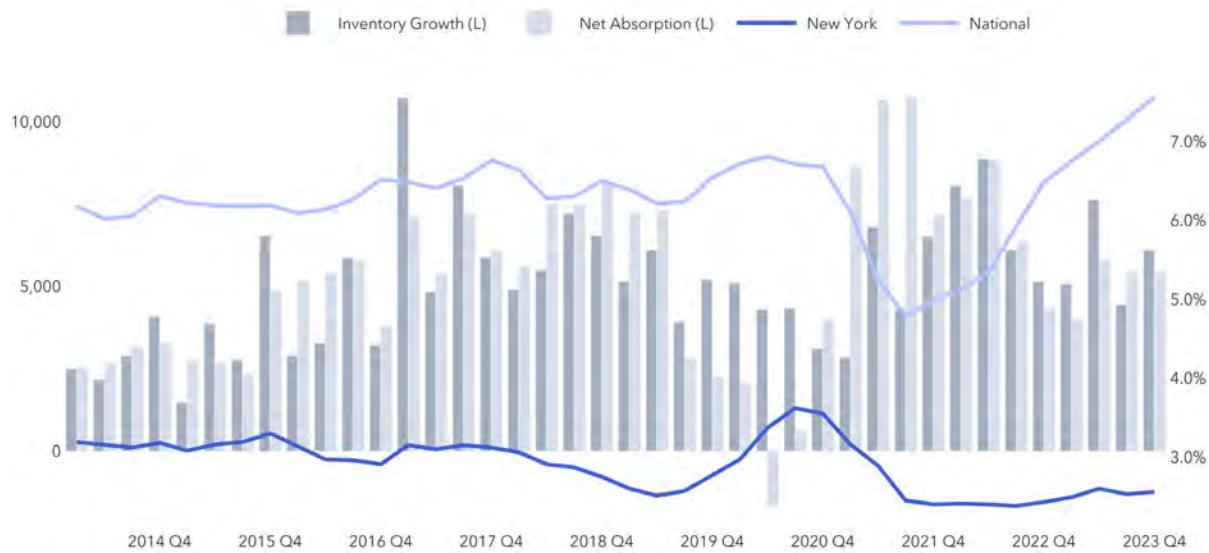
More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 14 bps over the past year from 2.4% to 2.6%, remaining below the 10-year average of 2.9%, and below the National average by 500 bps. In the fourth quarter, multifamily tenants in the Market absorbed 5.4k units, an increase from the 5.4k units absorbed in 2023 Q3, and an improvement from the 4.3k units absorbed in the same quarter last year.

Still, much of what is slated to be delivered is located in submarkets that are popular with renters and that have a history of absorbing new construction such as Brooklyn, Jersey City, and Long Island City. This creates a possibility that the vacancy rate may be relatively unchanged when compared over the long term. However, if a near-term recession were to come to fruition, submarkets that are less popular, have had a sizable amount of new projects deliver over the past year, and contain a fair amount of units under construction, such as those in the Bronx, Westchester County, and Bergen County, may drive vacancy expansion across the metro.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Class A	7.4%	10.0%	6.9%	8.5%	6.3%	6.1%	8.5%	6.0%	6.2%	6.2%	6.1%
Class B	3.2%	3.3%	3.1%	3.2%	2.9%	3.1%	3.7%	2.3%	2.3%	2.4%	2.5%
Class C	2.7%	2.6%	2.3%	2.3%	2.1%	2.0%	2.5%	1.7%	1.6%	1.7%	1.7%

## Absorption & Vacancy Rates



### Rents

At \$3,060/unit, rents in the New York Market are roughly 86% higher than the National average average of \$1,647/unit. Rents vary throughout the Market. Rents in popular submarkets in Manhattan and Brooklyn easily top \$4,000/month. A notable amount of submarkets located in the Bronx, Queens, and Westchester County continue to be considered value plays among renters as rent totals are below \$2,500/month. While these submarket rents are below the metro average, they are still more expensive than 90% of U.S. metro markets.

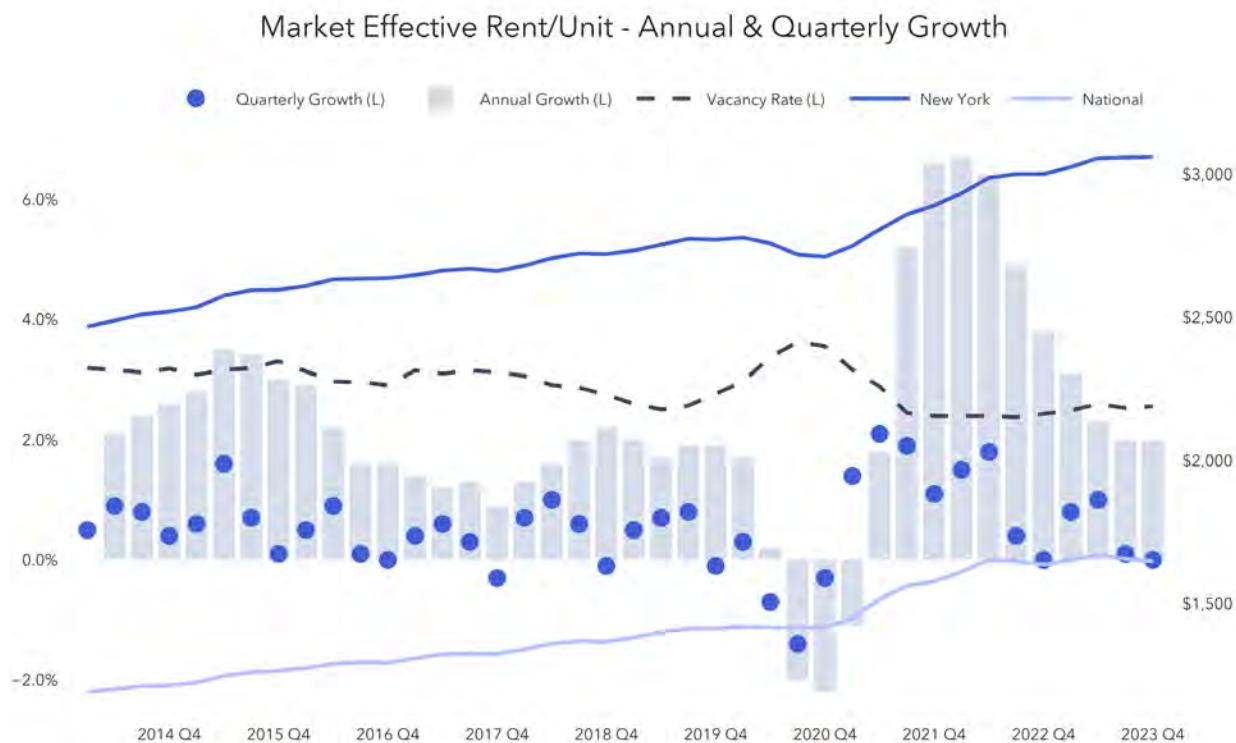
Class A apartment units are a premium with an average effective rent rate of \$4,124/unit, followed by \$3,266/unit for Class B and \$2,138/unit for Class C units. Rents in the Market have grown 2.4% per annum over the past decade, falling short of the National average, where rents increased 3.8% per annum during that time.

### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Class A	\$3,355	\$3,444	\$3,478	\$3,501	\$3,595	\$3,675	\$3,517	\$3,859	\$4,046	\$4,129	\$4,124
Class B	\$2,698	\$2,787	\$2,832	\$2,855	\$2,914	\$2,965	\$2,908	\$3,101	\$3,205	\$3,265	\$3,266
Class C	\$1,779	\$1,835	\$1,877	\$1,904	\$1,940	\$1,970	\$1,974	\$2,030	\$2,093	\$2,133	\$2,138

In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.7% in 2020 Q2. By the end of 2020, rents fell 2.2% from the 2019 Q4 rent level of \$2,772/unit. From 2019 Q4 to 2021 Q4, rents increased 4.3%. Quarterly rent growth in 2023 Q4 stalled, softening annual growth to 2.0%. At the start of 2024, the largest annual rent gains had occurred in submarkets located in New Jersey such as Hackensack/Teaneck, North Middlesex County, and Greater Bergen County.

Concessions are typically not part of the equation for much of the metro's apartment buildings. Still, there has been a slow but steady uptick in the number of buildings offering concessions over the past 12 months. By the close of December, an average of 24% of all multifamily properties in the New York area were offering some sort of concession, an increase from the 13% concession rate observed a year ago. This practice has largely been observed in recently completed buildings in an attempt to quickly stabilize occupancy levels, with up to two months of free rent offered. This can be seen as a response to the moderating absorption levels witnessed in recent quarters.

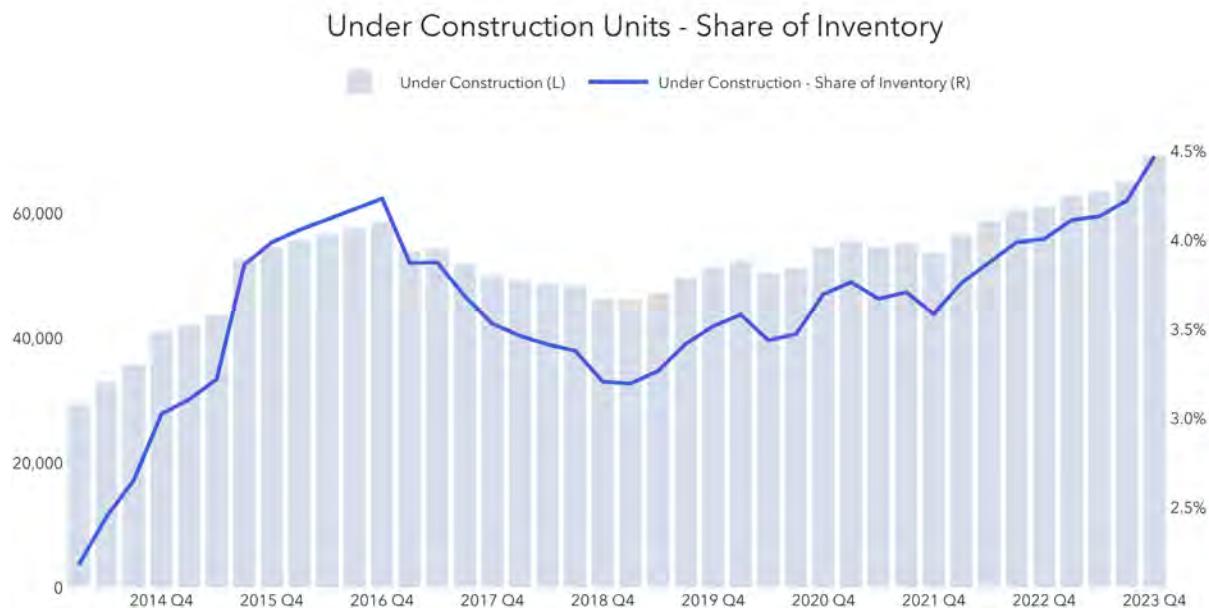


## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 209.1k units to the Market over that time, expanding inventory by 15.0%. Developers remain active in the Market despite elevated construction and debt costs. In fact, developers are currently active with 69.2k units, or the equivalent of 4.5% of existing inventory, underway. A significant amount of units are underway in Brooklyn and Long Island City. These are popular neighborhoods where a supply wave has been ongoing for more than five years as renters continue to target modern apartment buildings located just outside of Manhattan.

With construction costs, acquisition costs of development sites, and competition in popular submarkets all rising, development activity has spread to more suburban parts of the metro where lower barriers to entry exist. This has resulted in an influx of transit-oriented development built to attract renters who work in New York City, but would rather rent in a considerably more affordable building that has been recently built.

Submarkets utilizing this trend include those in Hudson County, where apartment buildings are located in proximity to NJ Transit lines, and in Westchester County, where new apartments are located within walking distance of Metro North train stations. However, proximity to mass transit is not the sole motivating factor. To further attract renters, recently delivered buildings are typically built to a high standard with modern amenity offerings that are geared towards health and wellness.



## Capital Markets

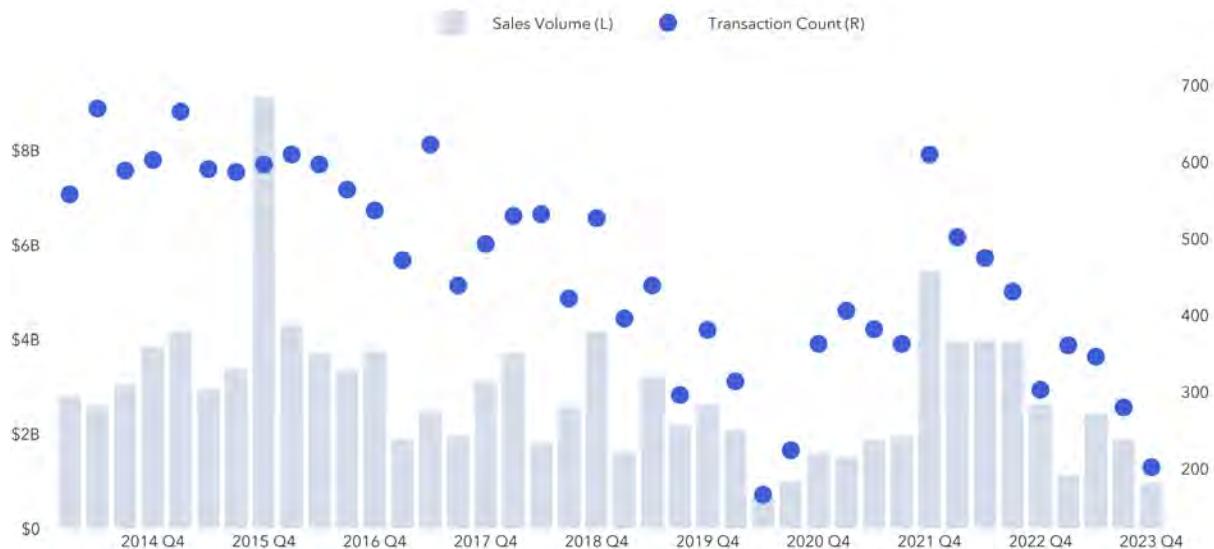
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average, 1,554 transactions per year with an annual average sales volume of \$10.6 billion. Over the past year, there were 1,189 closed transactions across 26.4k units, for a total sales volume of \$6.4 billion. As of 2023 Q4, CoStar data indicates there were 202 transactions for a total sales volume of \$962.6 million, compared to \$1.9 billion in the previous quarter.

Apartment buildings built within the past decade or that are located in popular renter neighborhoods in Brooklyn and Manhattan remain in heavy demand and are driving recent transaction activity. There is a growing desire to manage risk through owning better-quality assets where unexpected capital expenses are less likely or fear of absorption totals cratering is minimal.

An example of this was the \$402 million purchase of the Solow Tower Apartments, a 4 Star building with 322 units, by GO Partners. The pricing (\$1.2 million/unit) reflects the building's desirable location in Manhattan's Upper East Side, its 100% occupancy rate, and its substantial renovation performed in 2015. Similar characteristics were found in the sale of 8 Marcy Ave, a Class B property that sold for \$97 million or \$792,000/unit. The Carlyle Group was motivated by the building's location in Williamsburg, its brand-new build, and its 100% occupancy rate.

Some buyers have shown a willingness to transact on quality buildings located outside city limits at elevated valuation levels despite where interest rates currently are. This was witnessed during the \$115 million sale, or \$261,000/unit, of the Addison at Princeton Meadows in Plainsboro, NJ, and the \$151 million sale, or \$324,000/unit, of Mountain View Crossing in Wayne, NJ. In both instances, the buyers lauded the fact that the buildings were located in areas featuring both desirable demographics and high barriers to entry which should allow room for future rent growth.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$396,924/unit. Values have compressed 11.6% over the past year and continued to fall in the past quarter, decreasing 2.0% in 2023 Q4. Capitalization rates have increased 60 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

## Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the New York Market indicate strong demand, although it has fallen short of the pipeline. With vacancy rates increasing over the past year, rent growth has been minimal. Looking ahead to the near term, it is likely that tenant demand improves in early spring, with the slowing pipeline aiding absorption rates. Still, with market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Appendix

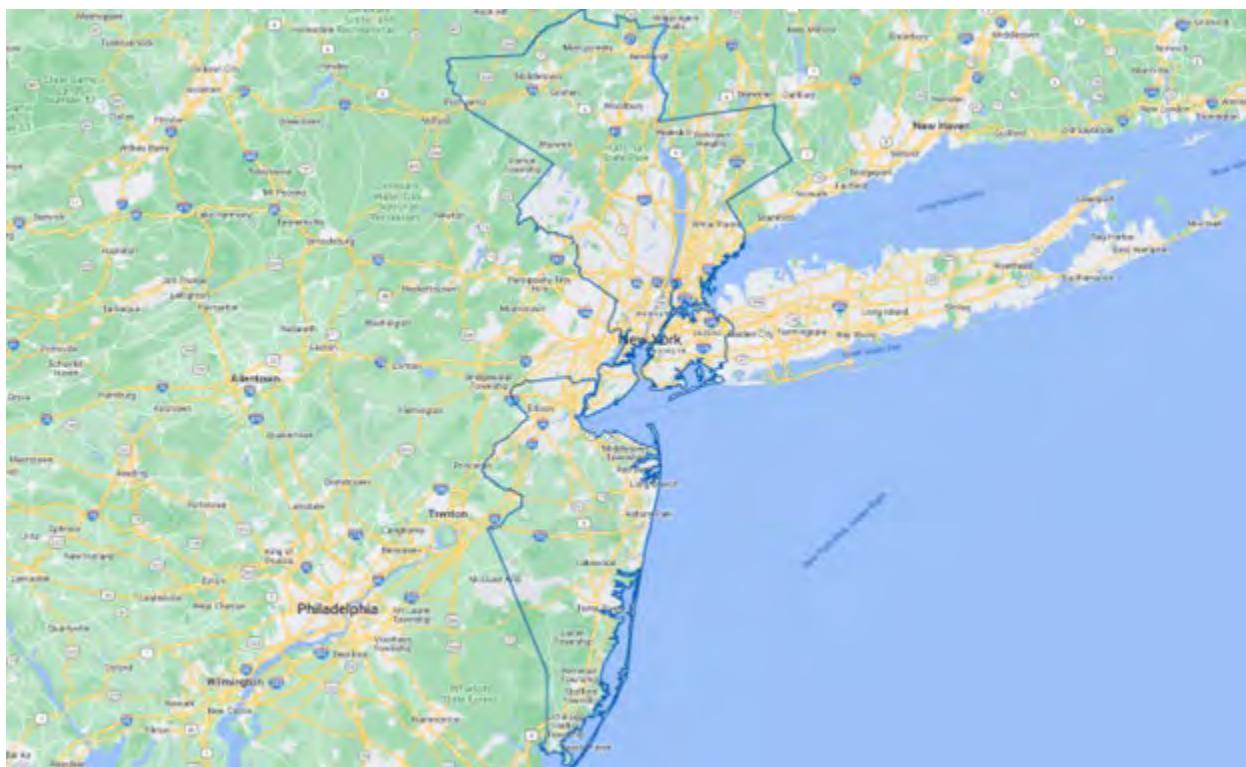
### New York Multifamily Market Overview

Submarket	Inventory Units	Vacancy Rate	Under Construction Units	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
West Bronx	92,775	0.5%	2,400	\$1,514	\$165,580	6.06%
South Bronx	66,132	3.5%	1,972	\$2,054	\$198,001	5.86%
Prospect Park	62,851	1.8%	4,174	\$2,851	\$372,573	5.03%
Flatbush	60,747	1.5%	887	\$2,025	\$252,244	5.13%
Upper East Side	58,301	2.2%	13	\$4,222	\$636,903	4.39%
Upper West Side	57,807	2.9%	294	\$4,928	\$669,020	4.44%
Upper Manhattan	55,318	1.0%	2,371	\$2,159	\$327,734	5.02%
Bushwick	51,907	2.6%	1,080	\$2,640	\$326,904	5.22%
Harlem	48,534	2.3%	624	\$2,436	\$374,537	4.80%
Central Queens	47,065	1.0%	1,239	\$2,148	\$273,269	5.13%
Northwestern Queens	41,280	1.0%	1,597	\$2,357	\$288,743	5.06%
Williamsburg	40,249	4.3%	4,203	\$4,116	\$533,912	4.82%
Southwest Brooklyn	39,195	1.5%	31	\$1,737	\$228,776	5.37%
North Middlesex County	36,293	4.4%	502	\$2,188	\$257,126	5.55%
East Village	33,907	1.5%	0	\$4,207	\$518,539	4.34%
Greater Hudson County	33,626	7.2%	2,845	\$2,440	\$315,360	5.68%
Yonkers/Mt Vernon/New Rochelle	32,949	4.5%	2,273	\$2,266	\$267,106	5.75%
Midtown West	32,576	3.1%	920	\$4,407	\$767,278	4.32%
South Shore Brooklyn	30,902	0.9%	1,504	\$1,918	\$277,933	4.98%
Lower West Side	29,945	2.5%	18	\$4,797	\$844,851	4.16%
Southeast Queens	27,270	2.4%	2,309	\$1,965	\$290,283	5.11%
Chelsea	27,050	3.5%	1,202	\$5,083	\$868,564	4.30%
Southeast Bronx	26,332	0.6%	50	\$1,556	\$168,634	5.80%
Downtown Brooklyn	26,017	3.2%	4,726	\$4,315	\$673,428	4.53%
Northeast Queens	25,980	1.4%	190	\$1,981	\$239,432	5.27%
Greater Bergen County	24,199	2.5%	1,038	\$2,191	\$263,554	5.34%
Jersey City Waterfront	23,569	2.9%	6,247	\$3,843	\$609,297	4.93%
Long Island City	23,241	3.7%	5,299	\$3,840	\$779,015	4.43%
East Monmouth County	22,968	2.3%	207	\$2,067	\$228,802	5.56%
East Harlem	22,294	4.7%	453	\$2,901	\$471,967	4.69%
North Hudson County	21,128	3.1%	704	\$2,910	\$300,589	5.68%
Jersey City/Journal Square	21,037	4.5%	5,381	\$2,649	\$450,015	5.15%
Passaic County	20,524	2.5%	401	\$1,908	\$202,719	6.02%
Murray Hill/Kips Bay	19,810	6.2%	0	\$4,548	\$683,054	4.37%
East Bronx	18,144	0.5%	416	\$1,548	\$164,651	6.01%
Midtown South	17,174	2.3%	85	\$4,806	\$794,965	4.39%
Turnpike West	16,540	3.7%	0	\$2,140	\$246,202	5.48%
Hackensack/Teaneck	15,376	4.3%	963	\$2,248	\$314,763	5.28%
Lower East Side	15,275	2.7%	845	\$4,095	\$676,109	4.27%
Midtown East	15,253	2.2%	291	\$4,728	\$753,503	4.45%
Financial District	14,723	5.1%	2,391	\$4,559	\$945,107	4.44%
Bergen County Waterfront	14,449	2.6%	415	\$3,024	\$370,522	5.25%
Turnpike East	13,923	4.6%	268	\$2,088	\$263,782	5.29%
East New York	11,649	0.4%	978	\$1,428	\$323,222	5.32%
North Ocean County	11,457	1.8%	560	\$1,821	\$207,435	5.46%
Hoboken	10,018	3.0%	216	\$4,072	\$405,350	5.44%
Northwest Bronx	9,583	1.0%	26	\$2,605	\$217,215	5.45%
Staten Island	9,543	1.1%	221	\$1,788	\$234,290	5.55%

Rockland County	9,121	5.0%	104	\$2,365	\$254,322	5.41%
Westchester County South	9,014	4.4%	18	\$2,786	\$283,472	5.25%
Westchester County North	8,620	4.8%	1,069	\$2,599	\$340,163	5.34%
South Shore Queens	8,390	1.9%	237	\$1,729	\$241,541	5.24%
Little Italy/Chinatown	7,957	1.7%	0	\$3,860	\$497,986	4.38%
White Plains	6,263	9.8%	1,891	\$3,008	\$548,895	4.74%
Middletown/Goshen	4,377	3.2%	224	\$1,935	\$205,594	5.54%
Outlying Orange County	4,150	1.9%	149	\$1,688	\$177,426	5.37%
Morningside Heights	4,133	2.7%	0	\$3,978	\$592,246	4.50%
Roosevelt Island	3,119	1.5%	357	\$3,959	\$648,912	4.33%
West Monmouth County	2,222	3.3%	285	\$2,424	\$295,227	5.23%
Newburgh	1,636	2.4%	0	\$1,990	\$205,815	5.41%
South Ocean County	1,010	3.3%	0	\$2,241	\$243,767	5.52%

## New York: Retail Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Retail Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 634 million square feet of retail space. Notwithstanding elevated inflation and economic uncertainty putting strain on retail sales, retail fundamentals remain strong, as retailers and service tenants pushed to expand their footprints. While inflation did cause consumers to shift from discretionary spending to necessities, signs of cooling inflation bode well for the sector. Also aiding the sector is a dwindling pipeline, which combined with strong tenant demand, kept vacancy rates stable. In the New York Market, demand has improved recently but vacancy rates are up compared to the same time last year. While rents are up 1.5% over the past year, they declined 0.4% in the latest quarter. With softening fundamentals, values decreased -0.1% over the past quarter, although annual growth remains positive, growing 1.6% to \$442/square feet.

#### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	\$47.5	1.5%	-0.4%	\$24.75	3.4%	0.6%
Vacancy Rate	4.09%	2 bps	-5 bps	4.04%	-12 bps	-7 bps
Availability Rate	5.1%	-21 bps	-3 bps	4.8%	-9 bps	-8 bps
Net Absorption SF	734,690	1923.7%	12.4%	18,021,652	-19.4%	41.5%
Asset Value/SF	\$442	1.6%	-0.1%	\$250	2.7%	0.6%
Market Cap Rate	5.98%	3 bps	3 bps	6.79%	-0 bps	0 bps
Transaction Count	453	-37%	-11%	8,352	-30%	-7%
Sales Volume	\$1,280,282,368	-2%	41%	\$12,666,107,904	-38%	1%

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

#### Historical Retail Performance: New York Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2023 Q4	633,985,247	2,594,772	1,374,029	1,172,529	4.1%	5.1%	\$47.50	\$440	5.98%
2023 Q3	633,543,224	3,074,760	667,281	474,144	4.1%	5.1%	\$47.69	\$440	5.95%
2022	632,611,218	3,210,217	-278,671	-543,161	4.1%	5.3%	\$46.81	\$432	5.94%
2021	632,884,205	2,712,040	786,256	1,790,753	4.0%	5.5%	\$45.57	\$419	5.96%
2020	632,086,303	2,866,507	2,724,101	-1,750,705	4.2%	6.1%	\$44.49	\$403	6.01%
2019	629,345,714	4,235,308	3,865,628	2,802,725	3.5%	5.2%	\$44.45	\$395	6.07%
2018	625,405,020	8,079,820	2,110,029	3,758,462	3.3%	5.0%	\$43.68	\$384	6.11%
2017	623,211,870	7,013,410	1,762,265	1,487,282	3.6%	5.3%	\$43.09	\$377	6.11%
2016	621,440,167	6,469,516	2,888,834	5,210,669	3.6%	5.4%	\$42.20	\$367	6.08%
2015	618,547,117	6,315,031	2,050,344	3,967,835	4.0%	6.0%	\$41.37	\$361	6.01%
2014	616,496,773	4,719,056	2,116,273	5,111,721	4.3%	6.3%	\$40.13	\$332	6.29%

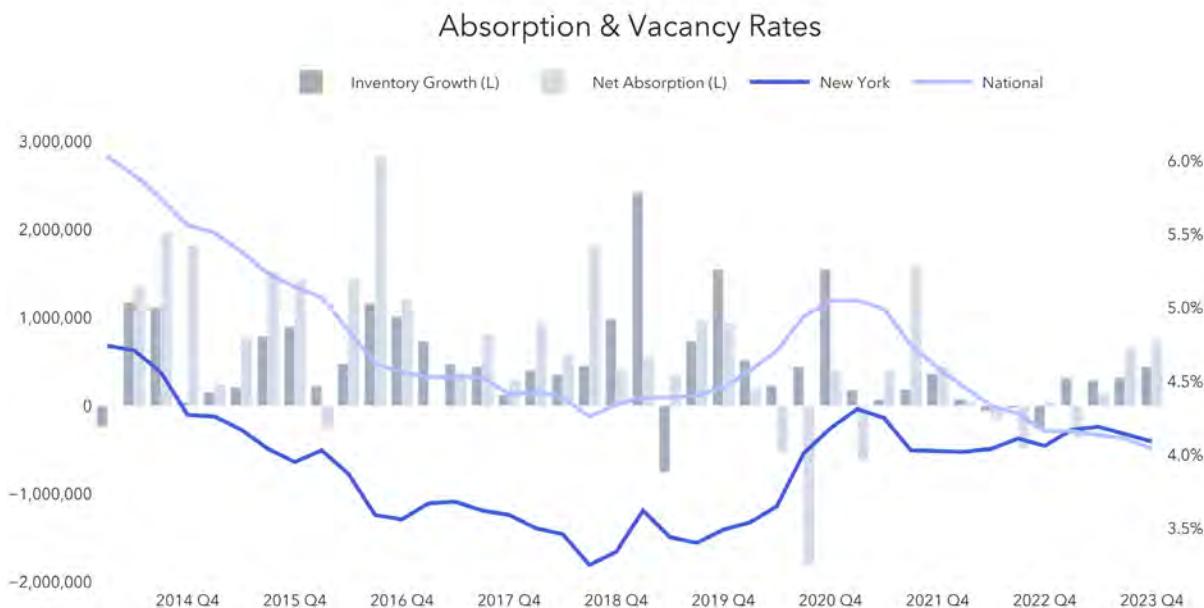
#### Supply & Demand

New York's retail recovery has continued onward into the start of 2024, buoyed by steady leasing activity and dwindling availability. The Big Apple, in particular, continues to benefit from improving business conditions. The New York City Economic Development Corporation reported that 2022 saw the highest rate of business growth over the past five years, with retailers continuing to take advantage of what has become a more tenant-favorable market due to rising foot traffic and lower retail rents. This has resulted in a fair amount of leasing by tenants in the dining and apparel sectors in storefronts sized below 5,000 SF. Market participants have stated that the competition for highly visible storefronts in prime shopping corridors like Fifth Avenue, Madison Avenue, SoHo, and the West Village has intensified, with a spillover effect into nearby corridors beginning to unfold as some retailers have become priced out by the few available storefronts.

Luxury apparel retailers continue to have a moment as these sought-out corridors attract clientele with high net worths. Hermès, Valentino, Louis Vuitton, and Burberry have all expanded their presence in Manhattan over the past year. Rolex is in the process of redeveloping its headquarters at 665 Fifth Ave, constructing a four-story experiential flagship at the base. Large deals continue to take place in New York City, as well. Among fitness tenants, Chelsea Piers Fitness (72,000 SF) and Life Time Fitness (53,000 SF) have recently expanded their footprints. Grocers such as Primark (54,000 SF) and H Mart (63,000 SF) have also been active in the leasing market.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	5.6%	5.1%	4.6%	4.4%	4.3%	4.5%	5.0%	4.6%	4.2%	4.1%	4.0%
Market	4.3%	4.0%	3.6%	3.6%	3.3%	3.5%	4.2%	4.0%	4.1%	4.1%	4.1%



## Rents

At \$47.50/SF, rents in the New York Market are roughly 92% higher than the National average of \$24.75/SF. Among the top 20 most expensive submarkets in the U.S., nearly all are located within Manhattan. While relatively expensive compared to the national average, rents vary significantly within the submarkets themselves. Retail spaces on high-traffic corridors command a sizable premium of more than \$500/SF while spaces located on less-trafficked side streets can rent for more than \$100/SF.

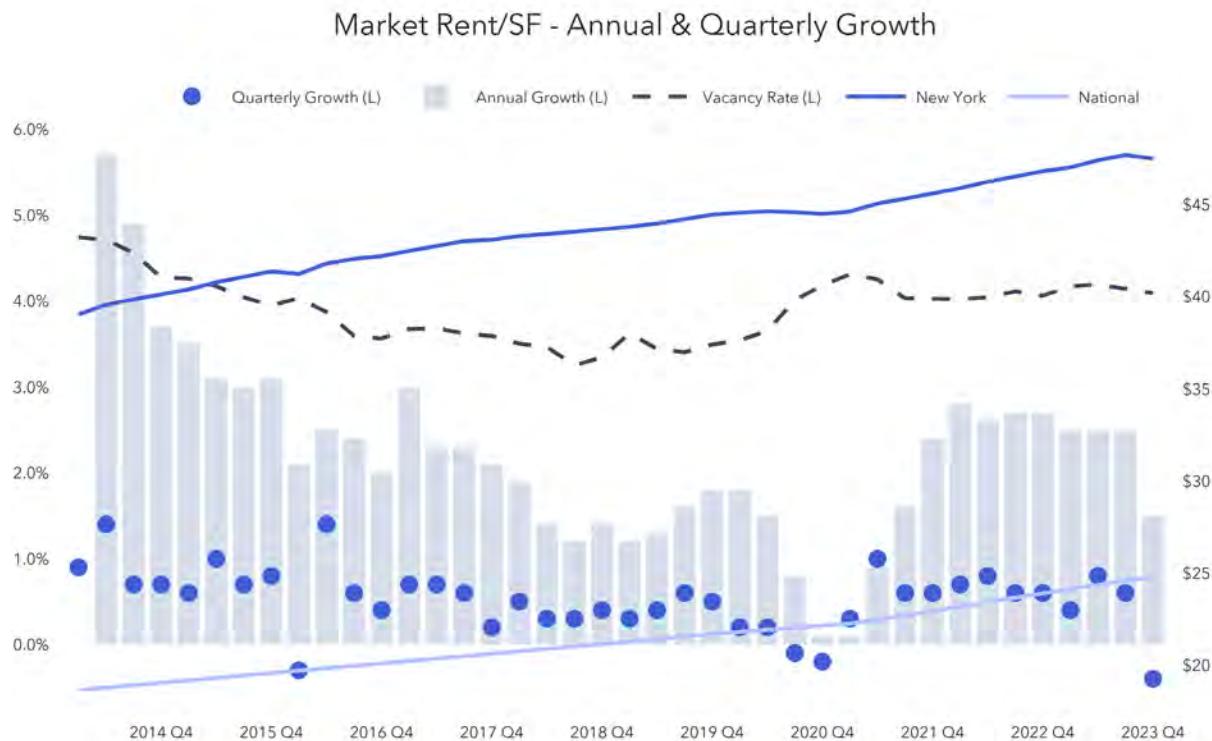
The Times Square Submarket has the highest average rent in New York, approaching \$300/SF, to go along with receiving the most foot traffic in New York. Recently signed leases by Van Leeuwen Ice Cream and Mario Acari achieved rents topping \$700/SF. Rents here are driven up by ultra-high prices in the tourism-friendly Bowtie area, the intersection of Broadway and Seventh Avenue.

Market participants note that the past peak of retail rents, when rents in SoHo and Madison Avenue regularly topped \$1,000/SF, is unlikely to return, as many retailers anticipate issues such as store theft and high buildout costs to compress their brick-and-mortar margins. Recent deals in this corridor, such as Rains (\$700/SF) and Fabrique Bakery (\$620/SF), highlight the still expensive, but declining rent premiums witnessed.

## Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$19.04	\$19.58	\$20.06	\$20.64	\$21.17	\$21.71	\$22.12	\$22.92	\$23.93	\$24.61	\$24.75
Market	\$40.13	\$41.37	\$42.20	\$43.09	\$43.68	\$44.45	\$44.49	\$45.57	\$46.81	\$47.69	\$47.50

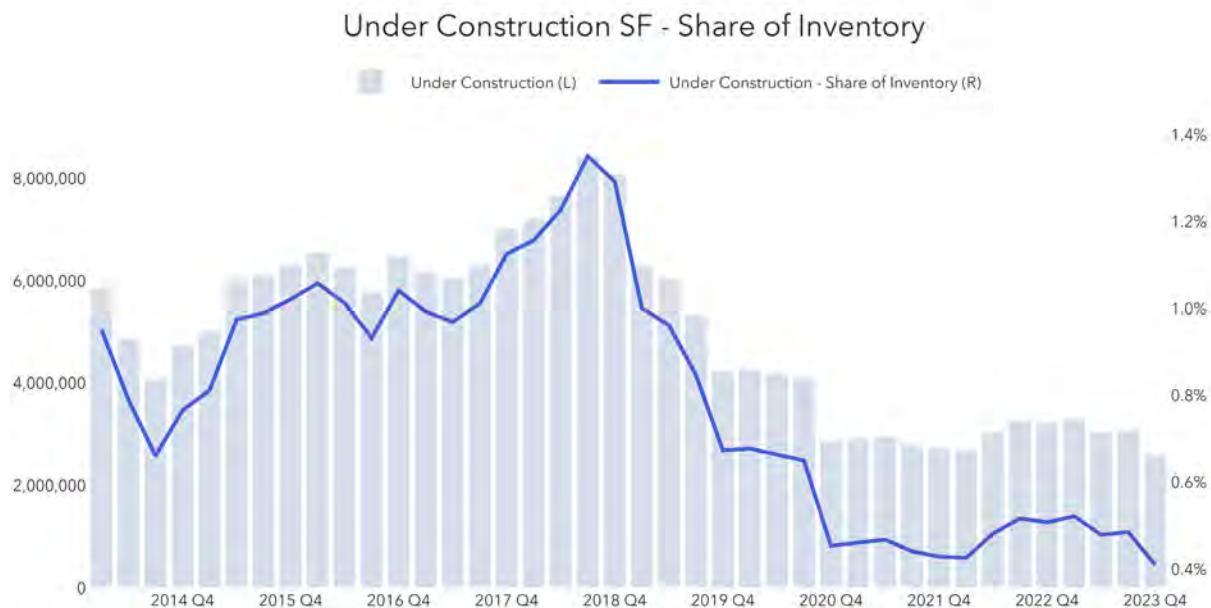
Prior to the pandemic, the New York Retail Market experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Market accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 1.8%. Despite concerns over the pandemic, quarterly rent growth improved in 2020 Q2, increasing 0.2% in 2020 Q2. By the end of 2020, rents increased 0.1% from the 2019 Q4 rent level of \$44.45/SF. From 2019 Q4 to 2021 Q4, rents increased 2.5%. Quarterly rent growth in 2023 Q4 declined, with annual growth slowing to 1.5%.



### Construction & Future Supply

New York has among the largest retail supply pipelines among all U.S. metros, at 2.2 million SF. It should be noted that construction activity has moderated considerably in recent years. A few large projects are underway, such as Life Time Fitness adding a new 120,000-SF location in Red Bank, New Jersey, which are not of the speculative variety. Coupled with the fact that much of what is under construction is sized between 30,000 SF and 100,000 SF, a minimal impact on future occupancies is anticipated.

The largest project underway is Glenwood Greens, a 360,000-SF shopping center in Old Bridge, New Jersey, being developed by Regency Centers. The project appears to be leasing up ahead of its 2024 delivery, with large commitments made by Target (134,000 SF), Rendina (72,000 SF), and Shoprite (80,000 SF.) However, not all projects are witnessing the same level of success, as evidenced by a 303,000-SF retail site in South Brooklyn at 1504 Coney Island Ave., which is due to deliver in 2024 and is largely available for lease. The sheer size of the site which is located in a more middle-income residential community is largely at fault for the underwhelming leasing performance.



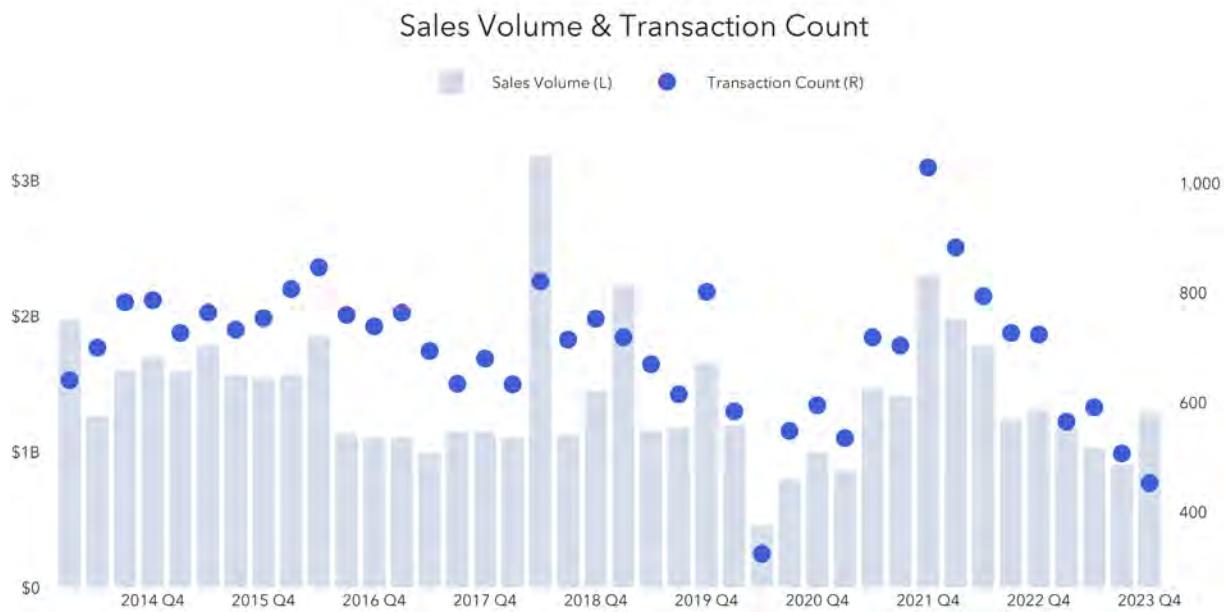
## Capital Markets

Investors have been active in the Market over the past three years. Going back three years, investors have closed on average 2,744 transactions per year with an annual average sales volume of \$5.6 billion. Over the past year, there were 2,116 closed transactions across 15.2 million square feet, for a total sales volume of \$4.4 billion. As of 2023 Q4, CoStar data indicates there were 453 transactions for a total sales volume of \$1.3 billion, compared to \$905.6 million in the previous quarter.

The impact of rising borrowing costs was evident in the \$112 million sale of the Source at White Plains, a 262,000-SF mall located in White Plains, a suburb north of New York City. Across the U.S., malls continue to have an availability rate that is higher than their pre-pandemic average, which impacts their valuations. Even though the asset was 100% occupied and located near several multifamily developments, UBS sold the property for \$41 million less than it paid for it in 2005. Hines purchased the grocery-anchored mall and cited the asset's resiliency to lockdowns and online shopping as reasons behind the purchase.

A recent general theme has been the transfer of assets with long-term leases in place as buyers target sites that can provide long-term cash flow. This was evident in the \$43 million (\$1,375/SF) sale of 221 N 14th St., a retail site in North Brooklyn that is fully leased to Vital Climbing Gym. This trend was evident outside of New York City as well, as 68,842-square-foot retail property in Central Westchester County traded for a total of \$31.4 million or roughly \$456 per square foot. The asset was fully leased to Stop & Shop at the time of sale. It was purchased in an all-cash deal by Dallas, TX-based NETSTREIT.

Expensive asset pricing continues to be a hallmark of the New York City retail investment scene as long-term investors are willing to pay a premium for properties here. In the largest trade observed over the past 12 months, Hennick & Company bought a 123,000 SF retail site at 410 E 60th Street in the Upper East Side for \$153 million or \$1,242 per square foot. The site was fully leased to credit tenants such as Home Depot and Starbucks. The price paid was a marked increase compared to the \$73 million the property sold for in 2017. The buyer noted that the site is one of the largest retail spaces in Manhattan and its purchase is a generational opportunity.



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$442/SF. Values have increased 1.6% over the past year but compressed 0.1% in 2023 Q4. Capitalization rates have increased 3 bps over the past year to 6.0% and increased 3 bps in Q4. While fundamentals remain fairly positive, the elevated cost of debt has slowed transaction activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.



## Outlook

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

Retail market conditions in the New York Market indicate that demand increased, outpacing an active pipeline. Despite this, quarterly rent growth declined -0.4%, softening annual growth to 1.5%. Looking ahead to the near term, it is likely that tenant demand remains strong, outpacing a pipeline that continues to slow. Despite this, investment activity will remain limited, slowing improvement in values.

## Appendix

New York Retail Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
North Brooklyn	51,216,465	3.3%	4.1%	193,905	\$53.86	\$500	5.42%
South Brooklyn	47,991,447	3.5%	4.5%	376,191	\$47.06	\$485	5.41%
Bronx	37,407,801	4.2%	5.9%	11,357	\$49.33	\$401	5.88%
Hudson Waterfront	34,451,988	2.4%	2.7%	36,000	\$33.41	\$273	6.59%
Ocean County	27,853,878	3.6%	4.8%	250,890	\$21.66	\$236	6.73%
Northeast Queens	24,754,183	2.5%	3.5%	107,731	\$55.72	\$567	5.42%
Eastern Monmouth	24,223,338	3.0%	4.2%	177,470	\$30.35	\$236	6.66%
South Queens	22,658,758	4.2%	5.0%	85,064	\$42.47	\$437	5.69%
Staten Island	20,456,268	5.1%	5.1%	3,015	\$37.15	\$372	6.07%
Central Queens	17,541,534	4.8%	5.5%	40,000	\$50.22	\$461	5.58%
Northwest Queens	14,808,423	2.8%	3.5%	43,843	\$53.57	\$527	5.41%
Southeast	14,097,420	4.4%	5.4%	5,988	\$37.27	\$307	6.07%
Western Monmouth	14,050,330	7.0%	8.3%	92,496	\$25.40	\$235	6.68%
South Edison	13,650,652	2.6%	3.8%	423,004	\$24.16	\$224	6.97%
Brunswick	13,413,001	3.9%	6.4%	59,200	\$24.74	\$231	6.94%
Route 4/17	13,256,024	2.9%	6.0%	41,644	\$40.21	\$300	6.27%
Southwest	11,895,597	2.5%	3.8%	102,500	\$40.85	\$330	5.90%
Meadowlands	11,338,918	2.0%	2.3%	13,613	\$24.77	\$259	6.65%
Harlem/North	10,358,978	7.1%	9.5%	117,000	\$73.46	\$964	4.66%
Manhattan							
Newburgh	9,913,436	3.2%	4.0%	0	\$19.95	\$155	6.89%
Clarkstown	9,612,372	6.7%	7.8%	0	\$39.85	\$269	6.06%
Passaic Rt 46/23	9,027,613	8.3%	10.2%	16,800	\$28.36	\$242	7.04%
Southern Monmouth	8,694,255	2.2%	3.0%	0	\$23.13	\$240	6.63%
Middletown	8,459,576	4.6%	6.9%	96,800	\$20.35	\$165	6.52%
Route 3/GSP	8,390,778	2.0%	4.6%	0	\$24.29	\$218	7.04%
GW Bridge	8,266,785	2.5%	3.4%	0	\$36.82	\$356	6.26%
North	8,102,162	5.7%	9.7%	0	\$30.14	\$251	6.81%
Edison/Woodbridge							
Passaic Urban Region	7,050,386	1.3%	1.7%	0	\$25.15	\$202	7.28%
East I-287 Corridor	6,504,071	2.9%	3.6%	0	\$39.23	\$329	5.95%
Penn Plaza/Garment	6,394,251	9.8%	11.1%	0	\$112.64	\$1,243	4.50%
Downtown Brooklyn	6,372,908	5.3%	8.2%	0	\$94.68	\$580	5.34%
Northwest	6,179,225	3.4%	5.4%	9,500	\$28.25	\$275	6.33%
Route 46 Corridor	5,883,717	1.3%	2.0%	5,370	\$25.72	\$268	6.54%
Soho	5,636,096	3.8%	4.5%	0	\$129.26	\$1,461	4.13%
Plaza District	5,479,793	7.4%	5.7%	0	\$156.96	\$1,337	4.41%
Chelsea	5,009,923	5.5%	6.9%	0	\$119.04	\$1,326	4.38%
White Plains CBD	4,984,261	32.2%	12.1%	13,000	\$50.03	\$310	5.81%
West I-287 Corridor	4,983,045	6.0%	5.4%	0	\$37.21	\$314	6.05%
North	4,978,479	6.3%	10.3%	0	\$33.87	\$307	5.86%
Ramapo	4,732,604	5.0%	5.3%	0	\$26.62	\$263	6.14%
Route 287 East	4,700,020	2.2%	5.2%	0	\$26.60	\$230	6.82%
Monroe	4,454,025	1.9%	3.3%	0	\$24.76	\$177	6.62%
Upper East Side	4,343,314	2.8%	4.7%	36,000	\$142.51	\$1,529	4.26%
Palisades	3,964,620	2.1%	3.3%	0	\$26.90	\$304	6.44%
North Central Bergen	3,918,719	5.2%	6.7%	11,000	\$30.27	\$310	6.40%
Hackensack	3,686,833	2.0%	2.1%	0	\$27.05	\$260	6.45%
Times Square	3,577,432	3.2%	5.1%	152,000	\$337.50	\$1,787	4.29%
Upper West Side	3,486,511	2.1%	3.0%	0	\$162.06	\$1,565	4.27%
North 17 Corridor	3,237,993	3.3%	3.3%	21,366	\$30.63	\$313	6.29%

Brunswick West	2,760,662	7.7%	8.6%	0	\$22.26	\$258	6.90%
Columbus Circle	2,591,884	7.7%	11.5%	0	\$147.41	\$1,097	4.63%
Gramercy Park	2,507,153	2.1%	3.2%	0	\$128.47	\$1,336	4.25%
Route 208 Corridor	2,143,257	1.8%	2.9%	0	\$25.49	\$261	6.62%
Orangetown	2,100,507	6.9%	8.0%	0	\$25.27	\$259	6.27%
Upper Suburban	2,100,086	6.1%	7.5%	0	\$19.96	\$199	7.11%
Passaic							
Greenwich Village	2,006,281	2.8%	3.9%	0	\$129.19	\$1,389	4.18%
City Hall	1,662,818	5.1%	7.4%	0	\$94.28	\$1,135	4.36%
Hudson Square	1,652,990	2.6%	3.5%	0	\$176.48	\$1,875	4.05%
Tribeca	1,486,325	2.1%	7.3%	0	\$96.12	\$1,052	4.59%
Western Bergen	1,375,855	1.3%	1.7%	0	\$30.75	\$310	6.44%
Upper Parkway	1,289,048	2.5%	4.2%	52,025	\$37.69	\$351	6.40%
Teaneck/Ridgefield	1,273,091	0.5%	0.8%	0	\$26.11	\$287	6.56%
World Trade Center	937,536	7.8%	2.1%	0	\$112.07	\$1,064	4.76%
Financial District	747,873	4.2%	6.1%	0	\$100.34	\$1,028	4.61%
Murray Hill	622,087	24.2%	24.7%	0	\$160.42	\$1,400	4.13%
Insurance District	537,827	0.5%	1.1%	0	\$104.28	\$1,314	4.35%
Grand Central	416,179	14.3%	14.8%	0	\$253.91	\$1,858	4.11%
Northeast	349,085	0.8%	1.1%	0	\$45.96	\$411	5.81%
U.N. Plaza	43,226	0.0%	NA	0	\$144.87	\$1,726	3.95%

## Summary of Rent Stabilization Laws

There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted as a means to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits)

Rent Control is the older and more restrictive form of regulation. Rent regulation in New York City went into effect in 1943. In order for a unit to be Rent Controlled the building must have been constructed prior to 1947. In addition, the tenant must have been in continuous occupancy since before July 1, 1971. For Rent Control, rent is a function of the Maximum Base Rent (MBR) system, a function of the initial filing when the law went into effect. Rent Controlled apartments typically rent for a fraction of market rent. Due to the significant leasehold advantage created by the rent control guidelines, apartments seldom turn over (in most cases only upon the tenant's death). Less than 2% of the City's housing stock remains Rent Controlled

Rent Stabilization is by far the more common of the two forms of rent regulation, affecting approximately 45% of the housing stock. Rental increases are set by the Rent Stabilization Guidelines Board for either one or two-year leases. In general, units in buildings containing six or more dwelling units completed prior to January 1, 1974, buildings built on or after January 1, 1974 receiving property tax benefits such as 421-a, and certain housing rehabilitated under governmental loan programs can be stabilized.

The New York State Division of Housing and Community Renewal (DHCR) administers both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

### Rent Registration

On Wednesday, June 23, 2021 the NYC Rent Guidelines Board adopted rent adjustments for rent stabilized apartment and loft leases commencing on or after October 1, 2021 and on or before September 30, 2022.

- 1-year lease: 0% for first 6 months and 1.5% for the remaining 6 months of the lease
- 2-year lease: 2.5%

The below table shows the historical rent adjustments voted for and approved by the NYC Rent Guidelines Board.

Year as of October 1	1 Year Lease	2 Year Lease
2021	0.0% first 6 months, 1.5% remaining 6 months	2.5%
2020	0.0%	1.0%
2019	1.5%	2.5%
2018	1.5%	2.5%
2017	1.25%	2.0%
2016	0.0%	2.0%
2015	0.0%	2.0%
2014	1.0%	2.75%
2013	4.0%	7.75%
2012	2.0%	4.0%
2011	3.75%	7.25%
2010	2.25%	4.5%

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date, and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged. The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above. The 2015 Rent Act limits succession to one generation.

#### [421-A & The Affordable NY Property Tax Benefit Program](#)

The 421-a program, which provided property owners property tax benefits ranging from 10 to 25 years, expired on January 15, 2015, as lawmakers were unable to reach an agreement to guarantee union-level wages for construction workers on 421-a projects. According to a report issued by the city's Independent Budget Office (IBO), the guarantee of wages would result in a significant increase in construction costs. The report states that the cost of Mayor Bill de Blasio's stated 80,000-unit affordable housing goal could shoot up by \$2.8 billion. An analysis of 57 new projects found costs on average would increase by 13%. Proponents of the wage increase claim the report does not account for the economic tax benefits developers receive under the 421-a program.

After more than a year of debate, the Governor and the New York State Legislature came to an agreement on revisions to the 50-year-old 421-a program. However, the new program is called the Affordable New York Housing Program. According to the Mayor's office it will generate 2,500 units of housing affordable to poor, working-class and middle-class New Yorkers, annually. However, developers will be required to pay a "fair wage" to construction workers to qualify for the city tax benefits, and this requirement has some analysts skeptical of the number of jobs it will create.

With the updated program, developers of market-rate rental buildings of 300 units or more in certain neighborhoods can get a full property tax exemption for 35 years if they set aside 25 to 30 percent of the units for low- and moderate-income tenants. The program will be in effect until at least 2022 under the legislation signed.

The program requires developers to pay construction workers an average of \$60 an hour in wages, benefits and payroll taxes at projects below 96th Street in Manhattan, and \$45 an hour at projects within a mile of the East River waterfront. Additionally, projects outside those zones can "opt in" to the program if they fulfill the requirements. And the city comptroller will determine whether developers have complied with the minimum-wage standards, which can vary significantly among construction workers and their skill levels.

Given how new the Affordable New York Housing Program is, it is too early to determine how it may affect the land and development in New York City.

## The Housing Stability and Tenant Protection Act of 2019

In June 2019, the New York State Assembly passed the Housing Stability and Tenant Protection Act of 2019, which brought in sweeping changes to the rent stabilization laws. Below we highlight the major changes:

### Vacancy Decontrol

Previously a unit could be removed from rent-stabilization (referred to as destabilized or decontrolled) when the monthly price hits a rent threshold, most recently \$2,774.76, when it became vacant.

Now, this rule has been repealed. The new law also eliminates the rule whereby when a renter's income exceeds \$200,000, could decontrol a unit.

### Vacancy Bonus

Previously, this rule allowed property owners to raise rents up to 20% when a rent stabilized unit becomes vacant.

Now this bonus has been eliminated. Also, there was an additional longevity bonus, which sometimes allowed rents to be raised by an additional amount based on the duration of the previous tenant, and this has also been eliminated.

### Major Capital Improvements (MCIs)

This is the annual rent increase that landlords can charge tenants for major capital improvements (building-wide upgrades).

Previously it was 6% of the MCI cost in NYC.

Now it is 2 percent in NYC. Also, the MCI increases will be eliminated after 30 years, instead of being permanent.

### Individual Apartment Improvements (IAIs)

The amount of spending on individual apartment improvements will be capped at \$15,000 over a 15-year period (and owners will only be allowed to make up to three IAIs over that period).

Previously, an owner could add 1/40 of the IAI to the rent.

Now an owner can add 1/168 of the IAI to the rent. Also, rent increases for IAIs will be eliminated after 30 years, instead of being permanent.

### Preferential Rent

A tenant receiving a preferential rent (a rent below the legal regulated rent), will no longer be able to raise the rent to the full legal limit at lease renewal.

Note that an estimated 266,000 of the 1 million rent stabilized tenants receive preferential rents. However, when the tenant leaves, the owner can charge up to the full legal rent.

### Rent Controlled Tenant Rental Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals.

### Co-op and Condo Conversions

Previously, 15% of apartments have to be sold (to either residents or outside investors) in order for a building to convert to a coop or condo. Now 51% of tenants who live in the building must agree to buy units for a conversion to happen.

## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

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

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

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

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

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

#### Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

#### Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member
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Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

Certified General Real Estate Appraiser	State of Florida (# RZ4135)	New State of Georgia (# 404989)	York State of Louisiana (# G4507)	(# State of Maine (# CG 4769)	4600049921)
				Commonwealth of Massachusetts (# 1000274)	
				State of New Hampshire (# NHCG-1055)	
				State of Tennessee (# 6208)	

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

#### **Publications**

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

Maren Lewis, MAI

## Senior Vice President

## Experience

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

Maren has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels, and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Maren served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Maren worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for eight years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations for senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Maren worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

## Education

Cornell University, School of Bachelor of Science with a focus on the hospitality industry and a concentration in Hotel Administration finance

## Certifications & Professional Designations

Appraisal Institute MAI, Designated Member

Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

Certified General Real Estate State of New York (# 46000053421)  
Appraiser State of Illinois (# 553.003005)  
State of Michigan (# 1205078256)  
State of New Jersey (# 42RG00282100)

Jon Nathanson

## Valuation Specialist

## Experience

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

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

## Education

Western Connecticut State Bachelor of Art, History  
University

Appraisal Classes	Basic Appraisal Principals Basic Appraisal Procedures PA Supervisor-Trainee Course MA Supervisor-Trainee Course CT Supervisor-Trainee Course 15-hr National USPAP Course Green Building Concepts for Appraisers 7-hr National USPAP Course
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## Certifications & Professional Designations

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

Real Estate Appraiser  
Trainee

Licensed Appraiser Trainee Commonwealth of Pennsylvania (# LAT001261)

## Jack Brandon

Senior Associate

### Experience

Jack Brandon is a Senior Associate that joined the firm in July 2021. Brandon is actively engaged in appraising commercial properties in New York, New Jersey, Pennsylvania and Connecticut.

### Education

University of Michigan,      Masters of Management  
Stephen M. Ross School of  
Business

University of Michigan      Bachelor of Arts, English and Economics

Appraisal Classes      Basic Appraisal Principles  
Basic Appraisal Procedures  
2020-2021 15-Hr National USPAP Course  
Appraiser/Trainee Course for Pennsylvania  
Statistics, Modeling and Finance

## Licenses

Michelle Zell, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000049921	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1535266</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. 05 DAY 09 YR. 23
<p>ZELL MICHELLE R C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012</p>		EXPIRATION DATE MO. 05 DAY 08 YR. 25
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROBERT J. RODRIGUEZ</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

Maren Lewis, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053421	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1536817</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. 10 DAY 08 YR. 23
<p>LEWIS MAREN H C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012-4446</p>		EXPIRATION DATE MO. 10 DAY 07 YR. 25
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROBERT J. RODRIGUEZ</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

## Glossary of Terms

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

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

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

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

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



APPRAISAL REPORT

3657 Broadway  
New York, NY 10031

Mixed-Use Building

REQUESTED BY

Moshe Weinberger

The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

DATE OF VALUE

As Is: December 31, 2023

PREPARED BY



Michelle  
Zell, MAI



Maren  
Lewis, MAI



Jack  
Brandon



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

March 4, 2024

Moshe Weinberger  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

Re: Appraisal File No. 2400031771  
Mixed-Use Building  
3657 Broadway  
New York, NY 10031

Dear Mr. Weinberger,

In accordance with your request, we have completed an appraisal of 3657 Broadway for the purpose of advancing an opinion of the As Is Fair Value of the Leased Fee Interest in the subject in accordance with IFRS-13.

The client and intended user is The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus and financial statements to be published in the Tel Aviv Stock Exchange in 2024 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The subject is a 10-story, elevated, mixed-use building consisting of 79 residential units and 4 commercial units. It was built in 1917 and was most recently altered in 2021 to convert a large rent stabilized 4-bedroom unit, formerly called unit 2B, into two units, a one-bedroom unit (Unit 2Ba) and a two-bedroom unit (Unit 2Bb). The two new units are rent stabilized, but ownership was allowed to set the first rent at market in 2021. This increased the residential unit count from 78 units in 2020 to 79 units. It contains 111,420 square feet of gross building area. We note that the subject is 99% occupied with 1 vacant residential unit. There are 75 rent stabilized residential units and 4 rent controlled residential units. One of the four-bedroom rent stabilized units is a super's unit. There is an additional super's unit in the basement that is not counted in our rent roll. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.

The subject is situated on a 15,000 square foot parcel in an R8 zone with a C1-4 commercial overlay. It is identified in New York County tax maps as Block 2097, Lot 34. The subject is located in the Hamilton Heights neighborhood of Upper Manhattan. Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued mixed-use apartment use is concluded to be the highest and best use as improved.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This appraisal is prepared in compliance with the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010.

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



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

Mr. Weinberger  
Page 2  
March 4, 2024

#### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,300,000

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

The Federal Reserve Board met on Jan 31, 2024 and voted, for the 4th meeting in a row, to leave its policy rate unchanged. The FOMC noted that job growth and economic growth remain strong. While inflation has come down, it still remains above their target rate of 2%. The decision leaves the overnight lending target rate for banks between 5.25% and 5.5%, where it has been since the Committee's meeting in July. The FOMC meets again in March 2024 and signaled that rate cuts are not likely in that meeting. Committee members still expect the federal funds rate to fall to 4.6% by the end of 2024, suggesting rate cuts totaling 75 basis points during the year, with cuts possibly starting with their meeting in May.

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

Mr. Weinberger  
Page 3  
March 4, 2024

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

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

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI  
Senior Vice President  
Certified General Real Estate Appraiser  
NY License No. 46-49921  
FL Cert Gen RZ4135  
[michelle.zell@boweryvaluation.com](mailto:michelle.zell@boweryvaluation.com)  
(917) 533-3141

Maren Lewis, MAI  
Senior Vice President  
Certified General Real Estate Appraiser  
NY License No. 46000053421  
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(917) 748-5387

Jack Brandon  
Valuation Associate  
[jack.brandon@boweryvaluation.com](mailto:jack.brandon@boweryvaluation.com)  
(224) 234-5195

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

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

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# Summary of Salient Facts & Conclusions

## 3657 Broadway, New York, NY



The subject is a 10-story, elevatored, mixed-use building consisting of 79 residential units and 4 commercial units. It was built in 1917 and was most recently altered in 2021 to convert a large rent stabilized 4-bedroom unit, formerly called unit 2B, into two units, a one-bedroom unit (Unit 2Ba) and a two-bedroom unit (Unit 2Bb). The two new units are rent stabilized, but ownership was allowed to set the first rent at market in 2021. This increased the residential unit count from 78 units in 2020 to 79 units. It contains 111,420 square feet of gross building area. We note that the subject is 99% occupied with 1 vacant residential unit. There are 75 rent stabilized residential units and 4 rent controlled residential units. One of the four-bedroom rent stabilized units is a super's unit. There is an additional super's unit in the basement that is not counted in our rent roll. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.

## Salient Facts

### Property

<b>Address</b>	3657 Broadway
<b>City</b>	New York
<b>State</b>	New York
<b>County</b>	New York County
<b>Block/Lot</b>	Block 2097, Lot 34
<b>Highest and Best Use - Vacant</b>	Mixed-Use Commercial/Apartment
<b>Highest and Best Use - As Improved</b>	Mixed-Use Commercial/Apartment
<b>Date of Inspection</b>	February 28, 2024
<b>Report Date</b>	March 4, 2024
<b>Effective Date(s) of Value</b>	
<b>As Is</b>	December 31, 2023

## Building Characteristics

<b>Property Type</b>	Mixed-Use
<b>GBA</b>	111,420 sq. ft.
<b>Year Built</b>	1917
<b>No. of Floors</b>	10
<b>Residential Units</b>	79
<b>Commercial Units</b>	4
<b>Occupancy</b>	99%
<b>Condition</b>	Average
<b>Total Economic Life</b>	60 years
<b>Effective Age</b>	15 years
<b>Remaining Economic Life</b>	45 years

## Site Characteristics

<b>Site Area</b>	15,000 sq. ft.
<b>Site Shape</b>	Rectangular
<b>Topography</b>	Generally level at street grade
<b>Zoning</b>	R8 with a C1-4 commercial overlay
<b>Flood Zone</b>	Zone X

## Financial Indicators

	<b>Total</b>	<b>Per SF - GBA</b>	<b>Per Unit</b>
Potential Gross Income	\$2,489,869	\$22.35	\$31,517
Effective Gross Income	\$2,440,072	\$21.90	\$30,887
Operating Expense Ratio	47%	-	-
Net Operating Income	\$1,284,788	\$11.53	\$16,263
Capitalization Rate	5.75%	-	-
Stabilized Blended Occupancy	98%	-	-
Income Capitalization Approach As Is	\$22,300,000	\$200.14	\$282,278
Sales Comparison Approach As Is	\$22,300,000	\$200.14	\$282,278

## Value Conclusion

### Final Value Conclusion

<b>Value Premise</b>	<b>Date of Value</b>	<b>Interest Appraised</b>	<b>Value Conclusion</b>
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,300,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

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

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

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# Introduction

## Purpose & Date of Value

Value Premise	Date of Value	Interest Appraised
As Is Fair Value	December 31, 2023	Leased Fee Interest

## Identification of the Client

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

## Intended Use & User

The type and definition of value sought in the appraisal of the subject was an "As Is" Fair Value opinion for the Leased Fee interest in the property as of December 31, 2023, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery.

## Property Rights Appraised<sup>5</sup>

In this appraisal we provide an opinion of As Is Fair Value of the leased fee interest.

## Property History

According to the New York Department of Finance, the owner of 3657 Broadway is 3657 Realty Co. LLC. The subject property has, to the best of our knowledge, not sold within the past three years.

The subject was appraised by Bowery Valuation as of June 30, 2023 for \$22,900,000, as of December 31, 2022 for \$25,700,000, December 31, 2021, for \$32,700,00, and as of December 31, 2020, for \$33,100,000. The current value of \$22,300,000 is below the prior value. NOI has risen by 3.1%, but with consideration of recent increases in interest rates and upward pressure on cap rates, we have increased the cap rate by 25 bps to 5.75%.

We are not aware of any current bids, offers, or options to purchase for this asset.

## Exposure Time<sup>6</sup>

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 6 months and 9 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

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

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

## General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

## Definition of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

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

## Scope of the Appraisal

Within the course of this assignment, we have:

- Inspected the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs and roof of the subject property, and the following units we were granted access to: 010G.

- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history and projections, as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the As Is Fair Value of the identified interest.

## Geographic Competency

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

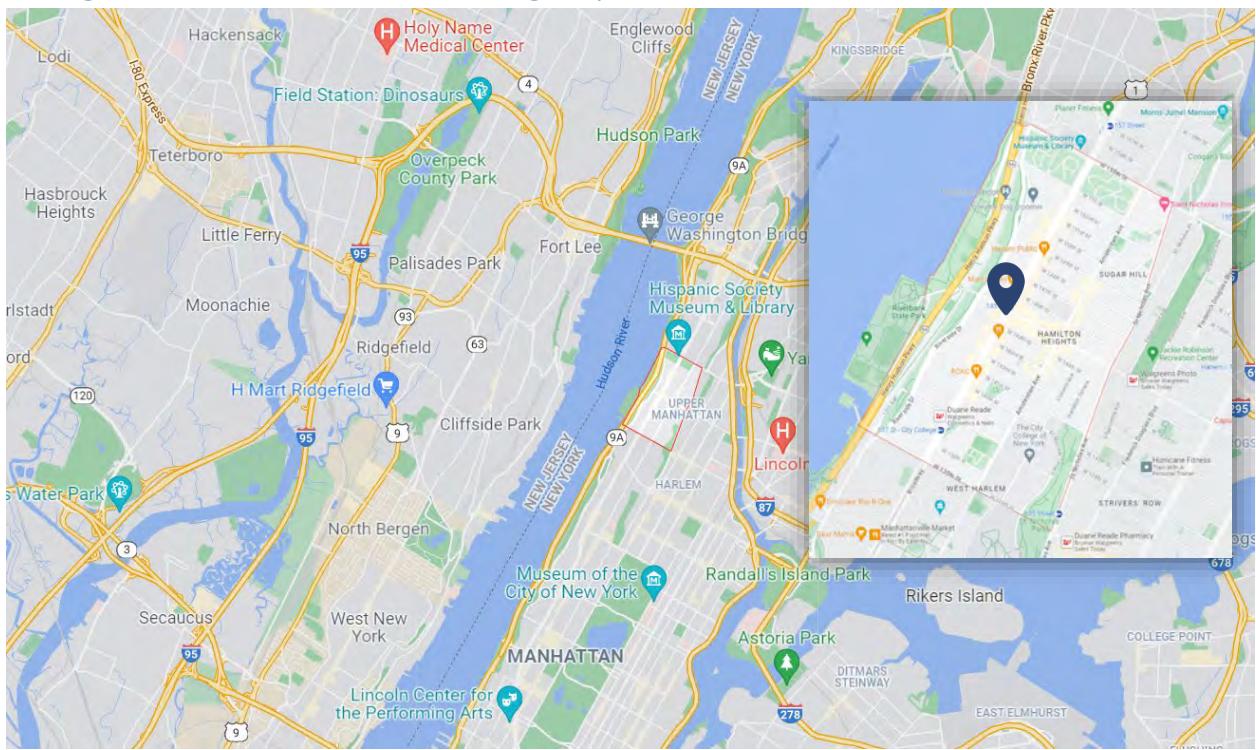
## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): NYC Department of Finance, NYC Department of Buildings, NYC Department of Planning Zoning & Land Use, Claritas, CoStar, Federal Reserve, and FEMA. The subject photos were taken by Jonathan Nathanson on 02/28/2024, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

### Resource Verification

<b>Data</b>	<b>Source/Verification</b>
Site Size	Public Record
Excess/Surplus Land	Tax Map
Gross Size/Units	Public Record
Commercial SF	Owner; Inspection
Residential SF	Appraiser's Estimate; Inspection
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Area Analysis	Bureau of Labor Statistics
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables
Comparable Rental Data	CoStar; Primary Source
Comparable Sales Data	CoStar; Public Record; Primary Source

# Neighborhood & Demographic Overview



Source: Google Maps

## Hamilton Heights at a Glance

Hamilton Heights is a neighborhood in the northern part of Manhattan. Hamilton Heights is bounded by 135th Street to the south, Riverside Drive to the west, 155th Street to the north, and Edgecombe Avenue and Saint Nicholas Avenue to the east. The community derives its name from Founding Father Alexander Hamilton, who lived the last two years of his life in what is now the Hamilton Grange National Memorial, back when Upper Manhattan was mostly farmland. Today, the neighborhood of Hamilton Heights is urban, with a mix of residential and commercial properties. Residential properties include historic brownstones, pre-war apartment buildings, and some newer developments, many of which are situated on the tree-lined east running streets of the neighborhood. Commercial properties include local ground floor retailers and businesses, larger community facilities, and some industrial space. The neighborhood also offers several parks, including the Riverbank State Park, Riverside Park, Morningside Park, and St. Nicholas Park. These parks provide many walking trails, exercise equipment, sports courts, and picnic areas. Broadway and Amsterdam Avenue, and 145<sup>th</sup> Street are major corridors in the area, lined with businesses, restaurants, and services. Public transit options include subway lines (A, B, C, D, and 1 trains) and several bus routes, providing easy access to other parts of Manhattan and beyond.

## Population and Households

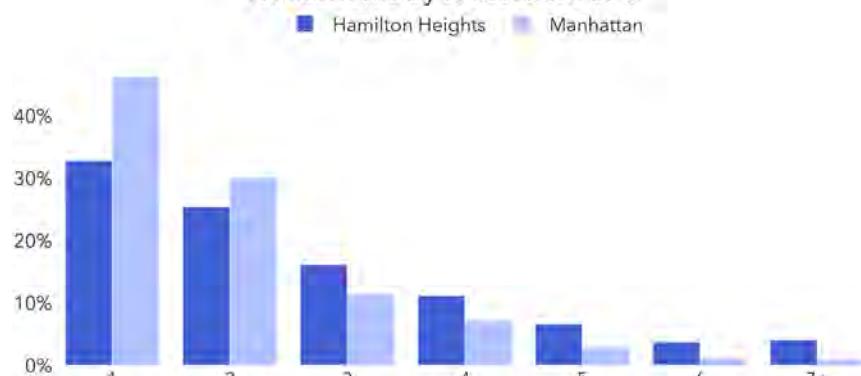
The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Hamilton Heights reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Hamilton Heights and Manhattan reflect data from the 2021 5-year American Community Survey (ACS) and the 2020 Census, respectively.

### Population Growth

	Area	2010 Census	2020 Census	Annual % Change	2025 Forecast
Population	Hamilton Heights	64,085	65,721	0.3%	66,658
	Manhattan	1,585,873	1,694,251	0.8%	1,759,560

Households in Hamilton Heights are, on average, larger than those in Manhattan. Households in Hamilton Heights have an average size of 2.00 people, compared to 1.99 people in Manhattan. 1 person households account for the largest share in both Hamilton Heights and Manhattan.

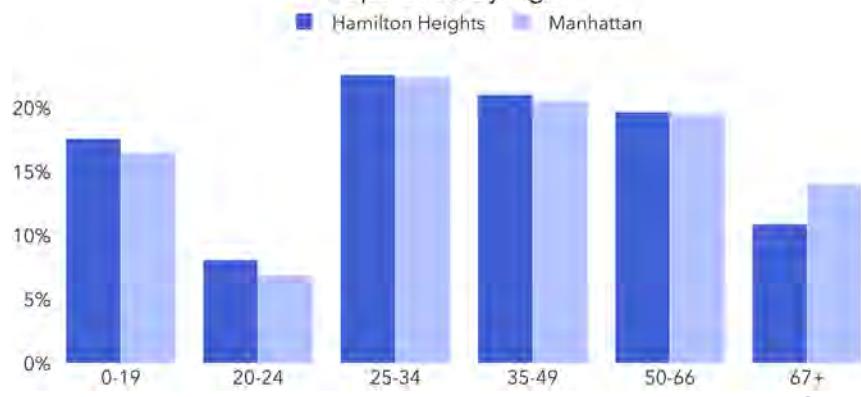
### Households by Household Size



Source: U.S. Census Bureau

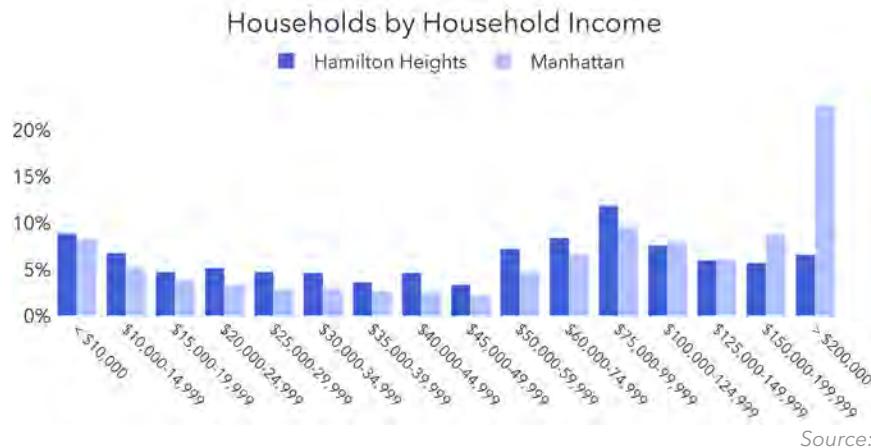
The median age of Hamilton Heights residents is younger than in Manhattan. Residents of Hamilton Heights have a median age of 35.2, compared to 37.5 in Manhattan. In both Hamilton Heights and Manhattan, young professionals account for the largest cohort.

### Population by Age



Source: U.S. Census Bureau

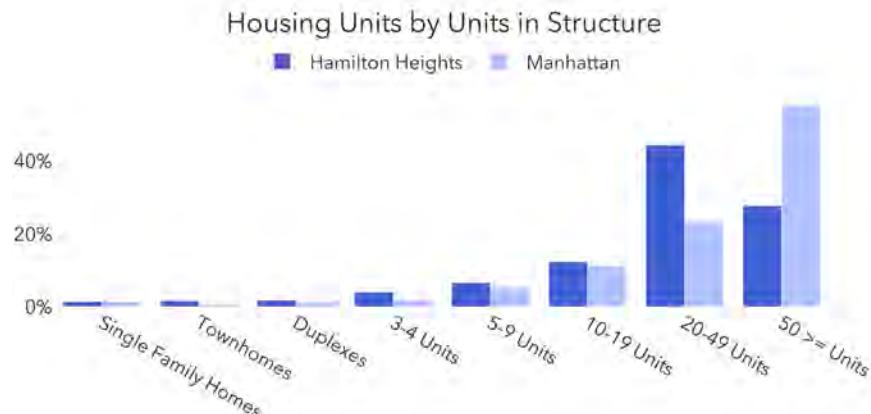
Households in Hamilton Heights have a lower median income than those in Manhattan. Households in Hamilton Heights have a median income of \$54,950, compared to \$86,553 for households in Manhattan. The chart below indicates the share of households by income brackets. In Hamilton Heights, the most common household income is between \$75k-99,999, compared to \$200k or higher for Manhattan.



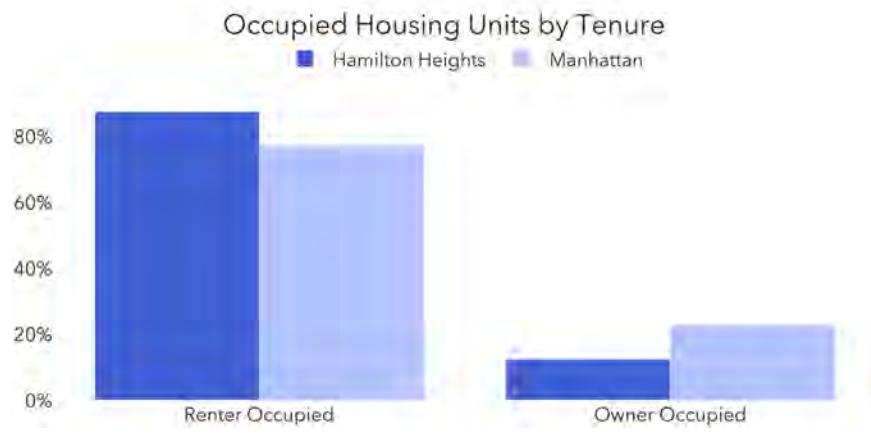
Source: U.S. Census Bureau

## Housing

20-49-unit properties, followed by properties with 50+ units then 10-19-unit properties account for the most common forms of housing in Hamilton Heights. 12% of the housing units in Hamilton Heights are occupied by their owner. This percentage of owner-occupation is lower than the Manhattan level of 23%.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

Homes in Hamilton Heights have a median value of \$489,788, compared to \$987,700 for Manhattan. In Hamilton Heights, the most common home value is between \$500k - \$749k, compared to between over \$2 million for Manhattan.



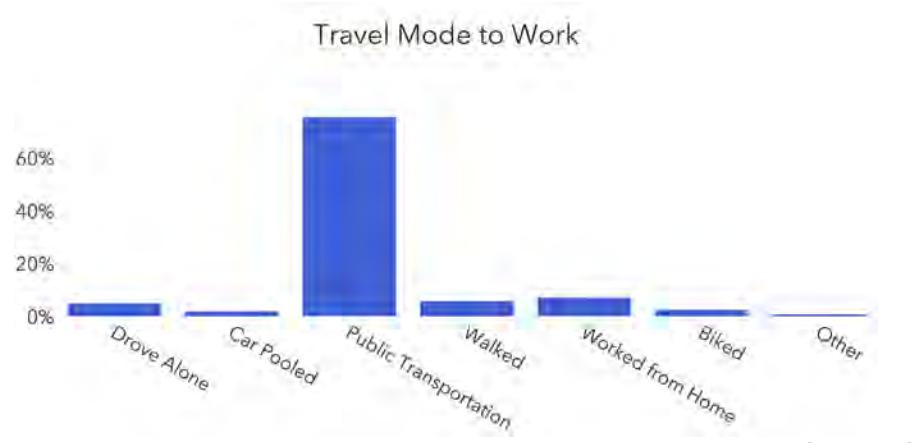
Source: U.S. Census Bureau

## Transportation

In Hamilton Heights, the majority of residents use public transit with nearly ¾ of people using the subway or bus. Commuters in Hamilton Heights have a median commute time of about 42 minutes. In Hamilton Heights, the most common commute time is between 45-59 minutes, compared to 30-34 minutes for Manhattan.



Source: U.S. Census Bureau



Source: U.S. Census Bureau

### Transportation Methods

-  Walk Score: 97 (Walker's Paradise)
-  North of the neighborhood, in northern Washington Heights, the George Washington Bridge provides access to New Jersey and the New Jersey Turnpike, while the Alexander Hamilton Bridge provides access to the Bronx. Also, commuters can take the Henry Hudson Parkway (NY 9A) further south into Manhattan.
-  The New York City Subway's IRT Broadway - Seventh Avenue Line stops in Hamilton Heights at the 137th Street - City College and 145th Street stations (1 train). The IND Eighth Avenue Line runs under St. Nicholas Avenue, providing service at 135th Street (A, B, and C trains), 145th Street (A, B, C, and D trains) and 155th Street (A and C trains). The IND Concourse Line branches off north of the 145th Street station and runs under Saint Nicholas Place to serve the 155th Street (B and D trains).
-  Several MTA Regional Bus Operations bus routes are located nearby in Hamilton Heights. There are buses on all major avenues. The MTA Regional Bus Operations' M3, M4, M5, M10, M11, M100, M101, Bx6, Bx6 SBS, Bx19, Bx33 buses serve the area, according to the Metropolitan Transportation Authority.
-  The closest major airport is LaGuardia Airport, although John F Kennedy International Airport, and Newark Liberty International Airport are easily accessible with access to the Henry Hudson Parkway/West Side Highway and the George Washington Bridge.

### Conclusion

Overall, Hamilton Heights is a diverse neighborhood offering a wide range of amenities and services for its residents and businesses. There are many public transit options, including multiple subway and bus routes and major corridors provide local and regional access for cars. The housing stock is diverse, offering small and large rental buildings, newer condos, historical townhomes, and affordable housing. It is home to the City College of New York and is just north of Columbia University. The neighborhood has experienced moderate growth, which has accelerated over the past few years.

## Zoning Summary

3657 Broadway is in a R8 zone with a C1-4 commercial overlay. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

### Zoning Summary

Authority	Classification
Property Jurisdiction	New York <sup>7</sup>
Existing Zoning Classification	R8 with a C1-4 commercial overlay
Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance)	None known

### Summary of Use and Bulk Regulations

	Required	Actual	Status
Current Use	Commercial, residential, and community facility	Commercial and residential	Conforming
Max. Density (FAR)	6.02	7.43	Non-complying

## R8 Zoning Regulations

Apartment buildings in R8 districts can range from mid-rise, eight- to ten-story buildings to much taller buildings set back from the street on large zoning lots. This high-density residential district is mapped along the Grand Concourse in the Bronx and on the edge of Brooklyn Heights. R8 districts are also widely mapped in Manhattan neighborhoods, such as Washington Heights. New buildings in R8 districts may be developed under either height factor regulations or the optional Quality Housing regulations that often reflect the older, pre-1961 neighborhood streetscape.

### Height Factor Regulations

The floor area ratio (FAR) for height factor development in R8 districts ranges from 0.94 to 6.02; the open space ratio (OSR) ranges from 5.9 to 11.9. A taller building may be obtained by providing more open space. In the diagram, for example, 64% of the zoning lot with the 17-story building must be open space ( $6.02 \text{ FAR} \times 10.7 \text{ OSR}$ ). Thus, the maximum FAR is achievable only where the zoning lot is large enough to accommodate a practical building footprint as well as the required amount of open space. There are no absolute height limits; the building must be set within a sky exposure plane which, in R8 districts, begins at a height of 85 feet above the street line and then slopes inward over the zoning lot.

Off-street parking is required for only 40% of dwelling units since these districts are easily accessed by mass transit. It can be waived if 15 or fewer parking spaces are required or if the zoning lot is 10,000 square feet or less.

### R8 Height Factor Regulations

District	FAR	OSR	Building Height	Min. Required Parking <sup>1</sup>
R8	0.94-6.02	5.9-11.9	Governed by sky exposure plane	40% of dwelling units

<sup>1</sup> 20% if zoning lot is between 10,001 and 15,000 sf; waived if zoning lot is 10,000 sf or less, or if 15 or fewer spaced required

<sup>7</sup> The zoning map can be found in the Map Gallery, which is located in the Addenda.

## Quality Housing Regulations

The optional Quality Housing regulations in R8 districts utilize height limits to produce lower, high lot coverage buildings set at or near the street line. With floor area ratio (FAR) equal to or greater than can be achieved using R8 height factor regulations, the optional Quality Housing regulations produce new buildings in keeping with many of the city's established neighborhoods.

The maximum FAR is 6.02, and the base height before setback is 60 to 80 feet with a maximum building height of 105 feet. On wide streets outside the Manhattan Core, the FAR rises to 7.2, and the base height before setback is 60 to 85 feet with a maximum building height of 120 feet. The street wall of the building must extend along the width of the zoning lot and at least 70% of the street wall must be within eight feet of the street line.

The area between a building's street wall and the street line must be planted and the building must have interior amenities for residents pursuant to the Quality Housing Program.

Off-street parking requirements are the same as for height factor buildings: 40% of the dwelling units.

### R8 Quality Housing Option

R8 Type	Max FAR <sup>3</sup>	Max Corner Lot Coverage	Max Interior Lot Coverage	Base Height	Max Building Height	Min. Required Parking <sup>4</sup>
Wide Street <sup>1</sup>	7.2	80%	70%	60-85 ft	120 ft	40% of dwelling units
Narrow Street <sup>2</sup>	6.02	80%	70%	60-85 ft	105 ft	40% of dwelling units

<sup>1</sup> Outside the Manhattan Core

<sup>2</sup> Includes wide streets within the Manhattan Core

<sup>3</sup> 7.2 FAR with Inclusionary Housing designated area

<sup>4</sup> 20% if zoning lot is between 10,001 and 15,000; waived if zoning lot is 10,000 sf or less, or if 15 or fewer spaces required

Based on the maximum effective residential FAR of 6.02 and lot area of 15,000 square feet, 90,300 square feet of buildable area is permitted on site. The subject contains 111,420 square feet of gross building area above grade. The subject is pre-existing non-complying with regards to bulk regulations.

The commercial and residential property is in an R8 zone, which permits residential and community facility uses as of right, as well as commercial uses due to the C1-4 commercial overlay. The subject is conforming with regards to the allowable uses.

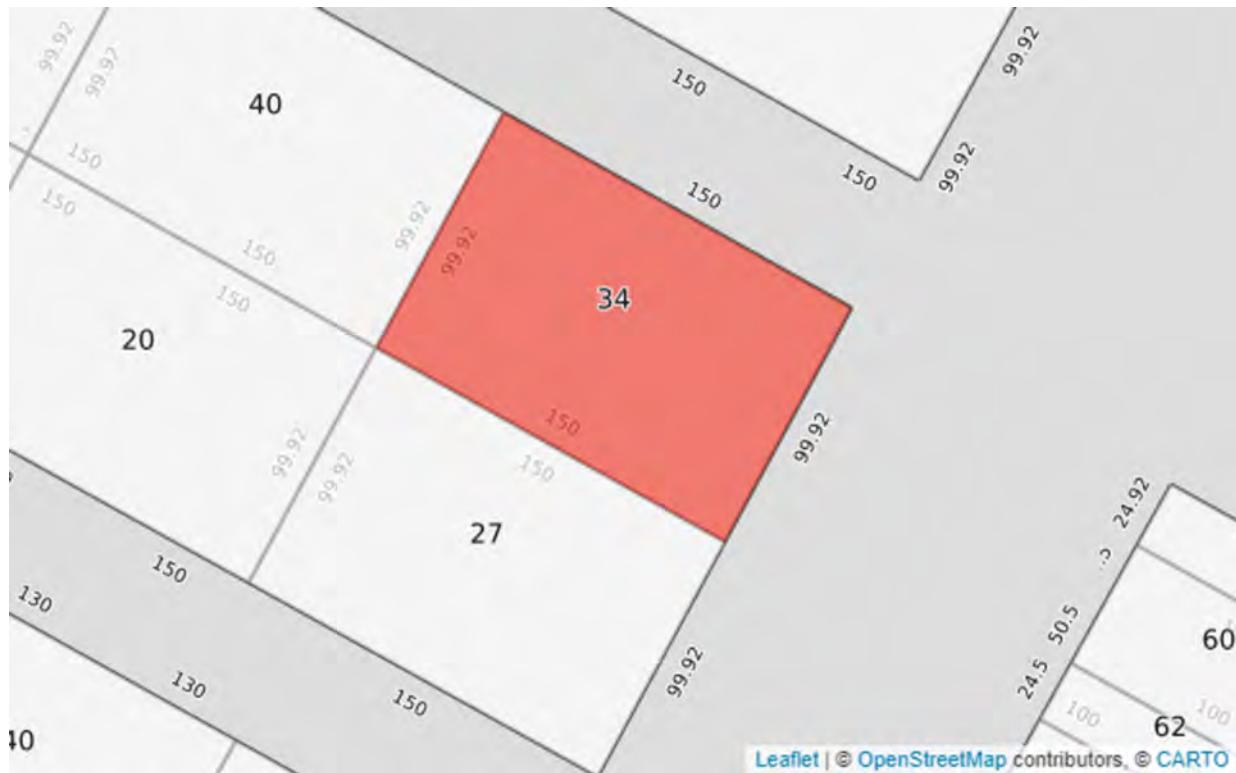
### We have also included information pertinent to the Property's zoning classification regarding the state's Reconstruction clause, including rebuildability:

According to the New York City Zoning Code: If a non-complying building or other structure is damaged or destroyed by any means, including any demolition, to the extent of 75 percent or more of its total floor area, such building may be reconstructed only in accordance with the applicable district bulk regulations, except in the case of a one- or two-family residence, such residence may be reconstructed provided that such reconstruction shall not create a new non-compliance nor increase the pre-existing degree of non-compliance with the applicable bulk regulations.

If the extent of such damage or destruction is less than 75% percent of the floor area and more than 25 percent of the perimeter walls of such existing building, and the replacement of any portion thereof, shall be considered a development.

In the event that any demolition, damage or destruction of an existing building other than one-or two-family residences produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, and the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent or more of the total floor area of such building, then such building may be reconstructed only in accordance with the applicable district bulk regulations.

## Assessed Value & Real Estate Taxes



### Current Tax Liability

3657 Broadway is located in New York County (borough of Manhattan), New York, NY. It is designated on the tax maps as Block 2097, Lot 34. The property tax class is Class 2. We have applied the 2024 tax rate of 12.502% to the most recent assessed value of the property to determine its current tax liability. The lower of the Actual or the Transitional Assessed Value is applied, in the subject's case, it is the Actual Assessed Value.

#### Tentative '24-25 Tax Assessment

	Actual	Transitional
Land	\$225,000.00	\$225,000.00
Building	+ \$4,172,850.00	\$4,287,170.00
<b>Total</b>	<b>\$4,397,850.00</b>	<b>\$4,512,170.00</b>

#### Tax Liability

	Total	PSF
Taxable Assessed Value (Actual)	\$4,397,850.00	\$39.47
Tax Rate (New York City - Class 2, 2023) ×	12.502%	12.502%
<b>Tax Liability</b>	<b>\$549,819.21</b>	<b>\$4.93</b>

## Comparable Tax Liabilities

In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

	Year Built	GBA	Taxes PSF
3565 Broadway, New York, NY	1915	72,099	\$4.06
56 Bennett Avenue, New York, NY	1920	81,909	\$5.59
1221 Amsterdam Avenue, New York, NY	1914	90,827	\$5.01
3851 Broadway, New York, NY	1920	105,000	\$4.43
1201 Amsterdam Avenue, New York, NY	1912	87,271	\$6.92
		<b>Min</b>	<b>\$4.06</b>
		<b>Average</b>	<b>\$5.20</b>
		<b>Max</b>	<b>\$6.92</b>

## Conclusion

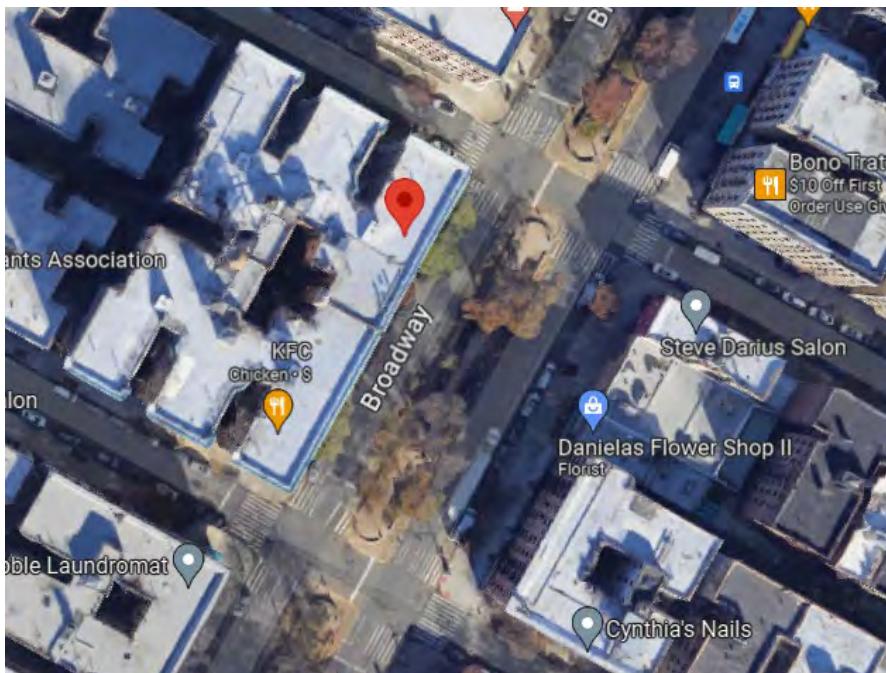
### Tax Liability Summary

	Taxes PSF
Comp Min.	\$4.06
Comp Avg.	\$5.20
Comp Max.	\$6.92
<b>Subject Tax Liability</b>	<b>\$4.93</b>

The subject property's taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability of \$549,819.21 or \$4.98/sf in our analysis.

The taxes increased from \$537,634 in our Q2 2023 report.

## Site Description



**Location** The subject property is located in the Hamilton Heights neighborhood of Upper Manhattan.

**Surrounding Uses** It is located on a primarily residential and commercial block.

**Transportation** The 145 St subway station is a 6 minute walk away. The 157 Street subway station is a 7 minute walk away. The 155 St subway station is a 10 minute walk away. A transportation summary is provided below:

① at 145th St	0.27 miles
① at 157th St	0.31 miles
c at 155th St	0.35 miles
A c B D at 145th St	0.4 miles
c at 163rd St	0.55 miles

**Site Area** 15,000 square feet

**Shape** Rectangular

**Frontage** Broadway: 99.92 feet

West 151St Street: 150 feet

**Access** The primary access is from Broadway

**Topography** Generally level at street grade

<b>Drainage</b>	Assumed adequate
<b>Paving</b>	All roads are paved with asphalt and are in satisfactory condition.
<b>Street Lighting</b>	Adequate
<b>Hazardous Substances</b>	We observed no evidence of toxic or hazardous substances during our inspection of the site.
<b>Easements, Encroachments, and Restrictions</b>	Based upon a review of the tax map and deed, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value.
<b>Utilities &amp; Services</b>	Water/Sewer and Refuse - City Police & Fire Protection - City Gas - Con Ed Electricity - Con Ed
<b>Flood Hazard Status</b>	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970079F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains.
<b>Conclusion</b>	The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate.

# Description of Improvements

## Building Description

The subject is a 10-story, elevated, mixed-use building consisting of 79 residential units and 4 commercial units. It was built in 1917 and was most recently altered in 2021 to convert a large rent stabilized 4-bedroom unit, formerly called unit 2B, into two units, a one-bedroom unit (Unit 2Ba) and a two-bedroom unit (Unit 2Bb). The two new units are rent stabilized, but ownership was allowed to set the first rent at market in 2021. This increased the residential unit count from 78 units in 2020 to 79 units. It contains 111,420 square feet of gross building area. We note that the subject is 99% occupied with 1 vacant residential unit. There are 75 rent stabilized residential units and 4 rent controlled residential units. One of the four-bedroom rent stabilized units is a super's unit. There is an additional super's unit in the basement that is not counted in our rent roll. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.

The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.

It was built in 1917.

## Building Inspection

On February 28, 2024, Jonathan Nathanson of Bowery Valuation conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, and roof. We were able to inspect the stairs and they are in good condition. We were able to inspect the roof and it is in good condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

## Unit Inspection

### Inspected Units Summary

#	Unit #	Unit Type	Lease Status	Condition	Status for Occupancy
1	010G	One Bedroom	Occupied	Average	N/A
2	Yu, Kingfei	Commercial	Occupied	Average	N/A
3	Pay-O-Matic Corporation	Commercial	Occupied	Average	N/A
4	Farmaco Drugs Inc.	Commercial	Occupied	Average	N/A

We inspected 4 units: 010G, Yu, Kingfei, Pay-O-Matic Corporation, and Farmaco Drugs Inc. We assume the units that were not inspected are of generally similar condition to the units inspected.

## Structural, Utilities & Mechanicals

### Structural

**Foundation**                      Poured concrete

**Structural System**                Structural steel and concrete

**Exterior Walls**                  Brick and Masonry

<b>Framing</b>	Structural steel with masonry concrete encasement
<b>Windows</b>	Double-hung
<b>Roof</b>	Flat built-up roof
<b>Utilities</b>	
<b>Electricity</b>	Individual electric meters are located in the basement.
<b>Hot Water</b>	Central hot water heater system located in the basement.
<b>Gas</b>	Gas meters located in the basement or in unit. The residential tenants are directly metered for gas.
<b>Heating/Cooling</b>	Steam heating located in the unit for heating. Tenant provided window A/C unit located in the unit for cooling. HVAC units located on the roof for commercial space.
<b>Mechanicals</b>	
<b>Elevators</b>	The subject is an elevatored building.
<b>Plumbing</b>	Copper, Iron
<b>Sprinklers</b>	Sprinkler systems located in common interior space.
<b>Layout &amp; Finishes</b>	
<b>Basement</b>	The basement is accessed from the interior and exterior of the building, and is unfinished.
<b>Entry &amp; Hallways</b>	The entryway and interior hallways are in good condition.
<b>Laundry</b>	None
<b>Stairwell</b>	There is 1 interior staircase that runs from the basement to the roof.
<b>Security</b>	Security cameras and Door locks
<b>Amenities</b>	
<b>Building Amenities</b>	
<b>Laundry Room</b>	There is no laundry room in the building.
<b>Storage Units</b>	There are no storage units in the building.
<b>Parking</b>	There is no parking space on the property site.
<b>Residential Unit Finishes</b>	
The units generally feature good quality finishes relative to typical units in similar elevatored buildings in the area. We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.	
<b>Kitchens</b>	The units typically contain ceramic tile flooring, laminate counter tops, white laminate cabinets, standard oven range stovetops, and standard refrigerators. Additionally, some units feature a dishwasher.

<b>Bathrooms</b>	The units typically contain ceramic tile flooring, bathtub shower combo tubs, marble top set-in cabinet sinks, and ceramic toilets.
<b>Bedrooms / Living Area</b>	The units typically contain hardwood flooring, and sheet rock walls.

#### Residential Unit Distribution Summary

Unit Type	No. of Units	Avg. Rooms/Unit	Total Rooms	Avg. SF/Unit (Est.)	Total Leasable SF
1 BR	11	3	33	700	7,700
2 BR	31	4	124	900	27,900
3 BR	10	5	50	1,200	12,000
4 BR	27	6	162	1,600	43,200
<b>Totals/Average</b>	<b>79</b>		<b>369</b>	<b>1,149</b>	<b>90,800</b>

We estimated the total leasable area and resulting average square footage per unit based on a loss factor of 10% applied to the gross building area.

#### Commercial Space

The subject also contains 4 ground-floor commercial units. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.

#### Commercial Unit Distribution Summary

Unit Number	Tenant Name	Floor	SF
1	Yu, Kingfei	Ground Floor	750
2	Agency LLC, Jewelz Santiago	Ground Floor	750
3	Pay-O-Matic Corporation	Ground Floor	1,500
4	Farmaco Drugs Inc.	Ground Floor	750
<b>Total</b>			<b>3,750</b>

#### Condition, Deferred Maintenance & Remaining Economic Life

##### Condition

Based on our inspection, the subject is in average condition. The subject was constructed in 1917.

##### Deferred Maintenance

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

The subject is in average condition. During our visit to the building, we noticed no significant items of deferred maintenance.

##### Remaining Economic Life

While the improvements were originally constructed in 1917, we estimate the effective age to be 15 years; given a useful life of 60 years, the remaining economic life of the building is estimated as 45 years.

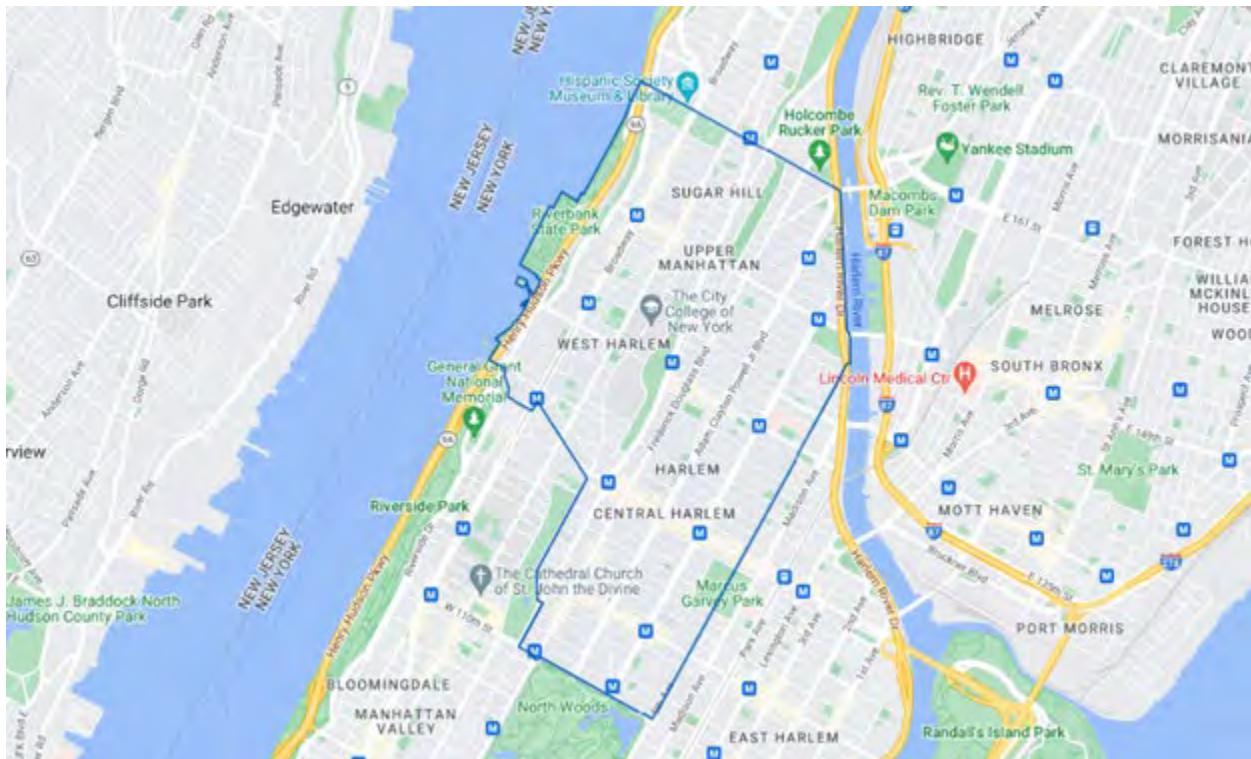
## Summary

The subject was constructed in 1917 and based on our inspection, the subject is in average condition. The building features a functional design with typical site coverage. No significant functional obsolescence was noted during our inspection. The layout, site coverage of the improvements and positioning of the improvements as well as the construction quality of the improvements, interior layout, building mechanicals, building-wide and unit amenities and finishes are functional by market standards.

# Submarket Analyses

## Harlem: Multifamily Submarket Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the Harlem Multifamily Submarket ("Submarket") located in the New York Market ("Market").



### Overview

The subject property is in the Harlem Submarket of the New York Market, defined in the map above. This Submarket accounts for 3.1% of the Markets total inventory with 48.5k units. Economic uncertainty and elevated pipelines have coincided with a slowdown in demand over the first half of 2023, continuing into the 2nd half of 2023. With upward pressure on vacancies, rent growth has normalized across most markets across the Nation. With softening fundamentals occurring alongside the elevated cost of debt, investors have tightened their lending standards, slowing transaction activity, putting upward pressure on cap rates, and driving down values. In the Harlem Submarket, demand has improved recently but vacancy rates are up compared to the same time last year. While rents are up 1.9% over the past year, they declined 0.6% in the latest quarter. With softening fundamentals, values decreased in the past quarter and -12.9% yoy, ultimately decreasing to \$374,537/unit.

### Sector Fundamentals

	<b>Harlem</b>	<b>YoY</b>	<b>QoQ</b>	<b>New York</b>	<b>YoY</b>	<b>QoQ</b>
Market Rent/Unit	\$2,436	1.9%	-0.6%	\$3,060	2.0%	0.0%
Vacancy Rate	2.29%	10 bps	-10 bps	2.56%	14 bps	3 bps
Net Absorption Units	50	400.0%	-65.0%	5,430	24.9%	0.0%
Asset Value/Unit	\$374,537	-12.9%	-2.6%	\$396,924	-11.6%	-2.0%
Market Cap Rate	4.8%	61 bps	9 bps	5.11%	60 bps	7 bps
Transaction Count	3	-79%	-70%	202	-33%	-28%
Sales Volume	\$13,150,000	-51%	-56%	\$962,639,744	-64%	-49%

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

#### Historical Multifamily Performance: Harlem Submarket

Period	Inventory Units	Under Construction Units	Net			Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Delivered Units	12 Mo	Absorption Units 12 Mo			
2023 Q4	48,534	624	604	540	2.3%	\$2,436	\$374,537	4.80%
2023 Q3	48,534	624	604	500	2.4%	\$2,452	\$384,679	4.71%
2022	47,930	749	1	234	2.2%	\$2,390	\$429,889	4.20%
2021	47,929	662	202	441	2.7%	\$2,348	\$469,195	3.78%
2020	47,727	250	266	144	3.2%	\$2,294	\$420,687	4.03%
2019	47,461	487	73	26	3.0%	\$2,326	\$405,893	4.22%
2018	47,388	426	32	112	2.9%	\$2,278	\$388,384	4.28%
2017	47,356	460	73	158	3.0%	\$2,240	\$378,437	4.28%
2016	47,283	154	64	117	3.2%	\$2,211	\$359,438	4.33%
2015	47,219	118	-27	65	3.3%	\$2,159	\$339,157	4.36%
2014	47,246	74	-12	80	3.5%	\$2,112	\$307,907	4.54%

#### Supply & Demand

The Submarket has 48.5k units of multifamily space, and developers have added, net of demolitions, 1.3k units over the past ten years, increasing inventory by 2.7% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.6% to 2.3%. Solid demand drivers in the form of increased development from higher-ed institutions should also help keep absorption levels positive. Columbia University's recently built Jerome L. Greene Science Center supports roughly 1,000 researchers and students of all degrees. The massive project, which is expected to add 17 new buildings by 2030, will also include a host of community amenities that should benefit rental property owners in Harlem. The campus has added publicly accessible green space and retail, widened sidewalks, and revitalized streetscapes.

Demand has fallen short of inventory growth and vacancy rates in the Submarket have increased 10 bps over the past year from 2.2% to 2.3%, remaining below the 10-year average of 3.0%, and below the Market average by 27 bps. In the fourth quarter, multifamily tenants in the Submarket absorbed 50 units, a decrease from the 143 units absorbed in 2023 Q3, but an improvement from the 10 units absorbed in the same quarter last year.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Submarket	3.5%	3.3%	3.2%	3.0%	2.9%	3.0%	3.2%	2.7%	2.2%	2.4%	2.3%
Class A	5.0%	3.3%	6.0%	2.3%	2.6%	5.1%	5.8%	21.8%	5.8%	14.5%	10.8%
Class B	3.5%	3.4%	3.1%	2.9%	2.8%	3.0%	3.3%	2.2%	2.0%	1.9%	1.9%
Class C	3.5%	3.3%	3.2%	3.1%	2.9%	2.9%	3.0%	2.5%	2.2%	2.2%	2.2%



## Rents

At \$2,436/unit, rents in the Harlem Submarket are roughly 20% lower than the Market average of \$3,060/unit. The lower asking rent average is largely indicative of the amount of vintage 2 and 3 Star apartments located here, along with the lower median incomes observed compared to other parts of Manhattan. Still, newly constructed buildings have been built to a high standard and are asking upwards of \$3,500/month.

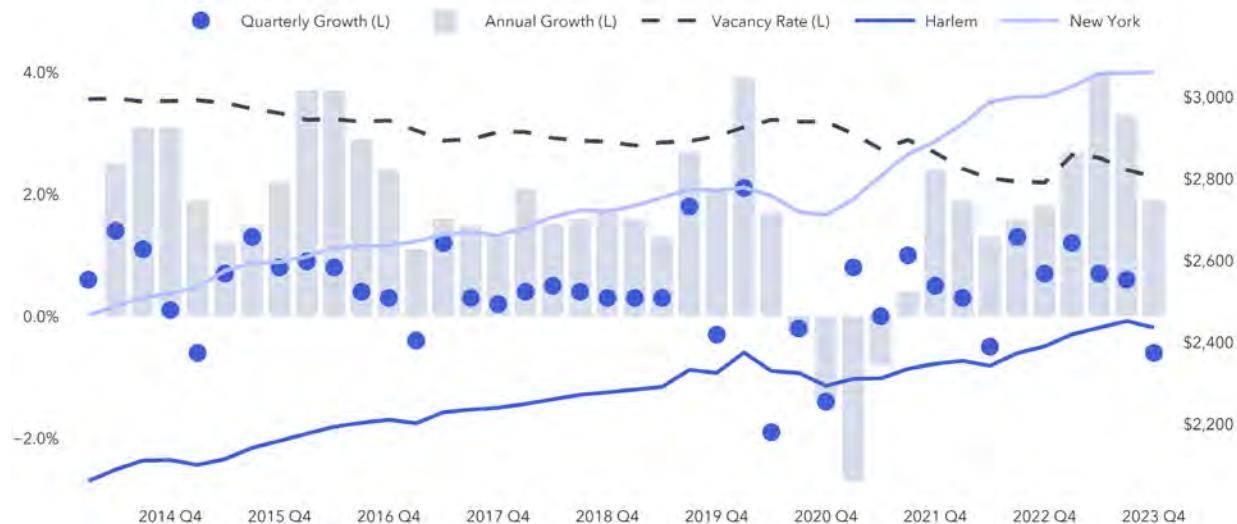
Class A apartment units are a premium with an average effective rent rate of \$3,887/unit, followed by \$2,570/unit for Class B and \$2,133/unit for Class C units. Rents in the Submarket have increased 1.8% per annum over the past decade, falling short of the Market, where rents increased 2.4% per annum during that time.

## Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Submarket	\$2,112	\$2,159	\$2,211	\$2,240	\$2,278	\$2,326	\$2,294	\$2,348	\$2,390	\$2,452	\$2,436
Class A	\$3,409	\$3,510	\$3,569	\$3,630	\$3,714	\$3,780	\$3,785	\$3,801	\$3,987	\$3,853	\$3,887
Class B	\$2,153	\$2,174	\$2,244	\$2,276	\$2,309	\$2,393	\$2,315	\$2,416	\$2,460	\$2,614	\$2,570
Class C	\$1,908	\$1,969	\$2,005	\$2,028	\$2,063	\$2,078	\$2,080	\$2,100	\$2,122	\$2,132	\$2,133

Prior to the pandemic, the Harlem Multifamily Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, but was in line with the historical average, with annual growth of 2.1%. In 2020 Q2, quarterly rent growth fell to -1.9%. By the end of 2020, rents had fallen 1.4% from the 2019 Q4 rent level of \$2,326/unit. From 2019 Q4 to 2021 Q4, rents increased 1.0%. Quarterly rent growth in 2023 Q4 contracted by -0.6%, with annual growth slowing to 1.9%.

## Market Effective Rent/Unit - Annual & Quarterly Growth



## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 1.4k units to the Submarket over that time, expanding inventory by 2.7%. The addition of a Whole Foods Market on the 125th Street retail corridor in 2017 has spurred developers to action, and consequently, many of the high-end projects in the pipeline are clustered near the juncture of West 125th Street and Malcolm X Boulevard. High-end developments are also clustered in Manhattanville, near the existing and underway campuses of the City College of New York and Columbia University.

Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 624 units, or the equivalent of 1.3% of existing inventory, underway. The active pipeline will likely add upward pressure to vacancy rates in the near term.

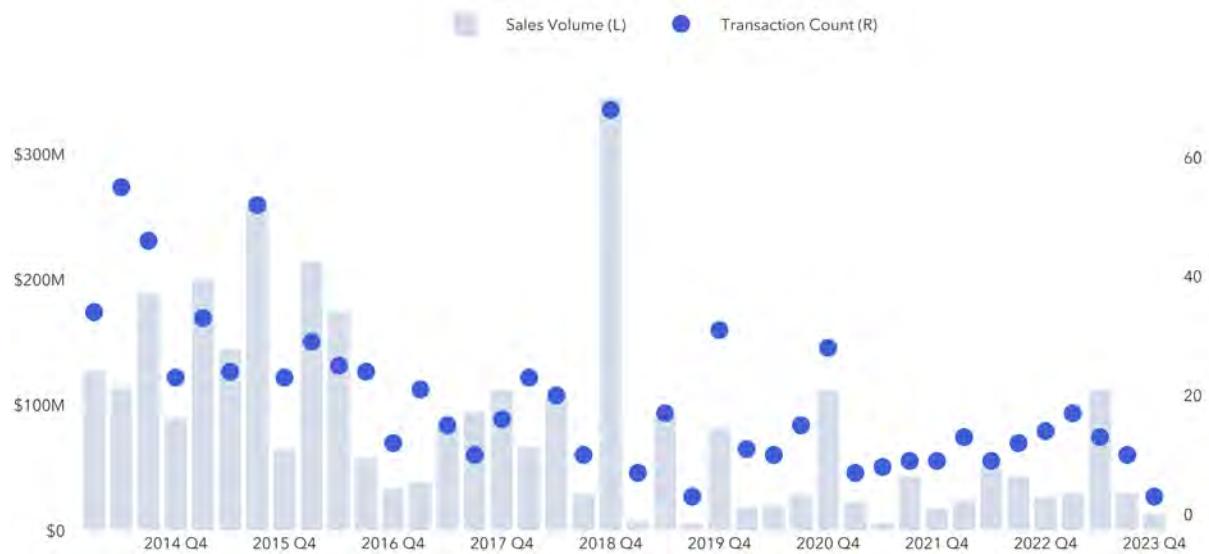
## Under Construction Units - Share of Inventory



## Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average, 41 transactions per year with an annual average sales volume of \$139.2 million. Over the past year, there were 43 closed transactions across 1.1k units, for a total sales volume of \$184.8 million. As of 2023 Q4, CoStar data indicates there were 3 transactions for a total sales volume of \$13.2 million, compared to \$29.6 million in the previous quarter.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$374,537/unit. Values have compressed 12.9% over the past year and continued to fall in the past quarter, decreasing 2.6% in 2023 Q4. Capitalization rates have increased 61 bps over the past year to 4.8% and increased 9 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation. Multifamily market conditions in the Harlem Submarket indicate strong but slowing demand, which has fallen short of new supply coming online. While quarterly rent growth contracted, annual growth remains positive. Looking ahead to the near term, it is likely that tenant demand improves, as is normal during the spring, although the pipeline remains active and will continue to add pressure to vacancy rates, slowing growth in rents and values.

## Highest & Best Use

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

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

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

### As Vacant

<b>Legally Permissible</b>	The subject is in zone R8, which permits residential and community facility use as of right as well as commercial uses due to the C1-4 commercial overlay. Based on the maximum effective FAR of 6.02 and a lot area of 15,000 square feet, 90,300 square feet of max buildable area is permitted on site. There are no zoning changes anticipated and no easements or encroachments that preclude development.
<b>Physically Possible</b>	The site contains 15,000 square feet with 100 feet of frontage along Broadway and 150 feet of frontage along West 151St Street. The size falls within the range of improved sites in the area. All necessary utilities are available and the site appears functional for a variety of permitted uses.
<b>Financially Feasible</b>	The subject is located within a primarily mixed-use neighborhood. Based on our analysis of the market, there is sufficient demand for mixed-use commercial/apartment properties. Market conditions are such that new mixed-use commercial/apartment construction is feasible, as the value would sufficiently exceed the cost plus developer's profit. New construction in the neighborhood is currently underway and newly developed mixed-use commercial/apartment buildings in the subject's submarket are selling, an indication of feasibility.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop for mixed-use commercial/apartment use. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as vacant is to develop a mixed-use commercial/apartment building to the highest density permitted by zoning and supported within the market.

### As Improved

<b>Legally Permissible</b>	The subject improvements consist of 111,420 square feet of gross building area on a 15,000 square feet site which reflect an FAR of 7.43. Located in the R8 zone, permitted uses include residential and community facility. The current mixed-use use of the improvements is not a permitted use. The improvements do not comply to the bulk requirements as specified and discussed in the zoning section of the report. Based on the age of the improvements and our zoning analysis, we determine the existing improvements represent a pre-existing, non-conforming use.
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<b>Physically Possible</b>	The subject is a 10-story, elevatored, mixed-use building consisting of 79 residential units and 4 commercial units. It was built in 1917 and was most recently altered in 2021 to convert a large rent stabilized 4-bedroom unit, formerly called unit 2B, into two units, a one-bedroom unit (Unit 2Ba) and a two-bedroom unit (Unit 2Bb). The two new units are rent stabilized, but ownership was allowed to set the first rent at market in 2021. This increased the residential unit count from 78 units in 2020 to 79 units. It contains 111,420 square feet of gross building area. We note that the subject is 99% occupied with 1 vacant residential unit, but contains 75 rent stabilized residential units and 4 rent controlled residential units. One of the four-bedroom rent stabilized units is a super's unit. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023. The subject also contains 4 ground-floor commercial units. Unit 4 was signed to a lease that began in July of 2022, while units 1, 2, and 3 were all signed to new leases in 2023.
	The layout, site coverage and positioning of the improvements are considered functional for the current use. While it would be physically possible for a wide variety of uses, based on legal restrictions in place and the design of the improvements, continued use of the property as mixed-use use is considered the most functional. Additionally, there is no excess or surplus land noted nor excess FAR to consider.
<b>Financially Feasible</b>	The subject property is located within a primarily mixed-use neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 99% occupancy and will generate a positive net cash flow. Therefore, use as a mixed-use commercial/apartment property is financially feasible. Also, demolition is not an option.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as vacant. Continued mixed-use commercial/apartment use is concluded to be maximally productive.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued mixed-use commercial/apartment use is concluded to be the highest and best use as improved.
<b>Most Probable Buyer</b>	Taking into account the size and characteristics of the property and its multifamily occupancy, the likely buyer is a local investor/developer.

## Appraisal Valuation Process

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

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

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

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

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

The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value, therefore it was not found to be appropriate in our value development.

## Income Capitalization Approach

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

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

### Income Analysis

#### Current Residential Rent Roll

3657 Broadway currently contains 78 occupied units and 1 vacant unit generating \$2,110,593 of total annual residential income. One of the four-bedroom units is given to the superintendent of the building rent free as part of their compensation. There is an additional super's unit in the basement that is not counted in our rent roll.

Rent Roll Summary by Unit Type

Unit Type	No. of Occupied Units	No. of Vacant Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
1 Bedroom	11	0	\$1,194 - \$2,611	\$261,658.56	\$1,982.26
2 Bedroom	30	1	\$979 - \$3,125	\$807,315.00	\$2,242.54
3 Bedroom	10	0	\$1,013 - \$3,299	\$265,382.76	\$2,211.52
4 Bedroom	27	0	\$1,051 - \$3,734	\$776,236.44	\$2,395.79
<b>Totals/Averages</b>	<b>78</b>	<b>1</b>		<b>\$2,110,592.76</b>	<b>\$2,254.91</b>

## Comparable Rentals

In order to gauge the reasonableness of the contract rents and forecast market rent for the vacant units, we have examined the following rental activity in the submarket:

### 1 BR Rentals



### 1 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	838 Riverside Drive, New York, NY	3	1	\$2,350	\$783
2	612 West 138th Street, New York, NY	3	1	\$1,900	\$633
3	100 West 139th Street, New York, NY	3	1	\$2,000	\$667
4	454 West 148th Street, New York, NY	3	1	\$2,095	\$698
5	56 East 130th Street, New York, NY	3	1	\$2,450	\$817
				Min \$1,900	\$633
				Average \$2,159	\$720
				Max \$2,450	\$817

## 2 BR Rentals



## 2 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	239 West 137th Street, New York, NY	4	2	\$2,700	\$675
2	222 West 139th Street, New York, NY	4	2	\$2,695	\$674
3	126 West 139th Street, New York, NY	4	2	\$2,600	\$650
4	612 West 144th Street, New York, NY	4	2	\$3,100	\$775
5	10 West 122nd Street, New York, NY	4	2	\$2,795	\$699
Min \$2,600 Average \$2,778 Max \$3,100					
<b>\$650</b> <b>\$695</b> <b>\$775</b>					

## 3 BR Rentals



## 3 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	508 West 136th Street, New York, NY	5	3	\$2,850	\$570
2	1056 Saint Nicholas Avenue, New York, NY	5	3	\$2,995	\$599
3	522 West 157th Street, New York, NY	5	3	\$3,100	\$620
4	3681 Broadway, New York, NY	5	3	\$3,200	\$640
5	742 Saint Nicholas Avenue, New York, NY	5	3	\$3,150	\$630
				Min \$2,850	\$570
				Average \$3,059	\$612
				Max \$3,200	\$640

## 4 BR Rentals



## 4 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	1722 Amsterdam Avenue, New York, NY	6	4	\$3,650	\$608
2	234 West 135th Street, New York, NY	6	4	\$3,800	\$633
3	622 West 136th Street, New York, NY	6	4	\$4,000	\$667
4	520 West 136th Street, New York, NY	6	4	\$3,500	\$583
5	561 West 144th Street, New York, NY	6	4	\$3,800	\$633
				Min \$3,500	\$583
				Average \$3,750	\$625
				Max \$4,000	\$667

## Rent Reconciliation

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 mixed-use section of Hamilton Heights, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has good access to mass transportation, and the block is appealing. The comparables are similar in their physical and locational appeal and are good indicators of value. Thus, our analysis of the forecast of market rents is presented:

### 1 BR Units

The subject has no market rate one-bedroom units, as they are all currently rent stabilized. Currently, the in-place rental range is from \$1,194 to \$2,611 per month. The market-oriented in-place leases of the subject's one-bedroom units range from \$2,011 to \$2,611 per month, with an average of \$2,211 per month. Comparable one-bedroom units range from \$1,900 to \$2,450 per month with an average of \$2,159 per month. Based on the range of the comparables, we forecast a market rent of \$2,250 per month. For Unit 2Bb (one of the units recently converted from the previous four-bedroom unit), it is currently leased for \$2,611 per month; this is reasonable considering the unit is newly renovated with new finishes and stainless-steel appliances including a dishwasher, and it is also large relative to most comparable one-bedroom units. We forecast a market rent of \$2,600 for this unit. The unit's rent is market-oriented and we will apply it in our analysis. We apply the subject's in-place leases in our analysis.

### 2 BR Units

The subject has no market rate two-bedroom units, as they are all currently rent stabilized or rent controlled. Currently, the in-place rental range is from \$979 to \$3,125 per month. The market-oriented in-place leases of the subject's two-bedroom units range from \$2,461 to \$3,125 per month, with an average of \$2,690 per month. Comparable two-bedroom units range from \$2,600 to \$3,100 per month with an average of \$2,778 per month. Based on the range of the comparables, we forecast a market rent of \$2,750 per month. For Unit 2Ba (one of the units recently converted from the previous four-bedroom unit), is currently leased for \$3,125 per month; this is reasonable considering the unit is newly renovated with new finishes and stainless-steel appliances including a dishwasher. We forecast a market rent of \$3,100 for this unit. The unit's rent is market-oriented, and we will apply it in our analysis. We apply the subject's in-place leases in our analysis.

### 3 BR Units

The subject has no market rate three-bedroom units, as they are all currently rent stabilized. Currently, the in-place rental range is from \$1,013 to \$3,299 per month. The market-oriented in-place leases of the subject's three-bedroom units range from \$3,188 to \$3,299 per month, with an average of \$3,239. Comparable three-bedroom units range from \$2,850 to \$3,200 per month with an average of \$3,059 per month. Based on the range of the comparables, we forecast a market rent of \$3,200 per month. We apply the subject's in-place leases in our analysis.

### 4 BR Units

The subject has no market rate four-bedroom units, as they are all currently rent stabilized or rent controlled. Currently, the in-place rental range is from \$1,051 to \$3,734 per month. The market-oriented in-place leases of the subject's four-bedroom units range from \$3,555 to \$3,734 per month, with an average of \$3,644. Comparable four-bedroom units range from \$3,500 to \$4,000 per month with an average of \$3,750 per month. Based on the range of the comparables, we forecast a market rent of \$3,800 per month. We apply the subject's in-place leases in our analysis.

### Market Rent Comparison

<b>Bedroom</b>	<b>Market Survey</b>	<b>Subject Units - In-Place</b>	<b>Market Rent Conclusion</b>
1 BR Minimum	\$1,900.00	\$1,194	
1 BR Average	\$2,159.00	\$1,982	\$2,250 and \$2,600 for 2Bb
1 BR Maximum	\$2,450.00	\$2,611	
2 BR Minimum	\$2,600.00	\$979	
2 BR Average	\$2,778.00	\$2,243	\$2,750 and \$3,100 for 2Ba
2 BR Maximum	\$3,100.00	\$3,125	
3 BR Minimum	\$2,850.00	\$1,013	
3 BR Average	\$3,059.00	\$2,212	\$3,200
3 BR Maximum	\$3,200.00	\$3,299	
4 BR Minimum	\$3,500.00	\$1,051	
4 BR Average	\$3,750.00	\$2,488	\$3,800
4 BR Maximum	\$4,000.00	\$3,734	

### Rent Adjustments

#### Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

#### Project Rent Stabilized Rent Growth

	<b>Allowable Increase</b>	<b>Tenancy</b>		<b>12-Mo. Adj. Factor</b>	<b>Blended Increase</b>
1-Year	3.00%	x	50%	x 100%	= 1.50%
2-Year	6.04%	x	50%	x 50%	= 1.51%
<b>Weighted Average Increase</b>					<b>3.01%</b>

#### Rent Controlled Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals, which is currently 1.7%.

#### Vacant Units

The lesser of market and last legal rent is applied for the vacant unit. In this case, it is last legal rent.

#### Vacant Unit Forecast

<b>Unit Number</b>	<b>Unit Type</b>	<b>Market Rent</b>	<b>Last Legal Rent</b>	<b>Applied Rent</b>	<b>Annual Total</b>
005D	2 BR	\$2,750	\$1,028	\$1,028	\$12,333
<b>Total</b>		<b>\$2,750</b>	<b>\$1,028</b>	<b>\$1,028</b>	<b>\$12,333</b>

## Base Residential Income

3657 Broadway contains 79 residential units; the residential rent roll is summarized by unit type and rent regulation status.

Rent Roll Summary by Unit Type

Unit Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
1 BR	11	\$1,194 - \$2,611	\$261,659	\$1,982
2 BR	31	\$979 - \$3,125	\$819,648	\$2,203
3 BR	10	\$1,013 - \$3,299	\$265,383	\$2,212
4 BR	27	\$1,051 - \$3,734	\$776,236	\$2,396
<b>Totals/Average</b>	<b>79</b>		<b>\$2,122,926</b>	<b>\$2,239</b>

Rent Roll Summary by Rent Regulation Status

Income Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Rent Stabilized	75	\$979 - \$3,734	\$2,045,342	\$2,273
Rent Controlled	4	\$1,068 - \$2,094	\$77,584	\$1,616
<b>Totals/Average</b>	<b>79</b>		<b>\$2,122,926</b>	<b>\$2,239</b>

The average forecasted monthly rent is \$2,239 compared to \$2,217 in Q2 2023.

The contract rents are based on the following expense structure:

- Landlord's Obligations** Heat, common area electricity, refuse removal, water/sewer and common area maintenance.
- Tenant Obligations** In-unit electricity and cooking gas.

## Potential Gross Residential Income

Potential gross residential income is summarized by income type:

Potential Gross Residential Income

Income Type	Annual Rent	Increase	PGI
Rent Stabilized	\$2,045,342	x	1.03010 = \$2,106,907
Rent Controlled	\$77,584	x	1.01700 = \$78,903
<b>Total</b>	<b>\$2,122,926</b>		<b>\$2,185,809</b>

Based on our market rent conclusions and stabilized income projection, the residential rent roll is 73% of market.

## Commercial Income

The subject also contains 4 ground-floor commercial units, all of which are occupied. Unit 4 was signed to a lease that began in July of 2022, while units 1 and 2 were all signed to new leases in 2023. All of the leases were new leases signed with tenants that have been occupying their respective spaces for several years. Unit 3 is expiring at the end of March but management has indicated that the tenant will go month-to-month for at least another year. We apply the current in place rent. The leases are summarized below:

### Current Commercial Rent Roll

#### 3657 Broadway

Tenant	Use	Lease Status	Start Date	Expiration Date	SF	Annual Rent	Monthly Rent	Rent PSF
Yu, Kingfei	Retail	Occupied	05/01/2023	06/30/2028	750	\$49,440	\$4,120	\$65.92
Agency LLC, Jewelz Santiago	Retail	Occupied	05/01/2023	04/30/2028	750	\$69,300	\$5,775	\$92.40
Pay-O-Matic Corporation	Retail	Occupied	06/01/2007	03/31/2024	1,500	\$89,698	\$7,475	\$59.80
Farmaco Drugs Inc.	Retail	Occupied	07/01/2022	06/30/2027	750	\$44,496	\$3,708	\$59.33
<b>Totals</b>					<b>3,750</b>	<b>\$252,934</b>	<b>\$21,078</b>	<b>\$67.45</b>

The subject currently contains 4 commercial units.

### Commercial Rent Comparables

In order to determine the reasonableness of the contract rents, we have conducted a survey of the recently signed leases for commercial units in the subject's neighborhood.

Commercial Rent Comparables Map



Address	Tenant	Start Date	Sq. Ft.	Base Rent	Lease Terms
1 555 West 160th Street, New York, NY	Retail Tenant	Aug-23	550	\$38.00	Modified gross
2 550 West 145th Street, New York, NY	Retail Tenant	Jul-23	1,835	\$126.00	Modified gross
3 2794 Frederick Douglass Boulevard, New York, NY	Retail Tenant	Jul-23	719	\$75.00	Modified gross
4 1277 Saint Nicholas Avenue, New York, NY	Andiamo Cafe	Jul-23	800	\$60.00	Modified gross
5 520 West 145th Street, New York, NY	Retail Tenant	Jul-23	1,000	\$74.40	Modified gross
6 1328 Saint Nicholas Avenue, New York, NY	Retail Tenant	Jul-23	800	\$131.25	Modified gross
7 1627 Amsterdam Avenue, New York, NY	Retail	Apr-23	2,200	\$81.81	Modified gross
		Min	550	<b>\$38.00</b>	
		Avg	1,129	<b>\$83.78</b>	
		Max	2,200	<b>\$131.25</b>	

### Commercial Rent Reconciliation Adjustment Grid

<b>Details</b>	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Comp 7</b>
Tenant Name	Retail Tenant	Retail Tenant	Retail Tenant	Andiamo Cafe	Retail Tenant	Retail Tenant	Retail
Address	555 West 160th Street	550 West 145th Street	2794 Frederick Douglass Boulevard	1277 Saint Nicholas Avenue	520 West 145th Street	1328 Saint Nicholas Avenue	1627 Amsterdam Avenue
Date Signed	8/22/2023	7/26/2023	7/21/2023	7/19/2023	7/5/2023	7/2/2023	4/9/2023
Square Feet	550	1,835	719	800	1,000	800	2,200
Corner	mid-block	corner	mid-block	mid-block	mid-block	corner	corner
Lease Terms	modified gross	modified gross	modified gross	modified gross	modified gross	modified gross	modified gross
<b>Rent /SF</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Lease Terms Adjustment	0%	0%	0%	0%	0%	0%	0%
<b>Lease Terms Adjustment Sub-Total</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Market Conditions (Time)	0%	0%	0%	0%	0%	0%	0%
<b>Trended Rent/SF</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>
Square Feet	0%	0%	0%	0%	0%	0%	0%
Neighborhood	0%	0%	0%	0%	0%	0%	0%
Location	0%	0%	0%	0%	0%	0%	0%
Frontage	0%	0%	0%	0%	0%	0%	0%
Ceiling	0%	0%	0%	0%	0%	0%	0%
Corner	0%	0%	0%	0%	0%	0%	0%
Condition	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Adjusted Rent/SF Market Rent Conclusion</b>	<b>\$38.00</b>	<b>\$126.00</b>	<b>\$75.00</b>	<b>\$60.00</b>	<b>\$74.40</b>	<b>\$131.25</b>	<b>\$81.81</b>

#### Commercial Rent Comparables Reconciliation Discussion

Adjustments for the comparable units have been considered based on comparison to the subject for market, size, location, utility, condition, and lease terms. All adjustments are percentages. A positive adjustment indicates an inferior characteristic to subject. A negative adjustment indicates a superior characteristic to subject.

### Commercial Discussion

The indicated unadjusted range of the comparable commercial units is from \$38.00 per square foot to \$131.25 per square foot, with an average of \$83.78 per square foot and a median of \$75.00 per square foot.

Unit 4 was signed to a lease that began in July of 2022, while units 1 and 2 were all signed to new leases in 2023. Units 2 and 3, which is occupied by Pay-O-Matic, will operate on a month-to-month basis with the existing lease terms as ownership negotiates a new lease with the tenants for each unit upon expiry in March. Management has indicated that they intend to keep the tenant on a month to month basis. As it is undetermined how much time it will take to execute renewal leases for unit 3, we will apply the current in-place rent for these units. We also note that unit 2 is located in a corner space, and it is reasonable that the unit achieves a higher rent per square foot than the subject's other units, which are all located mid-block. Based on the information above, we forecast market rents of \$90 per square foot for unit 2, and \$65 per square foot for units 1, 3, and 4.

Local market participants have informed us that market lease terms have a modified gross structure in which the tenant pays for utilities, maintains their own unit, and is responsible for a proportionate share of property tax increases above a base year. The subject's leases all have terms that are market oriented.

The subject's leases are all market-oriented with regards to both rent and lease terms, and we apply these leases in our analysis.

The contract rents are based on the following expense structures:

Lease Structure											
#	Tenant	Use	Lease Status	Lease Terms	Rent Steps	Taxes	Electric	Insurance	Maintenance	Renewal Options	
1	Yu, Kingfei	Retail	Occupied	MG	Annual Increase of 3%	Shared	Tenant	Owner	Shared	-	
2	Agency LLC, Jewelz Santiago	Retail	Occupied	MG	-	Shared	Tenant	Owner	Shared	-	
3	Pay-O-Matic Corporation	Retail	Occupied	MG	-	Shared	Tenant	Owner	Shared	-	
4	Farmaco Drugs Inc.	Retail	Occupied	MG	Annual Increase of 3%	Shared	Tenant	Owner	Shared	-	

### Commercial Expense Reimbursement

Real Estate Taxes (Increase Over Base Year)							
Tenant	Base Year	Current Year Liability	Base Year Liability	Increase	Reimb. Share	Annual Reimb.	
Yu, Kingfei	2021	\$549,819.21	-	\$493,700.60 = \$56,118.61 x	6% =	\$3,367.12	
Agency LLC, Jewelz Santiago	2021	\$549,819.21	-	\$493,700.60 = \$56,118.61 x	5% =	\$2,805.93	
Pay-O-Matic Corporation	2015	\$549,819.21	-	\$156,412.00 = \$393,407.21 x	10% =	\$39,340.72	
Farmaco Drugs Inc.	2021	\$549,819.21	-	\$493,700.60 = \$56,118.61 x	10% =	\$5,611.86	
<b>Total Reimbursement</b>						<b>\$51,125.63</b>	

Suite 1, 2, and 4 reimburse taxes over the 2021/2022 base year to the respective proportions outlined above.

Pay-O-Matic Corporation, Suite 3, is also required for reimbursing taxes. We note that their lease will expire in March and management intends to roll this tenant over to month to month terms. We have applied the in place lease and current tax reimbursement.

According to our projections, the total real estate taxes reimbursement is \$51,125.63 per year. We have applied a vacancy and collection loss of 2% to this figure, aligned with the vacancy and collection loss applied for the base commercial income.

### Potential Gross Commercial Rent

#### Base Rent Plus Reimbursements

Base Rent Plus Reimbursements	Annual	PSF
Base Rent	\$252,934	\$67
Commercial Expense Reimbursement	\$51,126	\$14
<b>Total Gross Commercial Rent</b>	<b>\$304,060</b>	<b>\$81</b>

### Residential Vacancy and Collection Loss

CoStar reports the submarket rate near 2.29% and metro area rate near 2.56%. Based on 3657 Broadway's current and historical operating results, macro market conditions, and investor expectations, a 2.00% residential vacancy and collection loss has been applied. We note that the subject is 99% occupied with 1 vacant residential unit, but contains 75 rent stabilized residential units and 4 rent controlled residential units.

### Commercial Vacancy & Collection Loss

As indicated, retail vacancy in the subject's submarket is currently at approximately 7.07%, and the subject's specific location is excellent for retail space. Considering these factors, as well as investor expectations for retail vacancy and collection loss, we have applied a 2.00% vacancy and collection allowance to the retail income.

These conclusions also consider the fact that the tenant may vacate at some point during a five- or ten-year leasing cycle.

### Effective Gross Income Summary

#### Effective Gross Income

Potential Residential Income	\$2,185,809
Potential Retail Income	\$252,934
Potential Real Estate Taxes Reimbursement	\$51,126
<b>Potential Gross Income</b>	<b>\$2,489,869</b>
Less Residential V/C Loss @ 2.00%	-\$43,716
Less Retail V/C Loss @ 2.00%	-\$5,059
Less Real Estate Taxes V/C Loss @ 2.00%	-\$1,023
<b>Effective Gross Income</b>	<b>\$2,440,072</b>

### Operating Expense Analysis

We were provided with the following summarized operating expense information for the subject property. In developing our forecast of operating expenses, we considered the provided expense information as well as expense reports of comparable properties. The data, analyzed in terms of residential units and gross building area, is presented below.

## Owner's Operating Expense History

	Historical Expenses							
	2019 Actual				2020 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,252,546	\$20.22	\$28,513	\$6,104	\$2,140,456	\$19.21	\$27,094	\$5,801
<b>Operating Expenses</b>								
Real Estate Taxes	\$462,512	\$4.15	\$5,855	\$1,253	\$488,686	\$4.39	\$6,186	\$1,324
Insurance	\$38,903	\$0.35	\$492	\$105	\$77,329	\$0.69	\$979	\$210
Utilities	\$93,550	\$0.84	\$1,184	\$254	\$87,101	\$0.78	\$1,103	\$236
Water & Sewer	\$94,229	\$0.85	\$1,193	\$255	\$92,853	\$0.83	\$1,175	\$252
Repairs & Maintenance	\$61,231	\$0.55	\$775	\$166	\$39,325	\$0.35	\$498	\$107
Payroll & Benefits	\$273,825	\$2.46	\$3,466	\$742	\$275,205	\$2.47	\$3,484	\$746
General & Administrative	\$15,365	\$0.14	\$194	\$42	\$37,505	\$0.34	\$475	\$102
Management Fees	\$90,102	\$0.81	\$1,141	\$244	\$85,618	\$0.77	\$1,084	\$232
Replacement Reserves	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$1,129,717</b>	<b>\$10.14</b>	<b>\$14,300</b>	<b>\$3,062</b>	<b>\$1,183,622</b>	<b>\$10.62</b>	<b>\$14,983</b>	<b>\$3,208</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$667,205</b>	<b>\$5.99</b>	<b>\$8,446</b>	<b>\$1,808</b>	<b>\$694,936</b>	<b>\$6.24</b>	<b>\$8,797</b>	<b>\$1,883</b>

	2021 - 2022 Actual T12				2022 Annualized Historical			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,155,208	\$19.34	\$27,281	\$5,841	\$2,195,037	\$19.70	\$27,785	\$5,949
<b>Operating Expenses</b>								
Real Estate Taxes	\$502,392	\$4.51	\$6,359	\$1,361	\$511,619	\$4.59	\$6,476	\$1,387
Insurance	\$91,212	\$0.82	\$1,155	\$247	\$94,517	\$0.85	\$1,196	\$256
Utilities	\$100,762	\$0.90	\$1,275	\$273	\$139,308	\$1.25	\$1,763	\$378
Water & Sewer	\$95,166	\$0.85	\$1,205	\$258	\$100,799	\$0.90	\$1,276	\$273
Repairs & Maintenance	\$62,018	\$0.56	\$785	\$168	\$56,817	\$0.51	\$719	\$154
Payroll & Benefits	\$264,776	\$2.38	\$3,352	\$718	\$309,952	\$2.78	\$3,923	\$840
General & Administrative	\$55,331	\$0.50	\$700	\$150	\$56,495	\$0.51	\$715	\$153
Management Fees	\$86,208	\$0.77	\$1,091	\$234	\$87,802	\$0.79	\$1,111	\$238
Replacement Reserves	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$1,257,865</b>	<b>\$11.29</b>	<b>\$15,922</b>	<b>\$3,409</b>	<b>\$1,357,309</b>	<b>\$12.18</b>	<b>\$17,181</b>	<b>\$3,678</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$755,473</b>	<b>\$6.78</b>	<b>\$9,563</b>	<b>\$2,047</b>	<b>\$845,690</b>	<b>\$7.59</b>	<b>\$10,705</b>	<b>\$2,292</b>

	2023 Actual			
	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,613,553	\$23.46	\$33,083	\$7,083
<b>Operating Expenses</b>				
Real Estate Taxes	\$550,875	\$4.94	\$6,973	\$1,493
Insurance	\$80,461	\$0.72	\$1,018	\$218
Utilities	\$126,540	\$1.14	\$1,602	\$343
Water & Sewer	\$103,622	\$0.93	\$1,312	\$281
Repairs & Maintenance	\$53,410	\$0.48	\$676	\$145
Payroll & Benefits	\$299,298	\$2.69	\$3,789	\$811
General & Administrative	\$38,998	\$0.35	\$494	\$106
Management Fees	\$104,542	\$0.94	\$1,323	\$283
Replacement Reserves	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$1,357,746</b>	<b>\$12.19</b>	<b>\$17,187</b>	<b>\$3,680</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$806,871</b>	<b>\$7.24</b>	<b>\$10,214</b>	<b>\$2,187</b>

## Comparable Operating Expenses

	Basis & Totals					
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Average
State	NY	NY	NY	NY	NY	-
Expense Period	Annualized Historical	Actual T12	Actual T12	Actual T12	Annualized Historical	-
Expense Year	2023	2023	2023	2023	2022	-
SF	109,200	87,000	77,047	114,300	121,636	101,837
Units	157	98	72	121	111	112
Insurance	\$189,641	\$68,521	\$55,786	\$96,469	\$144,173	\$110,918
Utilities	\$185,230	\$119,750	\$71,811	\$124,739	\$144,436	\$129,193
Water & Sewer	\$184,001	\$108,693	\$76,299	\$112,615	\$114,572	\$119,236
Repairs & Maintenance	\$45,151	\$84,029	\$59,150	\$86,294	\$52,934	\$65,512
Payroll & Benefits	\$255,991	\$49,128	\$51,003	\$124,800	\$215,121	\$139,209
General & Administrative	\$56,177	\$19,443	\$21,521	\$13,471	\$32,204	\$28,563
Management Fees	\$116,345	\$55,842	\$38,756	\$72,665	\$72,207	\$71,163
Replacement Reserves	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$1,032,536</b>	<b>\$505,406</b>	<b>\$374,326</b>	<b>\$631,053</b>	<b>\$775,647</b>	<b>\$663,794</b>

	Per Square Foot					
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Average
Insurance	\$1.74	\$0.79	\$0.72	\$0.84	\$1.19	\$1.06
Utilities	\$1.70	\$1.38	\$0.93	\$1.09	\$1.19	\$1.26
Water & Sewer	\$1.68	\$1.25	\$0.99	\$0.99	\$0.94	\$1.17
Repairs & Maintenance	\$0.41	\$0.97	\$0.77	\$0.75	\$0.44	\$0.67
Payroll & Benefits	\$2.34	\$0.56	\$0.66	\$1.09	\$1.77	\$1.29
General & Administrative	\$0.51	\$0.22	\$0.28	\$0.12	\$0.26	\$0.28
Management Fees	\$1.07	\$0.64	\$0.50	\$0.64	\$0.59	\$0.69
Replacement Reserves	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$9.46</b>	<b>\$5.81</b>	<b>\$4.86</b>	<b>\$5.52</b>	<b>\$6.38</b>	<b>\$6.41</b>

## Per Unit

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Average</b>
Insurance	\$1,208	\$699	\$775	\$797	\$1,299	\$956
Utilities	\$1,180	\$1,222	\$997	\$1,031	\$1,301	\$1,146
Water & Sewer	\$1,172	\$1,109	\$1,060	\$931	\$1,032	\$1,061
Repairs & Maintenance	\$288	\$857	\$822	\$713	\$477	\$631
Payroll & Benefits	\$1,631	\$501	\$708	\$1,031	\$1,938	\$1,162
General & Administrative	\$358	\$198	\$299	\$111	\$290	\$251
Management Fees	\$741	\$570	\$538	\$601	\$651	\$620
Replacement Reserves	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$6,577</b>	<b>\$5,157</b>	<b>\$5,199</b>	<b>\$5,215</b>	<b>\$6,988</b>	<b>\$5,827</b>

## Per Room

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Average</b>
EGI	-	-	-	-	-	-
Insurance	\$514	\$186	\$151	\$261	\$391	\$301
Utilities	\$502	\$325	\$195	\$338	\$391	\$350
Water & Sewer	\$499	\$295	\$207	\$305	\$310	\$323
Repairs & Maintenance	\$122	\$228	\$160	\$234	\$143	\$178
Payroll & Benefits	\$694	\$133	\$138	\$338	\$583	\$377
General & Administrative	\$152	\$53	\$58	\$37	\$87	\$77
Management Fees	\$315	\$151	\$105	\$197	\$196	\$193
Replacement Reserves	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$2,798</b>	<b>\$1,370</b>	<b>\$1,014</b>	<b>\$1,710</b>	<b>\$2,102</b>	<b>\$1,799</b>

## Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

### Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$549,819 annually or \$4.93 per square foot.

### Insurance

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.35			
2020 Actual	\$0.69			
2021 - 2022 Actual T12	\$0.82			
2022 Annualized Historical	\$0.85			
2023 Actual	\$0.72			
Comparable		\$0.72	\$1.06	\$1.74
<b>Appraiser's Forecast</b>	<b>\$0.75</b>			

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. Based on the information above, we have projected this expense at \$0.75 per square foot, or \$83,565 annually. We place the most emphasis on the historical expenses.

### Utilities

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.84			
2020 Actual	\$0.78			
2021 - 2022 Actual T12	\$0.90			
2022 Annualized Historical	\$1.25			
2023 Actual	\$1.14			
Comparable		\$0.93	\$1.26	\$1.70
<b>Appraiser's Forecast</b>	<b>\$1.15</b>			

Based on the information above, we have projected this expense at \$1.15 per square foot, or \$128,133 annually. We place the most emphasis on the historical expenses.

### Water & Sewer

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$1,193			
2020 Actual	\$1,175			
2021 - 2022 Actual T12	\$1,205			
2022 Annualized Historical	\$1,276			
2023 Actual	\$1,312			
Comparable		\$931	\$1,061	\$1,172
<b>Appraiser's Forecast</b>	<b>\$1,300</b>			

Based on the information above, we have projected this expense at \$1,300 per unit, or \$102,700 annually. We place the most emphasis on the historical expenses.

### Repairs & Maintenance

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$0.55			
2020 Actual	\$0.35			
2021 - 2022 Actual T12	\$0.56			
2022 Annualized Historical	\$0.51			
2023 Actual	\$0.48			
Comparable		\$0.41	\$0.67	\$0.97
<b>Appraiser's Forecast</b>	<b>\$0.50</b>			

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. Based on the information above, we have projected this expense at \$0.50 per square foot, or \$55,710 annually. We place the most emphasis on the historical expenses.

### Payroll & Benefits

<b>Per Unit Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$3,466			
2020 Actual	\$3,484			
2021 - 2022 Actual T12	\$3,352			
2022 Annualized Historical	\$3,923			
2023 Actual	\$3,789			
Comparable		\$501	\$1,162	\$1,938
<b>Appraiser's Forecast</b>	<b>\$1,500</b>			

Payroll costs will cover building staff whose duties will include trash removal, common area cleaning and general maintenance. Payroll taxes and fringes cover state and federal taxes as well as benefits that building employees receive. Based on the information above, we have projected this expense at \$1,500 per unit, or \$118,500 annually. Ownership's payroll expenses tend to be above market, as they run other expenses such as office rents, through this category. The subject contains two units occupied rent free by the superintendents. Thus, we project a lower payroll expense.

### General & Administrative

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2019 Actual	\$0.14			
2020 Actual	\$0.34			
2021 - 2022 Actual T12	\$0.50			
2022 Annualized Historical	\$0.51			
2023 Actual	\$0.35			
Comparable		\$0.12	\$0.28	\$0.51
<b>Appraiser's Forecast</b>	<b>\$0.25</b>			

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. Based on the information above, we have projected this expense at \$0.25 per square foot, or \$27,855 annually.

### Management Fees

PSF Summary	Value	Low	Average	High
2019 Actual	\$0.81			
2020 Actual	\$0.77			
2021 - 2022 Actual T12	\$0.77			
2022 Annualized Historical	\$0.79			
2023 Actual	\$0.94			
Comparable		\$0.50	\$0.69	\$1.07
<b>Appraiser's Forecast</b>	<b>\$0.66</b>			

Typically, management fees for similar properties range from 2% to 6% of effective gross income. We have projected this expense at 3% of effective gross income, which equates to \$0.66 per square foot or \$73,202 annually.

### Replacement Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. We have projected this expense at \$200 per unit, or \$15,800 annually. This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. According to PWCs Q3 2022 National Apartment Investors Survey, an investors typical replacement reserves for multifamily apartments ranges from \$200 per unit to \$300 per unit.

### Total Operating Expenses

#### Per Square Foot

PSF Summary	Value	Low	Average	High
2019 Actual	\$5.99			
2020 Actual	\$6.24			
2021 - 2022 Actual T12	\$6.78			
2022 Annualized Historical	\$7.59			
2023 Actual	\$7.24			
Comparable		\$4.86	\$6.41	\$9.46
<b>Appraiser's Forecast</b>	<b>\$5.43</b>			

#### Per Unit

Per Unit Summary	Value	Low	Average	High
2019 Actual	\$8,446			
2020 Actual	\$8,797			
2021 - 2022 Actual T12	\$9,563			
2022 Annualized Historical	\$10,705			
2023 Actual	\$10,214			
Comparable		\$5,157	\$5,827	\$6,988
<b>Appraiser's Forecast</b>	<b>\$7,664</b>			

Operating expenses, exclusive of real estate taxes, were forecasted at \$5.43 per square foot and \$7,664 per unit. Excluding real estate taxes, the comparables ranged from \$4.86 to \$9.46 per square foot and \$5,157 to \$6,988 per unit. Our forecast is within the comparable range on a per square foot basis, but above the range on a per unit basis, which is appropriate due to the relatively large sizes of the subject's units. Further, our forecast is logically placed in relation to the historical performance of the asset. Thus, this forecast is reasonable and will be applied in our valuation analysis.

## Stabilized Income & Expenses

Pro Forma					
Pro Forma	\$	PSF	Per Unit	Per Room	% of PGI
<b>Income</b>					
Potential Residential Income	\$2,185,809	\$19.62	\$27,668	\$5,924	87.79%
Retail Income	\$252,934	\$2.27	\$3,202	\$685	10.16%
Potential Real Estate Taxes Reimbursement	\$51,126	\$0.46	\$647	\$139	2.05%
<b>Potential Gross Income</b>	<b>\$2,489,869</b>	<b>\$22.35</b>	<b>\$31,517</b>	<b>\$6,748</b>	
Less Residential V/C Loss @ 2.00%	-\$43,716	-\$0.39	-\$553	-\$118	1.8%
Less Retail V/C Loss @ 2.00%	-\$5,059	-\$0.05	-\$64	-\$14	-0.20%
Less Real Estate Taxes V/C Loss @ 2.00%	-\$1,023	-\$0.01	-\$13	-\$3	-0.0%
<b>Effective Gross Income</b>	<b>\$2,440,072</b>	<b>\$21.90</b>	<b>\$30,887</b>	<b>\$6,613</b>	<b>98.00%</b>
<b>Operating Expenses</b>					
Real Estate Taxes	\$549,819	\$4.93	\$6,960	\$1,490	22.53%
Insurance	\$83,565	\$0.75	\$1,058	\$226	3.42%
Utilities	\$128,133	\$1.15	\$1,622	\$347	5.25%
Water & Sewer	\$102,700	\$0.92	\$1,300	\$278	4.21%
Repairs & Maintenance	\$55,710	\$0.50	\$705	\$151	2.28%
Payroll & Benefits	\$118,500	\$1.06	\$1,500	\$321	4.86%
General & Administrative	\$27,855	\$0.25	\$353	\$75	1.14%
Management Fees	\$73,202	\$0.66	\$927	\$198	3.00%
Replacement Reserves	\$15,800	\$0.14	\$200	\$43	0.65%
<b>Total Operating Expenses</b>	<b>\$1,155,284</b>	<b>\$10.37</b>	<b>\$14,624</b>	<b>\$3,131</b>	<b>47.35%</b>
Total Expenses Excluding RE Taxes	\$605,465	\$5.43	\$7,664	\$1,641	24.81%
<b>Net Operating Income</b>	<b>\$1,284,788</b>	<b>\$11.53</b>	<b>\$16,263</b>	<b>\$3,482</b>	<b>52.65%</b>
Operating Expense Ratio	47%				

## Net Operating Income Comparison

	2018 Actual	2019 Actual	2020 Actual	2021 - 2022 Actual T12	2022 Annualized Historical	2023 Actual	Bowery Pro Forma
Effective Gross Income	\$2,187,128	\$2,252,546	\$2,140,456	\$2,155,208	\$2,195,037	\$2,613,553	\$2,440,072
Operating Expense							
Real Estate Taxes	\$408,103	\$462,512	\$488,686	\$502,392	\$511,619	\$550,875	\$549,819
Insurance	\$31,442	\$38,903	\$77,329	\$91,212	\$94,517	\$80,461	\$83,565
Utilities	\$95,660	\$93,550	\$87,101	\$100,762	\$139,308	\$126,540	\$128,133
Water & Sewer	\$90,202	\$94,229	\$92,853	\$95,166	\$100,799	\$103,622	\$102,700
Repairs & Maintenance	\$66,590	\$61,231	\$39,325	\$62,018	\$56,817	\$53,410	\$55,710
Payroll & Benefits	\$301,231	\$273,825	\$275,205	\$264,776	\$309,952	\$299,298	\$118,500
General & Administrative	\$40,380	\$15,365	\$37,505	\$55,331	\$56,495	\$38,998	\$27,855
Management Fees	\$87,485	\$90,102	\$85,618	\$86,208	\$87,802	\$104,542	\$73,202
Replacement Reserves	-	-	-	-	-	-	\$15,800
<b>Total Operating Expenses</b>	<b>\$1,121,094</b>	<b>\$1,129,717</b>	<b>\$1,183,622</b>	<b>\$1,257,865</b>	<b>\$1,357,309</b>	<b>\$1,357,746</b>	<b>\$1,155,284</b>
Total Expenses Excluding RE Taxes	\$712,991	\$667,205	\$694,936	\$755,473	\$845,690	\$806,871	\$605,465
<b>Net Operating Income</b>	<b>\$1,066,034</b>	<b>\$1,122,829</b>	<b>\$956,834</b>	<b>\$897,343</b>	<b>\$837,728</b>	<b>\$1,255,807</b>	<b>\$1,284,788</b>
Operating Expense Ratio	51%	50%	55%	58%	62%	52%	47%

## Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; and (3) Band of Investment.

### Band of Investment Technique

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

#### Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

#### Survey of Competitive Rates

Federal Funds Rate	5.25%-5.50%
5-year CD	5.00%-5.70%
10-year Treasury Bond	4.30%
30-year Treasury Bond	4.41%
Corporate Bonds (AAA)	5.10%

*Source: Federal Reserve Economic Data (FRED)*

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.30% suggesting mortgage rates of roughly 6.05% to 8.30%. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 65% of value at an annual interest rate of 6.5% and a 30-year payout. Therefore, the mortgage constant is 0.0758.

#### Equity Component

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

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

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

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

**Amount of Equity Investment Required-** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey from 2023 Q4 indicates an average equity dividend rate in 2023 Q3 of 9.59% and ranges from 4.66% to 13.63%.

#### Investor Surveys

<b>Survey</b>	<b>Type of Product</b>	<b>Equity Dividend Rates</b>
Realty Rates 3Q 2023	National Apartment Market	4.66% to 13.63% 9.59% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

An investor would likely accept an initial annual return of 2% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location in a good residential area, and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

#### Selected Loan Terms

<b>Typical Loan Terms</b>	<b>Value</b>
Mortgage Rate	6.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	65%
Equity Ratio	35%
Mortgage Constant	7.58%

#### Band of Investment

<b>Band of Investment</b>	<b>Value</b>
Mortgage Ratio	65%
Annual Mortgage Constant	x 7.58%
<b>Mortgage Component</b>	<b>4.93%</b>
Equity Ratio	35%
Equity Dividend Rate	x 2.00%
<b>Equity Component</b>	<b>0.70%</b>
<b>Indicated Overall Rate</b>	<b>5.63%</b>

## Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	GBA	Year Built	Sale Date	Capitalization Rate
1	75 Wadsworth Terrace, New York, NY	Multifamily	63,935	1925	11/17/23	6.38%
2	9 Post Avenue, New York, NY	Multifamily	42,064	1920	6/23/23	5.66%
3	4441 Broadway, New York, NY	Mixed-Use	20,988	1930	5/22/23	6.85%
4	401 Edgecombe Avenue, New York, NY	Multifamily	53,815	1920	5/18/23	5.00%
5	4300 Broadway, New York, New York	Mixed-Use	52,598	1955	4/21/23	7.00%
6	3856 Broadway, New York, NY	Mixed-Use	46,309	1909	3/31/23	6.98%
7	3900 Broadway, New York, New York	Mixed-Use	49,576	1925	3/31/23	7.10%
8	2 Adrian Avenue, New York, New York	Multifamily	75,642	1926	3/2/23	5.00%
<b>Avg</b>						<b>6.25%</b>

We analyzed sales of comparable mixed-use assets within the subject's periphery and they exhibit overall capitalization rates from 5.00% to 7.10% with an average of 6.25%. We have supplemented our capitalization rate comparables with additional comparables not used in our sales comparison approach. The additional rates are good indicators for capitalization rates for the subject and are recent, however, there are differences regarding the comparables which do not justify utilizing the comparable in the sales comparison approach (i.e. location, size, etc.).

## National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 8%, with an average between 5.1% and 5.59%.

## Summary

Survey	Low	Avg	High
Band of Investment	-	5.63%	-
PwC 4Q 2023	4.00%	5.59%	8.00%
Situs-RERC 3Q 2023	4.30%	5.10%	6.00%
Comparable Cap Rates	5.00%	6.25%	7.10%

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

## Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the comparable range for the subject property. Our opinion is based on:

- With respect to income, the subject is 99% occupied while the residential rent roll is operating at 73% of market rents, suggesting security to the cash flow, but limited potential for future income spikes.
- The asset is in average condition.
- While the subject's units are all rent stabilized or rent controlled, there are 19 units leased at market-oriented rents.
- The asset is in average condition, suggesting typical risk of unscheduled capital investment necessary during the holding period. Additionally, it is in a market where there has been continually strong demand for investment and capitalization rates have been continually strong.
- The subject's location on Broadway in a strong retail corridor lends itself to lower cap rates.
- The subject's 4 retail spaces are all occupied at market-oriented rents and lease terms.
- Overall, the cap rate comparables offer similar opportunities for net income spikes as the subject property. Additionally, the subject property and comparables are in similar locations overall.
- Further, the subject property and comparables are in similar condition overall, with a similar risk of necessary capital improvements during the holding period.
- The market cap rate per Costar's Upper Manhattan Multifamily Market is 4.80%.
- Per the Ariel Property Advisor's Multifamily Year in Review 2023, the average price per unit and price per square foot over the year for multifamily assets in Upper Manhattan with 75% or more rent stabilized units were \$150,329 and \$164, respectively.

An overall rate of 5.75% is applied in the analysis and in line with investor expectations. The value is calculated below:

#### Value Opinion Via the Income Capitalization Approach

	Date of Value	Value	Final Value (RD)
NOI		\$1,284,788	-
Cap Rate		5.75%	-
<b>As Is Fair Value Via the Income Capitalization Approach</b>	<b>December 31, 2023</b>	<b>\$22,344,139</b>	<b>\$22,300,000</b>

In consideration of the above analysis, the As Is Fair Value of \$22,300,000 reflects a unit value of \$200 per square foot. The final value is rounded to the nearest \$100,000.

## Sales Comparison Approach

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

The steps taken to apply this approach include the following: (a) research, confirm and verify all pertinent data for the most relevant sales within the defined market area; (b) analyze the sales considering appropriate adjustments for material difference in comparison to the subject property; and (c) reconcile the range of adjusted sale data into an opinion of value.

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



Comparable Sales Summary<sup>8</sup>

Address	Sale Date	Square Feet	Sale Price	Sale Price Per Square Foot	NOI Per Square Feet	Cap Rate
1 4441 Broadway, New York, NY	05/22/2023	20,988	\$3,200,000	\$152.47	\$9	6.08%
2 5008 Broadway, New York, NY	04/27/2023	48,576	\$10,600,000	\$218.21	\$16	7.30%
3 3900 Broadway, New York, NY	04/04/2023	49,576	\$9,152,823	\$184.62	\$12	6.35%
4 3856 Broadway, New York, NY	03/31/2023	46,309	\$10,947,177	\$236.39	\$17	6.98%

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.

## Comparable Sales Adjustment Grid

Comparable #	Subject	1	2	3	4
Address	3657 Broadway, New York, NY	4441 Broadway, New York, NY	5008 Broadway, New York, NY	3900 Broadway, New York, NY	3856 Broadway, New York, NY
Sale Date		05/22/2023	04/27/2023	04/04/2023	03/31/2023
SF	111,420	20,988	48,576	49,576	46,309
Year Built	1917	1930	1934	1925	1909
Condition	Average	Average	Good	Good	Good
Property Rights	Leased Fee Interest				
Sale Price		\$3,200,000	\$10,600,000	\$9,152,823	\$10,947,177
<b>Price Per Square Foot:</b>		<b>\$152</b>	<b>\$218</b>	<b>\$185</b>	<b>\$236</b>
Property Rights		0%	0%	0%	0%
Financing Terms	None	0%	0%	0%	0%
Conditions of Sale	None	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2023	0%	0%	0%	0%
<b>Cumulative Price Per Square Foot:</b>		<b>\$152</b>	<b>\$218</b>	<b>\$185</b>	<b>\$236</b>
Location	Hamilton Heights	0%	0%	0%	0%
Utility	N/A	0%	0%	0%	0%
Size	111,420	-10%	-5%	-5%	-5%
Rent Stabilization Level	100%	0%	0%	0%	0%
Condition	Average	0%	0%	0%	0%
<b>Net Adjustments</b>		<b>-10%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
<b>Adjusted Price Per Square Foot</b>		<b>\$137</b>	<b>\$207</b>	<b>\$175</b>	<b>\$225</b>

Unadjusted	Adjusted
Low	Low
Average	Average
High	High
Median	Median

<b>Property Rights Appraised</b>	The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required.
<b>Financing Terms</b>	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.
<b>Conditions of Sale</b>	Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.
<b>Market Conditions (Time)</b>	The purpose of this adjustment is to account for changes in market conditions. All comparables used in this analysis sold at a similar time; therefore, no adjustments were required.
<b>Location</b>	The subject property is located in the Hamilton Heights neighborhood of New York, New York. All comparables used in this analysis are in similar locations compared to the subject property. Therefore, no adjustments were required.
<b>Utility</b>	The subject is a mixed use, corner, elevatored building. It features a average quality kitchen, average living, average bedroom, and average bathroom area finishes.  We have considered corner vs. mid-block location, unit and property finishes, walk-up vs. elevator, unit and building amenities, and commercial space within the scope of the utility adjustment. All comparables used in this analysis have similar utility; therefore, no adjustments were required.
<b>Size</b>	This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per square foot such that smaller properties will sell for higher prices per square foot and vice versa. Comparables 1, 2, 3 and 4 warranted downward adjustments as they are significantly smaller than the subject.
<b>Rent Stabilization Level</b>	The subject is 100% rent regulated, of the 79 residential units, 75 are rent stabilized and 4 rent controlled units. No adjustments were necessary as the comparables have similar rent stabilization levels.
<b>Condition</b>	The subject property was constructed in 1917 and is in average condition. The comparables sold in similar condition to the subject, and no adjustment was warranted.

After adjustments, the comparable sales exhibited a range between \$137.22 per square foot and \$224.57 per square foot with an average of \$186.12 per square foot and a median of \$191.35 per square foot. We place the most emphasis on Comparables 3 and 4 due to their proximity. Thus, considering the elements of comparison noted above, our opinion of market value is \$200.00 per square foot.

**Value Opinion via the Sales Comparison Approach**

	Date of Value	Value	Final Value (RD)
Concluded Value Per Square Foot		\$200.00	-
Square Feet		111,420	-
<b>As Is Fair Value Via the Sales Comparison Approach</b>	<b>December 31, 2023</b>	<b>\$22,284,000</b>	<b>\$22,300,000</b>

The final value is rounded to the nearest \$100,000.

## Reconciliation & Final Value

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

Estimated Values			
Approach	Value	Date	Conclusion
Cost Approach	As Is Fair Value	N/A	Not Applied
Income Capitalization Approach	As Is Fair Value	December 31, 2023	\$22,300,000
Sales Comparison Approach	As Is Fair Value	December 31, 2023	\$22,300,000

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical depreciation and obsolescence affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis once a property is operating on a stabilized basis as its cost bears little relationship to the value; therefore, we exclude this approach from our analysis.

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

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of other approaches.

### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$22,300,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

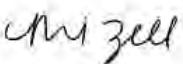
<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

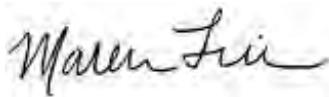
## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Michelle Zell, MAI and Maren Lewis, MAI have performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Jonathan Nathanson has made a personal inspection of the property that is the subject of this report on 02/28/2024. Michelle Zell, Maren Lewis and Jack Brandon have not made a personal inspection of the property that is the subject of this report.
- Jonathan Nathanson provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI and Maren Lewis, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



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## Addenda

### Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

## Subject Property Photos

All subject photos were taken on 02/28/24.

Building Facade



Subject Street



Subject Street



Exterior Entrance



Exterior Entrance



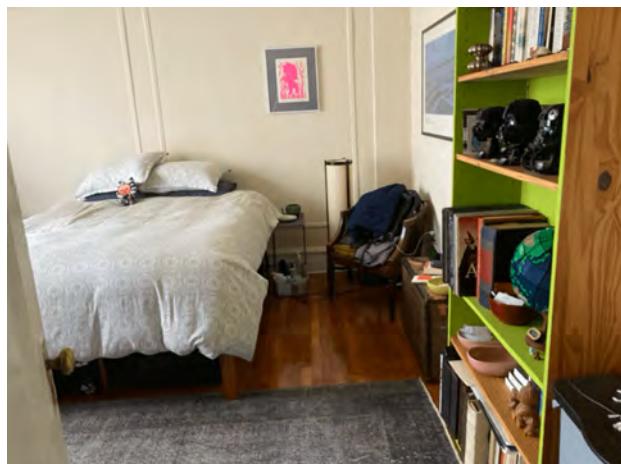
Typical Kitchen



Typical Bathroom



Typical Bedroom



Typical Living Room



Electric Meters



Gas Meters



Heating System



Roof



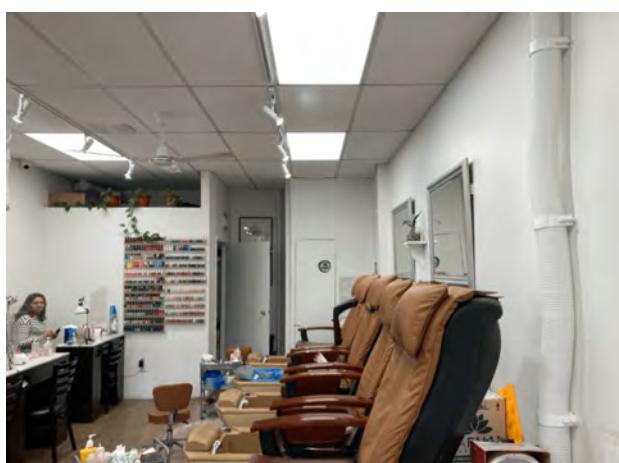
Roof



Roof



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



Commercial Space



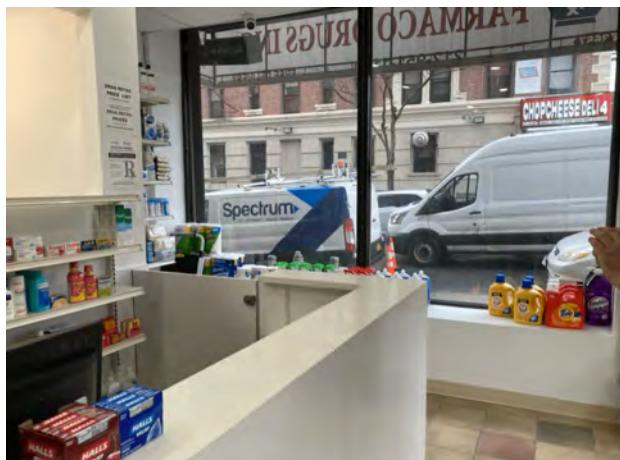
Commercial Space



Commercial Space



Commercial Space



Commercial Space

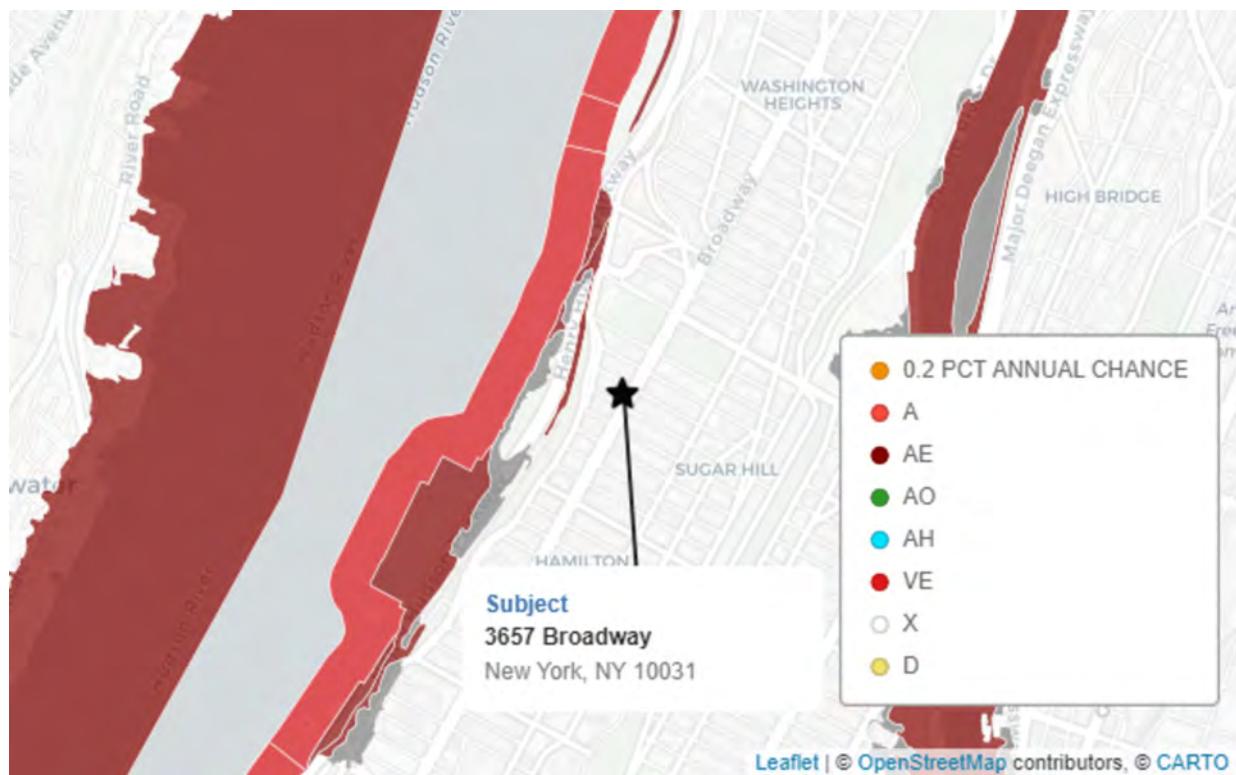


## Map Gallery

### Zoning Map



## Flood Map



## Rent Roll & Financial Statements

### 3657 Broadway

#	Unit #	Rooms	BDs	Rent Status	Monthly Rent	Rent / Room	Bowery Rent Estimate
1	001B	6	4	Rent Stabilized	\$2,138.56	\$356	\$3,700
2	001C	5	3	Rent Stabilized	\$3,298.93	\$660	\$3,100
3	001D	4	2	Rent Stabilized	\$1,256.66	\$314	\$2,750
4	001E	4	2	Rent Stabilized	\$2,526.94	\$632	\$2,750
5	001F	4	2	Rent Stabilized	\$2,695.39	\$674	\$2,750
6	001G	3	1	Rent Stabilized	\$1,946.01	\$649	\$2,250
7	002A	6	4	Rent Stabilized	\$1,301.26	\$217	\$3,700
8	002Ba	4	2	Rent Stabilized	\$3,125.00	\$781	\$2,750
9	002Bb	3	1	Rent Stabilized	\$2,611.09	\$870	\$2,250
10	002C	5	3	Rent Stabilized	\$2,152.56	\$431	\$3,100
11	002D	4	2	Rent Stabilized	\$2,461.43	\$615	\$2,750
12	002E	4	2	Rent Stabilized	\$2,518.24	\$630	\$2,750
13	002F	4	2	Rent Stabilized	\$2,550.17	\$638	\$2,750
14	002G	3	1	Rent Stabilized	\$2,209.03	\$736	\$2,250
15	002H	6	4	Rent Stabilized	\$2,057.26	\$343	\$3,700
16	003A	6	4	Rent Stabilized	\$2,151.37	\$359	\$3,700
17	003B	6	4	Rent Stabilized	\$3,135.84	\$523	\$3,700
18	003C	5	3	Rent Stabilized	\$1,402.13	\$280	\$3,100
19	003D	4	2	Rent Stabilized	\$2,835.00	\$709	\$2,750
20	003E	4	2	Rent Stabilized	\$2,022.22	\$506	\$2,750
21	003F	4	2	Rent Controlled	\$1,067.75	\$267	\$2,750
22	003G	3	1	Rent Stabilized	\$2,011.00	\$670	\$2,250
23	003H	6	4	Rent Stabilized	\$2,885.86	\$481	\$3,700
24	004A	6	4	Rent Stabilized	\$3,554.59	\$592	\$3,700
25	004B	6	4	Rent Stabilized	\$3,076.68	\$513	\$3,700
26	004C	5	3	Rent Stabilized	\$3,228.95	\$646	\$3,100
27	004D	4	2	Rent Stabilized	\$2,036.79	\$509	\$2,750
28	004E	4	2	Rent Stabilized	\$2,001.91	\$500	\$2,750
29	004F	4	2	Rent Stabilized	\$2,607.50	\$652	\$2,750
30	004G	3	1	Rent Stabilized	\$1,280.11	\$427	\$2,250
31	004H	6	4	Rent Stabilized	\$2,229.11	\$372	\$3,700
32	005A	6	4	Employee	\$0.00	\$0	\$3,700
33	005B	6	4	Rent Stabilized	\$3,227.82	\$538	\$3,700
34	005C	5	3	Rent Stabilized	\$1,057.27	\$211	\$3,100
35	005D	4	2	Rent Stabilized	\$1,027.74	\$257	\$2,750
36	005E	4	2	Rent Stabilized	\$2,617.90	\$654	\$2,750
37	005F	4	2	Rent Stabilized	\$2,835.00	\$709	\$2,750
38	005G	3	1	Rent Stabilized	\$2,474.63	\$825	\$2,250
39	005H	6	4	Rent Stabilized	\$3,184.13	\$531	\$3,700
40	006A	6	4	Rent Stabilized	\$3,733.94	\$622	\$3,700
41	006B	6	4	Rent Stabilized	\$1,312.17	\$219	\$3,700
42	006C	5	3	Rent Stabilized	\$1,012.82	\$203	\$3,100
43	006D	4	2	Rent Stabilized	\$2,046.50	\$512	\$2,750
44	006E	4	2	Rent Stabilized	\$2,580.96	\$645	\$2,750
45	006F	4	2	Rent Stabilized	\$1,682.23	\$421	\$2,750
46	006G	3	1	Rent Stabilized	\$1,193.71	\$398	\$2,250
47	006H	6	4	Rent Stabilized	\$3,259.83	\$543	\$3,700
48	007A	6	4	Rent Controlled	\$1,645.79	\$274	\$3,700
49	007B	6	4	Rent Stabilized	\$2,054.20	\$342	\$3,700
50	007C	5	3	Rent Stabilized	\$2,106.16	\$421	\$3,100
51	007D	4	2	Rent Stabilized	\$2,126.88	\$532	\$2,750
52	007E	4	2	Rent Stabilized	\$2,545.35	\$636	\$2,750

53	007F	4	2	Rent Stabilized	\$1,716.45	\$429	\$2,750
54	007G	3	1	Rent Stabilized	\$1,911.20	\$637	\$2,250
55	007H	6	4	Rent Stabilized	\$3,545.50	\$591	\$3,700
56	008A	6	4	Rent Controlled	\$1,657.66	\$276	\$3,700
57	008B	6	4	Rent Stabilized	\$2,152.39	\$359	\$3,700
58	008C	5	3	Rent Stabilized	\$1,917.66	\$384	\$3,100
59	008D	4	2	Rent Stabilized	\$2,142.89	\$536	\$2,750
60	008E	4	2	Rent Stabilized	\$1,106.93	\$277	\$2,750
61	008F	4	2	Rent Stabilized	\$2,695.34	\$674	\$2,750
62	008G	3	1	Rent Stabilized	\$2,095.98	\$699	\$2,250
63	008H	6	4	Rent Controlled	\$2,094.12	\$349	\$3,700
64	009A	6	4	Rent Stabilized	\$2,194.59	\$366	\$3,700
65	009B	6	4	Rent Stabilized	\$3,187.40	\$531	\$3,700
66	009C	5	3	Rent Stabilized	\$3,187.78	\$638	\$3,100
67	009D	4	2	Rent Stabilized	\$2,228.94	\$557	\$2,750
68	009E	4	2	Rent Stabilized	\$979.35	\$245	\$2,750
69	009F	4	2	Rent Stabilized	\$2,988.28	\$747	\$2,750
70	009G	3	1	Rent Stabilized	\$2,013.40	\$671	\$2,250
71	009H	6	4	Rent Stabilized	\$1,050.86	\$175	\$3,700
72	010A	6	4	Rent Stabilized	\$3,188.12	\$531	\$3,700
73	010B	6	4	Rent Stabilized	\$1,866.76	\$311	\$3,700
74	010C	5	3	Rent Stabilized	\$2,750.97	\$550	\$3,100
75	010D	4	2	Rent Stabilized	\$2,425.96	\$606	\$2,750
76	010E	4	2	Rent Stabilized	\$2,761.44	\$690	\$2,750
77	010F	4	2	Rent Stabilized	\$2,090.85	\$523	\$2,750
78	010G	3	1	Rent Stabilized	\$2,058.72	\$686	\$2,250
79	010H	6	4	Rent Stabilized	\$2,800.56	\$467	\$3,700
<b>Totals/Avg</b>		<b>369</b>	<b>211</b>		<b>\$176,910.47</b>	<b>\$479</b>	<b>\$240,900</b>
<b>Annual</b>					<b>\$2,122,925.64</b>		<b>\$2,890,800</b>

## Comparable Sales Outline

### Comparable Sale 1



#### Location Overview

<b>Street Address</b>	4441 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10040
<b>Property ID</b>	2180/505
<b>Neighborhood/District</b>	Washington Heights North

#### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	5,000 SF
<b>Year Built</b>	1930 est.	<b>Residential Units</b>	25
<b>Year Renovated</b>	1989	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	2
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	2,000 SF
<b>GBA</b>	20,988 SF		

#### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$3,200,000
<b>Sale Date</b>	5/22/2023	<b>Per Unit</b>	\$128,000
<b>Grantee</b>	Getty Industries, LLC	<b>Per SF</b>	\$152
<b>Grantor</b>	Broadway 4441, LLC	<b>Cap Rate</b>	6.08%
<b>Unique Sale ID</b>	25818435	<b>Property Rights</b>	Leased Fee Interest

#### Verification Source

<b>Contact Name</b>	Jordan Sutton	<b>Role</b>	Listing Broker
<b>Company</b>	Cushman & Wakefield	<b>Verification Date</b>	9/13/2023

### Appraiser Comments

This property is a six-story mixed-use building located at 4441 Broadway in the Washington Heights North neighborhood of New York City. The building, constructed in 1930, features 25 residential units and 2 commercial units with a total gross building area of 20,988 square feet. According to the Department of Finance, 17 of the units are rent stabilized and 8 are market rate. The property is equipped with an elevator and has a commercial area of 2,000 square feet. The site area is 5,000 square feet and is described as gross. The unit mix consists of primarily three-bedroom and four-bedroom units. Photos of the units show good interior finishes, with premium hardwood flooring and modern kitchen appliances. The building does not feature amenities. The property transacted for the price of \$3,200,000. The property rights transferred are leased fee interest. The indicated cap rate is 6.08%. The sale took place on May 22, 2023, and the buyer was Getty Industries, LLC, while the seller was Broadway 4441, LLC. The sale has been verified with public record, and the price per square foot is \$152.47, while the price per unit is \$118,518.52. The information is sourced from public records and CoStar. Details of the sale have been verified with Jordan Sutton from Cushman & Wakefield, who was the listing broker on the sale. He noted the transaction was arm's length and the property was fully occupied at the time of sale.

## Comparable Sale 2



### Location Overview

<b>Street Address</b>	5008 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10034
<b>Property ID</b>	2230/5
<b>Neighborhood/District</b>	Inwood

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	10,175 SF
<b>Year Built</b>	1934 est.	<b>Residential Units</b>	50
<b># Floors</b>	6	<b>Comparable Type</b>	Mixed-Use
<b>Building Type</b>	Elevator	<b>Commercial Units</b>	5
<b>GBA</b>	48,576 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$10,600,000
<b>Sale Date</b>	4/27/2023	<b>Per Unit</b>	\$212,000
<b>Grantee</b>	GETTY INDUSTRIES LLC	<b>Per SF</b>	\$218
<b>Grantor</b>	5008 BROADWAY LLC	<b>Cap Rate</b>	7.30%
<b>Unique Sale ID</b>	2023000106269	<b>Property Rights</b>	Leased Fee Interest

### Verification Source

<b>Contact Name</b>	Robert Shapiro	<b>Role</b>	Listing Broker
<b>Company</b>	Cushman & Wakefield	<b>Verification Date</b>	5/25/2023

### Appraiser Comments

This is the sale of a mixed-use building located in the Inwood neighborhood of New York City, NY. The property sold on April 27, 2023, for \$10,600,000, and features six floors, 50 residential units, and five commercial units. The building was constructed in 1934 and is estimated to be in good condition based on the reported renovation history. Of the 50 units, 8 are rent stabilized. The property is located on Broadway, a major thoroughfare that runs through the northern part of Manhattan. The street is home to a variety of retail shops, restaurants, and services. There are several parks nearby, including Inwood Hill Park, which offers hiking trails, sports fields, and playgrounds. The property is located near public transportation, including the 1 train and several bus lines. We verified the sale with Robert Shapiro of Cushman & Wakefield on May 25, 2023.

## Comparable Sale 3



### Location Overview

<b>Street Address</b>	3900 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10032
<b>Property ID</b>	2122/58
<b>Neighborhood/District</b>	Washington Heights South

### Property Information

<b>Property Name</b>	North Manhattan	<b>GBA</b>	49,576 SF
<b>Condition</b>	Good	<b>Site Area</b>	9,992 SF
<b>Year Built</b>	1925 est.	<b>Residential Units</b>	27
<b>Year Renovated</b>	1987	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	5
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	3,564 SF

### Sale Information

<b>Sale Status</b>	Transaction	<b>Per Unit</b>	\$338,993
<b>Sale Date</b>	4/4/2023	<b>Per SF</b>	\$185
<b>Grantee</b>	GPS 3900 LLC	<b>Cap Rate</b>	6.35%
<b>Grantor</b>	3900 Broadway Holding LLC	<b>Property Rights</b>	Leased Fee Interest
<b>Deed Sale Price</b>			\$9,152,823

### Verification Source

<b>Contact Name</b>	Seth Glasser	<b>Role</b>	Senior Vice President
<b>Company</b>	Marcus & Millichap	<b>Verification Date</b>	12/22/2022

### Appraiser Comments

This is the sale of a mixed-use, 6-story elevator building in Upper Manhattan. The building contains 27 residential units and 5 commercial units. The units are a mix of rent stabilized (18), rent controlled (1), and free market (8) units. Further, there are 5 three bedroom units, 15 four bedroom units, and 7 five bedroom units. One commercial unit is currently vacant. Property record lists the property as having 5 commercial units, but the offering memorandum only lists 3. The property has received nearly \$1.7 million in capital improvements since 2014, with money spent on the electric system, boiler, brick pointing, security camera, hallways, windows, and individual apartment improvements. The building is situated on a corner parcel with 100 feet of frontage on Broadway and on West 163rd Street. The sale was marketed by Seth Glasser and the NYM Team at Marcus & Millichap. According to Mr. Glasser and his team, the initial asking price was \$11,750,000. The property went into contract in December of 2022 and it closed in April of 2023 for a price of \$9,152,823. Data was confirmed with public record.

## Comparable Sale 4



### Location Overview

<b>Street Address</b>	3856 Broadway
<b>City</b>	New York
<b>State</b>	NY
<b>Zip</b>	10032
<b>Property ID</b>	2119/5
<b>Neighborhood/District</b>	Upper Manhattan

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	9,992 SF
<b>Year Built</b>	1909	<b>Residential Units</b>	39
<b>Year Renovated</b>	2014	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	6	<b>Commercial Units</b>	6
<b>Building Type</b>	Elevator	<b>Commercial Area</b>	5,303 SF
<b>GBA</b>	46,309 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$10,947,177
<b>Sale Date</b>	3/31/2023	<b>Per Unit</b>	\$280,697
<b>Grantee</b>	GPS 3850 LLC	<b>Per SF</b>	\$236
<b>Grantor</b>	3850 Broadway Holding LLC	<b>Cap Rate</b>	6.98%
<b>Unique Sale ID</b>	N/A	<b>Property Rights</b>	Leased Fee Interest

### Verification Source

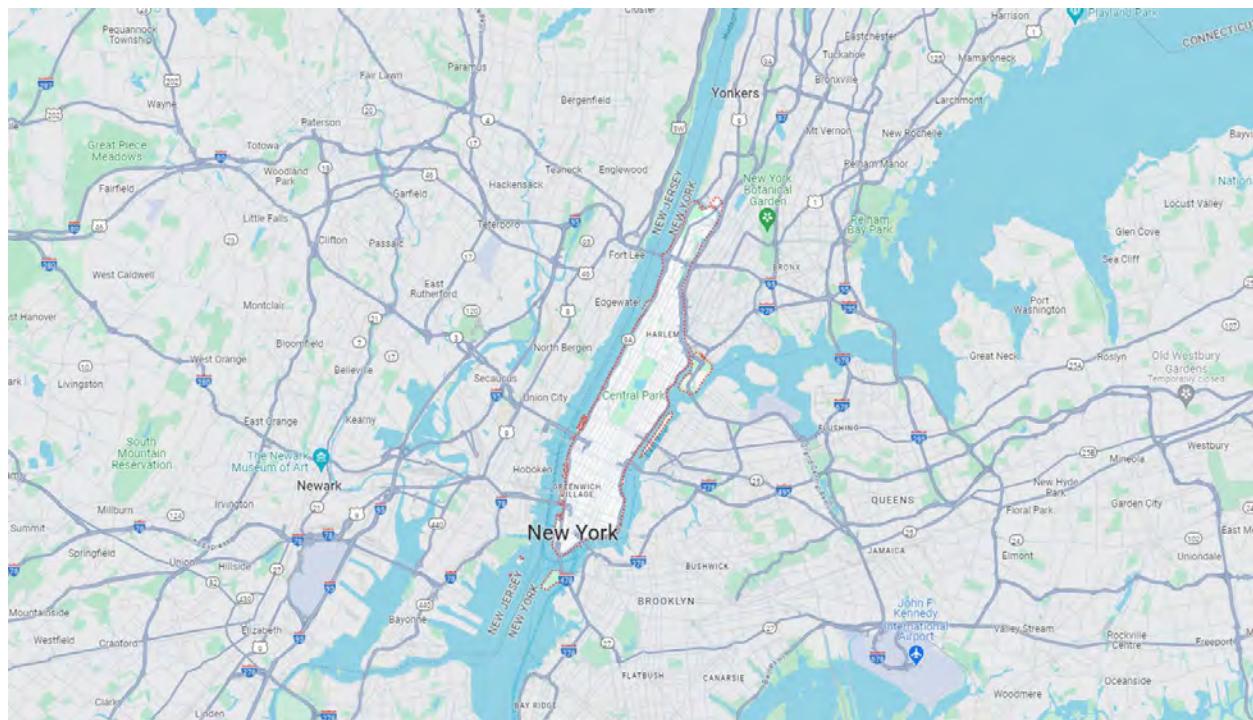
<b>Contact Name</b>	Seth Glasser	<b>Role</b>	Senior Vice President
<b>Company</b>	Marcus & Millichap	<b>Verification Date</b>	12/22/2022

### Appraiser Comments

This is the sale of a mixed-use, 6-story elevator building in Upper Manhattan. The building contains 39 residential units and 6 commercial units. The units are a mix of rent stabilized (31), rent controlled (3), and free market (5) units. Further, there are 3 studio units, 12 two bedroom units, 14 three bedroom units, 6 four bedroom units, and 4 five bedroom units. One commercial unit is currently vacant. The property has received more than \$2.1 million in capital improvements since 2014, with money spent on the roof, brick pointing, hallways, security camera, boiler, elevator, cooking gas, and individual apartment improvements. The building is situated on a corner parcel with 100 feet of frontage on Broadway and on West 161st Street. The sale was marketed by Seth Glasser and the NYM Team at Marcus & Millichap. According to Mr. Glasser and his team, the initial asking price was \$13,250,000. The property went into contract in December of 2022, and closed in March of 2023 for \$10,947,177. Data was confirmed with public record.

## New York County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2023 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

### New York County at a Glance

The subject property is located in New York County, New York. New York County (Manhattan) is one of the five boroughs of New York City, and the central part of the NY-NJ Metro area. New York County is the most densely populated and geographically smallest of the five boroughs of New York City. It is the urban core of the New York metropolitan area and serves as the city's economic and administrative center. It is the most densely populated of the five boroughs of New York City, and is located at the heart of the city, surrounded by the East River, the Hudson River, and the Harlem River. Manhattan is a highly urbanized area, characterized by its towering skyscrapers, bustling streets, and diverse neighborhoods. The economy of Manhattan is diverse and robust, with a strong emphasis on finance, media, technology, and the arts. Major employers in the area include JPMorgan Chase, Goldman Sachs, Citigroup, and NBC Universal, among others. The borough is also home to a thriving arts and entertainment scene, with numerous theaters, galleries, and museums, as well as numerous small businesses and independent retailers. Numerous colleges and universities are located in Manhattan, including Columbia University, New York University, Cornell Tech, Weill Cornell Medical College, and Rockefeller University, which have been ranked among the top 40 in the world. Housing options in Manhattan are limited, due to the high demand for living space in the densely populated borough. Housing options range from high-rise apartments and condominiums to townhouses and single-family homes and are characterized by high costs and limited availability. Despite its densely populated urban environment, Manhattan is also home to several large parks and open spaces, including the Central Park, the Battery Park, and the Riverside Park, all of which offer ample opportunities for residents to enjoy the great outdoors and to participate in a variety of recreational activities.

### Area Fundamentals

Attribute	County Level Value	5 Year Annualized Growth Rate	Relative to Baseline (MSA)
Employment	878,870	-0.9%	Slower than MSA
GDP	\$781.0 billion	2.0%	Faster than MSA
Population	1,596,273	-0.4%	Slower than MSA
Per Capita Personal Income	\$186,848	2.1%	Slower than MSA

### Labor Market Conditions

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 8,006,763 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 2,068,632 (25.6%), 1,611,109 (20.0%), and 1,530,596 (19.0%) private sector workers in the Metro, respectively.

#### MSA Private Employment Composition & Wages by Industry (2023 Q2)



Source: U.S. Bureau of Labor Statistics

The latest data from the 2023 Q2 Quarterly Census of Employment and Wages, New York County employed 2,381,344 employees. Establishments in the Professional & Business Services, Education & Health Services, and Financial Activities industries accounted for the top three employers. These industries employ 599,073 (25.0%), 440,478 (18.4%), and 413,574 (17.3%) workers in the County, respectively. New York County has an especially large share of workers in the Information industry. In fact, its 7.9% fraction of workers is 4.0 times higher than the National average.

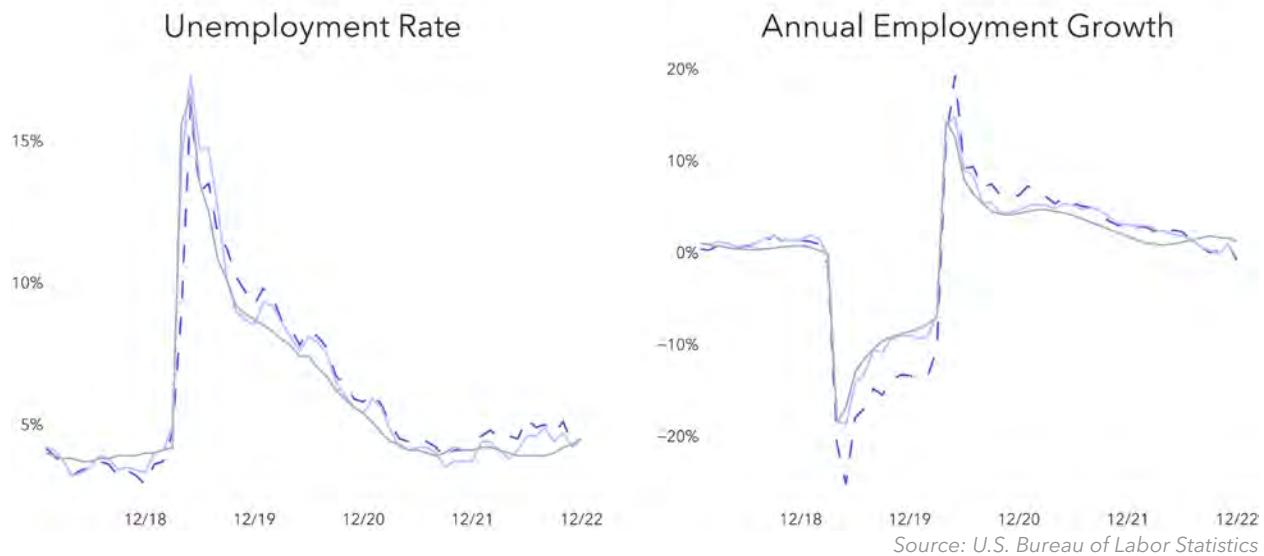
## County Employment Composition & Wages by Industry (2023 Q2)



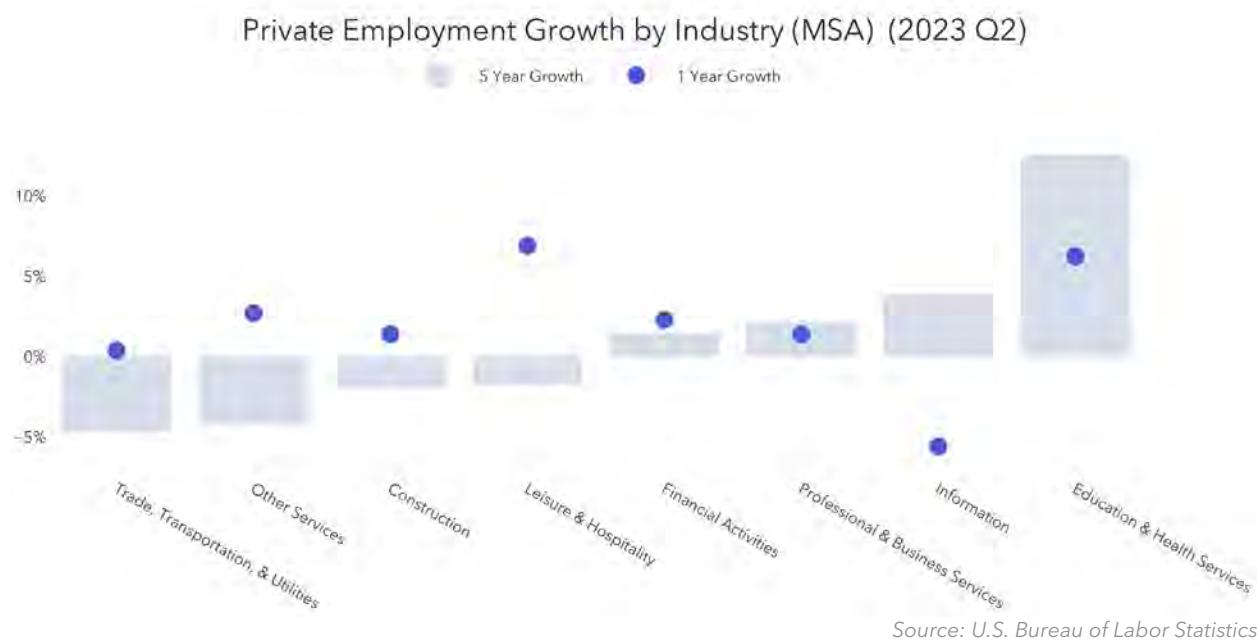
Source: U.S. Bureau of Labor Statistics

At the onset of the pandemic last spring, New York County area employers shed 21.5% of their workforce, expanding the unemployment rate from 3.7% in February 2020 to 9.0% just two months later. The unemployment rate in New York County has expanded over the past year to the current rate of 4.5%, equal to the New York-Newark-Jersey City rate. As of 12/23, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.7%.

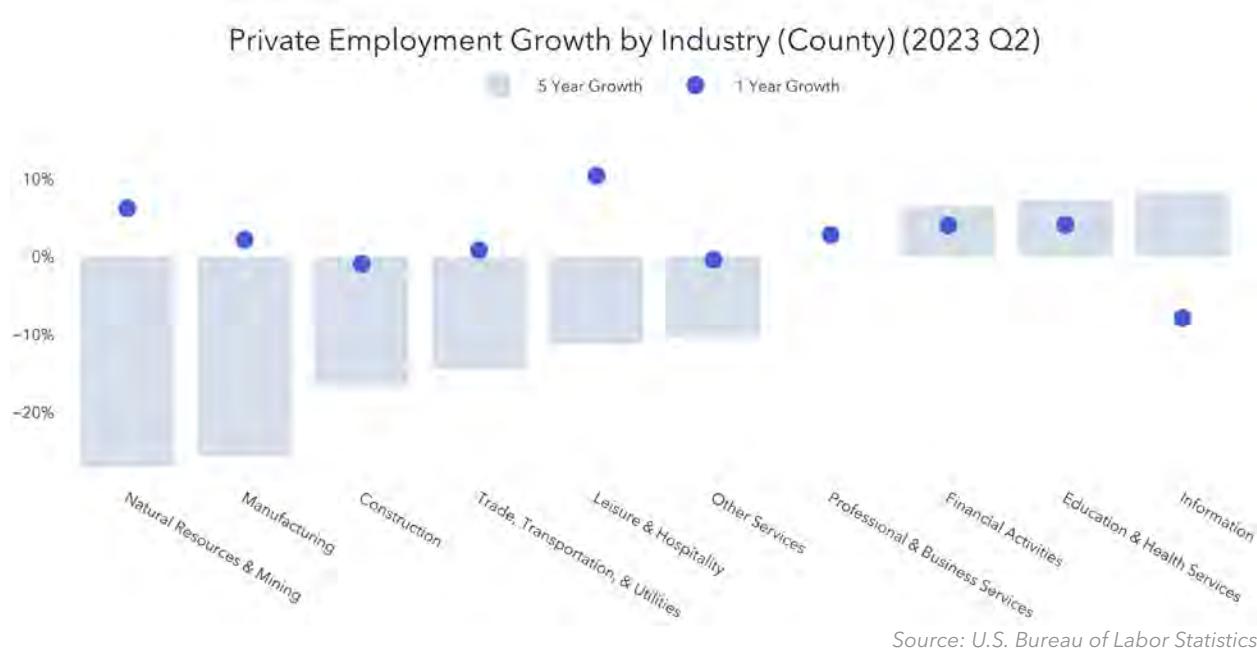
— New York County    — New York-Newark-Jersey City (MSA)    — New York



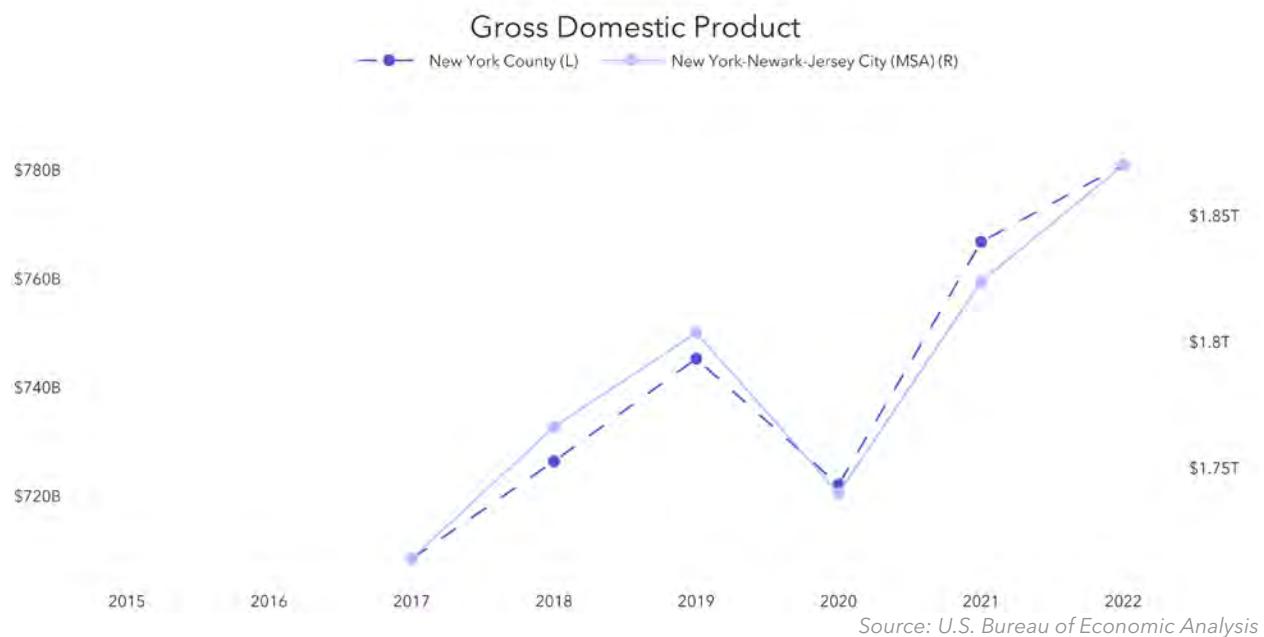
According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 2.7% (210,049) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 12.6%, 3.9%, and 2.2%, respectively. Meanwhile, the Trade, Transportation, & Utilities Industry has experienced employment collapse of 4.7% over the previous five years.



According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York County has experienced private employment compress 1.0% (-22,904) in total over the last five years. During that time, the Information, Education & Health Services, and Financial Activities industries saw the strongest growth, expanding 8.3%, 7.3%, and 6.4%, respectively. Meanwhile, the Natural Resources & Mining Industry has experienced employment collapse of 27.0% over the previous five years.

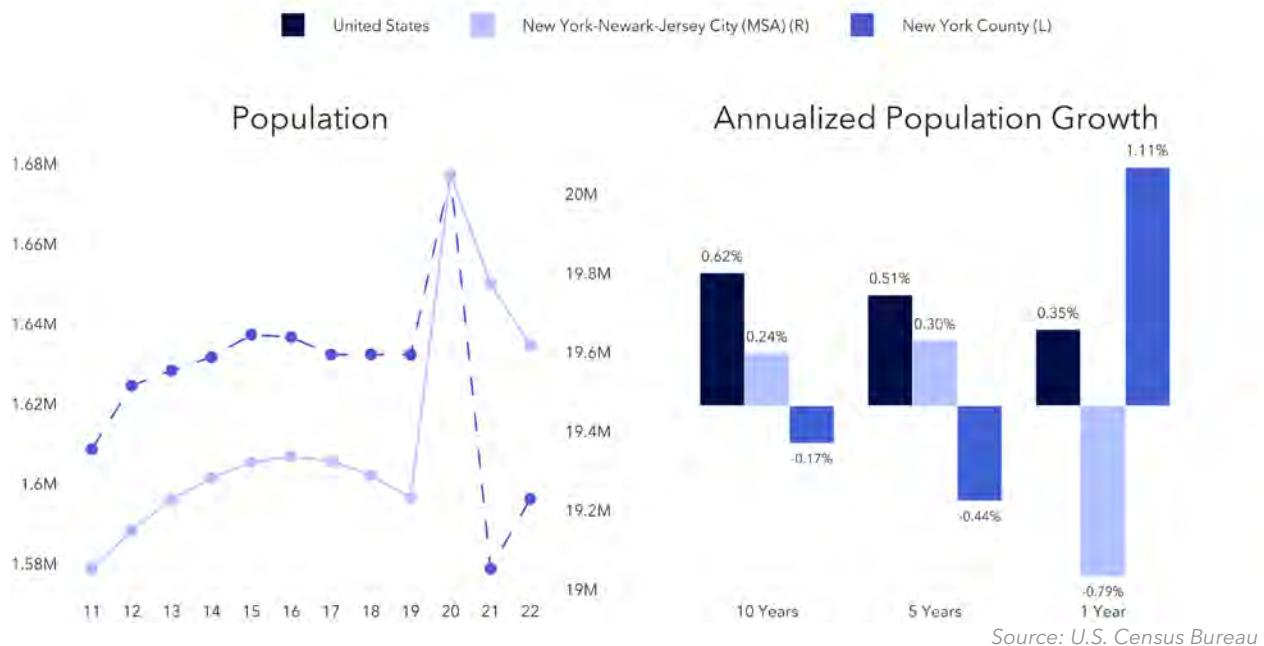


## Economic Production



## Demographics

Going back ten years, New York County's population has compressed 0.2% per annum to the 2022 count of 1,596,273. Over the past five years, growth has declined, contracting 0.4% per annum since 2017. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.



Going back five years, New York County residents' per capita personal income has expanded 2.1% per annum to the 2022 level of \$186,848. Over the past three years, growth has expanded, growing 3.5% per annum since 2019. This growth rate lags the Nation, which has expanded 6.0% per year over the last three years.



## Infrastructure

### Transportation Methods

- 🚗 The New York region's expressway network is extensive and includes four primary Interstate Highways: Interstate 78, Interstate 80, Interstate 87, and Interstate 95. Interstate 78 and Interstate 87, which have, respectively, their eastern and southern termini in the city, as well as Interstate 95 enter the city limits, while Interstate 80's eastern terminus is in Teaneck, New Jersey.
- /Subway The dominant mode of transportation in New York City is rail. The New York City Subway is the largest subway system in the world when measured by number of stations (472) and provides more than 100 stations in New York County along more than a dozen routes. New York City's commuter rail system is the most extensive in the United States, with about 250 stations and 20 rail lines serving more than 150 million commuters annually in the tri-state region. Commuter rail service from the suburbs is operated by two agencies. The MTA operates the Long Island Railroad on Long Island and the Metro-North Railroad in the Hudson Valley and Connecticut. New Jersey Transit operates the rail network west of the Hudson River. These rail systems converge at the two busiest train stations in the United States, Penn Station and Grand Central Terminal, both in Manhattan. Intercity service is provided by Amtrak, connecting to many cities in the Northeast Corridor, stretching from Washington, DC north through Baltimore, Philadelphia, Trenton, NYC, Stamford, New Haven, and Boston. The Port Authority Trans-Hudson (PATH) is a rapid transit system that links New York County to Jersey City, Hoboken, Harrison, and Newark, in New Jersey.
- /Bus Operated by the MTA, New York City and New York County have the largest bus system in the U.S. running 24/7 across the five boroughs encompassing 238 routes. There are several private bus companies providing transit within New York City and throughout the region.
- /Airplane Within the New York City metropolitan area, the airport system—which includes John F. Kennedy International Airport, LaGuardia Airport, Newark Liberty International Airport

## Housing

New York City recently eliminated the 421-a tax break program, which offset the high cost of building in New York. Previously buildings participating in the 421-a program must set aside 25% to 30% of their units for affordable housing at specified household income levels. About 90 percent of all residential construction in the city in the last decade received either 421-a or other tax breaks. The elimination of this program is one of the causes of limited new construction starts which will only further worsen the housing affordability crisis likely until a replacement has been put in place.

The subject property is located in New York City which has a number of housing regulations that could impact the property. In 2019, New York City enacted Local Law 97 to drive deep emissions cuts from buildings. Starting in 2024, Local Law 97 places emissions limits on most individual buildings greater than 25,000 square foot, and levies large fines for exceeding carbon caps. Each buildings carbon limit depends on its size, property type and compliance year. Based on todays energy performance, about 20 percent of properties are over the caps set for 2024, while about 76 percent of properties are over the caps set for 2030.

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

In New York County, Realtor.com data points to continued growth in values over the past year. As of 12/2023, the median home list price sits at \$1,675,000, an increase of 4.7% compared to an increase of 11.6% for the New York-Newark-Jersey City Metro, and an increase of 1.2% across the Nation over the past year. Despite the recent sharp rise in mortgage rates, the county median list price has experienced an increase of 1.8% over the past 3 months, compared to an increase of 3.2% for the New York-Newark-Jersey City Metro in the same period.



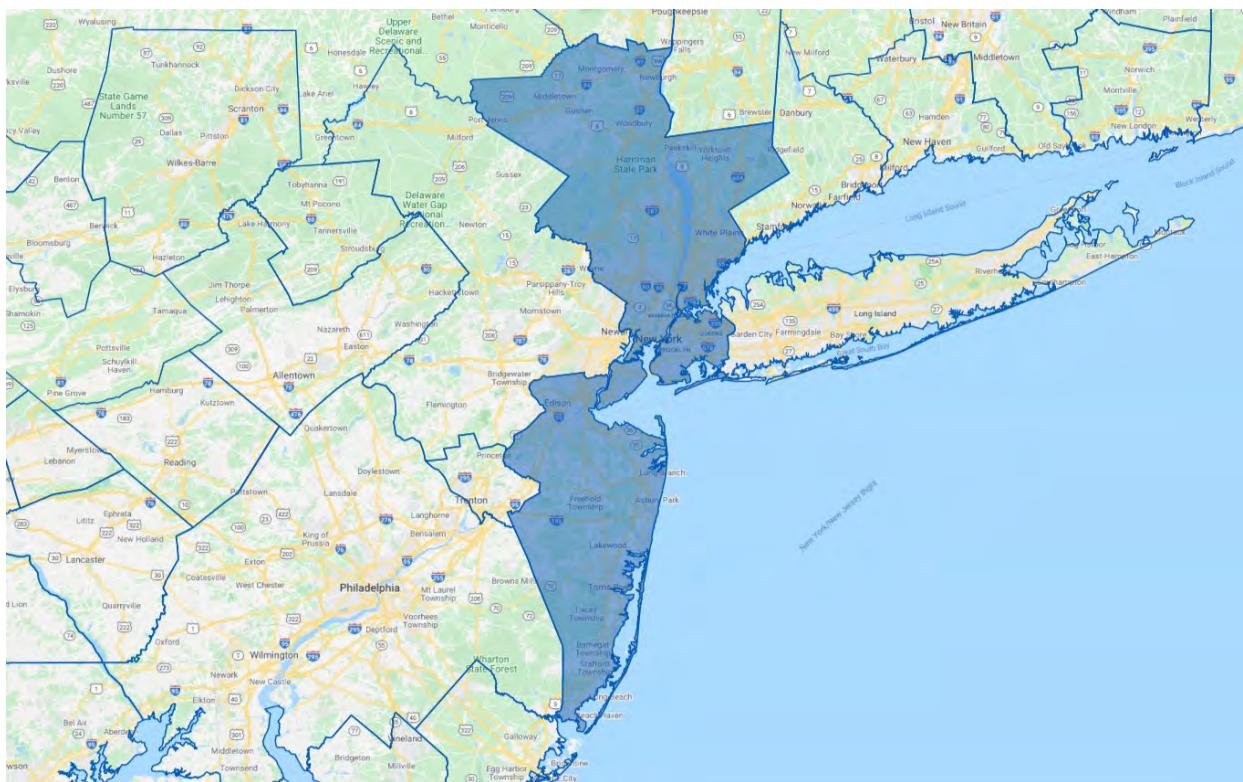
## Outlook

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

The current unemployment rate in New York County of 4.5% is below its five-year average. By contrast, that rate is also equal to the state rate of 4.5%, but above the national rate of 3.7%. Although New York County has experienced population decline of 0.4% per year annually over the past five years, growth has returned to positive levels with a most recent one-year growth rate of 1.1%. Despite its diversified economy, and its recently growing population, when considering its negative GDP growth over the five years prior to the pandemic, the county faces a large hurdle before it can be well positioned for near- and long term growth.

## New York: Multifamily Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Multifamily Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 1.5 million units of multifamily space. At the start of 2024, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate, at 2.6%, stands at near historic lows and remains the tightest among U.S. markets with at least 100,000 units. Clear signs exist, however, that the apartment market is slightly slowing down. Absorption totals have declined for the second consecutive year in 2023 as supply outpaced demand, with 23,300 units delivered, compared to 20,700 units absorbed over the past 12 months. While annual rent growth is positive at 2.0% no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -11.6% yoy, ultimately decreasing to \$396,924/unit.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/Unit	\$3,060	2.0%	0.0%	\$1,647	0.7%	-0.6%
Vacancy Rate	2.56%	14 bps	3 bps	7.56%	108 bps	29 bps
Net Absorption Units	5,430	24.9%	0.0%	71,148	1369.8%	-20.2%
Asset Value/Unit	\$396,924	-11.6%	-2.0%	\$236,627	-11.3%	-1.8%
Market Cap Rate	5.11%	60 bps	7 bps	5.88%	60 bps	6 bps
Transaction Count	202	-33%	-28%	2,834	-39%	-14%
Sales Volume	\$962,639,744	-64%	-49%	\$19,361,206,272	-52%	-24%

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

### Historical Multifamily Performance: New York Market

Period	Inventory Units	Under Construction Units	Net		Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Absorption Units 12 Mo				
2023 Q4	1,546,897	69,163	23,273	20,675	2.6%	\$3,060	\$396,924	5.11%
2023 Q3	1,540,793	65,063	22,324	19,592	2.5%	\$3,059	\$404,986	5.04%
2022	1,523,624	61,047	28,189	27,229	2.4%	\$3,001	\$448,930	4.50%
2021	1,495,434	53,619	20,482	37,182	2.4%	\$2,891	\$500,189	4.08%
2020	1,474,953	54,535	16,855	5,029	3.5%	\$2,711	\$452,896	4.35%
2019	1,458,098	51,286	20,406	19,614	2.8%	\$2,772	\$440,985	4.56%
2018	1,437,692	46,089	24,178	28,818	2.8%	\$2,721	\$425,682	4.65%
2017	1,413,514	49,922	29,519	25,829	3.1%	\$2,661	\$424,474	4.65%
2016	1,383,992	58,593	15,290	20,133	2.9%	\$2,637	\$413,297	4.70%
2015	1,368,699	54,585	14,648	12,573	3.3%	\$2,596	\$395,266	4.72%
2014	1,354,051	40,955	11,652	11,663	3.2%	\$2,520	\$365,570	4.89%

### Supply & Demand

The Market has 1.5 million units of multifamily space, and developers have added, net of demolitions, 202k units over the past ten years, increasing inventory by 15.0% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.2% to 2.6%. Renters continue to relocate here despite the exorbitant costs of living. Despite initial worries that a decline in office utilization would hamper the apartment market, it's apparent that the dining, culture, and arts scene in New York City are proving to be more influential drivers of demand for renters. The increase in hybrid work arrangements has instead greatly benefited submarkets located outside of New York City.

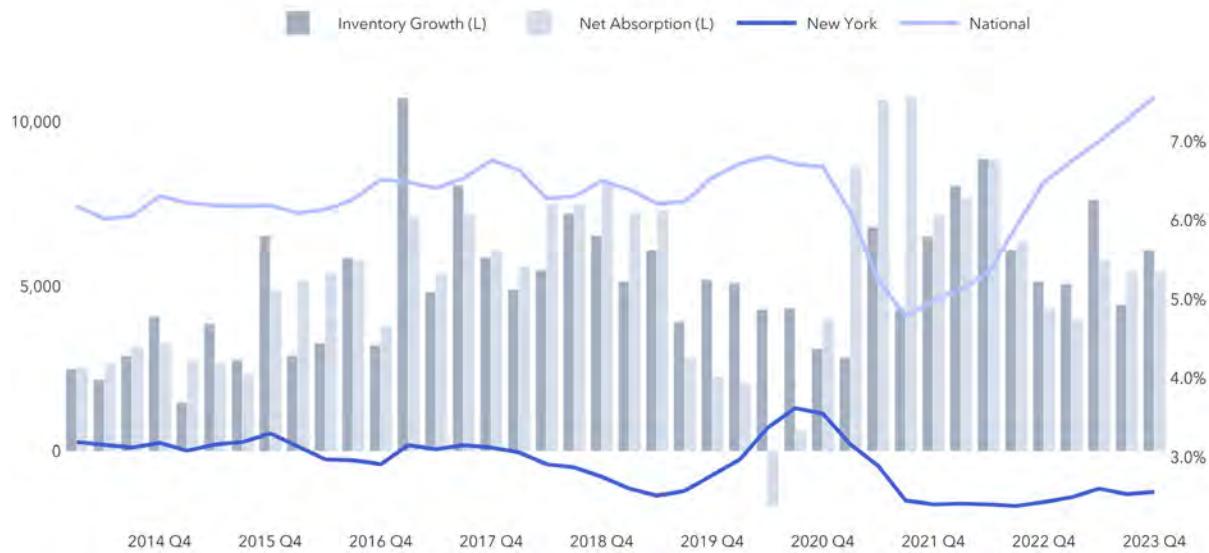
More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 14 bps over the past year from 2.4% to 2.6%, remaining below the 10-year average of 2.9%, and below the National average by 500 bps. In the fourth quarter, multifamily tenants in the Market absorbed 5.4k units, an increase from the 5.4k units absorbed in 2023 Q3, and an improvement from the 4.3k units absorbed in the same quarter last year.

Still, much of what is slated to be delivered is located in submarkets that are popular with renters and that have a history of absorbing new construction such as Brooklyn, Jersey City, and Long Island City. This creates a possibility that the vacancy rate may be relatively unchanged when compared over the long term. However, if a near-term recession were to come to fruition, submarkets that are less popular, have had a sizable amount of new projects deliver over the past year, and contain a fair amount of units under construction, such as those in the Bronx, Westchester County, and Bergen County, may drive vacancy expansion across the metro.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Class A	7.4%	10.0%	6.9%	8.5%	6.3%	6.1%	8.5%	6.0%	6.2%	6.2%	6.1%
Class B	3.2%	3.3%	3.1%	3.2%	2.9%	3.1%	3.7%	2.3%	2.3%	2.4%	2.5%
Class C	2.7%	2.6%	2.3%	2.3%	2.1%	2.0%	2.5%	1.7%	1.6%	1.7%	1.7%

## Absorption & Vacancy Rates



### Rents

At \$3,060/unit, rents in the New York Market are roughly 86% higher than the National average average of \$1,647/unit. Rents vary throughout the Market. Rents in popular submarkets in Manhattan and Brooklyn easily top \$4,000/month. A notable amount of submarkets located in the Bronx, Queens, and Westchester County continue to be considered value plays among renters as rent totals are below \$2,500/month. While these submarket rents are below the metro average, they are still more expensive than 90% of U.S. metro markets.

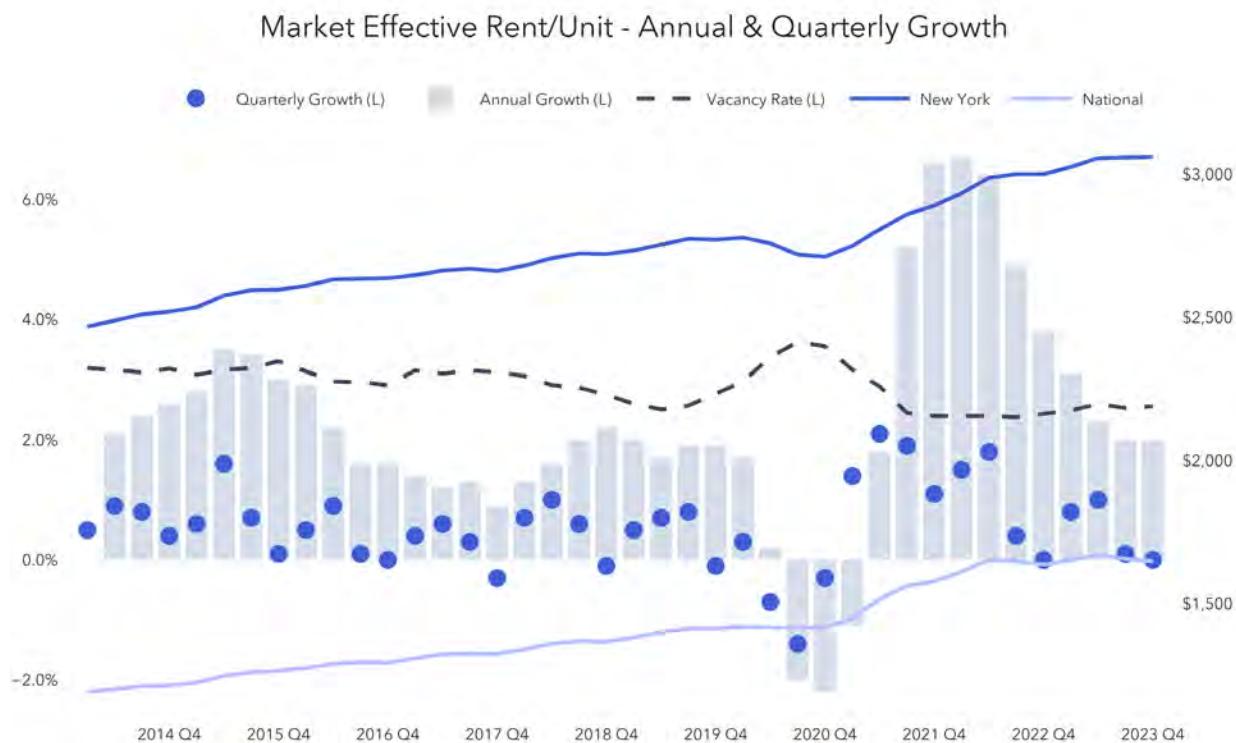
Class A apartment units are a premium with an average effective rent rate of \$4,124/unit, followed by \$3,266/unit for Class B and \$2,138/unit for Class C units. Rents in the Market have grown 2.4% per annum over the past decade, falling short of the National average, where rents increased 3.8% per annum during that time.

### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Class A	\$3,355	\$3,444	\$3,478	\$3,501	\$3,595	\$3,675	\$3,517	\$3,859	\$4,046	\$4,129	\$4,124
Class B	\$2,698	\$2,787	\$2,832	\$2,855	\$2,914	\$2,965	\$2,908	\$3,101	\$3,205	\$3,265	\$3,266
Class C	\$1,779	\$1,835	\$1,877	\$1,904	\$1,940	\$1,970	\$1,974	\$2,030	\$2,093	\$2,133	\$2,138

In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.7% in 2020 Q2. By the end of 2020, rents fell 2.2% from the 2019 Q4 rent level of \$2,772/unit. From 2019 Q4 to 2021 Q4, rents increased 4.3%. Quarterly rent growth in 2023 Q4 stalled, softening annual growth to 2.0%. At the start of 2024, the largest annual rent gains had occurred in submarkets located in New Jersey such as Hackensack/Teaneck, North Middlesex County, and Greater Bergen County.

Concessions are typically not part of the equation for much of the metro's apartment buildings. Still, there has been a slow but steady uptick in the number of buildings offering concessions over the past 12 months. By the close of December, an average of 24% of all multifamily properties in the New York area were offering some sort of concession, an increase from the 13% concession rate observed a year ago. This practice has largely been observed in recently completed buildings in an attempt to quickly stabilize occupancy levels, with up to two months of free rent offered. This can be seen as a response to the moderating absorption levels witnessed in recent quarters.

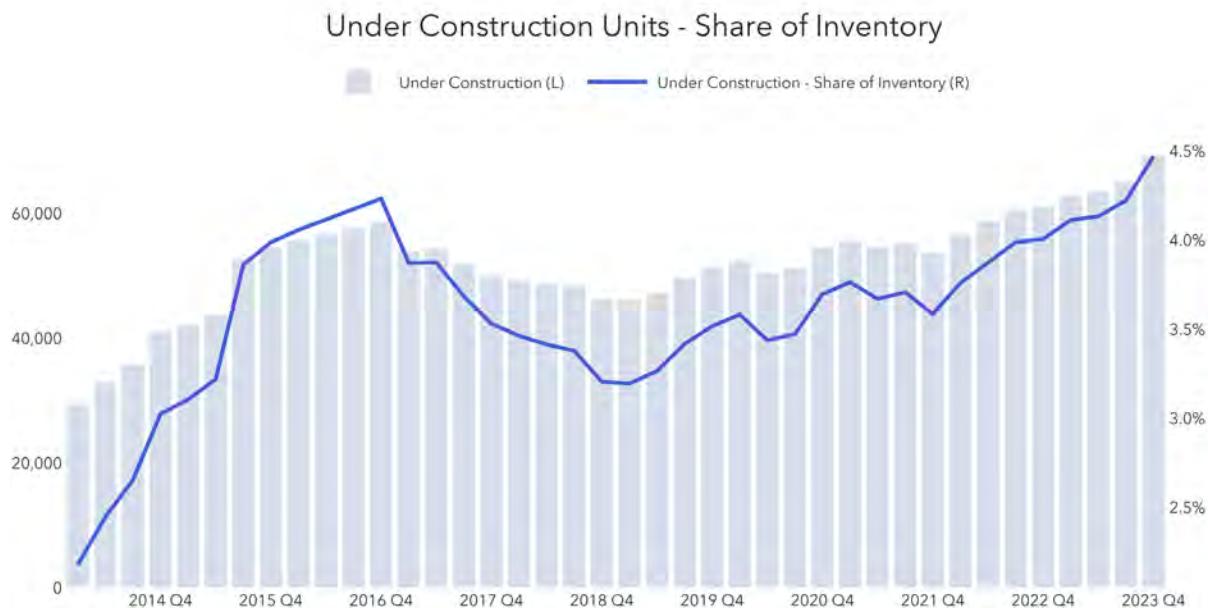


## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 209.1k units to the Market over that time, expanding inventory by 15.0%. Developers remain active in the Market despite elevated construction and debt costs. In fact, developers are currently active with 69.2k units, or the equivalent of 4.5% of existing inventory, underway. A significant amount of units are underway in Brooklyn and Long Island City. These are popular neighborhoods where a supply wave has been ongoing for more than five years as renters continue to target modern apartment buildings located just outside of Manhattan.

With construction costs, acquisition costs of development sites, and competition in popular submarkets all rising, development activity has spread to more suburban parts of the metro where lower barriers to entry exist. This has resulted in an influx of transit-oriented development built to attract renters who work in New York City, but would rather rent in a considerably more affordable building that has been recently built.

Submarkets utilizing this trend include those in Hudson County, where apartment buildings are located in proximity to NJ Transit lines, and in Westchester County, where new apartments are located within walking distance of Metro North train stations. However, proximity to mass transit is not the sole motivating factor. To further attract renters, recently delivered buildings are typically built to a high standard with modern amenity offerings that are geared towards health and wellness.



## Capital Markets

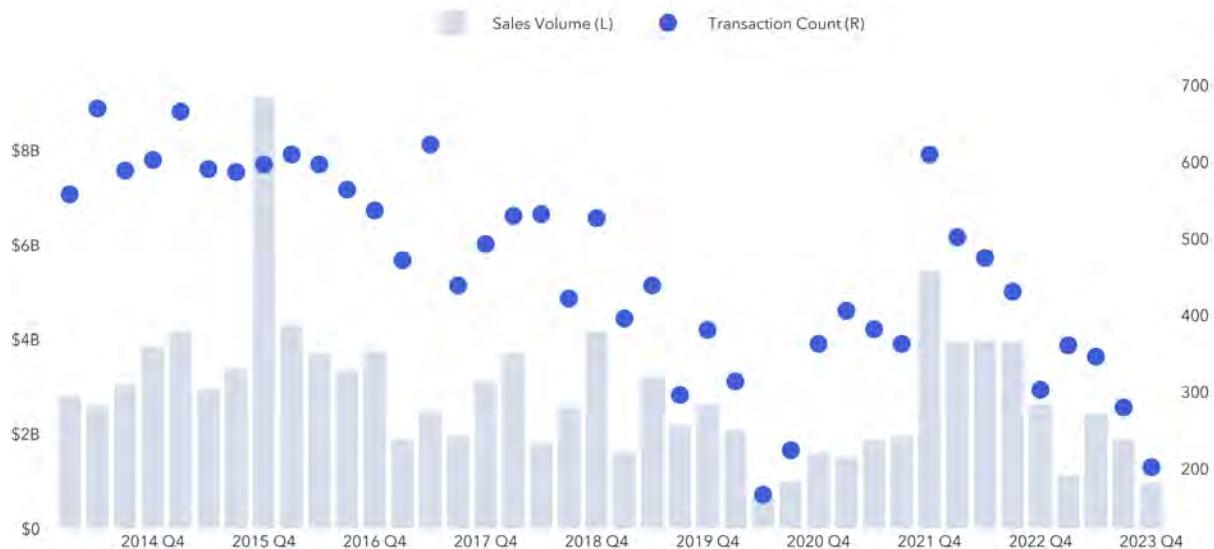
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average, 1,554 transactions per year with an annual average sales volume of \$10.6 billion. Over the past year, there were 1,189 closed transactions across 26.4k units, for a total sales volume of \$6.4 billion. As of 2023 Q4, CoStar data indicates there were 202 transactions for a total sales volume of \$962.6 million, compared to \$1.9 billion in the previous quarter.

Apartment buildings built within the past decade or that are located in popular renter neighborhoods in Brooklyn and Manhattan remain in heavy demand and are driving recent transaction activity. There is a growing desire to manage risk through owning better-quality assets where unexpected capital expenses are less likely or fear of absorption totals cratering is minimal.

An example of this was the \$402 million purchase of the Solow Tower Apartments, a 4 Star building with 322 units, by GO Partners. The pricing (\$1.2 million/unit) reflects the building's desirable location in Manhattan's Upper East Side, its 100% occupancy rate, and its substantial renovation performed in 2015. Similar characteristics were found in the sale of 8 Marcy Ave, a Class B property that sold for \$97 million or \$792,000/unit. The Carlyle Group was motivated by the building's location in Williamsburg, its brand-new build, and its 100% occupancy rate.

Some buyers have shown a willingness to transact on quality buildings located outside city limits at elevated valuation levels despite where interest rates currently are. This was witnessed during the \$115 million sale, or \$261,000/unit, of the Addison at Princeton Meadows in Plainsboro, NJ, and the \$151 million sale, or \$324,000/unit, of Mountain View Crossing in Wayne, NJ. In both instances, the buyers lauded the fact that the buildings were located in areas featuring both desirable demographics and high barriers to entry which should allow room for future rent growth.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$396,924/unit. Values have compressed 11.6% over the past year and continued to fall in the past quarter, decreasing 2.0% in 2023 Q4. Capitalization rates have increased 60 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

## Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the New York Market indicate strong demand, although it has fallen short of the pipeline. With vacancy rates increasing over the past year, rent growth has been minimal. Looking ahead to the near term, it is likely that tenant demand improves in early spring, with the slowing pipeline aiding absorption rates. Still, with market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Appendix

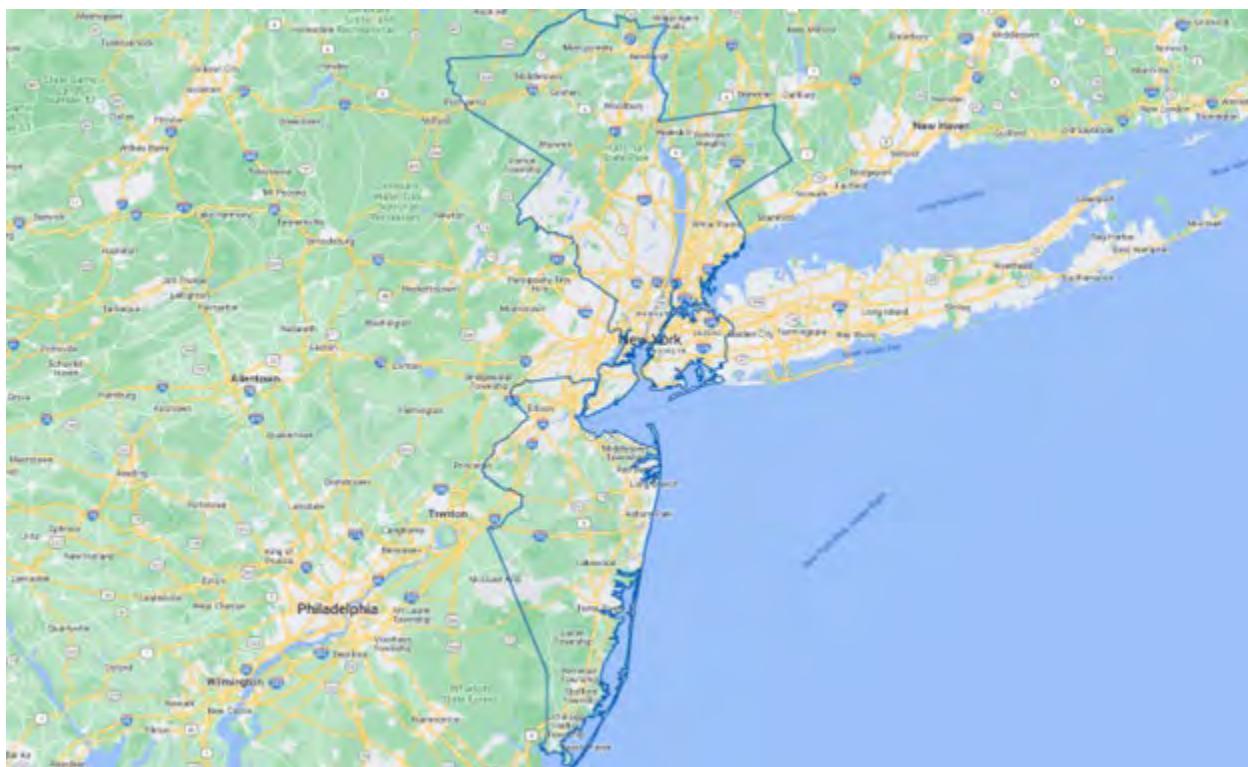
### New York Multifamily Market Overview

Submarket	Inventory Units	Vacancy Rate	Under Construction Units	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
West Bronx	92,775	0.5%	2,400	\$1,514	\$165,580	6.06%
South Bronx	66,132	3.5%	1,972	\$2,054	\$198,001	5.86%
Prospect Park	62,851	1.8%	4,174	\$2,851	\$372,573	5.03%
Flatbush	60,747	1.5%	887	\$2,025	\$252,244	5.13%
Upper East Side	58,301	2.2%	13	\$4,222	\$636,903	4.39%
Upper West Side	57,807	2.9%	294	\$4,928	\$669,020	4.44%
Upper Manhattan	55,318	1.0%	2,371	\$2,159	\$327,734	5.02%
Bushwick	51,907	2.6%	1,080	\$2,640	\$326,904	5.22%
Harlem	48,534	2.3%	624	\$2,436	\$374,537	4.80%
Central Queens	47,065	1.0%	1,239	\$2,148	\$273,269	5.13%
Northwestern Queens	41,280	1.0%	1,597	\$2,357	\$288,743	5.06%
Williamsburg	40,249	4.3%	4,203	\$4,116	\$533,912	4.82%
Southwest Brooklyn	39,195	1.5%	31	\$1,737	\$228,776	5.37%
North Middlesex County	36,293	4.4%	502	\$2,188	\$257,126	5.55%
East Village	33,907	1.5%	0	\$4,207	\$518,539	4.34%
Greater Hudson County	33,626	7.2%	2,845	\$2,440	\$315,360	5.68%
Yonkers/Mt Vernon/New Rochelle	32,949	4.5%	2,273	\$2,266	\$267,106	5.75%
Midtown West	32,576	3.1%	920	\$4,407	\$767,278	4.32%
South Shore Brooklyn	30,902	0.9%	1,504	\$1,918	\$277,933	4.98%
Lower West Side	29,945	2.5%	18	\$4,797	\$844,851	4.16%
Southeast Queens	27,270	2.4%	2,309	\$1,965	\$290,283	5.11%
Chelsea	27,050	3.5%	1,202	\$5,083	\$868,564	4.30%
Southeast Bronx	26,332	0.6%	50	\$1,556	\$168,634	5.80%
Downtown Brooklyn	26,017	3.2%	4,726	\$4,315	\$673,428	4.53%
Northeast Queens	25,980	1.4%	190	\$1,981	\$239,432	5.27%
Greater Bergen County	24,199	2.5%	1,038	\$2,191	\$263,554	5.34%
Jersey City Waterfront	23,569	2.9%	6,247	\$3,843	\$609,297	4.93%
Long Island City	23,241	3.7%	5,299	\$3,840	\$779,015	4.43%
East Monmouth County	22,968	2.3%	207	\$2,067	\$228,802	5.56%
East Harlem	22,294	4.7%	453	\$2,901	\$471,967	4.69%
North Hudson County	21,128	3.1%	704	\$2,910	\$300,589	5.68%
Jersey City/Journal Square	21,037	4.5%	5,381	\$2,649	\$450,015	5.15%
Passaic County	20,524	2.5%	401	\$1,908	\$202,719	6.02%
Murray Hill/Kips Bay	19,810	6.2%	0	\$4,548	\$683,054	4.37%
East Bronx	18,144	0.5%	416	\$1,548	\$164,651	6.01%
Midtown South	17,174	2.3%	85	\$4,806	\$794,965	4.39%
Turnpike West	16,540	3.7%	0	\$2,140	\$246,202	5.48%
Hackensack/Teaneck	15,376	4.3%	963	\$2,248	\$314,763	5.28%
Lower East Side	15,275	2.7%	845	\$4,095	\$676,109	4.27%
Midtown East	15,253	2.2%	291	\$4,728	\$753,503	4.45%
Financial District	14,723	5.1%	2,391	\$4,559	\$945,107	4.44%
Bergen County Waterfront	14,449	2.6%	415	\$3,024	\$370,522	5.25%
Turnpike East	13,923	4.6%	268	\$2,088	\$263,782	5.29%
East New York	11,649	0.4%	978	\$1,428	\$323,222	5.32%
North Ocean County	11,457	1.8%	560	\$1,821	\$207,435	5.46%
Hoboken	10,018	3.0%	216	\$4,072	\$405,350	5.44%
Northwest Bronx	9,583	1.0%	26	\$2,605	\$217,215	5.45%
Staten Island	9,543	1.1%	221	\$1,788	\$234,290	5.55%

Rockland County	9,121	5.0%	104	\$2,365	\$254,322	5.41%
Westchester County South	9,014	4.4%	18	\$2,786	\$283,472	5.25%
Westchester County North	8,620	4.8%	1,069	\$2,599	\$340,163	5.34%
South Shore Queens	8,390	1.9%	237	\$1,729	\$241,541	5.24%
Little Italy/Chinatown	7,957	1.7%	0	\$3,860	\$497,986	4.38%
White Plains	6,263	9.8%	1,891	\$3,008	\$548,895	4.74%
Middletown/Goshen	4,377	3.2%	224	\$1,935	\$205,594	5.54%
Outlying Orange County	4,150	1.9%	149	\$1,688	\$177,426	5.37%
Morningside Heights	4,133	2.7%	0	\$3,978	\$592,246	4.50%
Roosevelt Island	3,119	1.5%	357	\$3,959	\$648,912	4.33%
West Monmouth County	2,222	3.3%	285	\$2,424	\$295,227	5.23%
Newburgh	1,636	2.4%	0	\$1,990	\$205,815	5.41%
South Ocean County	1,010	3.3%	0	\$2,241	\$243,767	5.52%

## New York: Retail Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Retail Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 634 million square feet of retail space. Notwithstanding elevated inflation and economic uncertainty putting strain on retail sales, retail fundamentals remain strong, as retailers and service tenants pushed to expand their footprints. While inflation did cause consumers to shift from discretionary spending to necessities, signs of cooling inflation bode well for the sector. Also aiding the sector is a dwindling pipeline, which combined with strong tenant demand, kept vacancy rates stable. In the New York Market, demand has improved recently but vacancy rates are up compared to the same time last year. While rents are up 1.5% over the past year, they declined 0.4% in the latest quarter. With softening fundamentals, values decreased -0.1% over the past quarter, although annual growth remains positive, growing 1.6% to \$442/square feet.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	\$47.5	1.5%	-0.4%	\$24.75	3.4%	0.6%
Vacancy Rate	4.09%	2 bps	-5 bps	4.04%	-12 bps	-7 bps
Availability Rate	5.1%	-21 bps	-3 bps	4.8%	-9 bps	-8 bps
Net Absorption SF	734,690	1923.7%	12.4%	18,021,652	-19.4%	41.5%
Asset Value/SF	\$442	1.6%	-0.1%	\$250	2.7%	0.6%
Market Cap Rate	5.98%	3 bps	3 bps	6.79%	-0 bps	0 bps
Transaction Count	453	-37%	-11%	8,352	-30%	-7%
Sales Volume	\$1,280,282,368	-2%	41%	\$12,666,107,904	-38%	1%

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

#### Historical Retail Performance: New York Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2023 Q4	633,985,247	2,594,772	1,374,029	1,172,529	4.1%	5.1%	\$47.50	\$440	5.98%
2023 Q3	633,543,224	3,074,760	667,281	474,144	4.1%	5.1%	\$47.69	\$440	5.95%
2022	632,611,218	3,210,217	-278,671	-543,161	4.1%	5.3%	\$46.81	\$432	5.94%
2021	632,884,205	2,712,040	786,256	1,790,753	4.0%	5.5%	\$45.57	\$419	5.96%
2020	632,086,303	2,866,507	2,724,101	-1,750,705	4.2%	6.1%	\$44.49	\$403	6.01%
2019	629,345,714	4,235,308	3,865,628	2,802,725	3.5%	5.2%	\$44.45	\$395	6.07%
2018	625,405,020	8,079,820	2,110,029	3,758,462	3.3%	5.0%	\$43.68	\$384	6.11%
2017	623,211,870	7,013,410	1,762,265	1,487,282	3.6%	5.3%	\$43.09	\$377	6.11%
2016	621,440,167	6,469,516	2,888,834	5,210,669	3.6%	5.4%	\$42.20	\$367	6.08%
2015	618,547,117	6,315,031	2,050,344	3,967,835	4.0%	6.0%	\$41.37	\$361	6.01%
2014	616,496,773	4,719,056	2,116,273	5,111,721	4.3%	6.3%	\$40.13	\$332	6.29%

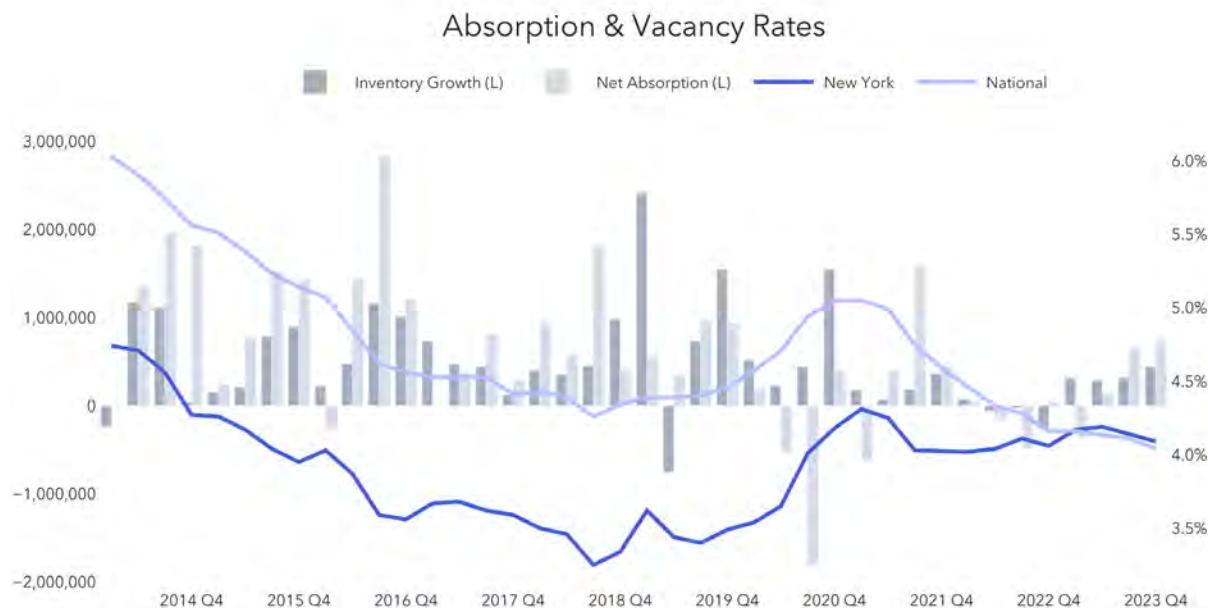
#### Supply & Demand

New York's retail recovery has continued onward into the start of 2024, buoyed by steady leasing activity and dwindling availability. The Big Apple, in particular, continues to benefit from improving business conditions. The New York City Economic Development Corporation reported that 2022 saw the highest rate of business growth over the past five years, with retailers continuing to take advantage of what has become a more tenant-favorable market due to rising foot traffic and lower retail rents. This has resulted in a fair amount of leasing by tenants in the dining and apparel sectors in storefronts sized below 5,000 SF. Market participants have stated that the competition for highly visible storefronts in prime shopping corridors like Fifth Avenue, Madison Avenue, SoHo, and the West Village has intensified, with a spillover effect into nearby corridors beginning to unfold as some retailers have become priced out by the few available storefronts.

Luxury apparel retailers continue to have a moment as these sought-out corridors attract clientele with high net worths. Hermès, Valentino, Louis Vuitton, and Burberry have all expanded their presence in Manhattan over the past year. Rolex is in the process of redeveloping its headquarters at 665 Fifth Ave, constructing a four-story experiential flagship at the base. Large deals continue to take place in New York City, as well. Among fitness tenants, Chelsea Piers Fitness (72,000 SF) and Life Time Fitness (53,000 SF) have recently expanded their footprints. Grocers such as Primark (54,000 SF) and H Mart (63,000 SF) have also been active in the leasing market.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	5.6%	5.1%	4.6%	4.4%	4.3%	4.5%	5.0%	4.6%	4.2%	4.1%	4.0%
Market	4.3%	4.0%	3.6%	3.6%	3.3%	3.5%	4.2%	4.0%	4.1%	4.1%	4.1%



## Rents

At \$47.50/SF, rents in the New York Market are roughly 92% higher than the National average of \$24.75/SF. Among the top 20 most expensive submarkets in the U.S., nearly all are located within Manhattan. While relatively expensive compared to the national average, rents vary significantly within the submarkets themselves. Retail spaces on high-traffic corridors command a sizable premium of more than \$500/SF while spaces located on less-trafficked side streets can rent for more than \$100/SF.

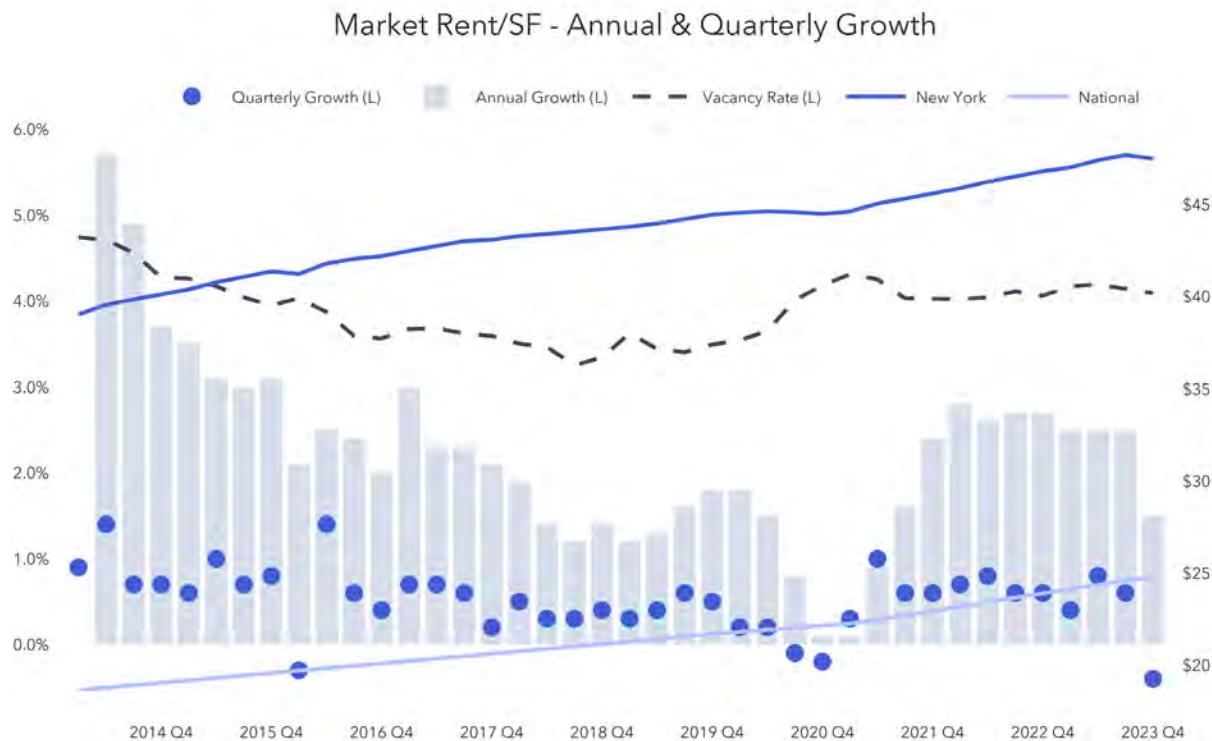
The Times Square Submarket has the highest average rent in New York, approaching \$300/SF, to go along with receiving the most foot traffic in New York. Recently signed leases by Van Leeuwen Ice Cream and Mario Acari achieved rents topping \$700/SF. Rents here are driven up by ultra-high prices in the tourism-friendly Bowtie area, the intersection of Broadway and Seventh Avenue.

Market participants note that the past peak of retail rents, when rents in SoHo and Madison Avenue regularly topped \$1,000/SF, is unlikely to return, as many retailers anticipate issues such as store theft and high buildout costs to compress their brick-and-mortar margins. Recent deals in this corridor, such as Rains (\$700/SF) and Fabrique Bakery (\$620/SF), highlight the still expensive, but declining rent premiums witnessed.

## Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$19.04	\$19.58	\$20.06	\$20.64	\$21.17	\$21.71	\$22.12	\$22.92	\$23.93	\$24.61	\$24.75
Market	\$40.13	\$41.37	\$42.20	\$43.09	\$43.68	\$44.45	\$44.49	\$45.57	\$46.81	\$47.69	\$47.50

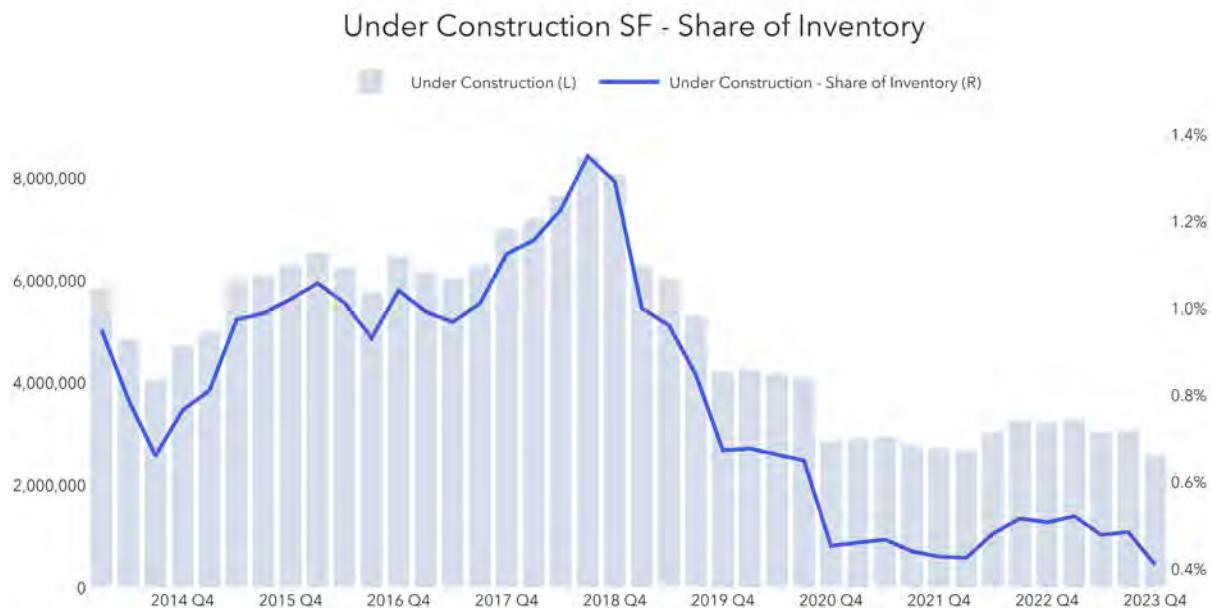
Prior to the pandemic, the New York Retail Market experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Market accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 1.8%. Despite concerns over the pandemic, quarterly rent growth improved in 2020 Q2, increasing 0.2% in 2020 Q2. By the end of 2020, rents increased 0.1% from the 2019 Q4 rent level of \$44.45/SF. From 2019 Q4 to 2021 Q4, rents increased 2.5%. Quarterly rent growth in 2023 Q4 declined, with annual growth slowing to 1.5%.



### Construction & Future Supply

New York has among the largest retail supply pipelines among all U.S. metros, at 2.2 million SF. It should be noted that construction activity has moderated considerably in recent years. A few large projects are underway, such as Life Time Fitness adding a new 120,000-SF location in Red Bank, New Jersey, which are not of the speculative variety. Coupled with the fact that much of what is under construction is sized between 30,000 SF and 100,000 SF, a minimal impact on future occupancies is anticipated.

The largest project underway is Glenwood Greens, a 360,000-SF shopping center in Old Bridge, New Jersey, being developed by Regency Centers. The project appears to be leasing up ahead of its 2024 delivery, with large commitments made by Target (134,000 SF), Rendina (72,000 SF), and Shoprite (80,000 SF.) However, not all projects are witnessing the same level of success, as evidenced by a 303,000-SF retail site in South Brooklyn at 1504 Coney Island Ave., which is due to deliver in 2024 and is largely available for lease. The sheer size of the site which is located in a more middle-income residential community is largely at fault for the underwhelming leasing performance.



## Capital Markets

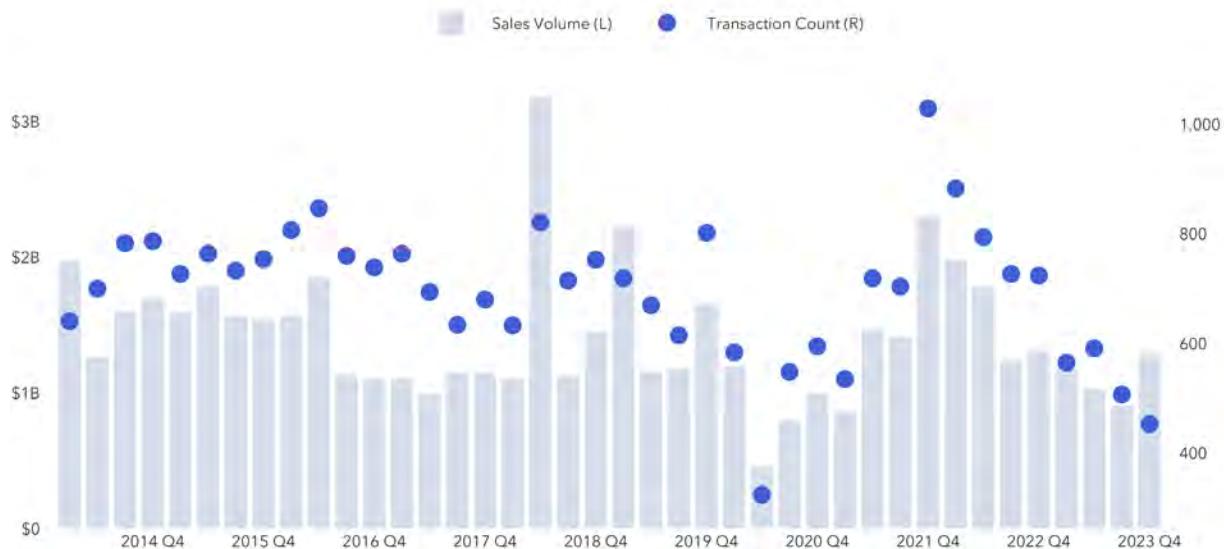
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average 2,744 transactions per year with an annual average sales volume of \$5.6 billion. Over the past year, there were 2,116 closed transactions across 15.2 million square feet, for a total sales volume of \$4.4 billion. As of 2023 Q4, CoStar data indicates there were 453 transactions for a total sales volume of \$1.3 billion, compared to \$905.6 million in the previous quarter.

The impact of rising borrowing costs was evident in the \$112 million sale of the Source at White Plains, a 262,000-SF mall located in White Plains, a suburb north of New York City. Across the U.S., malls continue to have an availability rate that is higher than their pre-pandemic average, which impacts their valuations. Even though the asset was 100% occupied and located near several multifamily developments, UBS sold the property for \$41 million less than it paid for it in 2005. Hines purchased the grocery-anchored mall and cited the asset's resiliency to lockdowns and online shopping as reasons behind the purchase.

A recent general theme has been the transfer of assets with long-term leases in place as buyers target sites that can provide long-term cash flow. This was evident in the \$43 million (\$1,375/SF) sale of 221 N 14th St., a retail site in North Brooklyn that is fully leased to Vital Climbing Gym. This trend was evident outside of New York City as well, as 68,842-square-foot retail property in Central Westchester County traded for a total of \$31.4 million or roughly \$456 per square foot. The asset was fully leased to Stop & Shop at the time of sale. It was purchased in an all-cash deal by Dallas, TX-based NETSTREIT.

Expensive asset pricing continues to be a hallmark of the New York City retail investment scene as long-term investors are willing to pay a premium for properties here. In the largest trade observed over the past 12 months, Hennick & Company bought a 123,000 SF retail site at 410 E 60th Street in the Upper East Side for \$153 million or \$1,242 per square foot. The site was fully leased to credit tenants such as Home Depot and Starbucks. The price paid was a marked increase compared to the \$73 million the property sold for in 2017. The buyer noted that the site is one of the largest retail spaces in Manhattan and its purchase is a generational opportunity.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$442/SF. Values have increased 1.6% over the past year but compressed 0.1% in 2023 Q4. Capitalization rates have increased 3 bps over the past year to 6.0% and increased 3 bps in Q4. While fundamentals remain fairly positive, the elevated cost of debt has slowed transaction activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.

## Asset Value & Market Cap Rates



## Outlook

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

Retail market conditions in the New York Market indicate that demand increased, outpacing an active pipeline. Despite this, quarterly rent growth declined -0.4%, softening annual growth to 1.5%. Looking ahead to the near term, it is likely that tenant demand remains strong, outpacing a pipeline that continues to slow. Despite this, investment activity will remain limited, slowing improvement in values.

## Appendix

New York Retail Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
North Brooklyn	51,216,465	3.3%	4.1%	193,905	\$53.86	\$500	5.42%
South Brooklyn	47,991,447	3.5%	4.5%	376,191	\$47.06	\$485	5.41%
Bronx	37,407,801	4.2%	5.9%	11,357	\$49.33	\$401	5.88%
Hudson Waterfront	34,451,988	2.4%	2.7%	36,000	\$33.41	\$273	6.59%
Ocean County	27,853,878	3.6%	4.8%	250,890	\$21.66	\$236	6.73%
Northeast Queens	24,754,183	2.5%	3.5%	107,731	\$55.72	\$567	5.42%
Eastern Monmouth	24,223,338	3.0%	4.2%	177,470	\$30.35	\$236	6.66%
South Queens	22,658,758	4.2%	5.0%	85,064	\$42.47	\$437	5.69%
Staten Island	20,456,268	5.1%	5.1%	3,015	\$37.15	\$372	6.07%
Central Queens	17,541,534	4.8%	5.5%	40,000	\$50.22	\$461	5.58%
Northwest Queens	14,808,423	2.8%	3.5%	43,843	\$53.57	\$527	5.41%
Southeast	14,097,420	4.4%	5.4%	5,988	\$37.27	\$307	6.07%
Western Monmouth	14,050,330	7.0%	8.3%	92,496	\$25.40	\$235	6.68%
South Edison	13,650,652	2.6%	3.8%	423,004	\$24.16	\$224	6.97%
Brunswick	13,413,001	3.9%	6.4%	59,200	\$24.74	\$231	6.94%
Route 4/17	13,256,024	2.9%	6.0%	41,644	\$40.21	\$300	6.27%
Southwest	11,895,597	2.5%	3.8%	102,500	\$40.85	\$330	5.90%
Meadowlands	11,338,918	2.0%	2.3%	13,613	\$24.77	\$259	6.65%
Harlem/North	10,358,978	7.1%	9.5%	117,000	\$73.46	\$964	4.66%
Manhattan							
Newburgh	9,913,436	3.2%	4.0%	0	\$19.95	\$155	6.89%
Clarkstown	9,612,372	6.7%	7.8%	0	\$39.85	\$269	6.06%
Passaic Rt 46/23	9,027,613	8.3%	10.2%	16,800	\$28.36	\$242	7.04%
Southern Monmouth	8,694,255	2.2%	3.0%	0	\$23.13	\$240	6.63%
Middletown	8,459,576	4.6%	6.9%	96,800	\$20.35	\$165	6.52%
Route 3/GSP	8,390,778	2.0%	4.6%	0	\$24.29	\$218	7.04%
GW Bridge	8,266,785	2.5%	3.4%	0	\$36.82	\$356	6.26%
North	8,102,162	5.7%	9.7%	0	\$30.14	\$251	6.81%
Edison/Woodbridge							
Passaic Urban Region	7,050,386	1.3%	1.7%	0	\$25.15	\$202	7.28%
East I-287 Corridor	6,504,071	2.9%	3.6%	0	\$39.23	\$329	5.95%
Penn Plaza/Garment	6,394,251	9.8%	11.1%	0	\$112.64	\$1,243	4.50%
Downtown Brooklyn	6,372,908	5.3%	8.2%	0	\$94.68	\$580	5.34%
Northwest	6,179,225	3.4%	5.4%	9,500	\$28.25	\$275	6.33%
Route 46 Corridor	5,883,717	1.3%	2.0%	5,370	\$25.72	\$268	6.54%
Soho	5,636,096	3.8%	4.5%	0	\$129.26	\$1,461	4.13%
Plaza District	5,479,793	7.4%	5.7%	0	\$156.96	\$1,337	4.41%
Chelsea	5,009,923	5.5%	6.9%	0	\$119.04	\$1,326	4.38%
White Plains CBD	4,984,261	32.2%	12.1%	13,000	\$50.03	\$310	5.81%
West I-287 Corridor	4,983,045	6.0%	5.4%	0	\$37.21	\$314	6.05%
North	4,978,479	6.3%	10.3%	0	\$33.87	\$307	5.86%
Ramapo	4,732,604	5.0%	5.3%	0	\$26.62	\$263	6.14%
Route 287 East	4,700,020	2.2%	5.2%	0	\$26.60	\$230	6.82%
Monroe	4,454,025	1.9%	3.3%	0	\$24.76	\$177	6.62%
Upper East Side	4,343,314	2.8%	4.7%	36,000	\$142.51	\$1,529	4.26%
Palisades	3,964,620	2.1%	3.3%	0	\$26.90	\$304	6.44%
North Central Bergen	3,918,719	5.2%	6.7%	11,000	\$30.27	\$310	6.40%
Hackensack	3,686,833	2.0%	2.1%	0	\$27.05	\$260	6.45%
Times Square	3,577,432	3.2%	5.1%	152,000	\$337.50	\$1,787	4.29%
Upper West Side	3,486,511	2.1%	3.0%	0	\$162.06	\$1,565	4.27%
North 17 Corridor	3,237,993	3.3%	3.3%	21,366	\$30.63	\$313	6.29%

Brunswick West	2,760,662	7.7%	8.6%	0	\$22.26	\$258	6.90%
Columbus Circle	2,591,884	7.7%	11.5%	0	\$147.41	\$1,097	4.63%
Gramercy Park	2,507,153	2.1%	3.2%	0	\$128.47	\$1,336	4.25%
Route 208 Corridor	2,143,257	1.8%	2.9%	0	\$25.49	\$261	6.62%
Orangetown	2,100,507	6.9%	8.0%	0	\$25.27	\$259	6.27%
Upper Suburban	2,100,086	6.1%	7.5%	0	\$19.96	\$199	7.11%
Passaic							
Greenwich Village	2,006,281	2.8%	3.9%	0	\$129.19	\$1,389	4.18%
City Hall	1,662,818	5.1%	7.4%	0	\$94.28	\$1,135	4.36%
Hudson Square	1,652,990	2.6%	3.5%	0	\$176.48	\$1,875	4.05%
Tribeca	1,486,325	2.1%	7.3%	0	\$96.12	\$1,052	4.59%
Western Bergen	1,375,855	1.3%	1.7%	0	\$30.75	\$310	6.44%
Upper Parkway	1,289,048	2.5%	4.2%	52,025	\$37.69	\$351	6.40%
Teaneck/Ridgefield	1,273,091	0.5%	0.8%	0	\$26.11	\$287	6.56%
World Trade Center	937,536	7.8%	2.1%	0	\$112.07	\$1,064	4.76%
Financial District	747,873	4.2%	6.1%	0	\$100.34	\$1,028	4.61%
Murray Hill	622,087	24.2%	24.7%	0	\$160.42	\$1,400	4.13%
Insurance District	537,827	0.5%	1.1%	0	\$104.28	\$1,314	4.35%
Grand Central	416,179	14.3%	14.8%	0	\$253.91	\$1,858	4.11%
Northeast	349,085	0.8%	1.1%	0	\$45.96	\$411	5.81%
U.N. Plaza	43,226	0.0%	NA	0	\$144.87	\$1,726	3.95%

## Summary of Rent Stabilization Laws

There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted as a means to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits)

Rent Control is the older and more restrictive form of regulation. Rent regulation in New York City went into effect in 1943. In order for a unit to be Rent Controlled the building must have been constructed prior to 1947. In addition, the tenant must have been in continuous occupancy since before July 1, 1971. For Rent Control, rent is a function of the Maximum Base Rent (MBR) system, a function of the initial filing when the law went into effect. Rent Controlled apartments typically rent for a fraction of market rent. Due to the significant leasehold advantage created by the rent control guidelines, apartments seldom turn over (in most cases only upon the tenant's death). Less than 2% of the City's housing stock remains Rent Controlled

Rent Stabilization is by far the more common of the two forms of rent regulation, affecting approximately 45% of the housing stock. Rental increases are set by the Rent Stabilization Guidelines Board for either one or two-year leases. In general, units in buildings containing six or more dwelling units completed prior to January 1, 1974, buildings built on or after January 1, 1974 receiving property tax benefits such as 421-a, and certain housing rehabilitated under governmental loan programs can be stabilized.

The New York State Division of Housing and Community Renewal (DHCR) administers both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

### Rent Registration

On Wednesday, June 23, 2021 the NYC Rent Guidelines Board adopted rent adjustments for rent stabilized apartment and loft leases commencing on or after October 1, 2021 and on or before September 30, 2022.

- 1-year lease: 0% for first 6 months and 1.5% for the remaining 6 months of the lease
- 2-year lease: 2.5%

The below table shows the historical rent adjustments voted for and approved by the NYC Rent Guidelines Board.

Year as of October 1	1 Year Lease	2 Year Lease
2021	0.0% first 6 months, 1.5% remaining 6 months	2.5%
2020	0.0%	1.0%
2019	1.5%	2.5%
2018	1.5%	2.5%
2017	1.25%	2.0%
2016	0.0%	2.0%
2015	0.0%	2.0%
2014	1.0%	2.75%
2013	4.0%	7.75%
2012	2.0%	4.0%
2011	3.75%	7.25%
2010	2.25%	4.5%

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date, and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged. The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above. The 2015 Rent Act limits succession to one generation.

#### [421-A & The Affordable NY Property Tax Benefit Program](#)

The 421-a program, which provided property owners property tax benefits ranging from 10 to 25 years, expired on January 15, 2015, as lawmakers were unable to reach an agreement to guarantee union-level wages for construction workers on 421-a projects. According to a report issued by the city's Independent Budget Office (IBO), the guarantee of wages would result in a significant increase in construction costs. The report states that the cost of Mayor Bill de Blasio's stated 80,000-unit affordable housing goal could shoot up by \$2.8 billion. An analysis of 57 new projects found costs on average would increase by 13%. Proponents of the wage increase claim the report does not account for the economic tax benefits developers receive under the 421-a program.

After more than a year of debate, the Governor and the New York State Legislature came to an agreement on revisions to the 50-year-old 421-a program. However, the new program is called the Affordable New York Housing Program. According to the Mayor's office it will generate 2,500 units of housing affordable to poor, working-class and middle-class New Yorkers, annually. However, developers will be required to pay a "fair wage" to construction workers to qualify for the city tax benefits, and this requirement has some analysts skeptical of the number of jobs it will create.

With the updated program, developers of market-rate rental buildings of 300 units or more in certain neighborhoods can get a full property tax exemption for 35 years if they set aside 25 to 30 percent of the units for low- and moderate-income tenants. The program will be in effect until at least 2022 under the legislation signed.

The program requires developers to pay construction workers an average of \$60 an hour in wages, benefits and payroll taxes at projects below 96th Street in Manhattan, and \$45 an hour at projects within a mile of the East River waterfront. Additionally, projects outside those zones can "opt in" to the program if they fulfill the requirements. And the city comptroller will determine whether developers have complied with the minimum-wage standards, which can vary significantly among construction workers and their skill levels.

Given how new the Affordable New York Housing Program is, it is too early to determine how it may affect the land and development in New York City.

## The Housing Stability and Tenant Protection Act of 2019

In June 2019, the New York State Assembly passed the Housing Stability and Tenant Protection Act of 2019, which brought in sweeping changes to the rent stabilization laws. Below we highlight the major changes:

### Vacancy Decontrol

Previously a unit could be removed from rent-stabilization (referred to as destabilized or decontrolled) when the monthly price hits a rent threshold, most recently \$2,774.76, when it became vacant.

Now, this rule has been repealed. The new law also eliminates the rule whereby when a renter's income exceeds \$200,000, could decontrol a unit.

### Vacancy Bonus

Previously, this rule allowed property owners to raise rents up to 20% when a rent stabilized unit becomes vacant.

Now this bonus has been eliminated. Also, there was an additional longevity bonus, which sometimes allowed rents to be raised by an additional amount based on the duration of the previous tenant, and this has also been eliminated.

### Major Capital Improvements (MCIs)

This is the annual rent increase that landlords can charge tenants for major capital improvements (building-wide upgrades).

Previously it was 6% of the MCI cost in NYC.

Now it is 2 percent in NYC. Also, the MCI increases will be eliminated after 30 years, instead of being permanent.

### Individual Apartment Improvements (IAIs)

The amount of spending on individual apartment improvements will be capped at \$15,000 over a 15-year period (and owners will only be allowed to make up to three IAIs over that period).

Previously, an owner could add 1/40 of the IAI to the rent.

Now an owner can add 1/168 of the IAI to the rent. Also, rent increases for IAIs will be eliminated after 30 years, instead of being permanent.

### Preferential Rent

A tenant receiving a preferential rent (a rent below the legal regulated rent), will no longer be able to raise the rent to the full legal limit at lease renewal.

Note that an estimated 266,000 of the 1 million rent stabilized tenants receive preferential rents. However, when the tenant leaves, the owner can charge up to the full legal rent.

### Rent Controlled Tenant Rental Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals.

### Co-op and Condo Conversions

Previously, 15% of apartments have to be sold (to either residents or outside investors) in order for a building to convert to a coop or condo. Now 51% of tenants who live in the building must agree to buy units for a conversion to happen.

# Qualifications

## Michelle Zell, MAI

Senior Vice President

### Experience

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

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

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

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

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

### Education

**Cornell University** Bachelor of Science

**Emory University** Master of Public Health

### Certifications & Professional Designations

**Appraisal Institute** MAI, Designated Member

Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser** State of New York (# 4600049921)

State of Florida (# RZ4135)

State of Georgia (# 404989)

State of Louisiana (# G4507)

State of Maine (# CG 4769)

Commonwealth of Massachusetts (# 1000274)

State of New Hampshire (# NHCG-1055)

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

#### **Publications**

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

**Maren Lewis, MAI**

Senior Vice President

**Experience**

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

Maren has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels, and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Maren served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Maren worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for eight years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations for senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Maren worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

**Education**

**Cornell University, School of Hotel Administration** Bachelor of Science with a focus on the hospitality industry and a concentration in finance

**Certifications & Professional Designations**

**Appraisal Institute** MAI, Designated Member

Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser** State of New York (# 46000053421)  
State of Illinois (# 553.003005)  
State of Michigan (# 1205078256)  
State of New Jersey (# 42RG00282100)

## Jon Nathanson

Valuation Specialist

### Experience

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

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

### Education

**Western Connecticut State University** Bachelor of Art, History

<b>Appraisal Classes</b>	Basic Appraisal Principles Basic Appraisal Procedures PA Supervisor-Trainee Course MA Supervisor-Trainee Course CT Supervisor-Trainee Course 15-hr National USPAP Course Green Building Concepts for Appraisers 7-hr National USPAP Course
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### Certifications & Professional Designations

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

**Real Estate Appraiser Trainee** State of Massachusetts (# 1027514)

**Licensed Appraiser Trainee** Commonwealth of Pennsylvania (# LAT001261)

**Jack Brandon**

Senior Associate

**Experience**

Jack Brandon is a Senior Associate that joined the firm in July 2021. Brandon is actively engaged in appraising commercial properties in New York, New Jersey, Pennsylvania and Connecticut.

**Education**

**University of Michigan,** Masters of Management

**Stephen M. Ross School of  
Business**

**University of Michigan** Bachelor of Arts, English and Economics

**Appraisal Classes**

Basic Appraisal Principles  
Basic Appraisal Procedures  
2020-2021 15-Hr National USPAP Course  
Appraiser/Trainee Course for Pennsylvania  
Statistics, Modeling and Finance

## Licenses

Michelle Zell, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000049921	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1535266</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. 05 DAY 09 YR. 23
<p>ZELL MICHELLE R C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012</p>		EXPIRATION DATE MO. 05 DAY 08 YR. 25
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROBERT J. RODRIGUEZ</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

Maren Lewis, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053421	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1536817</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. 10 DAY 08 YR. 23
<p>LEWIS MAREN H C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012-4446</p>		EXPIRATION DATE MO. 10 DAY 07 YR. 25
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROBERT J. RODRIGUEZ</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

## Glossary of Terms

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

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

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

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

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



APPRAISAL REPORT

143 Linden Boulevard  
Brooklyn, NY 11226

Multifamily Building

REQUESTED BY

Moshe Weinberger

The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

DATE OF VALUE

As Is: December 31, 2023

PREPARED BY



Michelle Zell,  
MAI



Maren Lewis,  
MAI



Ashna Saigal



John M Tuohy



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

March 7, 2024

Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

Re: Appraisal File No. 2400031775  
Multifamily Building  
143 Linden Boulevard  
Brooklyn, NY 11226

Dear Mr. Weinberger,

In accordance with your request, we have completed an appraisal of 143 Linden Boulevard for the purpose of advancing an opinion of the As Is Fair Value of the Leased Fee Interest in the subject in accordance with IFRS-13.

The client and intended users are The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus and financial statements to be published in the Tel Aviv Stock Exchange in 2024 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The subject is a 6-story, elevatored, multifamily building with 53 rent-stabilized residential units, including Unit 1A which is occupied rent-free by the super. It contains 59,916 square feet of gross building area. The subject is 98% occupied with one vacant unit. It was built in 1935.

The subject is situated on a 19,313 square foot parcel in an R7-1 zone. It is identified in Kings County tax maps as Block 5084, Lot 80. The subject property is located in the Prospect Lefferts Gardens neighborhood of Brooklyn. Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued multifamily use is concluded to be the highest and best use as improved.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

This appraisal is also prepared in compliance with Title XI (with amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as well as the Interagency Appraisal and Evaluation Guidelines dated December 2, 2010.

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

Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$6,200,000

Mr. Weinberger  
Page 2  
March 7, 2024

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

The Federal Reserve Board met on Jan 31, 2024, and voted, for the 4th meeting in a row, to leave its policy rate unchanged. The FOMC noted that job growth and economic growth remain strong. While inflation has come down, it still remains above their target rate of 2%. The decision leaves the overnight lending target rate for banks between 5.25% and 5.5%, where it has been since the Committee's meeting in July. The FOMC meets again in March 2024 and signaled that rate cuts are not likely in that meeting. Committee members still expect the federal funds rate to fall to 4.6% by the end of 2024, suggesting rate cuts totaling 75 basis points during the year, with cuts possibly starting with their meeting in May.

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup>. We note the use of this/these hypothetical condition(s) may have affected the assignment results:

- None.

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

Thank you for the opportunity to serve you.

---

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

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



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

Sincerely,

A handwritten signature in black ink that appears to read "michelle zell".

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A handwritten signature in black ink that appears to read "Ashna Saigal".

Ashna Saigal  
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---

# Summary of Salient Facts & Conclusions

## 143 Linden Boulevard



The subject is a 6-story, elevatored, multifamily building consisting of 53 residential units. It is 98% occupied, with one vacant unit and one unit that is occupied rent-free by the super. It contains 59,916 square feet of gross building area. The subject is situated on a 19,313 square foot parcel in an R7-1 zone. It is identified in Kings County tax maps as Block 5084, Lot 80. The subject property is located in the Prospect Lefferts Gardens neighborhood of Brooklyn.

## Salient Facts

### Property

<b>Address</b>	143 Linden Boulevard
<b>City</b>	Brooklyn
<b>State</b>	New York
<b>County</b>	Kings County
<b>Block/Lot</b>	Block 5084, Lot 80
<b>Highest and Best Use - Vacant</b>	Multifamily
<b>Highest and Best Use - As Improved</b>	Multifamily
<b>Date of Inspection</b>	February 29, 2024
<b>Report Date</b>	March 7, 2024
<b>Effective Date(s) of Value</b>	
<b>As Is</b>	December 31, 2023

### Building Characteristics

<b>Property Type</b>	Multifamily
<b>GBA</b>	59,916 sq. ft.
<b>Year Built</b>	1935
<b>No. of Floors</b>	6
<b>Residential Units</b>	53
<b>Occupancy</b>	98%

<b>Condition</b>	Average
<b>Total Economic Life</b>	60 years
<b>Effective Age</b>	16 years
<b>Remaining Economic Life</b>	44 years

### Site Characteristics

<b>Site Area (acres/sq. ft)</b>	19,313 sq. ft.
<b>Site Shape</b>	Rectangular
<b>Topography</b>	Generally level at street grade
<b>Zoning</b>	R7-1
<b>Flood Zone</b>	Zone X

### Financial Indicators

	<b>Total</b>	<b>Per Unit</b>
Potential Gross Income	\$797,031	\$15,038
Effective Gross Income	\$781,091	\$14,738
Operating Expense Ratio	59%	-
Net Operating Income	\$323,311	\$6,100
Capitalization Rate	5.25%	-
Stabilized Residential Occupancy	98%	-
Income Capitalization Approach As Is	\$6,200,000	\$116,981
Sales Comparison Approach As Is	\$6,600,000	\$124,528

### Value Conclusion

#### Final Value Conclusion

<b>Value Premise</b>	<b>Date of Value</b>	<b>Interest Appraised</b>	<b>Value Conclusion</b>
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$6,200,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

---

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

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

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# Introduction

## Purpose & Date of Value

The purpose of the appraisal is to provide an opinion of As Is Fair Value of the leased fee interest as of December 31, 2023, in accordance with IFRS 13.

## Identification of the Client

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

## Intended Use & User

The type and definition of value sought in the appraisal of the subject was an "As Is" Fair Value opinion for the Leased Fee interest in the property as of December 31, 2023, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery.

## Property Rights Appraised<sup>5</sup>

In this appraisal we provide an opinion of As Is fair value of the leased fee interest.

## Property History

According to the New York Department of Finance, the owner of 143 Linden Boulevard is 143 Realty NY LLC. The subject property has not sold within the past three years. We are not aware of any current bids, offers, or options to purchase this asset.

The subject was appraised by Bowery Valuation as of June 30, 2023 for \$6,200,000, as of December 31, 2022 for \$6,700,000, as of December 31, 2021 for \$7,700,000, and as of August 5, 2020, for \$8,000,000. The current value of \$6,200,000 is the same as the June 2023 value. Since the June 2023 date of value, the subject property's tax liability has fallen from \$187,388 to \$154,937. While net operating income increased by 5.8%, the capitalization rate was increased from 5.00% in the previous appraisal to 5.25% for the current appraisal resulting in a net neutral effect. This increase in cap rate is due to the impact of rising inflation and interest rates, which have led to increases in capitalization rates across the subject's market and corroborated through discussions with local market participants.

## Exposure Time<sup>6</sup>

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 9 months and 12 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

---

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

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

## General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

## Definition of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

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

## Scope of the Appraisal

Within the course of this assignment, we have:

- John Tuohy of Bowery Valuation inspected the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, and roof of the subject property. We also inspected unit 3J.

- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the As Is Fair Value of the identified interest.

## Geographic Competency

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

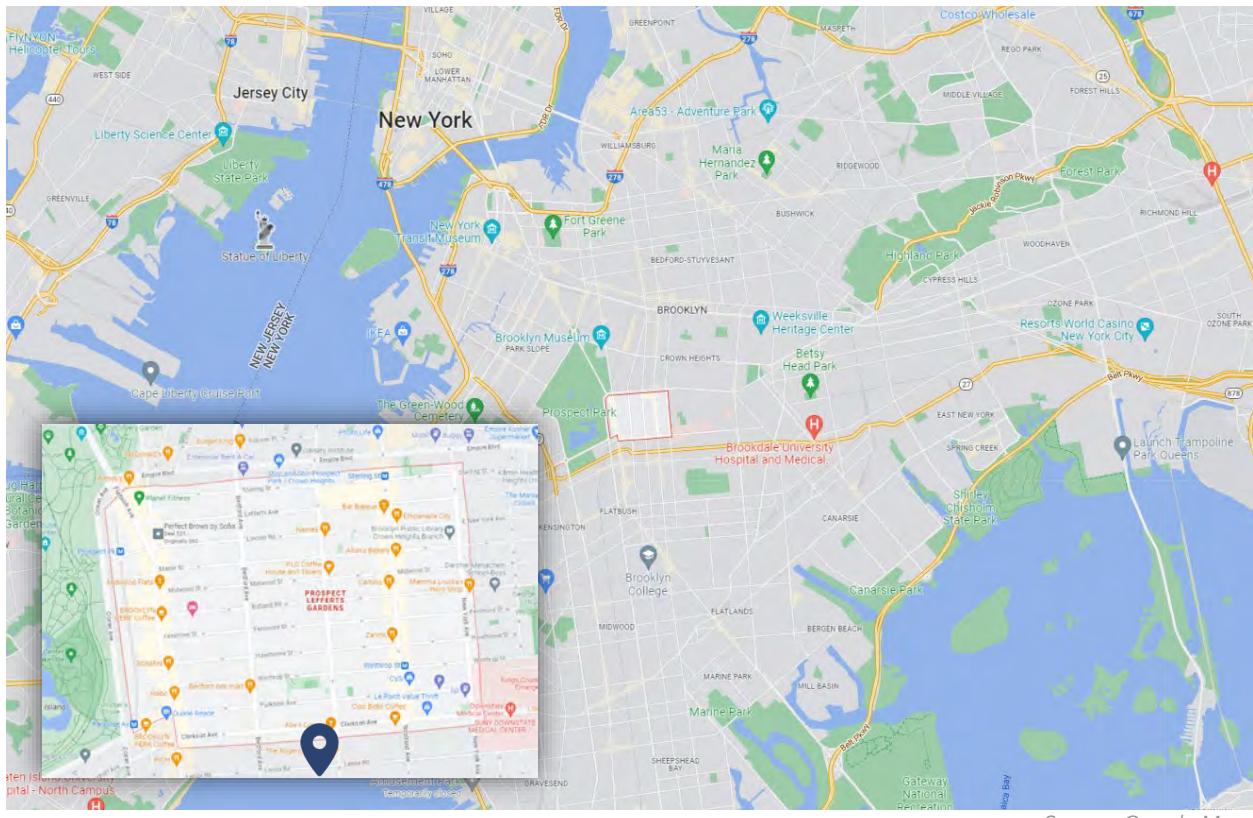
## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): NYC Department of Finance, NYC Department of Buildings, NYC Department of Planning Zoning & Land Use, Claritas, CoStar, Federal Reserve, and FEMA. The subject photos were taken by John Tuohy on 2/29/2024, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

### Resource Verification

<b>Data</b>	<b>Source/Verification</b>
Site Size	Public Record
Excess/Surplus Land	Tax Map
Gross Size/Units	Public Record
Residential SF	Appraiser's Estimate; Inspection
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Area Analysis	Bureau of Labor Statistics
Income Data	Owner; Market Forecast
Expense Data	Owner; Expense Comparables
Comparable Rental Data	CoStar; Primary Source
Comparable Sales Data	CoStar; CreXi; LoopNet; Public Record; Primary Source

# Neighborhood & Demographic Overview



Source: Google Maps

## Prospect-Lefferts Gardens at a Glance

Prospect Lefferts Gardens is a residential neighborhood of Brooklyn, NYC. The community is bounded by Empire Boulevard to the north, Clarkson Avenue to the south, New York Avenue to the east, and Prospect Park to the west, offering many outdoor recreational activities in a large green space. Prospect Lefferts Gardens was designated a New York City Landmark area in 1979 and is known for its tree-lined roads and brownstones. The neighborhood offers a mix of housing options though, including apartments, brownstones, and townhouses. The housing stock caters to both renters and homeowners. Prospect Lefferts Gardens has a range of retailers and businesses that cater to residents and visitors. These include grocery stores, restaurants, cafes, shops, and local services. There is a mix of local and national tenants, providing a diverse shopping experience. The neighborhood is in proximity to Prospect Park, a large green space that offers recreational activities such as jogging, cycling, picnicking, and sports. There are also community facilities in the area, including schools, libraries, and community centers. Flatbush Avenue and Ocean Avenue are major corridors in Prospect Lefferts Gardens, providing access to transportation, businesses, and amenities. The neighborhood is well-served by public transportation as well. The Prospect Park and Parkside Avenue subway stations provide access to the B and Q subway lines. Several bus routes also serve the area, offering convenient travel within the neighborhood and to other parts of Brooklyn and New York City.

## Population and Households

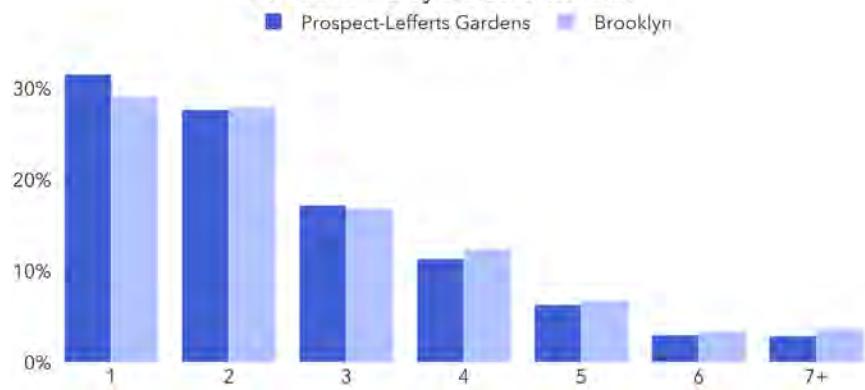
The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Prospect-Lefferts Gardens reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Prospect-Lefferts Gardens and Brooklyn reflect data from the 2021 5-year American Community Survey (ACS) and the 2020 Census, respectively.

### Population Growth

	Area	2010 Census	2020 Census	Annual % Change	2025 Forecast
Population	Prospect-Lefferts Gardens	58,876	56,755	-0.4%	55,628
	Brooklyn	2,504,700	2,736,074	1.0%	2,879,401

Households in Prospect-Lefferts Gardens are, on average, smaller than those in Brooklyn. Households in Prospect-Lefferts Gardens have an average size of 2.00 people, compared to 2.69 people in Brooklyn. 1 person households account for the largest share in both Prospect-Lefferts Gardens and Brooklyn.

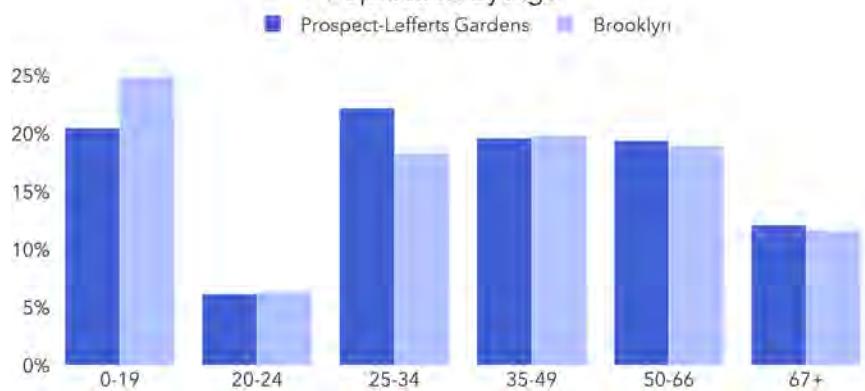
### Households by Household Size



Source: U.S. Census Bureau

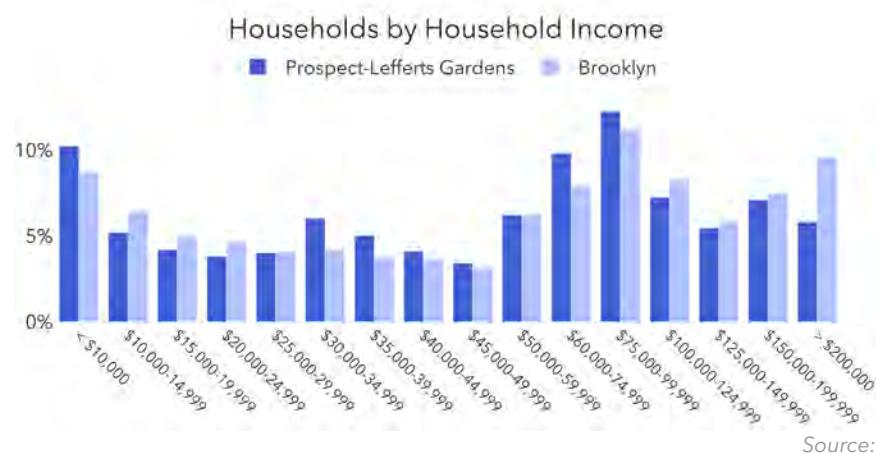
The median age of Prospect-Lefferts Gardens residents is older than in Brooklyn. Residents of Prospect-Lefferts Gardens have a median age of 36.1, compared to 35.2 in Brooklyn. In Prospect-Lefferts Gardens, young professionals account for the largest cohort, compared to Brooklyn where children and teens account for the largest cohort.

### Population by Age



Source: U.S. Census Bureau

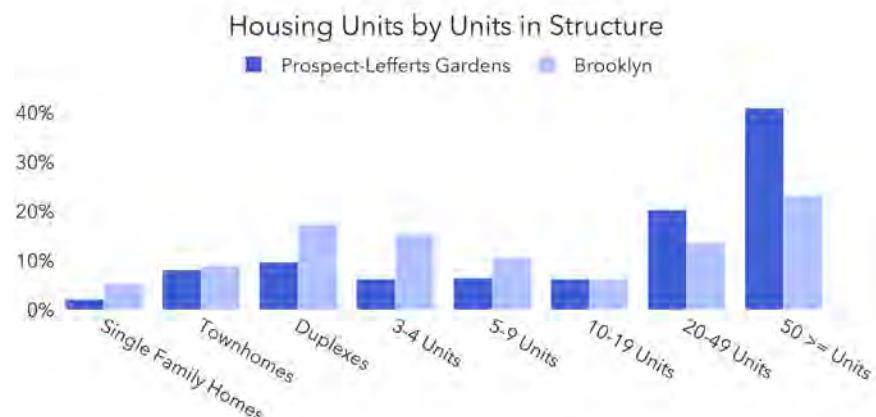
Households in Prospect-Lefferts Gardens have a lower median income than those in Brooklyn. Households in Prospect-Lefferts Gardens have a median income of \$55,281, compared to \$60,231 for households in Brooklyn. The chart below indicates the share of households by income brackets. In both Prospect-Lefferts Gardens and Brooklyn, the most common household income is between \$75,000-\$99,999.



Source: U.S. Census Bureau

## Housing

Properties with 50+ units, followed by 20-49-unit properties then duplexes account for the most common forms of housing in Prospect-Lefferts Gardens. 14% of the housing units in Prospect-Lefferts Gardens are occupied by their owner. This percentage of owner-occupation is lower than the Brooklyn level of 28%.

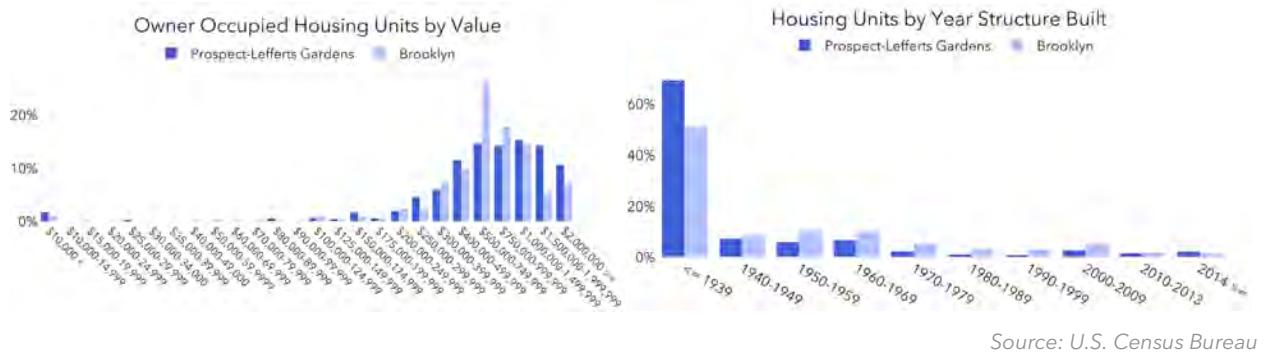


Source: U.S. Census Bureau



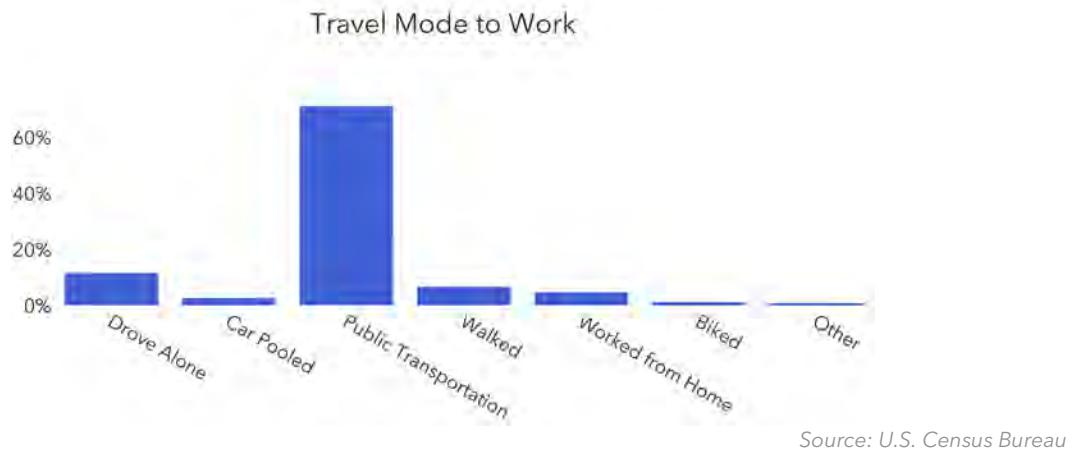
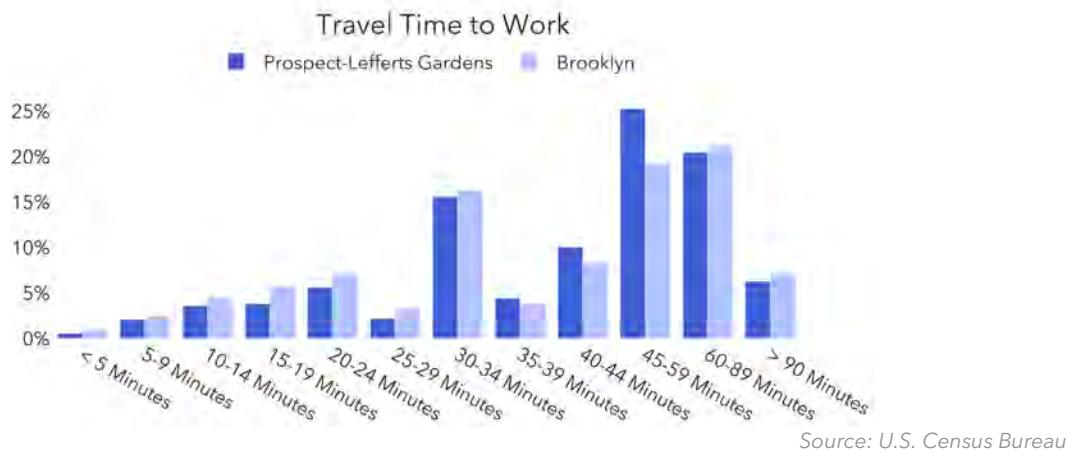
Source: U.S. Census Bureau

Homes in Prospect-Lefferts Gardens have a median value of \$783,431, compared to \$706,000 for Brooklyn. In Prospect-Lefferts Gardens, the most common home value is between \$1 million - \$1.5m, compared to between \$500,000 - \$749,000 for Brooklyn.



## Transportation

In Prospect-Lefferts Gardens, the majority of residents use public transit with 71% choosing to do so. The second most common method is drive alone with 12%. Commuters in Prospect-Lefferts Gardens have a median commute time of about 52 minutes. In Prospect-Lefferts Gardens, the most common commute time is between 45-59 minutes, compared to 60-89 minutes for Brooklyn.



### Transportation Methods

-  Walk Score: 87 (Very Walkable)
-  The Ocean Parkway is accessible through Flatbush-Ditmas, which connects on to the Brooklyn Queens Expressway. As well, Flatbush Avenue provides direct access to the Manhattan Bridge and into Manhattan.
-  Prospect Lefferts Gardens is well served by the subway with easy access to Manhattan and other areas of New York City. The Prospect Park Subway Station is serviced by the B, Q and S lines, the Parkside Avenue Station is serviced by the Q Line. Both the Sterling Street and Winthrop Street stations are serviced by the 2 and 5 lines.
-  Several bus lines serve the area, including the B12, B16, B41, B43, B44 SBS, B48, and B49.
-  The nearest major airports are LaGuardia Airport (11 mi) and John F. Kennedy International Airport (9 mi.) followed by Newark Liberty International Airport (23 mi.)

### Conclusion

Prospect-Lefferts Gardens is a neighborhood in Brooklyn, New York well-served with access to primary corridors, public transportation, recreational amenities, businesses, and a diverse housing stock. It has experienced limited population growth over the past decade, but developers have increased activity over the past few years, adding multiple new properties and renovating existing. Demand improved during the pandemic and could lead to accelerated change.

## Zoning Summary

143 Linden Boulevard is in an R7-1 zone. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

### Zoning Summary

Authority	Classification
Property Jurisdiction	Brooklyn <sup>7</sup>
Existing Zoning Classification	R7-1
Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance)	None known

### Summary of Use and Bulk Regulations

	Permitted	Actual	Status
Current Use	Residential and community facility	Residential	Conforming
Max. Density (FAR)	4.00	3.10	Complying
Minimum Lot Area	1,700 sf	19,313 sf	Complying
Minimum Lot Width	18 ft	75 ft	Complying
Min. Parking Required	8	0	Complying

Based on the maximum effective residential FAR of 4.00 and lot area of 19,313 square feet, 77,252 square feet of buildable area is permitted on site. The subject contains 59,916 square feet of gross building area above grade. The subject is complying with regards to bulk regulations.

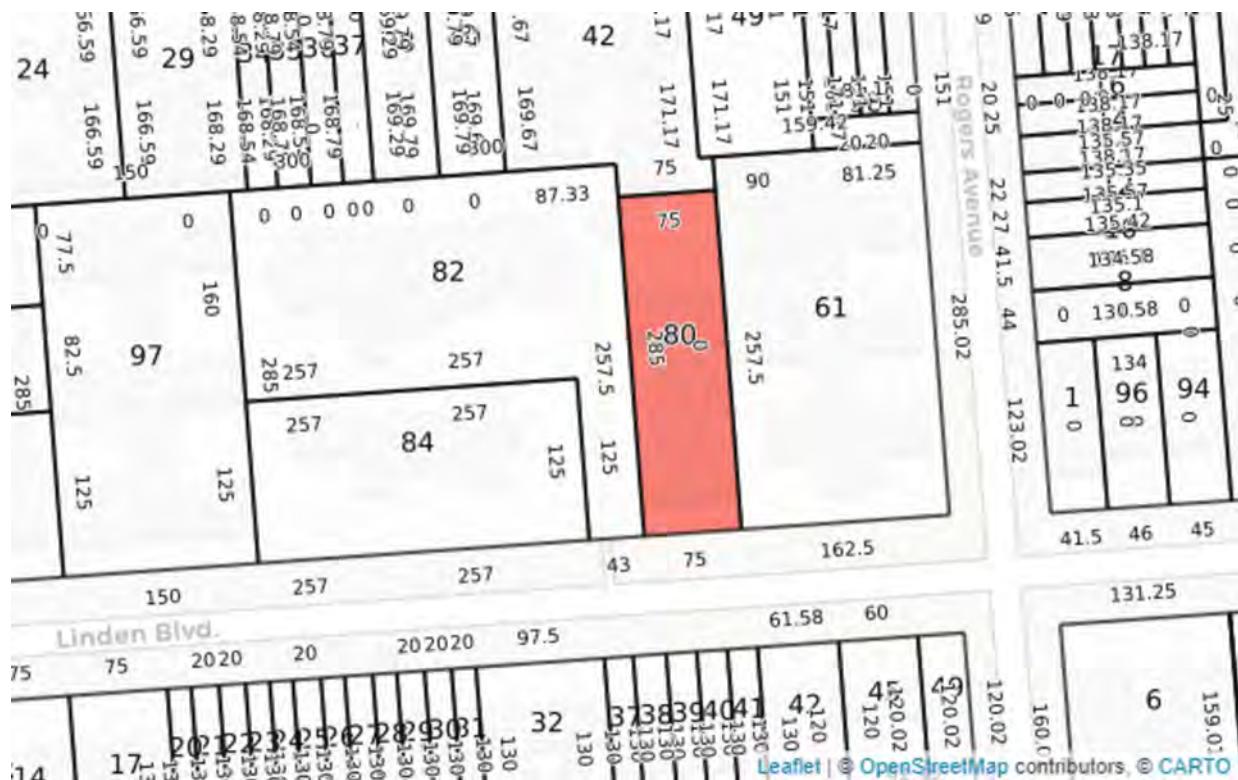
The residential property is in an R7-1 zone, which permits residential and community facility uses as of right. The subject is conforming with regards to the allowable uses.

Based on the subject's current zoning regulations, 8 parking spaces are required on the subject property. The subject has no onsite parking. Parking requirements are waived for the subject, though, as its total number of parking spaces is under the set threshold.

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<sup>7</sup> The zoning map can be found in the Map Gallery, which is located in the Addenda.

## Assessed Value & Real Estate Taxes



## Current Tax Liability

143 Linden Boulevard is located in Kings County (borough of Brooklyn), Brooklyn, NY. It is designated on the tax maps as Block 5084, Lot 80. The property tax class is Class 2. The lower of the Actual or the Transitional Assessed Value is applied, in the subject's case, it is the Transitional Assessed Value.

Final Tax Assessment

		Actual	Transitional
Land		\$477,900.00	\$477,900.00
Building	+	\$761,400.00	\$1,003,500.00
<b>Total</b>		<b>\$1,239,300.00</b>	<b>\$1,481,400.00</b>

## Current and Historical Real Estate Tax Rates

<b>Year</b>	<b>Class 2</b>
2023/2024	12.502%
2022/2023	12.267%
2021/2022	12.235%
2020/2021	12.267%
2019/2020	12.473%
2018/2019	12.612%
2017/2018	12.719%
2016/2017	12.892%
2015/2016	12.883%

		Tax Liability	
		<b>Total</b>	<b>PSF</b>
Taxable Assessed Value (Transitional)		\$1,239,300.00	\$20.68
Tax Rate (New York City - Class 2, 2023/2024)	×	12.502%	12.502%
<b>Tax Liability</b>		<b>\$154,937.29</b>	<b>\$2.59</b>

## Comparable Tax Liabilities

In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

	Year Built	GBA	Taxes PSF
181 Lenox Road, Brooklyn, NY	1928	62,841	\$3.09
130 Martense Street, Brooklyn, NY	1940	62,634	\$2.67
245 Lenox Road, Brooklyn, NY	1936	69,816	\$2.92
45 Linden Boulevard, Brooklyn, NY	1937	67,489	\$3.34
530 Parkside Avenue, Brooklyn, NY	1931	69,086	\$3.70
297 Lenox Road, Brooklyn, NY	1941	69,090	\$3.05
		Min	<b>\$2.67</b>
		Average	<b>\$3.13</b>
		Max	<b>\$3.70</b>

The comparables present a range from \$2.67 to \$3.70 per square foot, with an average of \$3.13 per square foot. The subject's tax liability of \$2.59 per square foot is slightly below the comparable range but is considered reasonable.

## Conclusion

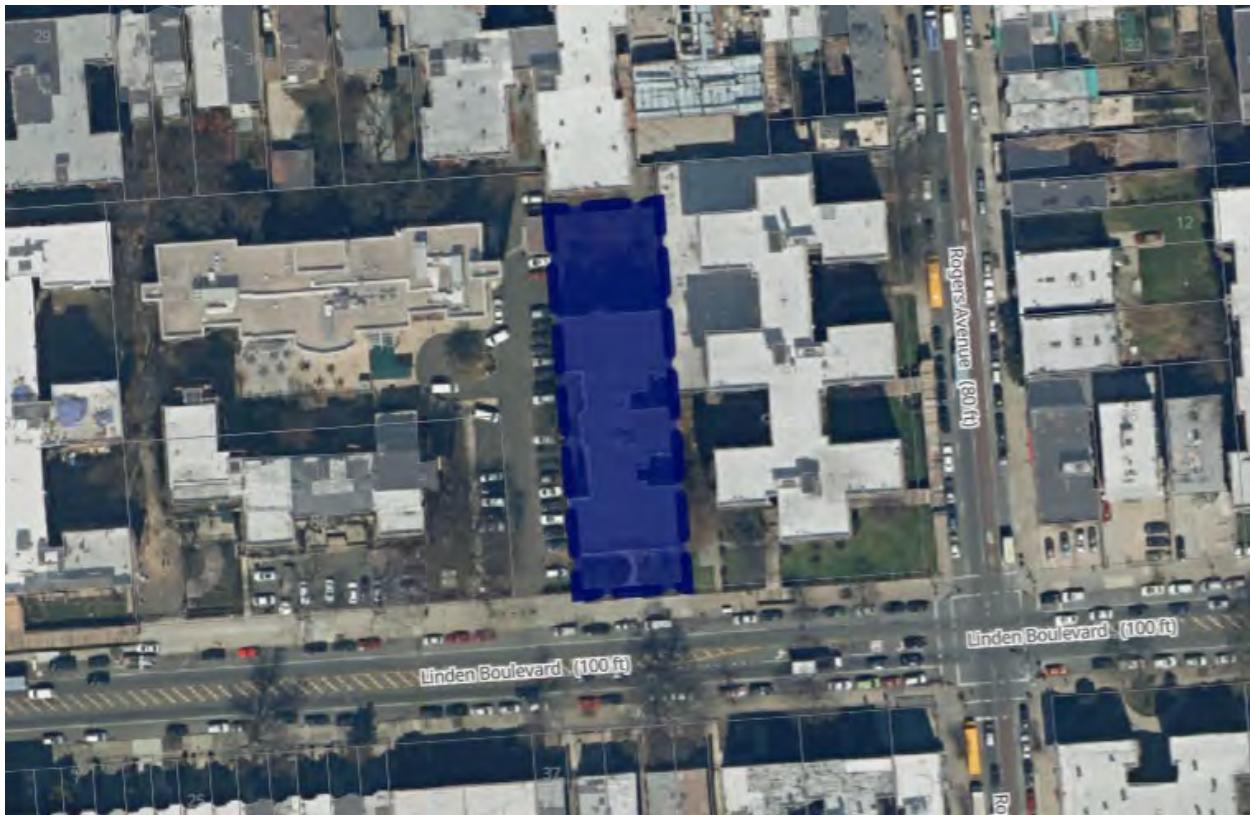
### Tax Liability Summary

	Taxes PSF
Comp Min.	\$2.67
Comp Avg.	\$3.13
Comp Max.	\$3.70
<b>Current</b>	<b>\$2.59</b>

The subject property's taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability of \$154,937.29 in our analysis.

The taxes decreased from \$187,388 in Q2 2023.

## Site Description



**Location** The subject property is located midblock on Linden Boulevard between Rogers Avenue and Bedford Avenue in the Prospect Lefferts Gardens neighborhood of Brooklyn.

**Surrounding Uses** It is located on a primarily residential and commercial block. The subject is directly adjacent to a mixed-use commercial apartment to the west and multifamily apartments to the north and east.

**Transportation** We note that the subject has access to nearby bus routes and an MTA subway transportation summary is provided below:

2	5	at Church Av	0.24 miles
2	5	at Winthrop St	0.28 miles
B	Q	at Parkside Av	0.44 miles
B	Q	at Church Av	0.49 miles
2	5	at Beverly Rd	0.59 miles

**Site Area** 19,313 square feet

**Shape** Rectangular

**Frontage** Linden Boulevard: 75 feet

<b>Access</b>	The primary access is from Linden Boulevard
<b>Topography</b>	Generally level at street grade
<b>Drainage</b>	Assumed adequate
<b>Paving</b>	All roads are paved with asphalt and are in satisfactory condition.
<b>Street Lighting</b>	Adequate
<b>Hazardous Substances</b>	We observed no evidence of toxic or hazardous substances during our inspection of the site.
<b>Easements, Encroachments, and Restrictions</b>	Based upon a review of the tax map, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value. We know of no deed restrictions, private or public, that further limit the subject property's use. It is noted that any further research required to determine whether such restrictions exist is beyond the scope of this appraisal assignment. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.
<b>Utilities &amp; Services</b>	Water/Sewer and Refuse - City Police & Fire Protection - City Gas - Con Ed and/or National Grid Electricity - Con Ed
<b>Flood Hazard Status</b>	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970214F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains.
<b>Conclusion</b>	The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate.

# Description of Improvements

## Building Description

The subject is a 6-story, elevatored, multifamily building with 53 rent-stabilized residential units, including Unit 1A which is occupied rent-free by the super. It contains 59,916 square feet of gross building area. The subject is 98% occupied with one vacant unit. It was built in 1935.

## Building Inspection

On February 29, 2024, John Tuohy of Bowery Valuation conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, and roof. We were able to inspect the stairs and they are in average condition. We were able to inspect the roof and it is in average condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

## Unit Inspection

We inspected Unit 3J. We assume the units that were not inspected are of generally similar condition to the unit inspected.

## Structural, Utilities & Mechanicals

### Structural

<b>Foundation</b>	Poured concrete and fieldstone
<b>Structural System</b>	Brick and Masonry
<b>Exterior Walls</b>	Brick and Masonry
<b>Framing</b>	Structural steel with masonry concrete encasement
<b>Windows</b>	Double-hung
<b>Roof</b>	Flat built-up roof

### Utilities

<b>Electricity</b>	Electric meters located in the basement. The residential tenants are directly metered for electricity.
<b>Hot Water</b>	Provided by boiler located in the basement.
<b>Gas</b>	Gas meters located in the basement. The residential tenants are directly metered for gas.
<b>Heating/Cooling</b>	Dual fired boiler located in the basement for heating. Window A/C unit located in the unit for cooling.

### Mechanicals

<b>Elevators</b>	The subject is an elevatored building.
<b>Plumbing</b>	PVC, Copper, Iron

<b>Sprinklers</b>	None
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### Layout & Finishes

<b>Basement</b>	The basement is accessed from the interior of the building and is unfinished.
<b>Entry &amp; Hallways</b>	The entryway and interior hallways are in average condition.
<b>Laundry</b>	The subject contains a laundry room.
<b>Stairwell</b>	There is 1 interior staircase that runs from the basement to the roof.
<b>Security</b>	Buzzer and Door locks

### Amenities

#### Building Amenities

<b>Laundry Room</b>	There is a laundry room in the building.
<b>Storage Units</b>	There are no storage units in the building.
<b>Parking</b>	There is no onsite parking.

### Residential Unit Finishes

The units generally feature average quality finishes relative to typical units in similar elevated buildings in the area. We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.

<b>Kitchens</b>	The units typically contain ceramic tile flooring, laminate counter tops, white laminate cabinets, standard oven range stovetops, and standard refrigerators.
<b>Bathrooms</b>	The units typically contain ceramic tile flooring, bathtub shower combo tubs, laminate top set-in cabinet sinks, and ceramic toilets.
<b>Bedrooms / Living Area</b>	The units typically contain hardwood flooring, and sheet rock walls.

### Residential Unit Distribution Summary

Unit Type	No. of Units	Avg. Rooms/Unit	Total Rooms	Avg. SF/Unit (Est.)	Total Leasable SF
Studio	1	2	2	500	500
One-Bedroom	38	3	114	800	30,400
Two-Bedroom	14	4	56	1,000	14,000
<b>Totals/Average</b>	<b>53</b>		<b>172</b>	<b>847</b>	<b>44,900</b>

We estimated the total leasable area and resulting average square footage per unit based on a loss factor of 25% applied to the gross building area.

### Condition, Deferred Maintenance & Remaining Economic Life

#### Condition

Based on our inspection, the subject is in average condition and appears to have been periodically updated over time. The subject was constructed in 1935.

### Deferred Maintenance

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

The subject is in average condition and appears to have been periodically updated over time. During our visit to the building, we noticed no items of deferred maintenance.

### Remaining Economic Life

While the improvements were originally constructed in 1935, we estimate the effective age to be 16 years; given a useful life of 60 years, the remaining economic life of the building is estimated as 44 years.

## Summary

The subject is a 6-story, elevated, multifamily building built in 1935. It contains 59,916 square feet of gross building area. The subject is 98% occupied and consists of 53 rent-stabilized residential units including one unit that is occupied rent-free by the super. Based on our inspection, the subject is in average condition. The buildings feature a functional design with typical site coverage. No significant functional obsolescence was noted during our inspection. The layout, site coverage of the improvements and positioning of the improvements as well as the construction quality of the improvements, interior layout, building mechanicals, building amenities, unit amenities, and finishes are functional by market standards.

# Submarket Analyses

The information contained in this report was provided using 2023 Q4 CoStar data for the Flatbush Multifamily Submarket ("Submarket") located in the New York Market ("Market").



## Overview

The subject property is in the Flatbush Submarket of the New York Market, defined in the map above. This Submarket accounts for 3.9% of the Markets total inventory with 60.7k units. Economic uncertainty and elevated pipelines have coincided with a slowdown in demand over the first half of 2023, continuing into the 2nd half of 2023. With upward pressure on vacancies, rent growth has normalized across most markets across the Nation. With softening fundamentals occurring alongside the elevated cost of debt, investors have tightened their lending standards, slowing transaction activity, putting upward pressure on cap rates, and driving down values. In the Flatbush Submarket, demand has slowed, although the pipeline has as well. Despite this, rents are up 2.0% over the past year, after increasing 0.5% in the latest quarter. Still, with softening sector fundamentals amidst elevated debt costs, values decreased in the past quarter and -10.0% yoy, ultimately decreasing to \$252,244/unit.

## Sector Fundamentals

	<b>Flatbush</b>	<b>YoY</b>	<b>QoQ</b>	<b>New York</b>	<b>YoY</b>	<b>QoQ</b>
Market Rent/Unit	\$2,025	2.0%	0.5%	\$3,060	2.0%	0.0%
Vacancy Rate	1.52%	3 bps	-1 bps	2.56%	14 bps	3 bps
Net Absorption Units	15	-80.8%	-76.6%	5,430	24.9%	0.0%
Asset Value/Unit	\$252,244	-10.0%	-1.7%	\$396,924	-11.6%	-2.0%
Market Cap Rate	5.13%	59 bps	7 bps	5.11%	60 bps	7 bps
Transaction Count	6	-25%	-25%	202	-33%	-28%
Sales Volume	\$12,345,000	-49%	-45%	\$962,639,744	-64%	-49%

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

### Historical Multifamily Performance: Flatbush Submarket

Period	Inventory Units	Under Construction Units	Net		Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Absorption Units 12 Mo				
2023 Q4	60,747	887	110	88	1.5%	\$2,025	\$252,244	5.13%
2023 Q3	60,739	567	207	151	1.5%	\$2,014	\$256,562	5.06%
2022	60,637	621	400	518	1.5%	\$1,985	\$280,138	4.54%
2021	60,237	707	973	1,090	1.7%	\$1,948	\$302,183	4.13%
2020	59,264	1,388	446	427	1.9%	\$1,903	\$282,833	4.34%
2019	58,818	1,427	930	957	1.9%	\$1,941	\$272,251	4.53%
2018	57,888	1,801	1,128	1,011	2.0%	\$1,915	\$263,798	4.60%
2017	56,760	2,297	459	419	1.8%	\$1,897	\$249,890	4.68%
2016	56,301	1,591	252	371	1.7%	\$1,873	\$240,580	4.73%
2015	56,049	1,255	67	190	2.0%	\$1,842	\$225,469	4.79%
2014	55,982	157	179	187	2.2%	\$1,792	\$197,779	5.07%

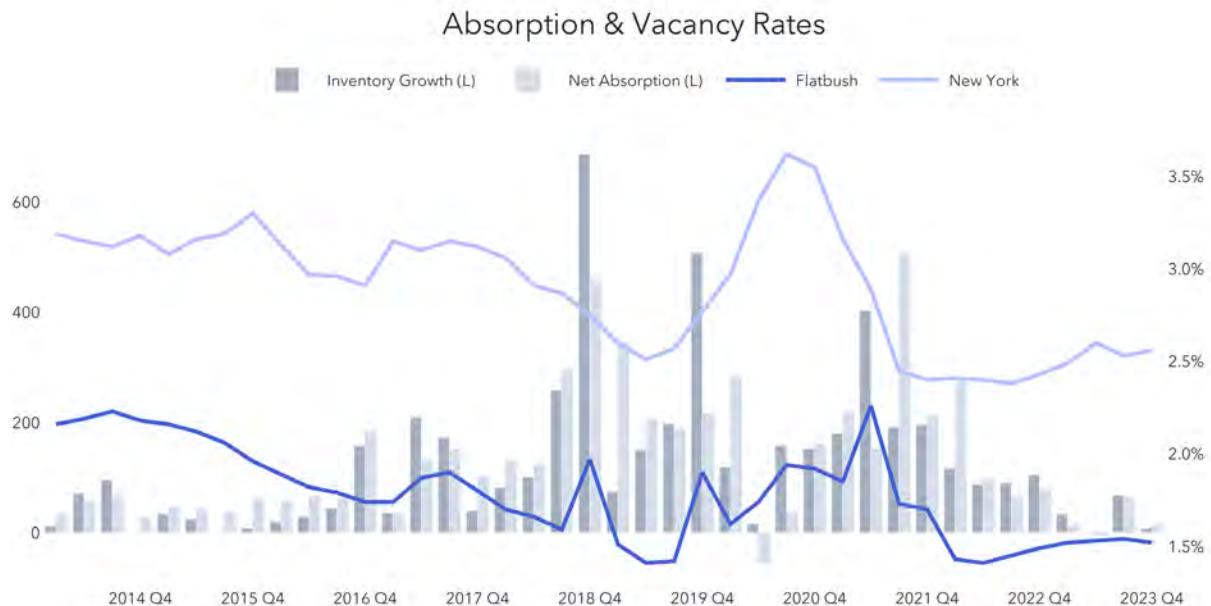
### Supply & Demand

The Submarket has 60.7k units of multifamily space, and developers have added, net of demolitions, 4.9k units over the past ten years, increasing inventory by 8.8% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 2.2% to 1.5%.

More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Submarket, vacancy rates have increased 3 bps over the past year from 1.5% to 1.5%, remaining below the 10-year average of 1.8%, and below the Market average by 104 bps. In the fourth quarter, multifamily tenants in the Submarket absorbed 15 units, a decrease from the 64 units absorbed in 2023 Q3, and also down from the 78 units absorbed in the same quarter last year.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Submarket	2.2%	2.0%	1.7%	1.8%	2.0%	1.9%	1.9%	1.7%	1.5%	1.5%	1.5%
Class A	1.9%	1.8%	1.5%	17.5%	4.8%	44.5%	25.1%	11.6%	5.2%	5.0%	5.0%
Class B	2.6%	2.1%	2.1%	2.4%	4.9%	2.7%	2.9%	3.0%	1.9%	1.9%	1.9%
Class C	2.1%	1.9%	1.7%	1.6%	1.3%	1.0%	1.3%	1.1%	1.3%	1.3%	1.3%



#### Rents

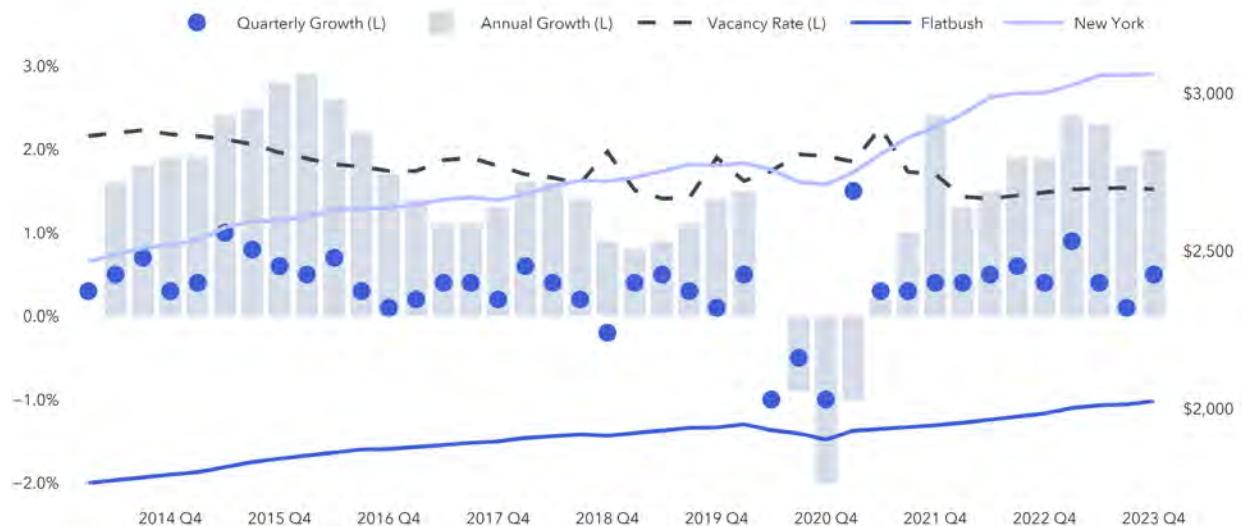
At \$2,025/unit, rents in the Flatbush Submarket are roughly 34% lower than the Market average of \$3,060/unit. Rents vary throughout the Submarket. Class A apartment units are a premium with an average effective rent rate of \$3,058/unit, followed by \$2,257/unit for Class B and \$1,819/unit for Class C units. Rents in the Submarket have increased 1.5% per annum over the past decade, falling short of the Market, where rents increased 2.4% per annum during that time.

#### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Submarket	\$1,792	\$1,842	\$1,873	\$1,897	\$1,915	\$1,941	\$1,903	\$1,948	\$1,985	\$2,014	\$2,025
Class A	\$2,503	\$2,579	\$2,625	\$2,649	\$2,715	\$2,727	\$2,798	\$2,874	\$2,899	\$2,988	\$3,058
Class B	\$1,989	\$2,045	\$2,077	\$2,112	\$2,097	\$2,151	\$1,965	\$2,113	\$2,207	\$2,252	\$2,257
Class C	\$1,636	\$1,682	\$1,710	\$1,730	\$1,755	\$1,772	\$1,777	\$1,780	\$1,798	\$1,813	\$1,819

Prior to the pandemic, the Flatbush Multifamily Submarket experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 1.4%. In 2020 Q2, quarterly rent growth fell to -1.0%. By the end of 2020, rents had fallen 2.0% from the 2019 Q4 rent level of \$1,941/unit. From 2019 Q4 to 2021 Q4, rents increased 0.4%. Quarterly rent growth in 2023 Q4 increased 0.5%, pushing annual growth to 2.0%.

## Market Effective Rent/Unit - Annual & Quarterly Growth



## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 5k units to the Submarket over that time, expanding inventory by 8.8%. Developers remain active in the Submarket, but elevated construction and debt costs have slowed the pipeline with 887 units, or the equivalent of 1.5% of existing inventory, underway. While the slowdown in development could benefit the Flatbush Submarket, it is likely that vacancies continue to experience upward pressure over the near term.

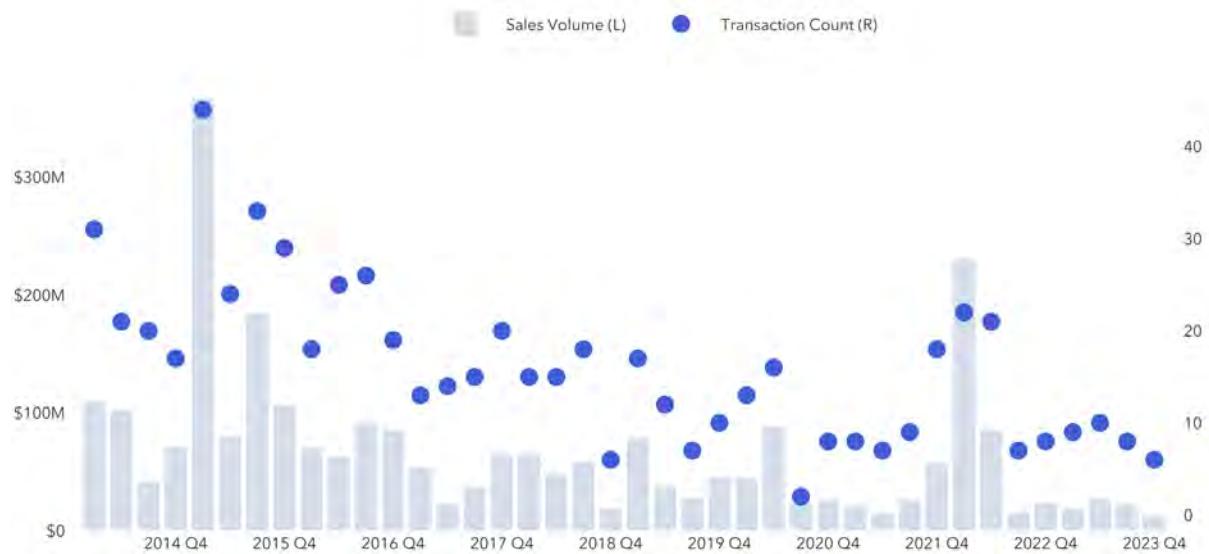
## Under Construction Units - Share of Inventory



## Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average 44 transactions per year with an annual average sales volume of \$184.2 million. Over the past year, there were 33 closed transactions across 484 units, for a total sales volume of \$79 million. As of 2023 Q4, CoStar data indicates there were 6 transactions for a total sales volume of \$12.3 million, compared to \$22.2 million in the previous quarter.

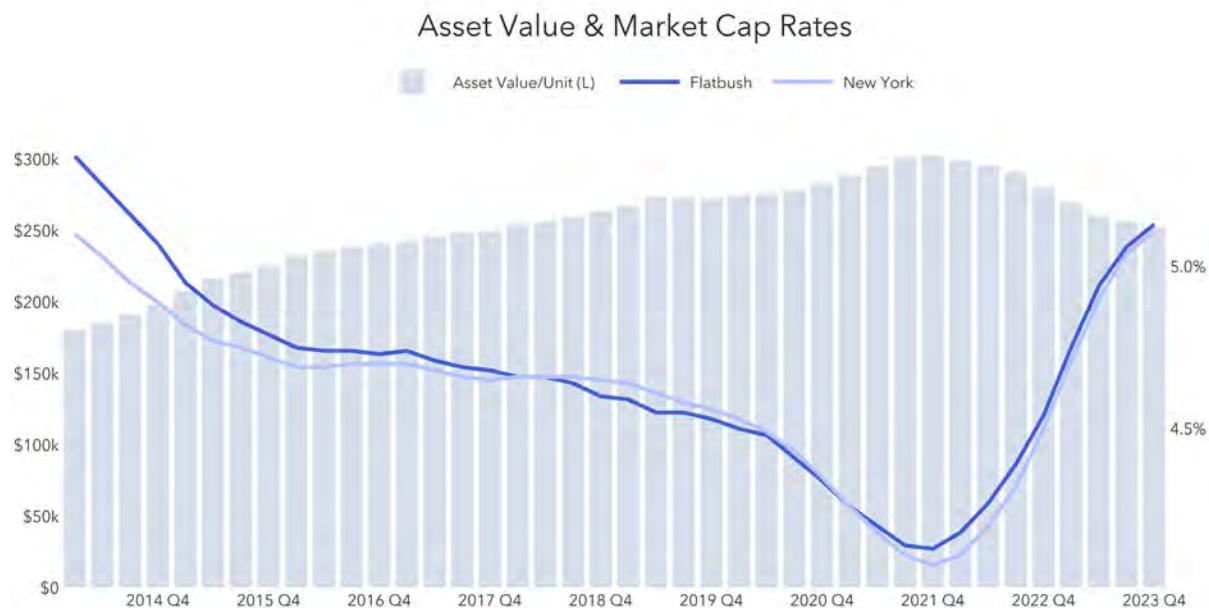
Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$252,244/unit. Values have compressed 10.0% over the past year and continued to fall in the past quarter, decreasing 1.7% in 2023 Q4. Capitalization rates have increased 59 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

Recent Transactions

Property Address	Number Of Units	Building Style	Year Built	Last Sale Date	Price/Unit
474 E New York Ave, Brooklyn	11	Mid-Rise	B	2008	\$563,636



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the Flatbush Submarket indicate a decrease in demand, although new supply has been minimal. Looking ahead to the near term, it is likely that tenant demand improves, although the uptick in new supply could put upward pressure on vacancy rates. With market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Highest & Best Use

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

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

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

### As Vacant

<b>Legally Permissible</b>	The subject is in zone R7-1, which permits residential and community facility use as of right. Based on the maximum effective FAR of 4.00 and lot area of 19,313 square feet, 77,252 square feet of max buildable area is permitted on site. There are no zoning changes anticipated and no easements or encroachments that preclude development.
<b>Physically Possible</b>	The site contains 19,313 square feet with 75 feet of frontage along Linden Boulevard. The size falls within the range of improved sites in the area. All necessary utilities are available, and the site appears functional for a variety of permitted uses.
<b>Financially Feasible</b>	The subject is located within a residential neighborhood. Based on our analysis of the market, there is sufficient demand for multifamily properties. Market conditions are such that new multifamily construction is feasible, as the value would sufficiently exceed the cost-plus developer's profit. New construction in the neighborhood is currently underway and new developed multifamily apartments in the subject's submarket are selling, an indication of feasibility.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop a multifamily use. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as if vacant is to develop a multifamily building.

### As Improved

<b>Legally Permissible</b>	The subject is in zone R7-1, which permits residential and community facility use as of right. Based on the maximum effective FAR of 4.00 and lot area of 19,313 square feet, 77,252 square feet of max buildable area is permitted on site. As improved, the subject has 59,916 square feet of gross building area and is complying with all bulk regulations. Its multifamily use conforms with R7-1 permitted uses. There are no zoning changes anticipated and no easements or encroachments that preclude development. Also, demolition is not an option due to rent stabilized status of the subject units.
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<b>Physically Possible</b>	The subject is a 6-story, elevated, multifamily building consisting of 53 rent-stabilized residential units. It was built in 1935 and contains 59,916 square feet of gross building area. The subject includes 1 studio unit, 38 one-bedroom units, and 14 two-bedroom units and is considered to be in average condition, being functional for its use. As previously indicated within the zoning section, the subject appears to be complying to the bulk requirements and as per the zoning ordinance can continue as its conforming use.
<b>Financially Feasible</b>	The subject property is located within a desirable residential neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 98% occupancy, and is generating a positive net cash flow, and an adequate return to the owners. Therefore, the use as a multifamily is financially feasible.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. Continued multifamily use is concluded to be maximally productive.
<b>Conclusion</b>	Based on the subject property's zoning, physical characteristics, location, and forecasted economic conditions, continued multifamily use is concluded to be the highest and best use as improved.
<b>Most Probable Buyer</b>	Taking into account the size and characteristics of the property and its multifamily occupancy, the likely buyer is a local and regional investor/developer.

## Appraisal Valuation Process

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

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

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

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

**Approaches to Value Applied**

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

The Cost Approach is not used in this assignment due to the age and condition of the improvements and the difficulty in credibly isolating the influence of physical and economic depreciation. More importantly, investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value. The exclusion of this approach is not considered to impact the reliability of the appraisal.

## Income Capitalization Approach

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

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

### Income Analysis

#### Current Residential Rent Roll

143 Linden Boulevard currently contains 52 occupied units and 1 vacant unit generating \$761,337 of total annual residential income. Unit 1A is occupied rent-free by the super.

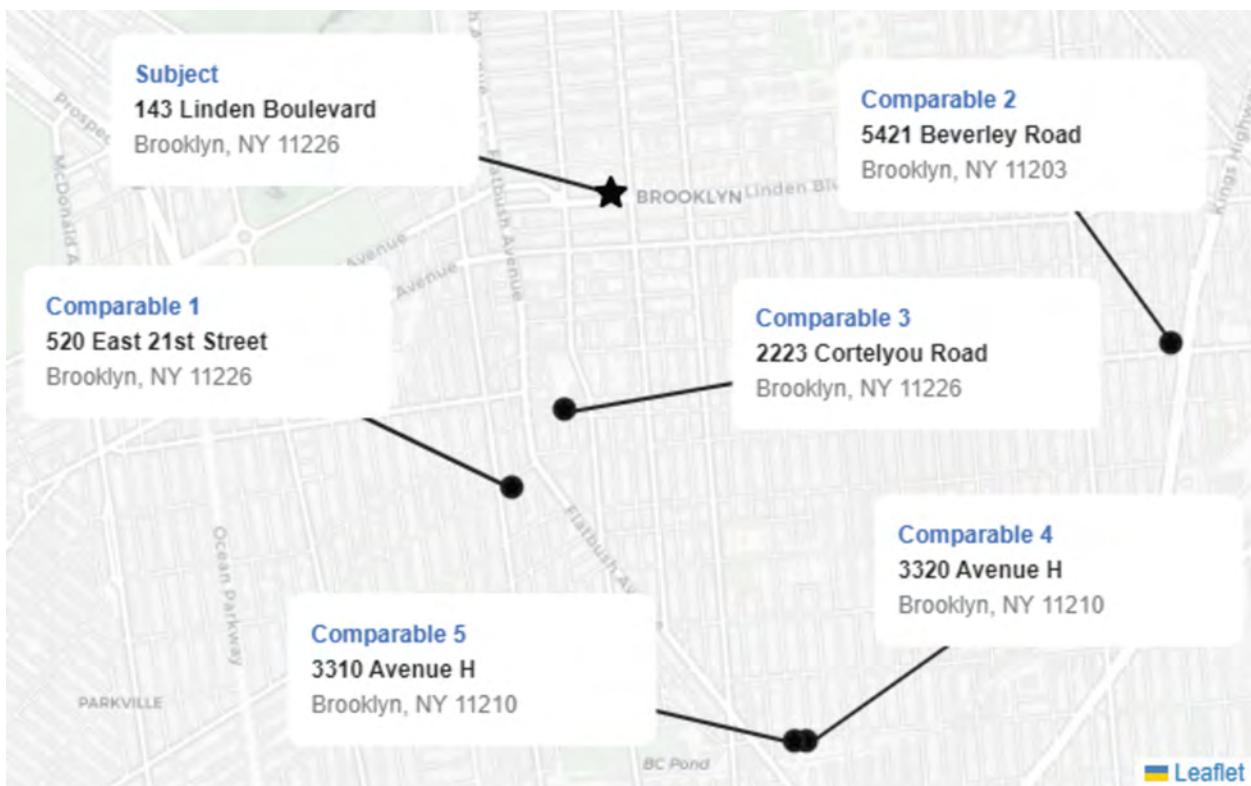
## 143 Linden Boulevard

#	Unit #	Rooms	Bedrooms	Rent Status	Lease Status	Monthly Rent	Rent / Room
1	001A	4	2	Rent Stabilized	Occupied	\$0.00	\$0
2	001C	4	2	Rent Stabilized	Occupied	\$1,876.72	\$469
3	001D	3	1	Rent Stabilized	Occupied	\$1,255.27	\$418
4	001E	3	1	Rent Stabilized	Occupied	\$992.83	\$331
5	001F	3	1	Rent Stabilized	Occupied	\$1,359.55	\$453
6	001G	2	0	Rent Stabilized	Occupied	\$744.88	\$372
7	001H	4	2	Rent Stabilized	Occupied	\$1,180.71	\$295
8	001J	4	2	Rent Stabilized	Occupied	\$1,389.48	\$347
9	002A	4	2	Rent Stabilized	Occupied	\$1,022.95	\$256
10	002B	3	1	Rent Stabilized	Occupied	\$1,260.75	\$420
11	002C	3	1	Rent Stabilized	Occupied	\$1,676.75	\$559
12	002D	3	1	Rent Stabilized	Occupied	\$1,097.67	\$366
13	002E	3	1	Rent Stabilized	Occupied	\$1,256.44	\$419
14	002F	3	1	Rent Stabilized	Occupied	\$1,693.30	\$564
15	002G	3	1	Rent Stabilized	Occupied	\$836.37	\$279
16	002H	3	1	Rent Stabilized	Occupied	\$1,169.30	\$390
17	002J	4	2	Rent Stabilized	Occupied	\$1,065.20	\$266
18	003A	4	2	Rent Stabilized	Occupied	\$1,246.91	\$312
19	003B	3	1	Rent Stabilized	Occupied	\$1,521.82	\$507
20	003C	3	1	Rent Stabilized	Occupied	\$1,020.81	\$340
21	003D	3	1	Rent Stabilized	Occupied	\$868.39	\$289
22	003E	3	1	Rent Stabilized	Occupied	\$1,659.40	\$553
23	003F	3	1	Rent Stabilized	Occupied	\$1,173.54	\$391
24	003G	3	1	Rent Stabilized	Occupied	\$1,019.83	\$340
25	003H	3	1	Rent Stabilized	Occupied	\$957.84	\$319
26	003J	4	2	Rent Stabilized	Occupied	\$973.60	\$243
27	004A	4	2	Rent Stabilized	Occupied	\$1,982.43	\$496
28	004B	3	1	Rent Stabilized	Occupied	\$1,600.00	\$533
29	004C	3	1	Rent Stabilized	Occupied	\$1,161.34	\$387
30	004D	3	1	Rent Stabilized	Occupied	\$838.72	\$280
31	004E	3	1	Rent Stabilized	Occupied	\$991.25	\$330
32	004F	3	1	Rent Stabilized	Occupied	\$953.11	\$318
33	004G	3	1	Rent Stabilized	Occupied	\$903.87	\$301
34	004H	3	1	Rent Stabilized	Occupied	\$1,075.53	\$359
35	004J	4	2	Rent Stabilized	Occupied	\$1,671.63	\$418
36	005A	4	2	Rent Stabilized	Occupied	\$1,136.89	\$284
37	005B	3	1	Rent Stabilized	Vacant	-	-
38	005C	3	1	Rent Stabilized	Occupied	\$1,650.00	\$550
39	005D	3	1	Rent Stabilized	Occupied	\$1,338.25	\$446
40	005E	3	1	Rent Stabilized	Occupied	\$1,194.55	\$398
41	005F	3	1	Rent Stabilized	Occupied	\$1,320.04	\$440
42	005G	3	1	Rent Stabilized	Occupied	\$1,252.70	\$418
43	005H	3	1	Rent Stabilized	Occupied	\$931.84	\$311
44	005J	4	2	Rent Stabilized	Occupied	\$1,967.86	\$492
45	006A	4	2	Rent Stabilized	Occupied	\$1,007.26	\$252
46	006B	3	1	Rent Stabilized	Occupied	\$1,057.02	\$352
47	006C	3	1	Rent Stabilized	Occupied	\$927.84	\$309
48	006D	3	1	Rent Stabilized	Occupied	\$1,174.93	\$392
49	006E	3	1	Rent Stabilized	Occupied	\$1,332.90	\$444
50	006F	3	1	Rent Stabilized	Occupied	\$1,628.47	\$543
51	006G	3	1	Rent Stabilized	Occupied	\$924.29	\$308
52	006H	3	1	Rent Stabilized	Occupied	\$953.37	\$318
53	006J	4	2	Rent Stabilized	Occupied	\$2,148.31	\$537
<b>Totals/Avg</b>		<b>172</b>	<b>66</b>			<b>\$63,444.71</b>	<b>\$368.86</b>
<b>Annual</b>						<b>\$761,336.52</b>	

## Comparable Rentals

In order to gauge the reasonableness of the contract rents, we have examined the following rental activity in the submarket:

### Studio Rentals



### Studio Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	520 East 21st Street, Brooklyn, NY	2	0	\$1,685	\$843
2	5421 Beverley Road, Brooklyn, NY	2	0	\$1,525	\$763
3	2223 Cortelyou Road, Brooklyn, NY	2	0	\$1,550	\$775
4	3320 Avenue H, Brooklyn, NY	2	0	\$1,649	\$825
5	3310 Avenue H, Brooklyn, NY	2	0	\$1,650	\$825
				Min \$1,525	\$763
				Average \$1,612	\$806
				Max \$1,685	\$843

### Studio Units

All subject units are rent stabilized. The subject has one studio unit leased for \$745 per month. Comparable studio units range from \$1,525 to \$1,685 per month with an average of \$1,612 per month. Based on the preceding, we forecast a market rent of \$1,600 per month. We also considered that some of the comparables have slightly better-quality finishes than the subject. The subject's sole in-place studio lease has a contract rent considered below-market.

## 1 BR Rentals



## 1 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	3103 Foster Avenue, Brooklyn, NY	3	1	\$1,928	\$643
2	518 East 51st Street, Brooklyn, NY	3	1	\$1,850	\$617
3	300 Lenox Road, Brooklyn, NY	3	1	\$1,850	\$617
4	102 Lenox Road, Brooklyn, NY	3	1	\$1,903	\$634
5	3310 Avenue H, Brooklyn, NY	3	1	\$1,895	\$632
				Min \$1,850	\$617
				Average \$1,885	\$628
				Max \$1,928	\$643

## 1 BR Units

All subject units are rent stabilized. The subject has 38 one-bedroom units which range from \$836 to \$1,693 per month with an average of \$1,190 per month. Comparable one-bedroom units range from \$1,850 to \$1,928 per month with an average of \$1,885 per month. Based on the range of the comparables, we forecast a market rent of \$1,900 per month. In order to determine our market rent forecasts, we balanced the comparables and the in-place rents at the property, noting that some of the comparables have slightly better-quality finishes than the subject. The subject has six in-place one-bedroom leases with contract rents considered market-oriented ranging from \$1,600 to \$1,693 per month. The remaining 32 units are leased with contract rents considered below market.

## 2 BR Rentals



## 2 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	434 Schenectady Avenue, Brooklyn, NY	4	2	\$2,400	\$600
2	1380 Flatbush Avenue, Brooklyn, NY	4	2	\$2,299	\$575
3	140 East 31st Street, Brooklyn, NY	4	2	\$2,200	\$550
4	1673 Nostrand Avenue, Brooklyn, NY	4	2	\$2,395	\$599
5	604 Midwood Street, Brooklyn, NY	4	2	\$2,200	\$550
					Min \$2,200
					Average \$2,299
					Max \$2,400

## 2 BR Units

All subject units are rent stabilized. The subject has 14 two-bedroom units range from \$974 to \$2,148 per month with an average of \$1,436 per month. Comparable two-bedroom units range from \$2,200 to \$2,400 per month with an average of \$2,299 per month. Based on the range of the comparables, we forecast a market rent of \$2,300 per month. In order to determine our market rent forecasts, we balanced the comparables and the in-place rents at the property, noting that some of the comparables have slightly better-quality finishes than the subject. The subject has one in-place two-bedroom lease with a contract rent considered market-oriented at \$2,148 per month. The remaining 12 are leased with contract rents considered below market and one unit occupied by the subject superintendent as part of their compensation.

## Rent Reconciliation

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 mixed-use section of Prospect Lefferts Gardens, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has good access to mass transportation, and the block is appealing. The comparables are similar in their physical and locational appeal and are good indicators of value. Thus, our analysis of the forecast of market rents is presented:

Market Rent Comparison

Bedroom	Market Survey	In-Place Subject		
		In-Place Subject Units	Market-Oriented Units	Market Rent Conclusion
Studio Minimum	\$1,525.00			-
Studio Average	\$1,611.80	\$745		-
Studio Maximum	\$1,685.00			-
1 BR Minimum	\$1,850.00	\$836	\$1,600	
1 BR Average	\$1,885.20	\$1,190	\$1,651	\$1,900
1 BR Maximum	\$1,928.00	\$1,693	\$1,693	
2 BR Minimum	\$2,200.00	\$974		
2 BR Average	\$2,298.80	\$1,436	\$2,148	\$2,300
2 BR Maximum	\$2,400.00	\$2,148		

## Vacant Units

For the vacant unit, we have applied the lower of the market and last legal rent reported, as illustrated below:

Vacant Unit Forecast

Unit Number	Unit Type	Legal Rent	Market Rent	Applied Rent	Annual Total
005B	1 BR	\$777	\$1,900	\$777	\$9,318
<b>Total</b>		<b>\$777</b>	<b>\$1,900</b>	<b>\$777</b>	<b>\$9,318</b>

## Base Residential Income

143 Linden Boulevard contains 53 residential units; the residential rent roll is summarized by unit type and rent regulation status. The average rent per month calculations do not include the two-bedroom unit occupied by the subject superintendent.

Rent Roll Summary by Unit Type

Unit Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Studio	1	\$745 - \$745	\$8,939	\$745
1 BR	38	\$777 - \$1,693	\$537,677	\$1,179
2 BR	14	\$974 - \$2,091	\$224,039	\$1,436
<b>Totals/Average</b>	<b>53</b>		<b>\$770,655</b>	<b>\$1,235</b>

Rent Roll Summary by Rent Regulation Status

Income Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Rent Stabilized	53	\$745 - \$2,148	\$770,655	\$1,235
<b>Totals/Average</b>	<b>53</b>		<b>\$770,655</b>	<b>\$1,235</b>

The average in place monthly rent is \$1,235 compared to \$1,226 in Q2 2023.

The contract rents are based on the following expense structure:

<b>Landlord's Obligations</b>	Common area electricity, heat, refuse removal, water/sewer, and common area maintenance.
<b>Tenant Obligations</b>	In-unit electricity and cooking gas.

## Rent Adjustments

### Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

For one-year leases, allowable increases for units subject to rent stabilization are 3.00% and for two-year leases allowable increases are set for 2.75% in the first year and 3.2% in the second year based on the previous year's rent (an effective increase of 6.038%). Given that most rent stabilized units will turnover during our forecast period, it is necessary to reflect this in our pro forma. After applying the average allowable rent growth to the assumption that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases, the adjusted weighted average increase for rent stabilized units amounts to 3.01%.

### Project Rent Stabilized Rent Growth

	Allowable Increase	Tenancy	12-Mo. Adj. Factor	Blended Increase
1-Year	3.00%	x 50%	x 100%	= 1.50%
2-Year	6.04%	x 50%	x 50%	= 1.51%
<b>Weighted Average Increase</b>				<b>3.01%</b>

## Potential Gross Residential Income

Potential gross residential income is summarized by income type:

### Potential Gross Residential Income

Income Type	Annual Rent	Increase	PGI
Rent Stabilized	\$770,655	x 1.03010	= \$793,851
<b>Total</b>	<b>\$770,655</b>		<b>\$793,851</b>

Based on our market rent conclusions, the residential rent roll is 61% of market.

## Miscellaneous Income

### Laundry Income

The subject property derives additional income from washers and dryers in the laundry room. The laundry room is leased to and operated by a company called Hercules. According to management, the lease with Hercules stipulates that income is only owed to the landlord when the laundry room generates revenue over a specified amount. Because of this, it can be difficult to project a consistent amount of monthly laundry rent over the course of a year.

The owner reports laundry income of \$5 per unit per month, which is in line with what we typically see in the market. This is also consistent with the amount projected in previous years. The total annual laundry income is \$3,180. Based on comparable assets in the market, this income is considered reasonable and will be applied in our stabilized pro forma.

### Residential Vacancy and Collection Loss

CoStar reports the submarket rate near 1.5% and metro area rate near 2.6%. The subject has a strong operating history and is fully rent stabilized with rents approximately 61% of market rates. Based on 143 Linden Boulevard's current and historical operating results, macro market conditions, and investor expectations, a 2.00% residential vacancy and collection loss has been applied to the residential income as well as the laundry income. We note that the subject is 98% occupied and contains 53 rent stabilized residential units. As the property is currently operating at stabilized occupancy, no lease-up adjustments are applied.

### Effective Gross Income Summary

Effective Gross Income	
Potential Residential Income	\$793,851
Potential Laundry Income	\$3,180
<b>Potential Gross Income</b>	<b>\$797,031</b>
Less Residential V/C Loss @ 2.00%	-\$15,877
Less Laundry V/C Loss @ 2.00%	-\$64
<b>Effective Gross Income</b>	<b>\$781,091</b>

### Operating Expense Analysis

We were provided with the owner's historical operating expenses for 2020, 2021, annualized expenses for 2022 November YTD, and expenses for 2023. Previous years historical operating data is retained in our files. We did not receive a pro forma. Therefore, we analyzed the subject's historical expenses as well as expense reports of comparable properties, in developing our forecast of operating expenses. The data, analyzed in terms of residential units and gross square footage, is presented below.

## Owner's Operating Expense History

	Historical Expenses							
	2020 Actual				2021 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$732,650	\$12.23	\$13,824	\$4,260	\$741,094	\$12.37	\$13,983	\$4,309
<b>Operating Expenses</b>								
Real Estate Taxes	\$173,087	\$2.89	\$3,266	\$1,006	\$175,148	\$2.92	\$3,305	\$1,018
Insurance	\$53,219	\$0.89	\$1,004	\$309	\$63,593	\$1.06	\$1,200	\$370
Electricity	\$63,636	\$1.06	\$1,201	\$370	\$56,503	\$0.94	\$1,066	\$329
Water & Sewer	\$55,772	\$0.93	\$1,052	\$324	\$55,774	\$0.93	\$1,052	\$324
Repairs & Maintenance	\$16,745	\$0.28	\$316	\$97	\$19,781	\$0.33	\$373	\$115
Payroll & Benefits	\$49,060	\$0.82	\$926	\$285	\$49,530	\$0.83	\$935	\$288
General & Administrative	\$29,306	\$0.49	\$553	\$170	\$14,482	\$0.24	\$273	\$84
Management Fees	\$39,572	\$0.66	\$747	\$230	\$29,644	\$0.49	\$559	\$172
<b>Total Operating Expenses</b>	<b>\$480,397</b>	<b>\$8.02</b>	<b>\$9,064</b>	<b>\$2,793</b>	<b>\$464,455</b>	<b>\$7.75</b>	<b>\$8,763</b>	<b>\$2,700</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$307,310</b>	<b>\$5.13</b>	<b>\$5,798</b>	<b>\$1,787</b>	<b>\$289,307</b>	<b>\$4.83</b>	<b>\$5,459</b>	<b>\$1,682</b>

	2022 Annualized Historical				2023 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$744,484	\$12.43	\$14,047	\$4,328	\$737,677	\$12.31	\$13,918	\$4,289
<b>Operating Expenses</b>								
Real Estate Taxes	\$179,776	\$3.00	\$3,392	\$1,045	\$185,729	\$3.10	\$3,504	\$1,080
Insurance	\$66,224	\$1.11	\$1,250	\$385	\$61,697	\$1.03	\$1,164	\$359
Electricity	\$85,696	\$1.43	\$1,617	\$498	\$74,629	\$1.25	\$1,408	\$434
Water & Sewer	\$58,151	\$0.97	\$1,097	\$338	\$66,318	\$1.11	\$1,251	\$386
Repairs & Maintenance	\$21,373	\$0.36	\$403	\$124	\$19,577	\$0.33	\$369	\$114
Payroll & Benefits	\$48,434	\$0.81	\$914	\$282	\$37,162	\$0.62	\$701	\$216
General & Administrative	\$19,630	\$0.33	\$370	\$114	\$24,454	\$0.41	\$461	\$142
Management Fees	\$29,780	\$0.50	\$562	\$173	\$29,507	\$0.49	\$557	\$172
<b>Total Operating Expenses</b>	<b>\$509,064</b>	<b>\$8.50</b>	<b>\$9,605</b>	<b>\$2,960</b>	<b>\$499,073</b>	<b>\$8.33</b>	<b>\$9,416</b>	<b>\$2,902</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$329,288</b>	<b>\$5.50</b>	<b>\$6,213</b>	<b>\$1,914</b>	<b>\$313,344</b>	<b>\$5.23</b>	<b>\$5,912</b>	<b>\$1,822</b>

## Comparable Operating Expenses

### Basis & Totals

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Average</b>
City	Brooklyn	Brooklyn	Brooklyn	Brooklyn	Brooklyn	-
State	NY	NY	NY	NY	NY	-
Expense Period	Actual T12	-				
Expense Year	2023	2023	2023	2023	2023	-
SF	41,000	38,800	79,170	77,047	66,000	60,403
Units	49	43	54	72	67	57
Insurance	\$22,825	\$36,232	\$49,434	\$55,786	\$76,822	\$48,220
Electricity	\$4,299	\$8,866	\$13,789	\$11,819	\$11,766	\$10,108
Fuel	\$39,823	\$29,749	\$33,059	\$59,992	\$53,903	\$43,305
Water & Sewer	\$41,805	\$26,156	\$68,312	\$76,299	\$79,358	\$58,386
Repairs & Maintenance	\$17,680	\$19,275	\$31,340	\$59,150	\$56,765	\$36,842
Payroll & Benefits	\$19,708	\$13,235	\$73,989	\$51,003	\$45,889	\$40,765
General & Administrative	\$1,737	\$7,866	\$8,713	\$21,521	\$13,476	\$10,663
Management Fees	\$16,500	\$24,494	\$54,061	\$38,756	\$46,767	\$36,116
<b>Total Operating Expenses</b>	<b>\$164,377</b>	<b>\$165,873</b>	<b>\$332,697</b>	<b>\$374,326</b>	<b>\$384,746</b>	<b>\$284,404</b>

### Per Square Foot

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Average</b>
Insurance	\$0.56	\$0.93	\$0.62	\$0.72	\$1.16	\$0.80
Electricity	\$0.10	\$0.23	\$0.17	\$0.15	\$0.18	\$0.17
Fuel	\$0.97	\$0.77	\$0.42	\$0.78	\$0.82	\$0.75
Water & Sewer	\$1.02	\$0.67	\$0.86	\$0.99	\$1.20	\$0.95
Repairs & Maintenance	\$0.43	\$0.50	\$0.40	\$0.77	\$0.86	\$0.59
Payroll & Benefits	\$0.48	\$0.34	\$0.93	\$0.66	\$0.70	\$0.62
General & Administrative	\$0.04	\$0.20	\$0.11	\$0.28	\$0.20	\$0.17
Management Fees	\$0.40	\$0.63	\$0.68	\$0.50	\$0.71	\$0.59
<b>Total Operating Expenses</b>	<b>\$4.01</b>	<b>\$4.28</b>	<b>\$4.20</b>	<b>\$4.86</b>	<b>\$5.83</b>	<b>\$4.64</b>

### Per Unit

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Average</b>
Insurance	\$466	\$843	\$915	\$775	\$1,147	\$829
Electricity	\$88	\$206	\$255	\$164	\$176	\$178
Fuel	\$813	\$692	\$612	\$833	\$805	\$751
Water & Sewer	\$853	\$608	\$1,265	\$1,060	\$1,184	\$994
Repairs & Maintenance	\$361	\$448	\$580	\$822	\$847	\$612
Payroll & Benefits	\$402	\$308	\$1,370	\$708	\$685	\$695
General & Administrative	\$35	\$183	\$161	\$299	\$201	\$176
Management Fees	\$337	\$570	\$1,001	\$538	\$698	\$629
<b>Total Operating Expenses</b>	<b>\$3,355</b>	<b>\$3,858</b>	<b>\$6,161</b>	<b>\$5,199</b>	<b>\$5,742</b>	<b>\$4,863</b>

## Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

### Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$154,937 annually or \$2.59 per square foot.

### Insurance

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.89			
2021 Actual	\$1.06			
2022 Annualized Historical	\$1.11			
2023 Actual	\$1.03			
Comparable		\$0.56	\$0.80	\$1.16
<b>Appraiser's Forecast</b>	<b>\$1.05</b>			

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. The owner's insurance policy has increased significantly in recent years, which is a trend seen across the subject's market. With consideration of the 2022 and 2023 historical expenses as well as the comparable expenses, we have projected this expense at \$1.05 per square foot, or \$62,912 annually.

### Electricity & Fuel

PSF Summary	Value	Low	Average	High
2020 Actual	\$1.06			
2021 Actual	\$0.94			
2022 Annualized Historical	\$1.43			
2023 Actual	\$1.25			
Comparable		\$0.59	\$0.92	\$1.07
<b>Appraiser's Forecast</b>	<b>\$1.25</b>			

The tenant is responsible for in-unit electricity and cooking gas. The owner is responsible for heat and common area electricity. We note that utility costs increased significantly in recent years, due to factors such as the war in Ukraine and rising inflation. The comparables have reported electricity and fuel as separate expenses but for the purposes of our analysis above, we have reported the combined expenses for the comparables. With consideration of the most recent historical expense as well as the comparables, we have projected this expense at \$1.25 per square foot, or \$74,895 annually.

### Water & Sewer

Per Unit Summary	Value	Low	Average	High
2020 Actual	\$1,052			
2021 Actual	\$1,052			
2022 Annualized Historical	\$1,097			
2023 Actual	\$1,251			
Comparable		\$608	\$994	\$1,265
<b>Appraiser's Forecast</b>	<b>\$1,250</b>			

With emphasis on the most recent historical expenses as well as consideration of the comparable expenses, we have projected this expense at \$1,250 per unit, or \$66,250 annually, which falls above the comparable range.

### Repairs & Maintenance

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.28			
2021 Actual	\$0.33			
2022 Annualized Historical	\$0.36			
2023 Actual	\$0.33			
Comparable		\$0.40	\$0.59	\$0.86
<b>Appraiser's Forecast</b>	<b>\$0.40</b>			

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. With consideration of the historical expenses as well as the comparable expenses, we have projected this expense at \$0.40 per square foot, or \$23,966 annually, which falls at the bottom of the comparable range.

### Payroll & Benefits

Per Unit Summary	Value	Low	Average	High
2020 Actual	\$926			
2021 Actual	\$935			
2022 Annualized Historical	\$914			
2023 Actual	\$701			
Comparable		\$308	\$695	\$1,370
<b>Appraiser's Forecast</b>	<b>\$600</b>			

Payroll costs will cover building staff whose duties will include trash removal, common area cleaning and general maintenance. Payroll taxes and fringes cover state and federal taxes as well as benefits that building employees receive. Four of the comparables present a tighter range from \$308 to \$708 per unit, with an average of \$526 per unit. Ownership's payroll expenses tend to be above market, as they run other expenses such as office rents, through this category. The subject contains one unit (1A) occupied rent free by the super. Thus, we project a lower payroll expense at \$600 per unit, or \$31,800 annually, which falls near the average of the comparable range.

### General & Administrative

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.49			
2021 Actual	\$0.24			
2022 Annualized Historical	\$0.33			
2023 Actual	\$0.41			
Comparable		\$0.04	\$0.17	\$0.28
<b>Appraiser's Forecast</b>	<b>\$0.15</b>			

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. With consideration of the historical expenses as well as the comparable expenses and that we project reserves separately, we have projected this expense at \$0.15 per square foot, or \$8,987 annually, which falls near the average of the comparable range and is in line with investor expectations.

## Management Fees

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.66			
2021 Actual	\$0.49			
2022 Annualized Historical	\$0.50			
2023 Actual	\$0.49			
Comparable		\$0.40	\$0.59	\$0.71
<b>Appraiser's Forecast</b>	<b>\$0.39</b>			

Typically, management fees for similar properties range from 2% to 6% of effective gross income. We have projected this expense at 3% of effective gross income, which equates to \$0.39 per square foot or \$23,433 annually. Our conclusion falls at the low end of the comparable range.

## Replacement Reserves

	INITIAL-YEAR CHANGE RATES	VACANCY	RESIDUAL	DISCOUNT RATE (IRR)	OVERALL CAP RATE (OAR)	FF&E REPLACEMENT RESERVE	MARKETING TIME
	MARKET RENT	TOTAL VACANCY	CAP RATE	SELLING EXPENSE	FREE & CLEAR	PER UNIT	MONTHS
	EXPENSES						
<b>INSURANCE COMPANY + Forecast Period: 10 years</b> Uses both DCF and direct capitalization; in direct cap, FF&E reserve is not deducted from NOI before capitalization; uses a separate structural replacement reserve; believes market conditions are neutral.	2.0% to 4.0%	3.0% to 4.0%	5.0% to 10.0%	4.75% to 5.75%	0.5% to 4.0%	6.00% to 7.00%	4.00% to 5.25%
							\$200 to \$550
							3 to 6
<b>REAL ESTATE SERVICE FIRM + Forecast Period: 5 years</b> Prefers DCF analysis; also uses direct capitalization; FF&E reserve is deducted from NOI before capitalization; does not use a separate structural replacement reserve.	3.0% to 4.0%	3.0% to 5.0%	4.0% to 5.0%	5.50% to 6.00%	1.0% to 2.0%	6.25% to 7.75%	4.75% to 5.75%
							\$200 to \$250
							3 to 4
<b>DOMESTIC PENSION FUND + Forecast Period: 1 to 10 years</b> Uses both DCF and direct capitalization; FF&E reserve is deducted from NOI before capitalization; reflects concessions as they occur; uses a separate structural replacement reserve of \$100 to \$200 per unit.	3.0%	3.0%	3.0% to 12.0%	4.00% to 5.50%	0.5% to 1.5%	5.75% to 6.75%	3.75% to 5.50%
							\$250 to \$400
							9 to 12
<b>PRIVATE INVESTOR + Forecast Period: 7 to 10 years</b> Relies on DCF; FF&E reserve is deducted from NOI before capitalization; does not use an additional structural reserve; believes current market conditions equally favor sellers and buyers.	3.0% to 4.0%	3.0%	3.0% to 5.0%	4.50% to 6.00%	1.0% to 3.0%	5.75% to 6.50%	4.50% to 5.25%
							\$200 to \$300
							1 to 4
<b>PENSION FUND ADVISOR + Forecast Period: 5 to 10 years</b> Uses both DCF and direct capitalization; only uses a separate structural reserve of \$300 to \$400 per unit; believes market conditions are neutral; sees overall cap rates increasing over the next six months.	2.0% to 4.0%	3.0% to 6.0%	1.0% to 3.0%	6.00% to 8.00%	3.0% to 4.0%	6.00% to 8.00%	6.00% to 8.00%
							Does not use
							6 to 9

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense and none of the comparables report this expense. According to PWC's Q2 2023 National Apartment Investor's Survey, an investor's typical replacement reserves for multifamily apartments ranges from \$200 per unit to \$300 per unit. We have projected this expense at \$200 per unit, or \$10,600 annually.

### Total Operating Expenses

Per Square Foot				
PSF Summary	Value	Low	Average	High
2020 Actual	\$5.13			
2021 Actual	\$4.83			
2022 Annualized Historical	\$5.50			
2023 Actual	\$5.23			
Comparable		\$4.01	\$4.64	\$5.83
<b>Appraiser's Forecast</b>	<b>\$5.05</b>			

Per Unit				
Per Unit Summary	Value	Low	Average	High
2020 Actual	\$5,798			
2021 Actual	\$5,459			
2022 Annualized Historical	\$6,213			
2023 Actual	\$5,912			
Comparable		\$3,355	\$4,863	\$6,161
<b>Appraiser's Forecast</b>	<b>\$5,714</b>			

Operating expenses, exclusive of real estate taxes, were forecasted at \$5.05 per square foot and \$5,714 per unit. Excluding real estate taxes, the comparables ranged from \$4.01 to \$5.83 per square foot and \$3,355 to \$6,161 per unit. Our forecast is within the comparable range on both a per square foot and per unit basis, as well as logically placed in relation to the historical performance of the asset. Thus, this forecast is reasonable and will be applied in our valuation analysis.

## Stabilized Income & Expenses

Pro Forma					
Pro Forma	\$	PSF	Per Unit	Per Room	% of PGI
<b>Income</b>					
Potential Residential Income	\$793,851	\$13.25	\$14,978	\$4,615	99.60%
Laundry Income	\$3,180	\$0.05	\$60	\$18	0.40%
<b>Potential Gross Income</b>	<b>\$797,031</b>	<b>\$13.30</b>	<b>\$15,038</b>	<b>\$4,634</b>	
Less Residential V/C Loss @ 2.00%	-\$15,877	-\$0.26	-\$300	-\$92	2.0%
Less Laundry V/C Loss @ 2.00%	-\$64	-\$0.00	-\$1	-\$0	-0.0%
<b>Effective Gross Income</b>	<b>\$781,091</b>	<b>\$13.04</b>	<b>\$14,738</b>	<b>\$4,541</b>	<b>98.00%</b>
<b>Operating Expenses</b>					
Real Estate Taxes	\$154,937	\$2.59	\$2,923	\$901	19.84%
Insurance	\$62,912	\$1.05	\$1,187	\$366	8.05%
Electricity & Fuel	\$74,895	\$1.25	\$1,413	\$435	9.59%
Water & Sewer	\$66,250	\$1.11	\$1,250	\$385	8.48%
Repairs & Maintenance	\$23,966	\$0.40	\$452	\$139	3.07%
Payroll & Benefits	\$31,800	\$0.53	\$600	\$185	4.07%
General & Administrative	\$8,987	\$0.15	\$170	\$52	1.15%
Management Fees	\$23,433	\$0.39	\$442	\$136	3.00%
Replacement Reserves	\$10,600	\$0.18	\$200	\$62	1.36%
<b>Total Operating Expenses</b>	<b>\$457,780</b>	<b>\$7.64</b>	<b>\$8,637</b>	<b>\$2,662</b>	<b>58.61%</b>
Total Expenses Excluding RE Taxes	\$302,843	\$5.05	\$5,714	\$1,761	38.77%
<b>Net Operating Income</b>	<b>\$323,311</b>	<b>\$5.40</b>	<b>\$6,100</b>	<b>\$1,880</b>	<b>41.39%</b>
Operating Expense Ratio	59%				

## Net Operating Income Comparison

	2020 Actual	2021 Actual	2022 Annualized Historical	2023 Actual	Bowery Pro Forma
Effective Gross Income	\$732,650	\$741,094	\$744,484	\$737,677	\$781,091
Operating Expense					
Real Estate Taxes	\$173,087	\$175,148	\$179,776	\$185,729	\$154,937
Insurance	\$53,219	\$63,593	\$66,224	\$61,697	\$62,912
Electricity	\$63,636	\$56,503	\$85,696	\$74,629	\$74,895
Water & Sewer	\$55,772	\$55,774	\$58,151	\$66,318	\$66,250
Repairs & Maintenance	\$16,745	\$19,781	\$21,373	\$19,577	\$23,966
Payroll & Benefits	\$49,060	\$49,530	\$48,434	\$37,162	\$31,800
General & Administrative	\$29,306	\$14,482	\$19,630	\$24,454	\$8,987
Management Fees	\$39,572	\$29,644	\$29,780	\$29,507	\$23,433
Replacement Reserves	-	-	-	-	\$10,600
<b>Total Operating Expenses</b>	<b>\$480,397</b>	<b>\$464,455</b>	<b>\$509,064</b>	<b>\$499,073</b>	<b>\$457,780</b>
Total Expenses Excluding RE Taxes	\$307,310	\$289,307	\$329,288	\$313,344	\$302,843
<b>Net Operating Income</b>	<b>\$252,253</b>	<b>\$276,639</b>	<b>\$235,420</b>	<b>\$238,604</b>	<b>\$323,311</b>
Operating Expense Ratio	66%	63%	68%	68%	59%

## Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Comparable Capitalization Rates; (2) National Survey Responses; and (3) Band of Investment.

### Band of Investment Technique

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

#### Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

Survey of Competitive Rates

Federal Funds Rate	5.25%-5.50%
10-year Treasury Bond	4.30%
30-year Treasury Bond	4.41%
Corporate Bonds (AAA)	4.87%
Municipal Bonds (AAA, 10-year)	2.40%

*Source: Federal Reserve Economic Data (FRED)*

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.30% suggesting mortgage rates of roughly 6.05% to 8.30% or higher. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 65% of value at an annual interest rate of 6.5% and a 30-year payout. Therefore, the mortgage constant is 0.0758.

#### Equity Component

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

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

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

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

**Amount of Equity Investment Required-** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey from 2023 Q4 indicates an average equity dividend rate in 2023 Q3 of 9.59% and ranges from 4.66% to 13.63%.

#### Investor Surveys

<b>Survey</b>	<b>Type of Product</b>	<b>Equity Dividend Rates</b>
Realty Rates 3Q 2023	National Apartment Market	4.66% to 13.63% 9.59% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

We believe an investor in the subject property would accept an initial annual return of 2% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location in a good residential area, and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

#### Selected Loan Terms

<b>Typical Loan Terms</b>	<b>Value</b>
Mortgage Rate	6.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	65%
Equity Ratio	35%
Mortgage Constant	7.58%

#### Band of Investment

<b>Band of Investment</b>	<b>Value</b>
Mortgage Ratio	65%
Annual Mortgage Constant	x 7.58%
<b>Mortgage Component</b>	<b>4.93%</b>
Equity Ratio	35%
Equity Dividend Rate	x 2.00%
<b>Equity Component</b>	<b>0.70%</b>
<b>Indicated Overall Rate</b>	<b>5.63%</b>

## Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	Number of Units	Year Built	Sale Date	Capitalization Rate
1	1261 49 <sup>th</sup> Street, Brooklyn, NY 11219	Multifamily	49	1926	9/1/23	5.82%
2	1113 Avenue O, Brooklyn, NY 11230	Multifamily	23	1928	6/12/23	6.50%
3	916 Brooklyn Avenue, Brooklyn, NY 11203	Multifamily	45	1925	4/24/23	5.90%
4	10 Westminster Road, Brooklyn, NY 11218	Multifamily	21	1920	5/1/23	6.81%
5	2102 Newkirk Avenue, Brooklyn, NY 11226	Multifamily	16	1931	3/22/23	6.18%
6	575 Herkimer Street, Brooklyn, NY 11213	Multifamily	38	1965	7/15/22	4.40%
7	450 Ocean Parkway, Brooklyn, NY 11218	Multifamily	69	1931	5/19/22	4.61%
<b>Avg</b>						<b>5.75%</b>

We analyzed sales of comparable multifamily assets within the subject's periphery and they exhibit overall capitalization rates from 4.40% to 6.81% with an average of 5.75%. We were provided with the offering memorandums for many of the comparables, based on which we reconstructed the pro formas and calculated their respective cap rates. We have supplemented our capitalization rate comparables with additional comparables not used in our sales comparison approach. The additional rates are good indicators for capitalization rates for the subject and are recent, however, there are differences regarding the comparables which do not justify utilizing the comparable in the sales comparison approach (i.e. location, size, etc.).

Although the rent roll is operating at 61% of the market rents and the building is located in a rapidly gentrifying part of Brooklyn, there is limited upside potential to the subject's rents as 100% of the units are rent stabilized.

## National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 8%, with an average between 5.1% and 5.59%.

## Personal Survey

Bowery Valuation conducted a number of surveys with active market participants to get a sense of what capitalization rates are currently being used in the subject's market.

According to CoStar's Flatbush Multifamily Submarket, the current market cap rate is 5.13%.

In July 2023, we spoke with a leading broker at Cushman and Wakefield who stated cap rates for free market buildings in Brooklyn are in the low to mid 5% range.

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

While we recognize the broker opinions are important, they do not represent closed sales. Broker cap rates are often higher than appraiser cap rates because brokers do not include some expenses such as reserves, miscellaneous, and management. In addition, brokers often apply higher than market rent for vacant units, and do not apply a vacancy and collection loss factor.

## Summary

Survey	Low	Avg	High
Band of Investment	-	5.63%	-
PwC 4Q 2023	4.00%	5.59%	8.00%
Situs-RERC 3Q 2023	4.30%	5.10%	6.00%
Comparable Cap Rates	4.40%	5.75%	6.81%

## Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the middle of the comparable range for the subject property. Our opinion is based on the following:

- The subject is 98% occupied while the rent roll is operating at 61% of market rents, suggesting security to the cash flow, but limited potential for future income spikes.
- The asset is in better than average condition for a rent stabilized building. The systems are well maintained, suggesting lower risk of unscheduled capital investment necessary during the holding period.
- It is in a market where there has been continually strong demand for investment and capitalization rates have been continually strong.

Our surveys with active market participants indicate that capitalization rates have risen in recent months due to factors such as rising inflation and interest rates, which have also caused decreased investor demand and declining price trends. However, our comparable capitalization rates suggest that a lower capitalization rate may be appropriate for the subject. The NOI per square foot of the subject, which is \$5.46 per square foot, is below the comparables, which have a range between \$6 and \$10 per square foot, indicating a cap rate on the lower end of the comparable range. Further, the subject has been well-maintained and has a strong operating history in recent years, suggesting that its net operating income is secure when compared to other multifamily properties in the subject's market. The subject is also situated in a strong location, in the prime residential neighborhood of Prospect Lefferts Gardens, within walking distance of multiple subway and bus stations, Prospect Park, public schools and libraries, and medical centers. Lastly, developers have been actively investing in the area, such as the PLG Luxury Apartments building at 123 Linden Boulevard, which contains 467 luxury apartments and a full amenity package. The immediate neighborhood is rapidly gentrifying with new restaurants, bars, and shops.

For all the above reasons, we believe a capitalization rate on the lower end of the comparable range, towards the low end of the range indicated by our surveys, is appropriate for the subject.

An overall rate of 5.25% is applied in the analysis and in line with investor expectations. The value is calculated below:

### Value Opinion Via the Income Capitalization Approach

	Date of Value	Value	Final Value (RD)
NOI		\$323,311	-
Cap Rate		5.25%	-
<b>As Is Fair Value Via the Income Capitalization Approach</b>	<b>December 31, 2023</b>	<b>\$6,158,305</b>	<b>\$6,200,000</b>

In consideration of the above analysis, the As Is Fair Value of \$6,200,000 reflects a unit value of \$116,981 per unit. The final value is rounded to the nearest \$100,000.

As will be seen in the sales comparison approach, the value of \$116,981 per unit is toward the bottom of the sale comparables. Considering the subject's good condition and location, a cap rate higher than 5.25% would result in a value that is unreasonable on a sale comparison approach basis.

## Sales Comparison Approach

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

The steps taken to apply this approach include the following: (a) research, confirm and verify all pertinent data for the most relevant sales within the defined market area; (b) analyze the sales considering appropriate adjustments for material difference in comparison to the subject property; and (c) reconcile the range of adjusted sale data into an opinion of value.

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



Comparable Sales Summary<sup>8</sup>

Address	Sale Date	Residential		Sale Price Per Residential Unit	NOI Per Residential Unit		Cap Rate
		Unit	Sale Price		Unit	Cap Rate	
1 3213 Snyder Avenue, Brooklyn, NY	11/20/2023	38	\$4,275,000	\$112,500	N/A	N/A	
2 1261 49 Street, Brooklyn, NY	09/01/2023	49	\$7,400,000	\$151,020	\$8,789	5.82%	
3 Confidential, Brooklyn, NY	06/12/2023	23	\$3,250,000	\$141,304	\$9,185	6.50%	
4 916 Brooklyn Avenue	04/24/2023	39	\$5,150,000	\$132,051	\$7,791	5.90%	
5 2102 Newkirk Avenue, Brooklyn, NY	03/22/2023	16	\$2,250,000	\$140,625	\$8,691	6.18%	

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.

## Comparable Sales Adjustment Grid

Comparable #	Subject	1	2	3	4	5
Address	143 Linden Boulevard, Brooklyn, NY	3213 Snyder Avenue, Brooklyn, NY	1261 49 Street, Brooklyn, NY	Confidential, Brooklyn, NY	916 Brooklyn Avenue, Brooklyn, NY	2102 Newkirk Avenue, Brooklyn, NY
Sale Date		11/20/2023	09/01/2023	06/12/2023	04/24/2023	03/22/2023
Residential Units	53	38	49	23	39	16
SF	59,916	31,500	43,000	18,224	39,000	15,680
Year Built	1935	1923	1926	1928	1925	1931
Sale Price		\$4,275,000	\$7,400,000	\$3,250,000	\$5,150,000	\$2,250,000
<b>Price Per Residential Unit:</b>		<b>\$112,500</b>	<b>\$151,020</b>	<b>\$141,304</b>	<b>\$132,051</b>	<b>\$140,625</b>
Property Rights		0%	0%	0%	0%	0%
Financing Terms	None	0%	0%	0%	0%	0%
Conditions of Sale	None	0%	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2023	0%	0%	0%	0%	0%
<b>Cumulative Price Per Residential Unit:</b>		<b>\$112,500</b>	<b>\$151,020</b>	<b>\$141,304</b>	<b>\$132,051</b>	<b>\$140,625</b>
Location	Prospect Lefferts Gardens	0%	0%	0%	0%	0%
Utility	N/A	5%	5%	5%	5%	5%
Size	53	-5%	0%	-15%	-5%	-15%
Rent Stabilization Level	100%	-10%	0%	0%	0%	0%
Condition	Average	0%	0%	0%	0%	0%
<b>Net Adjustments</b>		<b>-10%</b>	<b>5%</b>	<b>-10%</b>	<b>0%</b>	<b>-10%</b>
<b>Adjusted Price Per Residential Unit</b>		<b>\$101,250</b>	<b>\$158,571</b>	<b>\$127,174</b>	<b>\$132,051</b>	<b>\$126,563</b>

Unadjusted	Adjusted
Low	Low
\$112,500	\$101,250
Average	Average
\$135,500	\$129,122
High	High
\$151,020	\$158,571
Median	Median
\$140,625	\$127,174

<b>Property Rights Appraised</b>	The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required.
<b>Financing Terms</b>	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of market value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.
<b>Conditions of Sale</b>	Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.
<b>Market Conditions (Time)</b>	The purpose of this adjustment is to account for changes in market conditions. All comparables transacted during similar market conditions and no adjustments were applied.
<b>Location</b>	The subject property is located in the Prospect Lefferts Gardens neighborhood of Brooklyn, New York. All comparables used in this analysis are in similar locations compared to the subject property. Therefore, no adjustments were applied.
<b>Utility</b>	The subject is a multifamily, mid-block, elevated building. It features a satisfactory quality kitchen, satisfactory living, satisfactory bedroom, and satisfactory bathroom area finishes. The subject property features a laundry room in the building.
	We have considered corner vs. mid-block location, unit and property finishes, walk-up vs. elevator, unit and building amenities, and commercial space within the scope of the utility adjustment. Based on these factors, the following adjustments were made to the comparables, while other minor differences were considered qualitatively in the sale value conclusion.
	<b>Elevator:</b> The subject property has an elevator. Elevated buildings typically command a higher price per square foot. All comparables are walk-up buildings and required upward adjustments.
<b>Size</b>	This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per residential unit such that smaller properties will sell for higher prices per residential unit and vice versa. Comparables 1, 3, 4 and 5 warranted downward adjustments as they are smaller than the subject.
<b>Rent Stabilization Level</b>	The subject is 100% rent stabilized, of the 53 residential units, all are rent stabilized. Comparable 1 does not report any rent stabilized units and a downward adjustment is applied to this comparable. No other adjustments were necessary as the remaining comparables have similar rent stabilization levels.
<b>Condition</b>	The subject property was constructed in 1935 and is in average condition. The comparables sold in similar condition to the subject, and no adjustment was warranted.

After adjustments, the comparable sales exhibited a range between \$101,250 per residential unit and \$158,571 per residential unit with an average of \$129,122 per residential unit and a median of \$127,174 per residential unit. Four of the comparables present a tighter range from \$101,250 to \$132,051 per unit, with an average of \$121,759 per unit. Thus, considering the elements of comparison noted above, our opinion of market value is \$125,000 per residential unit.

### Value Opinion via the Sales Comparison Approach

	Date of Value	Value	Final Value (RD)
Concluded Value Per Residential Unit		\$125,000	-
Residential Units		53	-
<b>As Is Fair Value Via the Sales Comparison Approach</b>	<b>June 30, 2023</b>	<b>\$6,625,000</b>	<b>\$6,600,000</b>

The final value is rounded to the nearest \$100,000.

According to Ariel Property Advisors, Brooklyn Q4 2023 data for properties with 75% rent stabilized units reported an average of \$143,031 per unit and \$175 per square foot. Our opinion of value for the subject property is conservative given the subject's good condition.

Below we present sales that closed in the second half of 2023. The subject's value of \$125K is well within the comparable range.

Address	Price Per Unit	Price PSF
1236 Union St sold 7/11/23	\$143,750	\$154
244 96 St sold 7/12/23	\$180,000	\$250
158-160 S 3 St sold 7/25/23	\$131,522	\$151
252 74 St sold 8/10/23	\$204,545	\$237
1261 49 St sold 9/1/23	\$151,020	\$172
1175 60 St sold 9/11/23	\$159,375	\$184
102 Ave S sold 9/12/23	\$131,667	\$214
3213 Snyder Ave sold 11/20/23	\$112,500	\$136
1775 East 18 St sold 11/29/23	\$136,458	\$120
Ariel Prop Advisors Q4 data 75% RS	\$143,031	\$175

## Reconciliation & Final Value

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

Estimated Values			
Approach	Value	Date	Conclusion
Cost Approach	As Is Fair Value	N/A	Not Applied
Income Capitalization Approach	As Is Fair Value	June 30, 2023	\$6,200,000
Sales Comparison Approach	As Is Fair Value	June 30, 2023	\$6,600,000

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical depreciation and obsolescence affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis once a property is operating on a stabilized basis as its cost bears little relationship to the value; therefore, we exclude this approach from our analysis.

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

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of other approaches.

### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	June 30, 2023	Leased Fee Interest	\$6,200,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

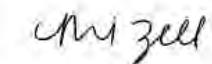
<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

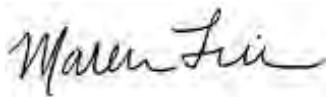
## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- Michelle Zell and Maren Lewis have performed appraisal services regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. The remaining appraisers have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- John Tuohy has made a personal inspection of the property that is the subject of this report on 2/29/24. Michelle Zell, Maren Lewis, and Ashna Saigal have not made a personal inspection of the property that is the subject of this report.
- John Tuohy provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI and Maren Lewis, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Ashna Saigal has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- We have experience in appraising properties similar to the subject, have acquired the necessary geographic competency, and are in compliance with the Competency Rule of USPAP.



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# Addenda

## Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

## Subject Property Photos

All subject photos were taken by John Tuohy of Bowery Valuation on February 29, 2024.

Building Facade



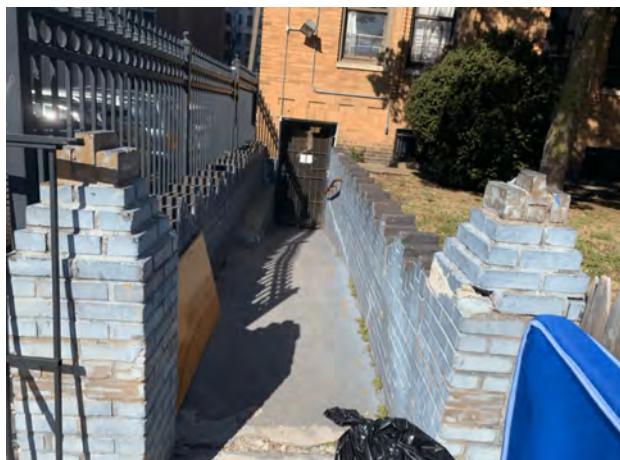
Subject Street



Subject Street



Exterior Entrance



Exterior Entrance



Building Exterior



Building Exterior



Typical Hallway



Typical Hallway



Typical Kitchen



Typical Bathroom



Typical Bathroom



Typical Bathroom



Typical Bedroom



Typical Living Room



Typical Living Room



Electric Meters



Gas Meters



Gas Meters



Heating System



Heating System



Heating System



Water System



Roof



Roof



Roof



Roof



Basement



Basement



Laundry Room

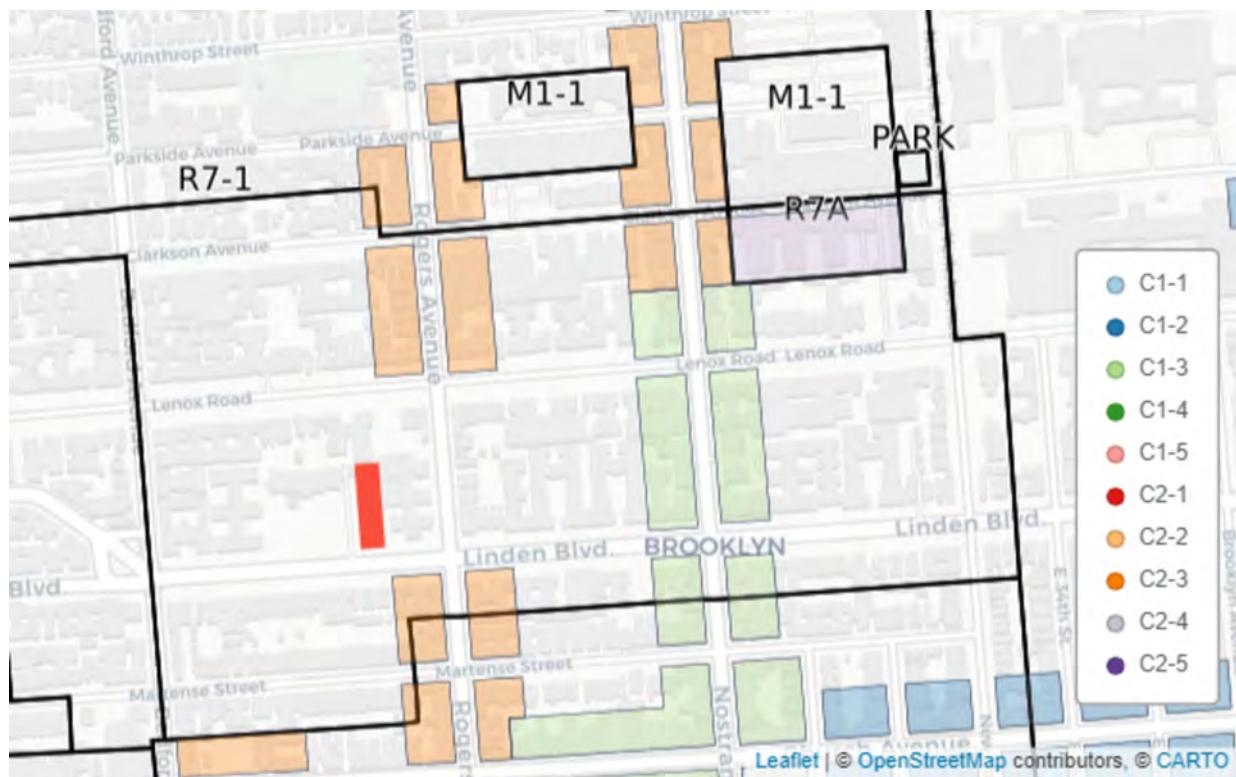


Elevator

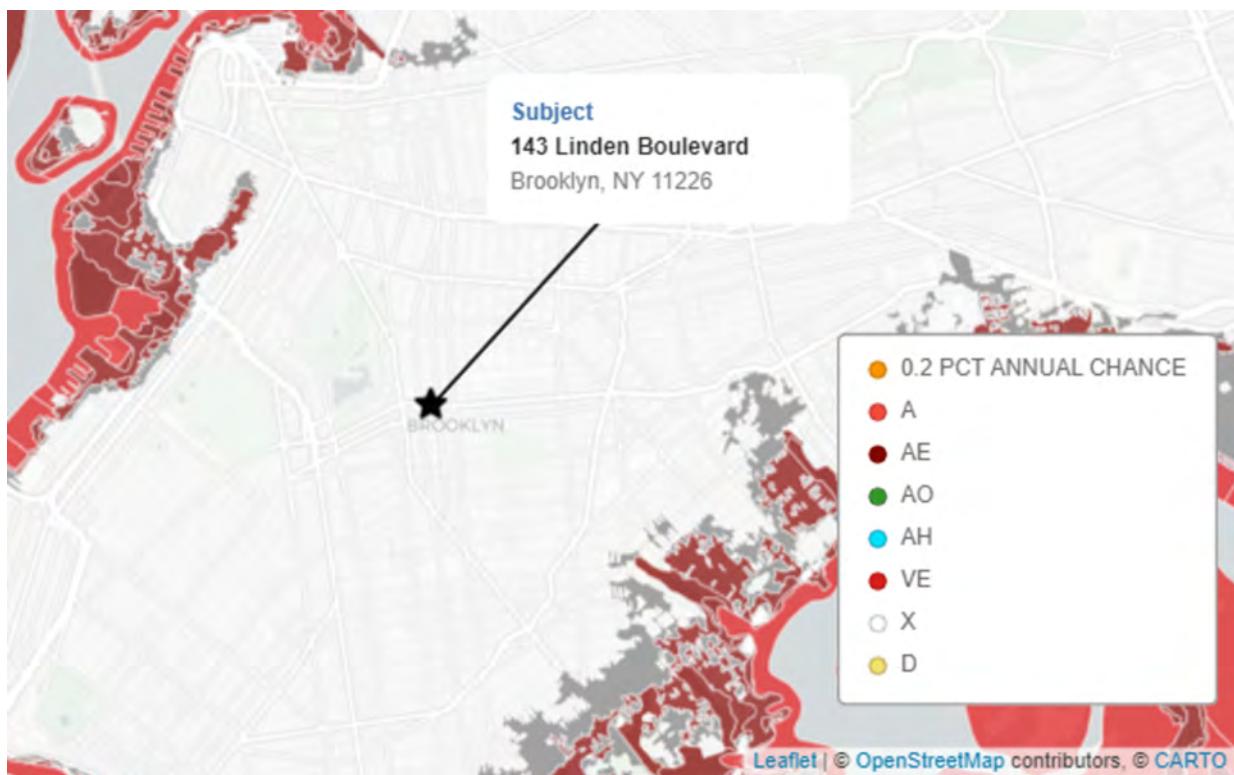


## Map Gallery

### Zoning Map



## Flood Map

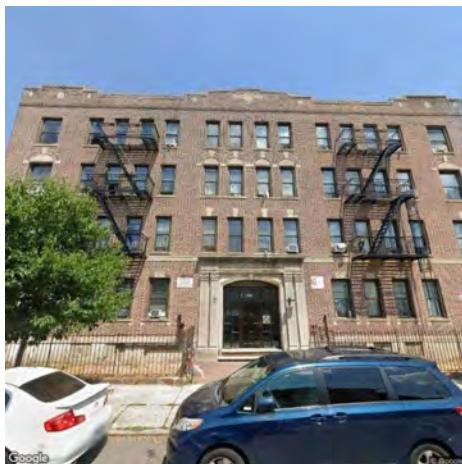


Rent Roll & Financial Statements  
143 Linden Boulevard

#	Unit #	Rooms	BDs	Rent Status	Bowery Rent		
					Monthly Rent	Rent / Room	Estimate
1	001A	4	2	Rent Stabilized	\$0.00	\$0	\$2,300
2	001C	4	2	Rent Stabilized	\$1,876.72	\$469	\$2,300
3	001D	3	1	Rent Stabilized	\$1,255.27	\$418	\$1,900
4	001E	3	1	Rent Stabilized	\$992.83	\$331	\$1,900
5	001F	3	1	Rent Stabilized	\$1,359.55	\$453	\$1,900
6	001G	2	0	Rent Stabilized	\$744.88	\$372	\$1,600
7	001H	4	2	Rent Stabilized	\$1,180.71	\$295	\$2,300
8	001J	4	2	Rent Stabilized	\$1,389.48	\$347	\$2,300
9	002A	4	2	Rent Stabilized	\$1,022.95	\$256	\$2,300
10	002B	3	1	Rent Stabilized	\$1,260.75	\$420	\$1,900
11	002C	3	1	Rent Stabilized	\$1,676.75	\$559	\$1,900
12	002D	3	1	Rent Stabilized	\$1,097.67	\$366	\$1,900
13	002E	3	1	Rent Stabilized	\$1,256.44	\$419	\$1,900
14	002F	3	1	Rent Stabilized	\$1,693.30	\$564	\$1,900
15	002G	3	1	Rent Stabilized	\$836.37	\$279	\$1,900
16	002H	3	1	Rent Stabilized	\$1,169.30	\$390	\$1,900
17	002J	4	2	Rent Stabilized	\$1,065.20	\$266	\$2,300
18	003A	4	2	Rent Stabilized	\$1,246.91	\$312	\$2,300
19	003B	3	1	Rent Stabilized	\$1,521.82	\$507	\$1,900
20	003C	3	1	Rent Stabilized	\$1,020.81	\$340	\$1,900
21	003D	3	1	Rent Stabilized	\$868.39	\$289	\$1,900
22	003E	3	1	Rent Stabilized	\$1,659.40	\$553	\$1,900
23	003F	3	1	Rent Stabilized	\$1,173.54	\$391	\$1,900
24	003G	3	1	Rent Stabilized	\$1,019.83	\$340	\$1,900
25	003H	3	1	Rent Stabilized	\$957.84	\$319	\$1,900
26	003J	4	2	Rent Stabilized	\$973.60	\$243	\$2,300
27	004A	4	2	Rent Stabilized	\$1,982.43	\$496	\$2,300
28	004B	3	1	Rent Stabilized	\$1,600.00	\$533	\$1,900
29	004C	3	1	Rent Stabilized	\$1,161.34	\$387	\$1,900
30	004D	3	1	Rent Stabilized	\$838.72	\$280	\$1,900
31	004E	3	1	Rent Stabilized	\$991.25	\$330	\$1,900
32	004F	3	1	Rent Stabilized	\$953.11	\$318	\$1,900
33	004G	3	1	Rent Stabilized	\$903.87	\$301	\$1,900
34	004H	3	1	Rent Stabilized	\$1,075.53	\$359	\$1,900
35	004J	4	2	Rent Stabilized	\$1,671.63	\$418	\$2,300
36	005A	4	2	Rent Stabilized	\$1,136.89	\$284	\$2,300
37	005B	3	1	Rent Stabilized	\$776.50	\$259	\$1,900
38	005C	3	1	Rent Stabilized	\$1,650.00	\$550	\$1,900
39	005D	3	1	Rent Stabilized	\$1,338.25	\$446	\$1,900
40	005E	3	1	Rent Stabilized	\$1,194.55	\$398	\$1,900
41	005F	3	1	Rent Stabilized	\$1,320.04	\$440	\$1,900
42	005G	3	1	Rent Stabilized	\$1,252.70	\$418	\$1,900
43	005H	3	1	Rent Stabilized	\$931.84	\$311	\$1,900
44	005J	4	2	Rent Stabilized	\$1,967.86	\$492	\$2,300
45	006A	4	2	Rent Stabilized	\$1,007.26	\$252	\$2,300
46	006B	3	1	Rent Stabilized	\$1,057.02	\$352	\$1,900
47	006C	3	1	Rent Stabilized	\$927.84	\$309	\$1,900
48	006D	3	1	Rent Stabilized	\$1,174.93	\$392	\$1,900
49	006E	3	1	Rent Stabilized	\$1,332.90	\$444	\$1,900
50	006F	3	1	Rent Stabilized	\$1,628.47	\$543	\$1,900
51	006G	3	1	Rent Stabilized	\$924.29	\$308	\$1,900
52	006H	3	1	Rent Stabilized	\$953.37	\$318	\$1,900
53	006J	4	2	Rent Stabilized	\$2,148.31	\$537	\$2,300
<b>Totals/Avg</b>		<b>172</b>	<b>67</b>		<b>\$64,221.21</b>	<b>\$373</b>	<b>\$106,000</b>
<b>Annual</b>					<b>\$770,654.52</b>		<b>\$1,272,000</b>

## Comparable Sales Outline

### Comparable Sale 1



#### Location Overview

<b>Street Address</b>	3213 Snyder Avenue
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11203
<b>Property ID</b>	4886/32
<b>Neighborhood/District</b>	Erasmus

#### Property Information

<b>Condition</b>	Average	<b>Site Area</b>	10,250 SF
<b>Year Built</b>	1923 est.	<b>Residential Units</b>	38
<b># Floors</b>	4	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Walk Up	<b>Commercial Units</b>	0
<b>GBA</b>	31,500 SF		

#### Sale Information

<b>Sale Status</b>	Transaction	<b>Per Unit</b>	\$112,500
<b>Sale Date</b>	11/20/2023	<b>Per SF</b>	\$136
<b>Grantee</b>	3213 Snyder Realty Group	<b>Cap Rate</b>	N/A
		<b>Property Rights</b>	Leased Fee Interest
<b>Grantor</b>	3213 Snyder Realty Corp		
<b>Deed Sale Price</b>		\$4,275,000	

#### Appraiser Comments

This is the sale of a multifamily property located at 3213 Snyder Avenue in the Erasmus neighborhood of Brooklyn, New York. The property is a four-story walk-up building with a total of 38 residential units. It was built in 1923, and while the exact year of construction is estimated, it is believed to be accurate. The property is in average condition and has a total gross building area of 31,500 square feet. The sale price for the property was \$4,275,000, with a price per square foot of \$135.71 and a price per unit of \$112,500. The property unit mix consists of 24 one-bedroom units, 10 two-bedroom units, and 4 three-bedroom units. There are no rent-stabilized units per the NYC Department of Finance. All sale data reported by CoStar and confirmed by a review of the property deed.

## Comparable Sale 2



### Location Overview

<b>Street Address</b>	1261 49 Street
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11219
<b>Property ID</b>	5634/48
<b>Neighborhood/District</b>	Borough Park
<b>Market</b>	Kings
<b>Submarket</b>	Borough Park

### Property Information

<b>Condition</b>	Average GBA	43,000 SF
<b>Year Built</b>	1926	Site Area
<b># Floors</b>	5	10,000 SF
<b>Building Type</b>	Walk Up	Residential Units
<b>Building Amenities</b>	Laundry Room	Comparable Type
<b>Building Class</b>	C	Multifamily
<b>Zoning</b>	C4-3	Commercial Units
		Average Unit Size
		750 SF
		Studio, 1 BR, 2 BR
		Unit Types

### Sale Information

<b>Sale Status</b>	Transaction	Deed Sale Price	\$7,400,000
<b>Sale Date</b>	9/1/2023	Per Unit	\$151,020
<b>Grantee</b>	1261 49 HOLDINGS LLC	Per SF	\$172
<b>Grantor</b>	BEITSCHER, LLC	Cap Rate	5.82%
<b>Unique Sale ID</b>	2023090501258001	EGI	\$768,974
<b>NOI</b>	\$430,570	Expense Ratio	44%
<b>PGI</b>	\$792,757	Property Rights	Leased Fee Interest
<b>EGIM</b>	9.62		

### Appraiser Comments

Data was reported from CoStar and confirmed with public record and representatives for the buyer. This property was openly marketed by Yosef Katz of ARG at an initial asking price of \$7,700,000. CoStar lists the property as being listed on the market on December 12, 2022. The price was subsequently lowered to \$7,600,000 on February 7, 2023. The building is fully rent stabilized and consists of 10 studio units, 29 one-bedroom, and 10 two-bedroom units.

## Comparable Sale 3



### Location Overview

<b>Street Address</b>	Confidential
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11230
<b>Property ID</b>	undefined/undefined
<b>Market</b>	NY-New York
<b>Submarket</b>	NY-Flatbush

### Property Information

<b>Condition</b>	Average	<b>GBA</b>	18,224 SF
<b>Year Built</b>	1928	<b>Site Area</b>	5,500 SF
<b># Floors</b>	4	<b>Residential Units</b>	23
<b>Building Type</b>	Walk Up	<b>Comparable Type</b>	Multifamily
<b>Building Amenities</b>	Laundry Room, On Site Superintendent	<b>Commercial Units</b> <b>Average Unit Size</b>	0 715 SF
<b>Building Class</b>	C1	<b>Unit Types</b>	1 BR, 2 BR
<b>Zoning</b>	R5B	<b>Access</b>	The primary access is from Avenue O
<b>Parking</b>	0		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$3,250,000
<b>Sale Date</b>	6/12/2023	<b>Per Unit</b>	\$141,304
<b>Grantee</b>	CCY Realty LLC & Aida Abba Realty LLC	<b>Per SF</b>	\$178
<b>Grantor</b>	Santa Rosa Realty Corp	<b>Cap Rate</b>	6.50%
<b>Unique Sale ID</b>	2023000158495	<b>EGI</b>	\$376,920
<b>NOI</b>	\$211,925	<b>Expense Ratio</b>	0%
<b>PGI</b>	\$388,578	<b>Property Rights</b>	Leased Fee Interest

### Verification Source

<b>Contact Name</b>	Matthew Sparks	<b>Role</b>	Party to Transaction
<b>Company</b>	GFI Realty Services	<b>Verification Date</b>	3/20/2023

### Appraiser Comments

This is the sale of a 4-story, walk-up, multifamily building consisting of 23 residential units with 18,224 square feet of gross building area. It contains 15 one-bedroom units and 8 two-bedroom units. All 23 of the units are rent stabilized. However, the superintendent lives in one of the units which is temporarily exempt. The property sold for a price of \$3,250,000 in June 2023. We spoke with Matthew Sparks, a party to the transaction who informed us that the property was openly marketed and the buyer and seller found each other through brokers. It was on the market for a few months. The asking price was originally around \$4,000,000, however rising interest rates drove the price down.

## Comparable Sale 4



### Location Overview

<b>Street Address</b>	916 Brooklyn Avenue
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11203
<b>Property ID</b>	4872/32
<b>Neighborhood/District</b>	East Flatbush

### Property Information

<b>Condition</b>	Average	<b>Residential Units</b>	39
<b>Year Built</b>	1925	<b>Comparable Type</b>	Mixed-Use
<b># Floors</b>	4	<b>Commercial Units</b>	6
<b>Building Type</b>	Walk Up	<b>Commercial Area</b>	4,500 SF
<b>GBA</b>	39,000 SF	<b>Unit Types</b>	1 BR, 2 BR, 3 BR
<b>Site Area</b>	10,000 SF		

### Sale Information

<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$5,150,000
<b>Sale Date</b>	4/24/2023	<b>Per Unit</b>	\$132,051
<b>Grantee</b>	916 Brooklyn LLC	<b>Per SF</b>	\$132
<b>Grantor</b>	Evelyn, Russell	<b>Cap Rate</b>	5.90%
<b>Unique Sale ID</b>	2023000108280	<b>Property Rights</b>	Leased Fee Interest

### Appraiser Comments

This is the sale of a corner, four-story, walk-up, mixed-use building. All residential units are rent stabilized and the property appears to have sold fully occupied. Data was reported from CoStar and confirmed with public record.

## Comparable Sale 5



### Location Overview

<b>Street Address</b>	2102 Newkirk Avenue
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11226
<b>Property ID</b>	5221/41
<b>Neighborhood/District</b>	Flatbush - Ditmas Park

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	6,100 SF
<b>Year Built</b>	1931 est.	<b>Residential Units</b>	16
<b># Floors</b>	4	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Walk Up	<b>Commercial Units</b>	0
<b>GBA</b>	15,680 SF	<b>Unit Types</b>	2 BR, 3 BR

### Sale Information

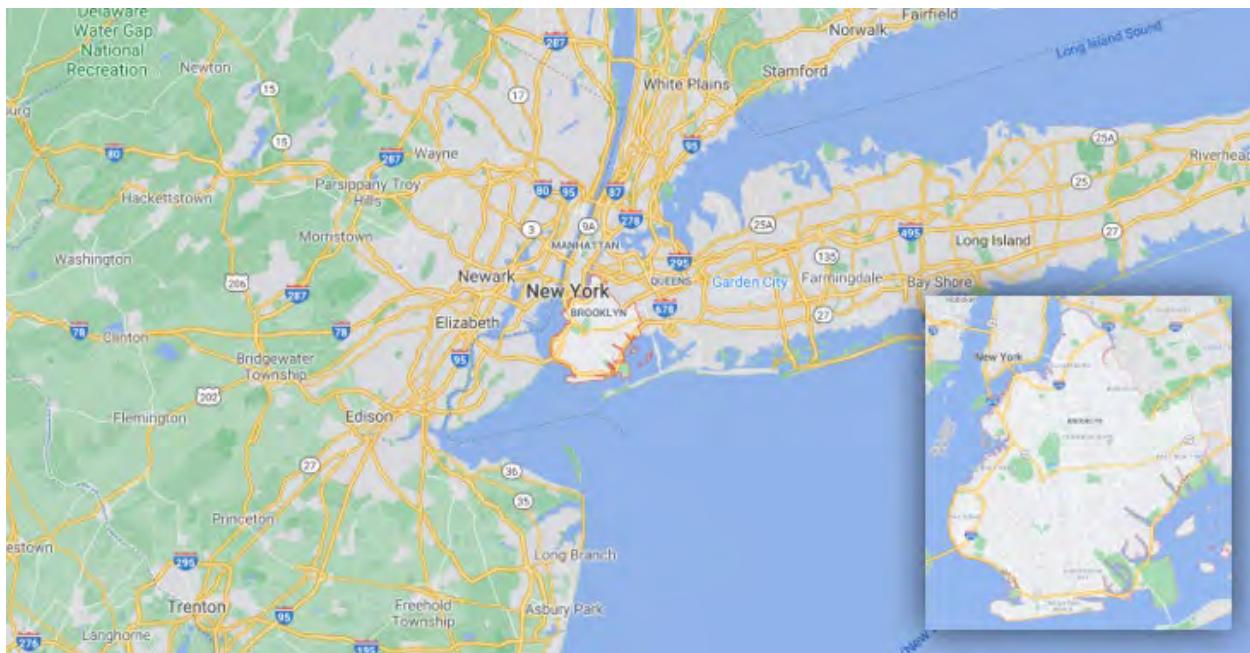
<b>Sale Status</b>	Transaction	<b>Deed Sale Price</b>	\$2,250,000
<b>Sale Date</b>	3/22/2023	<b>Per Unit</b>	\$140,625
<b>Grantee</b>	Flatbush Hills LLC	<b>Per SF</b>	\$143
<b>Grantor</b>	Susan Sykes, Co-administrator	<b>Cap Rate</b>	6.18%
<b>Unique Sale ID</b>	2023000096673	<b>Property Rights</b>	Leased Fee Interest

### Appraiser Comments

According to the marketing brochure of the property listing, all of the units are rent stabilized except for one unit which is rent controlled. The property sold with 6 vacant units at the time of sale and contains 11 two-bedroom units and 5 three-bedroom units. Information regarding the cap rate and occupancy at the time of sale are provided by Kevin Vales of Brown Harris Stevens. The property was listed with an asking price of \$3,300,000 and at a 4.8% cap rate. The property eventually traded at a 6.18% cap rate and at a reduced sale price due to the level of rent stabilization at the property. Data was reported from Kevin Vales of Brown Harris Stevens and confirmed with public record.

## Kings County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2023 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

### Kings County at a Glance

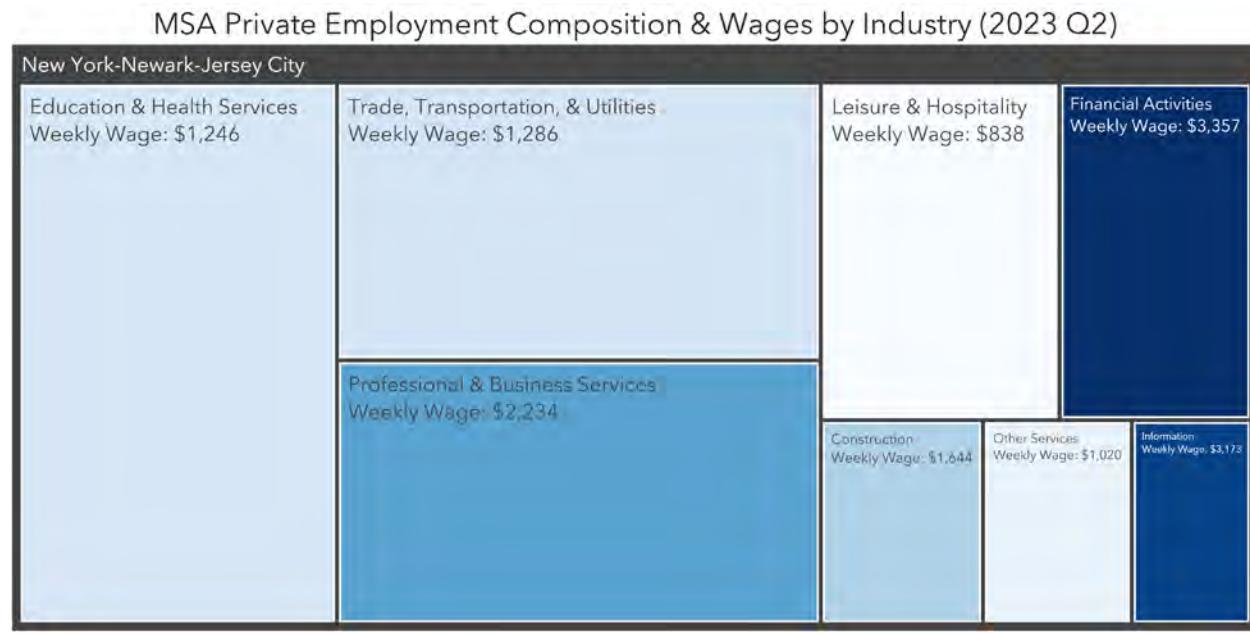
The subject property is located in Kings County, New York. Kings County, New York is best known as the NYC borough of Brooklyn. It is the most populous county in the state, and the second-most densely populated county in the United States, with an estimated 2.6 million residents in 2020. The economy of Brooklyn is diverse and includes a range of industries such as finance, technology, healthcare, and retail. Housing options in Brooklyn vary greatly, from historic brownstones and townhouses to high-rise apartment buildings. The cost of living in Brooklyn is higher than the national average, but residents enjoy a bustling and diverse community, with a wide range of retailers and businesses, including large chain stores and local shops and restaurants. There are also many community parks and open spaces, such as Prospect Park, which provide residents with opportunities for recreation and relaxation. Brooklyn is well-connected by a network of local corridors and major roads, including the Brooklyn-Queens Expressway (Interstate 278) and the Belt Parkway. The borough is also served by several subway lines, including the B, D, N, Q, and R lines, as well as several bus routes operated by the Metropolitan Transportation Authority (MTA). JFK International Airport is located in nearby Queens and provides air travel options for residents of Brooklyn.

#### Area Fundamentals

Attribute	County Level Value	5 Year Annualized		Relative to Baseline (MSA)
		Growth Rate		
Employment	1,140,028	-1.0%		Slower than MSA
GDP	\$107.3 billion	3.7%		Faster than MSA
Population	2,590,516	-0.0%		Slower than MSA
Per Capita Personal Income	\$60,153	6.2%		Faster than MSA

## Labor Market Conditions

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 8,006,763 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 2,068,632 (25.6%), 1,611,109 (20.0%), and 1,530,596 (19.0%) private sector workers in the Metro, respectively.



Source: U.S. Bureau of Labor Statistics

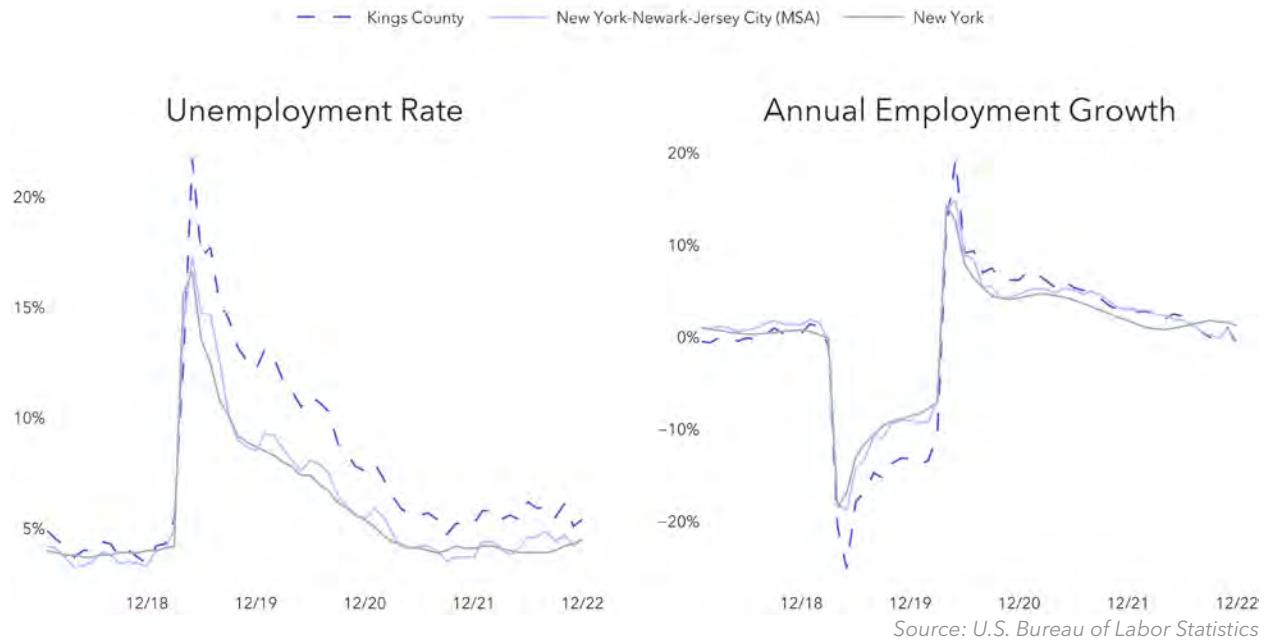
The latest data from the 2023 Q2 Quarterly Census of Employment and Wages, Kings County employed 866,517 employees. Establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Leisure & Hospitality industries accounted for the top three employers. These industries employ 431,941 (49.3%), 123,444 (14.1%), and 71,223 (8.1%) workers in the County, respectively. Kings County has an especially large share of workers in the Education & Health Services industry. In fact, its 49.3% fraction of workers is 2.4 times higher than the National average.

## County Employment Composition & Wages by Industry (2023 Q2)

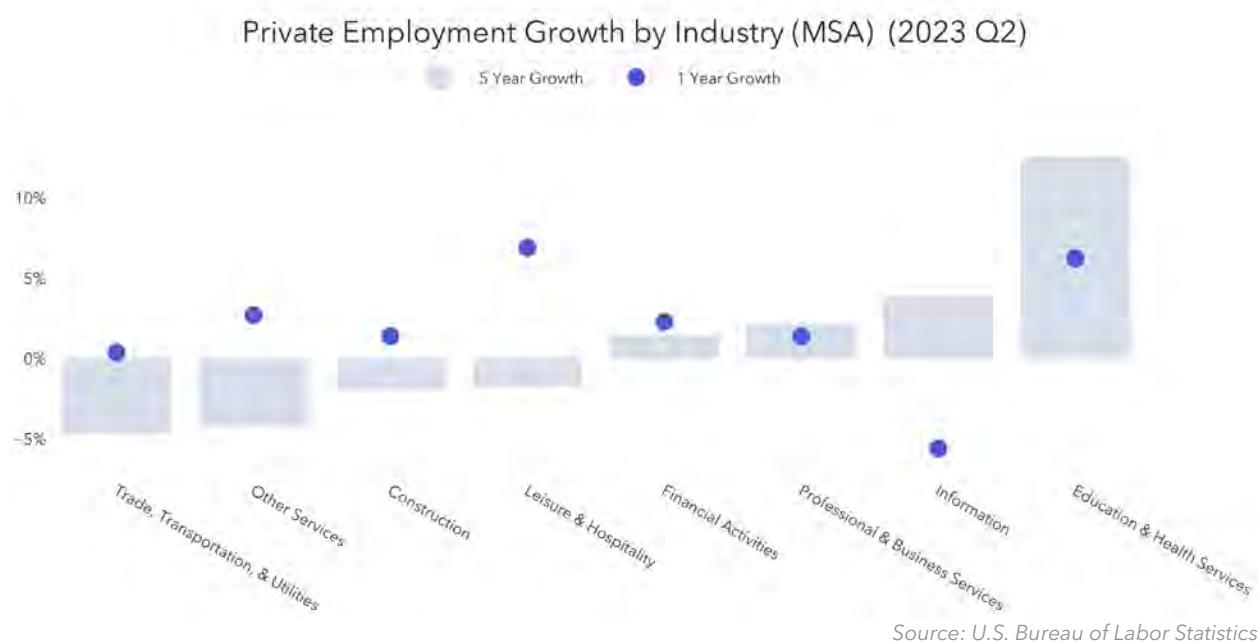


Source: U.S. Bureau of Labor Statistics

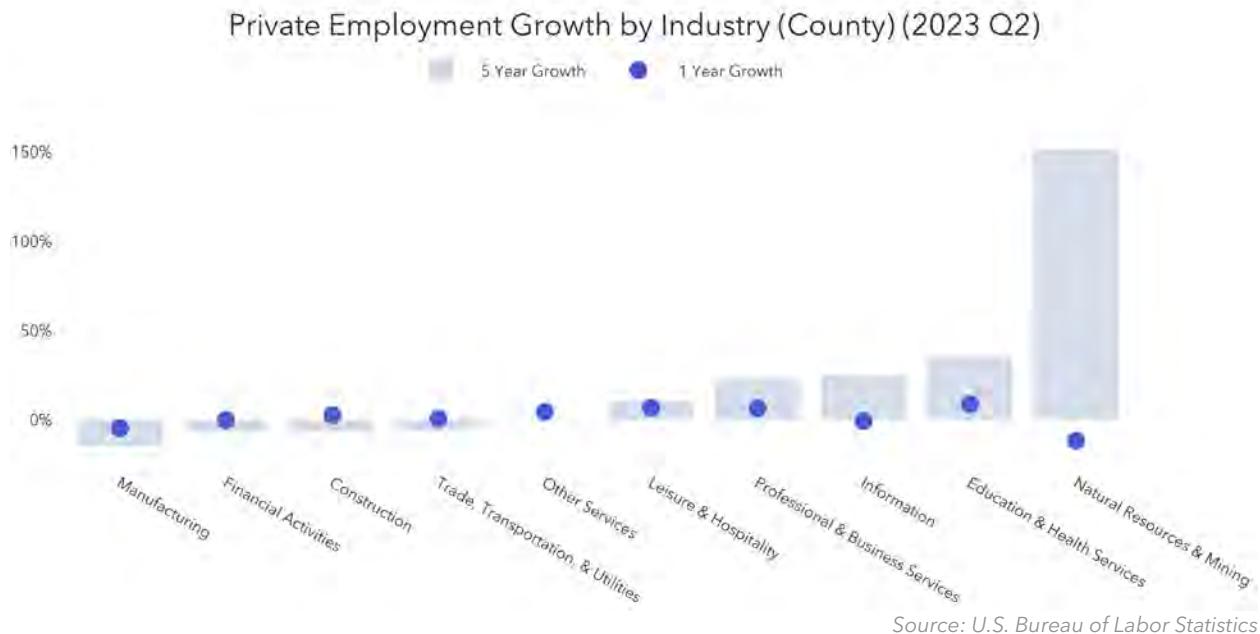
At the onset of the pandemic last spring, Kings County area employers shed 21.5% of their workforce, expanding the unemployment rate from 4.3% in February 2020 to 12.4% just two months later. The unemployment rate in Kings County has expanded over the past year to the current rate of 5.4%, just slightly above the New York-Newark-Jersey City rate of 4.5%. As of 12/23, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 4.3%.



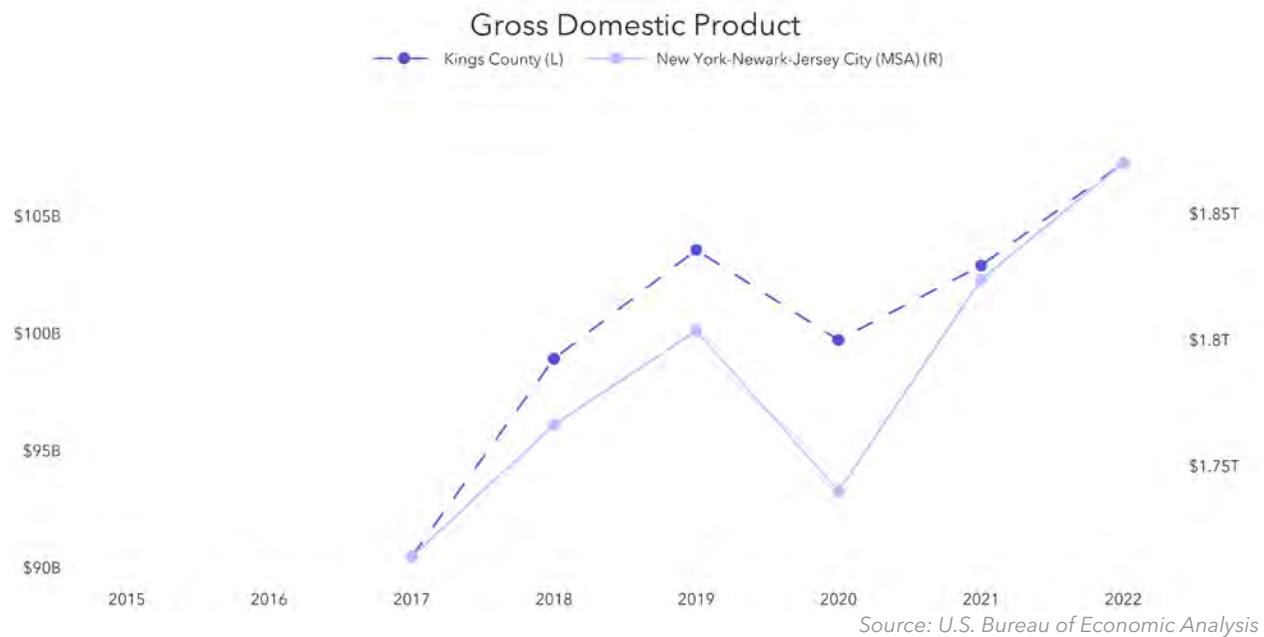
According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 2.7% (210,049) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 12.6%, 3.9%, and 2.2%, respectively. Meanwhile, the Trade, Transportation, & Utilities Industry has experienced employment collapse of 4.7% over the previous five years.



According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Kings County has experienced private employment expand 16.9% (109,207) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Information industries saw the strongest growth, expanding 151.3%, 35.8%, and 25.0%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse of 14.6% over the previous five years.



## Economic Production

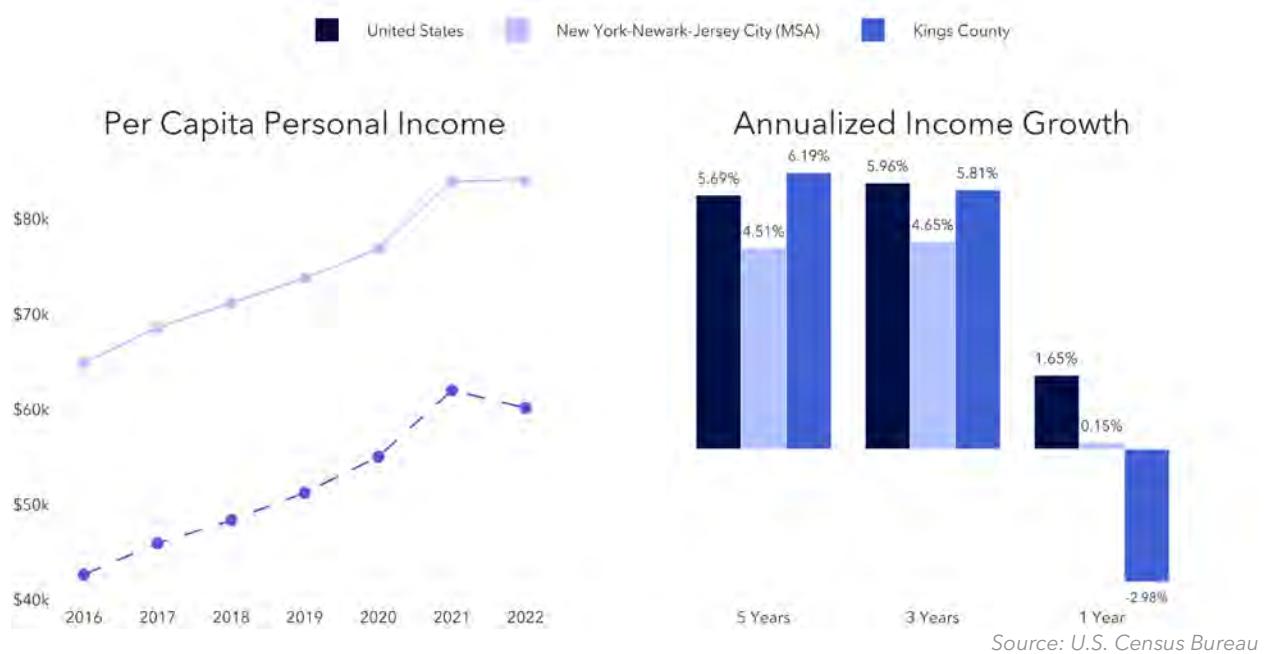


## Demographics

Going back ten years, Kings County's population has expanded 0.1% per annum to the 2022 count of 2,590,516. Over the past five years, growth has declined, contracting 0.0% per annum since 2017. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.



Going back five years, Kings County residents' per capita personal income has expanded 6.2% per annum to the 2022 level of \$60,153. Over the past three years, growth has declined, growing 5.8% per annum since 2019. This growth rate lags the Nation, which has expanded 6.0% per year over the last three years.



## Infrastructure

### Transportation Methods

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

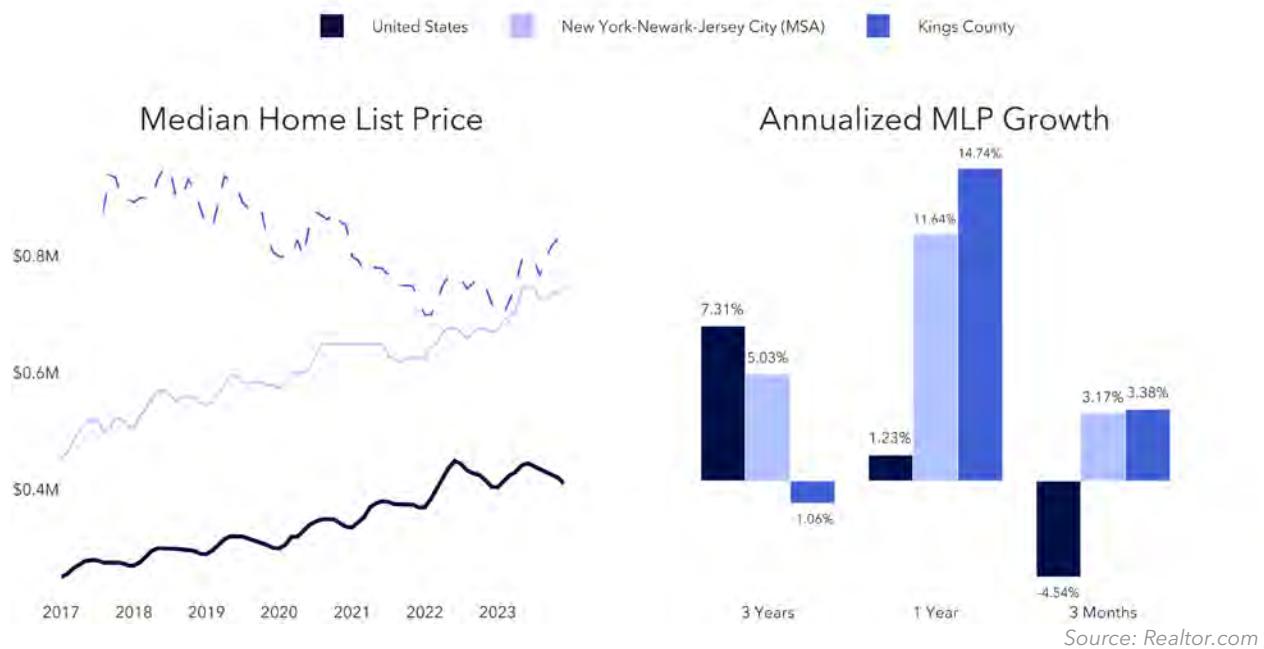
## Housing

New York City recently eliminated the 421-a tax break program, which offset the high cost of building in New York. Previously buildings participating in the 421-a program must set aside 25% to 30% of their units for affordable housing at specified household income levels. About 90 percent of all residential construction in the city in the last decade received either 421-a or other tax breaks. The elimination of this program is one of the causes of limited new construction starts which will only further worsen the housing affordability crisis likely until a replacement has been put in place.

The subject property is located in New York City which has a number of housing regulations that could impact the property. In 2019, New York City enacted Local Law 97 to drive deep emissions cuts from buildings. Starting in 2024, Local Law 97 places emissions limits on most individual buildings greater than 25,000 square foot, and levies large fines for exceeding carbon caps. Each buildings carbon limit depends on its size, property type and compliance year. Based on todays energy performance, about 20 percent of properties are over the caps set for 2024, while about 76 percent of properties are over the caps set for 2030.

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

In Kings County, Realtor.com data points to continued growth in values over the past year. As of 12/2023, the median home list price sits at \$825,000, an increase of 14.7% compared to an increase of 11.6% for the New York-Newark-Jersey City Metro, and an increase of 1.2% across the Nation over the past year. Despite the recent sharp rise in mortgage rates, the county median list price has experienced an increase of 3.4% over the past 3 months, compared to an increase of 3.2% for the New York-Newark-Jersey City Metro in the same period.



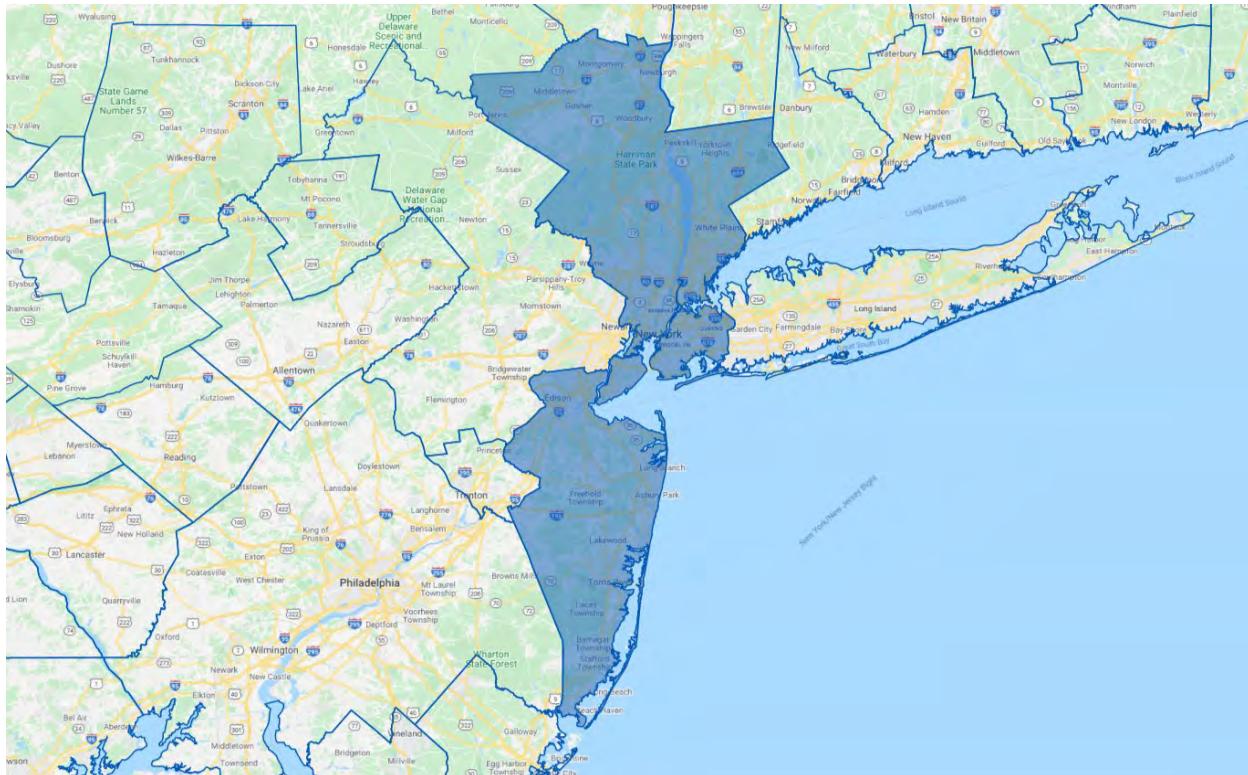
## Outlook

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

The current unemployment rate in Kings County of 5.4% is below its five-year average. By contrast, that rate is also above the state rate of 4.5%, and above the national rate of 3.7%. Kings County continues to experience population loss with one- and five-year annual growth rates of -1.8% and -0.0%. Considering its declining population, its dependency on one particular industry, and its negative GDP growth over the five years prior to the pandemic, the county lacks the attributes necessary for near- and long-term growth.

## New York: Multifamily Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Multifamily Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 1.5 million units of multifamily space. At the start of 2024, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate, at 2.6%, stands at near historic lows and remains the tightest among U.S. markets with at least 100,000 units. Clear signs exist, however, that the apartment market is slightly slowing down. Absorption totals have declined for the second consecutive year in 2023 as supply outpaced demand, with 23,300 units delivered, compared to 20,700 units absorbed over the past 12 months. While annual rent growth is positive at 2.0% no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -11.6% yoy, ultimately decreasing to \$396,924/unit.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/Unit	\$3,060	2.0%	0.0%	\$1,647	0.7%	-0.6%
Vacancy Rate	2.56%	14 bps	3 bps	7.56%	108 bps	29 bps
Net Absorption Units	5,430	24.9%	0.0%	71,148	1369.8%	-20.2%
Asset Value/Unit	\$396,924	-11.6%	-2.0%	\$236,627	-11.3%	-1.8%
Market Cap Rate	5.11%	60 bps	7 bps	5.88%	60 bps	6 bps
Transaction Count	202	-33%	-28%	2,834	-39%	-14%
Sales Volume	\$962,639,744	-64%	-49%	\$19,361,206,272	-52%	-24%

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

### Historical Multifamily Performance: New York Market

Period	Inventory Units	Under Construction Units	Net Delivered		Absorption Units 12 Mo	Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Units 12 Mo					
2023 Q4	1,546,897	69,163	23,273	20,675	2.6%	\$3,060	\$396,924	5.11%	
2023 Q3	1,540,793	65,063	22,324	19,592	2.5%	\$3,059	\$404,986	5.04%	
2022	1,523,624	61,047	28,189	27,229	2.4%	\$3,001	\$448,930	4.50%	
2021	1,495,434	53,619	20,482	37,182	2.4%	\$2,891	\$500,189	4.08%	
2020	1,474,953	54,535	16,855	5,029	3.5%	\$2,711	\$452,896	4.35%	
2019	1,458,098	51,286	20,406	19,614	2.8%	\$2,772	\$440,985	4.56%	
2018	1,437,692	46,089	24,178	28,818	2.8%	\$2,721	\$425,682	4.65%	
2017	1,413,514	49,922	29,519	25,829	3.1%	\$2,661	\$424,474	4.65%	
2016	1,383,992	58,593	15,290	20,133	2.9%	\$2,637	\$413,297	4.70%	
2015	1,368,699	54,585	14,648	12,573	3.3%	\$2,596	\$395,266	4.72%	
2014	1,354,051	40,955	11,652	11,663	3.2%	\$2,520	\$365,570	4.89%	

### Supply & Demand

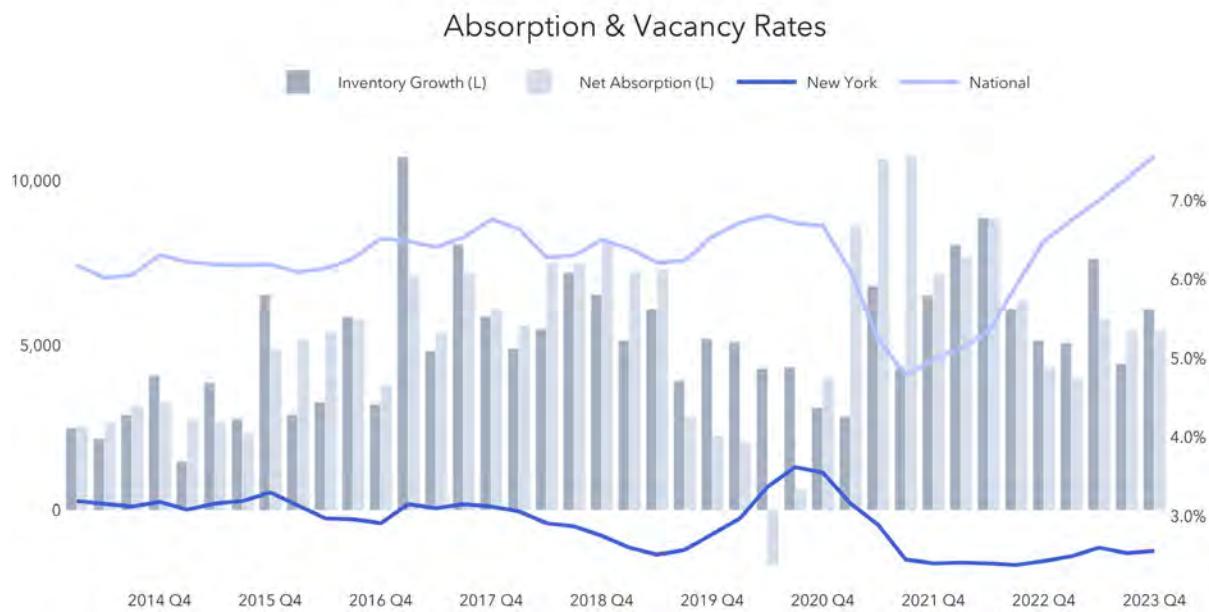
The Market has 1.5 million units of multifamily space, and developers have added, net of demolitions, 202k units over the past ten years, increasing inventory by 15.0% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.2% to 2.6%. Renters continue to relocate here despite the exorbitant costs of living. Despite initial worries that a decline in office utilization would hamper the apartment market, it's apparent that the dining, culture, and arts scene in New York City are proving to be more influential drivers of demand for renters. The increase in hybrid work arrangements has instead greatly benefited submarkets located outside of New York City.

More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 14 bps over the past year from 2.4% to 2.6%, remaining below the 10-year average of 2.9%, and below the National average by 500 bps. In the fourth quarter, multifamily tenants in the Market absorbed 5.4k units, an increase from the 5.4k units absorbed in 2023 Q3, and an improvement from the 4.3k units absorbed in the same quarter last year.

Still, much of what is slated to be delivered is located in submarkets that are popular with renters and that have a history of absorbing new construction such as Brooklyn, Jersey City, and Long Island City. This creates a possibility that the vacancy rate may be relatively unchanged when compared over the long term. However, if a near-term recession were to come to fruition, submarkets that are less popular, have had a sizable amount of new projects delivered over the past year, and contain a fair amount of units under construction, such as those in the Bronx, Westchester County, and Bergen County, may drive vacancy expansion across the metro.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Class A	7.4%	10.0%	6.9%	8.5%	6.3%	6.1%	8.5%	6.0%	6.2%	6.2%	6.1%
Class B	3.2%	3.3%	3.1%	3.2%	2.9%	3.1%	3.7%	2.3%	2.3%	2.4%	2.5%
Class C	2.7%	2.6%	2.3%	2.3%	2.1%	2.0%	2.5%	1.7%	1.6%	1.7%	1.7%



### Rents

At \$3,060/unit, rents in the New York Market are roughly 86% higher than the National average average of \$1,647/unit. Rents vary throughout the Market. Rents in popular submarkets in Manhattan and Brooklyn easily top \$4,000/month. A notable amount of submarkets located in the Bronx, Queens, and Westchester County continue to be considered value plays among renters as rent totals are below \$2,500/month. While these submarket rents are below the metro average, they are still more expensive than 90% of U.S. metro markets.

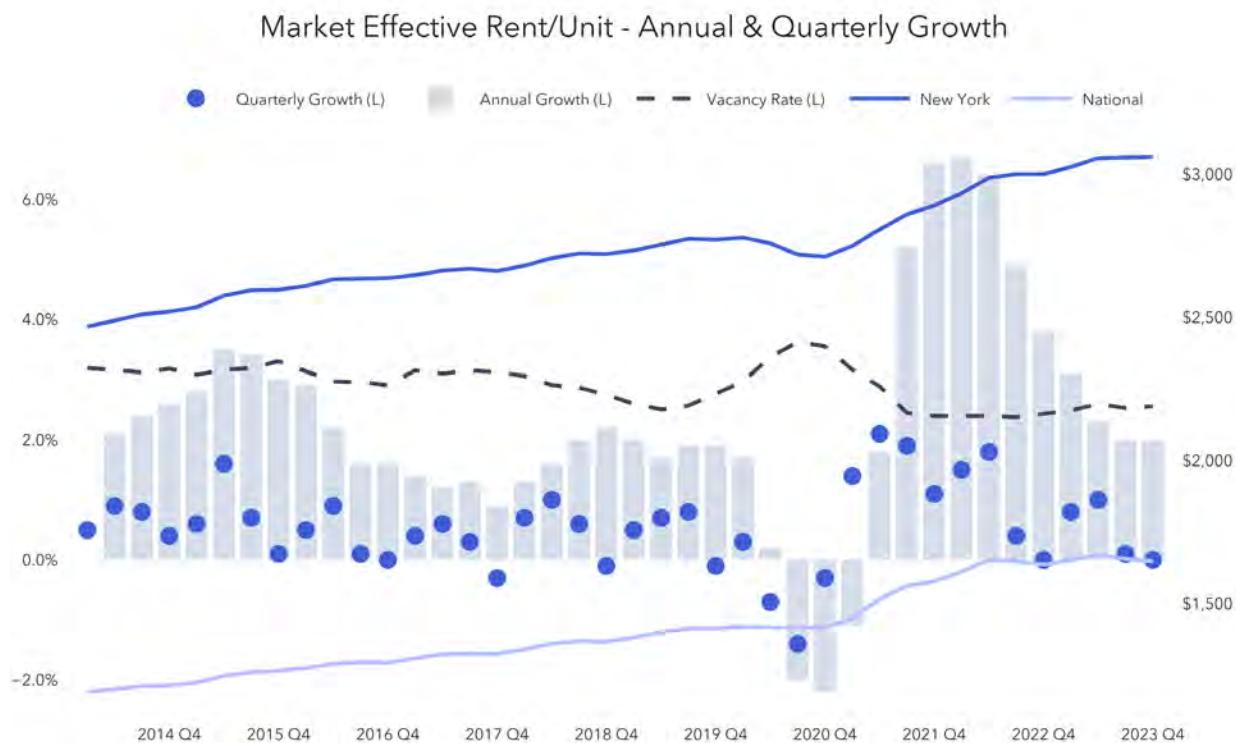
Class A apartment units are a premium with an average effective rent rate of \$4,124/unit, followed by \$3,266/unit for Class B and \$2,138/unit for Class C units. Rents in the Market have grown 2.4% per annum over the past decade, falling short of the National average, where rents increased 3.8% per annum during that time.

### Market Rents

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>23 Q3</b>	<b>23 Q4</b>
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Class A	\$3,355	\$3,444	\$3,478	\$3,501	\$3,595	\$3,675	\$3,517	\$3,859	\$4,046	\$4,129	\$4,124
Class B	\$2,698	\$2,787	\$2,832	\$2,855	\$2,914	\$2,965	\$2,908	\$3,101	\$3,205	\$3,265	\$3,266
Class C	\$1,779	\$1,835	\$1,877	\$1,904	\$1,940	\$1,970	\$1,974	\$2,030	\$2,093	\$2,133	\$2,138

In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.7% in 2020 Q2. By the end of 2020, rents fell 2.2% from the 2019 Q4 rent level of \$2,772/unit. From 2019 Q4 to 2021 Q4, rents increased 4.3%. Quarterly rent growth in 2023 Q4 stalled, softening annual growth to 2.0%. At the start of 2024, the largest annual rent gains had occurred in submarkets located in New Jersey such as Hackensack/Teaneck, North Middlesex County, and Greater Bergen County.

Concessions are typically not part of the equation for much of the metro's apartment buildings. Still, there has been a slow but steady uptick in the number of buildings offering concessions over the past 12 months. By the close of December, an average of 24% of all multifamily properties in the New York area were offering some sort of concession, an increase from the 13% concession rate observed a year ago. This practice has largely been observed in recently completed buildings in an attempt to quickly stabilize occupancy levels, with up to two months of free rent offered. This can be seen as a response to the moderating absorption levels witnessed in recent quarters.

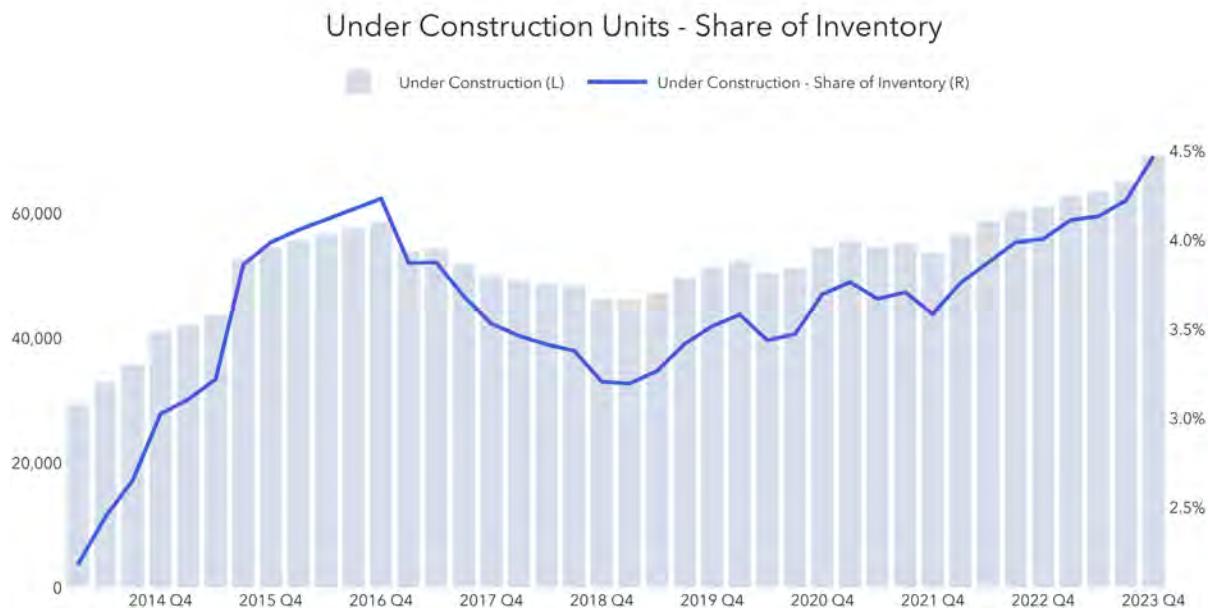


### Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 209.1k units to the Market over that time, expanding inventory by 15.0%. Developers remain active in the Market despite elevated construction and debt costs. In fact, developers are currently active with 69.2k units, or the equivalent of 4.5% of existing inventory, underway. A significant amount of units are underway in Brooklyn and Long Island City. These are popular neighborhoods where a supply wave has been ongoing for more than five years as renters continue to target modern apartment buildings located just outside of Manhattan.

With construction costs, acquisition costs of development sites, and competition in popular submarkets all rising, development activity has spread to more suburban parts of the metro where lower barriers to entry exist. This has resulted in an influx of transit-oriented development built to attract renters who work in New York City, but would rather rent in a considerably more affordable building that has been recently built.

Submarkets utilizing this trend include those in Hudson County, where apartment buildings are located in proximity to NJ Transit lines, and in Westchester County, where new apartments are located within walking distance of Metro North train stations. However, proximity to mass transit is not the sole motivating factor. To further attract renters, recently delivered buildings are typically built to a high standard with modern amenity offerings that are geared towards health and wellness.



## Capital Markets

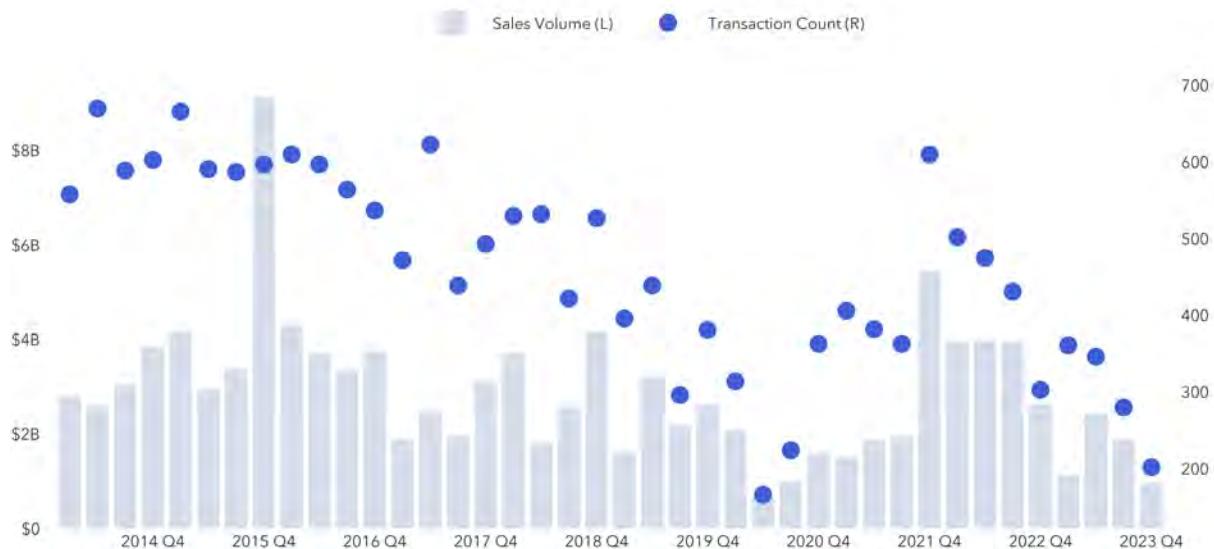
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average, 1,554 transactions per year with an annual average sales volume of \$10.6 billion. Over the past year, there were 1,189 closed transactions across 26.4k units, for a total sales volume of \$6.4 billion. As of 2023 Q4, CoStar data indicates there were 202 transactions for a total sales volume of \$962.6 million, compared to \$1.9 billion in the previous quarter.

Apartment buildings built within the past decade or that are located in popular renter neighborhoods in Brooklyn and Manhattan remain in heavy demand and are driving recent transaction activity. There is a growing desire to manage risk through owning better-quality assets where unexpected capital expenses are less likely or fear of absorption totals cratering is minimal.

An example of this was the \$402 million purchase of the Solow Tower Apartments, a 4 Star building with 322 units, by GO Partners. The pricing (\$1.2 million/unit) reflects the building's desirable location in Manhattan's Upper East Side, its 100% occupancy rate, and its substantial renovation performed in 2015. Similar characteristics were found in the sale of 8 Marcy Ave, a Class B property that sold for \$97 million or \$792,000/unit. The Carlyle Group was motivated by the building's location in Williamsburg, its brand-new build, and its 100% occupancy rate.

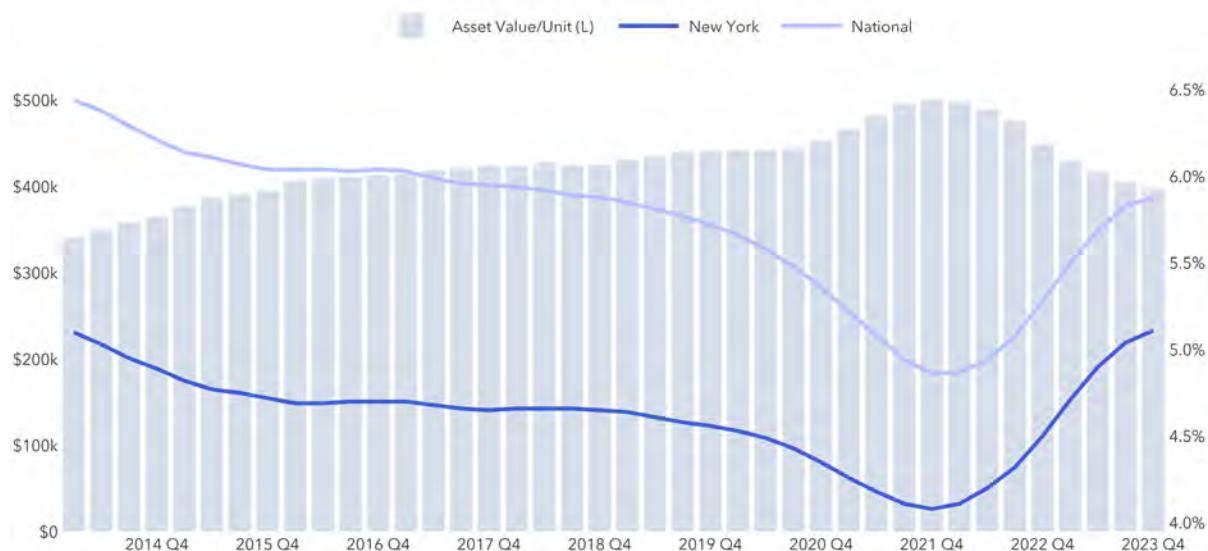
Some buyers have shown a willingness to transact on quality buildings located outside city limits at elevated valuation levels despite where interest rates currently are. This was witnessed during the \$115 million sale, or \$261,000/unit, of the Addison at Princeton Meadows in Plainsboro, NJ, and the \$151 million sale, or \$324,000/unit, of Mountain View Crossing in Wayne, NJ. In both instances, the buyers lauded the fact that the buildings were located in areas featuring both desirable demographics and high barriers to entry which should allow room for future rent growth.

## Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$396,924/unit. Values have compressed 11.6% over the past year and continued to fall in the past quarter, decreasing 2.0% in 2023 Q4. Capitalization rates have increased 60 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

## Asset Value & Market Cap Rates



## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the New York Market indicate strong demand, although it has fallen short of the pipeline. With vacancy rates increasing over the past year, rent growth has been minimal. Looking ahead to the near term, it is likely that tenant demand improves in early spring, with the slowing pipeline aiding absorption rates. Still, with market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Appendix

### New York Multifamily Market Overview

Submarket	Inventory Units	Vacancy Rate	Under Construction Units	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
West Bronx	92,775	0.5%	2,400	\$1,514	\$165,580	6.06%
South Bronx	66,132	3.5%	1,972	\$2,054	\$198,001	5.86%
Prospect Park	62,851	1.8%	4,174	\$2,851	\$372,573	5.03%
Flatbush	60,747	1.5%	887	\$2,025	\$252,244	5.13%
Upper East Side	58,301	2.2%	13	\$4,222	\$636,903	4.39%
Upper West Side	57,807	2.9%	294	\$4,928	\$669,020	4.44%
Upper Manhattan	55,318	1.0%	2,371	\$2,159	\$327,734	5.02%
Bushwick	51,907	2.6%	1,080	\$2,640	\$326,904	5.22%
Harlem	48,534	2.3%	624	\$2,436	\$374,537	4.80%
Central Queens	47,065	1.0%	1,239	\$2,148	\$273,269	5.13%
Northwestern Queens	41,280	1.0%	1,597	\$2,357	\$288,743	5.06%
Williamsburg	40,249	4.3%	4,203	\$4,116	\$533,912	4.82%
Southwest Brooklyn	39,195	1.5%	31	\$1,737	\$228,776	5.37%
North Middlesex County	36,293	4.4%	502	\$2,188	\$257,126	5.55%
East Village	33,907	1.5%	0	\$4,207	\$518,539	4.34%
Greater Hudson County	33,626	7.2%	2,845	\$2,440	\$315,360	5.68%
Yonkers/Mt Vernon/New Rochelle	32,949	4.5%	2,273	\$2,266	\$267,106	5.75%
Midtown West	32,576	3.1%	920	\$4,407	\$767,278	4.32%
South Shore Brooklyn	30,902	0.9%	1,504	\$1,918	\$277,933	4.98%
Lower West Side	29,945	2.5%	18	\$4,797	\$844,851	4.16%
Southeast Queens	27,270	2.4%	2,309	\$1,965	\$290,283	5.11%
Chelsea	27,050	3.5%	1,202	\$5,083	\$868,564	4.30%
Southeast Bronx	26,332	0.6%	50	\$1,556	\$168,634	5.80%
Downtown Brooklyn	26,017	3.2%	4,726	\$4,315	\$673,428	4.53%
Northeast Queens	25,980	1.4%	190	\$1,981	\$239,432	5.27%
Greater Bergen County	24,199	2.5%	1,038	\$2,191	\$263,554	5.34%
Jersey City Waterfront	23,569	2.9%	6,247	\$3,843	\$609,297	4.93%
Long Island City	23,241	3.7%	5,299	\$3,840	\$779,015	4.43%
East Monmouth County	22,968	2.3%	207	\$2,067	\$228,802	5.56%
East Harlem	22,294	4.7%	453	\$2,901	\$471,967	4.69%
North Hudson County	21,128	3.1%	704	\$2,910	\$300,589	5.68%
Jersey City/Journal Square	21,037	4.5%	5,381	\$2,649	\$450,015	5.15%
Passaic County	20,524	2.5%	401	\$1,908	\$202,719	6.02%
Murray Hill/Kips Bay	19,810	6.2%	0	\$4,548	\$683,054	4.37%
East Bronx	18,144	0.5%	416	\$1,548	\$164,651	6.01%
Midtown South	17,174	2.3%	85	\$4,806	\$794,965	4.39%
Turnpike West	16,540	3.7%	0	\$2,140	\$246,202	5.48%
Hackensack/Teaneck	15,376	4.3%	963	\$2,248	\$314,763	5.28%
Lower East Side	15,275	2.7%	845	\$4,095	\$676,109	4.27%
Midtown East	15,253	2.2%	291	\$4,728	\$753,503	4.45%
Financial District	14,723	5.1%	2,391	\$4,559	\$945,107	4.44%
Bergen County Waterfront	14,449	2.6%	415	\$3,024	\$370,522	5.25%
Turnpike East	13,923	4.6%	268	\$2,088	\$263,782	5.29%
East New York	11,649	0.4%	978	\$1,428	\$323,222	5.32%
North Ocean County	11,457	1.8%	560	\$1,821	\$207,435	5.46%
Hoboken	10,018	3.0%	216	\$4,072	\$405,350	5.44%
Northwest Bronx	9,583	1.0%	26	\$2,605	\$217,215	5.45%
Staten Island	9,543	1.1%	221	\$1,788	\$234,290	5.55%

Rockland County	9,121	5.0%	104	\$2,365	\$254,322	5.41%
Westchester County	9,014	4.4%	18	\$2,786	\$283,472	5.25%
South						
Westchester County North	8,620	4.8%	1,069	\$2,599	\$340,163	5.34%
South Shore Queens	8,390	1.9%	237	\$1,729	\$241,541	5.24%
Little Italy/Chinatown	7,957	1.7%	0	\$3,860	\$497,986	4.38%
White Plains	6,263	9.8%	1,891	\$3,008	\$548,895	4.74%
Middletown/Goshen	4,377	3.2%	224	\$1,935	\$205,594	5.54%
Outlying Orange County	4,150	1.9%	149	\$1,688	\$177,426	5.37%
Morningside Heights	4,133	2.7%	0	\$3,978	\$592,246	4.50%
Roosevelt Island	3,119	1.5%	357	\$3,959	\$648,912	4.33%
West Monmouth County	2,222	3.3%	285	\$2,424	\$295,227	5.23%
Newburgh	1,636	2.4%	0	\$1,990	\$205,815	5.41%
South Ocean County	1,010	3.3%	0	\$2,241	\$243,767	5.52%

## Summary of Rent Stabilization Laws

There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted as a means to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits)

Rent Control is the older and more restrictive form of regulation. Rent regulation in New York City went into effect in 1943. In order for a unit to be Rent Controlled the building must have been constructed prior to 1947. In addition, the tenant must have been in continuous occupancy since before July 1, 1971. For Rent Control, rent is a function of the Maximum Base Rent (MBR) system, a function of the initial filing when the law went into effect. Rent Controlled apartments typically rent for a fraction of market rent. Due to the significant leasehold advantage created by the rent control guidelines, apartments seldom turn over (in most cases only upon the tenant's death). Less than 2% of the City's housing stock remains Rent Controlled

Rent Stabilization is by far the more common of the two forms of rent regulation, affecting approximately 45% of the housing stock. Rental increases are set by the Rent Stabilization Guidelines Board for either one or two-year leases. In general, units in buildings containing six or more dwelling units completed prior to January 1, 1974, buildings built on or after January 1, 1974 receiving property tax benefits such as 421-a, and certain housing rehabilitated under governmental loan programs can be stabilized.

The New York State Division of Housing and Community Renewal (DHCR) administers both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

### Rent Registration

On Wednesday, June 17, 2020 the NYC Rent Guidelines Board adopted rent adjustments for rent stabilized apartment and loft leases commencing on or after October 1, 2020 and on or before September 30, 2021.

1-year lease: 0%

2-year lease: 0% for the first year of the lease and 1% for the second year of the lease

The below table shows the historical rent adjustments voted for and approved by the NYC Rent Guidelines Board.

Year as of October 1	1 Year Lease	2 Year Lease
2020	0.0%	1.0%
2019	1.5%	2.5%
2018	1.5%	2.5%
2017	1.25%	2.0%
2016	0.0%	2.0%
2015	0.0%	2.0%
2014	1.0%	2.75%
2013	4.0%	7.75%
2012	2.0%	4.0%
2011	3.75%	7.25%
2010	2.25%	4.5%

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date, and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged. The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above. The 2015 Rent Act limits succession to one generation.

## 421-A & The Affordable NY Property Tax Benefit Program

The 421-a program, which provided property owners property tax benefits ranging from 10 to 25 years, expired on January 15, 2015, as lawmakers were unable to reach an agreement to guarantee union-level wages for construction workers on 421-a projects. According to a report issued by the city's Independent Budget Office (IBO), the guarantee of wages would result in a significant increase in construction costs. The report states that the cost of Mayor Bill de Blasio's stated 80,000-unit affordable housing goal could shoot up by \$2.8 billion. An analysis of 57 new projects found costs on average would increase by 13%. Proponents of the wage increase claim the report does not account for the economic tax benefits developers receive under the 421-a program.

After more than a year of debate, the Governor and the New York State Legislature came to an agreement on revisions to the 50-year-old 421-a program. However, the new program is called the Affordable New York Housing Program. According to the Mayor's office it will generate 2,500 units of housing affordable to poor, working-class and middle-class New Yorkers, annually. However, developers will be required to pay a "fair wage" to construction workers to qualify for the city tax benefits, and this requirement has some analysts skeptical of the number of jobs it will create.

With the updated program, developers of market-rate rental buildings of 300 units or more in certain neighborhoods can get a full property tax exemption for 35 years if they set aside 25 to 30 percent of the units for low- and moderate-income tenants. The program will be in effect until at least 2022 under the legislation signed.

The program requires developers to pay construction workers an average of \$60 an hour in wages, benefits and payroll taxes at projects below 96th Street in Manhattan, and \$45 an hour at projects within a mile of the East River waterfront. Additionally, projects outside those zones can "opt in" to the program if they fulfill the requirements. And the city comptroller will determine whether developers have complied with the minimum-wage standards, which can vary significantly among construction workers and their skill levels.

Given how new the Affordable New York Housing Program is, it is too early to determine how it may affect the land and development in New York City.

## The Housing Stability and Tenant Protection Act of 2019

In June 2019, the New York State Assembly passed the Housing Stability and Tenant Protection Act of 2019, which brought in sweeping changes to the rent stabilization laws. Below we highlight the major changes:

### Vacancy decontrol

Previously a unit could be removed from rent-stabilization (referred to as destabilized or decontrolled) when the monthly price hits a rent threshold, most recently \$2,774.76, when it became vacant.

Now, this rule has been repealed. The new law also eliminates the rule whereby when a renter's income exceeds \$200,000, could decontrol a unit.

### Vacancy Bonus

Previously, this rule allowed property owners to raise rents up to 20% when a rent stabilized unit becomes vacant.

Now this bonus has been eliminated. Also, there was an additional longevity bonus, which sometimes allowed rents to be raised by an additional amount based on the duration of the previous tenant, and this has also been eliminated.

### Major Capital Improvements (MCIs)

This is the annual rent increase that landlords can charge tenants for major capital improvements (building-wide upgrades).

Previously it was 6% of the MCI cost in NYC.

Now it is 2 percent in NYC. Also, the MCI increases will be eliminated after 30 years, instead of being permanent.

### Individual Apartment Improvements (IAIs)

The amount of spending on individual apartment improvements will be capped at \$15,000 over a 15-year period (and owners will only be allowed to make up to three IAIs over that period).

Previously, an owner could add 1/40 of the IAI to the rent.

Now an owner can add 1/168 of the IAI to the rent. Also, rent increases for IAIs will be eliminated after 30 years, instead of being permanent.

### Preferential Rent

A tenant receiving a preferential rent (a rent below the legal regulated rent), will no longer be able to raise the rent to the full legal limit at lease renewal.

Note that an estimated 266,000 of the 1 million rent stabilized tenants receive preferential rents. However, when the tenant leaves, the owner can charge up to the full legal rent.

### Rent Controlled Tenant Rental Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals.

### Co-op and Condo Conversions

Previously, 15% of apartments have to be sold (to either residents or outside investors) in order for a building to convert to a coop or condo. Now 51% of tenants who live in the building must agree to buy units for a conversion to happen.

## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

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

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

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

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

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

#### Education

**Cornell University**      Bachelor of Science

**Emory University**      Master of Public Health

#### Certifications & Professional Designations

**Appraisal Institute**      MAI, Designated Member

Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser**      State of New York (# 4600049921)  
State of Florida (# RZ4135)  
State of Georgia (# 404989)  
State of Louisiana (# G4507)  
State of Maine (# CG 4769)  
Commonwealth of Massachusetts (# 1000274)  
State of New Hampshire (# NHCG-1055)  
State of Tennessee (# 6208)

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

#### **Publications**

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

**Maren Lewis, MAI**

Senior Vice President

**Experience**

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

Maren has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels, and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Maren served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Maren worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for eight years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations for senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Maren worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

**Education**

**Cornell University, School of Hotel Administration** Bachelor of Science with a focus on the hospitality industry and a concentration in finance

**Certifications & Professional Designations**

**Appraisal Institute** MAI, Designated Member

Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser** State of New York (# 46000053421)  
State of Illinois (# 553.003005)  
State of Michigan (# 1205078256)  
State of New Jersey (# 42RG00282100)

## Ashna Saigal

Vice President

### Experience

Ashna Saigal is an Vice President at Bowery Valuation who joined the firm in September 2021. She has worked in the real estate appraisal industry since 2019 and has appraised multifamily, office, industrial, retail centers, mixed-use properties, development sites, condominium and cooperative buildings, hotels, and specialty properties in New York, New Jersey, Connecticut, Georgia, California, Michigan, Wyoming, Illinois, Maine, Ohio, and Maryland.

Before joining Bowery, Ashna served as a Commercial Real Estate Appraiser Trainee at Highbridge Realty Advisors based in New York City.

Ashna began her real estate career as an intern at Keller Williams NYC (Tribeca) after successfully passing the New York Real Estate Salesperson exam while completing her undergraduate degree at New York University.

### Education

<b>New York University, Steinhardt School of Culture, Education, and Human Development</b>	Cum Laude, Dean's List Bachelor of Music with a major in Music Business and a minor in Law and Society
<b>New York Real Estate Institute</b>	Real Estate Salesperson

### Certifications

<b>Appraisal Institute</b>	Candidate for Designation
<b>Certified General Real Estate Appraiser</b>	State of New York (# 46000053922) State of Connecticut (# RCG.0001737) State of Georgia (# 434423) State of New Jersey (# 42RG00282600)

## John M. Tuohy

Vice President

### Experience

John M. Tuohy is a Vice President at Bowery Valuation who joined the firm in August 2020. He has worked in the real estate industry as a commercial appraiser since 1995. He has appraised a wide variety of property types including multi-unit residential, office, industrial, retail centers, mixed-use properties, and development sites throughout the Eastern United States. Prior to joining Bowery, John served as a Senior Appraiser at BBG Appraisals in New York.

### Education

<b>New York University</b>	Masters of Real Estate, Valuation
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### Certifications & Professional Designations

<b>Certified General Real Estate Appraiser</b>	State of New York (#46000018743) State of Connecticut (# RCG.0001632) State of Massachusetts (# 1000320) State of New Jersey (# 42RG00273900) Commonwealth of Pennsylvania (# GA004527)
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## Licenses

Michelle Zell, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000049921	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1535266</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. <b>05</b> DAY <b>09</b> YR <b>23</b>
<p>ZELL MICHELLE R C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012</p> 		EXPIRATION DATE MO. <b>05</b> DAY <b>08</b> YR <b>25</b>
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROBERT J. RODRIGUEZ</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

Maren Lewis, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053421	State of New York Department of State <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>1546034</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO. <b>10</b> DAY <b>08</b> YR <b>21</b>
<p>LEWIS MAREN H C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012-4446</p> 		EXPIRATION DATE MO. <b>10</b> DAY <b>07</b> YR <b>23</b>
<p>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</p> <p>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</p> <p><b>ROSSANA ROSADO</b> SECRETARY OF STATE</p>		
DOS-1098 (Rev. 3/01)		

Ashna Saigal, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053922	State of New York Department of State	FOR OFFICE USE ONLY Control No. <b>1531670</b>
DIVISION OF LICENSING SERVICES		
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		
SAIGAL ASHNA C/O BOWERY VALUATION 61-63 CROSBY STREET 3RD FLOOR NEW YORK, NY 10012		EFFECTIVE DATE MO. 10   DAY 26   YR. 22
		EXPIRATION DATE MO. 10   DAY 25   YR. 24
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROBERT J. RODRIGUEZ</b> <small>SECRETARY OF STATE</small>		
DOS-1098 (Rev. 3/01)		

John Tuohy, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000018743	State of New York Department of State	FOR OFFICE USE ONLY Control No. <b>1534419</b>
DIVISION OF LICENSING SERVICES		
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		
TUOHY JOHN M C/O TUOHY JOHN M 132 04 CRONSTON AVE BELLE HARBOR, NY 11694-1420		EFFECTIVE DATE MO. 04   DAY 19   YR. 23
		EXPIRATION DATE MO. 04   DAY 18   YR. 25
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROBERT J. RODRIGUEZ</b> <small>SECRETARY OF STATE</small>		
DOS-1098 (Rev. 3/01)		

## Letter of Engagement



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

### ENGAGEMENT LETTER FOR PROFESSIONAL VALUATION SERVICE

**Date of Agreement:**

February 26, 2024

#### PARTIES TO AGREEMENT:

**Client:**

Mr. Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119  
moshe@pinnacleny.com

**Appraisers:**

Bowery Valuation  
61-63 Crosby Street, 3rd Floor  
New York, NY 10012  
212.634.9397  
Michelle Cell 917.533.3141

Client hereby engages Bowery Valuation to complete an appraisal assignment as follows:

#### PROPERTY IDENTIFICATION

16 Full reports as of December 31, 2023



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## PROPERTY TYPES

Multifamily and Land

## INTEREST VALUED

Leased fee Interest and Fee Simple For Land

## INTENDED USERS

The Intended User(s) of the report is The Zarasai Fund, and its related entities, successors, and/or assigns, and auditors.

## INTENDED USE

The Intended Use is asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE.

## TYPE OF VALUE

The current fair value per IFRS 13.

## DATE OF VALUE

12/31/2023

## PAYMENT TO BOWERY VALUATION

\$60,000.

## PAYMENT DUE DATE

Bowery Valuation shall invoice Client for services rendered pursuant to this Agreement based upon the fees specified in this Agreement. 50% due upon signing the engagement letter and the balance upon delivery of the spreadsheet and reports.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## DELIVERY DATE

March 1, 2024

## DELIVERY METHOD

Final report delivered as PDF via email. Up to 3 printed reports delivered if requested.

## HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS

Used if necessary, will be discussed with the client.

## APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Reports will also be prepared in accordance with International Financial Reporting Standards ("IFRS") for an appraisal report for the purpose of financial reporting.

## ANTICIPATED SCOPE OF WORK

### Site visit:

Interior and Exterior

## VALUATION APPROACHES

Appraisers shall use all approaches necessary to develop a credible opinion of value; all three approaches considered: Sales comparison approach / Cost approach / Income approach

## APPRAISAL REPORT

### Report option:

Written Appraisal Report (fka Self-Contained Appraisal Report)

## FORM OR FORMAT

Narrative



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## CONTACT FOR PROPERTY ACCESS, IF APPLICABLE

To be provided by client

## CONTRACT FOR SALE

If the property appraised is currently under contract for sale, Client shall provide to Appraisers a copy of said contract including all addenda.

## PROPOSED IMPROVEMENTS

If the property appraised consists of proposed improvements, Client shall provide to Appraisers plans, specifications or other documentation sufficient to identify the extent and character of the proposed improvements.

## ADDITIONAL DOCUMENTATION

Client agrees to provide Appraisers with the documentation as needed.

## WHEN BOWERY VALUATION'S OBLIGATIONS ARE COMPLETE

Bowery Valuation's obligations pursuant to this Agreement are complete when the Draft Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery, however they are to be considered beyond the scope of the engagement.

## CONFIDENTIALITY

Bowery Valuation shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

## USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Bowery Valuation



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

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shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

### **SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

### **TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment. If the appraisers are required to testify or make statements related to any part of the appraisal report by any party, the fee to the client shall be \$500 per hour.

### **CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

### **CANCELLATION**

Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Client shall pay Bowery Valuation for work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, unless otherwise agreed upon by Bowery Valuation and Client in writing.

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Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by the law of the state in which Bowery Valuation's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

## APPRAISER INDEPENDENCE

Appraisers cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

## NOTICES

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

## NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

## MEDIATION & ARBITRATION

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Bowery Valuation's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

## SPECIAL OR CONSEQUENTIAL DAMAGES

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.

## ASSIGNMENT

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

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Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

### **SEVERABILITY**

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

### **CLIENT'S DUTY TO INDEMNIFY APPRAISERS**

Client agrees to defend, indemnify and hold harmless Bowery Valuation and Appraisers from any damages, losses or expenses, including attorneys' fees and litigation expenses at trial or on appeal, arising from allegations asserted against Appraisers by any third party that if proven to be true would constitute a breach by Client of any of Client's obligations, representations or warranties made in this Agreement, or any violation by Client of any federal, state or local law, ordinance or regulation, or common law (a "Claim"). In the event of a Claim, Bowery Valuation shall promptly notify Client of such Claim, and shall cooperate with Client in the defense or settlement of any Claim. Client shall have the right to select legal counsel to defend any Claim, provided that Appraisers shall have the right to engage independent counsel at Bowery Valuation's expense to monitor the defense or settlement of any Claim. Client shall have the right to settle any Claim, provided that Bowery Valuation shall have the right to approve any settlement that results in any modification of Appraisers' rights under this Agreement, which approval will not be unreasonably withheld, delayed or conditioned.

### **CLIENT'S REPRESENTATIONS AND WARRANTIES**

Client represents and warrants to Bowery Valuation that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

### EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Client and Bowery Valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Bowery Valuation. This Agreement includes the Appendices (if any), which are incorporated into, and made a part of this Agreement.

### EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both an agent for Bowery Valuation and Client within 5 days of the Date of Agreement specified.

As Agent for Bowery

A handwritten signature in black ink that appears to read "michelle zell".

(Signature)

Michelle Zell

By Client:

A handwritten signature in black ink that appears to read "Addressee".

(Signature)

Addressee

2/26/2024

(Date)

(Date)



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

25-35 Hillside Avenue
86-06 35th Avenue
4530 Broadway
3647 Broadway
3657 Broadway
955 Underhill Avenue & 910 Thieriot Avenue
706 Lefferts Avenue
24 Joralemon Street
143 Linden Boulevard
25 Cumming Street (aka Seaman Street)
233 East 77th Street
323 W 96th Street
12-34 Crown Street
142-20 Franklin Avenue
111 Worth Street
1880 E Tremont (5 parcels in total)

## Glossary of Terms

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

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

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

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

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



APPRAISAL REPORT

24 Joralemon Street (aka 10 Columbia Place)  
Brooklyn, NY 11201

Mixed-Use Building

REQUESTED BY

Moshe Weinberger

The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

DATE OF VALUE

As Is: December 31, 2023

PREPARED BY



Michelle Zell,  
MAI



Maren Lewis,  
MAI



Ashna Saigal



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

March 20, 2024

Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119

Re: Appraisal File No. 2400031774  
Mixed-Use Building  
24 Joralemon Street  
Brooklyn, NY 11201

Dear Mr. Weinberger,

In accordance with your request, we have completed an appraisal of 24 Joralemon Street (aka 10 Columbia Place) for the purpose of advancing an opinion of the As Is Fair Value of the Leased Fee Interest in the subject in accordance with IFRS-13.

The client and intended users are The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus and financial statements to be published in the Tel Aviv Stock Exchange in 2023 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

The subject is a 6-story, walk-up, mixed-use building consisting of 157 residential units and eight ground-floor commercial units. It was constructed in 1900. It contains 109,200 square feet of gross building area and is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River. The residential portion of the subject is 80% occupied with 32 vacant residential units. The occupancy rate is artificially low as there was a rent reduction order at this building that was recently resolved. It contains 144 rent stabilized residential units, 10 rent controlled residential units, 1 free market residential unit, and two employee units. Units C080 and GR20 are occupied rent-free by employees. The commercial portion is 87.5% leased, with one vacant unit.

The subject is situated on a 36,769 square foot parcel in an R6 zone. It is identified in Kings County tax maps as Block 258, Lot 17. The subject is in the Brooklyn Heights neighborhood of Brooklyn. Based on the subject's zoning, physical characteristics, location, and forecasted economic conditions, continued multifamily apartment use is concluded to be the highest and best use as improved.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, the Uniform Standard of Professional Appraisal Practice (USPAP), and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

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

#### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$44,400,000



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

Mr. Weinberger  
Page 2  
March 20, 2024

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

The Federal Reserve Board met on Jan 31, 2024, and voted, for the 4th meeting in a row, to leave its policy rate unchanged. The FOMC noted that job growth and economic growth remain strong. While inflation has come down, it still remains above their target rate of 2%. The decision leaves the overnight lending target rate for banks between 5.25% and 5.5%, where it has been since the Committee's meeting in July. The FOMC meets again in March 2024 and signaled that rate cuts are not likely in that meeting. Committee members still expect the federal funds rate to fall to 4.6% by the end of 2024, suggesting rate cuts totaling 75 basis points during the year, with cuts possibly starting with their meeting in May.

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

- None.

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

- None.

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

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

Thank you for the opportunity to serve you.

Sincerely,

Michelle Zell, MAI  
Senior Vice President  
Certified General Real Estate Appraiser  
NY License No. 46-49921  
FL Cert Gen RZ4135  
michelle.zell@boweryvaluation.com  
(917) 533-3141

Maren Lewis, MAI  
Senior Vice President  
Certified General Real Estate Appraiser  
NY License No. 46000053421  
maren.lewis@boweryvaluation.com  
(917) 748-5387

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

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

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

Mr. Weinberger  
Page 3  
March 20, 2024

*Ashna Saigal*

Ashna Saigal  
Vice President  
Certified General Real Estate Appraiser  
NY License No. 46000053922  
[ashna.saigal@boweryvaluation.com](mailto:ashna.saigal@boweryvaluation.com)  
(347) 746-6952

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# Summary of Salient Facts & Conclusions

## 24 Joralemon Street (aka 10 Columbia Place)



The subject is a 6-story, walk-up, mixed-use building consisting of 157 residential units and eight ground-floor commercial units. It was constructed in 1900. It contains 109,200 square feet of gross building area and is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River. The residential portion of the subject is 80% occupied with 32 vacant residential units. It contains 144 rent stabilized residential units, 10 rent controlled residential units, 1 free market residential unit, and two employee units. Units C080 and GR20 are occupied rent-free by employees. The commercial portion is 87.5% occupied.

## Salient Facts

### Property

<b>Address</b>	24 Joralemon Street (aka 10 Columbia Place)
<b>City</b>	Brooklyn
<b>State</b>	New York
<b>County</b>	Kings County
<b>Block/Lot</b>	Block 258, Lot 17
<b>Highest and Best Use - Vacant</b>	Multifamily Apartment
<b>Highest and Best Use - As Improved</b>	Mixed-Use Commercial/Apartment
<b>Date of Inspection</b>	February 29, 2024
<b>Report Date</b>	March 20, 2024
<b>Effective Date(s) of Value</b>	
<b>As Is</b>	December 31, 2023

### Building Characteristics

<b>Property Type</b>	Mixed-Use
<b>GBA</b>	109,200 sq. ft.
<b>Year Built</b>	1900
<b>No. of Floors</b>	6
<b>Residential Units</b>	157

<b>Commercial Units</b>	8
<b>Occupancy (Current)</b>	Residential: 80% and Commercial: 87.5%
<b>Condition</b>	Good
<b>Total Economic Life</b>	60 years
<b>Effective Age</b>	20 years
<b>Remaining Economic Life</b>	40 years

### Site Characteristics

<b>Site Area (acres/sq. ft)</b>	36,769 sq. ft.
<b>Site Shape</b>	Irregular
<b>Topography</b>	Generally level at street grade
<b>Zoning</b>	R6
<b>Flood Zone</b>	Zone X

### Financial Indicators

	<b>Total</b>	<b>Per SF - GBA</b>
Potential Gross Income	\$3,995,546	\$36.59
Effective Gross Income	\$3,884,949	\$35.58
Operating Expense Ratio	42%	-
Net Operating Income	\$2,237,138	\$20.49
Capitalization Rate	5.00%	-
Stabilized Blended Occupancy	97.23%	-
Income Capitalization Approach As Is	\$44,400,000	\$406.59
Sales Comparison Approach As Is	\$43,400,000	\$397.44

### Value Conclusion

#### Final Value Conclusion

<b>Value Premise</b>	<b>Date of Value</b>	<b>Interest Appraised</b>	<b>Value Conclusion</b>
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$44,400,000

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

- None.

If the extraordinary assumptions employed in this appraisal are proved to be false, the values reported herein may be materially impacted.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup> that may affect the assignment results:

- None.

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

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

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# Introduction

## Purpose & Date of Value

Value Premise	Date of Value	Interest Appraised
As Is Fair Value	December 31, 2023	Leased Fee Interest

## Identification of the Client

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

## Intended Use & User

The type and definition of value sought in the appraisal of the subject was an "As Is" Fair Value opinion for the Leased Fee interest in the property as of December 31, 2023, subject to the general underlying assumptions and limiting conditions cited herein, and in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). According to the International Financial Reporting Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The report is intended for use only by The Pinnacle Group, its successors, assigns, and affiliates. The Intended Use is for asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE. The use by others is not intended by Bowery.

## Property Rights Appraised<sup>5</sup>

In this appraisal we provide an opinion of As Is Fair Value of the leased fee interest.

## Property History

According to the New York Department of Finance, the owner of 24 Joralemon Street is Joralemon Realty NY LLC. The subject has not sold within the past three years. However, it sold in December 2006 in a non-arm's length transaction. We are not aware of any current bids, offers, or options to purchase for this asset.

### Property History

Address	Block/Lot	Sale Date	Sale Price	Seller
10 Columbia Place	258/17	12/19/2006	\$5,750,000	PV Joralemon Street

Bowery Valuation formerly appraised the subject on June 30, 2020, for \$54.15 million, on December 31, 2021, for \$52 million, on December 31, 2022, for \$46.6 million, and on June 30, 2023, for \$45.7 million. The current value of \$44.4 million is 2.8% lower than the June 2023 value of \$45.7 million. Bowery's Pro Forma EGI remained similar to the previous year while the Pro Forma operating expenses decreased by 5.3%, largely due to a reduction in taxes, and as such, the Pro Forma NOI increased by 2.4%. However, the capitalization rate was increased from 4.75% in June 2023 to 5.00% in December 2023. This increase is due to the impact of rising inflation and interest rates, which have led to increases in capitalization rates across the subject's market, particularly for rent stabilized buildings such as the subject. This was corroborated through discussions with local market participants.

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

## DHCR Rent Reduction

When current ownership acquired the property, the prior owner had paved a small area of the garden and rented about 15 parking spaces. This resulted in a rent reduction granted to 67 units related to a reduction in property services. Ownership decided to restore the garden at a cost of approximately \$300K in order to receive newly restored legal rents for the units upon restoration of the garden. We have applied the lower of the new legal rents and market rent to the vacant units and deducted rent loss of 4 months associated with these units to account for the time ownership expects for the remaining DHCR rents to be restored. According to ownership some of the rents have been restored and the remaining rents are expected to be restored soon. There are no remaining costs associated with the resolution.

## Exposure Time<sup>6</sup>

It is our opinion that given the current economic conditions, an exposure time for the subject property is between 9 months and 12 months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market. The value reported herein presumes such an exposure time.

## General Assumptions

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

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

- Technical Environmental Inspections: No Environmental Site Assessment report was provided in conjunction with this appraisal. If a report is commissioned and there are any environmental issues uncovered, they could affect our opinion of value reported. We recommend the services of a professional engineer for this purpose.
- Zoning Ordinances: We recommend an appropriately qualified land use attorney if a definitive determination of compliance is required.
- Building Inspections: We recommend a building engineer or professional property inspector for the inspection. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

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

## Definition of Fair Value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

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

## Scope of the Appraisal

Within the course of this assignment, we have:

- On February 29, 2024, John Tuohy of Bowery Valuation inspected the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, and roof of the subject property, and the following units we were granted access to: all commercial units and residential unit B045.
- Researched and investigated the location in terms of its economic activity, development patterns, and future trends and related their impact in the market.
- Determined the Highest and Best Use of the subject property based on an analysis of all relevant factors.
- Conducted a market survey of rent and vacancy levels of similar buildings.
- Analyzed the subject's operating expense history, as well as expense reports of comparable properties, in order to accurately project the stabilized cash flow.
- Projected the net operating income under stabilized operation and applied a market-derived capitalization rate to develop an opinion of value by the income approach.
- Researched and analyzed sales of competitive assets and applied the techniques of the sales comparison approach in providing an opinion of value.
- Advanced an opinion of the As Is Fair Value of the identified interest.

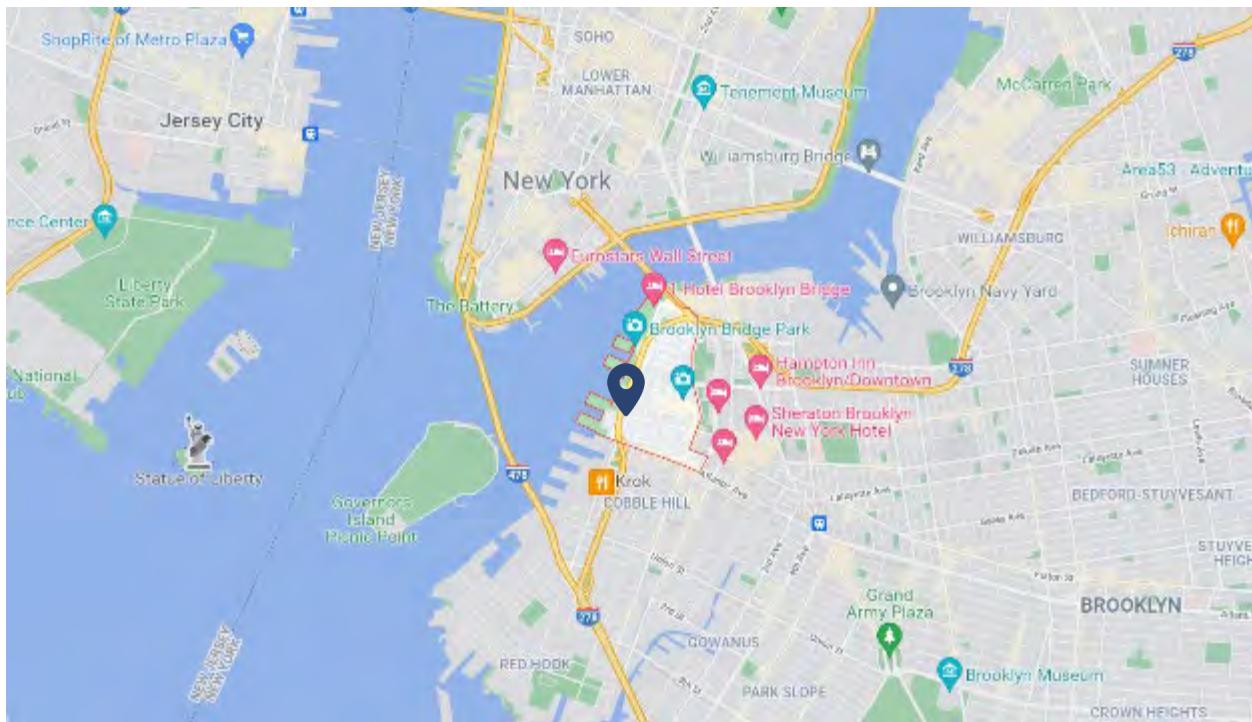
## Data Sources

The data contained within this appraisal was compiled from market analysis utilizing the following sources (unless otherwise noted): NYC Department of Finance, NYC Department of Buildings, NYC Department of Planning Zoning & Land Use, Claritas, CoStar, Federal Reserve, and FEMA. The subject photos were taken by John Tuohy on 2/29/2024, while those used for the comparable rentals and sales were sourced from the public domain. When possible, we have confirmed the reported data with parties to the transactions or those who are intimately familiar with their critical details.

**Resource Verification**

<b>Data</b>	<b>Source/Verification</b>
Site Size	Public Record
Excess/Surplus Land	Tax Map
Gross Size/Units	Public Record
Residential SF	Appraiser's Estimate; Inspection
Number of Buildings	Inspection
Amenities	Inspection
Deferred Maintenance	Inspection
Income Data	Owner; Market Forecast; LoopNet; StreetEasy.com; CoStar
Expense Data	Owner; Expense Comparables; CoStar

# Neighborhood & Demographic Overview



Source: Google Maps

## Brooklyn Heights at a Glance

Brooklyn Heights is a residential neighborhood within the New York City borough of Brooklyn. The neighborhood is bounded by Old Fulton Street near the Brooklyn Bridge on the north, Cadman Plaza West on the east, Atlantic Avenue on the south, and the Brooklyn-Queens Expressway or the East River on the west. Adjacent neighborhoods are Dumbo to the north, Downtown Brooklyn to the east, and Cobble Hill and Boerum Hill to the south. Brooklyn Heights offers a variety of housing options, including historic brownstones, townhouses, and apartment buildings. The housing stock is known for its architectural charm and historic significance. The neighborhood's most iconic feature is the Brooklyn Heights Promenade, a paved walkway along the East River, where residents love to walk their dogs and go on bike rides. Directly across the East River from Manhattan and connected to it by subways and regular ferry service, Brooklyn Heights is easily accessible from Manhattan and Downtown Brooklyn. Easy access to ferries and Citi Bike docks also makes getting around Brooklyn Heights simple for all residents.

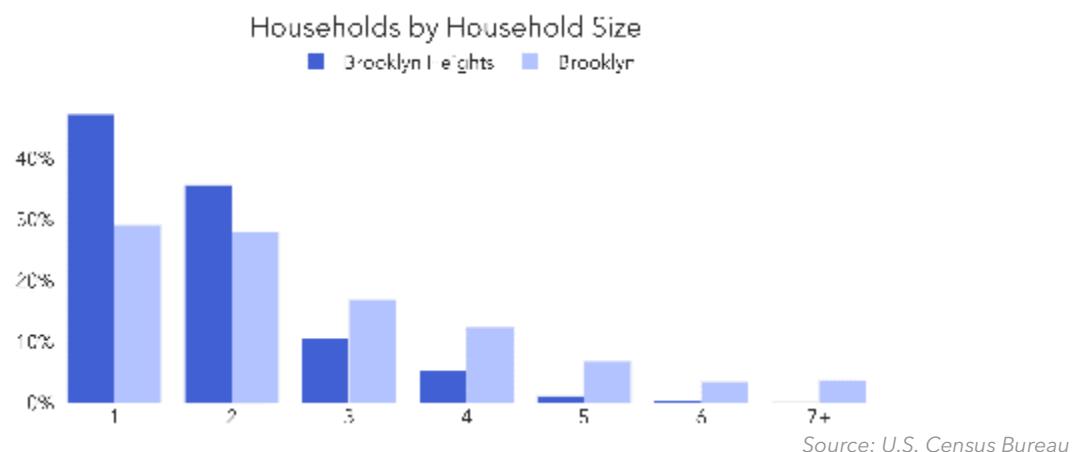
## Population and Households

The following demographic profile, created with data from the U.S. Census Bureau, reflects the subject's municipality and market. Population estimates for Brooklyn Heights reflect the sum of population estimates for census tracts that overlap its geographic boundaries. Current population estimates for Brooklyn Heights and Brooklyn reflect data from the 2021 5-year American Community Survey (ACS) and the 2020 Census, respectively.

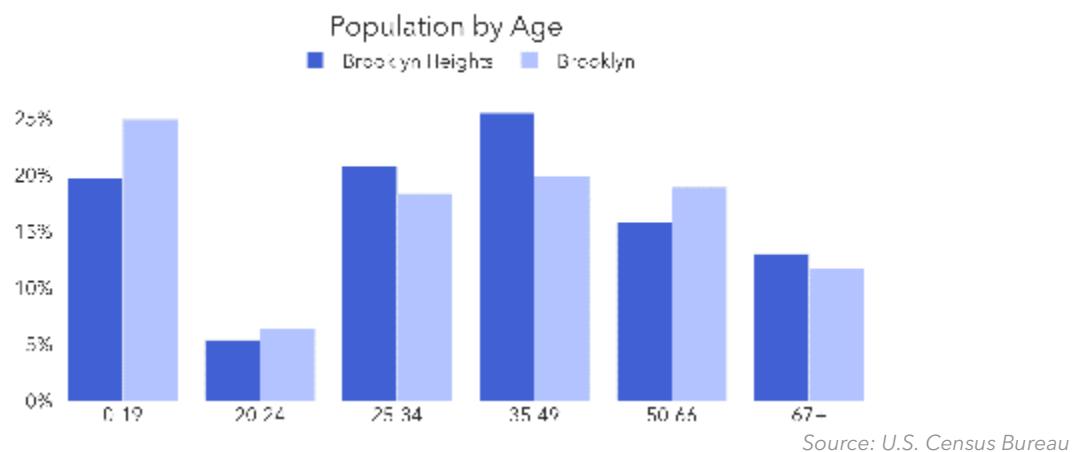
### Population Growth

	Area	2010 Census	2020 Census	Annual % Change	2025 Forecast
Population	Brooklyn Heights	39,203	35,466	-1.1%	33,627
	Brooklyn	2,504,700	2,736,074	1.0%	2,879,401

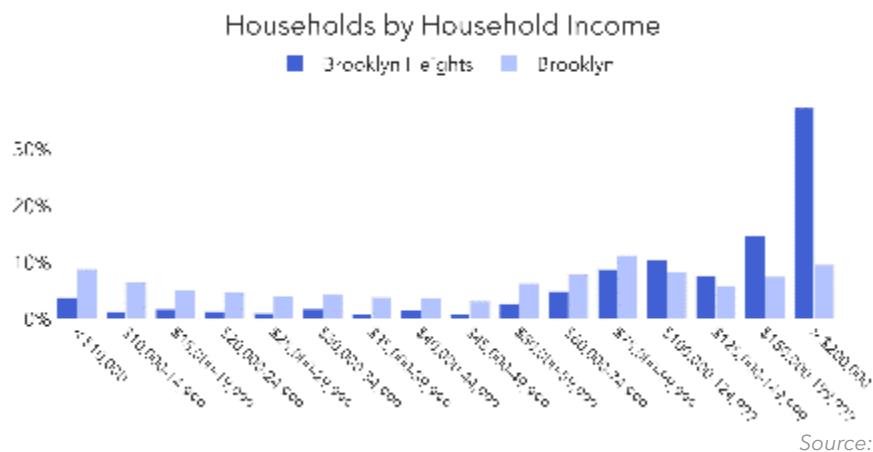
Households in Brooklyn Heights are, on average, smaller than those in Brooklyn. Households in Brooklyn Heights have an average size of 1.00 people, compared to 2.69 people in Brooklyn. 1 person households account for the largest share in both Brooklyn Heights and Brooklyn.



The median age of Brooklyn Heights residents is younger than in Brooklyn. Residents of Brooklyn Heights have a median age of 35.0, compared to 35.2 in Brooklyn. In Brooklyn Heights, those between 35- and 49-years old account for the largest cohort, compared to Brooklyn where children and teens account for the largest cohort.



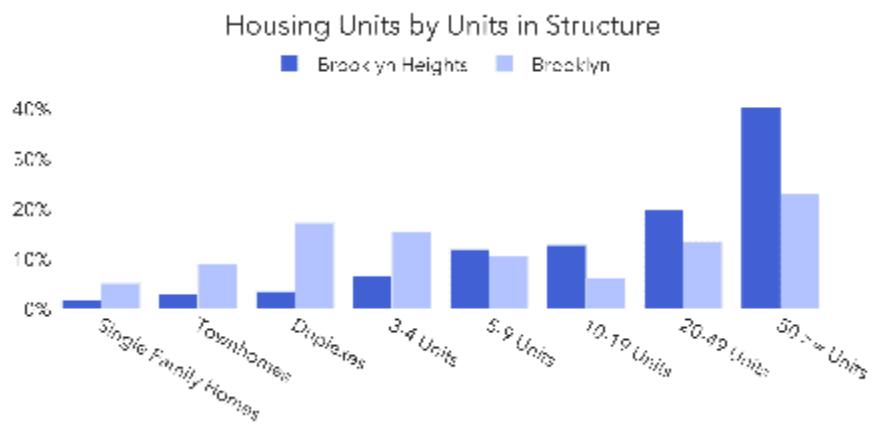
Households in Brooklyn Heights have a higher median income than those in Brooklyn. Households in Brooklyn Heights have a median income of \$155,197, compared to \$60,231 for households in Brooklyn. The chart below indicates the share of households by income brackets. In Brooklyn Heights, the most common household income is \$200,000 or higher, compared to between \$75,000-\$99,999 for Brooklyn.



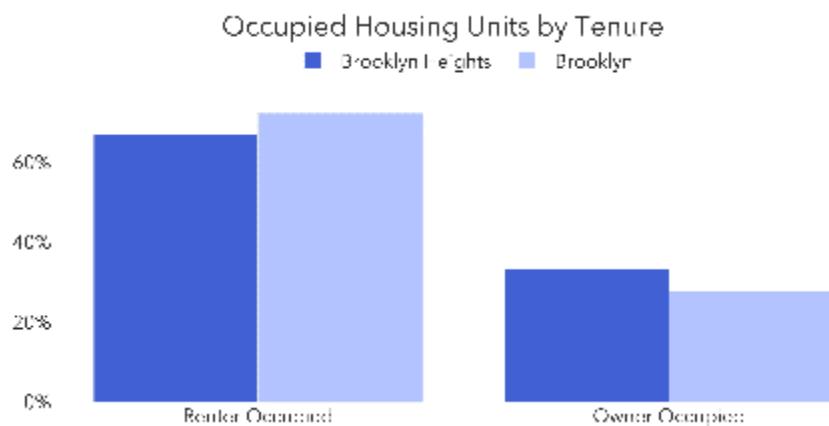
Source: U.S. Census Bureau

## Housing

Properties with 50+ units, followed by 20-49-unit properties then 10-19-unit properties account for the most common forms of housing in Brooklyn Heights. 33% of the housing units in Brooklyn Heights are occupied by their owner. This percentage of owner-occupation is higher than the Brooklyn level of 28%.

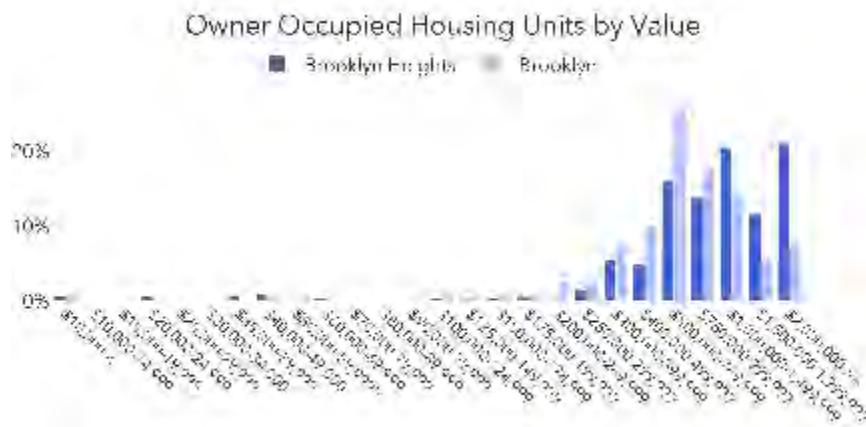


Source: U.S. Census Bureau



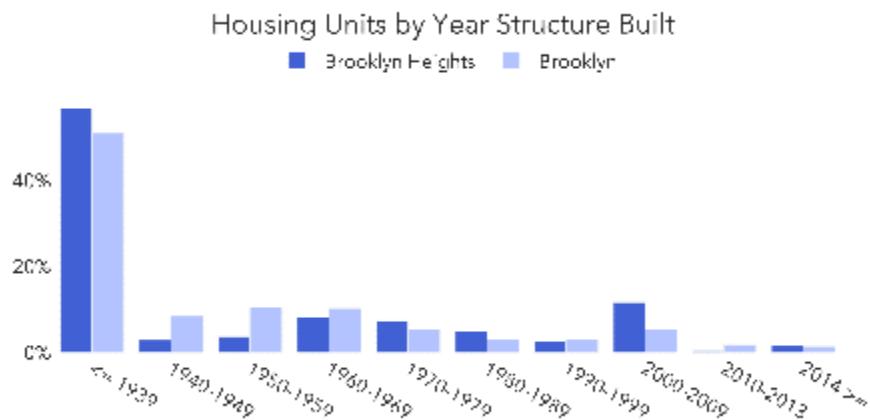
Source: U.S. Census Bureau

Homes in Brooklyn Heights have a median value of \$1,148,978, compared to \$706,000 for Brooklyn. In Brooklyn Heights, the most common home value is between over \$2 million, compared to between \$500,000 - \$749,000 for Brooklyn.



Source: U.S. Census Bureau

Homes in Brooklyn Heights have a median year built of 1968. In both Brooklyn Heights and Brooklyn, the largest share of homes was built before WWII.

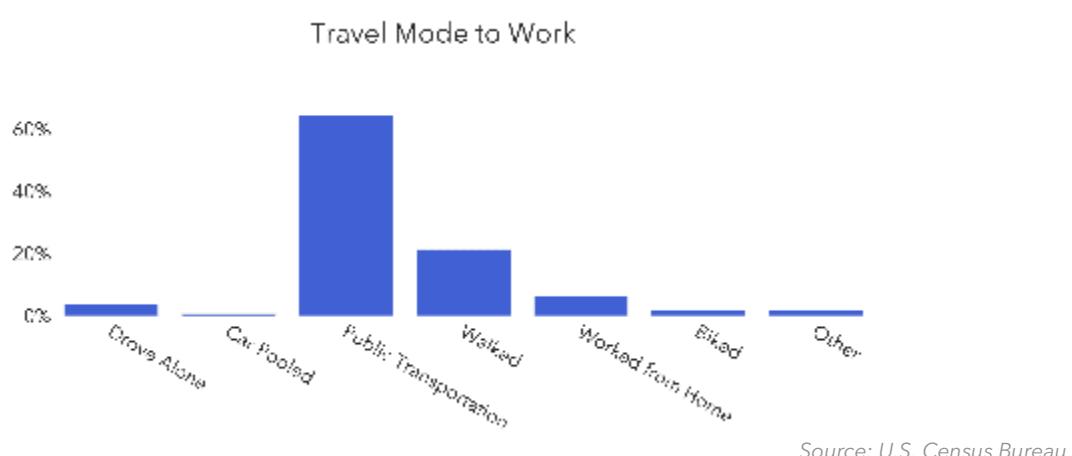
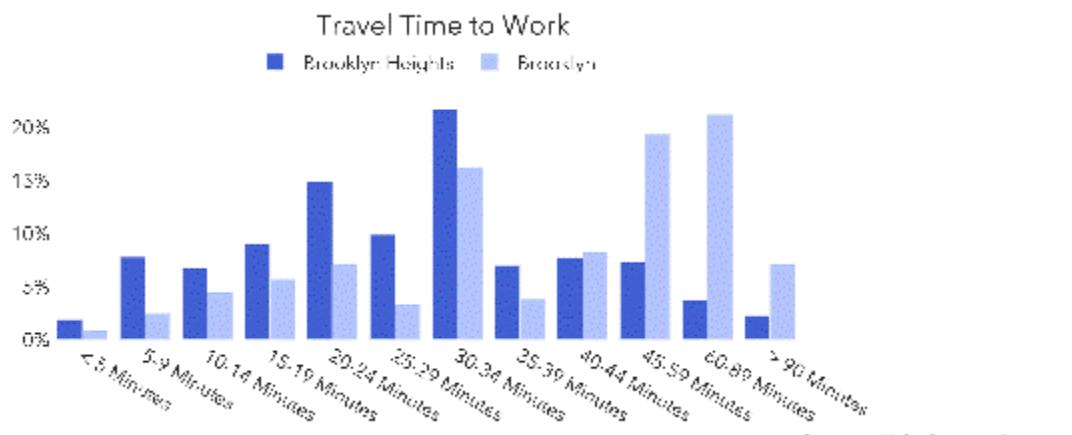


Source: U.S. Census Bureau

## Transportation

In Brooklyn Heights, most residents use public transit with 64% choosing to do so. The second most common method is walking with 21%.

Commuters in Brooklyn Heights have a median commute time of about 27 minutes. In Brooklyn Heights, the most common commute time is between 30-34 minutes, compared to 60-89 minutes for Brooklyn.



### Transportation Methods

- 🚶 Walk Score: 93 (Walker's Paradise)
- 🚗 The Manhattan Bridge and Brooklyn Bridge provide easy vehicular access to the area.
- /Subway/ Brooklyn Heights is easily accessible from multiple subway stations. The Borough Hall Station provides access to the 2/3 and 4/5 trains. Clark Street provides access to the 2/3 trains. The High Street Station provides access to the A/C trains.
- /Bus/ Many bus routes are located nearby in Downtown Brooklyn. No bus routes stop within the borders of Brooklyn Heights.
- 
✈ The nearest major airports include LaGuardia Airport, John F. Kennedy International Airport, Newark Liberty International Airport.

## Conclusion

Brooklyn Heights is one of Brooklyn's most in demand and historic neighborhoods. It is well-known for its historic housing stock, cobble streets, waterfront space, and public transit access. The Promenade offers picturesque views of Lower Manhattan, East River, and the Brooklyn Bridge. Most local businesses have been operating for decades, supported by steadfast and loyal residents. The wide tree-lined streets, historic pre-war brownstones, and ample public space continue to drive demand, although housing inactivity has limited population growth.

# Zoning Summary

24 Joralemon Street is in an R6 zone. Below is a summary of the subject's compliance with regard to use and bulk regulations.

R6 zoning districts are widely mapped in built-up, medium-density areas in Brooklyn, Queens, and the Bronx. The character of R6 districts can range from neighborhoods with a diverse mix of building types and heights to large-scale "tower in the park" developments such as Ravenswood in Queens and Homecrest in Brooklyn. Developers can choose between two sets of bulk regulations. Standard height factor regulations, introduced in 1961, produce small multi-family buildings on small zoning lots and, on larger lots, tall buildings that are set back from the street. Optional Quality Housing regulations produce high lot coverage buildings within height limits that often reflect the scale of older, pre-1961 apartment buildings in the neighborhood.

## Quality Housing Regulations

The optional Quality Housing regulations produce high lot coverage buildings set at or near the street line. Height limitations ensure that these buildings are often more compatible with older buildings in the neighborhood. As an incentive for developers to choose the Quality Housing option outside the Manhattan Core, greater floor area ratio, and therefore, more apartments, is permitted for buildings on or within 100 feet of a wide street than would be permitted under height factor regulations. The FAR is 3.0; the maximum base height before setback is 60 feet with a maximum building height of 70 feet. On a narrow street (beyond 100 feet of a wide street), the maximum FAR is 2.2; the maximum base height before setback is 45 feet with a maximum building height of 55 feet. The area between a building's street wall and the street line must be planted and the buildings must have interior amenities for the residents pursuant to the Quality Housing Program.

Off-street parking, which is not permitted in front of a building, is required for 50% of all dwelling units, less than for height factor buildings because of the high lot coverage. Parking can be waived if five or fewer spaces are required.

### R6 Quality Housing Option

R6 Type	Max FAR	Max Lot Coverage Corner Lot	Max Lot Coverage Interior Lot	Base Height	Max Building Height	Min. Required Parking <sup>4</sup>
Wide Street <sup>1</sup>	3.0 <sup>3</sup>	80%	65%	40-60 ft	70 ft	50% of dwelling units
Wide Street <sup>2</sup>	2.43	80%	60%	40-55 ft	65 ft	50% of dwelling units
Narrow Street	2.2 <sup>3</sup>	80%	60%	30-45 ft	55 ft	50% of dwelling units

<sup>1</sup> Outside the Manhattan Core

<sup>2</sup> Within the Manhattan Core

<sup>3</sup> 3.6 FAR with Inclusionary Housing designated area bonus on a wide street; 2.42 FAR on a narrow street

<sup>4</sup> Waived if 5 or fewer spaces required

Per the Landmark Designation Committee, 24 Joralemon Street is a non-landmarked building. It is in the Brooklyn Heights Historic District.

Historic districts are collections of landmark buildings that, together, create a distinct sense of place. Individual landmarks are standalone structures that have architectural, cultural, or historical significance. The regulatory process is the same for historic districts and individual landmarks, although certain features and sites may be identified as significant at the time of designation. Many of the City's individual landmarks are in historic districts. Owners of individual landmarks and buildings within historic districts are required to obtain permits from the Landmarks Commission for most types of alterations.

## Zoning Summary

Authority	Classification
Property Jurisdiction	Brooklyn <sup>7</sup>
Existing Zoning Classification	R6
Special Permitting or Condition(s) (i.e., site plan approval, PUD, or other variance)	None known

## Summary of Use Regulations

Current Use	Required	Actual	Status
	Residential and community facility	Residential and commercial	Non-conforming

## Summary of Bulk Regulations

	Required	Actual	Status
Max. Density (FAR)	2.20	2.97	Non-complying
Minimum Lot Area	1,700 sf	36,769 sf	Complying
Minimum Lot Width	18 ft	298 ft	Complying
Min. Parking Required	67	0	Non-complying

The land uses in the R6 zone permits residential and community facility uses as of right. 24 Joralemon Street is a mixed-use building with residential and retail uses and is non-conforming with regards to the allowable uses.

Based on the maximum effective residential FAR of 2.20 and lot area of 36,769 square feet, 80,892 square feet of buildable area is permitted on site. The subject contains 109,200 square feet of gross building area above grade. The subject is of legal, non-complying (grandfathered) bulk.

Based on the subject's current zoning regulations, 67 parking spaces are required on the subject property. The subject does not have parking and is pre-existing non-complying with regards to parking regulations.

**We have also included information pertinent to the Property's zoning classification regarding the state's Reconstruction clause, including rebuildability:**

According to the New York City Zoning Code: If a non-complying building or other structure is damaged or destroyed by any means, including any demolition, to the extent of 75 percent or more of its total floor area, such building may be reconstructed only in accordance with the applicable district bulk regulations, except in the case of a one- or two-family residence, such residence may be reconstructed provided that such reconstruction shall not create a new non-compliance nor increase the pre-existing degree of non-compliance with the applicable bulk regulations.

If the extent of such damage or destruction is less than 75% percent of the floor area and more than 25 percent of the perimeter walls of such existing building, and the replacement of any portion thereof, shall be considered a development.

In the event that any demolition, damage or destruction of an existing building other than one-or two-family residences produces an unsafe condition requiring a Department of Buildings order or permit for further demolition of floor area to remove or rectify the unsafe condition, and the aggregate floor area demolished, damaged or destroyed including that ordered or permitted by the Department of Buildings constitutes 75 percent of more of the total floor area of such building, then such building may be reconstructed only in accordance with the applicable district bulk regulations.

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<sup>7</sup> The zoning map can be found in the Map Gallery, which is located in the Addenda.

## Assessed Value & Real Estate Taxes



### Current Tax Liability

24 Joralemon Street is in Kings County (borough of Brooklyn), Brooklyn, NY. It is designated on the tax maps as Block 258, Lot 17. The property tax class is Class 2. The lower of the Actual or the Transitional Assessed Value is applied, in the subject's case, it is the Actual Assessed Value. The assessed value declined 10.7% from the 2023/2024 assessed value.

#### 2024-2025 Tentative Tax Assessment

	Actual	Transitional
Land	\$1,300,500	\$1,300,500
Building	+ \$4,714,200	\$5,679,810
<b>Total</b>	<b>\$6,014,700</b>	<b>\$6,980,310</b>

#### Tax Liability

	Total	PSF
Taxable Assessed Value (Actual)	\$6,014,700	\$55.08
Tax Rate (New York City - Class 2, 2023/24) ×	12.502%	12.502%
<b>Tax Liability</b>	<b>\$751,958</b>	<b>\$6.89</b>

## Current and Historical Tax Rates

### Current and Historic Real Estate Tax Rates

Year	Class 2
2023/2024	12.502%
2022/2023	12.267%
2021/2022	12.235%
2020/2021	12.267%
2019/2020	12.473%
2018/2019	12.612%
2017/2018	12.719%

## Comparable Tax Liabilities

In order to support the current real estate tax liability, we surveyed those of comparable buildings in the area.

	Year Built	GBA	Taxes PSF
76 Mesarole Street, Brooklyn, NY	2011	67,600	\$4.62
105 Carlton Avenue, Brooklyn, NY	1930	81,625	\$7.05
226 Taaffe Place, Brooklyn, NY	1935	130,000	\$7.73
180 Franklin Street, Brooklyn, NY	1930	81,110	\$8.80
248 Mc Kibbin Street, Brooklyn, NY	1942	96,000	\$7.90
		<b>Min</b>	<b>\$4.62</b>
		<b>Average</b>	<b>\$7.22</b>
		<b>Max</b>	<b>\$8.80</b>

The comparables present a tight range from \$4.62 to \$8.80 per square foot, with an average of \$7.22 per square foot. The subject property's tax liability of \$6.89 per square foot is well supported by this range.

## Conclusion

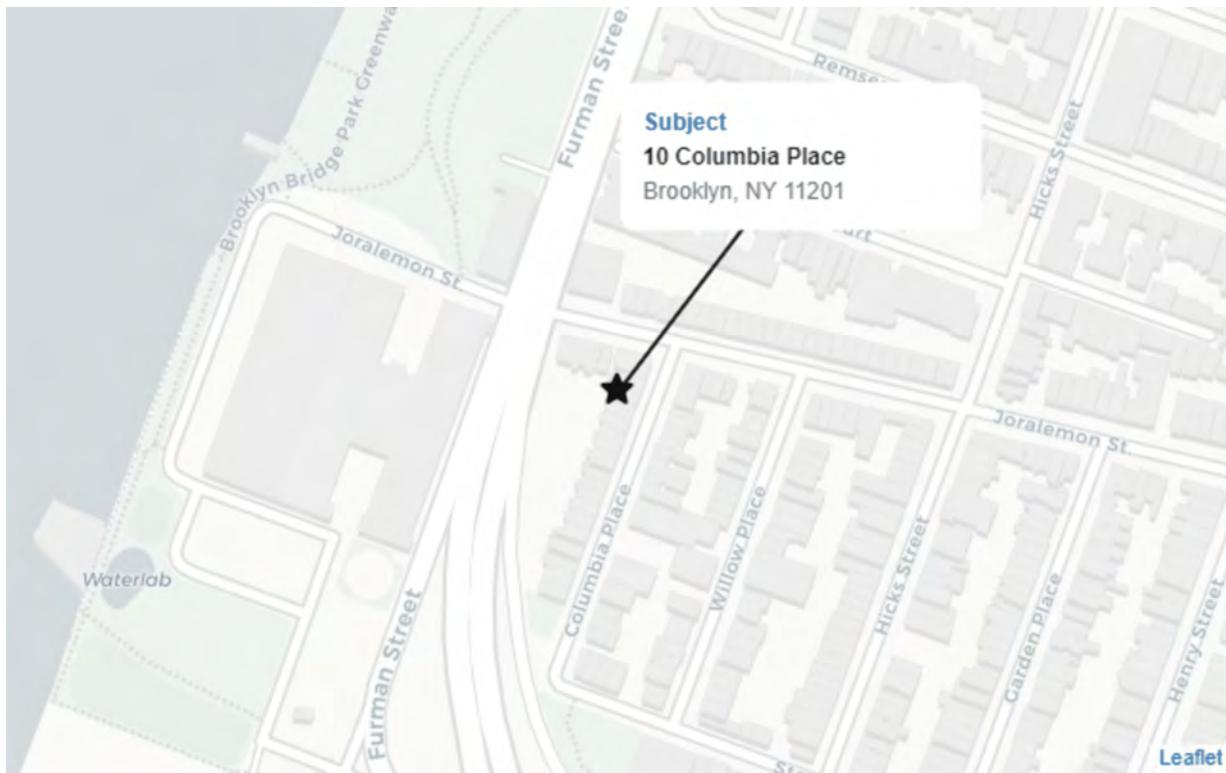
### Tax Liability Summary

	Taxes PSF
Comp Min.	\$4.62
Comp Avg.	\$7.22
Comp Max.	\$8.80
<b>Current</b>	<b>\$6.89</b>

The subject property's taxes per square foot fall within the market range and are considered reasonable. Thus, we apply the current tax liability of \$751,957.79 in our analysis.

The taxes decreased from \$887,047 in Q2 2023.

## Site Description



### Location

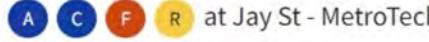
The subject property is located at the southwest intersection of Joralemon Street and Columbia Place in the Brooklyn Heights neighborhood of Brooklyn. It is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River.

### Surrounding Uses

It is located on a primarily residential and commercial block. There are numerous restaurants, bars, shops and other entertainment options within walking distance.

### Transportation

The subject has good access to public transport via the 4/5/6 and the N, R, and W trains at Court Street. It is located within walking distance of Brooklyn Bridge Park Pier 5. The Court Street subway station is a 9-minute walk away. The Clark St subway station is an 11-minute walk away. The Borough Hall subway station is an 11-minute walk away. A transportation summary is provided below:

 at Court St	0.33 miles
 at Clark St	0.41 miles
 at Borough Hall	0.41 miles
 at High St	0.57 miles
 at Jay St - MetroTech	0.6 miles

### Site Area

36,769 square feet

<b>Shape</b>	Irregular
<b>Frontage</b>	Joralemon Street: 167.87 feet Columbia Place: 307.14 feet
<b>Access</b>	The primary access is from Joralemon Street. There is also access from Columbia Place.
<b>Topography</b>	Generally level at street grade
<b>Drainage</b>	Assumed adequate
<b>Paving</b>	All roads are paved with asphalt and are in satisfactory condition.
<b>Street Lighting</b>	Adequate
<b>Hazardous Substances</b>	We observed no evidence of toxic or hazardous substances during our inspection of the site.
<b>Easements, Encroachments, and Restrictions</b>	Based upon a review of the tax map and deed, there do not appear to be any easements, encroachments, or restrictions that would adversely affect value.
<b>Utilities &amp; Services</b>	Water/Sewer and Refuse - City Police & Fire Protection - City Gas - Con Ed and/or National Grid Electricity - Con Ed
<b>Flood Hazard Status</b>	According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970203F the subject is located within a Zone X flood zone. Zone X is an area of minimal flooding. These areas are determined to be outside the 500-year floodplain and are determined to be outside the 1% and 0.2% annual chance floodplains.
<b>Conclusion</b>	The site is similar to others in the vicinity, and there are no known negative external factors. Based on its current use, it is functionally adequate.

# Description of Improvements

## Building Description

The subject is a 6-story, walk-up, mixed-use building consisting of 157 residential units and eight ground-floor commercial units. It was constructed in 1900. It contains 109,200 square feet of gross building area and is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River. The residential portion of the subject is 80% occupied with 32 vacant residential units. It contains 144 rent stabilized residential units, 10 rent controlled residential units, 1 free market residential unit, and two employee units. Units C080 and GR20 are occupied rent-free by employees. The commercial portion is 87.5% occupied.

## Building Inspection

On February 29, 2024, John Tuohy of Bowery Valuation conducted an interior and exterior inspection of the subject property. The inspection included a tour of the building facade, exterior entrance, interior hallways, common areas, mechanical/electrical systems, stairs, and roof. We were able to inspect the stairs and they are in good condition. We were able to inspect the roof and it is in good condition. Nevertheless, we recommend a roof inspection by a qualified professional. Moreover, we did not observe any hazardous substances on the improvements or adverse environmental or physical conditions.

## Unit Inspection

We inspected Unit B045, which was in average condition. We assume that the units we did not see are in generally similar condition.

## Structural, Utilities & Mechanicals

### Structural

<b>Foundation</b>	Brick/masonry
<b>Structural System</b>	Brick/masonry
<b>Exterior Walls</b>	Brick and Masonry
<b>Framing</b>	Structural steel with masonry concrete encasement
<b>Windows</b>	Double-hung, Commercial units have plate-glass windows
<b>Roof</b>	Flat built-up roof

### Utilities

<b>Electricity</b>	Circuit breakers, switches, light fixtures, and outlets. The residential tenants are direct metered for electricity. Meters are in the basement.
<b>Heating/Cooling/ Hot Water</b>	Dual fuel gas and oil-fired boiler are located in the basement for heating. Tenant supplied A/C units.

### Mechanicals

<b>Elevators</b>	None
<b>Plumbing</b>	PVC, Copper, Iron
<b>Sprinklers</b>	None

## Layout & Finishes

<b>Basement</b>	The basement is accessed from an exterior entrance at the rear of the building. The basement is unfinished and contains the electric & gas meters, trash compactors and a boiler unit.
<b>Entry &amp; Hallways</b>	The entryway and interior hallways are in good condition.
<b>Laundry</b>	The subject contains a laundry room.
<b>Stairwell</b>	There are several exterior staircases that run from the ground floor to the roof.
<b>Security</b>	Buzzer, security cameras and door locks.

## Amenities

### Building Amenities

<b>Laundry Room</b>	There is a laundry room.
<b>Storage Units</b>	There are no storage units.
<b>Parking</b>	There is no onsite parking.

## Residential Unit Finishes

The units generally feature good quality finishes relative to typical units in similar walk-up buildings in the area. We note that the finishes vary depending on the tenure of the in-place tenants and how recently the unit was renovated.

<b>Kitchens</b>	The units typically contain ceramic tile flooring, laminate counter tops, natural wood cabinets, standard oven range stovetops, and standard refrigerators.
<b>Bathrooms</b>	The units typically contain natural stone tile flooring, bathtub shower combo tubs, ceramic set-in cabinet sinks, and ceramic toilets. Some renovated units feature natural stone tile flooring and marble top set-in cabinet sinks.
<b>Bedrooms/Living Areas</b>	The units typically contain hardwood flooring, and sheet rock walls.

### Residential Unit Distribution Summary

Unit Type	No. of Units	Avg. Rooms/Unit	Total Rooms	Avg. SF/Unit (Est.)	Total Leasable SF
Studio	65	2	130	400	26,000
1 BR	54	3	162	635	34,290
2 BR	38	4	152	865	32,870
<b>Totals/Average</b>	<b>157</b>		<b>444</b>	<b>593</b>	<b>93,160</b>

Several units were reclassified upon resolution of the DHCR rents in 2021. We estimated the total leasable area and resulting average square footage per unit based on a loss factor of 10% applied to the GBA.

## Commercial Space

The subject contains eight commercial units spanning a total of 5,465 square feet.

### Commercial Unit Distribution Summary

<b>Unit Number</b>	<b>Tenant Name</b>	<b>Floor</b>	<b>SF</b>
1	Dogodog	Ground Floor	576
2	A&G River Deli	Ground Floor	875
3	Heights Dropoff Laundromat	Ground Floor	600
4	Vinegar Hill Veterinary Group	Ground Floor	680
5	Cloudy Donuts LLC	Ground Floor	760
6	A.M. Hair Art Inc.	Ground Floor	630
7	The Bronx Ice Company (now vacant)	Ground Floor	630
8	Claybriel LLC	Ground Floor	714
<b>Total</b>			<b>5,465</b>

### Condition, Deferred Maintenance & Remaining Economic Life

#### Condition

Based on our inspection, the subject is in good condition. The subject was constructed in 1900 and appears to have been periodically updated over time.

#### Deferred Maintenance

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

The subject is in good condition and appears to have been periodically updated over time. During our visit to the building, we noticed no items of deferred maintenance.

#### Remaining Economic Life

While the improvements were originally constructed in 1900, we estimate the effective age to be 20 years, and, given a usable life of 60 years, the remaining economic life of the building is 40 years.

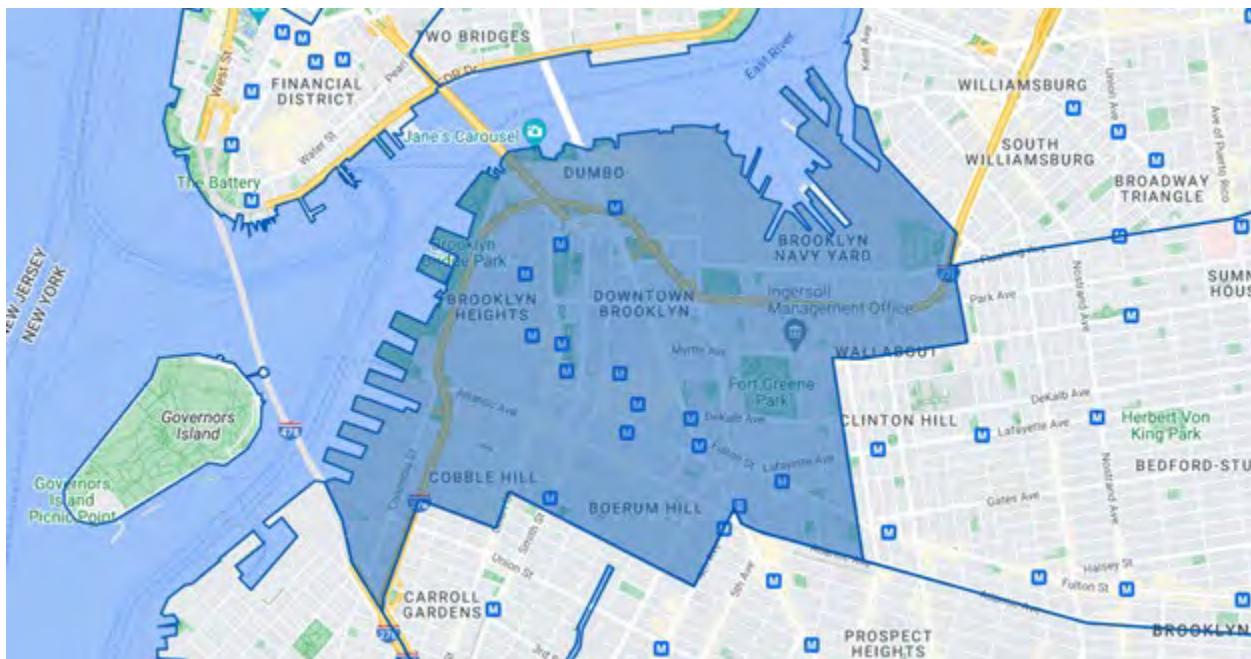
### Summary

The subject was constructed in 1900 and based on our inspection, the subject is in good condition. The building features a functional design with typical site coverage. No significant functional obsolescence was noted during our inspection. The layout, site coverage of the improvements and positioning of the improvements as well as the construction quality of the improvements, interior layout, building mechanicals, building-wide and unit amenities and finishes are functional by market standards.

# Submarket Analyses

## Downtown Brooklyn: Multifamily Submarket Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the Downtown Brooklyn Multifamily Submarket ("Submarket") located in the New York Market ("Market").



### Overview

The subject property is in the Downtown Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 1.7% of the Markets total inventory with 26k units. Entering the final quarter of 2023, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate in the Downtown Brooklyn submarket, which includes the neighborhoods of DUMBO and Brooklyn Heights, has remained near historic lows and the rate stands among the tightest among U.S. submarkets with at least 20,000 units.

In the Downtown Brooklyn Submarket, demand remains strong with vacancy rates down yoy and over the past quarter. Despite continued compression in vacancy rates, rents increased just 0.3% in the latest quarter and are up 1.4% over the past year. Despite positive fundamentals, values decreased -15.8% over the past year after negative growth in the latest quarter, ultimately decreasing to \$673,428/unit.

### Sector Fundamentals

	Downtown Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/Unit	\$4,315	1.4%	0.3%	\$3,060	2.0%	0.0%
Vacancy Rate	3.23%	-9 bps	-75 bps	2.56%	14 bps	3 bps
Net Absorption Units	285	295.8%	5.2%	5,430	24.9%	0.0%
Asset Value/Unit	\$673,428	-15.8%	-2.3%	\$396,924	-11.6%	-2.0%
Market Cap Rate	4.53%	54 bps	7 bps	5.11%	60 bps	7 bps
Transaction Count	3	-57%	-50%	202	-33%	-28%
Sales Volume	\$29,480,000	-78%	-30%	\$962,639,744	-64%	-49%

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

#### Historical Multifamily Performance: Downtown Brooklyn Submarket

Period	Inventory Units	Under Construction Units	Net			Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Delivered Units	12 Mo	Absorption Units 12 Mo			
2023 Q4	26,017	4,726	1,421	1,397	3.2%	\$4,315	\$673,428	4.53%
2023 Q3	25,923	4,201	1,448	1,184	4.0%	\$4,304	\$689,437	4.46%
2022	24,596	3,647	928	1,049	3.3%	\$4,255	\$800,034	3.99%
2021	23,668	2,872	548	718	3.9%	\$4,104	\$946,340	3.53%
2020	23,120	3,260	0	-441	4.7%	\$3,752	\$875,791	3.75%
2019	23,120	1,873	140	557	2.8%	\$3,971	\$844,667	3.90%
2018	22,980	501	1,843	1,903	4.6%	\$3,864	\$805,773	3.97%
2017	21,137	2,310	3,315	3,235	5.3%	\$3,726	\$822,226	4.01%
2016	17,822	5,196	340	785	5.8%	\$3,716	\$924,689	4.07%
2015	17,482	5,419	1,375	731	8.5%	\$3,695	\$866,886	4.13%
2014	16,107	4,824	658	628	5.2%	\$3,558	\$832,925	4.33%

#### Supply & Demand

Downtown Brooklyn is known for being one of the more in-demand neighborhoods for renters. The population here has grown significantly as a surplus of retail, office, and multifamily development has helped transform the submarket into a desirable live/work/play destination. Office projects like DUMBO Heights and Empire Stores have attracted tech and creative companies, increasing employment opportunities in the submarket. High-income renters boosted demand for the luxury product flooding Downtown Brooklyn over the past decade and that is not likely to change. According to NYU's Furman Center, the submarket's median household income ranks near the top of New York City, as it has grown by more than 30% since 2010.

The Submarket has 26k units of multifamily space, and developers have added, net of demolitions, 10.6k units over the past ten years, increasing inventory by 68.3% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 4.8% to 3.2%.

Despite an increase in inventory levels over the past year, demand has outpaced it, and vacancy rates have compressed 9 bps over the past year from 3.3% to 3.2%, remaining below the 10-year average of 5.0%, and above the Market average by 67 bps. In the fourth quarter, multifamily tenants in the Submarket absorbed 285 units, an increase from the 271 units absorbed in 2023 Q3, and an improvement from the 72 units absorbed in the same quarter last year.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Submarket	5.2%	8.5%	5.8%	5.3%	4.6%	2.8%	4.7%	3.9%	3.3%	4.0%	3.2%
Class A	8.7%	15.0%	4.8%	7.2%	2.9%	2.3%	4.7%	6.0%	4.7%	5.8%	4.2%
Class B	4.4%	7.8%	7.3%	4.5%	7.0%	3.1%	4.5%	2.5%	2.3%	2.6%	2.4%
Class C	4.0%	4.3%	4.6%	4.0%	3.2%	3.0%	4.9%	2.9%	2.7%	3.0%	2.8%



## Rents

At \$4,315/unit, rents in the Downtown Brooklyn Submarket are roughly 41% higher than the Market average of \$3,060/unit. Rents vary throughout the Submarket. Class A apartment units are a premium with an average effective rent rate of \$4,544/unit, followed by \$4,171/unit for Class B and \$3,275/unit for Class C units. Rents in the Submarket have increased 2.4% per annum over the past decade, exceeding the Market, where rents increased 2.4% per annum during that time.

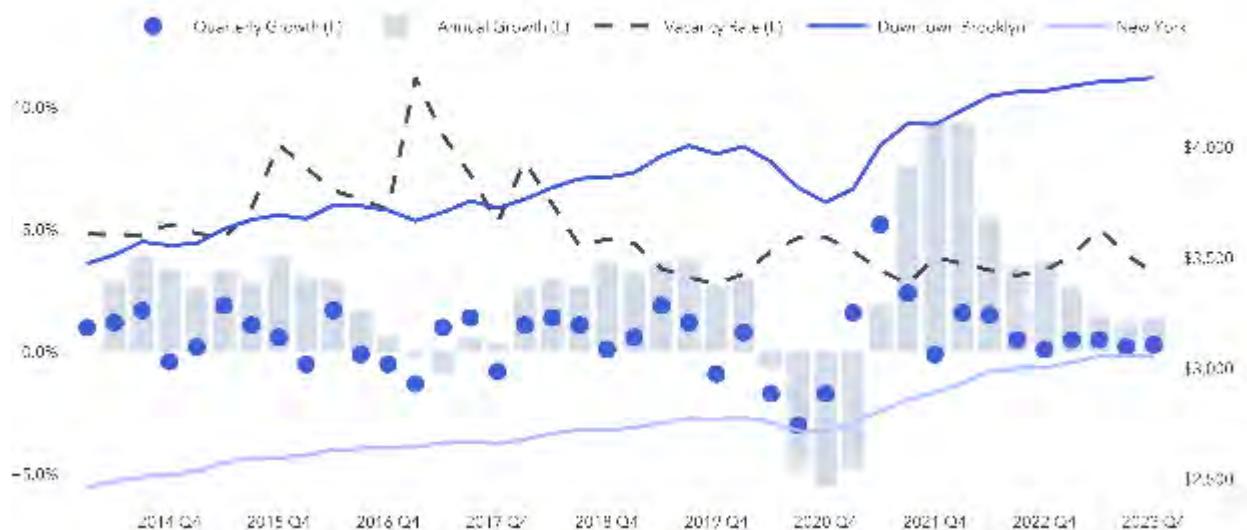
### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Submarket	\$3,558	\$3,695	\$3,716	\$3,726	\$3,864	\$3,971	\$3,752	\$4,104	\$4,255	\$4,304	\$4,315
Class A	\$3,637	\$3,793	\$3,791	\$3,802	\$3,975	\$4,102	\$3,765	\$4,266	\$4,470	\$4,534	\$4,544
Class B	\$3,574	\$3,693	\$3,750	\$3,760	\$3,869	\$3,957	\$3,907	\$4,060	\$4,141	\$4,165	\$4,171
Class C	\$2,959	\$3,030	\$3,086	\$3,093	\$3,096	\$3,129	\$3,110	\$3,157	\$3,197	\$3,234	\$3,275

Prior to the pandemic, the Downtown Brooklyn Multifamily Submarket experienced softening rent growth. In 2019 Q4, annual rent growth in the Submarket softened below the previous quarter, but was above the historical average, with annual growth of 2.7%. In 2020 Q2, quarterly rent growth fell to -1.7%. By the end of 2020, rents had fallen 5.5% from the 2019 Q4 rent level of \$3,971/unit. From 2019 Q4 to 2021 Q4, rents increased 3.4%.

Rents continue to climb in the Downtown Brooklyn Submarket as the city's glacial pace of adding new housing has allowed some owners to push rents considerably beyond what they would be willing to do under normal circumstances. Quarterly rent growth in 2023 Q4 increased 0.3%, pushing annual growth to 1.4%.

### Market Effective Rent/Unit - Annual & Quarterly Growth



### Construction & Future Supply

The inventory in Downtown Brooklyn has rapidly expanded, with an influx of new units delivered over the past decade. Developers have sought to build more luxury housing as the submarket has witnessed an influx of wealthy renters. In fact, they have added 10.7k units to the Submarket over that time, expanding inventory by 68.3%. A notable recent delivery is 9 DeKalb Avenue, the supertall skyscraper that has become the tallest New York City building outside of Manhattan. JDS Development Group broke ground in 2019 and completed construction in 23Q3. The 400-unit project will consist of a mix of condos and rental units while offering more than 100,000 square feet of amenities.

Developers remain active in the Submarket despite elevated construction and debt costs. In fact, developers are currently active with 4.7k units, or the equivalent of 18.2% of existing inventory, underway. Demand in the Downtown Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

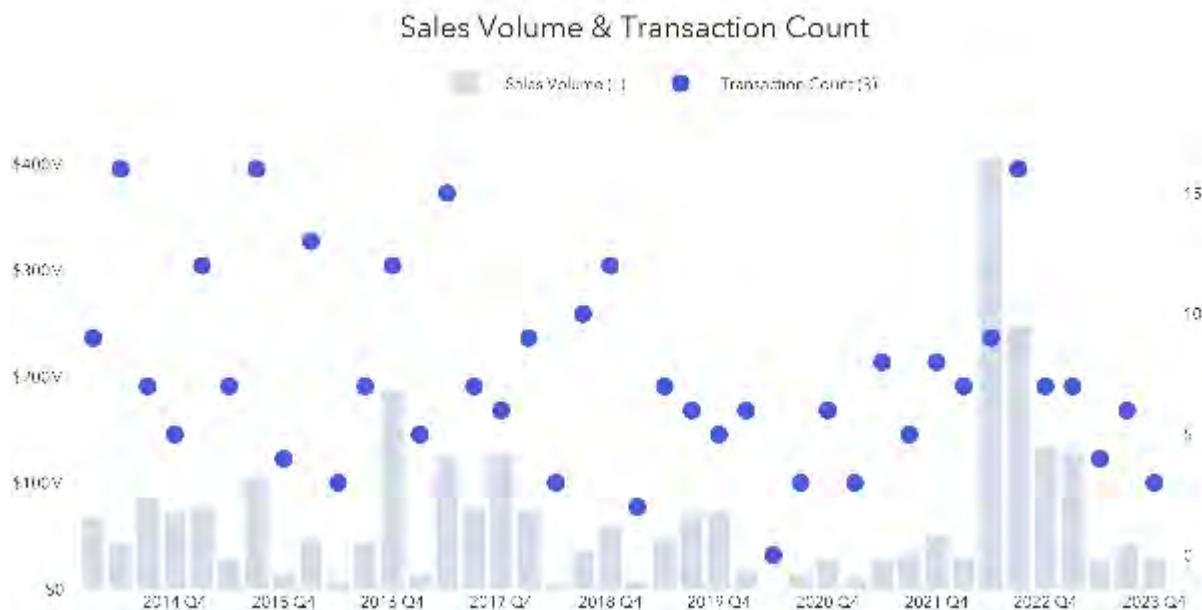
### Under Construction Units - Share of Inventory



## Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average, 28 transactions per year with an annual average sales volume of \$387.7 million. Over the past year, there were 20 closed transactions across 616 units, for a total sales volume of \$226.4 million. As of 2023 Q4, CoStar data indicates there were 3 transactions for a total sales volume of \$29.5 million, compared to \$42.2 million in the previous quarter.

UBS Realty Properties sold two residential buildings made up of 72 units in Clinton Hill for \$40 million. The amount paid represents a substantial markdown from the \$55 million the buyer paid in 2020. The buyer is Ben-Josef Group Holdings.



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$673,428/unit. Values have compressed 15.8% over the past year and continued to fall in the past quarter, decreasing 2.3% in 2023 Q4. Capitalization rates have increased 54 bps over the past year to 4.5% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.



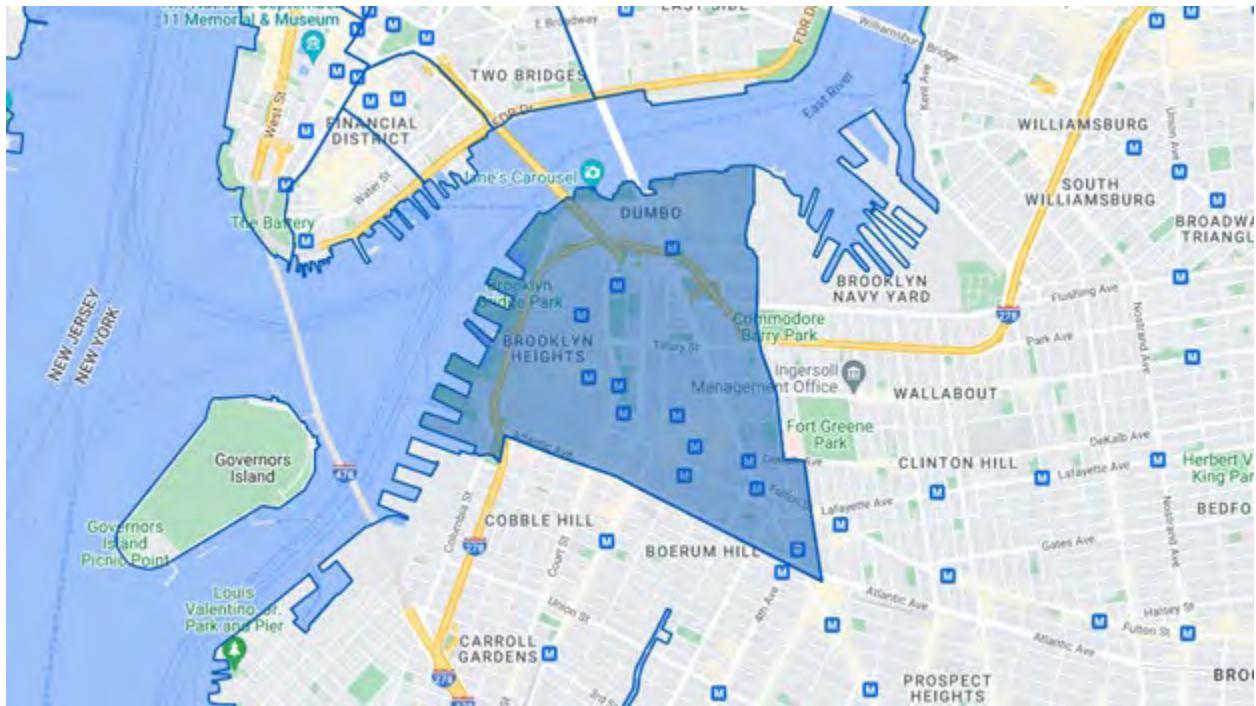
## Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the Downtown Brooklyn Submarket indicate growing demand despite an increase in inventory. With demand outpacing new inventory, vacancy rates have compressed over the past year although rent growth has slowed, increasing 1.4%. Looking ahead to the near term, it is likely that tenants remain active, although the large pipeline will add pressure to vacancy rates.

## Downtown Brooklyn: Retail Submarket Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the Downtown Brooklyn Retail Submarket ("Submarket") located in the New York Market ("Market").



### Overview

The subject property is in the Downtown Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 1.0% of the Markets total inventory with 6.4 million square feet. Downtown Brooklyn has transformed from a sleepy office district to an area with brand-new luxury high-rises and high-earning millennial residents. The popularity of Brooklyn among apartment seekers has led to steady leasing activity over the past year from a variety of tenants.

In the Downtown Brooklyn Submarket, vacancy rates have decreased over the past year and quarter. While annual rent growth remains positive, increasing 0.7%, rents declined 0.7% in the latest quarter. With softening fundamentals, values decreased in the past quarter and -0.8% yoy, ultimately decreasing to \$580/square feet.

### Sector Fundamentals

	Downtown Brooklyn	YoY	QoQ	New York	YoY	QoQ
Market Rent/SF	\$94.68	0.7%	-0.7%	\$47.5	1.5%	-0.4%
Vacancy Rate	5.32%	-154 bps	-109 bps	4.09%	2 bps	-5 bps
Availability Rate	8.2%	23 bps	6 bps	5.1%	-21 bps	-3 bps
Net Absorption SF	69,330	612.3%	-0.9%	734,690	1923.7%	12.4%
Asset Value/SF	\$580	-0.8%	2.4%	\$442	1.6%	-0.1%
Market Cap Rate	5.34%	13 bps	11 bps	5.98%	3 bps	3 bps
Transaction Count	7	250%	75%	453	-37%	-11%
Sales Volume	\$24,725,000	385%	70%	\$1,280,282,368	-2%	41%

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

### Historical Retail Performance: Downtown Brooklyn Submarket

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market		
							Sale Price Per SF	Market Cap Rate	
2023 Q4	6,372,908	0	0	97,829	5.3%	8.2%	\$94.68	\$580	5.34%
2023 Q3	6,372,908	0	-10,622	14,965	6.4%	8.1%	\$95.36	\$594	5.22%
2022	6,372,908	0	-33,524	-96,586	6.8%	7.9%	\$94.05	\$585	5.21%
2021	6,406,432	0	-67,226	-138,500	5.8%	6.0%	\$91.93	\$571	5.17%
2020	6,473,658	0	-33,490	-41,393	4.7%	6.2%	\$89.94	\$556	5.17%
2019	6,507,148	0	-44,228	-67,239	4.5%	6.9%	\$89.74	\$544	5.23%
2018	6,551,376	5,850	-19,775	-53,560	4.2%	6.6%	\$87.39	\$529	5.25%
2017	6,559,361	5,850	0	80,673	3.5%	5.1%	\$85.97	\$517	5.25%
2016	6,559,361	0	663,950	492,648	4.7%	5.9%	\$84.07	\$507	5.21%
2015	5,895,411	650,000	-43,082	58,829	2.3%	4.7%	\$82.11	\$490	5.23%
2014	5,938,493	650,000	-7,780	108,620	4.0%	6.1%	\$78.98	\$442	5.54%

### Supply & Demand

Clear signs of recovery continue to be witnessed across the New York retail market during the first quarter of 2024. The Downtown Brooklyn retail vacancy rate stands at 4.9% and has changed by 154 bps over the past year as absorption totals over the past year stand at 98,000 SF. Still, the rate is above the submarket's long-term historical average of 4.6% and the current NY metro average of 4.1%.

**Vacancy Rates**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	5.6%	5.1%	4.6%	4.4%	4.3%	4.5%	5.0%	4.6%	4.2%	4.1%	4.0%
Market	4.3%	4.0%	3.6%	3.6%	3.3%	3.5%	4.2%	4.0%	4.1%	4.1%	4.1%
Submarket	4.0%	2.3%	4.7%	3.5%	4.2%	4.5%	4.7%	5.8%	6.8%	6.4%	5.3%

**Absorption & Vacancy Rates**



## Rents

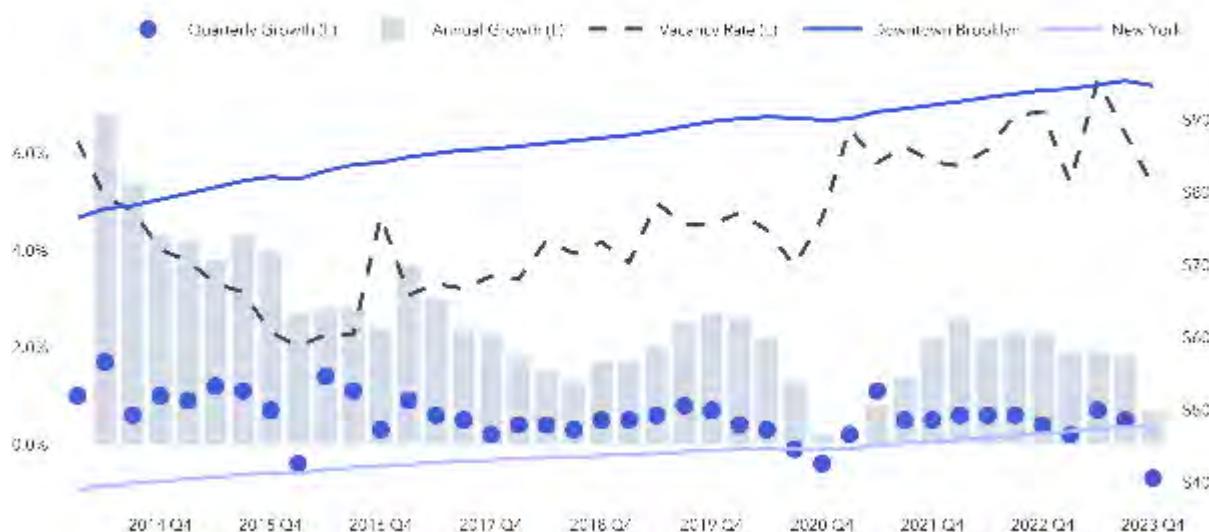
At \$94.68/SF, rents in the Downtown Brooklyn Submarket are roughly 99% higher than the Market average of \$47.50/SF. Rents in the Submarket have increased 2.4% per annum over the past decade, exceeding the Market, where rents increased 2.2% per annum during that time.

Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$19.04	\$19.58	\$20.06	\$20.64	\$21.17	\$21.71	\$22.12	\$22.92	\$23.93	\$24.61	\$24.75
Market	\$40.13	\$41.37	\$42.20	\$43.09	\$43.68	\$44.45	\$44.49	\$45.57	\$46.81	\$47.69	\$47.50
Submarket	\$78.98	\$82.11	\$84.07	\$85.97	\$87.39	\$89.74	\$89.94	\$91.93	\$94.05	\$95.36	\$94.68

Prior to the pandemic, the Downtown Brooklyn Retail Submarket experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 2.7%. In 2020 Q2, quarterly rent growth fell to 0.3%. By the end of 2020, rents had increased 0.2% from the 2019 Q4 rent level of \$89.74/SF. From 2019 Q4 to 2021 Q4, rents increased 2.4%. Quarterly rent growth in 2023 Q4 contracted by -0.7%, with annual growth slowing to 0.7%.

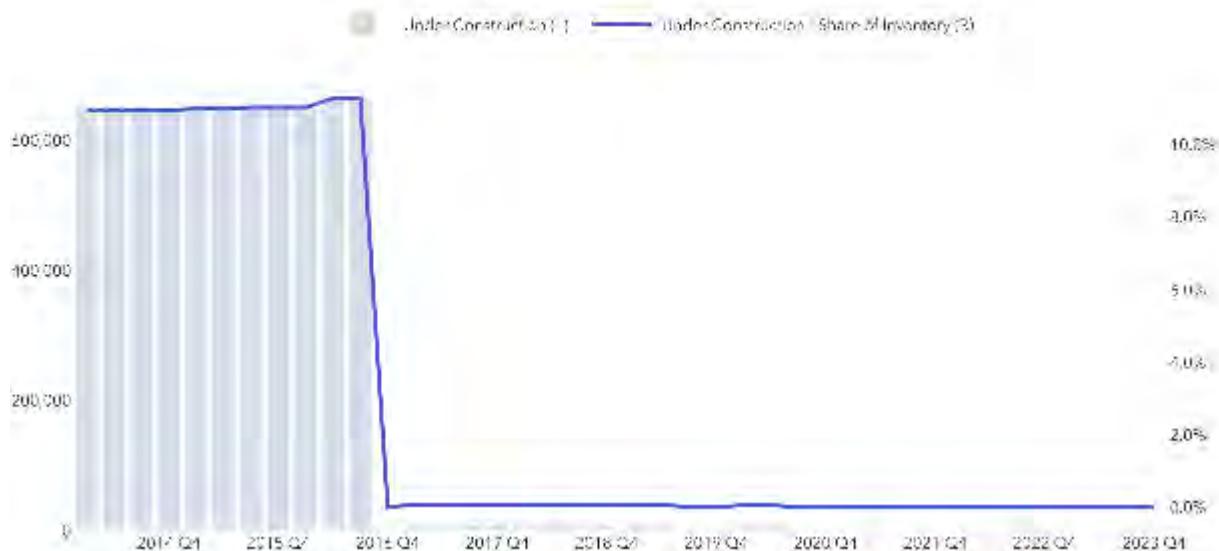
Market Rent/SF - Annual & Quarterly Growth



## Construction & Future Supply

Downtown Brooklyn is a space-constrained submarket, and limited buildable land makes large-scale retail construction projects rare. Zero projects were under construction at the start of 23Q4. Much of the newer retail space is located on the ground floor of recently built office or multifamily developments. Retail construction has been muted in Downtown Brooklyn since 2016 and developers have less incentive to build new retail space with the demand for new physical retail stores declining.

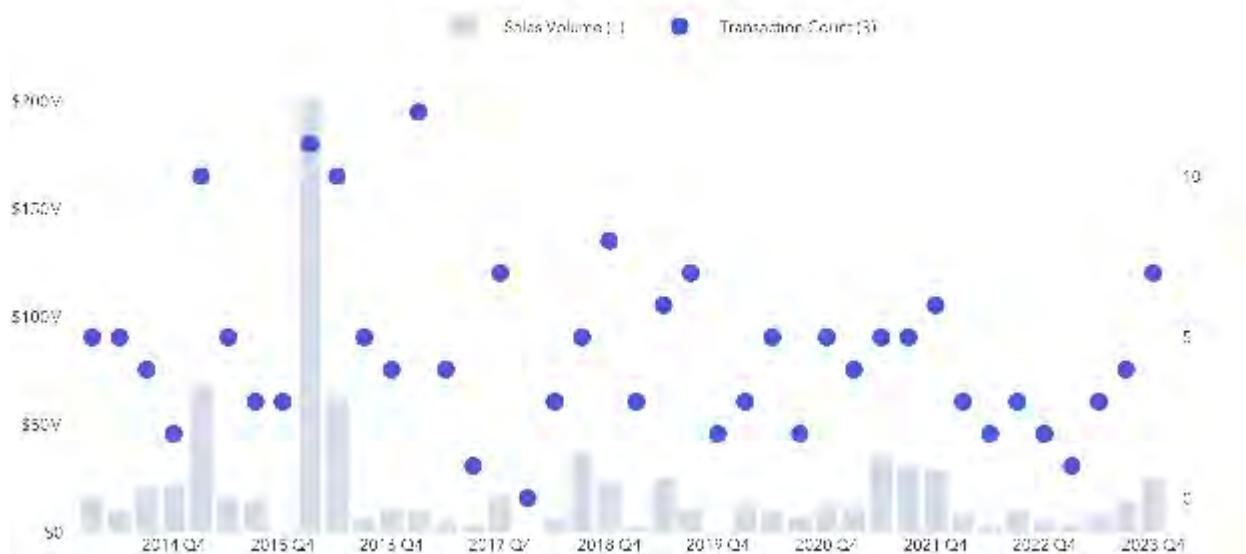
### Under Construction SF - Share of Inventory



### Capital Markets

Investors have been active in the Submarket over the past three years. Going back three years, investors have closed on average, 15 transactions per year with an annual average sales volume of \$61.6 million. Over the past year, there were 15 closed transactions across 71.6k square feet, for a total sales volume of \$51.6 million. As of 2023 Q4, CoStar data indicates there were 7 transactions for a total sales volume of \$24.7 million, compared to \$14.5 million in the previous quarter.

### Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$580/SF. Values have compressed 0.8% over the past year and continued to fall in the past quarter, decreasing 2.4% in 2023 Q4. Capitalization rates have increased 13 bps over the past year to 5.3% and increased 11 bps in Q4. While fundamentals remain fairly positive, the elevated cost of debt has slowed transaction activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.



## Outlook

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

Retail market conditions in the Downtown Brooklyn Submarket indicate that demand improved, compressing vacancy rates over the past year. Despite this, quarterly rent growth declined, softening annual growth to 0.7%. Looking ahead to the near term, it is likely that tenants remain active, although at a slower pace, softening rent growth further. With softening market conditions alongside elevated debt costs, values will likely experience downward pressure.

## Highest & Best Use

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

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

In estimating highest and best use, alternative uses that meet the four criteria of legally permissible, physically possible, financially feasible, and the maximally productive use, are considered and tested for the subject site as if vacant and as improved.

### As Vacant

<b>Legally Permissible</b>	The subject is in zone R6, which permits residential and community facility use as of right. The subject is a 36,769 square feet corner lot. There are no zoning changes anticipated and no easements or encroachments that preclude development.
<b>Physically Possible</b>	The site contains 36,769 square feet with 168 feet of frontage along Joralemon Street and 307 feet of frontage along Columbia Place. The size falls within the range of improved sites in the area. All necessary utilities are available and the site appears functional for a variety of permitted uses.
<b>Financially Feasible</b>	The subject is located within a multifamily and mixed-use neighborhood. Based on our analysis of the market, there is sufficient demand for mixed-use apartment with community facility properties. Market conditions are such that new multifamily and mixed-use apartment with community facility construction is feasible, as the value would sufficiently exceed the cost-plus developer's profit. New construction in the neighborhood is currently underway and new developed mixed-use apartments in the subject's submarket are selling, an indication of feasibility.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to develop a mixed-use apartment use with community facility. Based on the normal market density level permitted by zoning, this is considered the maximally productive use of the site.
<b>Conclusion</b>	Based on the subject's zoning, physical characteristics, location, and forecasted economic conditions, it is our opinion that the highest and best use of the site as if vacant is to develop a mixed-use apartment building with community facility.

### As Improved

<b>Legally Permissible</b>	The subject is in zone R6, which permits residential and community facility use as of right. The subject is on a 36,769 square feet lot and its gross building area above-grade is 109,200. There are no zoning changes anticipated and no easements or encroachments that preclude development.
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<b>Physically Possible</b>	The subject is a 6-story, walk-up, mixed-use building consisting of 157 residential units and eight ground-floor commercial units. It was constructed in 1900 and contains 109,200 square feet of gross building area. The residential portion of the subject is 80% occupied with 27 vacant residential units. It contains 144 rent stabilized residential units, 10 rent controlled residential units, 1 free market residential unit, and two employee units. The commercial portion is 87.5% occupied. The subject includes 65 studio units, 54 one-bedroom units, and 38 two-bedroom units and is considered to be in good condition, being functional for its use. As previously indicated within the zoning section, the subject appears to be non-complying to the use requirements and as per the zoning ordinance can continue as its non-conforming use.
<b>Financially Feasible</b>	The subject is located within a desirable mixed-use neighborhood exhibiting low vacancy rates and increasing rental rates. As improved, the subject reflects 83% occupancy, and is generating a positive net cash flow, and an adequate return to the owners. Therefore, the use as a multifamily apartment is financially feasible. Also, demolition is not an option due to rent-regulated tenants.
<b>Maximally Productive/ Highest and Best Use</b>	There does not appear to be any alternative use that could reasonably be expected to provide a higher present value than the current use, and the existing use exceeds the value of the site as if vacant. Continued mixed-use apartment use is concluded to be maximally productive.
<b>Conclusion</b>	Based on the subject's zoning, physical characteristics, location, and forecasted economic conditions, continued mixed-use apartment use is concluded to be the highest and best use as improved.
<b>Most Probable Buyer</b>	Taking into account the size and characteristics of the property and its mixed-use occupancy, the likely buyer is a local investor/developer.

## Appraisal Valuation Process

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

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

The Sales Comparison Approach assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with similar utility. This approach is reliable in an active market with sufficient sales data where few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is often relied upon for owner-user properties and/or in markets where leasing activity is sparse. For leased properties, this approach is more often considered as secondary support for the Income Approach.

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

Approaches to Value Applied

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

The difficulty in credibly isolating the influence of physical and economic depreciation on value affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis if the asset is operating on a stabilized basis and its cost bears little relationship to the value, therefore it was not found to be appropriate in our value development.

## Income Capitalization Approach

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

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

### Income Analysis

#### Current Residential Rent Roll

24 Joralemon Street currently contains 125 occupied units and 32 vacant units generating \$2,558,865 of total annual residential income. The subject contains 144 rent stabilized residential units, 10 rent controlled residential units, 1 free market residential unit, and two employee units. Units C080 and GR20 are occupied rent-free by employees.

The current residential rent roll is summarized below, and the full rent roll is presented in the Addenda.

Rent Roll Summary by Unit Type

<b>Unit Type</b>	<b>No. of Occupied Units</b>	<b>No. of Vacant Units</b>	<b>Rental Range Per Month</b>	<b>Total Annual Rent</b>	<b>Avg. Rent Per Month</b>
Studio	52	13	\$586 - \$2,678	\$987,092.28	\$1,613
1 Bedroom	42	12	\$527 - \$2,921	\$862,850.28	\$1,754
2 Bedroom	31	7	\$733 - \$3,200	\$708,922.92	\$1,906
<b>Totals/Averages</b>	<b>125</b>	<b>32</b>		<b>\$2,558,865.48</b>	<b>\$1,734</b>

## Comparable Rentals

In order to gauge the reasonableness of the contract rents, we have examined the following rental activity in the submarket:

### Studio Rentals



### Studio Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	168 State Street, Brooklyn, NY	2	0	\$2,590	\$1,295
2	130 Montague Street, Brooklyn, NY	2	0	\$2,800	\$1,400
3	168 Hicks Street, Brooklyn, NY	2	0	\$2,700	\$1,350
4	52 Clark Street, Brooklyn, NY	2	0	\$2,600	\$1,300
5	71 Pineapple Street, Brooklyn, NY	2	0	\$2,625	\$1,313
				Min \$2,590	\$1,295
				Average \$2,663	\$1,332
				Max \$2,800	\$1,400

## 1 BR Rentals



## 1 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	279 Henry Street, Brooklyn, NY	3	1	\$2,800	\$933
2	49 Willow Street, Brooklyn, NY	3	1	\$2,995	\$998
3	148 Henry Street, Brooklyn, NY	3	1	\$3,000	\$1,000
4	8 Garden Place, Brooklyn, NY	3	1	\$3,000	\$1,000
5	31 Monroe Street, Brooklyn, NY	3	1	\$3,111	\$1,037
				Min \$2,800	\$933
				Average \$2,981	\$994
				Max \$3,111	\$1,037

## 2 BR Rentals



## 2 BR Rentals Summary

Comp	Address	Rooms	Bedrooms	Monthly Rent	Rent /Room
1	133 Henry Street, Brooklyn, NY	4	2	\$3,250	\$813
2	56 Livingston Street, Brooklyn, NY	4	2	\$2,900	\$725
3	167 Hicks Street, Brooklyn, NY	4	2	\$3,200	\$800
4	317 Hicks Street, Brooklyn, NY	4	2	\$2,950	\$738
				Min \$2,900	\$725
				Average \$3,075	\$769
				Max \$3,250	\$813

## Rent Reconciliation

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 mixed-use section of Brooklyn Heights, a neighborhood that has seen significant investment in the past 5 to 10 years. The site has good access to mass transportation, and the block is appealing. The comparables are similar in their physical and locational appeal and are good indicators of value. Thus, our analysis of the forecast of market rents is presented:

### Studio Units

The subject has no market rate studio units, as they are all currently rent stabilized or rent controlled. The in-place rental range is from \$586 to \$2,678 per month, with an average of \$1,613 per month. The market-oriented rents range from \$2,550 to \$2,678 per month, with an average of \$2,595 per month. According to StreetEasy, the subject leased 1 studio unit in the first half of 2023, with a rent of \$2,600 per month and did not rent any other studio units since then. Comparable studio units range from \$2,590 to \$2,800 per month with an average of \$2,663 per month. Based on the comparables and subject data above, we forecast a market rent of \$2,600 per month.

### 1 BR Units

The subject has no market rate one-bedroom units, as they are all currently rent stabilized or rent controlled. The in-place rental range is from \$527 to \$2,921 per month, with an average of \$1,754 per month. Two market-oriented rents are \$2,800 and \$2,921 per month, respectively. According to StreetEasy, the subject leased 3 one-bedroom units in the second half of 2022, ranging from \$2,550 per month to \$3,100 per month in rent, with an average of \$2,815 per month. In addition, StreetEasy reports the subject leased 2 one-bedroom units in June and July 2023, with rents of \$2,600 and \$2,550 per month, respectively. We assume these rents are lower due to rent stabilization. Comparable one-bedroom units range from \$2,800 to \$3,111 per month with an average of \$2,981 per month. Based on the range of the comparables and the top of the in-place rents, we forecast a market rent of \$3,000 per month.

### 2 BR Units

The subject has one market rate two-bedroom unit with a leased rent of \$3,200 according to StreetEasy. The remaining units are all currently rent stabilized or rent controlled. The in-place rental range is from \$733 to \$3,200 per month, with an average of \$1,906 per month. Three market-oriented rents are \$2,915, \$2,996, and \$3,200 per month, respectively. According to StreetEasy, the subject leased 4 two-bedroom units in the second half of 2023, ranging from \$3,050 per month to \$3,200 per month in rent, with an average of \$3,125 per month. Comparable two-bedroom units range from \$2,900 to \$3,250 per month with an average of \$3,075 per month. Based on the range of the comparables and subject data above, we forecast a market rent of \$3,200 per month.

### Market Rent Comparison

Bedroom	Market Survey	Subject Units - Occupied		Market Rent Conclusion
		Subject Units - Market Oriented	Units	
Studio Minimum	\$2,590	\$2,550	\$586	
Studio Average	\$2,663	\$2,595	\$1,613	\$2,600
Studio Maximum	\$2,800	\$2,678	\$2,678	
1 BR Minimum	\$2,800	\$2,800	\$527	
1 BR Average	\$2,981	\$2,861	\$1,754	\$3,000
1 BR Maximum	\$3,111	\$2,921	\$2,921	
2 BR Minimum	\$2,900	\$2,915	\$733	
2 BR Average	\$3,075	\$3,037	\$1,906	\$3,200
2 BR Maximum	\$3,250	\$3,200	\$3,200	

## Vacant Units

For the vacant units at the subject, we have applied the lesser of the restored legal rent and market rent. The applied rents for each unit are provided below:

Vacant Unit Forecast

<b>Unit</b>	<b>Unit</b>	<b>Unit Type (BR)</b>	<b>Former Legal Rent</b>	<b>Market Rent</b>	<b>Applied Rent</b>
1	A002	0	\$2,065.00	\$2,600	\$2,065.00
2	A003	1	\$2,372.80	\$3,000	\$2,372.80
3	A004	1	\$3,916.35	\$3,000	\$3,000.00
4	A006	1	\$2,590.25	\$3,000	\$2,590.25
5	A015	0	\$2,148.56	\$2,600	\$2,148.56
6	A016	1	\$2,009.90	\$3,000	\$2,009.90
7	A020	0	\$1,580.79	\$2,600	\$1,580.79
8	A022	1	\$3,000.00	\$3,000	\$3,000.00
9	A030	1	\$2,205.84	\$3,000	\$2,205.84
10	B031	2	\$2,309.71	\$3,200	\$2,309.71
11	B033	1	\$2,034.94	\$3,000	\$2,034.94
12	B044	0	\$2,633.04	\$2,600	\$2,633.04
13	B056	0	\$2,091.59	\$2,600	\$2,091.59
14	C065	0	\$1,196.88	\$2,600	\$1,196.88
15	C070	2	\$2,983.47	\$3,200	\$2,983.47
16	C071	0	\$1,950.00	\$2,600	\$1,950.00
17	C074	0	\$1,033.73	\$2,600	\$1,033.73
18	C078	2	\$2,022.00	\$3,200	\$2,022.00
19	C082	1		\$3,000	\$3,000.00
20	C085	2	\$1,540.55	\$3,200	\$1,540.55
21	D094	0	\$2,604.03	\$2,600	\$2,604.03
22	D096	2	\$2,397.05	\$3,200	\$2,397.05
23	D103	1	\$2,043.58	\$3,000	\$2,043.58
24	D104	0	\$2,275.25	\$2,600	\$2,275.25
25	D108	1	\$2,462.34	\$3,000	\$2,462.34
26	D114	1	\$3,283.04	\$3,000	\$3,000.00
27	E125	0	\$1,845.00	\$2,600	\$1,845.00
28	E129	2	\$2,500.00	\$3,200	\$3,200.00
29	E130	2	\$2,073.32	\$3,200	\$2,073.32
30	E134	0	\$2,550.00	\$2,600	\$2,550.00
31	E149	0	\$2,650.56	\$2,600	\$2,650.56
32	E150	1	\$2,730.10	\$3,000	\$2,730.10
<b>Total</b>					<b>\$73,600.28</b>

Note: According to the owner's provided rent roll, Unit E129 is a free market unit and StreetEasy shows this unit was recently leased at a rent of \$3,200 per month. As such, we have treated this unit as a free market unit and applied the reported rent per StreetEasy, which is in line with our market rent conclusion.

## Base Residential Income

24 Joralemon Street contains 157 residential units; the residential rent roll is summarized by unit type and rent regulation status.

Rent Roll Summary by Unit Type

Unit Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Studio	65	\$586 - \$2,678	\$1,306,585	\$1,701
1 BR	54	\$527 - \$3,000	\$1,228,247	\$1,931
2 BR	38	\$733 - \$3,200	\$907,236	\$1,990
<b>Totals/Average</b>	<b>157</b>		<b>\$3,442,069</b>	<b>\$1,851</b>

Rent Roll Summary by Rent Regulation Status

Income Type	No. of Units	Rental Range Per Month	Total Annual Rent	Avg. Rent Per Month
Rent Stabilized	146	\$586 - \$3,200	\$3,304,447	\$1,912
Rent Controlled	10	\$527 - \$1,053	\$99,222	\$827
Market Rate	1	\$3,200 - \$3,200	\$38,400	\$3,200
<b>Totals/Average</b>	<b>157</b>		<b>\$3,442,069</b>	<b>\$1,851</b>

The average forecasted monthly rent is \$1,851 compared to \$1,797 in Q2 2023.

The contract rents are based on the following expense structure:

**Landlord's Obligations** The owner is responsible for heat, hot water, and common area electricity.

**Tenant Obligations** The tenant is responsible for in-unit electricity and cooking gas.

## Rent Adjustments

### Stabilized Increases

The Housing Stability & Tenant Protection Act of 2019 was signed into Law in New York on June 14, 2019, severely limiting the future potential increases in rent for vacant rent stabilized units. Individual Apartment Increases (IAI) limits have been greatly reduced as are the allowable annual increases due to Major Capital Improvements (MCI). Also, landlords are now unable to take a vacancy allowance bonus on any vacated rent stabilized unit and must maintain the last legal rent as recorded on the DHCR rent roll and are thus limited to the one-year or two-year allowed annual increase per the Rent Stabilization Guidelines board.

For one-year leases, allowable increases for units subject to rent stabilization are 3% and for two-year leases allowable increases are set for 2.75% in the first year and 3.2% in the second year based on the previous year's rent (an effective increase of 6.04%). Given that most rent stabilized units will turnover during our forecast period, it is necessary to reflect this in our pro forma. After applying the average allowable rent growth to the assumption that 50% of tenants sign one-year leases and 50% of tenants sign two-year leases, the adjusted weighted average increase for rent stabilized units amounts to 3.01%.

### Project Rent Stabilized Rent Growth

	<b>Allowable Increase</b>		<b>Tenancy</b>		<b>12-Mo. Adj. Factor</b>		<b>Blended Increase</b>
1-Year	3.00%	x	50%	x	100%	=	1.50%
2-Year	6.04%	x	50%	x	50%	=	1.51%
<b>Weighted Average Increase</b>							<b>3.01%</b>

### Rent Controlled Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals, which is currently 1.7%.

### Potential Gross Residential Income

Potential gross residential income is summarized by income type:

#### Potential Gross Residential Income

<b>Income Type</b>	<b>Annual Rent</b>	<b>Increase</b>	<b>PGI</b>
Rent Stabilized	\$3,304,447	x	1.03010 = \$3,403,911
Rent Controlled	\$99,222	x	1.01700 = \$100,909
Market Rate	\$38,400	x	1.00000 = \$38,400
<b>Total</b>	<b>\$3,442,069</b>		<b>\$3,543,219</b>

Based on our market rent conclusions and stabilized income projection, the residential rent roll is 63% of market.

### Commercial Income

The subject contains 8 retail units. The leases are summarized below:

#### Current Commercial Rent Roll

##### 24 Joralemon Street

<b>Tenant</b>	<b>Use</b>	<b>Lease Status</b>	<b>Start Date</b>	<b>Expiration Date</b>	<b>SF</b>	<b>Monthly</b>		
						<b>Annual Rent</b>	<b>Rent</b>	<b>Rent PSF</b>
Dogodog	Retail	Occupied	07/01/2017	06/30/2027	576	\$58,747	\$4,896	\$101.99
A&G River Deli	Retail	Occupied	05/01/2009	03/31/2029	875	\$76,598	\$6,383	\$87.54
Heights Dropoff Laundromat	Retail	Occupied	04/01/2010	12/31/2028	600	\$41,869	\$3,489	\$69.78
Vinegar Hill Veterinary Group*	Retail	Occupied	06/01/2013	05/31/2023	680	\$46,356	\$3,863	\$68.17
Cloudy Donuts LLC	Retail	Occupied	01/01/2021	12/31/2025	760	\$39,000	\$3,250	\$51.32
A.M. Hair Art Inc.	Retail	Occupied	12/01/2018	11/30/2025	630	\$44,516	\$3,710	\$70.66
Commercial Unit 7	Retail	Vacant	-	-	630	-	-	-
Claybriel LLC	Retail	Occupied	12/01/2018	11/30/2028	714	\$56,341	\$4,695	\$78.91
<b>Totals</b>					<b>5,465</b>	<b>\$363,427</b>	<b>\$30,286</b>	<b>\$75.17</b>

\*The owner has reported that The Vinegar Hill Veterinary Group lease is now continuing on a month-to-month basis while they evaluate market conditions.

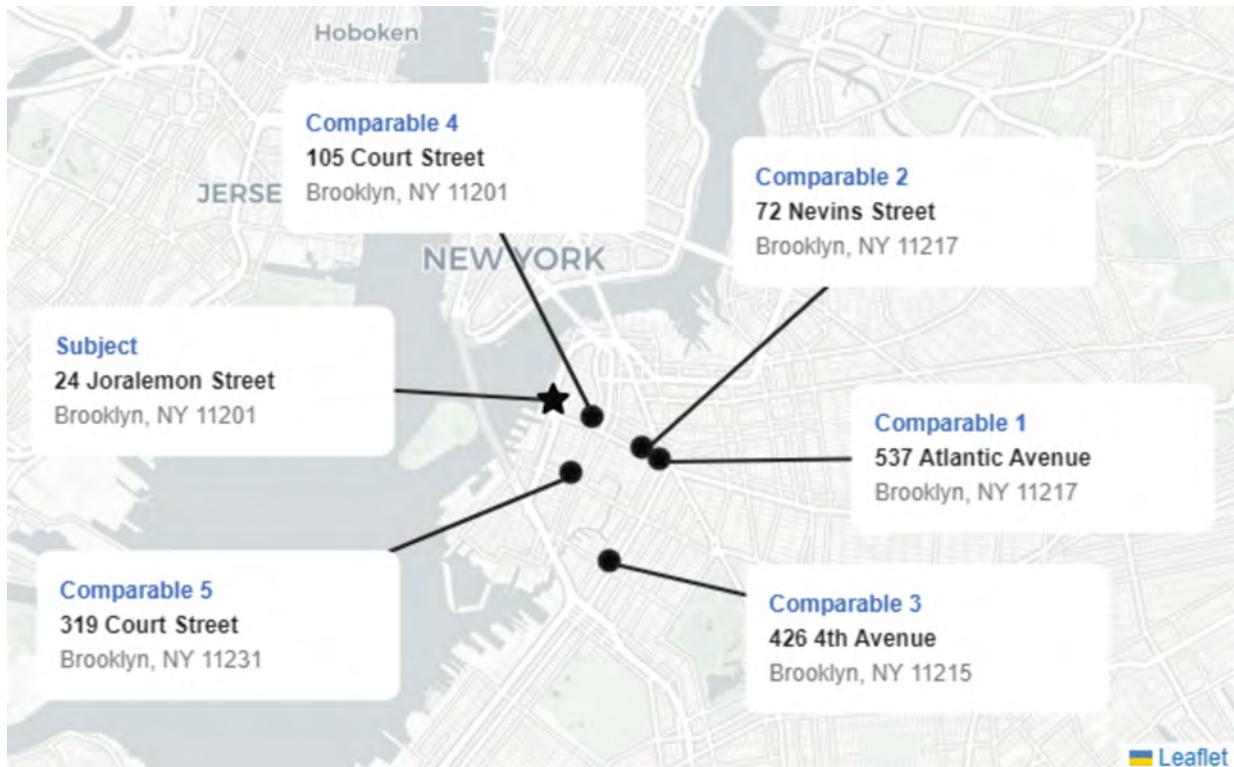
The lease with A&G River Deli was recently renewed and extended till March 31, 2029. As part of the lease renewal, the base year for taxes was renegotiated to 2018-2019.

While Commercial Unit 7 was previously leased to The Bronx Ice Company till July 2026, ownership reported that the unit was vacated on December 31, 2023, as they weren't successful in this location. According to ownership, the asking rent for the unit is \$3,800 or \$72.38 per square foot. The prior rent was \$70.73 per square foot.

### Commercial Rent Comparables

In order to determine the reasonableness of the contract rents, we have conducted a survey of the recently signed leases for commercial units in the subject's neighborhood.

Retail Rent Comparables Map



Leaflet

Address	Tenant	Start Date	Sq. Ft.	Base Rent	Lease Terms
1 537 Atlantic Avenue, Brooklyn, NY	Banhmigos Plus	Nov-23	1,500	\$68.00	Modified gross
2 72 Nevins Street, Brooklyn, NY	Levin Real Estate LLC	Oct-23	400	\$105.00	Modified gross
3 426 4th Avenue, Brooklyn, NY	Brooklyn Beacon	Sep-23	700	\$70.00	Modified gross
4 105 Court Street, Brooklyn, NY	I'Milky	Jun-23	720	\$117.00	Modified gross
5 319 Court Street, Brooklyn, NY	Not Reported	Mar-23	650	\$83.00	Modified gross
		Min	400	\$68.00	
		Avg	794	\$88.60	
		Max	1,500	\$117.00	

### Retail Rent Reconciliation Adjustment Grid

Subject Base		Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Details	Unit					
Tenant Name		Banhmigos Plus	Levin Real Estate LLC	Brooklyn Beacon	I'Milky	Not Reported
Address	24 Joralemon Street	537 Atlantic Avenue	72 Nevins Street	426 4th Avenue	105 Court Street	319 Court Street
Date Signed		11/17/2023	10/25/2023	9/15/2023	6/15/2023	3/17/2023
Square Feet	576-875	1,500	400	700	720	650
Corner	mid-block	mid-block	mid-block	mid-block	mid-block	mid-block
Lease Terms	modified gross	modified gross	modified gross	modified gross	modified gross	modified gross
<b>Rent /SF</b>	<b>\$75.17</b>	<b>\$68.00</b>	<b>\$105.00</b>	<b>\$70.00</b>	<b>\$117.00</b>	<b>\$83.00</b>
Lease Terms Adjustment		0%	0%	0%	0%	0%
<b>Lease Terms Adjustment Sub-Total</b>		<b>\$68.00</b>	<b>\$105.00</b>	<b>\$70.00</b>	<b>\$117.00</b>	<b>\$83.00</b>
Market Conditions (Time)		0%	0%	0%	0%	0%
<b>Trended Rent/SF</b>		<b>\$68.00</b>	<b>\$105.00</b>	<b>\$70.00</b>	<b>\$117.00</b>	<b>\$83.00</b>
Square Feet		5%	-5%	0%	0%	0%
Neighborhood		0%	0%	0%	0%	0%
Location		-5%	5%	-5%	-5%	-5%
Utility		0%	0%	0%	0%	0%
Corner		0%	0%	0%	0%	0%
Condition		0%	0%	0%	0%	0%
<b>Total</b>		<b>0%</b>	<b>0%</b>	<b>-5%</b>	<b>-5%</b>	<b>-5%</b>
<b>Adjusted Rent/SF</b>		<b>\$68.00</b>	<b>\$105.00</b>	<b>\$66.50</b>	<b>\$111.15</b>	<b>\$78.85</b>
<b>Market Rent Conclusion</b>		<b>\$75.00</b>				

#### Retail Discussion

The indicated unadjusted range of the comparable commercial units is from \$61.00 per square foot to \$117.00 per square foot, with an average of \$85.20 per square foot and a median of \$83.00 per square foot. The subject's retail units range from 576-875 square feet and are leased from \$51.32 to \$101.99 per square foot with an average of \$75.17 per square foot. We made the following adjustments:

- Size: This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and per square foot such that smaller buildings will sell for a higher price per square foot and vice versa. Comparable 1 is a larger unit and an upward adjustment is applied. Comparable 2 is a smaller unit and a downward adjustment is applied.
- Location: The subject is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River. Comparable 2 is situated in an inferior location, and thus received an upward adjustment. The remaining comparables are located on populous avenues with good foot and vehicle traffic, strong avenue exposure, and in locations well-suited to their retail use. They received downward adjustments.

After adjustments, the comparable commercial units exhibited a range between \$66.50 per square foot to \$111.15 per square foot, with an average of \$85.90 per square foot and a median of \$78.85 per square foot.

According to the Submarket report, occupancy rates, market rents, and asset values for commercial properties have remained steady over the previous quarter and the previous year, with little to no growth as transaction volume has slowed down. The subject's commercial component has a strong historical occupancy and includes a number of tenants who have been in-place for many years. It is a larger building in good condition and is situated at the

entrance to Brooklyn Bridge Park, a very strong location, which is noted on its public website to welcome more than 5 million visitors each year. The subject's condition and location are very well suited for retail use, and the subject can be expected to outperform its submarket with regards to market rents and occupancy.

The subject property's Unit 1 represents the smallest unit and is a corner unit. As such, a market rent toward the top of the range is considered reasonable for this unit and most emphasis is placed on the two Comparables at the top of the comparable range. The remaining comparables present a tighter range from \$66.50 to \$78.85 per square foot, with an average of \$71.12 per square foot. Thus, based on the subject property's location, size, and condition, we conclude to an average market rent of \$75 per square foot, modified gross, for the subject's units. In view of improved market situation, the subject includes a mix of above-market, at-market, and below-market leases. Some of the subject's most recent leases are below market compared to current listings.

For the vacant unit, Unit 7, we place most emphasis on the unit's asking rent of \$3,800 per month which calculates to \$72.38 per square foot and is well supported by the comparable range above. As such, we adopt a rounded \$72 per square foot, which calculates to \$3,780 per month. We also consider that this unit was previously leased at \$3,713 per month or \$70.73 per square foot.

#### Commercial Stabilized Rent Roll

The subject contains 8 commercial units. The terms are summarized below.

24 Joralemon Street								
Tenant	Use	Lease Status	Start Date	Expiration Date	SF	Annual Rent	Monthly Rent	Rent PSF
Dogodog	Retail	Occupied	07/01/2017	06/30/2027	576	\$58,747	\$4,896	\$101.99
A&G River Deli	Retail	Occupied	05/01/2009	03/31/2029	875	\$76,598	\$6,383	\$87.54
Heights Dropoff Laundromat	Retail	Occupied	04/01/2010	12/31/2028	600	\$41,869	\$3,489	\$69.78
Vinegar Hill Veterinary Group	Retail	Occupied	06/01/2013	05/31/2023	680	\$46,356	\$3,863	\$68.17
Cloudy Donuts LLC	Retail	Occupied	01/01/2021	12/31/2025	760	\$39,000	\$3,250	\$51.32
A.M. Hair Art Inc.	Retail	Occupied	12/01/2018	11/30/2025	630	\$44,516	\$3,710	\$70.66
Commercial Unit 7	Retail	Vacant	-	-	630	\$45,360	\$3,780	\$72.00
Claybriel LLC	Retail	Occupied	12/01/2018	11/30/2028	714	\$56,341	\$4,695	\$78.91
<b>Totals</b>					<b>5,465</b>	<b>\$408,787</b>	<b>\$34,066</b>	<b>\$74.80</b>

The contract rents are based on the following expense structures:

## Lease Structure

#	Tenant	Lease Status	Lease Terms	Rent Steps	Taxes	Utilities	Insurance	Maintenance	Renewal Options
1	Dogodog	Occupied	Modified Gross	3%	Owner	Tenant	Tenant	Tenant	5 Year Option Through 6/30/2027, which has been exercised
2	A&G River Deli	Occupied	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	5-yr option through 3/31/2034
3	Heights Laundromat	Occupied	Modified Gross	3%	Shared	Tenant (w/ additional water/sewer reimb.	Tenant	Tenant	N/A
4	Vinegar Hill Veterinary	Occupied	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	5-yr option.
5	Cloudy Donuts LLC	Occupied	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	N/A
6	A.M. Hair Art Inc.	Occupied	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	Two 5-yr options.
7	Commercial Unit 7	Vacant	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	N/A
8	Claybriel LLC	Occupied	Modified Gross	3%	Shared	Tenant	Tenant	Tenant	One 5-yr and one 3-yr option.

## Commercial Expense Reimbursement

## Real Estate Taxes (Increase Over Base Year)

Tenant	Base Year	Current Year Liability	Base Year Liability	Increase	Reimb. Share	Annual Reimb.
A&G River Deli	2009	\$751,957.79	- \$780,636.00	= -\$28,678.21 x	5% =	\$0.00
Heights Laundromat	2018	\$751,957.79	- \$375,121.00	= \$376,836.79 x	4% =	\$15,073.47
Vinegar Hill Veterinary	2012	\$751,957.79	- \$422,638.00	= \$329,319.79 x	5% =	\$16,465.99
A.M. Hair Art Inc.	2018	\$751,957.79	- \$780,636.00	= -\$28,678.21 x	5% =	\$0.00
Claybriel LLC	2018	\$751,957.79	- \$780,636.00	= -\$28,678.21 x	5% =	\$0.00
<b>Total Reimbursement</b>						<b>\$31,539.46</b>

According to the leases, A&G River Deli, Heights Laundromat, Vinegar Hill Veterinary, A.M. Hair Art Inc., and Claybriel LLC are required to reimburse their share of real estate taxes over a base year, which results in a total of \$31,539.46 in real estate tax reimbursements, which have been added to our Pro Forma. We then applied a vacancy and collection loss of 5%.

### Water & Sewer (Dollar Amount)

Tenant	Annual Reimb.
Heights Dropoff Laundromat	\$12,000.00
<b>Total Reimbursement</b>	<b>\$12,000.00</b>

Per ownership, Heights Dropoff Laundromat reimburses approximately \$12,000 per year in water & sewer. We have included this in our pro forma.

### Potential Gross Commercial Rent

#### Base Rent Plus Reimbursements

Base Rent Plus Reimbursements	Annual	PSF
Base Rent	\$408,787	\$75
Commercial Expense Reimbursement	\$43,539	\$8
<b>Total Gross Commercial Rent</b>	<b>\$452,326</b>	<b>\$83</b>

### Residential Vacancy and Collection Loss

CoStar reports the submarket rate near 3.3% and metro area rate near 2.6%. Based on 24 Joralemon Street's current and historical operating results, macro market conditions, and investor expectations, a 2.50% residential vacancy and collection loss has been applied. We note that the subject's residential units are 80% occupied and contain 146 rent stabilized residential units, 10 rent controlled residential units, and 1 free market residential unit. However, the rents are significantly below market, thus warranting a lower vacancy factor.

### Commercial Vacancy & Collection Loss

Joralemon Street is a primarily mixed-use zone with high visibility and good traffic. The subject is located at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River. The in place commercial tenants are neighborhood-oriented establishments. Many of the tenants have been there for many years, and the subject's specific location is well suited for retail space. As indicated, retail vacancy in the subject's submarket is currently at approximately 5.3% according to the submarket report, and the subject's specific location is excellent for retail space. As previously noted, the subject can be expected to outperform the market with regards to market rents and occupancy. Considering these factors, as well as investor expectations for retail vacancy and collection loss, we have applied a 5.00% vacancy and collection allowance to the retail income. These conclusions also consider the fact that the tenant may vacate at some point during a five- or ten-year leasing cycle.

## Effective Gross Income Summary

Effective Gross Income	
Potential Residential Income	\$3,543,219
Potential Retail Income	\$408,787
Potential Real Estate Taxes Reimbursement	\$31,539
Potential Water & Sewer Reimbursement	\$12,000
<b>Potential Gross Income</b>	<b>\$3,995,546</b>
Less Residential V/C Loss @ 2.50%	-\$88,580
Less Retail V/C Loss @ 5.00%	-\$20,439
Less Real Estate Taxes V/C Loss @ 5.00%	-\$1,577
<b>Effective Gross Income</b>	<b>\$3,884,949</b>

## Operating Expense Analysis

We were provided with the owner's historical operating expenses for 2019, 2020, 2021, 2022, and 2023. We did not receive a pro forma. Therefore, we analyzed the subject's historical expenses, as well as expense reports of comparable properties, in developing our forecast of operating expenses. The data, analyzed in terms of residential units and gross square footage, is presented below.

## Owner's Operating Expense History

	Historical Expenses							
	2020 Actual				2021 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,567,147	\$23.51	\$16,351	\$5,782	\$2,425,080	\$22.21	\$15,446	\$5,462
<b>Operating Expenses</b>								
Real Estate Taxes	\$804,733	\$7.37	\$5,126	\$1,812	\$833,394	\$7.63	\$5,308	\$1,877
Insurance	\$158,735	\$1.45	\$1,011	\$358	\$197,048	\$1.80	\$1,255	\$444
Electricity	\$100,524	\$0.92	\$640	\$226	\$108,554	\$0.99	\$691	\$244
Water & Sewer	\$162,100	\$1.48	\$1,032	\$365	\$170,005	\$1.56	\$1,083	\$383
Repairs & Maintenance	\$39,367	\$0.36	\$251	\$89	\$47,959	\$0.44	\$305	\$108
Payroll & Benefits	\$266,643	\$2.44	\$1,698	\$601	\$249,466	\$2.28	\$1,589	\$562
General & Administrative	\$59,747	\$0.55	\$381	\$135	\$123,778	\$1.13	\$788	\$279
Management Fees	\$104,920	\$0.96	\$668	\$236	\$97,003	\$0.89	\$618	\$218
<b>Total Operating Expenses</b>	<b>\$1,696,769</b>	<b>\$15.54</b>	<b>\$10,807</b>	<b>\$3,822</b>	<b>\$1,827,207</b>	<b>\$16.73</b>	<b>\$11,638</b>	<b>\$4,115</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$892,036</b>	<b>\$8.17</b>	<b>\$5,682</b>	<b>\$2,009</b>	<b>\$993,813</b>	<b>\$9.10</b>	<b>\$6,330</b>	<b>\$2,238</b>
	2022 Actual				2023 Actual			
	Gross	Per SF	Per Unit	Per Room	Gross	Per SF	Per Unit	Per Room
Effective Gross Revenue	\$2,569,760	\$23.53	\$16,368	\$5,788	\$2,827,455	\$25.89	\$18,009	\$6,368
<b>Operating Expenses</b>								
Real Estate Taxes	\$870,514	\$7.97	\$5,545	\$1,961	\$857,836	\$7.86	\$5,464	\$1,932
Insurance	\$202,252	\$1.85	\$1,288	\$456	\$180,465	\$1.65	\$1,149	\$406
Electricity	\$145,568	\$1.33	\$927	\$328	\$146,846	\$1.34	\$935	\$331
Water & Sewer	\$176,940	\$1.62	\$1,127	\$399	\$199,359	\$1.83	\$1,270	\$449
Repairs & Maintenance	\$33,265	\$0.30	\$212	\$75	\$32,009	\$0.29	\$204	\$72
Payroll & Benefits	\$276,576	\$2.53	\$1,762	\$623	\$256,973	\$2.35	\$1,637	\$579
General & Administrative	\$66,368	\$0.61	\$423	\$149	\$58,899	\$0.54	\$375	\$133
Management Fees	\$102,791	\$0.94	\$655	\$232	\$113,098	\$1.04	\$720	\$255
<b>Total Operating Expenses</b>	<b>\$1,874,274</b>	<b>\$17.16</b>	<b>\$11,938</b>	<b>\$4,221</b>	<b>\$1,845,485</b>	<b>\$16.90</b>	<b>\$11,755</b>	<b>\$4,156</b>
<b>Total Operating Expenses (Excl. RE Taxes)</b>	<b>\$1,003,760</b>	<b>\$9.19</b>	<b>\$6,393</b>	<b>\$2,261</b>	<b>\$987,649</b>	<b>\$9.04</b>	<b>\$6,291</b>	<b>\$2,224</b>

## Comparable Operating Expenses

Basis &amp; Totals

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Average</b>
City	Brooklyn	Brooklyn	Brooklyn	Brooklyn	Brooklyn	Brooklyn	-
SF	99,821	141,019	123,741	129,573	146,660	121,636	127,075
Units	147	120	144	125	156	111	134
Insurance	\$63,329	\$56,805	\$82,055	\$85,665	\$218,095	\$144,173	\$108,354
Electricity	\$71,186	\$135,021	\$99,000	\$145,098	\$216,373	\$144,436	\$135,186
Fuel	-	-	-	\$45,721	-	-	\$45,721
Water & Sewer	\$64,907	\$106,450	\$93,614	\$94,533	\$181,935	\$114,572	\$109,335
Repairs & Maintenance	\$26,998	\$126,352	\$130,144	\$66,838	\$89,546	\$52,934	\$82,135
Payroll & Benefits	\$120,156	\$66,033	\$203,207	\$479,364	\$212,433	\$215,121	\$216,052
General & Administrative	\$243,249	\$131,293	\$5,117	\$7,067	\$58,138	\$32,204	\$79,511
Management Fees	\$270,992	\$251,458	\$148,562	\$222,044	\$97,259	\$72,207	\$177,087
<b>Total Operating Expenses</b>	<b>\$860,817</b>	<b>\$873,412</b>	<b>\$761,699</b>	<b>\$1,146,330</b>	<b>\$1,073,779</b>	<b>\$775,647</b>	<b>\$915,281</b>

Per Square Foot

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Average</b>
Insurance	\$0.63	\$0.40	\$0.66	\$0.66	\$1.49	\$1.19	\$0.84
Electricity	\$0.71	\$0.96	\$0.80	\$1.12	\$1.48	\$1.19	\$1.04
Fuel	-	-	-	\$0.35	-	-	\$0.35
Water & Sewer	\$0.65	\$0.75	\$0.76	\$0.73	\$1.24	\$0.94	\$0.85
Repairs & Maintenance	\$0.27	\$0.90	\$1.05	\$0.52	\$0.61	\$0.44	\$0.63
Payroll & Benefits	\$1.20	\$0.47	\$1.64	\$3.70	\$1.45	\$1.77	\$1.71
General & Administrative	\$2.44	\$0.93	\$0.04	\$0.05	\$0.40	\$0.26	\$0.69
Management Fees	\$2.71	\$1.78	\$1.20	\$1.71	\$0.66	\$0.59	\$1.44
<b>Total Operating Expenses</b>	<b>\$8.62</b>	<b>\$6.19</b>	<b>\$6.16</b>	<b>\$8.85</b>	<b>\$7.32</b>	<b>\$6.38</b>	<b>\$7.25</b>

## Per Unit

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Average</b>
Insurance	\$431	\$473	\$570	\$685	\$1,398	\$1,299	\$809
Electricity	\$484	\$1,125	\$688	\$1,161	\$1,387	\$1,301	\$1,024
Fuel	-	-	-	\$366	-	-	\$366
Water & Sewer	\$442	\$887	\$650	\$756	\$1,166	\$1,032	\$822
Repairs & Maintenance	\$184	\$1,053	\$904	\$535	\$574	\$477	\$621
Payroll & Benefits	\$817	\$550	\$1,411	\$3,835	\$1,362	\$1,938	\$1,652
General & Administrative	\$1,655	\$1,094	\$36	\$57	\$373	\$290	\$584
Management Fees	\$1,843	\$2,095	\$1,032	\$1,776	\$623	\$651	\$1,337
<b>Total Operating Expenses</b>	<b>\$5,856</b>	<b>\$7,278</b>	<b>\$5,290</b>	<b>\$9,171</b>	<b>\$6,883</b>	<b>\$6,988</b>	<b>\$6,911</b>

## Per Room

	<b>Comp 1</b>	<b>Comp 2</b>	<b>Comp 3</b>	<b>Comp 4</b>	<b>Comp 5</b>	<b>Comp 6</b>	<b>Average</b>
Insurance	\$143	\$128	\$185	\$193	\$491	\$325	\$244
Electricity	\$160	\$304	\$223	\$327	\$487	\$325	\$304
Fuel	-	-	-	\$103	-	-	\$103
Water & Sewer	\$146	\$240	\$211	\$213	\$410	\$258	\$246
Repairs & Maintenance	\$61	\$285	\$293	\$151	\$202	\$119	\$185
Payroll & Benefits	\$271	\$149	\$458	\$1,080	\$478	\$485	\$487
General & Administrative	\$548	\$296	\$12	\$16	\$131	\$73	\$179
Management Fees	\$610	\$566	\$335	\$500	\$219	\$163	\$399
<b>Total Operating Expenses</b>	<b>\$1,939</b>	<b>\$1,967</b>	<b>\$1,716</b>	<b>\$2,582</b>	<b>\$2,418</b>	<b>\$1,747</b>	<b>\$2,061</b>

## Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

### Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$751,958 annually or \$6.89 per square foot.

### Insurance

PSF Summary	Value	Low	Average	High
2020 Actual	\$1.45			
2021 Actual	\$1.80			
2022 Actual	\$1.85			
2023 Actual	\$1.65			
Comparable		\$0.40	\$0.84	\$1.49
<b>Appraiser's Forecast</b>	<b>\$1.65</b>			

Insurance costs vary by the type of coverage. Costs are generally lower (on a per square foot basis) for larger buildings and for multi-building policies. Pricing for insurance policies has increased significantly in recent years both for the subject and generally across the subject's market, due to factors such as the COVID-19 pandemic and rising inflation. With consideration of the most historical expense, we have projected this expense at \$1.65 per square foot, or \$180,180 annually.

### Electricity & Fuel

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.92			
2021 Actual	\$0.99			
2022 Actual	\$1.33			
2023 Actual	\$1.34			
Comparable		\$0.71	\$1.04	\$1.48
<b>Appraiser's Forecast</b>	<b>\$1.35</b>			

The tenant is responsible for in-unit electricity and cooking gas. The owner is responsible for heat and common area electricity and ownership has reported fuel and electric together as one expense. As Pinnacle owns many buildings, they purchase utilities at bulk rates. Thus, we compare the combined utilities projection with their utilities expense information as the most accurate figure of comparison. The owner most recently reported these expenses at \$1.34 per square foot in 2023. We note that utility costs increased significantly in 2022 and 2023, due to factors such as the war in Ukraine and rising inflation. With emphasis on the most recent historical expenses, we have projected this expense at \$1.35 per square foot, or \$147,420 annually.

### Water & Sewer

Per Unit Summary	Value	Low	Average	High
2020 Actual	\$1,032			
2021 Actual	\$1,083			
2022 Actual	\$1,127			
2023 Actual	\$1,270			
Comparable		\$442	\$822	\$1,166
<b>Appraiser's Forecast</b>	<b>\$1,225</b>			

With emphasis on the historical expenses, we have projected this expense at \$1,225 per unit, or \$192,325 annually.

### Repairs & Maintenance

PSF Summary	Value	Low	Average	High
2020 Actual	\$0.36			
2021 Actual	\$0.44			
2022 Actual	\$0.30			
2023 Actual	\$0.29			
Comparable		\$0.27	\$0.63	\$1.05
<b>Appraiser's Forecast</b>	<b>\$0.40</b>			

This expense varies depending on building age, management philosophy, services provided, and accounting methodology. Some management companies expense items that are normally included as capital costs. In addition, repair and maintenance costs may change from year to year; in some cases, repairs that require attention may be postponed due to cash flow considerations. With emphasis on the historical expenses, we have projected this expense at \$0.40 per square foot, or \$43,680 annually.

### Payroll & Benefits

Per Unit Summary	Value	Low	Average	High
2020 Actual	\$1,698			
2021 Actual	\$1,589			
2022 Actual	\$1,762			
2023 Actual	\$1,637			
Comparable		\$550	\$1,652	\$3,835
<b>Appraiser's Forecast</b>	<b>\$1,000</b>			

Payroll costs will cover building staff whose duties will include trash removal, common area cleaning and general maintenance. Payroll taxes and fringes cover state and federal taxes as well as benefits that building employees receive. We apply a payroll expense based on typical stabilized operations. Three of the comparables present a tighter range from \$817 to \$1,411 per unit. We note that two employees receive free units. As such, an additional payroll expense toward the bottom of the comparable range is considered reasonable. Thus, with consideration of the historical expenses as well as the comparable expenses, we have projected this expense at \$1,000 per unit, or \$157,000 annually. Note that we lowered this expense from \$1,200 per unit in December 2022 since having two employee units above grade plus a super in the basement is atypical for the market. Most owners would consider a payroll expense of \$500 per unit if there is a super unit, and the subject has 3 super units.

### General & Administrative

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2020 Actual	\$0.55			
2021 Actual	\$1.13			
2022 Actual	\$0.61			
2023 Actual	\$0.54			
Comparable		\$0.04	\$0.69	\$2.44
<b>Appraiser's Forecast</b>	<b>\$0.25</b>			

This expense allows for any expenditure not included in the above categories including general administrative costs, accounting/legal, permits and dues, miscellaneous charges, office expense, etc. Four of the comparables present a tighter range from \$0.04 to \$0.40 per square foot, with an average of \$0.19 per square foot. With consideration of the historical expenses as well as the comparable expenses, we have projected this expense at \$0.25 per square foot, or \$27,300 annually, which falls within comparable range.

### Management Fees

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2020 Actual	\$0.96			
2021 Actual	\$0.89			
2022 Actual	\$0.94			
2023 Actual	\$1.04			
Comparable		\$0.59	\$1.44	\$2.71
<b>Appraiser's Forecast</b>	<b>\$1.07</b>			

Typically, management fees for similar properties range from 2% to 6% of effective gross income. We have projected this expense at 3% of effective gross income, which equates to \$1.07 per square foot or \$116,548 annually, which falls within the market range.

### Replacement Reserves

This expense provides for the periodic replacement of building components that wear out more rapidly than the building itself and that must be replaced periodically during the building's economic life. We note the owner did not indicate this expense. According to PWC's Q2 2023 National Apartment Investor's Survey, an investor's typical replacement reserves for multifamily apartments ranges from \$200 per unit to \$300 per unit. We note the owner did not indicate this expense. We have projected this expense at \$200 per unit, or \$31,400 annually, which is in line with investor expectations.

### Total Operating Expenses

#### Per Square Foot

<b>PSF Summary</b>	<b>Value</b>	<b>Low</b>	<b>Average</b>	<b>High</b>
2020 Actual	\$8.17			
2021 Actual	\$9.10			
2022 Actual	\$9.19			
2023 Actual	\$9.04			
Comparable		\$6.16	\$7.25	\$8.85
<b>Appraiser's Forecast</b>	<b>\$8.20</b>			

Per Unit				
Per Unit Summary	Value	Low	Average	High
2020 Actual	\$5,682			
2021 Actual	\$6,330			
2022 Actual	\$6,393			
2023 Actual	\$6,291			
Comparable		\$5,290	\$6,911	\$9,171
<b>Appraiser's Forecast</b>	<b>\$5,706</b>			

Operating expenses, exclusive of real estate taxes, were forecasted at \$8.20 per square foot and \$5,706 per unit. Excluding real estate taxes, the comparables ranged from \$6.16 to \$8.85 per square foot and \$5,290 to \$9,171 per unit. Our forecast is within the comparable range on both a per square foot and per unit basis, as well as logically placed in relation to the historical performance of the asset. Thus, this forecast is reasonable and will be applied in our valuation analysis.

## Stabilized Income & Expenses

Pro Forma					
Pro Forma	\$	PSF	Per Unit	Per Room	% of PGI
<b>Income</b>					
Potential Residential Income	\$3,543,219	\$32.45	\$22,568	\$7,980	88.68%
Retail Income	\$408,787	\$3.74	\$2,604	\$921	10.23%
Potential Real Estate Taxes	\$31,539	\$0.29	\$201	\$71	0.79%
Reimbursement					
Potential Water & Sewer Reimbursement	\$12,000	\$0.11	\$76	\$27	0.30%
<b>Potential Gross Income</b>	<b>\$3,995,546</b>	<b>\$36.59</b>	<b>\$25,449</b>	<b>\$8,999</b>	
Less Residential V/C Loss @ 2.50%	-\$88,580	-\$0.81	-\$564	-\$200	2.2%
Less Retail V/C Loss @ 5.00%	-\$20,439	-\$0.19	-\$130	-\$46	-0.51%
Less Real Estate Taxes V/C Loss @ 5.00%	-\$1,577	-\$0.01	-\$10	-\$4	-0.0%
<b>Effective Gross Income</b>	<b>\$3,884,949</b>	<b>\$35.58</b>	<b>\$24,745</b>	<b>\$8,750</b>	<b>97.23%</b>
<b>Operating Expenses</b>					
Real Estate Taxes	\$751,958	\$6.89	\$4,790	\$1,694	19.36%
Insurance	\$180,180	\$1.65	\$1,148	\$406	4.64%
Electricity	\$147,420	\$1.35	\$939	\$332	3.79%
Water & Sewer	\$192,325	\$1.76	\$1,225	\$433	4.95%
Repairs & Maintenance	\$43,680	\$0.40	\$278	\$98	1.12%
Payroll & Benefits	\$157,000	\$1.44	\$1,000	\$354	4.04%
General & Administrative	\$27,300	\$0.25	\$174	\$61	0.70%
Management Fees	\$116,548	\$1.07	\$742	\$262	3.00%
Replacement Reserves	\$31,400	\$0.29	\$200	\$71	0.81%
<b>Total Operating Expenses</b>	<b>\$1,647,811</b>	<b>\$15.09</b>	<b>\$10,496</b>	<b>\$3,711</b>	<b>42.42%</b>
Total Expenses Excluding RE Taxes	\$895,853	\$8.20	\$5,706	\$2,018	23.06%
<b>Net Operating Income</b>	<b>\$2,237,138</b>	<b>\$20.49</b>	<b>\$14,249</b>	<b>\$5,039</b>	<b>57.58%</b>
Operating Expense Ratio	42%				

## Net Operating Income Comparison

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	Bowery Pro Forma
Effective Gross Income	\$2,567,147	\$2,425,080	\$2,569,760	\$2,827,455	\$3,884,949
Operating Expense					
Real Estate Taxes	\$804,733	\$833,394	\$870,514	\$857,836	\$751,958
Insurance	\$158,735	\$197,048	\$202,252	\$180,465	\$180,180
Electricity	\$100,524	\$108,554	\$145,568	\$146,846	\$147,420
Water & Sewer	\$162,100	\$170,005	\$176,940	\$199,359	\$192,325
Repairs & Maintenance	\$39,367	\$47,959	\$33,265	\$32,009	\$43,680
Payroll & Benefits	\$266,643	\$249,466	\$276,576	\$256,973	\$157,000
General & Administrative	\$59,747	\$123,778	\$66,368	\$58,899	\$27,300
Management Fees	\$104,920	\$97,003	\$102,791	\$113,098	\$116,548
Replacement Reserves	-	-	-	-	\$31,400
<b>Total Operating Expenses</b>	<b>\$1,696,769</b>	<b>\$1,827,207</b>	<b>\$1,874,274</b>	<b>\$1,845,485</b>	<b>\$1,647,811</b>
Total Expenses Excluding RE Taxes	\$892,036	\$993,813	\$1,003,760	\$987,649	\$895,853
<b>Net Operating Income</b>	<b>\$870,378</b>	<b>\$597,873</b>	<b>\$695,486</b>	<b>\$981,970</b>	<b>\$2,237,138</b>
Operating Expense Ratio	66%	75%	73%	65%	42%

## Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Band of Investment; (2) Comparable Capitalization Rates; and (3) National Survey Responses.

### Band of Investment Technique

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

#### Mortgage Component

Mortgage rates are influenced by the Federal Funds Rate and generally correlate with other competitive rates such as certificates of deposit (CDs), mortgage-backed securities, corporate bonds, and Treasury notes. The Federal Funds Rate and a survey of some competitive rates are summarized below.

Survey of Competitive Rates

Federal Funds Rate	5.25%-5.50%
10-year Treasury Bond	4.30%
30-year Treasury Bond	4.41%
Corporate Bonds (AAA)	4.87%
Municipal Bonds (AAA, 10-year)	2.40%

*Source: Federal Reserve Economic Data (FRED)*

A survey of active lenders in the subject property's influencing market indicates that 25-year and 30-year mortgage commitments are typically 175 to 400 basis points above 10-year treasuries. Currently, 10-year treasuries are trading at 4.30% suggesting mortgage rates of roughly 6.05% to 8.30% or higher. The current macro environment has resulted in higher interest rates, expanding the cost of debt, and weakening demand in the mortgage market.

After surveying several commercial mortgage lenders, it is our opinion that a typical creditworthy purchaser could obtain financing from a lending source in an amount equal to 65% of value at an annual interest rate of 6.5% and a 30-year payout. Therefore, the mortgage constant is 0.0758.

#### Equity Component

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

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

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

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

**Amount of Equity Investment Required-** the greater the required equity investment (that portion of the total acquisition cost not typically funded by conventional financing), the higher the rate of return;

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

Applying an appropriate equity dividend rate to the mortgage equity technique is an integral part of the valuation process. As previously stated, the equity rate of return is sensitive to the risk associated with the property, whether it be location, income flows, functional or physical obsolescence, and most important of all, the economic climate. First, we look at national surveys to understand appropriate equity dividend rates. The latest Realty Rates survey from 2023 Q4 indicates an average equity dividend rate in 2023 Q3 of 9.59% and ranges from 4.66% to 13.63%.

#### Investor Surveys

<b>Survey</b>	<b>Type of Product</b>	<b>Equity Dividend Rates</b>
Realty Rates 3Q 2023	National Apartment Market	4.66% to 13.63% 9.59% Average

Based on our discussions with market participants, equity dividend rates for similar real estate investments typically range from 2.00% to 10.00%, depending on the above noted factors.

We believe an investor in the subject property would accept an initial annual return of 2% in anticipation of a stable income flow and property appreciation over time. It should be emphasized that the equity dividend rate is not necessarily the same as an equity yield rate or true rate of return on equity capital. The equity dividend rate is an equity capitalization that reflects all benefits that can be recognized by the equity investor as of the date of purchase. We selected this rate based on the subject's location in a good residential area, and its good access and visibility. We summarize the mortgage and equity parameters utilized in our derivation of an overall capitalization rate.

#### Selected Loan Terms

<b>Typical Loan Terms</b>	<b>Value</b>
Mortgage Rate	6.50%
Amortization Term (Years)	30
Number of Payments	360
Loan-to-Value Ratio (M)	65%
Equity Ratio	35%
Mortgage Constant	7.58%

#### Band of Investment

<b>Band of Investment</b>	<b>Value</b>
Mortgage Ratio	65%
Annual Mortgage Constant	x 7.58%
<b>Mortgage Component</b>	<b>4.93%</b>
Equity Ratio	35%
Equity Dividend Rate	x 2.00%
<b>Equity Component</b>	<b>0.70%</b>
<b>Indicated Overall Rate</b>	<b>5.63%</b>

## Comparable Capitalization Rates

Comparable Cap Rates Table

#	Address	Property Type	GBA	Year Built	Sale Date	Capitalization	
						Rate	Avg
1	52 North 1st Street, Brooklyn, NY 11249	Multifamily	54,698	2008	3/7/23	4.78%	
2	101 3rd Avenue, Brooklyn, NY 11217	Multifamily	69,998	2014	10/19/22	5.30%	
3	796 Sterling Place, Brooklyn, NY 11216	Multifamily	61,565	2007	8/9/22	5.70%	
4	236 Livingston Street, Brooklyn, NY 11201	Mixed-Use	228,246	2011	5/27/22	4.05%	
5	36 Crooke Avenue, Brooklyn, NY 11216	Multifamily	51,582	1929	2/28/22	3.89%	
							4.74%

We analyzed sales of comparable mixed-use assets within the subject's periphery and they exhibit overall capitalization rates from 3.89% to 5.70% with an average of 4.74%. Comparables 1, 2, 3 and 4 have been included in the sales comparison approach. We have supplemented our capitalization rate comparables with an additional comparable not used in our sales comparison approach. The additional rate is a good indicator for capitalization rates for the subject and is recent, however, there are differences which do not justify utilizing the comparable in the sales comparison approach (i.e. location, size, etc.). Finally, we found several assets nearby that are currently on the market. We were provided with the offering memorandums of these listings, based on which we reconstructed the pro formas and calculated their respective cap rates.

52 North 1<sup>st</sup> Street is the sale of a 7-story, elevator multifamily property in Williamsburg, Brooklyn. The building contains 46 rent stabilized units and has a GBA of 54,698 square feet. The property sold for \$34,926,000 on January 30, 2023. The property is benefiting from a 421-a tax exemption, which is scheduled to expire in June 2036, therefore we have adjusted the sale price by the net present value of the remaining benefit. The adjusted sale price is \$27,086,000 which equates to a price per square foot of \$495. For this comparable, were not provided with the offering memorandum from the broker, and therefore did not reconstruct proforma as we have done for some of the other comparables. Thus, the true cap rate may be slightly lower than what is recorded here.

101 3<sup>rd</sup> Avenue is the sale of an 8-story, elevator multifamily property in Boerum Hill, Brooklyn. The building contains 84 rent stabilized units and has a GBA of 69,998 square feet. The property sold for \$45,450,000 on October 19, 2022. The property was in the 9<sup>th</sup> year of a 15-year 421a benefit, therefore we have adjusted the sale price by the net present value of the remaining benefit. The adjusted sale price is \$38,460,000 which equates to a price per square foot of \$549. The sale was marketed by Jeffrey Julien from JLL, who verified the details of this transaction. For this comparable, were not provided with the offering memorandum from the broker, and therefore did not reconstruct proforma as we have done for some of the other comparables. Thus, the true cap rate may be slightly lower than what is recorded here.

796 Sterling Place is a 5-story, elevated, multifamily property located in Crown Heights. Built in 2007, it features 82 residential units with 61,565 square feet of gross building area on 27,249 square feet of land. According to the Department of Finance, 81 units are rent stabilized. Per online listing photos, units are in good condition with parking and gym facilities available for tenants. It most recently sold on August 9, 2022 for \$24,000,000. However, tax record indicates the subject has a 25-year 421-a tax benefits in place, and it is currently in its 12<sup>th</sup> year. As such, we have adjusted the sale price by the net present value of tax benefits using a 6.5% discount rate. Thus, the newly adjusted under-contract price is \$19,550,000, or \$318 per square foot. The property was marketed by Alpha Realty. Rhianna Hemm of Alpha Realty verified the details of this transaction.

236 Livingston Street (a.k.a "The Addison") is a mixed-income building built in 2011 featuring 65 studios, 117 one-bedroom and 89 two-bedroom apartments. Located between Hoyt Street and Bond Street on a through block, the property is a mixed-use building consisting of two residential towers, three ground-floor retail spaces spanning a total of 27,866 square feet and a below-grade structured parking garage with 109 parking spaces. The Livingston Street tower consists of 26 stories, while the Schermerhorn Street tower is 15 stories. The towers are interconnected and share all amenity spaces. CoStar reported that the sale occurred on May 27, 2022 for \$142,350,000 or \$624 per square foot. The property was in its 11<sup>th</sup> year of a 25-year (Lots 1001 & 1002) and 15-year (1003 & 1004) 421a tax benefit at the time of sale, therefore we adjust the sale price by the NPV of the benefit at the time of sale of \$14,290,000 based on a 5.00% discount rate. The adjusted sale price is \$128,060,000, indicating an adjusted price per square foot of \$561. It was also reported that the pro forma cap rate is 5.50% indicating a net operating income of \$8,729,250 based on the unadjusted sale price. Based on the full tax liability, the net operating income is \$5,189,697 indicating an adjusted capitalization rate of 4.05%. The transaction was brokered by JLL Capital Markets and helped secure an undisclosed acquisition financing from Capital One as reported by a JLL press release dated June 15, 2022. Details of the transaction were confirmed with Jeff Julien of JLL, the listing broker on the sale. He noted that the property was fully occupied at the time of sale and the transaction was arm's length.

36 Crooke Street is a 6-story, elevated multifamily building with 71 residential units. It contains a unit mix of 18 studio units, 47 one-bedroom units, and 6 two-bedroom units. 3 units are occupied rent free by building staff. All units are rent stabilized, but 14 units are SCRIE units, 14 are DRIE units, and 2 are Section-8 units. The property was noted to have 2 vacant units at the time of sale. We were provided with the offering memorandum for this comparable, based on which we reconstructed the pro forma and calculated the cap rate.

## National Survey Responses

The PwC Real Estate and Real Estate Research Corporation's investment surveys summarize the expectations of institutional investors. As indicated, the going-in capitalization rates range from 4% to 8%, with an average between 5.1% and 5.59%.

## Personal Survey

Bowery Valuation conducted a number of surveys with active market participants to get a sense of what capitalization rates are currently being used in the subject's market.

According to CoStar's Downtown Brooklyn Multifamily Submarket, the current market cap rate is 4.53% and the current cap rate in CoStar's Downtown Brooklyn Retail Submarket is 5.34%.

In July 2023, we spoke with a leading broker at Cushman and Wakefield who stated cap rates for free market buildings in Brooklyn are in the low to mid 5% range.

On January 29, 2024, we spoke to Joseph Moran with Avis and Young. Mr. Moran has been involved in multiple transactions of rent stabilized buildings of late and reported that investors and sellers are relying more and more on a price per unit basis and/or GRM in transactions of rent stabilized multifamily assets rather than cap rates. This is due to the wide range of cap rates for these properties, which can vary significantly due to numerous reasons. However, he acknowledges that brokers tend to project lower expenses than appraisers resulting in higher cap rates.

To this point, Ariel Property Advisors market reports for 2023 do not report any cap rates.

Broker cap rates are often higher than appraiser cap rates because brokers do not include some expenses such as reserves, miscellaneous, and management. In addition, brokers often apply higher than market rent for vacant units, and do not apply a vacancy and collection loss factor.

## Summary

Survey	Low	Avg	High
Band of Investment	-	5.63%	-
PwC 4Q 2023	4.00%	5.59%	8.00%
Situs-RERC 3Q 2023	4.30%	5.10%	6.00%
Comparable Cap Rates	3.89%	4.74%	5.70%

## Capitalization Rate Conclusion

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

In terms of its position within the market range, it is our view that an investor would accept a return toward the lower end of the comparable range for the subject. Our opinion is based on the following facts:

- With respect to income, the subject's residential portion is 80% occupied while the residential rent roll is operating at 63% of market rents, suggesting security to the cash flow, as well as significant potential for future income spikes.
- The asset is in good condition, suggesting limited risk of unscheduled capital investment necessary during the holding period. Additionally, it is located in one of the best areas in Brooklyn where there has been continually strong demand for investment.
- Our cap rate conclusion is at the middle of the comparable range. The comparables are generally similar to the subject. However, they are primarily multifamily properties, with only one mixed-use comparable. Given the income potential of commercial units, mixed-use properties tend to sell for slightly lower capitalization rates.
- Overall, the subject property and comparables are in similar condition, with similar risk of necessary capital improvements during the holding period. Brooklyn Heights is a superior neighborhood to the locations of most of the direct comp-set, further suggesting a rate at the lower end of the range. Additionally, the asset has unique physical/locational features which would make a potential repositioning attractive to an investor who acquired it with an assumed turnover strategy. Lastly, the subject is in a market where there has been increased demand for investment in the aggressive mixed-use sector.
- The subject has very high payroll expenses considering there are 3 units occupied by employees. Most owners would keep one employee unit in the basement and lease the two above grade units currently occupied by employees.

An overall rate of 5.00% is applied in the analysis and in line with investor expectations.

## Adjustments

- Residential Rent Loss** - According to ownership some of the DHCR rents have been restored and the remaining rents will be restored in the near future. Thus, we deducted four months of rent loss from the vacant units, which equates to \$287,041.

Residential PGI	\$883,203
V/C Loss	2.50%
Residential EGI	\$861,123
Months in a Year	12
EGI per Month	\$71,760
# of Months of Rent Loss	4
Rent Loss	\$287,041

- **Taxes from A&G Deli** - According to ownership, the commercial tenant A&G River Deli owes \$27,869.24 in back taxes and is paying this in installments of \$2,322.44 per month for 12 months starting October 1, 2023. As such, we assume three payments would have been made as of the date of value and have added the value of 9 remaining payments as of December 31, 2023, which equates to \$20,902.
- **Commercial Rent Loss** - According to CoStar's Downtown Brooklyn Retail Submarket, months to lease data ranged from 4.4 months to 14.1 months, with an average of 7.7 months in 2024. As such, we apply 6 months of rent loss, as calculated below.

Commercial Vacant PGI	\$45,360
V/C Loss	5.00%
Commercial Vacant EGI	\$43,092
Months in a Year	12
EGI per Month	\$3,591
# of Months of Rent Loss	6
Rent Loss	\$21,546

- **Commercial Rent Concessions** - On April 12, 2023, we spoke with Keat Chow of Kinetic Real Estate Group who noted that for retail leases in Downtown Brooklyn, he would expect free rent of around 3 months and no tenant improvement allowances if free rent is offered. As such, we apply 3 months of free rent, as calculated below.

Commercial Rent	\$45,360
Months in a Year	12
PGI per Month	\$3,780
# of Months of Free Rent	3
Rent Abatement	\$11,340

- **Commercial Leasing Commissions** - In April 2022, we spoke with Thomas Henderson of George Comfort and Sons who said that leasing commissions in New York City vary, but a typical commission on a 10-year lease would be around 30% of the first year's rent. As such, we apply 30% leasing commissions, as illustrated below.

Commercial Rent	\$45,360
Leasing Commission %	30%
Leasing Commission	\$13,608

The value is calculated below:

## Value Opinion Via the Income Capitalization Approach

	Date of Value	Value	Final Value (RD)
NOI		\$2,237,138	-
Cap Rate		5.00%	-
Indicated Value		\$44,742,760	-
Less Residential Rent Loss (4 months)		-\$287,041	-
Add Taxes from A&G Deli		\$20,902	-
Less Commercial Rent Loss (6 months)		-\$21,546	-
Less Commercial Free Rent (3 months)		-\$11,340	-
Less Commercial Leasing Commissions (30%)		-\$13,608	-
Final Value		\$44,430,127	-
<b>As Is Fair Value Via the Income Capitalization Approach</b>	<b>December 31, 2023</b>	<b>\$44,430,127</b>	<b>\$44,400,000</b>

In consideration of the above analysis, the As Is Fair Value of \$44,400,000 reflects a unit value of \$407 per square foot. The final value is rounded to the nearest \$100,000.

## Sales Comparison Approach

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

The steps taken to apply this approach include the following: (a) research, confirm and verify all pertinent data for the most relevant sales within the defined market area; (b) analyze the sales considering appropriate adjustments for material difference in comparison to the subject property; and (c) reconcile the range of adjusted sale data into an opinion of value.

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



Comparable Sales Summary<sup>8</sup>

Address	Sale Date	Square Feet	Sale Price	Sale Price Per Square Foot	NOI Per Square Feet	Cap Rate
1 525 Union Avenue, Brooklyn, NY	06/09/2023	64,650	\$26,705,000	\$413.07	\$23	5.50%
2 52 North 1 Street, Brooklyn, NY	03/07/2023	54,698	\$27,086,000	\$495.19	\$24	4.78%
3 781 Washington Avenue, Brooklyn, NY	11/30/2022	60,750	\$30,000,000	\$493.83	N/A	N/A
4 796 Sterling Place, Brooklyn, NY	08/09/2022	61,565	\$19,550,000	\$317.55	\$18	5.70%
5 236 Livingston Street, Brooklyn, NY	05/27/2022	228,246	\$128,060,000	\$561.06	\$23	4.05%

<sup>8</sup> The outlines of each of the comparable sales can be found in the Addenda.

## Comparable Sales Adjustment Grid

Comparable #	Subject	1	2	3	4	5
Address	24 Joralemon Street, Brooklyn, NY	525 Union Avenue, Brooklyn, NY	52 North 1 Street, Brooklyn, NY	781 Washington Avenue, Brooklyn, NY	796 Sterling Place, Brooklyn, NY	236 Livingston Street, Brooklyn, NY
Sale Date		06/09/2023	03/07/2023	11/30/2022	08/09/2022	05/27/2022
SF	109,200	64,650	54,698	60,750	61,565	228,246
Year Built	1900	1930	2015	1920	2009	2011
Sale Price	\$26,705,000	\$27,086,000	\$30,000,000	\$19,550,000	\$128,060,000	
<b>Price Per Square Foot:</b>		<b>\$413</b>	<b>\$495</b>	<b>\$494</b>	<b>\$318</b>	<b>\$561</b>
Property Rights		0%	0%	0%	0%	0%
Financing Terms	None	0%	0%	0%	0%	0%
Conditions of Sale	None	0%	0%	0%	0%	0%
Market Conditions (Time):	December 31, 2023	0%	0%	-5%	-5%	-10%
<b>Cumulative Price Per Square Foot:</b>		<b>\$413</b>	<b>\$495</b>	<b>\$469</b>	<b>\$302</b>	<b>\$505</b>
Location	Brooklyn Heights	-10%	-10%	0%	15%	0%
Utility	N/A	0%	0%	0%	0%	-10%
Size	109,200	0%	0%	0%	0%	10%
Rent Stabilization Level	92%	0%	-15%	-15%	-15%	-15%
Condition	Good	0%	-5%	0%	0%	0%
<b>Net Adjustments</b>		<b>-10%</b>	<b>-30%</b>	<b>-15%</b>	<b>0%</b>	<b>-15%</b>
<b>Adjusted Price Per Square Foot</b>		<b>\$372</b>	<b>\$347</b>	<b>\$399</b>	<b>\$302</b>	<b>\$429</b>

Unadjusted	Adjusted
Low	Low
Average	Average
High	High
Median	Median

<b>Property Rights Appraised</b>	The purpose of this adjustment is to account for differences in the property rights transferred with the sale. We are valuing the leased fee interest in the subject property, as reflected by all of the comparables. Thus, no adjustments were required.
<b>Financing Terms</b>	The purpose of adjusting for financing terms is to determine cash equivalent sale prices for the comparables in accordance with the definition of value for this report. To the best of our knowledge, all of the comparables used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.
<b>Conditions of Sale</b>	Condition of sale refers to the motivations of the buyer and seller involved in a particular transaction. However, all comparables used in this analysis are considered to be "arm's-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.
<b>Market Conditions (Time)</b>	The purpose of this adjustment is to account for changes in market conditions. Comparables 3 through 5 received minor adjustments to account for moderate market depreciation, as they closed earlier in the year, before rising inflation and interest rates began to produce a negative effect in the subject's market, negatively impacting investor demand and sale prices.
<b>Location</b>	The subject is located in the Brooklyn Heights neighborhood of Brooklyn, New York. It is situated at the entrance to Brooklyn Bridge Park, an immensely popular 85-acre park along the East River.
	Both demand and executed sale prices are typically higher on a per square foot basis in locations where higher rent (and thus the potential for greater investor return) is achievable. Comparable 4 is located Crown Heights, which is an inferior neighborhood with lower rents, and thus required an upward adjustment. Comparables 1 and 2 are located in Williamsburg, which is a superior neighborhood with higher rents, and thus downward adjustments are applied to these comparables.
<b>Utility</b>	The subject is a mixed use, corner, walk-up building. It features good quality overall finishes. The subject contains an onsite laundry facility.
	We have considered corner vs. mid-block location, unit and property finishes, walk-up vs. elevator, unit and building amenities, and commercial space within the scope of the utility adjustment. Based on these factors, the following adjustments were made to the comparables, while other minor differences were considered qualitatively in the sale value conclusion.
	Commercial Space: Commercial space typically commands a higher price per square foot. Comparables 1 through 4 do not have commercial space, and thus required upward adjustments.
	Elevator: The subject is a walk-up. Elevated buildings typically command a higher price per square foot. All comparables have elevators, and thus received downward adjustments.
	Amenities: Each of the comparables feature superior amenities, and thus required downward adjustments. Comparable 1 features a furnished rooftop deck, gym and parking on-site. Comparable 2 features bike storage, a gym, property manager on-site and washer/dryers in unit. Comparable 3 features a laundry room, gym, shared courtyard and roof deck and resident lounge. Comparable 4 features amenities such as parking, laundry facilities, and a gym. Comparable 5 features amenities such as a gym, lobby with a concierge, parking, a bike storage room, laundry facilities, and common areas such as rec rooms, lounges, and outdoor spaces throughout the

building.

The total utility adjustment is presented below:

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Commercial Space	10%	10%	10%	10%	0%
Elevator	-5%	-5%	-5%	-5%	-5%
Amenities	-5%	-5%	-5%	-5%	-5%
<b>Total Utility Adjustment</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>-10%</b>

**Size** This adjustment accounts for the difference in size between each of the comparables and the subject property. We note that there is an inverse relationship between size and value per square foot such that smaller properties will sell for higher prices per square foot and vice versa. Comparable 5 warranted an upward adjustment due to its larger size compared to the subject.

**Rent Stabilization Level** The subject is 99% rent regulated. Of the 157 residential units, 146 are rent stabilized, 10 are rent controlled and 1 is market rate. Comparable 2 does not have any rent stabilized units per public record. As such, a downward adjustment is applied to this comparable. The remaining comparables have similar rent stabilization levels. However, each warranted downward adjustments, because their units are leased at near-market levels, while the subject is operating at 63% of market rents. Comparable 1 has a 421a tax abatement in place which typically requires affordable rents to be offered for a portion of the building. As such, no adjustment is applied to this comparable.

**Condition** The subject property was constructed in 1900 and is in good condition. Comparable 2 is in a superior condition, having been constructed much more recently than the subject, and thus required negative adjustments.

After adjustments, the comparable sales exhibited a range between \$301.67 per square foot and \$429.21 per square foot with an average of \$369.61 per square foot and a median of \$371.76 per square foot. Three of the comparables present a tighter range from \$371.76 to \$429.21 per square foot, with an average of \$399.91 per square foot. Thus, considering the elements of comparison noted above, our opinion of value is \$400.00 per square foot. We make the same deductions as in the Income Approach.

#### Value Opinion via the Sales Comparison Approach

	Date of Value	Value	Final Value (RD)
Concluded Value Per Square Foot		\$400.00	-
Square Feet		109,200	-
Indicated Value		\$43,680,000	-
Less Residential Rent Loss (4 months)		-\$287,041	-
Add Taxes from A&G Deli		\$20,902	-
Less Commercial Rent Loss (6 months)		-\$21,546	-
Less Commercial Free Rent (3 months)		-\$11,340	-
Less Commercial Leasing Commissions (30%)		-\$13,608	-
Final Value		\$43,367,367	-
<b>As Is Fair Value Via the Sales Comparison Approach</b>	<b>December 31, 2023</b>	<b>\$43,367,367</b>	<b>\$43,400,000</b>

The final value is rounded to the nearest \$100,000.

## Reconciliation & Final Value

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

Estimated Values			
Approach	Value	Date	Conclusion
Cost Approach	As Is Fair Value	N/A	Not Applied
Income Capitalization Approach	As Is Fair Value	December 31, 2023	\$44,400,000
Sales Comparison Approach	As Is Fair Value	December 31, 2023	\$43,400,000

The Cost Approach is traditionally a good indicator of value when properties being appraised are new or close to new. The difficulty in credibly isolating the influence of physical depreciation and obsolescence affects the reliability of the Cost Approach. Investors typically give nominal weight to this analysis once a property is operating on a stabilized basis as its cost bears little relationship to the value; therefore, we exclude this approach from our analysis.

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

The Sales Comparison Approach is reliable when few differences exist between the comparable sales and the subject, and the sales data collected is credible and accurate. Similar property types in competitive locations tend to sell within a consistent range, and this factor makes valuation on a per square foot and per unit basis a strong predictor of value. The Sales Comparison Approach is largely used as a secondary support for our opinion developed in the application of other approaches.

### Final Value Conclusion

Value Premise	Date of Value	Interest Appraised	Value Conclusion
As Is Fair Value	December 31, 2023	Leased Fee Interest	\$44,400,000

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>9</sup>. We note the use of this/these extraordinary assumption(s) may have affected the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- None.

If the extraordinary assumptions employed in this appraisal are proved to be false, the values reported herein may be materially impacted.

The value conclusions are based on the following **Hypothetical Conditions**<sup>10</sup>. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- None.

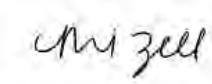
<sup>9</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

<sup>10</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

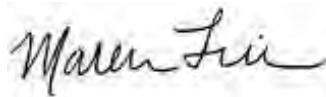
## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed appraisal services as an appraiser, but have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and applicable state appraisal regulations.
- Ricky Jimenez has made a personal inspection of the property on December 19, 2022 for a previous report completed by Bowery with an effective date of value of December 31, 2022. We have relied on this previous inspection and have not conducted a new inspection for this report. Michelle Zell, Maren Lewis and Ashna Saigal have not made a personal inspection of the property that is the subject of this report.
- Ricky Jimenez provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Michelle Zell, MAI and Maren Lewis, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Ashna Saigal has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.



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# Addenda

## Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings, or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent, or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
12. Responsible ownership and competent property management are assumed.

13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

## Subject Property Photos

All subject photos were taken on February 29, 2024 by John Tuohy of Bowery Valuation.

Building Facade



Building Facade



Subject Street



Subject Street



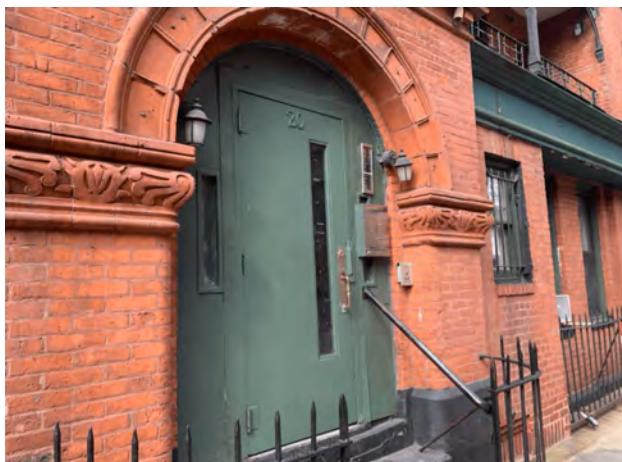
Subject Street



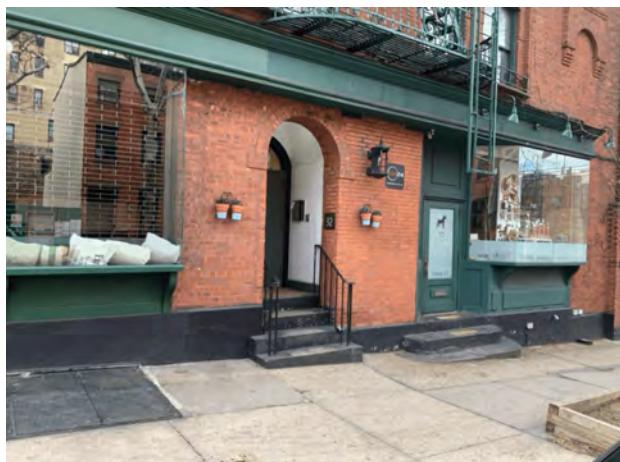
Subject Street



Entrance



Entrance



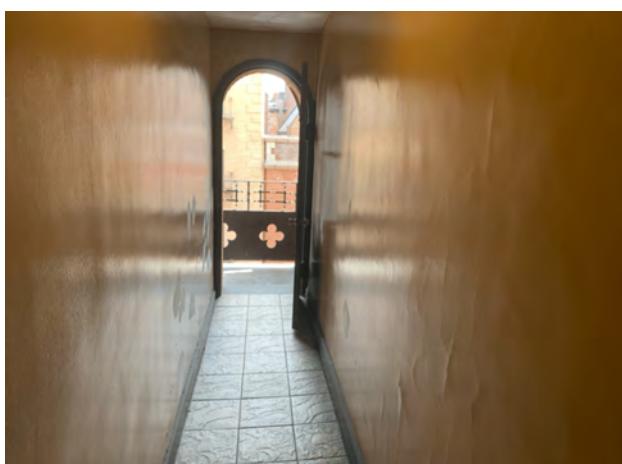
Entrance



Entrance



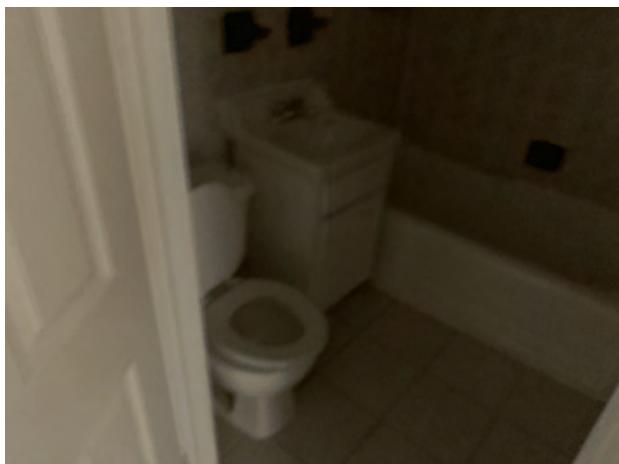
Typical Hallway



Typical Kitchen



Typical Bathroom



Typical Bedroom



Electric Meters



Electric Meters



Electric Meters



Electric Meters



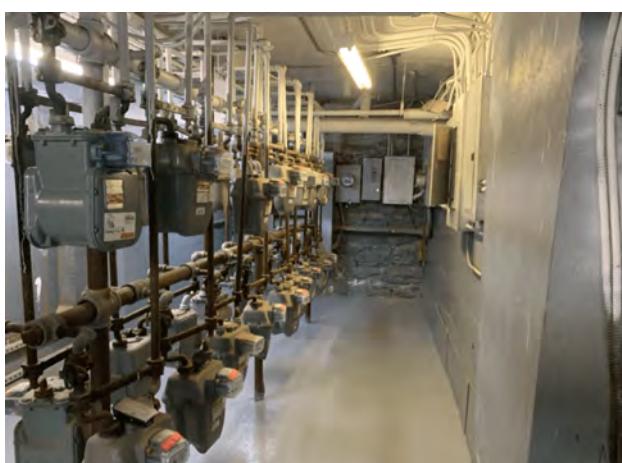
Gas Meters



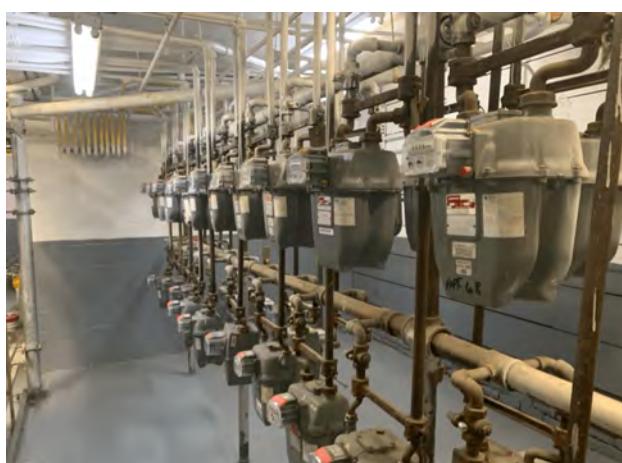
Gas Meters



Gas Meters



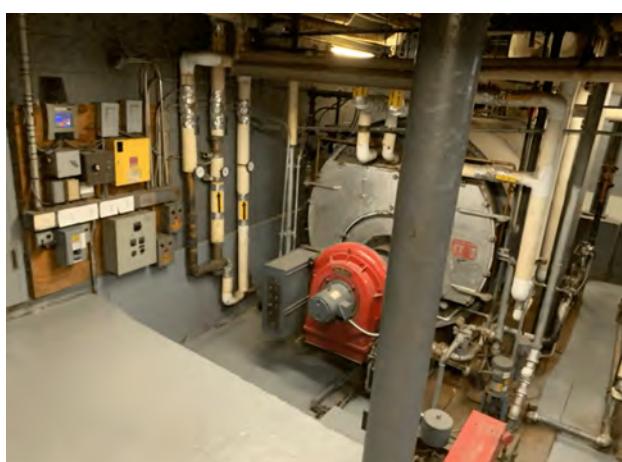
Gas Meters



Heating System



Heating System



Heating System



Roof



Roof



Roof



Roof



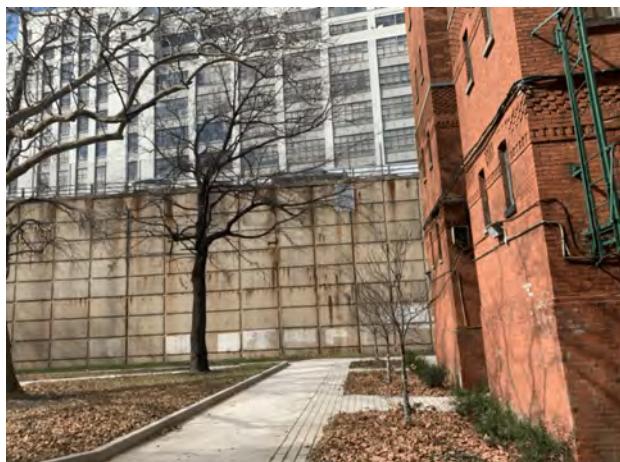
Roof



Roof



Outdoor Space



Outdoor Space



Outdoor Space



Outdoor Space



Outdoor Space



Subject Exterior



Subject Exterior



Subject Exterior



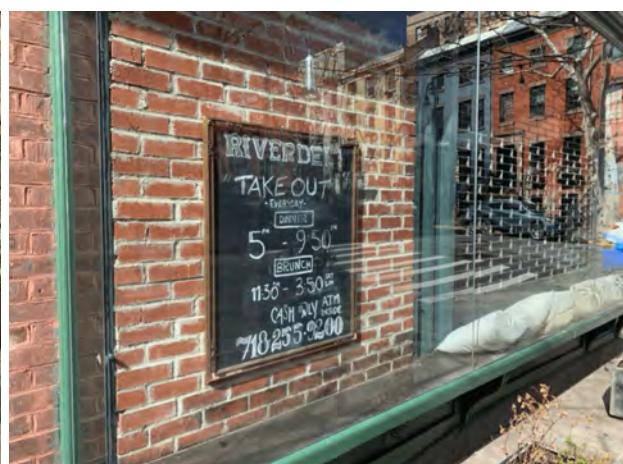
Subject Exterior



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units



Commercial Units

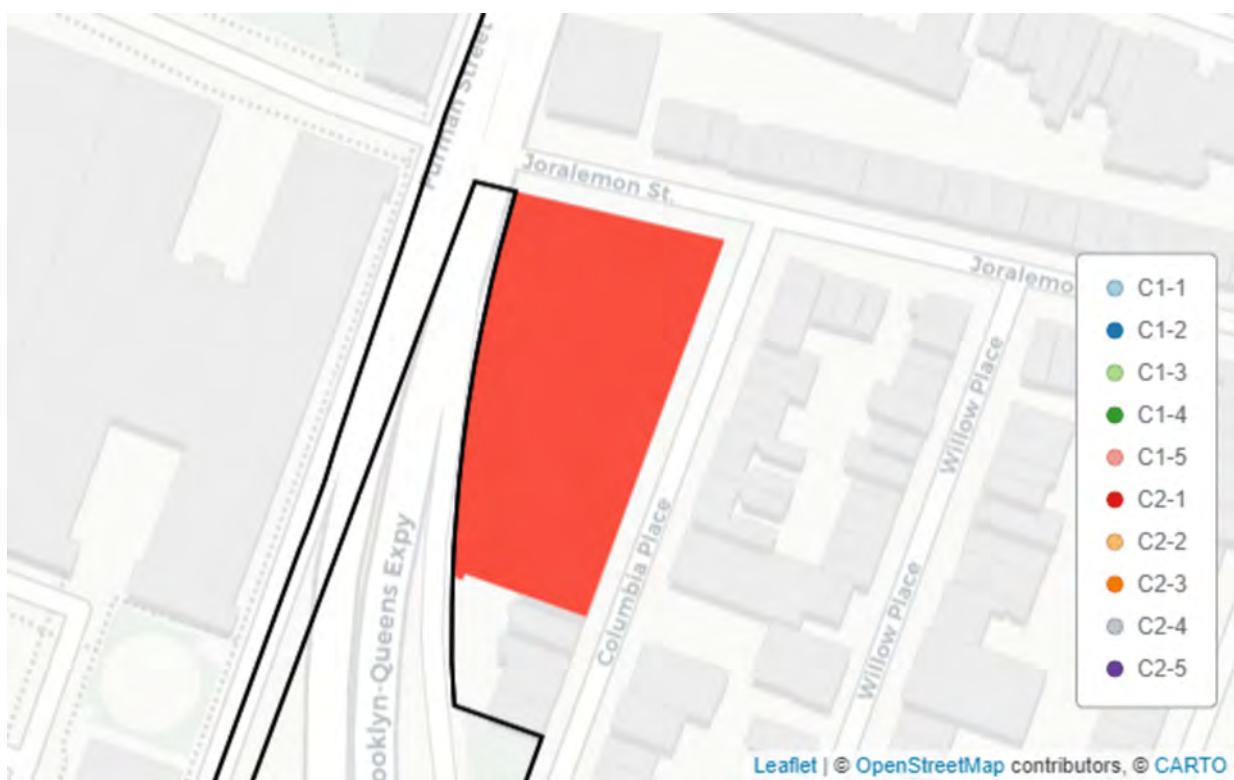


Commercial Units

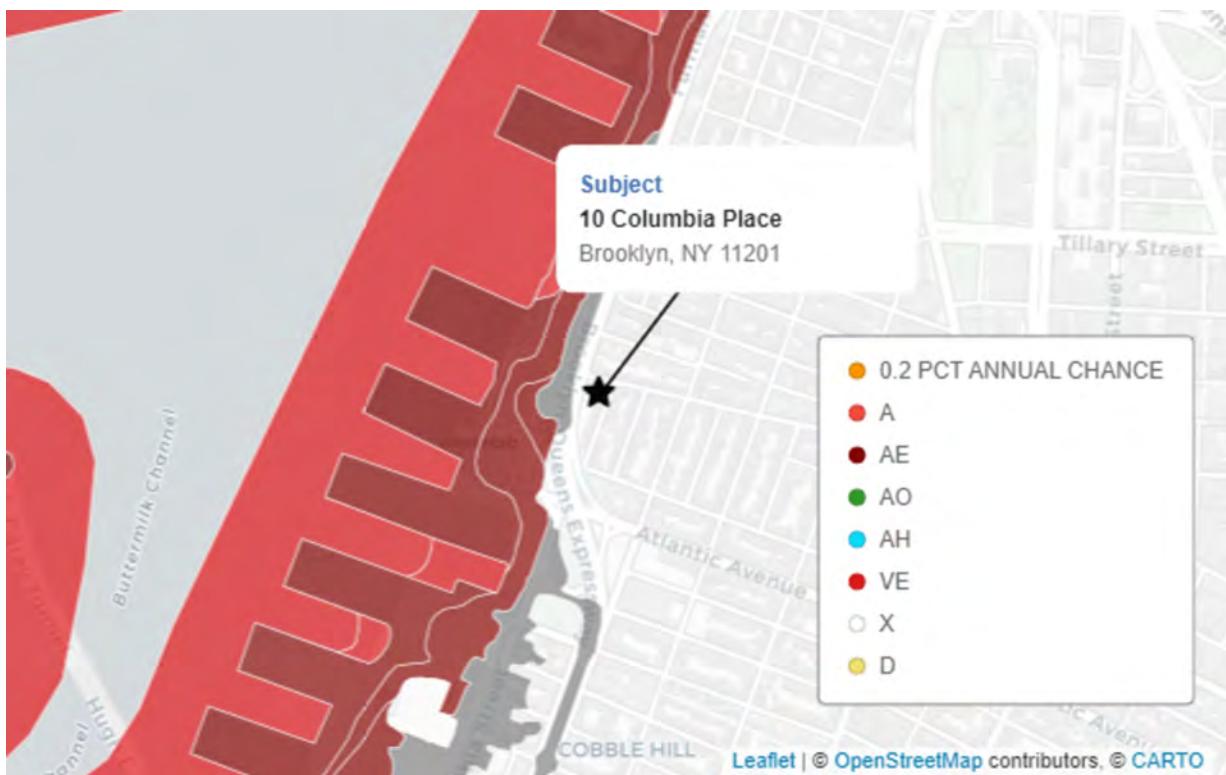


## Map Gallery

### Zoning Map



## Flood Map



## Rent Roll & Financial Statements

24 Joralemon Street

#	Unit #	Rooms	BDs	Rent Status	Bowery Rent		
					Monthly Rent	Rent / Room	Estimate
1	A001	4	2	Rent Stabilized	\$2,054.81	\$514	\$3,200
2	A002	2	0	Rent Stabilized	\$2,065.00	\$1,033	\$2,600
3	A003	3	1	Rent Stabilized	\$2,372.80	\$791	\$3,000
4	A004	3	1	Rent Stabilized	\$3,000.00	\$1,000	\$3,000
5	A005	2	0	Rent Stabilized	\$1,795.01	\$898	\$2,600
6	A006	3	1	Rent Stabilized	\$2,590.25	\$863	\$3,000
7	A007	4	2	Rent Stabilized	\$2,549.71	\$637	\$3,200
8	A008	2	0	Rent Stabilized	\$2,100.00	\$1,050	\$2,600
9	A009	3	1	Rent Stabilized	\$1,470.34	\$490	\$3,000
10	A00A	3	1	Rent Stabilized	\$2,024.93	\$675	\$3,000
11	A00B	3	1	Rent Stabilized	\$2,044.85	\$682	\$3,000
12	A00C	2	0	Rent Stabilized	\$971.30	\$486	\$2,600
13	A00D	4	2	Rent Stabilized	\$1,044.91	\$261	\$3,200
14	A00F	3	1	Rent Stabilized	\$2,800.00	\$933	\$3,000
15	A010	3	1	Rent Stabilized	\$901.87	\$301	\$3,000
16	A011	2	0	Rent Stabilized	\$1,896.25	\$948	\$2,600
17	A012	3	1	Rent Stabilized	\$2,690.01	\$897	\$3,000
18	A014	4	2	Rent Stabilized	\$865.02	\$216	\$3,200
19	A015	2	0	Rent Stabilized	\$2,148.56	\$1,074	\$2,600
20	A016	3	1	Rent Stabilized	\$2,009.90	\$670	\$3,000
21	A017	3	1	Rent Stabilized	\$2,581.25	\$860	\$3,000
22	A018	2	0	Rent Stabilized	\$2,148.37	\$1,074	\$2,600
23	A019	3	1	Rent Stabilized	\$825.99	\$275	\$3,000
24	A020	2	0	Rent Stabilized	\$1,580.79	\$790	\$2,600
25	A021	3	1	Rent Stabilized	\$1,992.42	\$664	\$3,000
26	A022	3	1	Rent Stabilized	\$3,000.00	\$1,000	\$3,000
27	A023	2	0	Rent Stabilized	\$1,886.38	\$943	\$2,600
28	A024	3	1	Rent Stabilized	\$852.29	\$284	\$3,000
29	A025	2	0	Rent Controlled	\$908.97	\$454	\$2,600
30	A026	2	0	Rent Stabilized	\$2,678.00	\$1,339	\$2,600
31	A027	3	1	Rent Stabilized	\$2,253.17	\$751	\$3,000
32	A028	3	1	Rent Stabilized	\$2,357.97	\$786	\$3,000
33	A029	2	0	Rent Stabilized	\$1,955.78	\$978	\$2,600
34	A030	3	1	Rent Stabilized	\$2,205.84	\$735	\$3,000
35	A19A	4	2	Rent Stabilized	\$965.33	\$241	\$3,200
36	B00E	3	1	Rent Stabilized	\$672.25	\$224	\$3,000
37	B00G	3	1	Rent Stabilized	\$2,921.25	\$974	\$3,000
38	B031	4	2	Rent Stabilized	\$2,309.71	\$577	\$3,200
39	B032	2	0	Rent Stabilized	\$2,065.00	\$1,033	\$2,600
40	B033	3	1	Rent Stabilized	\$2,034.94	\$678	\$3,000
41	B034	3	1	Rent Stabilized	\$1,043.54	\$348	\$3,000
42	B035	2	0	Rent Stabilized	\$1,570.30	\$785	\$2,600
43	B036	3	1	Rent Stabilized	\$810.18	\$270	\$3,000
44	B037	4	2	Rent Stabilized	\$3,200.00	\$800	\$3,200
45	B038	2	0	Rent Stabilized	\$1,845.00	\$923	\$2,600
46	B039	3	1	Rent Stabilized	\$2,095.98	\$699	\$3,000
47	B040	2	0	Rent Stabilized	\$1,836.07	\$918	\$2,600
48	B041	2	0	Rent Stabilized	\$2,095.98	\$1,048	\$2,600
49	B042	2	0	Rent Controlled	\$889.16	\$445	\$2,600
50	B043	2	0	Rent Stabilized	\$2,076.62	\$1,038	\$2,600
51	B044	2	0	Rent Stabilized	\$2,633.04	\$1,317	\$2,600
52	B045	3	1	Rent Stabilized	\$2,619.97	\$873	\$3,000
53	B046	3	1	Rent Stabilized	\$2,179.81	\$727	\$3,000
54	B047	2	0	Rent Stabilized	\$2,257.50	\$1,129	\$2,600
55	B048	2	0	Rent Stabilized	\$758.87	\$379	\$2,600
56	B049	4	2	Rent Stabilized	\$2,672.89	\$668	\$3,200
57	B050	2	0	Rent Stabilized	\$1,603.02	\$802	\$2,600

58	B051	2	0	Rent Stabilized	\$1,646.91	\$823	\$2,600
59	B052	3	1	Rent Stabilized	\$1,151.05	\$384	\$3,000
60	B053	3	1	Rent Stabilized	\$1,427.51	\$476	\$3,000
61	B054	3	1	Rent Stabilized	\$2,700.00	\$900	\$3,000
62	B055	4	2	Rent Stabilized	\$2,687.49	\$672	\$3,200
63	B056	2	0	Rent Stabilized	\$2,091.59	\$1,046	\$2,600
64	B057	2	0	Rent Stabilized	\$1,787.15	\$894	\$2,600
65	B058	3	1	Rent Stabilized	\$2,501.33	\$834	\$3,000
66	B059	2	0	Rent Stabilized	\$2,253.17	\$1,127	\$2,600
67	B060	3	1	Rent Stabilized	\$2,665.72	\$889	\$3,000
68	C061	4	2	Rent Stabilized	\$1,695.31	\$424	\$3,200
69	C062	2	0	Rent Stabilized	\$768.38	\$384	\$2,600
70	C063	4	2	Rent Stabilized	\$1,874.18	\$469	\$3,200
71	C064	4	2	Rent Stabilized	\$2,061.03	\$515	\$3,200
72	C065	2	0	Rent Stabilized	\$1,196.88	\$598	\$2,600
73	C066	4	2	Rent Stabilized	\$2,389.12	\$597	\$3,200
74	C067	4	2	Rent Stabilized	\$861.95	\$215	\$3,200
75	C068	2	0	Rent Stabilized	\$586.43	\$293	\$2,600
76	C069	3	1	Rent Stabilized	\$1,424.98	\$475	\$3,000
77	C070	4	2	Rent Stabilized	\$2,983.47	\$746	\$3,200
78	C071	2	0	Rent Stabilized	\$1,950.00	\$975	\$2,600
79	C072	3	1	Rent Stabilized	\$943.54	\$315	\$3,000
80	C073	4	2	Rent Stabilized	\$2,541.37	\$635	\$3,200
81	C074	2	0	Rent Stabilized	\$1,033.73	\$517	\$2,600
82	C075	3	1	Rent Controlled	\$711.36	\$237	\$3,000
83	C076	2	0	Rent Stabilized	\$1,215.94	\$608	\$2,600
84	C077	2	0	Rent Stabilized	\$1,008.06	\$504	\$2,600
85	C078	4	2	Rent Stabilized	\$2,022.00	\$506	\$3,200
86	C079	4	2	Rent Stabilized	\$2,305.34	\$576	\$3,200
87	C080	2	0	Rent Stabilized	\$0.00	\$0	\$2,600
88	C081	4	2	Rent Stabilized	\$771.13	\$193	\$3,200
89	C082	3	1	Rent Stabilized	\$3,000.00	\$1,000	\$3,000
90	C083	2	0	Rent Stabilized	\$1,324.10	\$662	\$2,600
91	C084	4	2	Rent Stabilized	\$828.13	\$207	\$3,200
92	C085	4	2	Rent Stabilized	\$1,540.55	\$385	\$3,200
93	C086	2	0	Rent Stabilized	\$1,705.03	\$853	\$2,600
94	C087	4	2	Rent Stabilized	\$2,100.28	\$525	\$3,200
95	C088	4	2	Rent Stabilized	\$732.99	\$183	\$3,200
96	C089	2	0	Rent Stabilized	\$1,154.89	\$577	\$2,600
97	C090	4	2	Rent Stabilized	\$2,279.03	\$570	\$3,200
98	D091	4	2	Rent Stabilized	\$1,378.32	\$345	\$3,200
99	D092	3	1	Rent Controlled	\$527.30	\$176	\$3,000
100	D093	3	1	Rent Stabilized	\$2,121.78	\$707	\$3,000
101	D094	2	0	Rent Stabilized	\$2,604.03	\$1,302	\$2,600
102	D095	2	0	Rent Stabilized	\$1,071.41	\$536	\$2,600
103	D096	4	2	Rent Stabilized	\$2,397.05	\$599	\$3,200
104	D097	3	1	Rent Stabilized	\$2,459.38	\$820	\$3,000
105	D098	3	1	Rent Stabilized	\$2,197.68	\$733	\$3,000
106	D099	2	0	Rent Stabilized	\$2,419.04	\$1,210	\$2,600
107	D100	2	0	Rent Controlled	\$719.73	\$360	\$2,600
108	D101	4	2	Rent Controlled	\$1,053.49	\$263	\$3,200
109	D102	3	1	Rent Stabilized	\$1,987.18	\$662	\$3,000
110	D103	3	1	Rent Stabilized	\$2,043.58	\$681	\$3,000
111	D104	2	0	Rent Stabilized	\$2,275.25	\$1,138	\$2,600
112	D105	2	0	Rent Stabilized	\$2,043.58	\$1,022	\$2,600
113	D106	4	2	Rent Controlled	\$1,036.52	\$259	\$3,200
114	D107	3	1	Rent Stabilized	\$2,433.67	\$811	\$3,000
115	D108	3	1	Rent Stabilized	\$2,462.34	\$821	\$3,000
116	D109	2	0	Rent Stabilized	\$2,184.79	\$1,092	\$2,600

117	D110	2	0	Rent Stabilized	\$2,233.78	\$1,117	\$2,600
118	D111	4	2	Rent Stabilized	\$2,462.77	\$616	\$3,200
119	D112	4	2	Rent Stabilized	\$2,619.97	\$655	\$3,200
120	D112A	3	1	Rent Stabilized	\$2,629.49	\$876	\$3,000
121	D114	3	1	Rent Stabilized	\$3,000.00	\$1,000	\$3,000
122	D115	2	0	Rent Stabilized	\$2,550.00	\$1,275	\$2,600
123	E121	3	1	Rent Controlled	\$891.99	\$297	\$3,000
124	E122	2	0	Rent Stabilized	\$1,446.79	\$723	\$2,600
125	E123	4	2	Rent Stabilized	\$2,995.89	\$749	\$3,200
126	E124	2	0	Rent Stabilized	\$671.09	\$336	\$2,600
127	E125	2	0	Rent Stabilized	\$1,845.00	\$923	\$2,600
128	E126	4	2	Rent Stabilized	\$2,802.87	\$701	\$3,200
129	E127	4	2	Rent Stabilized	\$2,644.60	\$661	\$3,200
130	E128	2	0	Rent Stabilized	\$2,600.00	\$1,300	\$2,600
131	E129	4	2	Market Rate	\$3,200.00	\$800	\$3,200
132	E130	4	2	Rent Stabilized	\$2,073.32	\$518	\$3,200
133	E131	2	0	Rent Stabilized	\$2,550.00	\$1,275	\$2,600
134	E132	3	1	Rent Controlled	\$875.88	\$292	\$3,000
135	E133	3	1	Rent Stabilized	\$1,685.73	\$562	\$3,000
136	E134	2	0	Rent Stabilized	\$2,550.00	\$1,275	\$2,600
137	E135	2	0	Rent Stabilized	\$1,494.03	\$747	\$2,600
138	E136	3	1	Rent Stabilized	\$1,762.69	\$588	\$3,000
139	E137	2	0	Rent Stabilized	\$1,936.70	\$968	\$2,600
140	E138	2	0	Rent Stabilized	\$2,376.31	\$1,188	\$2,600
141	E139	3	1	Rent Stabilized	\$807.29	\$269	\$3,000
142	E140	2	0	Rent Stabilized	\$758.01	\$379	\$2,600
143	E141	2	0	Rent Stabilized	\$2,229.38	\$1,115	\$2,600
144	E142	2	0	Rent Stabilized	\$877.99	\$439	\$2,600
145	E143	2	0	Rent Stabilized	\$2,095.98	\$1,048	\$2,600
146	E144	3	1	Rent Stabilized	\$1,978.85	\$660	\$3,000
147	E145	4	2	Rent Stabilized	\$2,915.24	\$729	\$3,200
148	E146	2	0	Rent Controlled	\$654.11	\$327	\$2,600
149	E147	3	1	Rent Stabilized	\$881.72	\$294	\$3,000
150	E148	2	0	Rent Stabilized	\$896.41	\$448	\$2,600
151	E149	2	0	Rent Stabilized	\$2,650.56	\$1,325	\$2,600
152	E150	3	1	Rent Stabilized	\$2,730.10	\$910	\$3,000
153	GR20	3	1	Rent Stabilized	\$0.00	\$0	\$3,000
154	GR22	2	0	Rent Stabilized	\$935.73	\$468	\$2,600
155	GR26	4	2	Rent Stabilized	\$1,033.52	\$258	\$3,200
156	GR28	4	2	Rent Stabilized	\$1,653.70	\$413	\$3,200
157	GR10-ST5	2	0	Rent Stabilized	\$725.19	\$363	\$2,600
<b>Totals/Avg</b>		<b>444</b>	<b>195</b>		<b>\$286,839.07</b>	<b>\$646</b>	<b>\$452,600</b>
<b>Annual</b>					<b>\$3,442,068.84</b>		<b>\$5,431,200</b>

## Comparable Sales Outline

### Comparable Sale 1



#### Location Overview

<b>Street Address</b>	525 Union Avenue
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11211
<b>Property ID</b>	2315/14
<b>Neighborhood/District</b>	Williamsburg

#### Property Information

<b>Condition</b>	Good	<b>Zoning</b>	M1-2/R6, M1-2/R6A, MX-8
<b>Year Built</b>	1930 est.	<b>GBA</b>	64,650 SF
<b>Year Renovated</b>	2007	<b>Site Area</b>	15,550 SF
<b># Floors</b>	5	<b>Residential Units</b>	43
<b>Building Type</b>	Walk Up	<b>Comparable Type</b>	Multifamily
<b>Building Amenities</b>	Shared Roof Deck, Fitness Center, Elevator	<b>Commercial Units</b>	0
<b>Building Class</b>	C1	<b>Unit Types</b>	1 BR, 2 BR

#### Sale Information

<b>Sale Status</b>	Transaction	<b>Price Adjustment</b>	\$70,000
<b>Sale Date</b>	6/9/2023	<b>Adjusted Sale Price</b>	\$26,705,000
<b>Grantee</b>	525-535 Union Partners LLC	<b>Per Unit</b>	\$621,047
<b>Grantor</b>	525 Union Avenue Realty Associates LLC	<b>Per SF</b>	\$413
<b>Unique Sale ID</b>	2023000152888	<b>Cap Rate</b>	5.50%
<b>Deed Sale Price</b>	\$26,775,000	<b>Property Rights</b>	Leased Fee Interest

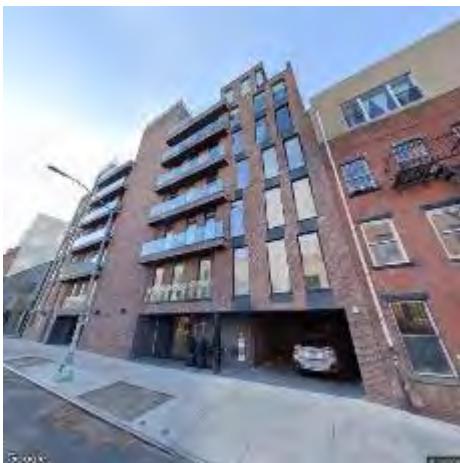
#### Verification Source

<b>Contact Name</b>	Daniel Aminov	<b>Role</b>	Associate
<b>Company</b>	Alpha Realty	<b>Verification Date</b>	7/24/2023
<b>Email</b>	daminov@alpharealtyny.com	<b>Number</b>	718-219-7103

#### Appraiser Comments

This is the sale of a five-story walk-up multifamily property located at 525 Union Avenue in the Williamsburg neighborhood of Brooklyn, New York. The property, built in 2007. The sale took place on June 9, 2023, with a sale price of \$26,775,000. The property sold with 2 years remaining on the 421a tax benefit. This equates to an NPV of \$70,000, which has been deducted from the sale price. On 7/24/2023, we spoke with Daniel Aminov at Alpha Realty, who verified the sale and cap rate at 5.50%.

## Comparable Sale 2



### Location Overview

<b>Street Address</b>	52 North 1 Street
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11249
<b>Property ID</b>	2378/11
<b>Neighborhood/District</b>	Williamsburg

### Property Information

<b>Condition</b>	Good	<b>Site Area</b>	15,800 SF
<b>Year Built</b>	2015	<b>Residential Units</b>	46
<b># Floors</b>	7	<b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Elevator	<b>Commercial Units</b>	0
<b>Building Amenities</b>	Fitness Center, Covered Parking, Laundry Room, Shared Roof Deck	<b>Average Unit Size</b>	761 SF
<b>GBA</b>	54,698 SF	<b>Unit Types</b>	1 BR, 2 BR, 3 BR

### Sale Information

<b>Sale Status</b>	Transaction	<b>Price Adjustment</b>	-\$7,840,000
<b>Sale Date</b>	3/7/2023	<b>Adjusted Sale Price</b>	\$27,086,000
<b>Grantee</b>	Reda 50 North First LLC	<b>Per Unit</b>	\$588,826
<b>Grantor</b>	50 North One LLC; Brooklyn	<b>Per SF</b>	\$495
	KF North 1 Associates, LLC	<b>Cap Rate</b>	4.78%
<b>Unique Sale ID</b>	2023020800011001	<b>Property Rights</b>	Leased Fee Interest
<b>Deed Sale Price</b>	\$34,926,000		

### Appraiser Comments

This is a 7-story, 46-unit, multi-family building built in 2015. The property features a fitness center, virtual doorman and 22 parking spaces. Unit allocations include 21 one-bedroom apartments, 21 two-bedroom apartments, 2 two-bedroom penthouse apartments, and 2 three-bedroom penthouse apartments. The property is 100% occupied and in good overall condition. The property recently sold for a reported price of \$34,926,000. All apartments are rent stabilized as the property is benefiting from a 421-a tax exemption, which is scheduled to expire in June 2036 (approximately 14 years remaining). The present value of remaining tax benefits is estimated at \$7,840,000 and is subtracted from the sale price. The cap rate was reported from a confidential source and the NOI was calculated based on the unabated taxes divided by the adjusted sale price. Data was reported by Costar and confirmed with the public record.

## Comparable Sale 3



### Location Overview

<b>Street Address</b>	781 Washington Avenue
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11238
<b>Property ID</b>	1177/7
<b>Neighborhood/District</b>	Prospect Heights

### Property Information

<b>Condition</b>	Average <b>GBA</b>	60,750 SF
<b>Year Built</b>	1920 est. <b>Site Area</b>	32,600 SF
<b>Year Renovated</b>	1982 <b>Residential Units</b>	63
<b># Floors</b>	6 <b>Comparable Type</b>	Multifamily
<b>Building Type</b>	Elevator <b>Commercial Units</b>	0
<b>Building Amenities</b>	Elevator <b>Average Unit Size</b>	964 SF
<b>Zoning</b>	R7A <b>Unit Types</b>	Studio, 1 BR, 2 BR, 3 BR

### Sale Information

<b>Sale Status</b>	Transaction <b>Deed Sale Price</b>	\$30,000,000
<b>Sale Date</b>	11/30/2022 <b>Per Unit</b>	\$476,190
<b>Grantee</b>	HONEYWELL WASHINGTON <b>Per SF</b>	\$494
	LLC <b>Cap Rate</b>	N/A
<b>Grantor</b>	SJ WASHINGTON LLC <b>Property Rights</b>	Leased Fee Interest
<b>Unique Sale ID</b>	2022000442957	

### Appraiser Comments

This is the sale of a six-story elevator multifamily property located at 781 Washington Avenue in the Prospect Heights neighborhood of Brooklyn, New York. The property was built in 1920 and has a gross building area of 60,750 square feet. It consists of 63 market rate residential units with an average unit size of 964 square feet. The property features an elevator and was last renovated in 1982. The sale took place on November 30, 2022 at a sale price for the property was \$30,000,000, resulting in a price per square foot of \$493.83 and a price per unit of \$476,190.48. Note that the property also sold in May 2021 for \$22,000,000. No broker was listed on Costar.

Washington Avenue is a bustling street in the Prospect Heights neighborhood, known for its diverse range of amenities and attractions. The area offers a variety of dining options, shops, and entertainment venues, creating a vibrant atmosphere for residents. Nearby attractions include the Brooklyn Museum, Prospect Park, and the Barclays Center. With its convenient location and diverse offerings, Washington Avenue provides a vibrant and dynamic living experience for its residents. This is the sale of a 6-story, elevatored, multifamily building located in Prospect Heights. Located on the southeast corner of St. John's Place and Washington Avenue, the property spans block to block. The buildings have a total gross floor area of 60,750 square feet and collectively contain 63 residential units. The unit mix for 781 Washington Avenue, which is an elevator building, includes 23 one-bedroom units, 33 two-bedroom units, and 4 three-bedroom units. 480 St. John's Place contains 3 two bedroom units. Per public tax record, there were no rent stabilized units or tax benefits in place at the time of sale. Online listing photos indicate units to be in average condition, and no renovation filings have been submitted to the Department of Buildings in the past decade. It was sold on May 20, 2021, for \$22,000,000, which equates to \$362.14 per square foot. We attempted to reach the parties involved in the sale, but after multiple attempts we were unsuccessful. All data is reported by CoStar and verified with Public Record.

## Comparable Sale 4



### Location Overview

<b>Street Address</b>	796 Sterling Place
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11216
<b>Property ID</b>	1247/11
<b>Neighborhood/District</b>	Crown Heights
<b>Market</b>	New York
<b>Submarket</b>	Crown Heights

### Property Information

<b>Condition</b>	Good	<b>Parking</b>	58
<b>Year Built</b>	2009 est.	<b>GBA</b>	61,565 SF
<b># Floors</b>	5	<b>Site Area</b>	27,249 SF
<b>Building Type</b>	Elevator	<b>Residential Units</b>	82
<b>Building Class</b>	D1	<b>Comparable Type</b>	Multifamily
<b>Zoning</b>	R6A, R6B	<b>Commercial Units</b>	0

### Sale Information

<b>Sale Status</b>	Transaction	<b>Price Adjustment</b>	\$4,450,000
<b>Sale Date</b>	8/9/2022	<b>Adjusted Sale Price</b>	\$19,550,000
<b>Grantee</b>	792 STERLING HOLDINGS	<b>Per Unit</b>	\$238,415
	LLC	<b>Per SF</b>	\$318
<b>Grantor</b>	Sterling Place Condo LLC	<b>Cap Rate</b>	5.70%
<b>Unique Sale ID</b>	202206140013920104	<b>Property Rights</b>	Leased Fee Interest
<b>Deed Sale Price</b>	\$24,000,000		

### Verification Source

<b>Contact Name</b>	Rhianna Hemm	<b>Role</b>	Operations Director
<b>Company</b>	Alpha Realty	<b>Verification Date</b>	1/4/2023

### Appraiser Comments

Data was reported from CoStar and confirmed with public record. Data was reported from CoStar and confirmed with public record. This is a 5-story, elevatorated, multifamily property located in Crown Heights. Built in 2007, it features 82 residential units with 61,565 square feet of gross building area on 27,249 square feet of land. According to the Department of Finance, 81 units are rent stabilized. Per online listing photos, units are in good condition with parking and gym facilities available for tenants. It most recently sold on August 9, 2022 for \$24,000,000. However, tax record indicates the subject has a 25-year 421-a tax benefits in place, and it is currently in its 12th year. As such, we have adjusted the sale price by the net present value of tax benefits using a 6.5% discount rate. Thus, the newly adjusted transaction price is \$19,550,000, or \$238,415 per unit. The property was marketed by Alpha Realty. Rhianna Hemm of Alpha Realty verified the details of this transaction.

## Comparable Sale 5



### Location Overview

<b>Street Address</b>	236 Livingston Street
<b>City</b>	Brooklyn
<b>State</b>	NY
<b>Zip</b>	11201
<b>Property ID</b>	165/7501
<b>Neighborhood/District</b>	Downtown Brooklyn

### Property Information

<b>Property Name</b>	The Addison	<b>Parking</b>	109
<b>Condition</b>	Good	<b>GBA</b>	228,246 SF
<b>Year Built</b>	2011 est.	<b>Site Area</b>	18,145 SF
<b># Floors</b>	26	<b>Residential Units</b>	271
<b>Building Type</b>	Elevator	<b>Comparable Type</b>	Mixed-Use
<b>Building Amenities</b>	Fitness Center, Elevator, Doorman/Concierge, Covered Parking, Bike Room, Laundry Room, Shared Recreation Room, Playground, Shared Common Outdoor Space, On Site Building Management, Common Lounge Space	<b>Commercial Units</b>	3
<b>Building Class</b>	RK	<b>Commercial Area</b>	27,866 SF
<b>Zoning</b>	C6-4	<b>Unit Types</b>	Studio, 1 BR, 2 BR

### Sale Information

<b>Sale Status</b>	Transaction	<b>Price Adjustment</b>	\$14,290,000
<b>Sale Date</b>	5/27/2022	<b>Adjusted Sale Price</b>	\$128,060,000
<b>Grantee</b>	The Dermot Company	<b>Per Unit</b>	\$472,546
<b>Grantor</b>	MEPT Addison LLC	<b>Per SF</b>	\$561
<b>Unique Sale ID</b>	2022000247633	<b>Cap Rate</b>	4.05%
<b>NOI</b>	\$7,829,250	<b>Property Rights</b>	Not Reported
<b>Deed Sale Price</b>	\$128,060,000		

### Verification Source

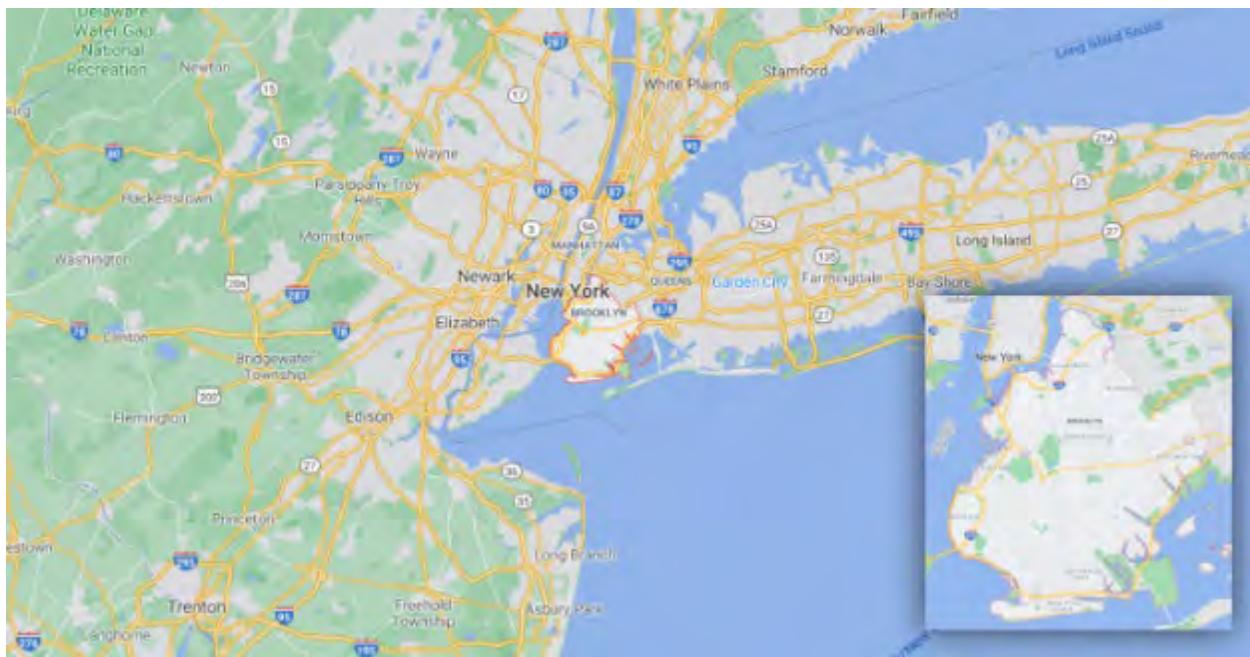
<b>Contact Name</b>	Jeffrey Julien	<b>Role</b>	Listing Broker
<b>Company</b>	JLL	<b>Verification Date</b>	10/24/2022
<b>Email</b>	Jeffrey.Julien@jll.com	<b>Number</b>	212-632-1820

### Appraiser Comments

Data was reported from CoStar and confirmed with public record. Completed in 2011, The Addison is a mixed-income building featuring 65 studios, 117 one-bedroom and 89 two-bedroom apartments. Located between Hoyt Street and Bond Street on a through block, the property is a mixed-use building consisting of two residential towers, three ground-floor retail spaces spanning a total of 27,866 square feet and a below-grade structured parking garage with 109 parking spaces. The Livingston Street tower consists of 26 stories, while the Schermerhorn Street tower is 15 stories. The towers are interconnected and share all amenity spaces. CoStar reported that the sale occurred on May 27, 2022 between The Dermot Company in partnership with USAA Real Estate and PGGM (Grantee) and MEPT Addison LLC (Grantor) for \$142,350,000 or \$624 per square foot. The property was in its 11th year of a 25-year (Lots 1001 & 1002) and 15-year (1003 & 1004) 421a tax benefit at the time of sale, therefore we adjust the sale price by the NPV of the benefit at the time of sale of \$14,290,000 based on a 5.00% discount rate. The adjusted sale price is \$128,060,000, indicating an adjusted price per square foot of \$561. It was also reported that the pro forma cap rate is 5.50% indicating a net operating income of \$8,729,250 based on the unadjusted sale price. Based on the full tax liability, the net operating income is \$5,189,697 indicating an adjusted capitalization rate of 4.05%. The transaction was brokered by JLL Capital Markets and helped secure an undisclosed acquisition financing from Capital One as reported by a JLL press release dated June 15, 2022. Details of the transaction were confirmed with Jeff Julien of JLL, the listing broker on the sale. He noted that the property was fully occupied at the time of sale and the transaction was arm's length.

## Kings County Area Analysis

The following analysis includes pertinent aspects of the surrounding region as it pertains to the subject property. This report was compiled using data as of 2023 Q4 unless otherwise noted. Data is from a number of sources including the U.S. Bureau of Labor Statistics ("BLS"), the U.S. Bureau of Economic Analysis ("BEA"), and the U.S. Census Bureau.



Source: Google Maps

### Kings County at a Glance

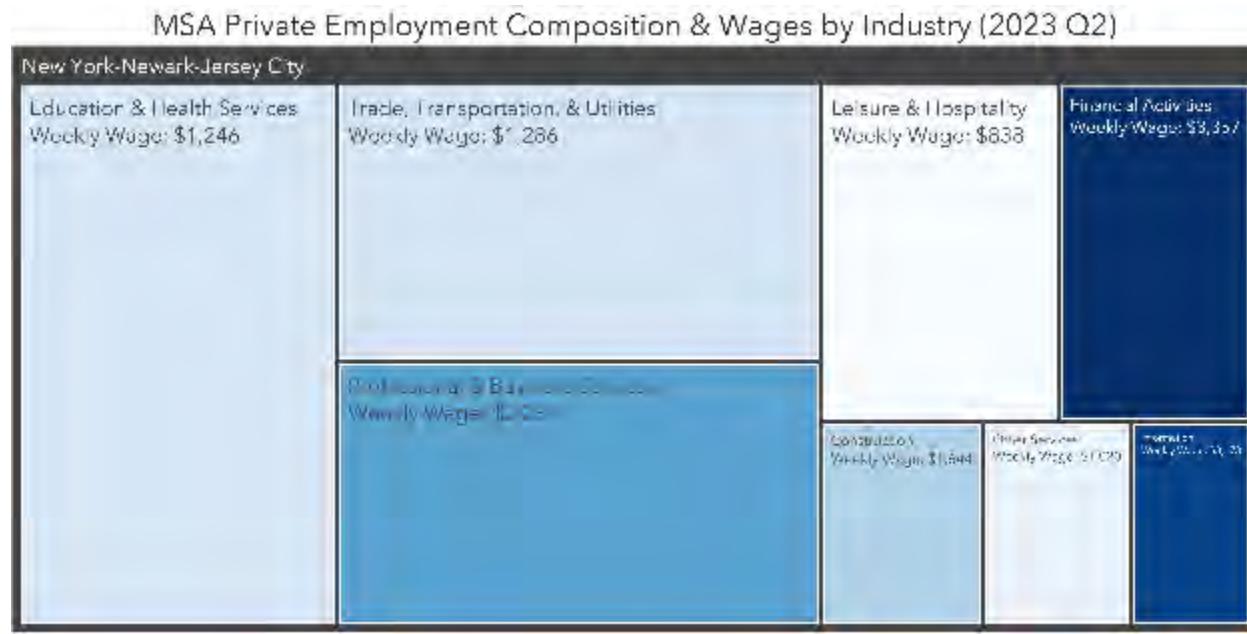
The subject property is located in Kings County, New York. Kings County, New York is best known as the NYC borough of Brooklyn. It is the most populous county in the state, and the second-most densely populated county in the United States, with an estimated 2.6 million residents in 2020. The economy of Brooklyn is diverse and includes a range of industries such as finance, technology, healthcare, and retail. Housing options in Brooklyn vary greatly, from historic brownstones and townhouses to high-rise apartment buildings. The cost of living in Brooklyn is higher than the national average, but residents enjoy a bustling and diverse community, with a wide range of retailers and businesses, including large chain stores and local shops and restaurants. There are also many community parks and open spaces, such as Prospect Park, which provide residents with opportunities for recreation and relaxation. Brooklyn is well-connected by a network of local corridors and major roads, including the Brooklyn-Queens Expressway (Interstate 278) and the Belt Parkway. The borough is also served by several subway lines, including the B, D, N, Q, and R lines, as well as several bus routes operated by the Metropolitan Transportation Authority (MTA). JFK International Airport is located in nearby Queens and provides air travel options for residents of Brooklyn.

#### Area Fundamentals

Attribute	County Level Value	5 Year Annualized		Relative to Baseline (MSA)
		Growth Rate		
Employment	1,140,028	-1.0%		Slower than MSA
GDP	\$107.3 billion	3.7%		Faster than MSA
Population	2,590,516	-0.0%		Slower than MSA
Per Capita Personal Income	\$60,153	6.2%		Faster than MSA

## Labor Market Conditions

According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 8,006,763 private employees, with establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Professional & Business Services industries accounting for the top three employers. These industries employ 2,068,632 (25.6%), 1,611,109 (20.0%), and 1,530,596 (19.0%) private sector workers in the Metro, respectively.

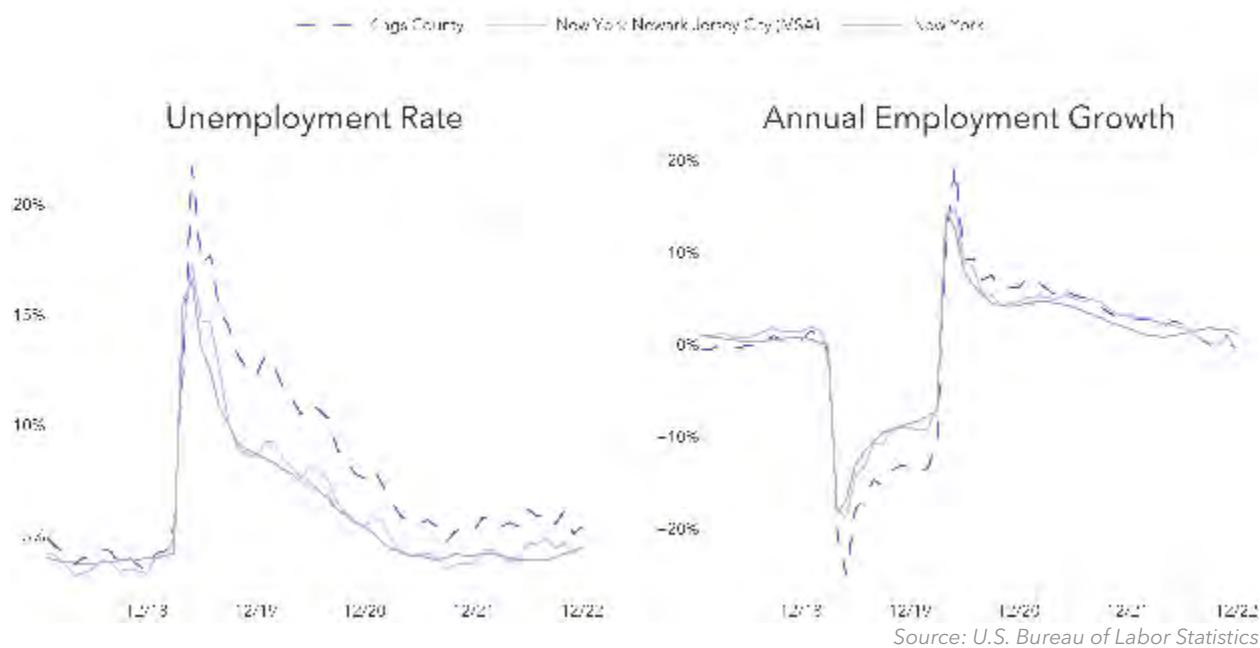


Source: U.S. Bureau of Labor Statistics

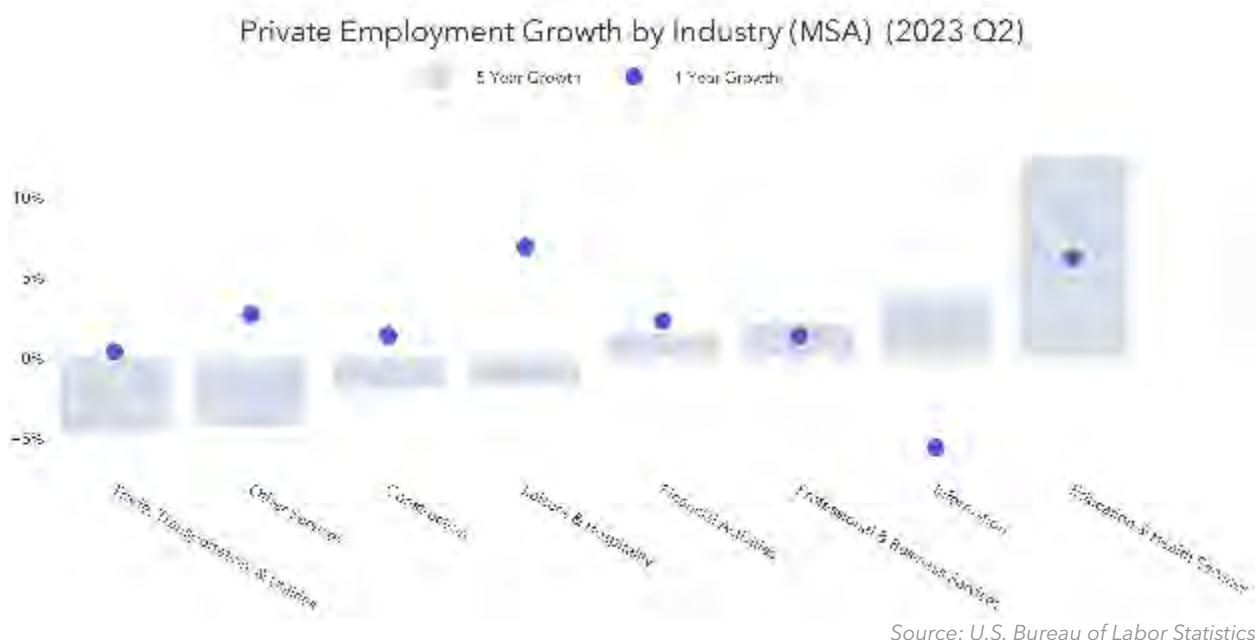
The latest data from the 2023 Q2 Quarterly Census of Employment and Wages, Kings County employed 866,517 employees. Establishments in the Education & Health Services, Trade, Transportation, & Utilities, and Leisure & Hospitality industries accounted for the top three employers. These industries employ 431,941 (49.3%), 123,444 (14.1%), and 71,223 (8.1%) workers in the County, respectively. Kings County has an especially large share of workers in the Education & Health Services industry. In fact, its 49.3% fraction of workers is 2.4 times higher than the National average.



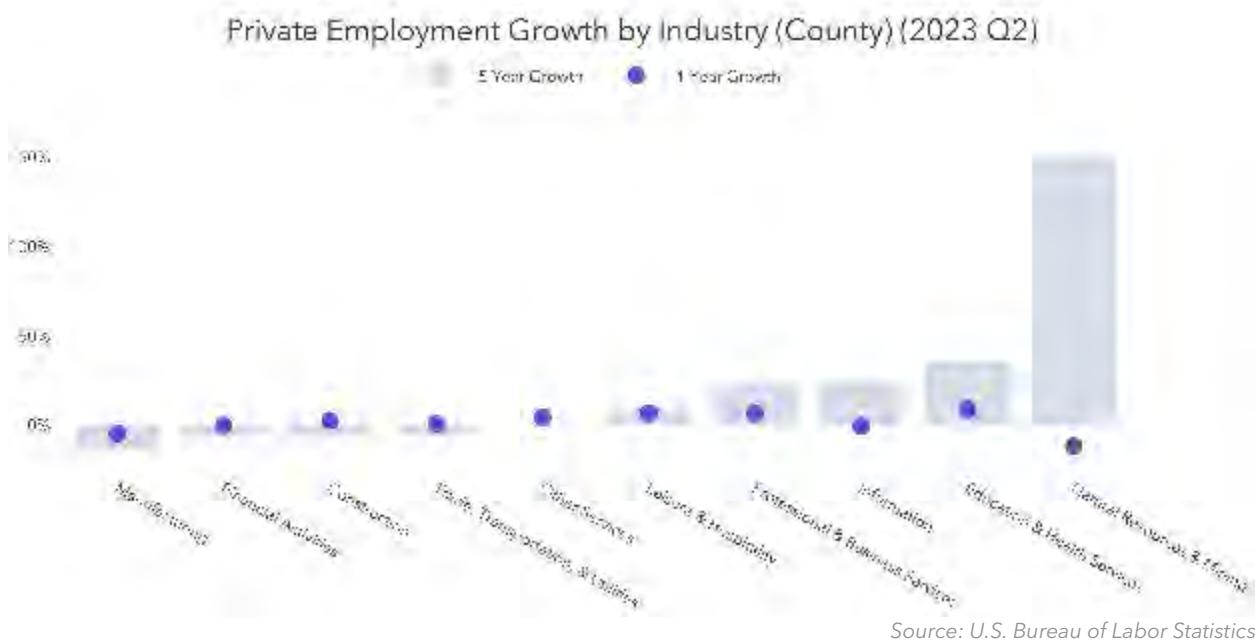
At the onset of the pandemic last spring, Kings County area employers shed 21.5% of their workforce, expanding the unemployment rate from 4.3% in February 2020 to 12.4% just two months later. The unemployment rate in Kings County has expanded over the past year to the current rate of 5.4%, just slightly above the New York-Newark-Jersey City rate of 4.5%. As of 12/23, total employment is down 1% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 4.3%.



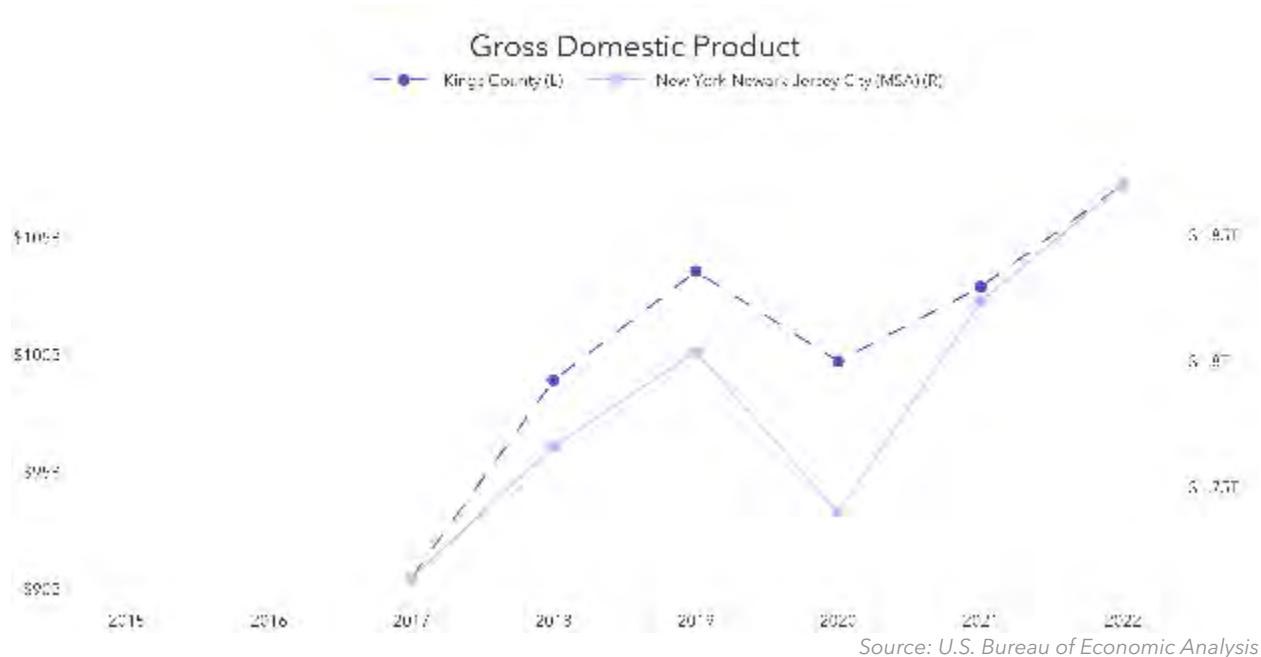
According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment expand 2.7% (210,049) in total over the last five years. During that time, the Education & Health Services, Information, and Professional & Business Services industries saw the strongest growth, expanding 12.6%, 3.9%, and 2.2%, respectively. Meanwhile, the Trade, Transportation, & Utilities Industry has experienced employment collapse of 4.7% over the previous five years.



According to the latest data from the Q2 2023 Quarterly Census of Employment and Wages, Kings County has experienced private employment expand 16.9% (109,207) in total over the last five years. During that time, the Natural Resources & Mining, Education & Health Services, and Information industries saw the strongest growth, expanding 151.3%, 35.8%, and 25.0%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse of 14.6% over the previous five years.

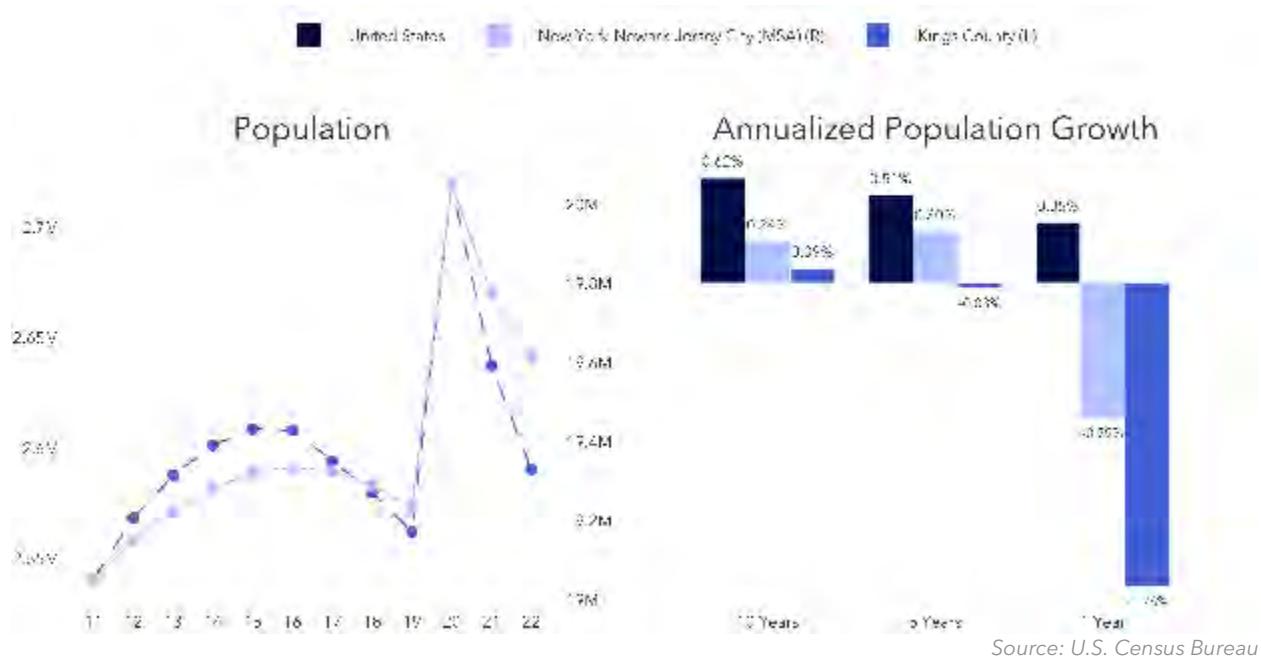


## Economic Production

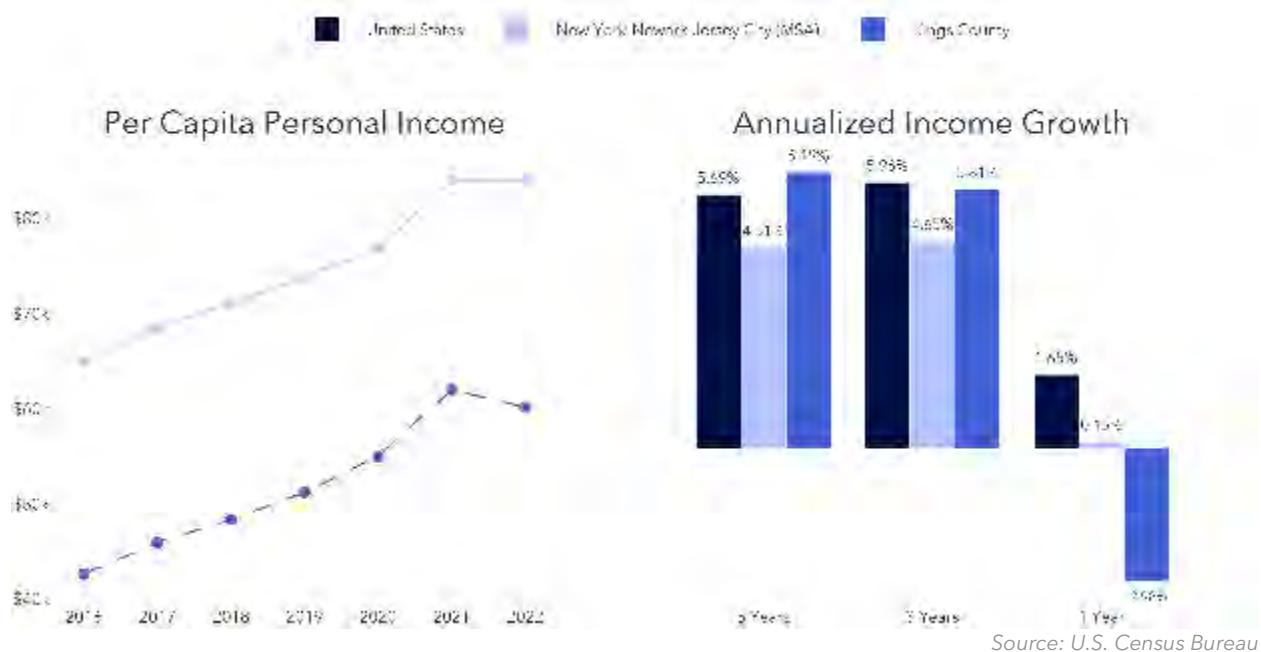


## Demographics

Going back ten years, Kings County's population has expanded 0.1% per annum to the 2022 count of 2,590,516. Over the past five years, growth has declined, contracting 0.0% per annum since 2017. This growth rate falls short of the Nation, which has expanded 0.5% per year over the last five years.



Going back five years, Kings County residents' per capita personal income has expanded 6.2% per annum to the 2022 level of \$60,153. Over the past three years, growth has declined, growing 5.8% per annum since 2019. This growth rate lags the Nation, which has expanded 6.0% per year over the last three years.



## Infrastructure

### Transportation Methods

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

## Housing

New York City recently eliminated the 421-a tax break program, which offset the high cost of building in New York. Previously buildings participating in the 421-a program must set aside 25% to 30% of their units for affordable housing at specified household income levels. About 90 percent of all residential construction in the city in the last decade received either 421-a or other tax breaks. The elimination of this program is one of the causes of limited new construction starts which will only further worsen the housing affordability crisis likely until a replacement has been put in place.

The subject property is located in New York City which has a number of housing regulations that could impact the property. In 2019, New York City enacted Local Law 97 to drive deep emissions cuts from buildings. Starting in 2024, Local Law 97 places emissions limits on most individual buildings greater than 25,000 square foot, and levies large fines for exceeding carbon caps. Each buildings carbon limit depends on its size, property type and compliance year. Based on todays energy performance, about 20 percent of properties are over the caps set for 2024, while about 76 percent of properties are over the caps set for 2030.

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

In Kings County, Realtor.com data points to continued growth in values over the past year. As of 12/2023, the median home list price sits at \$825,000, an increase of 14.7% compared to an increase of 11.6% for the New York-Newark-Jersey City MSA, and an increase of 1.2% across the Nation over the past year. Despite the recent sharp rise in mortgage rates, the county median list price has experienced an increase of 3.4% over the past 3 months, compared to an increase of 3.2% for the New York-Newark-Jersey City MSA in the same period.



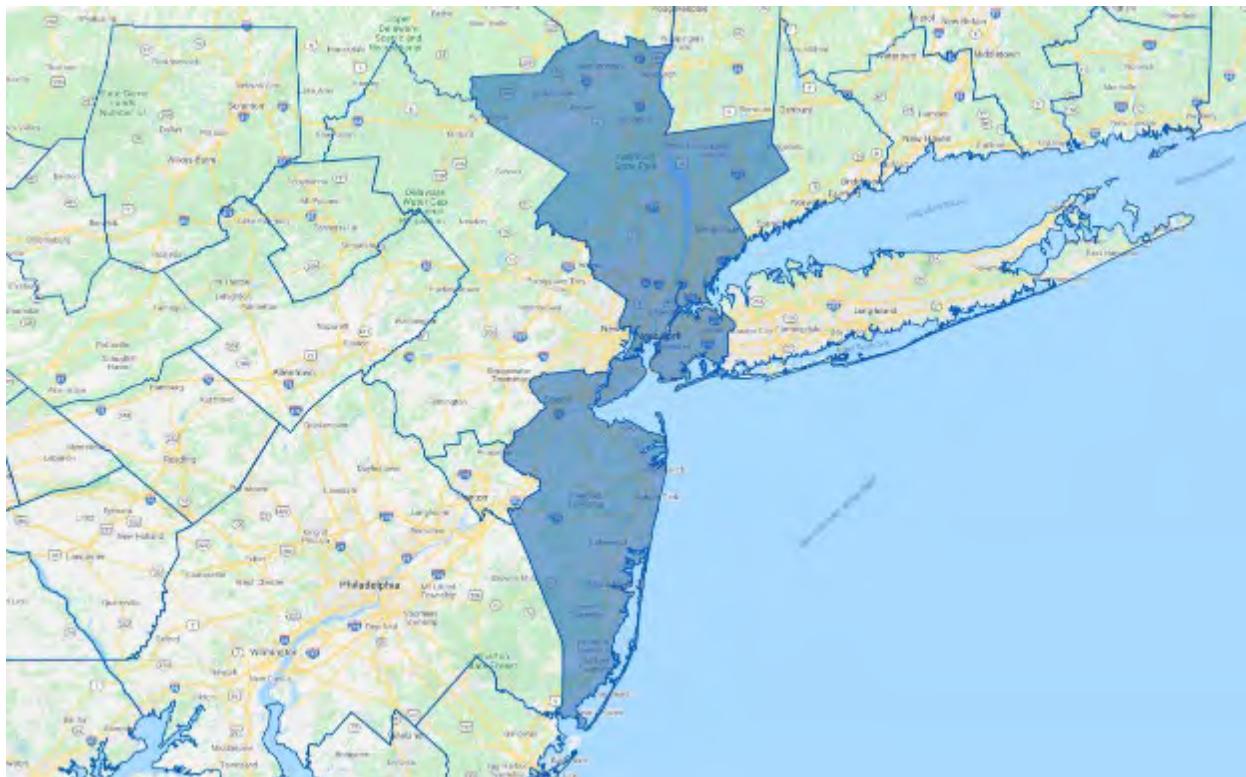
## Outlook

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

The current unemployment rate in Kings County of 5.4% is below its five-year average. By contrast, that rate is also above the state rate of 4.5%, and above the national rate of 3.7%. Kings County continues to experience population loss with one- and five-year annual growth rates of -1.8% and -0.0%. Considering its declining population, its dependency on one particular industry, and its negative GDP growth over the five years prior to the pandemic, the county lacks the attributes necessary for near- and long-term growth.

## New York: Multifamily Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Multifamily Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 1.5 million units of multifamily space. At the start of 2024, the New York apartment market continues to be defined by many renters competing for a limited number of units. The vacancy rate, at 2.6%, stands at near historic lows and remains the tightest among U.S. markets with at least 100,000 units. Clear signs exist, however, that the apartment market is slightly slowing down. Absorption totals have declined for the second consecutive year in 2023 as supply outpaced demand, with 23,300 units delivered, compared to 20,700 units absorbed over the past 12 months. While annual rent growth is positive at 2.0% no growth occurred in the latest quarter. With softening fundamentals, values decreased in the past quarter and -11.6% yoy, ultimately decreasing to \$396,924/unit.

#### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/Unit	\$3,060	2.0%	0.0%	\$1,647	0.7%	-0.6%
Vacancy Rate	2.56%	14 bps	3 bps	7.56%	108 bps	29 bps
Net Absorption Units	5,430	24.9%	0.0%	71,148	1369.8%	-20.2%
Asset Value/Unit	\$396,924	-11.6%	-2.0%	\$236,627	-11.3%	-1.8%
Market Cap Rate	5.11%	60 bps	7 bps	5.88%	60 bps	6 bps
Transaction Count	202	-33%	-28%	2,834	-39%	-14%
Sales Volume	\$962,639,744	-64%	-49%	\$19,361,206,272	-52%	-24%

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

### Historical Multifamily Performance: New York Market

Period	Inventory Units	Under Construction Units	Net		Vacancy Rate	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
			Units 12 Mo	Absorption Units 12 Mo				
2023 Q4	1,546,897	69,163	23,273	20,675	2.6%	\$3,060	\$396,924	5.11%
2023 Q3	1,540,793	65,063	22,324	19,592	2.5%	\$3,059	\$404,986	5.04%
2022	1,523,624	61,047	28,189	27,229	2.4%	\$3,001	\$448,930	4.50%
2021	1,495,434	53,619	20,482	37,182	2.4%	\$2,891	\$500,189	4.08%
2020	1,474,953	54,535	16,855	5,029	3.5%	\$2,711	\$452,896	4.35%
2019	1,458,098	51,286	20,406	19,614	2.8%	\$2,772	\$440,985	4.56%
2018	1,437,692	46,089	24,178	28,818	2.8%	\$2,721	\$425,682	4.65%
2017	1,413,514	49,922	29,519	25,829	3.1%	\$2,661	\$424,474	4.65%
2016	1,383,992	58,593	15,290	20,133	2.9%	\$2,637	\$413,297	4.70%
2015	1,368,699	54,585	14,648	12,573	3.3%	\$2,596	\$395,266	4.72%
2014	1,354,051	40,955	11,652	11,663	3.2%	\$2,520	\$365,570	4.89%

### Supply & Demand

The Market has 1.5 million units of multifamily space, and developers have added, net of demolitions, 202k units over the past ten years, increasing inventory by 15.0% during that time. Despite an increase in supply over the past ten years, absorption levels have outpaced it, and vacancy rates are lower than they were a decade ago, compressing from 3.2% to 2.6%. Renters continue to relocate here despite the exorbitant costs of living. Despite initial worries that a decline in office utilization would hamper the apartment market, it's apparent that the dining, culture, and arts scene in New York City are proving to be more influential drivers of demand for renters. The increase in hybrid work arrangements has instead greatly benefited submarkets located outside of New York City.

More recently, demand has softened compared to elevated demand in 2021 and over the first half of 2022. Combined with a rise in inventory levels for the Market, vacancy rates have increased 14 bps over the past year from 2.4% to 2.6%, remaining below the 10-year average of 2.9%, and below the National average by 500 bps. In the fourth quarter, multifamily tenants in the Market absorbed 5.4k units, an increase from the 5.4k units absorbed in 2023 Q3, and an improvement from the 4.3k units absorbed in the same quarter last year.

Still, much of what is slated to be delivered is located in submarkets that are popular with renters and that have a history of absorbing new construction such as Brooklyn, Jersey City, and Long Island City. This creates a possibility that the vacancy rate may be relatively unchanged when compared over the long term. However, if a near-term recession were to come to fruition, submarkets that are less popular, have had a sizable amount of new projects deliver over the past year, and contain a fair amount of units under construction, such as those in the Bronx, Westchester County, and Bergen County, may drive vacancy expansion across the metro.

### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	6.3%	6.2%	6.5%	6.8%	6.5%	6.5%	6.7%	5.0%	6.5%	7.3%	7.6%
Market	3.2%	3.3%	2.9%	3.1%	2.8%	2.8%	3.5%	2.4%	2.4%	2.5%	2.6%
Class A	7.4%	10.0%	6.9%	8.5%	6.3%	6.1%	8.5%	6.0%	6.2%	6.2%	6.1%
Class B	3.2%	3.3%	3.1%	3.2%	2.9%	3.1%	3.7%	2.3%	2.3%	2.4%	2.5%
Class C	2.7%	2.6%	2.3%	2.3%	2.1%	2.0%	2.5%	1.7%	1.6%	1.7%	1.7%



## Rents

At \$3,060/unit, rents in the New York Market are roughly 86% higher than the National average average of \$1,647/unit. Rents vary throughout the Market. Rents in popular submarkets in Manhattan and Brooklyn easily top \$4,000/month. A notable amount of submarkets located in the Bronx, Queens, and Westchester County continue to be considered value plays among renters as rent totals are below \$2,500/month. While these submarket rents are below the metro average, they are still more expensive than 90% of U.S. metro markets.

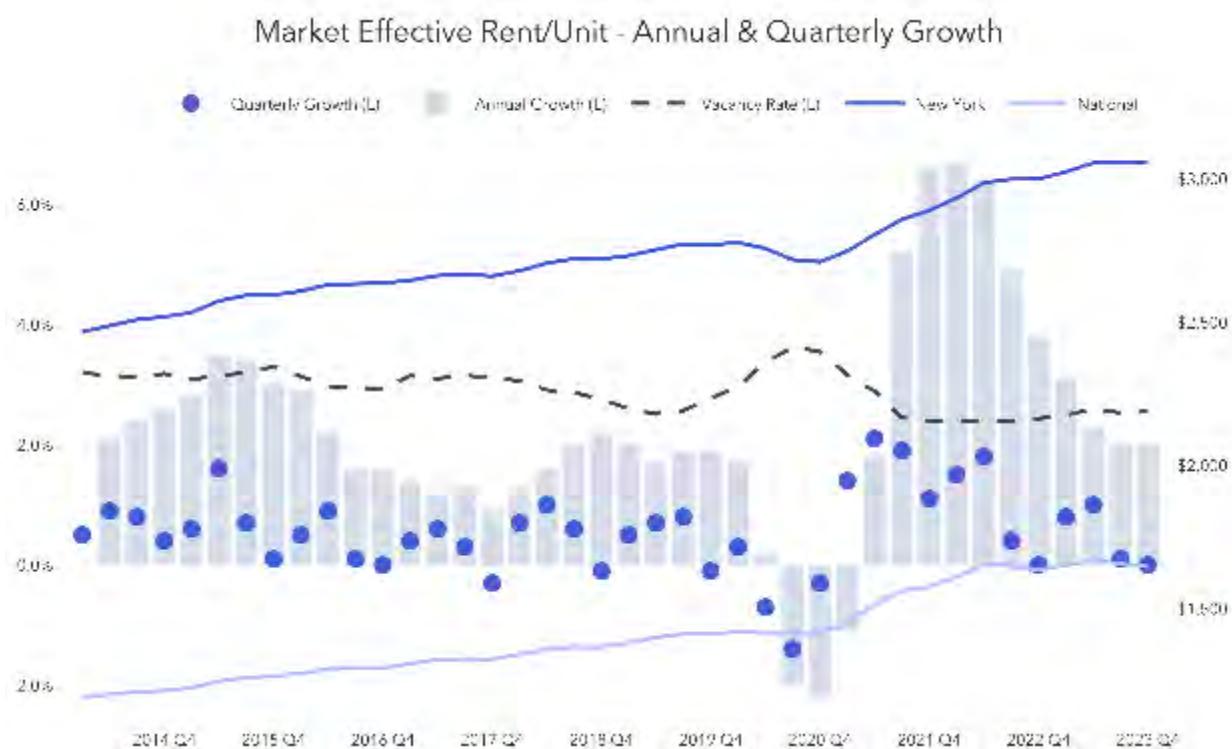
Class A apartment units are a premium with an average effective rent rate of \$4,124/unit, followed by \$3,266/unit for Class B and \$2,138/unit for Class C units. Rents in the Market have grown 2.4% per annum over the past decade, falling short of the National average, where rents increased 3.8% per annum during that time.

## Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$1,214	\$1,265	\$1,294	\$1,324	\$1,366	\$1,412	\$1,418	\$1,578	\$1,636	\$1,657	\$1,647
Market	\$2,520	\$2,596	\$2,637	\$2,661	\$2,721	\$2,772	\$2,711	\$2,891	\$3,001	\$3,059	\$3,060
Class A	\$3,355	\$3,444	\$3,478	\$3,501	\$3,595	\$3,675	\$3,517	\$3,859	\$4,046	\$4,129	\$4,124
Class B	\$2,698	\$2,787	\$2,832	\$2,855	\$2,914	\$2,965	\$2,908	\$3,101	\$3,205	\$3,265	\$3,266
Class C	\$1,779	\$1,835	\$1,877	\$1,904	\$1,940	\$1,970	\$1,974	\$2,030	\$2,093	\$2,133	\$2,138

In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.9%. With demand softening during the initial stages of the pandemic, quarterly rent growth decreased 0.7% in 2020 Q2. By the end of 2020, rents fell 2.2% from the 2019 Q4 rent level of \$2,772/unit. From 2019 Q4 to 2021 Q4, rents increased 4.3%. Quarterly rent growth in 2023 Q4 stalled, softening annual growth to 2.0%. At the start of 2024, the largest annual rent gains had occurred in submarkets located in New Jersey such as Hackensack/Teaneck, North Middlesex County, and Greater Bergen County.

Concessions are typically not part of the equation for much of the metro's apartment buildings. Still, there has been a slow but steady uptick in the number of buildings offering concessions over the past 12 months. By the close of December, an average of 24% of all multifamily properties in the New York area were offering some sort of concession, an increase from the 13% concession rate observed a year ago. This practice has largely been observed in recently completed buildings in an attempt to quickly stabilize occupancy levels, with up to two months of free rent offered. This can be seen as a response to the moderating absorption levels witnessed in recent quarters.

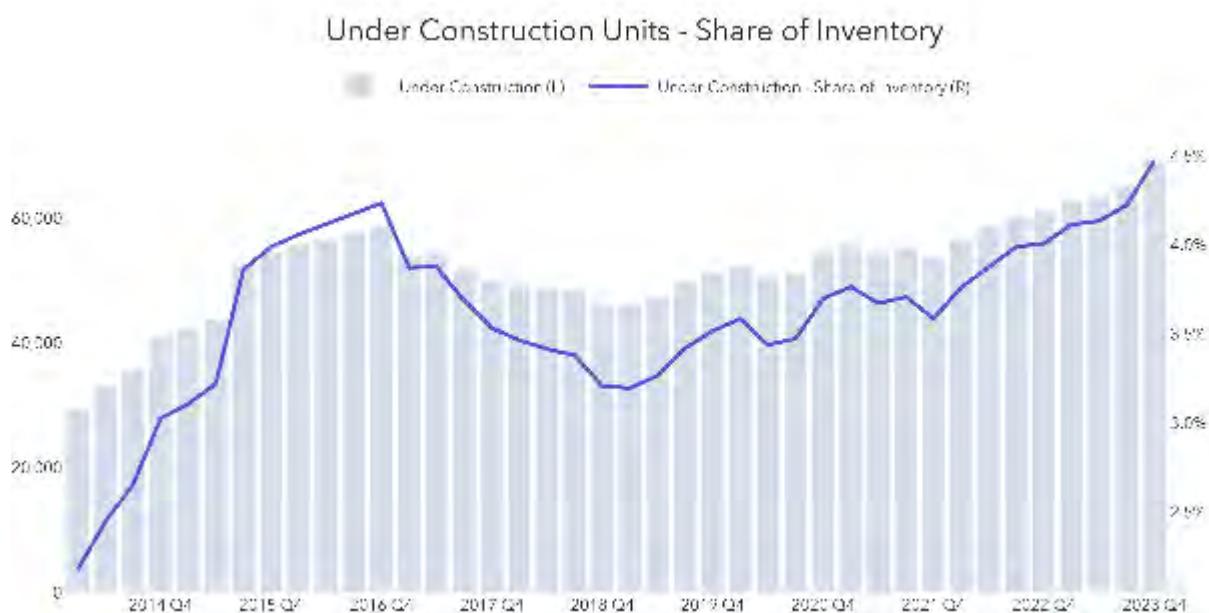


## Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 209.1k units to the Market over that time, expanding inventory by 15.0%. Developers remain active in the Market despite elevated construction and debt costs. In fact, developers are currently active with 69.2k units, or the equivalent of 4.5% of existing inventory, underway. A significant amount of units are underway in Brooklyn and Long Island City. These are popular neighborhoods where a supply wave has been ongoing for more than five years as renters continue to target modern apartment buildings located just outside of Manhattan.

With construction costs, acquisition costs of development sites, and competition in popular submarkets all rising, development activity has spread to more suburban parts of the metro where lower barriers to entry exist. This has resulted in an influx of transit-oriented development built to attract renters who work in New York City, but would rather rent in a considerably more affordable building that has been recently built.

Submarkets utilizing this trend include those in Hudson County, where apartment buildings are located in proximity to NJ Transit lines, and in Westchester County, where new apartments are located within walking distance of Metro North train stations. However, proximity to mass transit is not the sole motivating factor. To further attract renters, recently delivered buildings are typically built to a high standard with modern amenity offerings that are geared towards health and wellness.



## Capital Markets

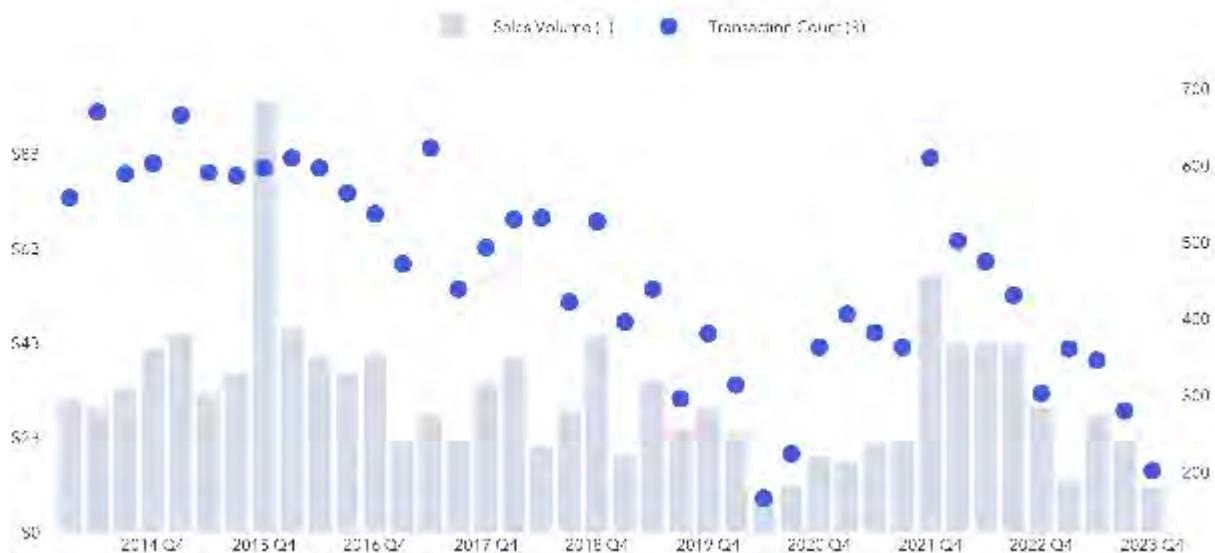
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average, 1,554 transactions per year with an annual average sales volume of \$10.6 billion. Over the past year, there were 1,189 closed transactions across 26.4k units, for a total sales volume of \$6.4 billion. As of 2023 Q4, CoStar data indicates there were 202 transactions for a total sales volume of \$962.6 million, compared to \$1.9 billion in the previous quarter.

Apartment buildings built within the past decade or that are located in popular renter neighborhoods in Brooklyn and Manhattan remain in heavy demand and are driving recent transaction activity. There is a growing desire to manage risk through owning better-quality assets where unexpected capital expenses are less likely or fear of absorption totals cratering is minimal.

An example of this was the \$402 million purchase of the Solow Tower Apartments, a 4 Star building with 322 units, by GO Partners. The pricing (\$1.2 million/unit) reflects the building's desirable location in Manhattan's Upper East Side, its 100% occupancy rate, and its substantial renovation performed in 2015. Similar characteristics were found in the sale of 8 Marcy Ave, a Class B property that sold for \$97 million or \$792,000/unit. The Carlyle Group was motivated by the building's location in Williamsburg, its brand-new build, and its 100% occupancy rate.

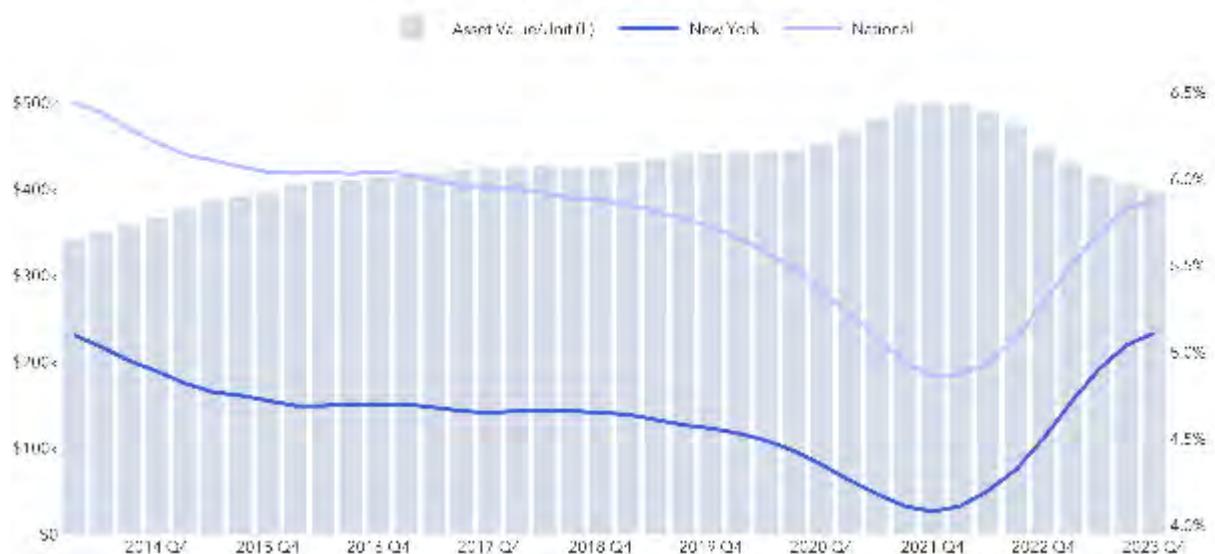
Some buyers have shown a willingness to transact on quality buildings located outside city limits at elevated valuation levels despite where interest rates currently are. This was witnessed during the \$115 million sale, or \$261,000/unit, of the Addison at Princeton Meadows in Plainsboro, NJ, and the \$151 million sale, or \$324,000/unit, of Mountain View Crossing in Wayne, NJ. In both instances, the buyers lauded the fact that the buildings were located in areas featuring both desirable demographics and high barriers to entry which should allow room for future rent growth.

### Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$396,924/unit. Values have compressed 11.6% over the past year and continued to fall in the past quarter, decreasing 2.0% in 2023 Q4. Capitalization rates have increased 60 bps over the past year to 5.1% and increased 7 bps in Q4. While there is still quite a bit of dry powder available, many investors are likely to remain on the sidelines over the second half of 2023.

### Asset Value & Market Cap Rates



### Outlook

The U.S. multifamily sector experienced a slowdown in demand over the second half of 2022, which continued into 2023 and even further into the 2nd half of the year. With demand slowing, rent growth has decreased in many markets across the Nation.

Multifamily market conditions in the New York Market indicate strong demand, although it has fallen short of the pipeline. With vacancy rates increasing over the past year, rent growth has been minimal. Looking ahead to the near term, it is likely that tenant demand improves in early spring, with the slowing pipeline aiding absorption rates. Still, with market conditions expected to soften amidst slowing economic growth and elevated debt costs, values will likely experience limited growth.

## Appendix

### New York Multifamily Market Overview

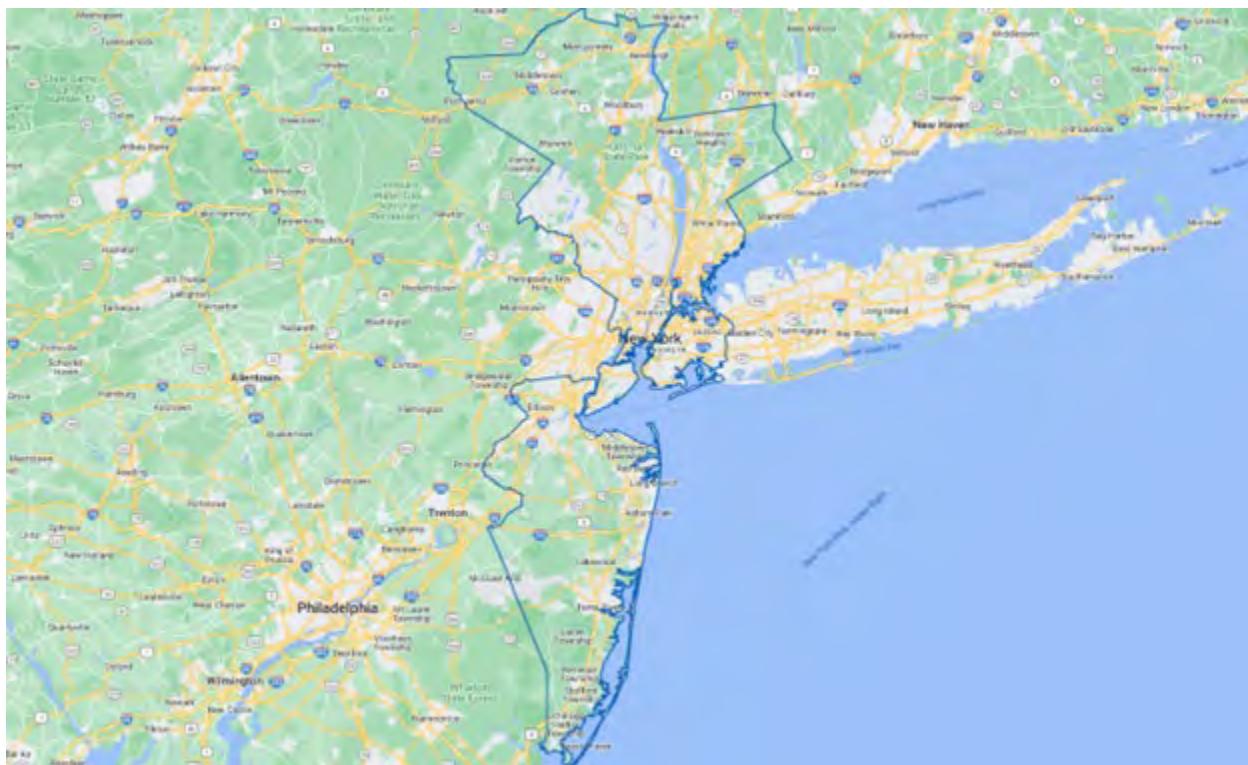
Submarket	Inventory Units	Vacancy Rate	Under Construction Units	Market Effective Rent/Unit	Asset Value/Unit	Market Cap Rate
West Bronx	92,775	0.5%	2,400	\$1,514	\$165,580	6.06%
South Bronx	66,132	3.5%	1,972	\$2,054	\$198,001	5.86%
Prospect Park	62,851	1.8%	4,174	\$2,851	\$372,573	5.03%
Flatbush	60,747	1.5%	887	\$2,025	\$252,244	5.13%
Upper East Side	58,301	2.2%	13	\$4,222	\$636,903	4.39%
Upper West Side	57,807	2.9%	294	\$4,928	\$669,020	4.44%
Upper Manhattan	55,318	1.0%	2,371	\$2,159	\$327,734	5.02%
Bushwick	51,907	2.6%	1,080	\$2,640	\$326,904	5.22%
Harlem	48,534	2.3%	624	\$2,436	\$374,537	4.80%
Central Queens	47,065	1.0%	1,239	\$2,148	\$273,269	5.13%
Northwestern Queens	41,280	1.0%	1,597	\$2,357	\$288,743	5.06%
Williamsburg	40,249	4.3%	4,203	\$4,116	\$533,912	4.82%
Southwest Brooklyn	39,195	1.5%	31	\$1,737	\$228,776	5.37%
North Middlesex County	36,293	4.4%	502	\$2,188	\$257,126	5.55%
East Village	33,907	1.5%	0	\$4,207	\$518,539	4.34%
Greater Hudson County	33,626	7.2%	2,845	\$2,440	\$315,360	5.68%
Yonkers/Mt Vernon/New Rochelle	32,949	4.5%	2,273	\$2,266	\$267,106	5.75%
Midtown West	32,576	3.1%	920	\$4,407	\$767,278	4.32%
South Shore Brooklyn	30,902	0.9%	1,504	\$1,918	\$277,933	4.98%
Lower West Side	29,945	2.5%	18	\$4,797	\$844,851	4.16%
Southeast Queens	27,270	2.4%	2,309	\$1,965	\$290,283	5.11%
Chelsea	27,050	3.5%	1,202	\$5,083	\$868,564	4.30%
Southeast Bronx	26,332	0.6%	50	\$1,556	\$168,634	5.80%
Downtown Brooklyn	26,017	3.2%	4,726	\$4,315	\$673,428	4.53%
Northeast Queens	25,980	1.4%	190	\$1,981	\$239,432	5.27%
Greater Bergen County	24,199	2.5%	1,038	\$2,191	\$263,554	5.34%
Jersey City Waterfront	23,569	2.9%	6,247	\$3,843	\$609,297	4.93%
Long Island City	23,241	3.7%	5,299	\$3,840	\$779,015	4.43%
East Monmouth County	22,968	2.3%	207	\$2,067	\$228,802	5.56%
East Harlem	22,294	4.7%	453	\$2,901	\$471,967	4.69%
North Hudson County	21,128	3.1%	704	\$2,910	\$300,589	5.68%
Jersey City/Journal Square	21,037	4.5%	5,381	\$2,649	\$450,015	5.15%
Passaic County	20,524	2.5%	401	\$1,908	\$202,719	6.02%
Murray Hill/Kips Bay	19,810	6.2%	0	\$4,548	\$683,054	4.37%
East Bronx	18,144	0.5%	416	\$1,548	\$164,651	6.01%
Midtown South	17,174	2.3%	85	\$4,806	\$794,965	4.39%
Turnpike West	16,540	3.7%	0	\$2,140	\$246,202	5.48%
Hackensack/Teaneck	15,376	4.3%	963	\$2,248	\$314,763	5.28%
Lower East Side	15,275	2.7%	845	\$4,095	\$676,109	4.27%
Midtown East	15,253	2.2%	291	\$4,728	\$753,503	4.45%
Financial District	14,723	5.1%	2,391	\$4,559	\$945,107	4.44%
Bergen County Waterfront	14,449	2.6%	415	\$3,024	\$370,522	5.25%
Turnpike East	13,923	4.6%	268	\$2,088	\$263,782	5.29%
East New York	11,649	0.4%	978	\$1,428	\$323,222	5.32%
North Ocean County	11,457	1.8%	560	\$1,821	\$207,435	5.46%
Hoboken	10,018	3.0%	216	\$4,072	\$405,350	5.44%
Northwest Bronx	9,583	1.0%	26	\$2,605	\$217,215	5.45%
Staten Island	9,543	1.1%	221	\$1,788	\$234,290	5.55%

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Rockland County	9,121	5.0%	104	\$2,365	\$254,322	5.41%
Westchester County South	9,014	4.4%	18	\$2,786	\$283,472	5.25%
Westchester County North	8,620	4.8%	1,069	\$2,599	\$340,163	5.34%
South Shore Queens	8,390	1.9%	237	\$1,729	\$241,541	5.24%
Little Italy/Chinatown	7,957	1.7%	0	\$3,860	\$497,986	4.38%
White Plains	6,263	9.8%	1,891	\$3,008	\$548,895	4.74%
Middletown/Goshen	4,377	3.2%	224	\$1,935	\$205,594	5.54%
Outlying Orange County	4,150	1.9%	149	\$1,688	\$177,426	5.37%
Morningside Heights	4,133	2.7%	0	\$3,978	\$592,246	4.50%
Roosevelt Island	3,119	1.5%	357	\$3,959	\$648,912	4.33%
West Monmouth County	2,222	3.3%	285	\$2,424	\$295,227	5.23%
Newburgh	1,636	2.4%	0	\$1,990	\$205,815	5.41%
South Ocean County	1,010	3.3%	0	\$2,241	\$243,767	5.52%

## New York: Retail Market Analysis

The information contained in this report was provided using 2023 Q4 CoStar data for the New York Retail Market ("Market").



### Overview

The subject property is in the New York Market defined in the map above, which includes 634 million square feet of retail space. Notwithstanding elevated inflation and economic uncertainty putting strain on retail sales, retail fundamentals remain strong, as retailers and service tenants pushed to expand their footprints. While inflation did cause consumers to shift from discretionary spending to necessities, signs of cooling inflation bode well for the sector. Also aiding the sector is a dwindling pipeline, which combined with strong tenant demand, kept vacancy rates stable. In the New York Market, demand has improved recently but vacancy rates are up compared to the same time last year. While rents are up 1.5% over the past year, they declined 0.4% in the latest quarter. With softening fundamentals, values decreased -0.1% over the past quarter, although annual growth remains positive, growing 1.6% to \$442/square feet.

### Sector Fundamentals

	New York	YoY	QoQ	National	YoY	QoQ
Market Rent/SF	\$47.5	1.5%	-0.4%	\$24.75	3.4%	0.6%
Vacancy Rate	4.09%	2 bps	-5 bps	4.04%	-12 bps	-7 bps
Availability Rate	5.1%	-21 bps	-3 bps	4.8%	-9 bps	-8 bps
Net Absorption SF	734,690	1923.7%	12.4%	18,021,652	-19.4%	41.5%
Asset Value/SF	\$442	1.6%	-0.1%	\$250	2.7%	0.6%
Market Cap Rate	5.98%	3 bps	3 bps	6.79%	-0 bps	0 bps
Transaction Count	453	-37%	-11%	8,352	-30%	-7%
Sales Volume	\$1,280,282,368	-2%	41%	\$12,666,107,904	-38%	1%

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

#### Historical Retail Performance: New York Market

Period	Inventory SF	Under Construction SF	Net Delivered SF 12 Mo	Net Absorption SF 12 Mo	Vacancy Rate	Availability Rate	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
2023 Q4	633,985,247	2,594,772	1,374,029	1,172,529	4.1%	5.1%	\$47.50	\$440	5.98%
2023 Q3	633,543,224	3,074,760	667,281	474,144	4.1%	5.1%	\$47.69	\$440	5.95%
2022	632,611,218	3,210,217	-278,671	-543,161	4.1%	5.3%	\$46.81	\$432	5.94%
2021	632,884,205	2,712,040	786,256	1,790,753	4.0%	5.5%	\$45.57	\$419	5.96%
2020	632,086,303	2,866,507	2,724,101	-1,750,705	4.2%	6.1%	\$44.49	\$403	6.01%
2019	629,345,714	4,235,308	3,865,628	2,802,725	3.5%	5.2%	\$44.45	\$395	6.07%
2018	625,405,020	8,079,820	2,110,029	3,758,462	3.3%	5.0%	\$43.68	\$384	6.11%
2017	623,211,870	7,013,410	1,762,265	1,487,282	3.6%	5.3%	\$43.09	\$377	6.11%
2016	621,440,167	6,469,516	2,888,834	5,210,669	3.6%	5.4%	\$42.20	\$367	6.08%
2015	618,547,117	6,315,031	2,050,344	3,967,835	4.0%	6.0%	\$41.37	\$361	6.01%
2014	616,496,773	4,719,056	2,116,273	5,111,721	4.3%	6.3%	\$40.13	\$332	6.29%

#### Supply & Demand

New York's retail recovery has continued onward into the start of 2024, buoyed by steady leasing activity and dwindling availability. The Big Apple, in particular, continues to benefit from improving business conditions. The New York City Economic Development Corporation reported that 2022 saw the highest rate of business growth over the past five years, with retailers continuing to take advantage of what has become a more tenant-favorable market due to rising foot traffic and lower retail rents. This has resulted in a fair amount of leasing by tenants in the dining and apparel sectors in storefronts sized below 5,000 SF. Market participants have stated that the competition for highly visible storefronts in prime shopping corridors like Fifth Avenue, Madison Avenue, SoHo, and the West Village has intensified, with a spillover effect into nearby corridors beginning to unfold as some retailers have become priced out by the few available storefronts.

Luxury apparel retailers continue to have a moment as these sought-out corridors attract clientele with high net worths. Hermès, Valentino, Louis Vuitton, and Burberry have all expanded their presence in Manhattan over the past year. Rolex is in the process of redeveloping its headquarters at 665 Fifth Ave, constructing a four-story experiential flagship at the base. Large deals continue to take place in New York City, as well. Among fitness tenants, Chelsea Piers Fitness (72,000 SF) and Life Time Fitness (53,000 SF) have recently expanded their footprints. Grocers such as Primark (54,000 SF) and H Mart (63,000 SF) have also been active in the leasing market.

#### Vacancy Rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	5.6%	5.1%	4.6%	4.4%	4.3%	4.5%	5.0%	4.6%	4.2%	4.1%	4.0%
Market	4.3%	4.0%	3.6%	3.6%	3.3%	3.5%	4.2%	4.0%	4.1%	4.1%	4.1%



### Rents

At \$47.50/SF, rents in the New York Market are roughly 92% higher than the National average of \$24.75/SF. Among the top 20 most expensive submarkets in the U.S., nearly all are located within Manhattan. While relatively expensive compared to the national average, rents vary significantly within the submarkets themselves. Retail spaces on high-traffic corridors command a sizable premium of more than \$500/SF while spaces located on less-trafficked side streets can rent for more than \$100/SF.

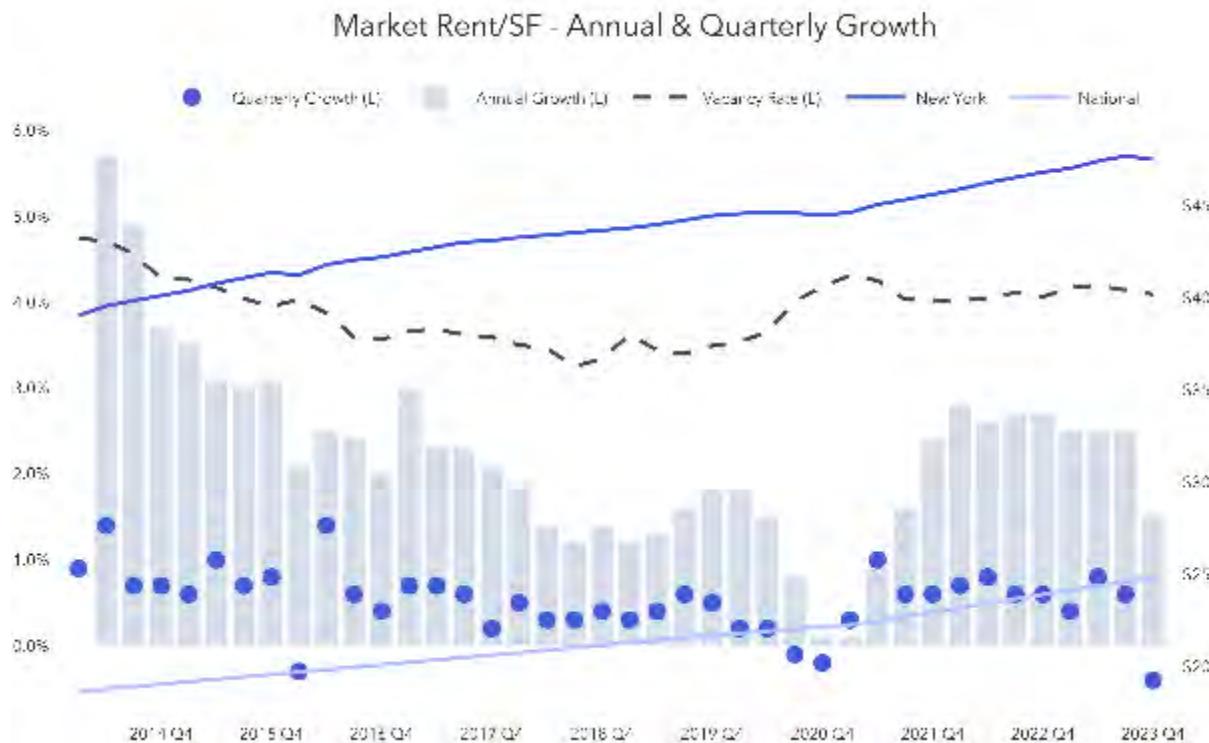
The Times Square Submarket has the highest average rent in New York, approaching \$300/SF, to go along with receiving the most foot traffic in New York. Recently signed leases by Van Leeuwen Ice Cream and Mario Acari achieved rents topping \$700/SF. Rents here are driven up by ultra-high prices in the tourism-friendly Bowtie area, the intersection of Broadway and Seventh Avenue.

Market participants note that the past peak of retail rents, when rents in SoHo and Madison Avenue regularly topped \$1,000/SF, is unlikely to return, as many retailers anticipate issues such as store theft and high buildout costs to compress their brick-and-mortar margins. Recent deals in this corridor, such as Rains (\$700/SF) and Fabrique Bakery (\$620/SF), highlight the still expensive, but declining rent premiums witnessed.

### Market Rents

	2014	2015	2016	2017	2018	2019	2020	2021	2022	23 Q3	23 Q4
National	\$19.04	\$19.58	\$20.06	\$20.64	\$21.17	\$21.71	\$22.12	\$22.92	\$23.93	\$24.61	\$24.75
Market	\$40.13	\$41.37	\$42.20	\$43.09	\$43.68	\$44.45	\$44.49	\$45.57	\$46.81	\$47.69	\$47.50

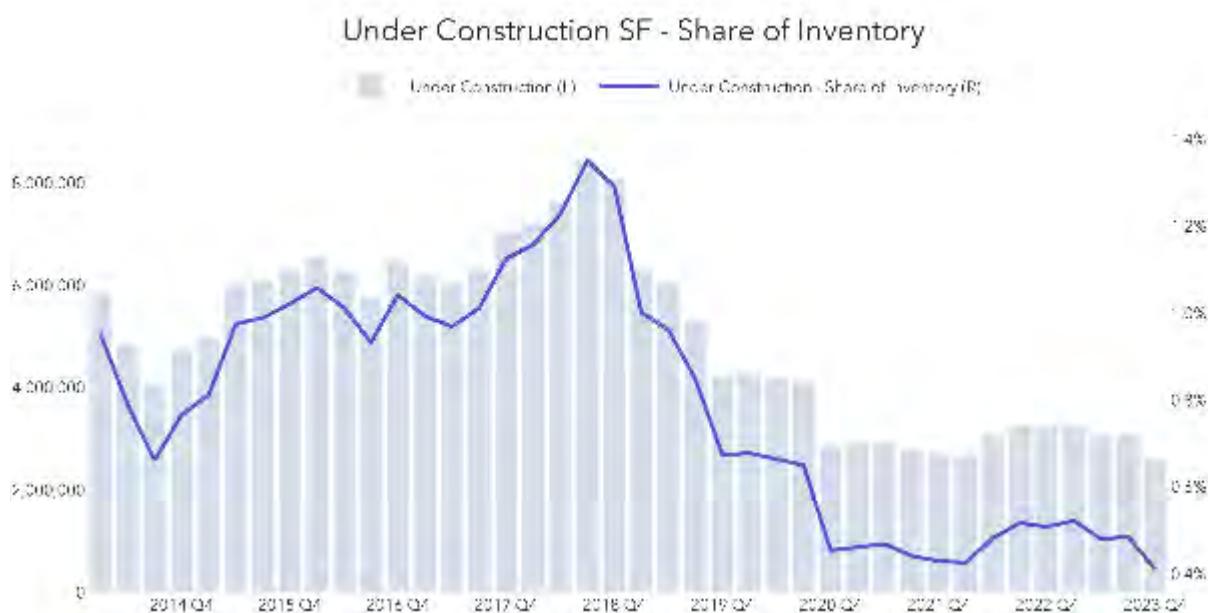
Prior to the pandemic, the New York Retail Market experienced an improvement in rent growth, although at a softened rate. In 2019 Q4, annual rent growth in the Market accelerated above the previous quarters yoy growth rate, but remained below the historical average, with annual growth of 1.8%. Despite concerns over the pandemic, quarterly rent growth improved in 2020 Q2, increasing 0.2% in 2020 Q2. By the end of 2020, rents increased 0.1% from the 2019 Q4 rent level of \$44.45/SF. From 2019 Q4 to 2021 Q4, rents increased 2.5%. Quarterly rent growth in 2023 Q4 declined, with annual growth slowing to 1.5%.



### Construction & Future Supply

New York has among the largest retail supply pipelines among all U.S. metros, at 2.2 million SF. It should be noted that construction activity has moderated considerably in recent years. A few large projects are underway, such as Life Time Fitness adding a new 120,000-SF location in Red Bank, New Jersey, which are not of the speculative variety. Coupled with the fact that much of what is under construction is sized between 30,000 SF and 100,000 SF, a minimal impact on future occupancies is anticipated.

The largest project underway is Glenwood Greens, a 360,000-SF shopping center in Old Bridge, New Jersey, being developed by Regency Centers. The project appears to be leasing up ahead of its 2024 delivery, with large commitments made by Target (134,000 SF), Rendina (72,000 SF), and Shoprite (80,000 SF.) However, not all projects are witnessing the same level of success, as evidenced by a 303,000-SF retail site in South Brooklyn at 1504 Coney Island Ave., which is due to deliver in 2024 and is largely available for lease. The sheer size of the site which is located in a more middle-income residential community is largely at fault for the underwhelming leasing performance.



## Capital Markets

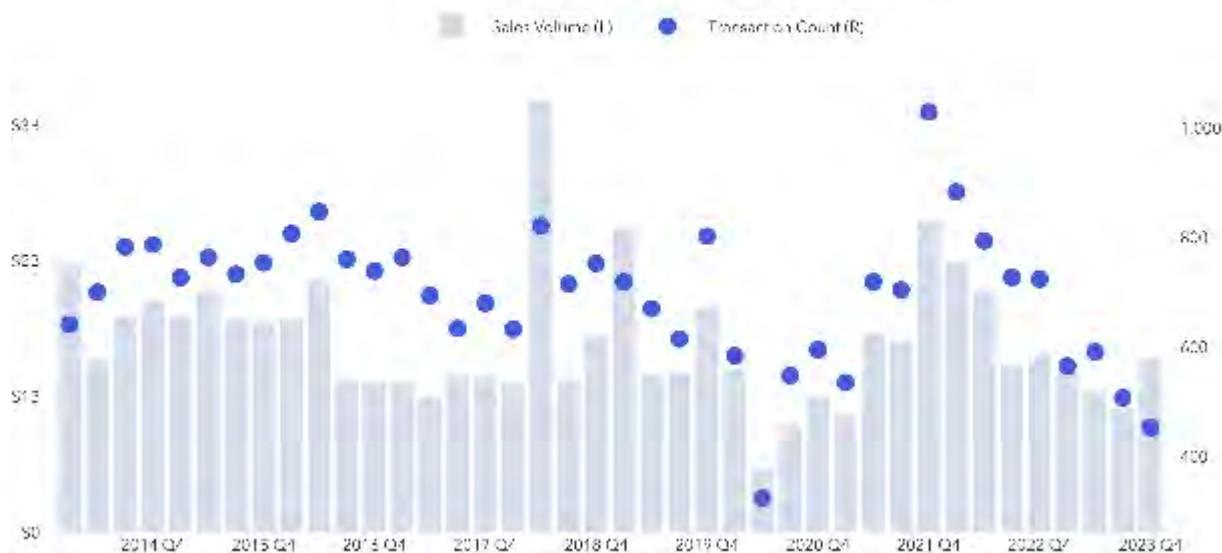
Investors have been active in the Market over the past three years. Going back three years, investors have closed on average 2,744 transactions per year with an annual average sales volume of \$5.6 billion. Over the past year, there were 2,116 closed transactions across 15.2 million square feet, for a total sales volume of \$4.4 billion. As of 2023 Q4, CoStar data indicates there were 453 transactions for a total sales volume of \$1.3 billion, compared to \$905.6 million in the previous quarter.

The impact of rising borrowing costs was evident in the \$112 million sale of the Source at White Plains, a 262,000-SF mall located in White Plains, a suburb north of New York City. Across the U.S., malls continue to have an availability rate that is higher than their pre-pandemic average, which impacts their valuations. Even though the asset was 100% occupied and located near several multifamily developments, UBS sold the property for \$41 million less than it paid for it in 2005. Hines purchased the grocery-anchored mall and cited the asset's resiliency to lockdowns and online shopping as reasons behind the purchase.

A recent general theme has been the transfer of assets with long-term leases in place as buyers target sites that can provide long-term cash flow. This was evident in the \$43 million (\$1,375/SF) sale of 221 N 14th St., a retail site in North Brooklyn that is fully leased to Vital Climbing Gym. This trend was evident outside of New York City as well, as 68,842-square-foot retail property in Central Westchester County traded for a total of \$31.4 million or roughly \$456 per square foot. The asset was fully leased to Stop & Shop at the time of sale. It was purchased in an all-cash deal by Dallas, TX-based NETSTREIT.

Expensive asset pricing continues to be a hallmark of the New York City retail investment scene as long-term investors are willing to pay a premium for properties here. In the largest trade observed over the past 12 months, Hennick & Company bought a 123,000 SF retail site at 410 E 60th Street in the Upper East Side for \$153 million or \$1,242 per square foot. The site was fully leased to credit tenants such as Home Depot and Starbucks. The price paid was a marked increase compared to the \$73 million the property sold for in 2017. The buyer noted that the site is one of the largest retail spaces in Manhattan and its purchase is a generational opportunity.

### Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$442/SF. Values have increased 1.6% over the past year but compressed 0.1% in 2023 Q4. Capitalization rates have increased 3 bps over the past year to 6.0% and increased 3 bps in Q4. While fundamentals remain fairly positive, the elevated cost of debt has slowed transaction activity in the capital markets. However, there is demand from investors, especially for properties with strong fundamentals in markets experiencing outsized population and household growth.

### Asset Value & Market Cap Rates



### Outlook

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

Retail market conditions in the New York Market indicate that demand increased, outpacing an active pipeline. Despite this, quarterly rent growth declined -0.4%, softening annual growth to 1.5%. Looking ahead to the near term, it is likely that tenant demand remains strong, outpacing a pipeline that continues to slow. Despite this, investment activity will remain limited, slowing improvement in values.

## Appendix

New York Retail Market Overview

Submarket	Inventory SF	Vacancy Rate	Availability Rate	Under Construction SF	Market Rent/SF	Market Sale Price Per SF	Market Cap Rate
North Brooklyn	51,216,465	3.3%	4.1%	193,905	\$53.86	\$500	5.42%
South Brooklyn	47,991,447	3.5%	4.5%	376,191	\$47.06	\$485	5.41%
Bronx	37,407,801	4.2%	5.9%	11,357	\$49.33	\$401	5.88%
Hudson Waterfront	34,451,988	2.4%	2.7%	36,000	\$33.41	\$273	6.59%
Ocean County	27,853,878	3.6%	4.8%	250,890	\$21.66	\$236	6.73%
Northeast Queens	24,754,183	2.5%	3.5%	107,731	\$55.72	\$567	5.42%
Eastern Monmouth	24,223,338	3.0%	4.2%	177,470	\$30.35	\$236	6.66%
South Queens	22,658,758	4.2%	5.0%	85,064	\$42.47	\$437	5.69%
Staten Island	20,456,268	5.1%	5.1%	3,015	\$37.15	\$372	6.07%
Central Queens	17,541,534	4.8%	5.5%	40,000	\$50.22	\$461	5.58%
Northwest Queens	14,808,423	2.8%	3.5%	43,843	\$53.57	\$527	5.41%
Southeast	14,097,420	4.4%	5.4%	5,988	\$37.27	\$307	6.07%
Western Monmouth	14,050,330	7.0%	8.3%	92,496	\$25.40	\$235	6.68%
South Edison	13,650,652	2.6%	3.8%	423,004	\$24.16	\$224	6.97%
Brunswick	13,413,001	3.9%	6.4%	59,200	\$24.74	\$231	6.94%
Route 4/17	13,256,024	2.9%	6.0%	41,644	\$40.21	\$300	6.27%
Southwest	11,895,597	2.5%	3.8%	102,500	\$40.85	\$330	5.90%
Meadowlands	11,338,918	2.0%	2.3%	13,613	\$24.77	\$259	6.65%
Harlem/North	10,358,978	7.1%	9.5%	117,000	\$73.46	\$964	4.66%
Manhattan							
Newburgh	9,913,436	3.2%	4.0%	0	\$19.95	\$155	6.89%
Clarkstown	9,612,372	6.7%	7.8%	0	\$39.85	\$269	6.06%
Passaic Rt 46/23	9,027,613	8.3%	10.2%	16,800	\$28.36	\$242	7.04%
Southern Monmouth	8,694,255	2.2%	3.0%	0	\$23.13	\$240	6.63%
Middletown	8,459,576	4.6%	6.9%	96,800	\$20.35	\$165	6.52%
Route 3/GSP	8,390,778	2.0%	4.6%	0	\$24.29	\$218	7.04%
GW Bridge	8,266,785	2.5%	3.4%	0	\$36.82	\$356	6.26%
North	8,102,162	5.7%	9.7%	0	\$30.14	\$251	6.81%
Edison/Woodbridge							
Passaic Urban Region	7,050,386	1.3%	1.7%	0	\$25.15	\$202	7.28%
East I-287 Corridor	6,504,071	2.9%	3.6%	0	\$39.23	\$329	5.95%
Penn Plaza/Garment	6,394,251	9.8%	11.1%	0	\$112.64	\$1,243	4.50%
Downtown Brooklyn	6,372,908	5.3%	8.2%	0	\$94.68	\$580	5.34%
Northwest	6,179,225	3.4%	5.4%	9,500	\$28.25	\$275	6.33%
Route 46 Corridor	5,883,717	1.3%	2.0%	5,370	\$25.72	\$268	6.54%
Soho	5,636,096	3.8%	4.5%	0	\$129.26	\$1,461	4.13%
Plaza District	5,479,793	7.4%	5.7%	0	\$156.96	\$1,337	4.41%
Chelsea	5,009,923	5.5%	6.9%	0	\$119.04	\$1,326	4.38%
White Plains CBD	4,984,261	32.2%	12.1%	13,000	\$50.03	\$310	5.81%
West I-287 Corridor	4,983,045	6.0%	5.4%	0	\$37.21	\$314	6.05%
North	4,978,479	6.3%	10.3%	0	\$33.87	\$307	5.86%
Ramapo	4,732,604	5.0%	5.3%	0	\$26.62	\$263	6.14%
Route 287 East	4,700,020	2.2%	5.2%	0	\$26.60	\$230	6.82%
Monroe	4,454,025	1.9%	3.3%	0	\$24.76	\$177	6.62%
Upper East Side	4,343,314	2.8%	4.7%	36,000	\$142.51	\$1,529	4.26%
Palisades	3,964,620	2.1%	3.3%	0	\$26.90	\$304	6.44%
North Central Bergen	3,918,719	5.2%	6.7%	11,000	\$30.27	\$310	6.40%
Hackensack	3,686,833	2.0%	2.1%	0	\$27.05	\$260	6.45%
Times Square	3,577,432	3.2%	5.1%	152,000	\$337.50	\$1,787	4.29%
Upper West Side	3,486,511	2.1%	3.0%	0	\$162.06	\$1,565	4.27%
North 17 Corridor	3,237,993	3.3%	3.3%	21,366	\$30.63	\$313	6.29%

Brunswick West	2,760,662	7.7%	8.6%	0	\$22.26	\$258	6.90%
Columbus Circle	2,591,884	7.7%	11.5%	0	\$147.41	\$1,097	4.63%
Gramercy Park	2,507,153	2.1%	3.2%	0	\$128.47	\$1,336	4.25%
Route 208 Corridor	2,143,257	1.8%	2.9%	0	\$25.49	\$261	6.62%
Orangetown	2,100,507	6.9%	8.0%	0	\$25.27	\$259	6.27%
Upper Suburban	2,100,086	6.1%	7.5%	0	\$19.96	\$199	7.11%
Passaic							
Greenwich Village	2,006,281	2.8%	3.9%	0	\$129.19	\$1,389	4.18%
City Hall	1,662,818	5.1%	7.4%	0	\$94.28	\$1,135	4.36%
Hudson Square	1,652,990	2.6%	3.5%	0	\$176.48	\$1,875	4.05%
Tribeca	1,486,325	2.1%	7.3%	0	\$96.12	\$1,052	4.59%
Western Bergen	1,375,855	1.3%	1.7%	0	\$30.75	\$310	6.44%
Upper Parkway	1,289,048	2.5%	4.2%	52,025	\$37.69	\$351	6.40%
Teaneck/Ridgefield	1,273,091	0.5%	0.8%	0	\$26.11	\$287	6.56%
World Trade Center	937,536	7.8%	2.1%	0	\$112.07	\$1,064	4.76%
Financial District	747,873	4.2%	6.1%	0	\$100.34	\$1,028	4.61%
Murray Hill	622,087	24.2%	24.7%	0	\$160.42	\$1,400	4.13%
Insurance District	537,827	0.5%	1.1%	0	\$104.28	\$1,314	4.35%
Grand Central	416,179	14.3%	14.8%	0	\$253.91	\$1,858	4.11%
Northeast	349,085	0.8%	1.1%	0	\$45.96	\$411	5.81%
U.N. Plaza	43,226	0.0%	NA	0	\$144.87	\$1,726	3.95%

[rent-stabilization-laws]

## Summary of Rent Stabilization Laws

There are two types of rent regulations in New York City: rent control and rent stabilization. The original rent control dates to the 1940's and was enacted as a means to protect tenants from a housing shortage post-WWII. Today, rent stabilization is the more common of the two forms of rent regulations. Rent stabilization typically affects apartments in buildings with six or more units constructed between 1947 and 1973 (buildings constructed after 1974 can be rent stabilized if they receive tax benefits)

Rent Control is the older and more restrictive form of regulation. Rent regulation in New York City went into effect in 1943. In order for a unit to be Rent Controlled the building must have been constructed prior to 1947. In addition, the tenant must have been in continuous occupancy since before July 1, 1971. For Rent Control, rent is a function of the Maximum Base Rent (MBR) system, a function of the initial filing when the law went into effect. Rent Controlled apartments typically rent for a fraction of market rent. Due to the significant leasehold advantage created by the rent control guidelines, apartments seldom turn over (in most cases only upon the tenant's death). Less than 2% of the City's housing stock remains Rent Controlled.

Rent Stabilization is by far the more common of the two forms of rent regulation, affecting approximately 45% of the housing stock. Rental increases are set by the Rent Stabilization Guidelines Board for either one or two-year leases. In general, units in buildings containing six or more dwelling units completed prior to January 1, 1974, buildings built on or after January 1, 1974 receiving property tax benefits such as 421-a, and certain housing rehabilitated under governmental loan programs can be stabilized.

The New York State Division of Housing and Community Renewal (DHCR) administers both rent control and rent stabilization within the City of New York and is authorized to promulgate amendments to the Rent Stabilization Code.

### Rent Registration

In June 2023, the NYC Rent Guidelines Board adopted rent adjustments for rent stabilized apartment and loft leases commencing on or after October 1, 2023 and on or before September 30, 2024.

- 1-year lease: 3.00%
- 2-year lease: 2.75% in the first year and 3.2% in the second year based on the previous year's rent

The below table shows the historical rent adjustments voted for and approved by the NYC Rent Guidelines Board.

Year as of October 1	1 Year Lease	2 Year Lease
2023	3.00%	2.75% first year, 3.2% second year
2022	3.25%	5.00%
2021	0.0% first 6 months, 1.5% second 6 months	2.5%
2020	0.0%	1.0%
2019	1.5%	2.5%
2018	1.5%	2.5%
2017	1.25%	2.0%
2016	0.0%	2.0%
2015	0.0%	2.0%
2014	1.0%	2.75%
2013	4.0%	7.75%
2012	2.0%	4.0%
2011	3.75%	7.25%
2010	2.25%	4.5%

Owners are required to annually register with the DHCR all rent stabilized apartments. The registration statement lists the rent charged on the registration date, the number of rooms, the services provided on the base date, and various building-wide information. A copy of the registration statement must be mailed to the tenant occupying a stabilized unit. Unless an apartment has been properly registered, no rent increase may be charged. The maximum lease term is two years. Both vacancy and renewal tenants are to be given the option of a one or two-year lease. Other than the regulation of rent, the primary protection afforded to a "rent-stabilized" tenant is the right to a renewal lease.

The Code promulgated by the DHCR provides that the tenant has the right to add his/her spouse as a named tenant on the lease. The Code also gives certain "family members" a right, known as succession, to a renewal lease if the tenant of record vacates the housing accommodation or dies.

The Rent Regulation Reform Act of 1997 limited the types of family members who could claim succession and limits the right to succession at a renewal lease rate to one generation. Upon the second claim of succession, the family member must pay rent according to the vacancy formula described above. The 2015 Rent Act limits succession to one generation.

## 421-A & The Affordable NY Property Tax Benefit Program

The 421-a program, which provided property owners property tax benefits ranging from 10 to 25 years, expired on January 15, 2015, as lawmakers were unable to reach an agreement to guarantee union-level wages for construction workers on 421-a projects. According to a report issued by the city's Independent Budget Office (IBO), the guarantee of wages would result in a significant increase in construction costs. The report states that the cost of Mayor Bill de Blasio's stated 80,000-unit affordable housing goal could shoot up by \$2.8 billion. An analysis of 57 new projects found costs on average would increase by 13%. Proponents of the wage increase claim the report does not account for the economic tax benefits developers receive under the 421-a program.

After more than a year of debate, the Governor and the New York State Legislature came to an agreement on revisions to the 50-year-old 421-a program. However, the new program is called the Affordable New York Housing Program. According to the Mayor's office it will generate 2,500 units of housing affordable to poor, working-class and middle-class New Yorkers, annually. However, developers will be required to pay a "fair wage" to construction workers to qualify for the city tax benefits, and this requirement has some analysts skeptical of the number of jobs it will create.

With the updated program, developers of market-rate rental buildings of 300 units or more in certain neighborhoods can get a full property tax exemption for 35 years if they set aside 25 to 30 percent of the units for low- and moderate-income tenants. The program will be in effect until at least 2022 under the legislation signed.

The program requires developers to pay construction workers an average of \$60 an hour in wages, benefits and payroll taxes at projects below 96th Street in Manhattan, and \$45 an hour at projects within a mile of the East River waterfront. Additionally, projects outside those zones can "opt in" to the program if they fulfill the requirements. And the city comptroller will determine whether developers have complied with the minimum-wage standards, which can vary significantly among construction workers and their skill levels.

Given how new the Affordable New York Housing Program is, it is too early to determine how it may affect the land and development in New York City.

## The Housing Stability and Tenant Protection Act of 2019

In June 2019, the New York State Assembly passed the Housing Stability and Tenant Protection Act of 2019, which brought in sweeping changes to the rent stabilization laws. Below we highlight the major changes:

### Vacancy Decontrol

Previously a unit could be removed from rent-stabilization (referred to as destabilized or decontrolled) when the monthly price hits a rent threshold, most recently \$2,951.54 when it became vacant.

Now, this rule has been repealed. The new law also eliminates the rule whereby when a renter's income exceeds \$200,000, could decontrol a unit.

### Vacancy Bonus

Previously, this rule allowed property owners to raise rents up to 20% when a rent stabilized unit becomes vacant.

Now this bonus has been eliminated. Also, there was an additional longevity bonus, which sometimes allowed rents to be raised by an additional amount based on the duration of the previous tenant, and this has also been eliminated.

### Major Capital Improvements (MCIs)

This is the annual rent increase that landlords can charge tenants for major capital improvements (building-wide upgrades).

Previously it was 6% of the MCI cost in NYC.

Now it is 2 percent in NYC. Also, the MCI increases will be eliminated after 30 years, instead of being permanent.

### Individual Apartment Improvements (IAIs)

The amount of spending on individual apartment improvements will be capped at \$15,000 over a 15-year period (and owners will only be allowed to make up to three IAIs over that period).

Previously, an owner could add 1/40 of the IAI to the rent.

Now an owner can add 1/168 of the IAI to the rent. Also, rent increases for IAIs will be eliminated after 30 years, instead of being permanent.

### Preferential Rent

A tenant receiving a preferential rent (a rent below the legal regulated rent), will no longer be able to raise the rent to the full legal limit at lease renewal.

Note that an estimated 266,000 of the 1 million rent stabilized tenants receive preferential rents. However, when the tenant leaves, the owner can charge up to the full legal rent.

### Rent Controlled Tenant Rental Increases

The maximum rent increases for rent-controlled tenants will be set at the average of the five most recent Rent Guidelines Board annual rent increases for one-year rent-stabilized renewals.

### Co-op and Condo Conversions

Previously, 15% of apartments have to be sold (to either residents or outside investors) in order for a building to convert to a coop or condo. Now 51% of tenants who live in the building must agree to buy units for a conversion to happen.

## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

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

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

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

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

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

#### Education

**Cornell University**      Bachelor of Science

**Emory University**      Master of Public Health

#### Certifications & Professional Designations

**Appraisal Institute**      MAI, Designated Member

Michelle is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser**      State of New York (# 4600049921)

State of Florida (# RZ4135)

State of Georgia (# 404989)

State of Louisiana (# G4507)

State of Maine (# CG 4769)

Commonwealth of Massachusetts (# 1000274)

State of New Hampshire (# NHCG-1055)

State of Tennessee (# 6208)

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

**Publications**

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

**Maren Lewis, MAI**

Senior Vice President

**Experience**

Maren Lewis is a Senior Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate industry for over 16 years, with experience in commercial real estate appraisal since 2017.

Maren has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels, and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Maren served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Maren worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for eight years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations for senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Maren worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

**Education**

**Cornell University, School of Hotel Administration** Bachelor of Science with a focus on the hospitality industry and a concentration in finance

**Certifications & Professional Designations**

**Appraisal Institute** MAI, Designated Member

Maren is currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.

**Certified General Real Estate Appraiser** State of New York (# 46000053421)  
State of Illinois (# 553.003005)  
State of Michigan (# 1205078256)  
State of New Jersey (# 42RG00282100)

## Ashna Saigal

Vice President

### Experience

Ashna Saigal is an Vice President at Bowery Valuation who joined the firm in September 2021. She has worked in the real estate appraisal industry since 2019 and has appraised multifamily, office, industrial, retail centers, mixed-use properties, development sites, condominium and cooperative buildings, hotels, and specialty properties in New York, New Jersey, Connecticut, Georgia, California, Michigan, Wyoming, Illinois, Maine, Ohio, and Maryland.

Before joining Bowery, Ashna served as a Commercial Real Estate Appraiser Trainee at Highbridge Realty Advisors based in New York City.

Ashna began her real estate career as an intern at Keller Williams NYC (Tribeca) after successfully passing the New York Real Estate Salesperson exam while completing her undergraduate degree at New York University.

### Education

<b>New York University, Steinhardt School of Culture, Education, and Human Development</b>	Cum Laude, Dean's List Bachelor of Music with a major in Music Business and a minor in Law and Society
<b>New York Real Estate Institute</b>	Real Estate Salesperson

### Certifications

<b>Appraisal Institute</b>	Candidate for Designation
<b>Certified General Real Estate Appraiser</b>	State of New York (# 46000053922) State of Connecticut (# RCG.0001737) State of Georgia (# 434423) State of New Jersey (# 42RG00282600)

## John M. Tuohy

Vice President

### Experience

John M. Tuohy is a Vice President at Bowery Valuation who joined the firm in August 2020. He has worked in the real estate industry as a commercial appraiser since 1995. He has appraised a wide variety of property types including multi-unit residential, office, industrial, retail centers, mixed-use properties, and development sites throughout the Eastern United States. Prior to joining Bowery, John served as a Senior Appraiser at BBG Appraisals in New York.

### Education

**New York University** Masters of Real Estate, Valuation

### Certifications & Professional Designations

<b>Certified General Real Estate Appraiser</b>	State of New York (#46000018743) State of Connecticut (# RCG.0001632) State of Massachusetts (# 1000320) State of New Jersey (# 42RG00273900) Commonwealth of Pennsylvania (# GA004527)
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## Licenses

Michelle Zell, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000049921	State of New York Department of State DIVISION OF LICENSING SERVICES			FOR OFFICE USE ONLY Control No. <b>115542</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.			EFFECTIVE DATE MO.   DAY   YR. 05   09   19	EXPIRATION DATE MO.   DAY   YR. 05   08   21
<input checked="" type="checkbox"/> ZELL MICHELLE R C/O BBB INC 112 MADISON AVE 11TH FL NEW YORK, NY 10016				
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER				
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROSSANA ROSADO</b> SECRETARY OF STATE				
DOS-1096 (Rev. 3/01)				

Maren Lewis, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053421	State of New York Department of State DIVISION OF LICENSING SERVICES			FOR OFFICE USE ONLY Control No. <b>1546034</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.			EFFECTIVE DATE MO.   DAY   YR. 10   08   21	EXPIRATION DATE MO.   DAY   YR. 10   07   23
<input checked="" type="checkbox"/> LEWIS MAREN H C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012-4446				
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER				
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROSSANA ROSADO</b> SECRETARY OF STATE				
DOS-1096 (Rev. 3/01)				

Ashna Saigal, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000053922	State of New York Department of State	FOR OFFICE USE ONLY Control No. <b>1531670</b>
DIVISION OF LICENSING SERVICES		
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		
SAIGAL ASHNA C/O BOWERY VALUATION 61-63 CROSBY STREET 3RD FLOOR NEW YORK, NY 10012		EFFECTIVE DATE MO. 10   DAY 26   YR. 22
		EXPIRATION DATE MO. 10   DAY 25   YR. 24
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROBERT J. RODRIGUEZ</b> <small>SECRETARY OF STATE</small>		
DOS-1098 (Rev. 3/01)		

John Tuohy, State Certified General Appraiser- New York

UNIQUE ID NUMBER 46000018743	State of New York Department of State	FOR OFFICE USE ONLY Control No. <b>1534419</b>
DIVISION OF LICENSING SERVICES		
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		
TUOHY JOHN M C/O TUOHY JOHN M 132 04 CRONSTON AVE BELLE HARBOR, NY 11694-1420		EFFECTIVE DATE MO. 04   DAY 19   YR. 23
		EXPIRATION DATE MO. 04   DAY 18   YR. 25
HAS BEEN DULY CERTIFIED TO TRANACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small> <b>ROBERT J. RODRIGUEZ</b> <small>SECRETARY OF STATE</small>		
DOS-1098 (Rev. 3/01)		

## Letter of Engagement



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

### ENGAGEMENT LETTER FOR PROFESSIONAL VALUATION SERVICE

**Date of Agreement:**

February 26, 2024

#### PARTIES TO AGREEMENT:

**Client:**

Mr. Moshe Weinberger  
The Zarasai Fund  
The Pinnacle Group  
One Penn Plaza, Suite 4000  
New York, NY 10119  
[moshe@pinnacleny.com](mailto:moshe@pinnacleny.com)

**Appraisers:**

Bowery Valuation  
61-63 Crosby Street, 3rd Floor  
New York, NY 10012  
212.634.9397  
Michelle Cell 917.533.3141

Client hereby engages Bowery Valuation to complete an appraisal assignment as follows:

#### PROPERTY IDENTIFICATION

16 Full reports as of December 31, 2023



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61-63 Crosby Street  
New York, NY 10012

## PROPERTY TYPES

Multifamily and Land

## INTEREST VALUED

Leased fee Interest and Fee Simple For Land

## INTENDED USERS

The Intended User(s) of the report is The Zarasai Fund, and its related entities, successors, and/or assigns, and auditors.

## INTENDED USE

The Intended Use is asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE.

## TYPE OF VALUE

The current fair value per IFRS 13.

## DATE OF VALUE

12/31/2023

## PAYMENT TO BOWERY VALUATION

\$60,000.

## PAYMENT DUE DATE

Bowery Valuation shall invoice Client for services rendered pursuant to this Agreement based upon the fees specified in this Agreement. 50% due upon signing the engagement letter and the balance upon delivery of the spreadsheet and reports.



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New York, NY 10012

## DELIVERY DATE

March 1, 2024

## DELIVERY METHOD

Final report delivered as PDF via email. Up to 3 printed reports delivered if requested.

## HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS

Used if necessary, will be discussed with the client.

## APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Reports will also be prepared in accordance with International Financial Reporting Standards ("IFRS") for an appraisal report for the purpose of financial reporting.

## ANTICIPATED SCOPE OF WORK

### Site visit:

Interior and Exterior

## VALUATION APPROACHES

Appraisers shall use all approaches necessary to develop a credible opinion of value; all three approaches considered: Sales comparison approach / Cost approach / Income approach

## APPRAISAL REPORT

### Report option:

Written Appraisal Report (fka Self-Contained Appraisal Report)

## FORM OR FORMAT

Narrative



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New York, NY 10012

## CONTACT FOR PROPERTY ACCESS, IF APPLICABLE

To be provided by client

## CONTRACT FOR SALE

If the property appraised is currently under contract for sale, Client shall provide to Appraisers a copy of said contract including all addenda.

## PROPOSED IMPROVEMENTS

If the property appraised consists of proposed improvements, Client shall provide to Appraisers plans, specifications or other documentation sufficient to identify the extent and character of the proposed improvements.

## ADDITIONAL DOCUMENTATION

Client agrees to provide Appraisers with the documentation as needed.

## WHEN BOWERY VALUATION'S OBLIGATIONS ARE COMPLETE

Bowery Valuation's obligations pursuant to this Agreement are complete when the Draft Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery, however they are to be considered beyond the scope of the engagement.

## CONFIDENTIALITY

Bowery Valuation shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

## USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Bowery Valuation



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61-63 Crosby Street  
New York, NY 10012

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shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

### **SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

### **TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment. If the appraisers are required to testify or make statements related to any part of the appraisal report by any party, the fee to the client shall be \$500 per hour.

### **CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

### **CANCELLATION**

Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Client shall pay Bowery Valuation for work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, unless otherwise agreed upon by Bowery Valuation and Client in writing.

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61-63 Crosby Street  
New York, NY 10012

## GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by the law of the state in which Bowery Valuation's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

## APPRAISER INDEPENDENCE

Appraisers cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

## NOTICES

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

## NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.



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61-63 Crosby Street  
New York, NY 10012

## MEDIATION & ARBITRATION

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Bowery Valuation's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

## SPECIAL OR CONSEQUENTIAL DAMAGES

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.

## ASSIGNMENT

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this



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New York, NY 10012

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Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

### **SEVERABILITY**

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

### **CLIENT'S DUTY TO INDEMNIFY APPRAISERS**

Client agrees to defend, indemnify and hold harmless Bowery Valuation and Appraisers from any damages, losses or expenses, including attorneys' fees and litigation expenses at trial or on appeal, arising from allegations asserted against Appraisers by any third party that if proven to be true would constitute a breach by Client of any of Client's obligations, representations or warranties made in this Agreement, or any violation by Client of any federal, state or local law, ordinance or regulation, or common law (a "Claim"). In the event of a Claim, Bowery Valuation shall promptly notify Client of such Claim, and shall cooperate with Client in the defense or settlement of any Claim. Client shall have the right to select legal counsel to defend any Claim, provided that Appraisers shall have the right to engage independent counsel at Bowery Valuation's expense to monitor the defense or settlement of any Claim. Client shall have the right to settle any Claim, provided that Bowery Valuation shall have the right to approve any settlement that results in any modification of Appraisers' rights under this Agreement, which approval will not be unreasonably withheld, delayed or conditioned.

### **CLIENT'S REPRESENTATIONS AND WARRANTIES**

Client represents and warrants to Bowery Valuation that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

### EXTENT OF AGREEMENT

This Agreement represents the entire and integrated agreement between the Client and Bowery Valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Bowery Valuation. This Agreement includes the Appendices (if any), which are incorporated into, and made a part of this Agreement.

### EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both an agent for Bowery Valuation and Client within 5 days of the Date of Agreement specified.

As Agent for Bowery

A handwritten signature in black ink that appears to read "michelle zell".

(Signature)

Michelle Zell

By Client:

A handwritten signature in black ink that appears to read "Addressee".

(Signature)

Addressee

2/26/2024

(Date)

(Date)



Bowery Valuation  
61-63 Crosby Street  
New York, NY 10012

25-35 Hillside Avenue
86-06 35th Avenue
4530 Broadway
3647 Broadway
3657 Broadway
955 Underhill Avenue & 910 Thieriot Avenue
706 Lefferts Avenue
24 Joralemon Street
143 Linden Boulevard
25 Cumming Street (aka Seaman Street)
233 East 77th Street
323 W 96th Street
12-34 Crown Street
142-20 Franklin Avenue
111 Worth Street
1880 E Tremont (5 parcels in total)

## Glossary of Terms

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

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

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

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

**Yield Capitalization**

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