



APPRAISAL REPORT

Alhambra Apartments
500 Nostrand Avenue
Brooklyn, NY 11216

Mixed-Use Building

REQUESTED BY

Shawntae Nixon

Greystone Servicing Company LLC
419 Belle Air Lane
Warrenton, VA 20186

DATE OF VALUE

As Is: September 30, 2022

PREPARED BY



Helen Peng, MAI,
AI-GRS



Ross Wigon



John M. Tuohy



Madi Johnson

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October 11, 2022

Shawntae Nixon
Greystone Servicing Company LLC
419 Belle Air Lane
Warrenton, VA 20186

Re: Appraisal File No. 2200021207
Mixed-Use Building
500 Nostrand Avenue
Brooklyn, NY 11216

Dear Ms. Nixon,

In accordance with your request, we have completed an appraisal of 500 Nostrand Avenue for the purpose of advancing the following opinions:

1. As Is, Encumbered Market Value of the Leased Fee Interest
2. Hypothetical Value of the Leased Fee Interest subject to the Hypothetical Condition that the subject property is free of rent and income restrictions (Unencumbered Scenario)

The subject is an individually landmarked, 5-story, walk-up, mixed-use property consisting of 46 residential units, a mix of one-, two-, and three-bedrooms and 11 commercial units with 61,380 square feet of above grade gross building area. The residential units are 98% occupied - with the vacant unit leased for October 21, 2022 occupancy - and there is an on-site superintendent who receives free rent as part of their compensation package. Of the 11 commercial units, 1 is a below grade office unit and 10 are ground floor retail units, The commercial units range in size from 490 to 1,600 square feet and span a total of \pm 8,548 square feet of finished area. We note that the subject previously had a total of 10 commercial units, but ownership has partitioned part of H&R Block Inc.'s unit to create an eleventh retail unit, with the unit available for lease by October 1, 2022. Overall, the subject is 96% occupied.

The subject occupies a through lot which fronts Halsey Street, Nostrand Avenue, and Macon Street. The subject is known by several other addresses, as the commercial units span from 500 Nostrand Ave. to 518 Nostrand Ave.; the office unit is accessed at 82 Halsey St.; and the residential portions of the property are also known as 29 Macon St. (with 23 residential units) and 86 Halsey St. (with 23 residential units).

On June 30, 1997, the owner, Alhambra Associates, L.P., entered an agreement with the City of New York and Department of Housing Preservation and Development ("HPD") to finance a rehabilitation project with low-interest loans. As part of this financing agreement, the subject's units became rent- and income-restricted for a 30-year compliance period through June 29, 2027. Specifically, the agreement restricts units to households earning less than 60% of Area Median Income ("AMI"), and it sets corresponding maximum rents based on income levels and bedroom counts. The units are then subject to rent stabilization laws concerning allowable annual rent increases. The property was previously subject to a NYC Housing Development Corporation ("HDC") regulatory agreement as of September 13, 1999 for a 15-year period, but it expired in 2014 and is no longer applicable.

The subject is situated on a 20,000 square foot parcel in an R6A zone with a C2-4 commercial overlay and is identified in the city of Brooklyn, Kings County tax maps as Block 1843, Lot 20. The subject property is located in the Bedford-Stuyvesant neighborhood of Brooklyn. 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.

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), Greystone Servicing Company LLC's appraisal guidelines, and applicable state appraisal regulations. To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP.

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.

The report is for the use and benefit of, and may be relied upon by:

1. Greystone Servicing Company LLC, Freddie Mac, and any successors and assigns ("Lender");
2. independent auditors, accountants, attorneys, and other professionals acting on behalf of Lender;
3. governmental agencies having regulatory authority over Lender;
4. designated persons pursuant to an order or legal process of any court or governmental agency;
5. prospective purchasers of the Mortgage; and
6. with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property, which is the subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents, and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer of other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency;
 - any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus, or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities.

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 Market Value, Encumbered Scenario | September 30, 2022 | Leased Fee Interest | \$12,000,000 |
| Hypothetical Value, Unencumbered Scenario | N/A | Leased Fee Interest | \$21,400,000 |

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.

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October 11, 2022

The value conclusions are subject to the following **Extraordinary Assumptions**¹. 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:

- It is assumed that stabilized occupancy is sustained for the duration of the regulatory agreement at the required set rents and income limits to avoid penalties and to comply with the terms outlined in the regulatory agreement.

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**². We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- The subject is encumbered by a regulatory agreement that imposes rent and income restrictions for tenants. Per the client's requirements, a hypothetical condition is employed that assumes the absence of the regulatory agreement, and therefore, any restrictions associated with income and/or rent. The expressed intent of the hypothetical condition is to provide a market value of the property such that both income and expenses reflect market levels with no influence from any restrictive encumbrances.

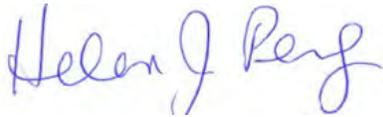
The opinion of value expressed herein is subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,

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

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



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Summary of Salient Facts & Conclusions

500 Nostrand Avenue, Brooklyn, New York



The subject is an individually landmarked, 5-story, walk-up, mixed-use building consisting of 46 residential units and 11 commercial units, of which 1 is an office and 10 are retail, with 61,380 square feet of gross building area.

On June 30, 1997, the owner entered an agreement with the City of New York and Department of Housing Preservation and Development ("HPD") to finance a rehabilitation project with low-interest loans. As part of this financing agreement, the subject's units became rent- and income-restricted for a 30-year compliance period through June 29, 2027. The agreement sets corresponding maximum rents based on income levels. The units are then subject to rent stabilization laws.

Salient Facts

Property

| | |
|---|--------------------------------|
| Property Name | Alhambra Apartments |
| Address | 500 Nostrand Avenue |
| City | Brooklyn |
| State | New York |
| County | Kings County |
| Block/Lot | Block 1843, Lot 20 |
| Highest and Best Use - Vacant | Mixed-Use Commercial/Apartment |
| Highest and Best Use - As Improved | Mixed-Use Commercial/Apartment |

Building Characteristics

| | |
|--|----------------|
| Property Type | Mixed-Use |
| GBA | 61,380 sq. ft. |
| Year Built | 1890 |
| No. of Floors | 5 |
| Residential Units | 46 |
| Commercial Units | 11 |
| Occupancy (Residential / Overall) | 98% / 96% |
| Condition | Average |
| Total Economic Life | 50 years |
| Effective Age | 15 years |
| Remaining Economic Life | 35 years |

Site Characteristics

| | |
|---------------------------------|------------------------------------|
| Site Area (acres/sq. ft) | 20,000 sq. ft. / 0.4591 acre |
| Site Shape/Topography | Rectangular |
| Zoning | R6A with a C2-4 commercial overlay |
| Flood Zone | Zone X |

SWOT

Strengths

- The property generates considerable income from commercial tenants, improving operational efficiency and income profile of the subject.
- The property has on-site management and an on-site superintendent to provide regular maintenance.

Weaknesses

- All units are rent- and income-restricted and subject to rent stabilization guidelines, which curtails allowable annual rent increases.

Opportunities

- There has been increased demand for similar assets as investors from prime New York Metro submarkets seek higher returns increasing pricing for similar assets.

Threats

- On September 21st, 2022, the Federal Reserve Board increased their benchmark rate by 75 basis points, the fifth increase this year in an effort to curb inflation. There was a 25-basis point increase in March, a 50-basis point increase in May, 75 bps in June and 75 bps again in July. It is likely that the Federal Reserve Board will announce additional rate hikes yet in 2022.

Financial Indicators (Market Value As Is)

| | Total | Per SF-GBA | Per Residential Unit |
|---|--------------|------------|----------------------|
| Potential Gross Income | \$1,162,026 | \$18.93 | \$25,261 |
| Effective Gross Income | \$1,126,521 | \$18.35 | \$24,490 |
| Operating Expense Ratio | 42% | - | - |
| Net Operating Income | \$658,017 | \$10.72 | \$14,305 |
| Capitalization Rate | 5.50% | - | - |
| Stabilized Blended Occupancy | 96.94% | - | - |
| As Is Market Value via Income Capitalization Approach | \$12,000,000 | \$195.50 | \$260,870 |
| As Is Market Value via Sales Comparison Approach | \$12,300,000 | \$200.39 | \$267,391 |

Financial Indicators (Hypothetical Value applying market rents)

| | Total | Per SF-GBA | Per Residential Unit |
|---|--------------|------------|----------------------|
| Potential Gross Income | \$1,970,451 | \$32.10 | \$42,836 |
| Effective Gross Income | \$1,876,765 | \$30.58 | \$40,799 |
| Operating Expense Ratio | 26% | - | - |
| Net Operating Income | \$1,389,505 | \$22.64 | \$30,207 |
| Capitalization Rate | 6.50% | - | - |
| Stabilized Blended Occupancy | 95.25% | - | - |
| Hypothetical Value via Income Capitalization Approach | \$21,400,000 | \$348.65 | \$465,217 |

Value Conclusion

Final Value Conclusion

| Value Premise | Date of Value | Interest Appraised | Value Conclusion |
|--|--------------------|---------------------|------------------|
| As Is Market Value | September 30, 2022 | Leased Fee Interest | \$12,000,000 |
| Hypothetical Value (Applying Market Rents) | N/A | Leased Fee Interest | \$21,400,000 |

The value conclusions are subject to the following **Extraordinary Assumptions**³. 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:

- It is assumed that stabilized occupancy is sustained for the duration of the regulatory agreement at the required set rents and income limits to avoid penalties and to comply with the terms outlined in the regulatory agreement.

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**⁴. We note the use of this/these hypothetical conditions(s) may have affected the assignment results:

- The subject is encumbered by a regulatory agreement that imposes rent and income restrictions for tenants. Per the client's requirements, a hypothetical condition is employed that assumes the absence of the regulatory agreement, and therefore, any restrictions associated with income and/or rent. The expressed intent of the hypothetical condition is to provide a market value of the property such that both income and expenses reflect market levels with no influence from any restrictive encumbrances.

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

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

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Introduction

Purpose & Date of Value

| Value Premise | Date of Value | Interest Appraised |
|---|--------------------|---------------------|
| As Is Market Value | September 30, 2022 | Leased Fee Interest |
| Hypothetical Value, Unencumbered Scenario (Applying Market Rents) | N/A | Leased Fee Interest |

Identification of the Client

Greystone Servicing Company LLC has engaged Bowery Valuation and is Bowery Valuation's client for this assignment.

Intended Use & User

The Intended Use is for loan underwriting.

The Intended User is Greystone Servicing Company LLC, Freddie Mac, and related entities, successors and/or assigns.

This appraisal is not intended for any other use or user. No party or parties other than the intended user may use or rely on the information, opinions and conclusions contained in this report.

Property Rights Appraised⁵

In this appraisal we provide an opinion of As Is Market Value of the leased fee interest and a Hypothetical Value of the leased fee interest under the scenario that the property is unencumbered by any rent or income restrictions.

Property History

According to the New York Department of Finance, the owner of 500 Nostrand Avenue is Alhambra Associates L.P. The subject property has, to the best of our knowledge, not sold within the past three years. We are not aware of any current bids, offers, or options to purchase for this asset.

Alhambra Associates, L.P. (as landlord) and Alhambra Development Corp. (as tenant) entered into a master lease on May 1, 2004, covering 7,007 square feet of commercial space on the property, which expired as of January 27, 2017. The two parties were related, and this lease was initially set up for tax benefit purposes. As of the date of this report, the client has confirmed that the master lease expired as of January 27, 2017, as noted.

We previously appraised the property with an effective date of value as of November 10, 2021, at which point our opinion of the As Is, Encumbered Market Value was \$11,750,000 and the Hypothetical Value, applying market rents was \$21,050,000.

Our opinion of Market Value As Is increased 2% to \$12,000,000 due to the allowable growth factor applied to all rent stabilized units and because 8 commercial tenants executed lease renewals in the last 12 months, with slightly higher executed rents.

Our opinion of the Hypothetical Value increased primarily due to market appreciation which has driven up trending market rents for residential units. Therefore, considering these factors, our opinions of value are reasonable.

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

Exposure Time⁶

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.

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 an inspection by a building engineer or professional property inspector if a more thorough examination of the subject's improvements is required. Any immediate expenditures that a trained professional may determine are needed, could affect our opinion of value reported.
- Easements, Encroachments, and Restrictions: Within our research and analysis we will examine the tax map, deed, legal description, and survey (if available) to determine the existence of any easements, encroachments or restrictions impacting the subject property. However, further research required to determine whether or not such restrictions exist 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 uncover such restrictive covenants. Thus, we recommend a title search to definitively determine if any such restrictions do exist.
- Building Health and Fire Codes: Our valuation assumes there are no known code violations.

Definition of Market Value⁷

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. a reasonable time is allowed for exposure in the open market;

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

⁷ Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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 residential units we were granted access to: 3A, 3C, 2G and 3K, as well as the following commercial units: DLSS Management, La Taverne Inc, Pattie Hut B, Jasmine House of Scents, 512 Nostrand Inc, Platinum Cuts Inc, and Ma's Fish and Chips Plus LLC.
- 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.
- Reviewed the subject's executed agreement with HPD to analyze the impact of rent- and income-restricted units on the subject's value.
- 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 capitalization 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 "Restricted" As Is market value of the identified interest, with the property encumbered by the affordability agreement.
- Advanced a Hypothetical Value of the "Unrestricted" Value of the identified interest, applying market rents and assuming that the property is not encumbered by an affordability agreement.

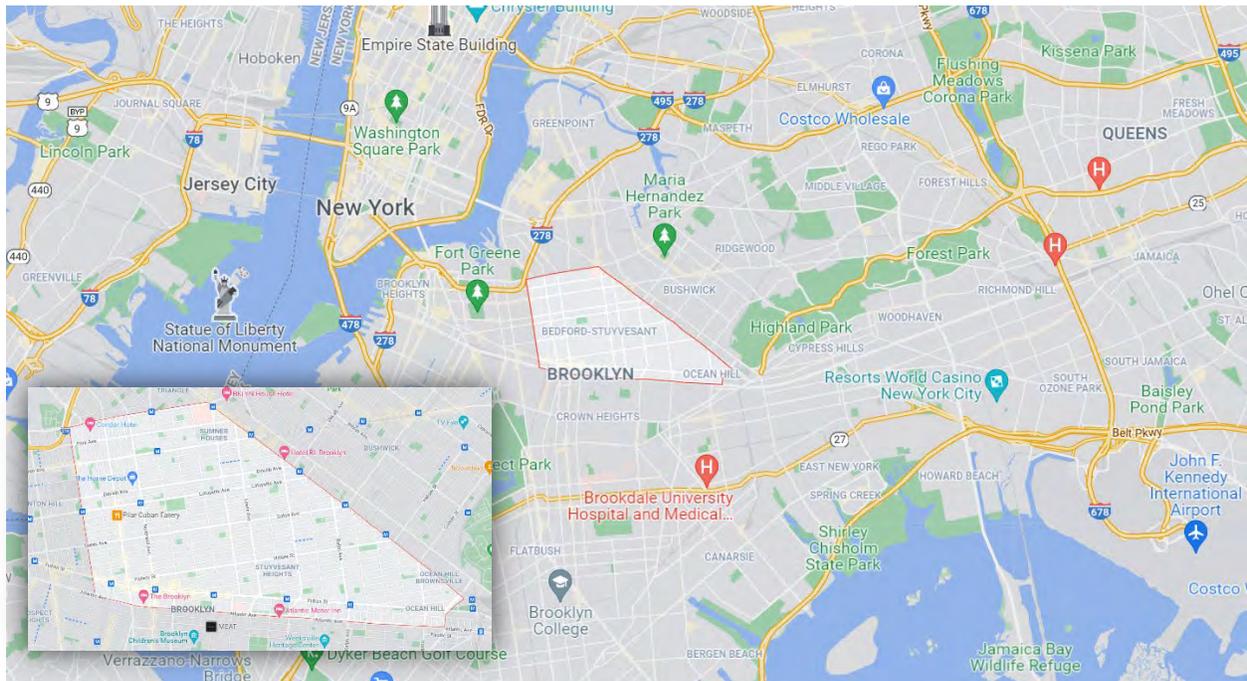
Data Sources

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 9/30/2022, 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 |
| Zoning Report | Zoning Info, Inc. |
| 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 | streeteasy.com; CoStar; Primary Source |
| Comparable Sales Data | CoStar; Public Record; Primary Source |

Neighborhood & Demographic Overview



Source: Google Maps

Bed-Stuy at a Glance

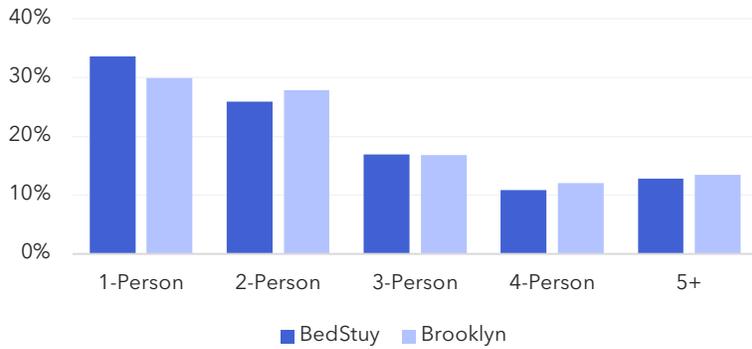
Bedford-Stuyvesant, often shortened to Bed-Stuy, sits in north central Brooklyn, touting plenty of classic brownstones along tree-lined streets. Bed-Stuy is revered for its historic architecture, containing one of the highest concentrations of Victorian properties in all of New York City. Beginning in the 2000s, the neighborhood began to experience a change in demographics, mainly due to the affordable stock of brownstone rowhouses on quiet tree-lined streets and a decrease in the local crime rate. In the past decade, many properties were renovated and new clothing stores, cafes, wine bars, and restaurants opened in the area. Growth has concentrated along the western and southern parts of the neighborhood but has spread throughout over the last few years.

| | Area | 2000 Census | 2010 Census | Change | 2021 Est. | Change | 2026 Projected | Change |
|-------------------|----------|-------------|-------------|--------|-----------|--------|----------------|--------|
| Population | BedStuy | 157,352 | 166,306 | 0.55% | 179,050 | 0.74% | 183,255 | 0.47% |
| | Brooklyn | 2,465,323 | 2,504,700 | 0.16% | 2,581,803 | 0.30% | 2,599,104 | 0.13% |
| Households | BedStuy | 55,368 | 63,033 | 1.31% | 68,955 | 0.90% | 70,944 | 0.57% |
| | Brooklyn | 880,721 | 916,856 | 0.40% | 959,831 | 0.46% | 970,708 | 0.23% |
| Family Households | BedStuy | 36,282 | 36,660 | 0.10% | 40,063 | 0.89% | 41,192 | 0.56% |
| | Brooklyn | 584,121 | 573,363 | -0.19% | 595,447 | 0.38% | 601,035 | 0.19% |

Neighborhood

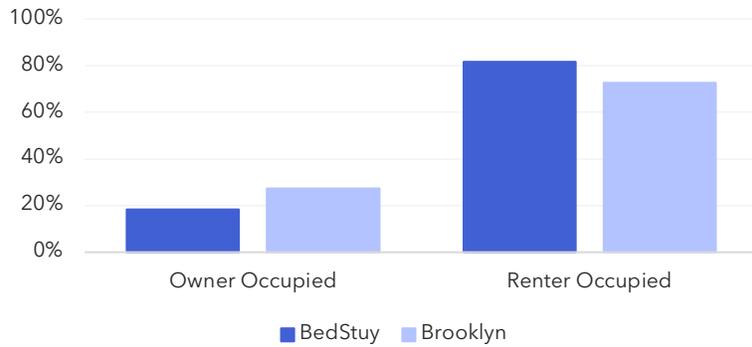
Housing

Households by Household Size



HOUSEHOLDS
68,955
AVERAGE HOUSEHOLD SIZE
2.56

Occupied Housing Units by Tenure



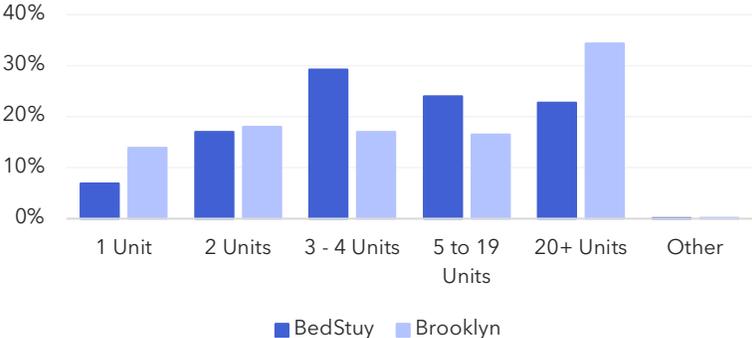
MAJORITY OCCUPIED HOUSING UNITS
82% Renter Occupied

Owner Occupied Housing Units by Value



MEDIAN OWNER-OCCUPIED HOUSING VALUE
\$1,012,557

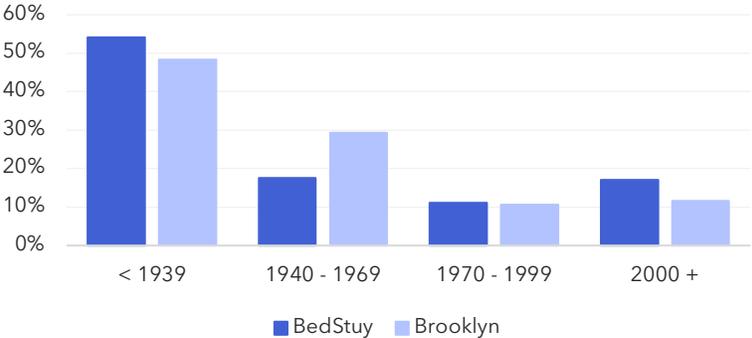
Housing Units by Units in Structure



NEIGHBORHOOD HOUSING UNITS
77,245

COUNTY/CITY HOUSING UNITS
1,050,421

Housing Units by Year Structure Built



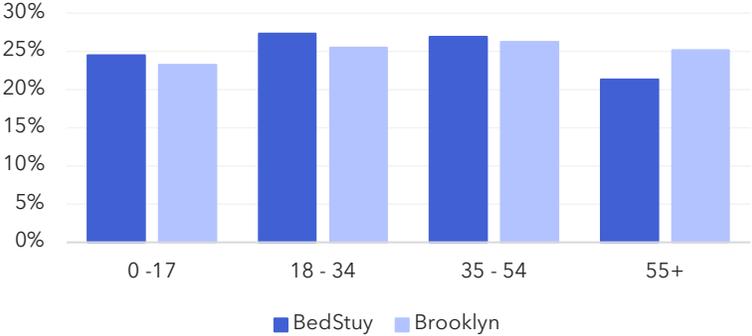
NEIGHBORHOOD MEDIAN YEAR
STRUCTURE BUILT
1940

COUNTY/CITY MEDIAN YEAR
STRUCTURE BUILT
1941

Demographics

Population

Population by Age

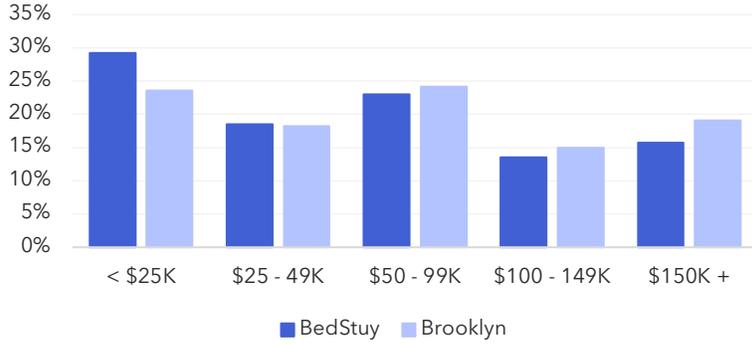


POPULATION
179,050

MEDIAN AGE
45

AVERAGE AGE
36

Households by Household Income



MEDIAN HOUSEHOLD INCOME

\$53,674

AVERAGE HOUSEHOLD INCOME

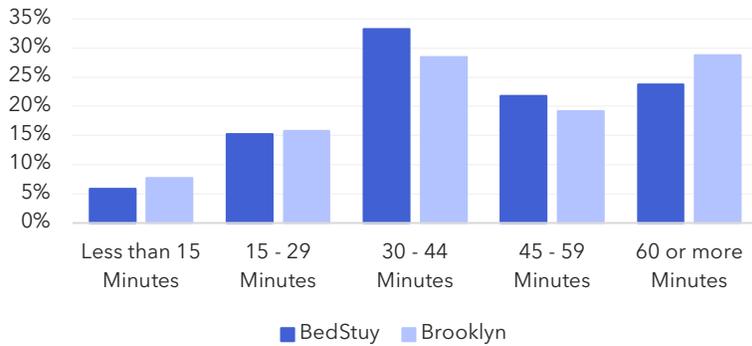
\$84,369

Employment & Transportation

Top 5 Employment Occupations in Neighborhood



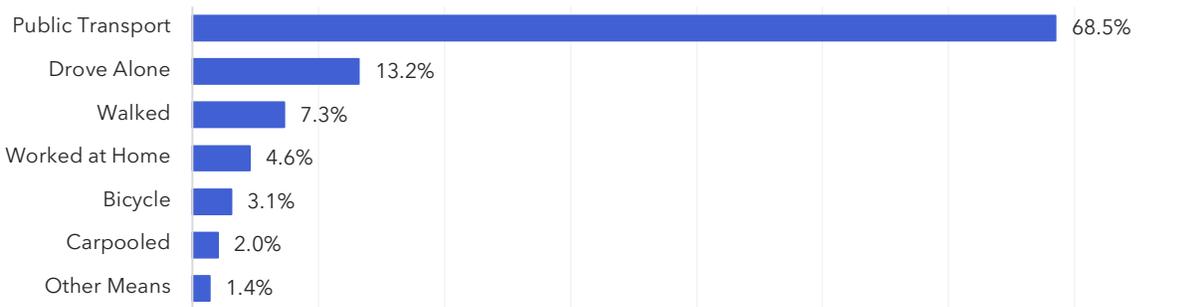
Travel Time to Work



AVERAGE TRAVEL TIME TO WORK

47 minutes

Transport Mode to Work in Neighborhood



Transport Modes and Access

-  The Manhattan Bridge and Brooklyn Bridge provide easy vehicular access to Downtown Manhattan, while the Queens Midtown Tunnel allows more expedient access to Midtown. The drive to FiDi from central Bed-Stuy is approximately 25 minutes via the Brooklyn Bridge.
-  Bedford-Stuyvesant is served by the A and C trains along Fulton Street in addition to the G train. The J, M, and Z trains also serves the area. Bed-Stuy also offers access to the Nostrand Avenue and East New York Stations of the Long Island Railroad.
-  Several MTA Regional Bus Operations bus routes are located nearby in Bed-Stuy.
-  The nearest major airports are LaGuardia Airport (8.5 mi) and John F. Kennedy International Airport (9 mi.) followed by Newark Liberty International Airport (16.7 mi.)

Conclusion

Bed-Stuy has always offered some of the finest stock of brownstones and has experienced recent changes to its demographics. As a result, developers have started to take notice as rents and values continue to increase throughout New York City and Brooklyn. Recently, the neighborhood has seen substantial change as young professionals and artists are moving in and new restaurants, bars and businesses are cropping up. We expect this neighborhood to continue to go through a period of revitalization, leading to strong population growth and appreciation in housing values and rents.

Zoning Summary

500 Nostrand Avenue is in a R6A zone with a C2-4 commercial overlay. Below is a summary of the subject property's compliance with regard to use and bulk regulations.

Per the Landmark Designation Committee, 500 Nostrand Avenue is a landmarked building. It is located in the Bedford 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 | Brooklyn ⁸ |
| Existing Zoning Classification | R6A with a C2-4 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 | Legally conforming |
| Max. Residential FAR | 3.00 | 2.19 | Legally complying |
| Max. Commercial FAR | 2.00 | 0.67 | Legally complying |
| Max. Lot Coverage (Sqft.) | 20,000 | 10,950 | Legally complying |
| Max. Density (Dwelling Units) | 88 | 46 | Legally complying |
| Min. Lot Area (Sqft.) | 1,700 | 20,000 | Legally complying |
| Min. Lot Width (ft.) | 18 | 100 | Legally complying |
| Min./Max. Base Height (ft.) | 40/65 | 20/65 | Legally non-complying |
| Min. Recreation Space (sqft.) | 1,554 | 0 | Legally non-complying |
| Min. Side Yard - West (ft.) | 8 | 24 | Legally complying |
| Street Wall Location - Max Distance Nostrand Ave. | 8 | 2.9 | Legally complying |
| Street Wall Location - Max Distance, Macon St. | 8 | 2.2 | Legally complying |
| Street Wall Location - Max Distance, Halsey St. | 8 | 2.5 | Legally complying |
| Min. Parking Required | 23 | 0 | Legally non-complying |

The residential and commercial property is in an R6A zone, which permits residential and community facility uses as of right, as well as commercial uses due to the C2-4 commercial overlay. The subject is legally conforming with regard to the allowable uses.

We have received and reviewed the zoning analysis prepared by the Zoning Info, Inc for PFP Holding Company VI, LLC as of September 20, 2018. The zoning regulations have not changed since the date of the zoning report. The zoning report concludes that the property is of legal conforming use and legally non-complying with regard to bulk regulations.

⁸ The zoning map can be found in the Map Gallery, which is located in the Addenda.

Based on the subject's current zoning regulations, 23 parking spaces are required on the subject property. The subject has none available and is legally non-complying with regards to parking regulations.

We have also included information pertinent to the Property's zoning classification regarding the 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

500 Nostrand Avenue is located in Kings County (borough of Brooklyn), Brooklyn, NY. It is designated on the tax maps as Block 1843, Lot 20. The property tax class is Class 2. The Department of Finance applies a 45% assessment percentage to its estimated market value of the property to determine the Actual Assessed Value. The City also indicates a Transitional Assessed Value, which phases in changes in the Assessed Value over several years. To calculate current taxes, the lower of the Actual or the Transitional Assessed Value is applied. In the subject's case, it is the Transitional Assessed Value. New York City reassesses all properties' taxes annually.

The subject's base tax liability (calculated below) amounts to \$165,659.70. It is located in the Bed-Stuy Gateway Business Improvement District, a public-private partnership to stimulate economic development and improve the overall quality of life for merchants, residents, and patrons within a defined boundary. Property owners and businesses pay an additional tax or fee to the City of New York to fund supplemental services such as marketing, street cleaning, public safety, and beautification of the public district. The BID, which operates under the Department of Small Business Services (SBS), provides these services in addition to those already provided by the municipality.

The BID charge applicable to the subject in the FY 2022/23 fiscal year is \$11,522.92, billed in two separate installments over the fiscal year. Commercial tenants reimburse for a portion of this BID charge. We will apply the full tax liability, inclusive of the BID Charge, to the stabilized pro forma and add back the reimbursements as additional income.

Final Tax Assessment, FY 2022/23

| | | Actual | Transitional |
|--------------|---|-----------------------|-----------------------|
| Land | | \$135,000.00 | \$135,000.00 |
| Building | + | \$1,632,150.00 | \$1,215,450.00 |
| Total | | \$1,767,150.00 | \$1,350,450.00 |
| PSF | | \$28.79 | \$22.00 |

Based on the 45% assessment ratio applied to the actual assessed value, the assessor's opinion of market value is \$3,927,000 for the subject. This is lower than our opinion of value for the subject. Therefore, we will survey the assessed values per square foot of comparable properties to determine if the subject is uniquely under-assessed.

Current and Historical Real Estate Tax Rates

| Year | Class 2 |
|-----------|---------|
| 2022/2023 | 12.267% |
| 2021/2022 | 12.235% |
| 2020/2021 | 12.267% |
| 2019/2020 | 12.473% |
| 2018/2019 | 12.612% |

Current Tax Liability

| | | Total | PSF |
|--|---|---------------------|---------------|
| Taxable Assessed Value (Transitional) | | \$1,350,450.00 | \$22.00 |
| Tax Rate (New York City - Class 2, 2022) | × | 12.267% | 12.267% |
| Tax Liability | | \$165,659.70 | \$2.70 |
| Bed-Stuy BID Charge | | \$11,522.92 | \$0.19 |
| Total Tax Liability | | \$177,182.62 | \$2.89 |

Comparable Tax Liabilities and Assessed Values

In order to support the current real estate tax liability and to determine if the subject is uniquely under-assessed, we surveyed the taxes and assessed values of comparable buildings in the area.

| | Year Built | GBA (SF) | Assessed Value | Assessed Value PSF | Taxes PSF |
|---------------------|------------|----------------|-----------------------|--------------------|---------------|
| 28 Jefferson Avenue | 1911 | 54,200 | \$1,240,830.00 | \$22.89 | \$2.81 |
| 918 Kent Avenue | 1928 | 63,200 | \$1,092,600.00 | \$17.29 | \$2.12 |
| 80 Lewis Avenue | 1910 | 61,415 | \$992,700.00 | \$16.16 | \$1.98 |
| 1030 Park Place | 1910 | 60,911 | \$1,813,320.00 | \$29.77 | \$3.65 |
| 770 St Marks Avenue | 1929 | 70,097 | \$1,789,815.00 | \$25.53 | \$3.13 |
| | | Min | \$992,700.00 | \$16.16 | \$1.98 |
| | | Average | \$1,385,853.00 | \$22.33 | \$2.74 |
| | | Max | \$1,813,320.00 | \$29.77 | \$3.65 |

Conclusion

Tax Liability Summary

| | Assessed Value | Assessed Value PSF | Taxes PSF |
|-------------------------|-----------------------|--------------------|---------------|
| Comp Min. | \$992,700.00 | \$16.16 | \$1.98 |
| Comp Avg. | \$1,385,853.00 | \$22.33 | \$2.74 |
| Comp Max. | \$1,813,320.00 | \$29.77 | \$3.65 |
| Current, Subject | \$1,350,450.00 | \$22.00 | \$2.89 |

The subject property's taxes per square foot - and actual and transitional assessed values per square foot - fall within the market range and are considered reasonable. The subject is not uniquely under-assessed. Thus, we apply the current tax liability of \$177,182.62 in our analysis.

Site Description⁹

| | |
|---|--|
| Location | The subject property is located in the Bedford-Stuyvesant neighborhood of Brooklyn. |
| Surrounding Uses | The subject is directly across from the Brooklyn Adult Learning Center complex, which also contains Girls' High School. The adjacent blocks are mixed-use in nature, with ground-floor commercial uses and upper-level residential uses. |
| Transportation |  <p>A map showing the site's proximity to several subway stations. The stations are marked with colored circles: blue for A and C lines, and grey for C and S lines. Distances are listed to the right of each station name.</p> <ul style="list-style-type: none"> A C at Nostrand Av: under 500 feet at Nostrand Avenue: 0.23 miles C S at Franklin Av: 0.29 miles C at Kingston-Throop: 0.47 miles S at Park Place: 0.58 miles |
| Site Area | 20,000 square feet / 0.4591 acre |
| Shape | Rectangular |
| Frontage | Nostrand Avenue: 200 feet Macon Street: 100 feet Halsey: 100 feet |
| Access | The building is primarily accessed via Nostrand Avenue |
| 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. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards. |
| Easements, Encroachments, and Restrictions | Based upon a review of the tax map, zoning report, and property condition assessment, 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 aside from the current affordability agreement in place. 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. |
| Utilities & Services | Water/Sewer and Refuse - City Police & Fire Protection - City |

⁹ The site map can be found in the Map Gallery, which is located in the Addenda.

Gas - Con Ed and/or National Grid

Electricity - Con Ed

Flood Hazard Status

According to National Flood Insurance Program Rate Map dated September 5, 2007 Community Panel #3604970204F 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 an individually landmarked, 5-story, walk-up, mixed-use building consisting of 46 residential units and 11 commercial units, of which 1 is an office and 10 are retail, with 61,380 square feet of gross building area. The residential units are a mix of one-, two-, and three-bedrooms. The office unit is located below grade and accessed via Halsey Street, while the retail units are located on the ground floor of the building along Nostrand Avenue. It was built in 1890 and is in average condition overall.

Building Inspection

On September 30, 2022, 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 satisfactory condition. We were able to inspect the roof and it is in poor 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 |
|----|------------------------------|---------------|--------------|-----------|
| 1 | 3A | Two Bedroom | Occupied | Average |
| 2 | 3C | Three Bedroom | Occupied | Average |
| 3 | 2G | Two Bedroom | Occupied | Average |
| 4 | 3K | One Bedroom | Vacant | Average |
| 5 | DLSS Management | Commercial | Occupied | Average |
| 6 | La Taverne Inc | Commercial | Occupied | Average |
| 7 | Pattie Hut B | Commercial | Occupied | Average |
| 8 | Jasmine House of Scents | Commercial | Occupied | Average |
| 9 | 512 Nostrand Inc | Commercial | Occupied | Average |
| 10 | Platinum Cuts Inc | Commercial | Occupied | Average |
| 11 | Ma's Fish and Chips Plus LLC | Commercial | Occupied | Average |

We inspected 13 units: 3A, 3C, 2G, 3K, DLSS Management, Pattie Hut B, Jasmine House of Scents, 512 Nostrand Inc, Platinum Cuts Inc, Ma's Fish and Chips Plus LLC, Brooklyn Baby Cakes Inc, and Liquid Assets Ocean Hill Inc.

Unit 3K appeared to be undergoing some clean-up/turnover during the inspection. It became vacant in September 2022, and it has been pre-leased for occupancy beginning October 21, 2022. Therefore, we treat it as vacant as of our date of value.

Structural, Utilities & Mechanicals

Structural

| | |
|--------------------------|---|
| Foundation | Cut stone or stone (fieldstone) |
| Structural System | Wood joists and masonry |
| Exterior Walls | Brick and Masonry |
| Framing | Structural steel with masonry concrete encasement |

| | |
|------------------------------|--|
| Windows | Double-hung |
| Roof | Bitumen roof (asphalt rolls) roof |
| Utilities | |
| Electricity | Individual electric meters are located in the basement. |
| Hot Water | Hot water for the residential units is produced by two modular hot water boilers. The Laars gas fired boilers are original to the 1998 building renovation, per the provided Property Condition Assessment. Commercial tenants are responsible for the installation and maintenance of water heaters in their spaces. |
| Gas | Central gas meters are located in the basement. |
| Heating/Cooling | Several modular gas fired boilers located in the basement for heating units, with steam heating in units via baseboard heaters/radiators. Window A/C units located in the residential units for cooling. Ductless split systems observed in commercial units for cooling. |
| Mechanicals | |
| Elevators | None |
| Plumbing | PVC, Copper |
| Sprinklers | Sprinkler systems located in common interior space. |
| Layout & Finishes | |
| Basement | The basement is accessed from the exterior of the building, and is partially finished with DLSS Management's unit and an unfinished portion with mechanicals and utility meters. |
| Entry & Hallways | The entryway and interior hallways are in average condition. |
| Laundry | None |
| Stairwell | There are 2 interior staircases that runs from the basement to the roof. |
| Security | Security cameras, Buzzer, and Door locks |
| Amenities | |
| Building Amenities | |
| Laundry Room | There is no laundry room in the building. |
| Storage Units | There are several storage cages at the property available for tenants to lease. Currently, only two are leased to two retail tenants, at \$800 per month and \$350 per month respectively, while the remaining spaces are used by ownership. |
| Parking | There are no parking spaces on the property site. |

Residential Unit Finishes

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

| | |
|------------------------------|---|
| Kitchens | The units typically contain laminate tile flooring, laminate over plywood substrate counter tops, stained hardwood veneer cabinets, mix of standard and stainless steel stovetops, and a mix of standard and stainless steel refrigerators. |
| Bathrooms | The units typically contain ceramic tile flooring, bathtub shower combo tubs with porcelain over steel tubs and ceramic tile surrounds, laminate top set in cabinet sinks, and ceramic toilets. |
| Bedrooms/Living Rooms | The units typically contain hardwood flooring, and sheet rock walls. |

Residential Unit Distribution Summary

| Unit Type | No. of Units | Avg. SF/Unit | Total Leasable SF |
|-----------------------|--------------|--------------|-------------------|
| 1 BR/1 BA | 22 | 677 | 14,900 |
| 2 BR/1 BA | 16 | 864 | 13,822 |
| 3 BR/1.5 BA | 8 | 1,346 | 10,764 |
| Totals/Average | 46 | 858 | 39,486 |

The total leasable area and square footage per unit was provided by the owner based on the rent roll as of October 7, 2022.

Commercial Space and Finishes

The subject contains 11 commercial units spanning 8,548 square feet total. DLSS Management, LLC is located on the lower level, while the other units are located on the ground floor. Additionally, we note that DLSS Management has access to an additional 232 square feet of cellar-level storage space included in their lease. La Taverne Inc. and H&R Block occupy the respective corners.

Commercial Unit Distribution Summary

| Unit Number | Tenant Name | Address | SF |
|--------------|------------------------------|-----------------------|--------------|
| 1 | DLSS Management | 82 Halsey St. | 995 |
| 2 | La Taverne Inc | 518 Nostrand Ave. | 698 |
| 3 | Pattie Hut B | 516 Nostrand Ave. | 590 |
| 4 | Jasmine House of Scents | 514 Nostrand Ave. | 542 |
| 5 | 512 Nostrand Inc | 512 Nostrand Ave. | 1,600 |
| 6 | Platinum Cuts Inc | 510A Nostrand Ave. | 694 |
| 7 | Ma's Fish and Chips Plus LLC | 510 Nostrand Ave. | 654 |
| 8 | Brooklyn Baby Cakes Inc | 508 Nostrand Ave. | 452 |
| 9 | Liquid Assets Ocean Hill Inc | 506 Nostrand Ave. | 490 |
| 10 | Vacant | 504 Nostrand Ave. | 611 |
| 11 | H&R Block, Inc | 500-502 Nostrand Ave. | 1,222 |
| Total | | | 8,548 |

The units have painted drywall walls and vinyl flooring with drop acoustic ceilings. La Taverne Inc., Pattie Hut B, Ma's Fish and Chips Plus LLC, and Brooklyn Baby Cakes Inc. are restaurant/eating establishments, and they have commercial kitchens with stainless steel appliances.

Condition, Deferred Maintenance & Remaining Economic Life

Condition

Based on our inspection, the subject is in average condition. The subject was constructed in 1890 and has been properly maintained over the years.

Deferred Maintenance

We did not receive a Property Condition Assessment 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 aside from normal signs of minor wear and tear.

Remaining Economic Life

While the improvements were originally constructed in 1890, we estimate the effective age to be 15 years; given a useful life of 50 years, the remaining economic life of the building is estimated as 35 years.

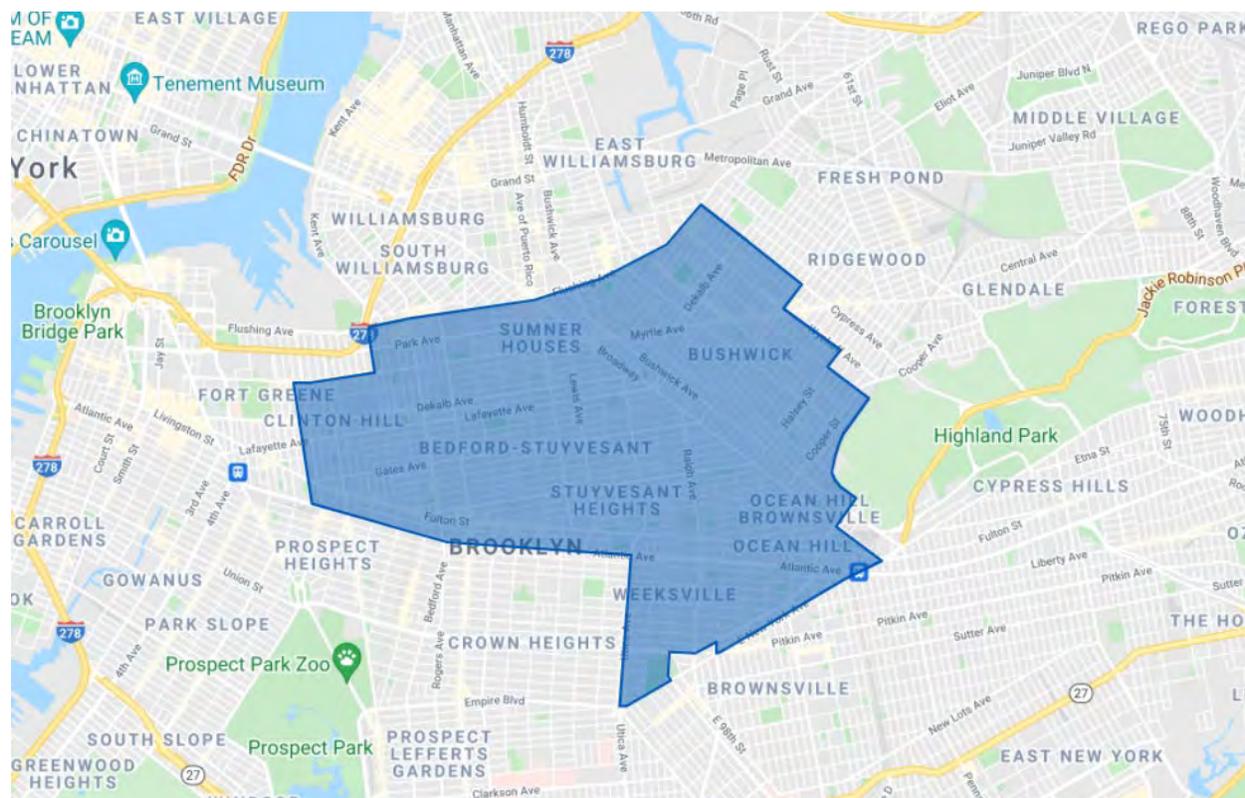
Summary

Based on our inspection, the subject is in average condition, with a functional layout for mixed commercial and residential use.

Submarket Analyses

Bushwick: Multifamily Submarket Analysis

The information contained in this report was provided using 2022 Q2 CoStar data for the Bushwick Multifamily Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the Bushwick Submarket of the New York Market, defined in the map above. This Submarket accounts for 3.3% of the Market's total inventory with 48.9k units of multifamily space. Elevated demand for apartments, combined with the vacancy rate hitting a historic low, created record-breaking rent growth in 2021. The sector remains healthy in Q2 though signs point to a deceleration in growth. The Bushwick multifamily submarket has witnessed robust demand over the past decade which was driven by an influx of new apartment buildings and strong demand from renters moving into this rapidly changing area. As Brooklyn has grown in popularity, developers have been active in Bushwick, with many adding units across the L subway line. While the pandemic initially hindered demand, renters have quickly returned over the past year and vacancies swiftly declined as a result, and now stand near historic lows at 2.8%.

While developers remain active, construction starts have slowed since the onset of the pandemic. 1,900 units are currently underway, comprising 4.9% of existing inventory. The forecast calls for vacancies to rise over the next five years, and if construction activity increases, the rate is likely to rise higher.

With occupancies improving in recent quarters, rents have grown by 1.5% over the past 12 months and have exceeded their pre-pandemic average. Investment activity has remained steady as sales volume in 2020 was on par with the historical average while more than \$900 million traded hands in 2021. While investors remain active in the multifamily sector, Bushwick presents more enticing value-add opportunities than other parts of New York City due to Brooklyn's popularity among renters.

Sector Fundamentals

| | Bushwick | YoY | QoQ | New York | YoY | QoQ |
|----------------------|--------------|---------|---------|-----------------|---------|-------|
| Market Rent/Unit | \$2,561 | 2.1% | 0.5% | \$2,975 | 6.8% | 2.0% |
| Vacancy Rate | 2.83% | -48 bps | 18 bps | 2.33% | -52 bps | 2 bps |
| Net Absorption Units | -40 | -113.7% | -109.5% | 6,943 | -37.1% | 5.6% |
| Asset Value/Unit | \$374,037 | 2.5% | 1.3% | \$458,007 | 2.0% | 0.2% |
| Market Cap Rate | 4.34% | 5 bps | 1 bps | 4.22% | 5 bps | 2 bps |
| Transaction Count | 26 | 37% | -26% | 339 | -12% | -30% |
| Sales Volume | \$72,591,688 | 67% | -3% | \$3,789,910,528 | 95% | -2% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for multifamily space in the Submarket are presented in the following table.

Historical Multifamily Performance: Bushwick Submarket

| Period | Inventory Units | Under Construction Units | Net Delivered Units 12 Mo | Absorption Units 12 Mo | Vacancy Rate | Market Effective Rent/Unit |
|---------|-----------------|--------------------------|---------------------------|------------------------|--------------|----------------------------|
| 2022 Q2 | 48,902 | 1,942 | 799 | 1,012 | 2.8% | \$2,561 |
| 2022 Q1 | 48,852 | 1,885 | 866 | 1,344 | 2.6% | \$2,549 |
| 2021 | 48,486 | 2,216 | 901 | 1,300 | 2.8% | \$2,536 |
| 2020 | 47,585 | 2,890 | 872 | 461 | 3.7% | \$2,492 |
| 2019 | 46,713 | 2,539 | 2,171 | 2,237 | 2.9% | \$2,489 |
| 2018 | 44,542 | 3,462 | 1,558 | 1,559 | 3.1% | \$2,464 |
| 2017 | 42,984 | 4,093 | 1,114 | 1,059 | 3.2% | \$2,435 |
| 2016 | 41,870 | 2,433 | 953 | 960 | 3.2% | \$2,399 |
| 2015 | 40,917 | 2,477 | 866 | 850 | 3.3% | \$2,357 |
| 2014 | 40,051 | 1,265 | 189 | 318 | 3.3% | \$2,293 |
| 2013 | 39,862 | 604 | 624 | 628 | 3.6% | \$2,242 |
| 2012 | 39,238 | 755 | 379 | 378 | 3.7% | \$2,211 |

Supply & Demand

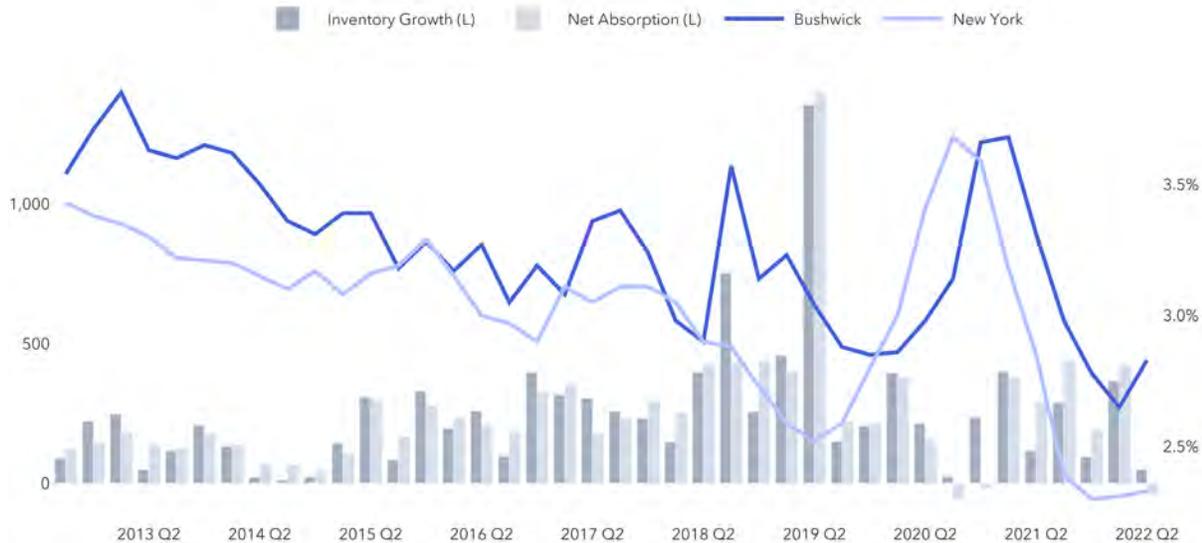
The coronavirus pandemic reversed Bushwick's rapid growth, and in 2020, the submarket saw the first quarterly negative net absorption reading since 2004. Demand has since returned to positive levels and vacancies are now near historic lows, which is indicative of the level of demand units in Brooklyn generate. Vacancies will be tested in the coming years, however, with 2,200 units currently under construction. Bushwick should be able to count on the same demand drivers that have allowed it to thrive over the past decade. The submarket offers excellent transit options and relative affordability. Three Subway lines connect the neighborhood to Manhattan, and although rents have risen in recent years, especially in the Class A and B segment, apartments here are still less expensive than other Brooklyn locations with similar connectivity.

At 33, the median age of the submarket is one of the lowest in the metro. The lower median age can be attributed to the influx of residents in their 20s to Bushwick and parts of Bed-Stuy. With the migration of young, creative types farther east comes gentrification, and this influx of higher earners has allowed median income growth to rise quickly in recent years. Different neighborhoods in this submarket have their own drivers. In the past, Fort Greene, Clinton Hill, and the western end of Bed-Stuy saw the most development earlier in the past decade, particularly of high-end properties, given their proximity to Downtown Brooklyn. But as increasing rents across western Brooklyn displace residents, more are migrating eastward. Bushwick is attracting young creative types priced out of areas farther west, as Williamsburg once did.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Q1 | Q2 |
|-----------|------|------|------|------|------|------|-------|------|------|------|------|------|
| National | 6.3% | 6.2% | 6.2% | 6.1% | 6.5% | 6.7% | 6.5% | 6.5% | 6.7% | 4.8% | 5.0% | 5.0% |
| Market | 3.4% | 3.2% | 3.2% | 3.3% | 2.9% | 3.1% | 2.7% | 2.8% | 3.6% | 2.3% | 2.3% | 2.3% |
| Submarket | 3.7% | 3.6% | 3.3% | 3.3% | 3.2% | 3.2% | 3.1% | 2.9% | 3.7% | 2.8% | 2.6% | 2.8% |
| Class A | 2.9% | 2.6% | 2.6% | 3.0% | 7.9% | 4.8% | 20.1% | 8.3% | 5.2% | 3.2% | 5.0% | 3.4% |
| Class B | 4.0% | 4.1% | 3.2% | 3.6% | 3.5% | 3.6% | 2.6% | 2.9% | 3.7% | 3.0% | 2.6% | 2.9% |
| Class C | 3.6% | 3.5% | 3.4% | 3.1% | 2.9% | 3.0% | 2.5% | 2.4% | 3.5% | 2.6% | 2.4% | 2.7% |

Absorption & Vacancy Rates



Rents

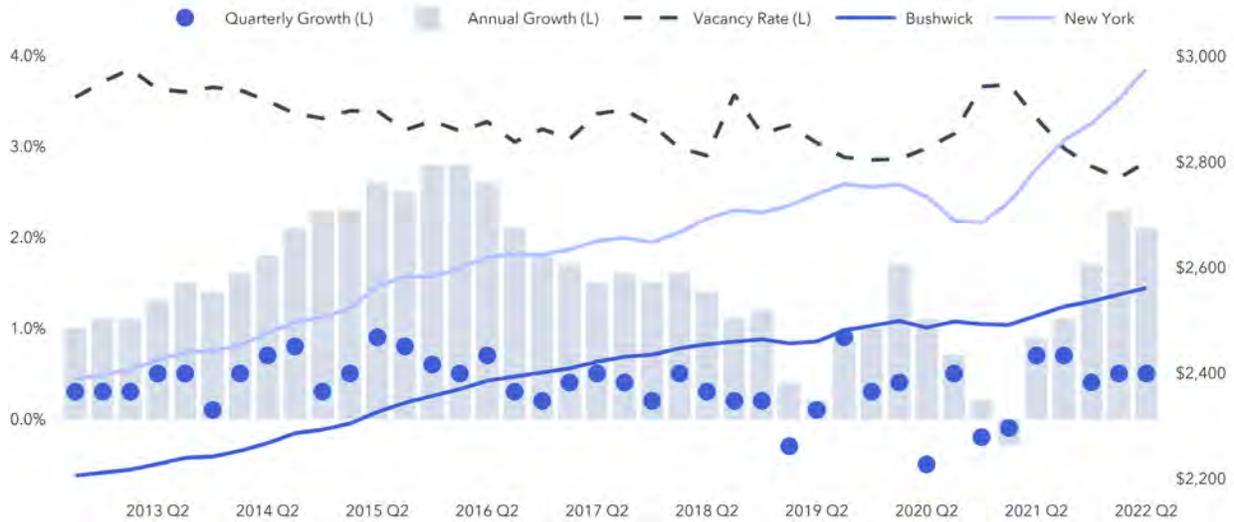
At \$2,561/unit, rents in the Submarket are roughly 14% lower than the Market where rents sit at \$2,975/unit. Rents in the Submarket have grown 1.6% per annum over the past decade, falling short of the Market, where rents increased 2.5% per annum during that time. In 2019 Q4, annual rent growth in the Submarket accelerated above the previous quarter, but remained below the historical average, with annual growth of 1.0%. In 2020 Q2, quarterly rent growth fell to -0.5%. By the end of 2020, rents had grown 0.2% from the 2019 Q4 rent level of \$2,489/unit. Quarterly rent growth in 2022 Q2 reached 0.5%, softening annual growth to 2.1%.

Bushwick benefits from offering greater value than nearby submarkets, Williamsburg and Downtown Brooklyn, and may see demand from renters looking for larger apartments or a cheaper option with plentiful mass transit options. And while concessions have grown more common in 2020, they have notably declined in recent quarters as occupancies improved.

Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$1,126 | \$1,155 | \$1,184 | \$1,236 | \$1,264 | \$1,294 | \$1,335 | \$1,380 | \$1,381 | \$1,549 | \$1,585 | \$1,629 |
| Market | \$2,398 | \$2,442 | \$2,506 | \$2,583 | \$2,624 | \$2,647 | \$2,704 | \$2,752 | \$2,684 | \$2,873 | \$2,918 | \$2,975 |
| Submarket | \$2,211 | \$2,242 | \$2,293 | \$2,357 | \$2,399 | \$2,435 | \$2,464 | \$2,489 | \$2,492 | \$2,536 | \$2,549 | \$2,561 |
| Class A | \$2,632 | \$2,672 | \$2,735 | \$2,808 | \$2,861 | \$2,939 | \$2,967 | \$2,997 | \$3,027 | \$3,170 | \$3,207 | \$3,259 |
| Class B | \$2,392 | \$2,426 | \$2,492 | \$2,558 | \$2,608 | \$2,637 | \$2,687 | \$2,714 | \$2,726 | \$2,743 | \$2,752 | \$2,758 |
| Class C | \$1,845 | \$1,868 | \$1,900 | \$1,957 | \$1,988 | \$2,005 | \$2,018 | \$2,038 | \$2,023 | \$2,041 | \$2,046 | \$2,045 |

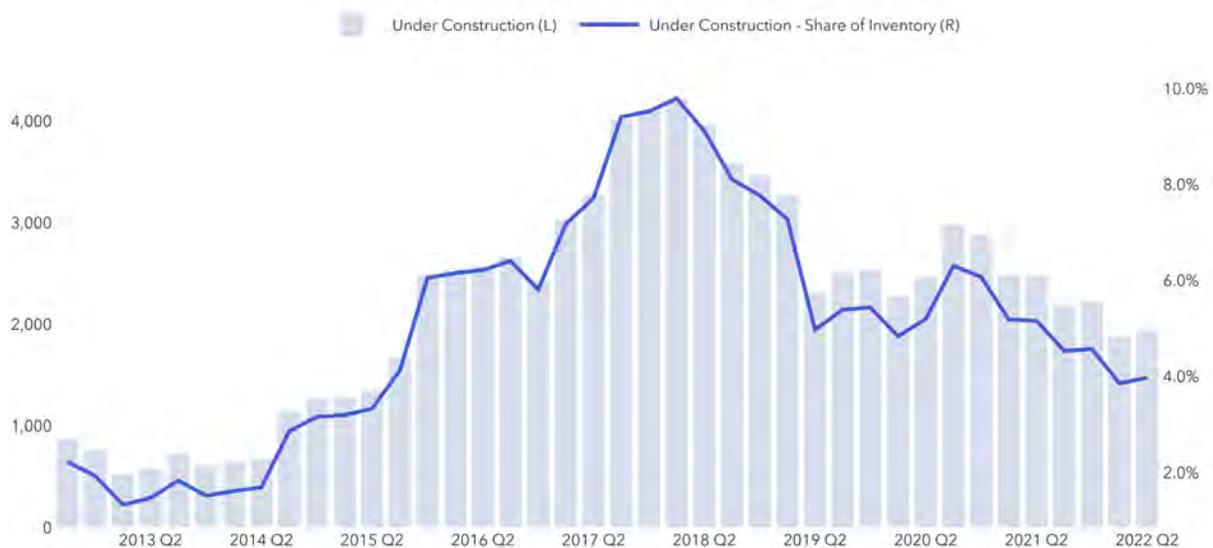
Market Effective Rent/Unit - Annual & Quarterly Growth



Construction & Future Supply

Bushwick is amid a large supply wave, adding more than 6,000 units in the past five years. In addition, 2,200 units are under construction, representing 4.9% of existing inventory. Construction starts have slowed since the onset of the pandemic, with 2021 marking the least starts since 2013. The submarket is dominated by Class C and below units housed in low- and mid-rise buildings. The zoning restrictions in the area often limit building height and floor-area ratio to prevent new buildings from changing the character of these neighborhoods. This fact, coupled with demand spilling over from Williamsburg, has emboldened developers to build high-quality buildings here with more than 100 units. The largest project currently under construction in Bushwick is the 266-unit building at 545 Vanderbilt Ave., in the Clinton Hill neighborhood of the submarket. Fetner Properties is developing the 29-story property, which is slated for completion in 2022.

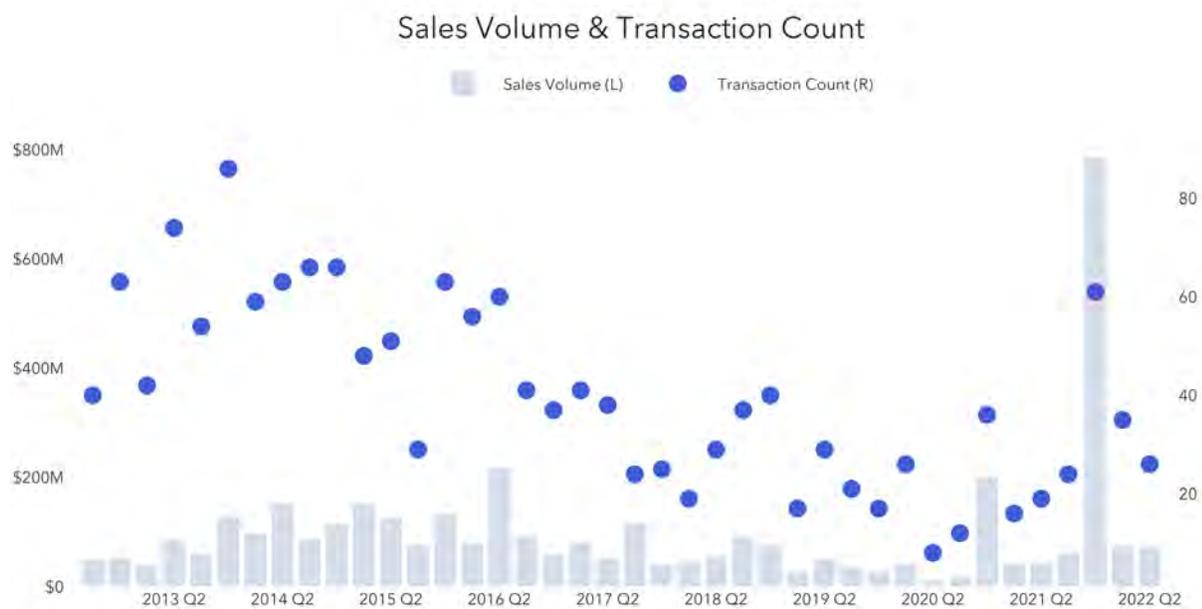
Under Construction Units - Share of Inventory



Capital Markets

Over the past decade, investors had been drawn to the improving fundamentals of the submarket, changing demographics, and asset pricing that was lower than the metro average. As a result of increasing transaction activity, asset pricing in Bushwick has more than doubled over the past decade. Investment activity has remained steady as sales volume in 2020 was on par with the historical average while more than \$900 million traded hands in 2021.

Driving sales volume in 2021 was the December sale of Denizen Bushwick for \$506 million. The 911-unit building was sold as the former owners, All Year, were facing financial difficulties and the new owners, Atlas Capital Group, are assuming certain debt obligations. Despite this, asset pricing for the recently built building was above the submarket average. While sales volume was muted for much of 2020, annual volume was bolstered by the \$122.5 million, five-property portfolio acquisition by Kohlberg Kravis Roberts & Co., the New York-based private equity group in 2020 Q4. The seller was North Development Group. However, this sale was an outlier, and other trades in 2020 were limited to below \$25 million.

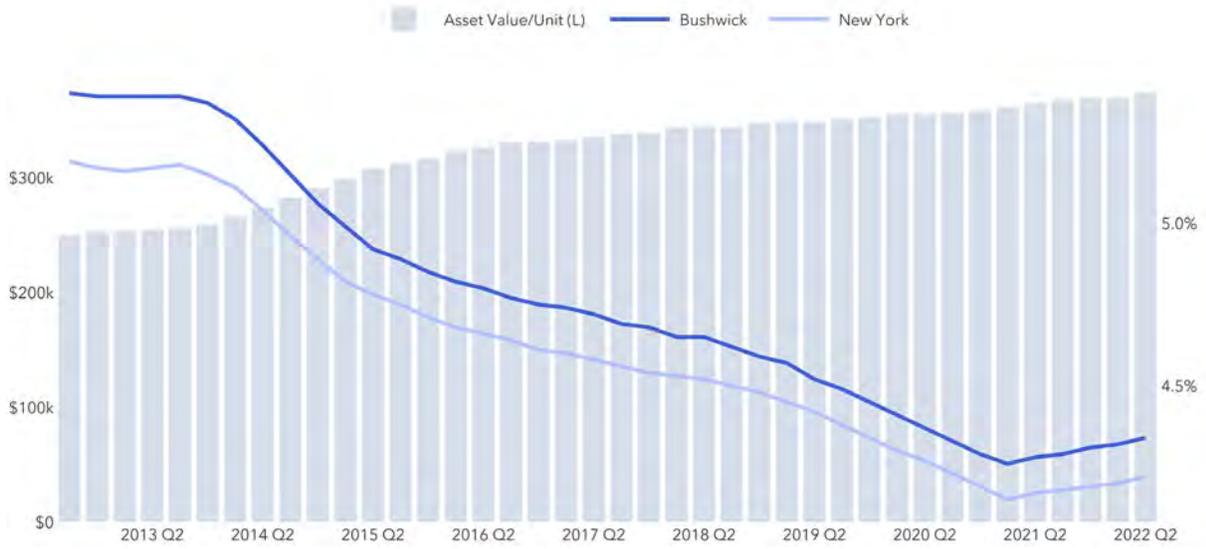


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$374,037/unit and has increased 2% over the past year. Capitalization rates have increased 5 bps over the past year to 4.3%. The capital markets remain active throughout the country including Bushwick. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | Number Of Units | Building Class | Style | Year Built | Last Sale Date | Price/Unit |
|---------------------------|-----------------|----------------|----------|------------|----------------|------------|
| 1079 Fulton St, Brooklyn | 30 | B | Mid-Rise | 2005 | Q4 2021 | \$341,667 |
| 64 Macon St, Brooklyn | 6 | C | Low-Rise | 1910 | Q2 2021 | \$766,667 |
| 841 DeKalb Ave, Brooklyn | 8 | B | Mid-Rise | 1931 | Q4 2021 | \$543,750 |
| 176 Clinton Ave, Brooklyn | 5 | C | NA | 1905 | Q2 2022 | \$840,000 |
| 244 Madison St, Brooklyn | 8 | C | Mid-Rise | 1931 | Q4 2021 | \$506,250 |

Asset Value & Market Cap Rates

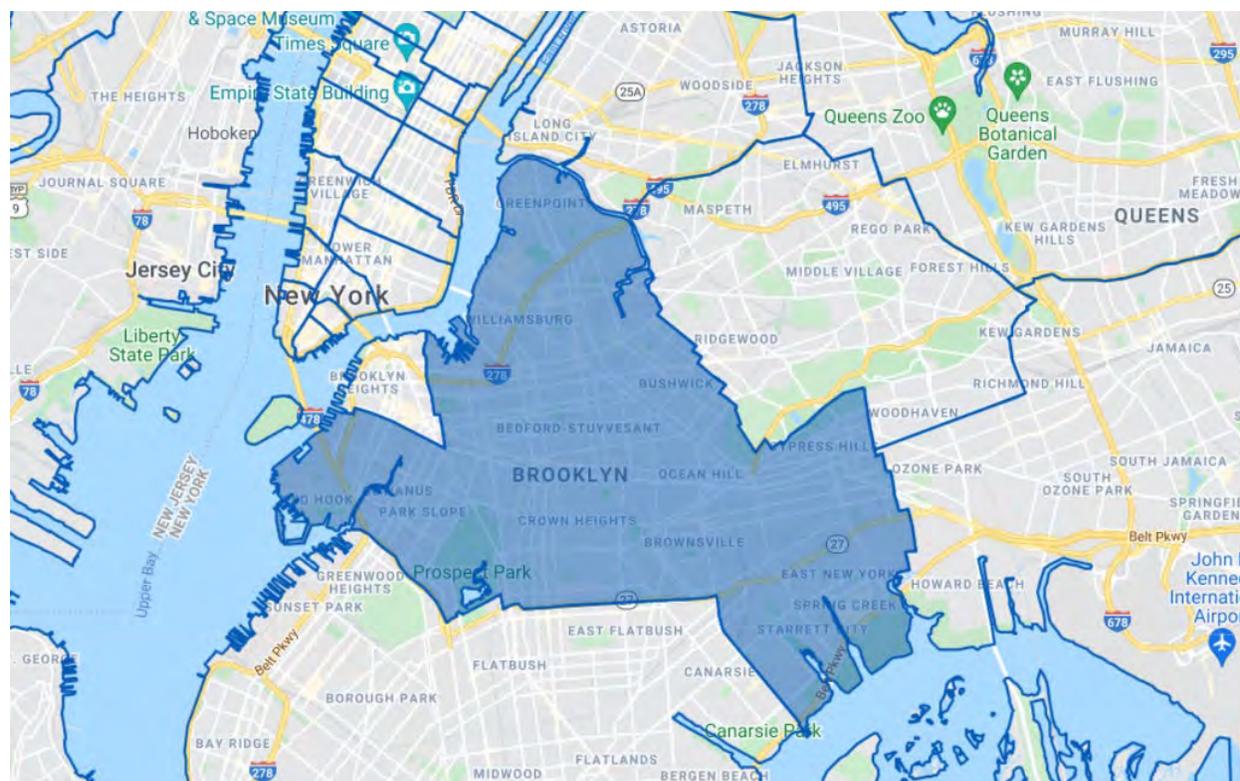


Outlook

The U.S. multifamily sector has experienced an uptick in vacancy rates over the first half of the year despite seasonal demand trends. In spite of this uptick in vacancy rates, rent growth remains inflated in many markets across the Nation. While markets and submarkets with elevated pipelines will face challenges, the overall strength of the sector will lead to continued growth over the second half of 2022.

North Brooklyn: Retail Submarket Analysis

The information contained in this report was provided using 2022 Q2 CoStar data for the North Brooklyn Retail Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the North Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 8.1% of the Market's total inventory with 50 million square feet of retail space. The retail sector continues to improve due to a financially healthy and active consumer, pushing retail sales to record highs. Tenants and investors remain active, although selective by region, subtype, and tenant. North Brooklyn retail properties have shown strength over the past year. In fact, vacancy rates decreased to 2.9% while rents have increased 1.5%. With improving fundamentals for retail properties in the Submarket, values have increased over the past year to \$487/SF. Capitalization rates have increased 4 bps to a rate of 5.3%, moving further below the long-term average.

Sector Fundamentals

| | North Brooklyn | YoY | QoQ | New York | YoY | QoQ |
|-------------------|----------------|----------|---------|-----------------|---------|---------|
| Market Rent/SF | \$50.8 | 1.5% | 0.1% | \$45.07 | 1.2% | 0.2% |
| Vacancy Rate | 2.89% | -75 bps | -27 bps | 3.96% | -33 bps | 8 bps |
| Availability Rate | 3.4% | -108 bps | -31 bps | 5.3% | -74 bps | -5 bps |
| Net Absorption SF | 62,788 | -65.8% | 231.6% | -292,495 | -144.2% | -145.2% |
| Asset Value/SF | \$487 | 2.7% | -0.0% | \$425 | 2.3% | 0.3% |
| Market Cap Rate | 5.35% | 4 bps | 4 bps | 5.98% | 4 bps | 1 bps |
| Transaction Count | 74 | -10% | -24% | 536 | -26% | -37% |
| Sales Volume | \$128,851,104 | 7% | -56% | \$1,263,896,576 | -15% | -33% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for retail space in the Submarket are presented in the following table.

Historical Retail Performance: North Brooklyn Submarket

| Period | Inventory SF | Under Construction SF | Net Delivered SF 12 Mo | Net Absorption SF 12 Mo | Vacancy Rate | Availability Rate | Market Rent/SF |
|---------|-----------------|-----------------------------|------------------------------|-------------------------------|-----------------|----------------------|-------------------|
| 2022 Q2 | 50,034,883 | 266,859 | 22,459 | 397,429 | 2.9% | 3.4% | \$50.80 |
| 2022 Q1 | 50,107,656 | 194,859 | 117,432 | 518,100 | 3.2% | 3.7% | \$50.73 |
| 2021 | 50,111,620 | 194,859 | 184,962 | 644,727 | 3.1% | 4.0% | \$50.60 |
| 2020 | 49,926,658 | 326,328 | -75,375 | -296,826 | 4.0% | 4.9% | \$49.46 |
| 2019 | 50,002,033 | 120,965 | -54,826 | -98,414 | 3.5% | 4.2% | \$50.38 |
| 2018 | 50,054,299 | 293,036 | 549,535 | 486,511 | 3.5% | 4.4% | \$49.83 |
| 2017 | 49,502,928 | 703,053 | 159,767 | -311,184 | 3.4% | 4.5% | \$49.32 |
| 2016 | 49,343,161 | 276,790 | 181,732 | 454,679 | 2.4% | 4.2% | \$48.20 |
| 2015 | 49,161,429 | 339,467 | 221,324 | 324,854 | 3.0% | 4.7% | \$47.05 |
| 2014 | 48,940,105 | 524,966 | 349,856 | 583,724 | 3.2% | 6.1% | \$45.28 |
| 2013 | 48,590,249 | 677,223 | 225,651 | 371,450 | 3.7% | 5.3% | \$43.46 |
| 2012 | 48,364,598 | 281,842 | 162,858 | 204,998 | 4.1% | 5.4% | \$41.29 |

Supply & Demand

The Submarket has 50 million square feet of retail space, and developers have added, net of demolitions, 1.7 million square feet over the past ten years. These developments have increased inventory by 3.5%. Despite growing inventory levels, with demand picking up, vacancy rates have compressed 75 bps over the past year from 3.6% to 2.9%, moving below the 10-year average of 3.4% and below the Market average by 107 bps.

In the 2nd quarter, retail tenants in the Submarket absorbed 62.8k square feet, an increase from the -47.7k square feet of net absorption in 2022 Q1. With 62.8k square feet absorbed in the 2nd quarter, vacancy rates have compressed 27 bps since Q1.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|----------------|------|-------|------|------|------|------|------|------|-------|------|----------|----------|
| National | 6.6% | 6.3% | 5.6% | 5.2% | 4.6% | 4.5% | 4.4% | 4.5% | 5.1% | 4.7% | 4.5% | 4.4% |
| Market | 5.3% | 4.9% | 4.4% | 4.0% | 3.6% | 3.7% | 3.4% | 3.6% | 4.2% | 4.0% | 3.9% | 4.0% |
| Submarket | 4.1% | 3.7% | 3.2% | 3.0% | 2.4% | 3.4% | 3.5% | 3.5% | 4.0% | 3.1% | 3.2% | 2.9% |
| General Retail | 4.2% | 3.8% | 3.4% | 3.2% | 2.4% | 3.4% | 3.5% | 3.5% | 3.9% | 3.0% | 3.2% | 2.8% |
| Neighborhood | 2.0% | 2.5% | 1.4% | 0.1% | 1.8% | 2.0% | 0.0% | 6.1% | 12.2% | 9.4% | 9.1% | 9.1% |
| Power | 0.0% | 0.0% | 0.0% | 0.0% | 1.9% | 1.9% | 2.8% | 2.8% | 1.1% | 0.1% | 0.1% | 0.1% |
| Strip | 6.4% | 12.2% | 5.6% | 4.6% | 7.5% | 7.7% | 3.4% | 9.7% | 11.4% | 4.9% | 1.1% | 5.8% |



Rents

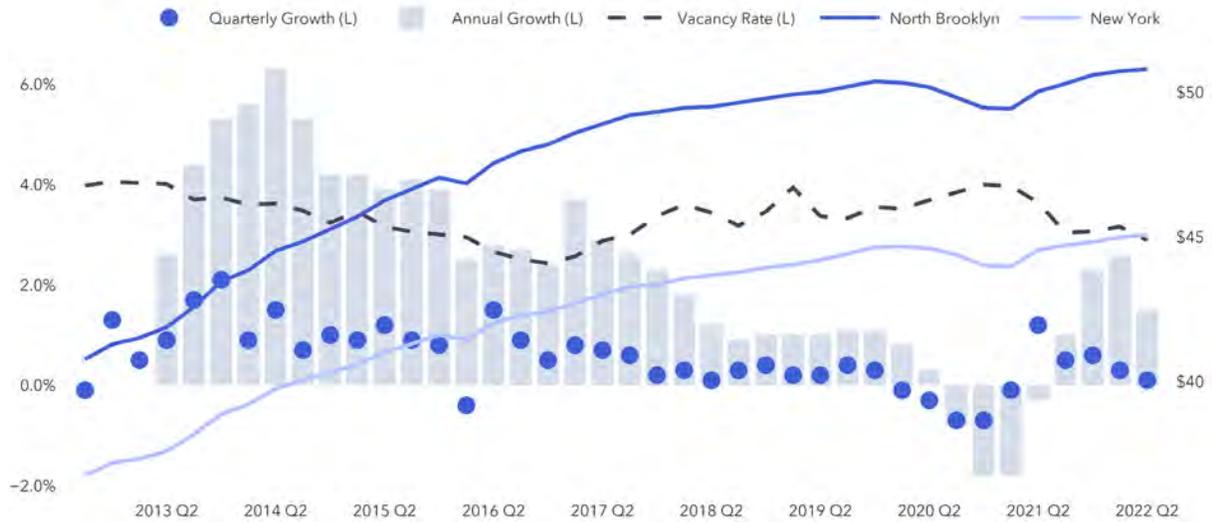
At \$50.80/SF, rents in the Submarket are roughly 13% higher than the Market where rents sit at \$45.07/SF. Rents in the Submarket have grown 2.5% per annum over the past decade, exceeding the Market, where rents increased 2.3% per annum during that time.

Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$18.21 | \$18.60 | \$19.09 | \$19.64 | \$20.10 | \$20.68 | \$21.18 | \$21.70 | \$21.97 | \$22.70 | \$22.98 | \$23.26 |
| Market | \$37.19 | \$38.87 | \$40.33 | \$41.61 | \$42.42 | \$43.36 | \$43.94 | \$44.64 | \$44.01 | \$44.82 | \$44.99 | \$45.07 |
| Submarket | \$41.29 | \$43.46 | \$45.28 | \$47.05 | \$48.20 | \$49.32 | \$49.83 | \$50.38 | \$49.46 | \$50.60 | \$50.73 | \$50.80 |
| General Retail | \$41.54 | \$43.70 | \$45.53 | \$47.32 | \$48.47 | \$49.61 | \$50.08 | \$50.59 | \$49.64 | \$50.83 | \$50.96 | \$51.06 |
| Neighborhood | \$37.35 | \$39.59 | \$41.36 | \$42.91 | \$43.93 | \$44.95 | \$45.87 | \$47.36 | \$46.74 | \$47.09 | \$47.14 | \$46.91 |
| Power | \$37.40 | \$39.54 | \$41.26 | \$42.71 | \$43.66 | \$44.66 | \$45.58 | \$47.03 | \$46.48 | \$46.89 | \$46.96 | \$46.77 |
| Strip | \$36.95 | \$39.22 | \$40.97 | \$42.57 | \$43.61 | \$44.61 | \$45.61 | \$47.16 | \$46.50 | \$46.69 | \$46.49 | \$46.04 |

In 2019 Q4, annual rent growth in the Submarket remained stable, but was below the historical average, with annual growth of 1.1%. In 2020 Q2, quarterly rent growth fell to -0.3%. By the end of 2020, rents had fallen 1.8% from the 2019 Q4 rent level of \$50.38/SF. Quarterly rent growth in 2022 Q2 reached 0.1%, softening annual growth to 1.5%.

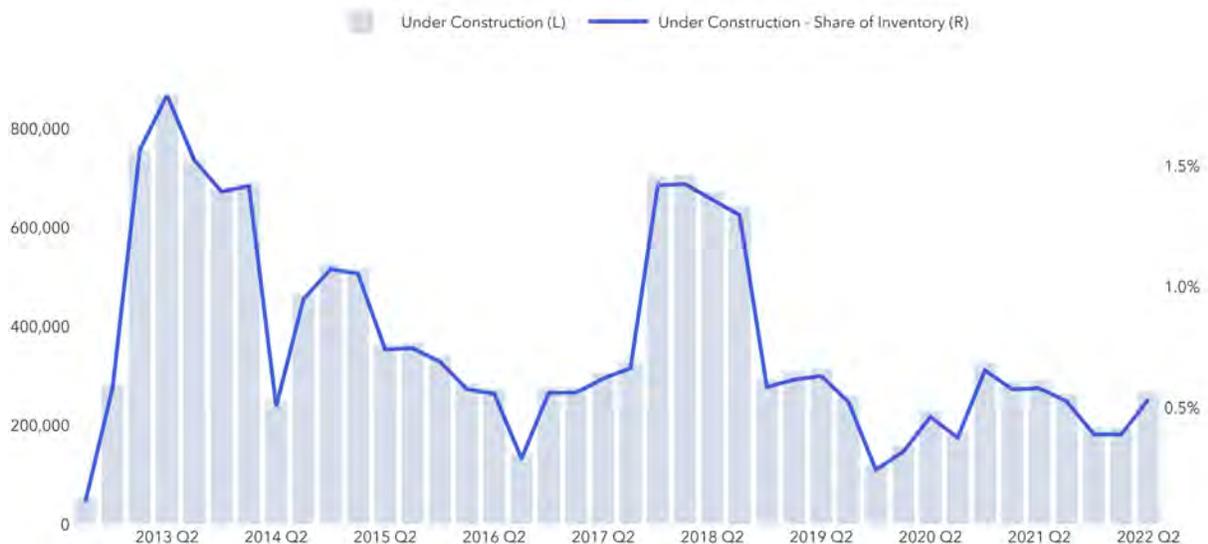
Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 2.9 million square feet to the Submarket over that time, expanding inventory by 3.5%. Developers are currently active in the Submarket with 266.9k square feet, or the equivalent of 0.5% of existing inventory, underway. Demand in the North Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

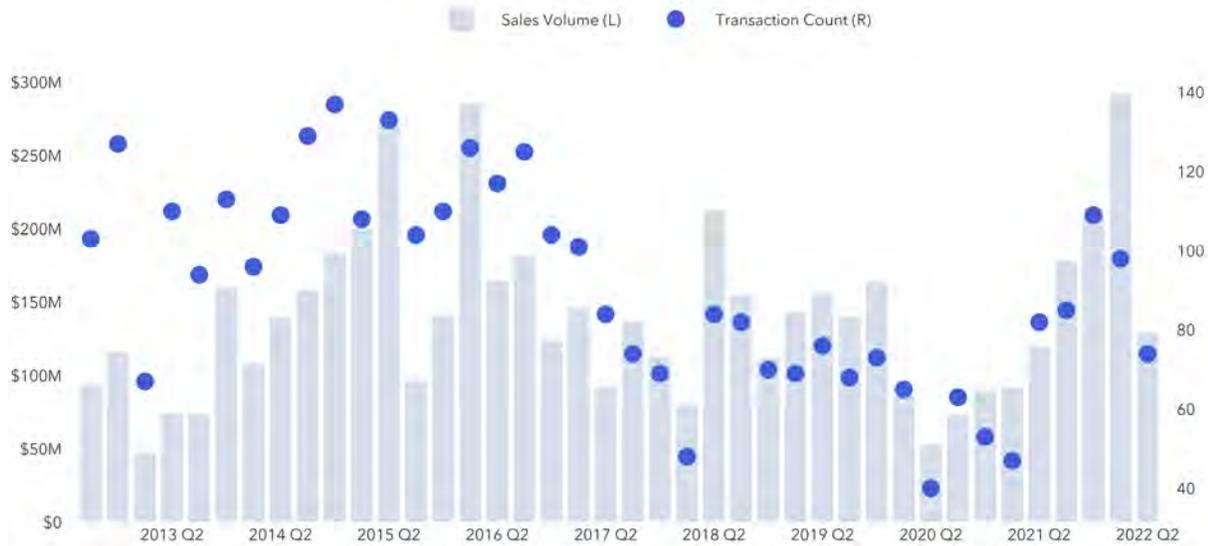
Under Construction SF - Share of Inventory



Capital Markets

Buyers have shown steady interest and have been busily acquiring assets over the years. Going back three years, investors have closed, on average, 277 transactions per year with an annual average sales volume of \$500.7 million. Over the past year, there were 366 closed transactions across 2 million square feet, representing \$809.1 million in dollar volume. In 2022 Q2, there were 74 sales for a total sales volume of \$128.9 million.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$487/SF and has increased 3% over the past year. Capitalization rates have increased 4 bps over the past year to 5.3%. The capital markets remain active throughout the country including North Brooklyn. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | RBA | Building Class | Year Built | Last Sale | |
|----------------------------------|--------|----------------|------------|-----------|-----------------|
| | | | | Date | Last Sale Price |
| 156 Court St, Brooklyn | 7,675 | C | 1900 | Q1 2022 | \$7,065,000 |
| 144-150 Greenpoint Ave, Brooklyn | 22,800 | C | 1931 | Q3 2021 | \$6,250,000 |
| 225 5th Ave, Brooklyn | 5,240 | C | 1920 | Q4 2021 | \$5,150,000 |
| 240 Flatbush Ave, Brooklyn | 4,232 | C | 1920 | Q1 2022 | \$4,500,000 |
| 257 Driggs Ave, Brooklyn | 6,303 | C | 1950 | Q4 2021 | \$4,400,000 |

Asset Value & Market Cap Rates



Outlook

The retail sector has recovered relatively well from the pandemic. Retail sales and foot traffic have remained elevated despite high inflation. However, persistent inflation will likely shift consumer preferences, ultimately causing retailers to slow their leasing pace. Still, property performance continues to vary significantly by subtype, location, class, and tenant composition. Necessity based retailers and those in strong population growth markets are best positioned.

North Brooklyn: Office Submarket Analysis

The information contained in this report was provided using 2022 Q2 CoStar data for the North Brooklyn Office Submarket ("Submarket") located in the New York Market ("Market").



Overview

The subject property is in the North Brooklyn Submarket of the New York Market, defined in the map above. This Submarket accounts for 1.9% of the Market's total inventory with 18.8 million square feet of office space. On the back of continued office-using employment growth and positive absorption, the Office sector demonstrated signs of durability and resiliency since hitting a trough in late 2020. Office leasing activity has exceeded 100 million square feet for three consecutive quarters with positive absorption in Q4 2021 and into Q1 2022. Adverse market trends that plagued the office sector during the pandemic are no longer affecting the Submarket. With vacancy rates compressing over the year, annual rent growth is in positive territory. In fact, vacancy rates have compressed to 16.7% while rents have increased 1.5%. With improving fundamentals for office properties in the Submarket, values have increased over the past year to \$484/SF. Capitalization rates have compressed 11 bps to a rate of 5.2%, falling below the long-term average.

Sector Fundamentals

| | North Brooklyn | YoY | QoQ | New York | YoY | QoQ |
|-------------------|----------------|----------|---------|-----------------|---------|---------|
| Market Rent/SF | \$43.76 | 1.5% | 0.0% | \$56.93 | -0.1% | -0.1% |
| Vacancy Rate | 16.73% | -238 bps | -88 bps | 12.1% | 49 bps | 28 bps |
| Availability Rate | 18.3% | -281 bps | 2 bps | 16.1% | -36 bps | -7 bps |
| Net Absorption SF | 154,499 | 981.5% | -29.0% | -250,111 | 95.6% | -155.5% |
| Asset Value/SF | \$484 | 6.5% | 1.7% | \$700 | 1.6% | 0.9% |
| Market Cap Rate | 5.25% | -11 bps | -2 bps | 5.25% | -0 bps | -2 bps |
| Transaction Count | 4 | 100% | -50% | 221 | -16% | -30% |
| Sales Volume | \$32,050,000 | 992% | 92% | \$2,098,089,600 | -3% | -60% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Submarket are presented in the following table.

Historical Office Performance: North Brooklyn Submarket

| Period | Inventory SF | Under Construction SF | Net Delivered SF 12 Mo | Net Absorption SF 12 Mo | Vacancy Rate | Availability Rate | Market Rent/SF |
|---------|-----------------|-----------------------------|------------------------------|-------------------------------|-----------------|----------------------|-------------------|
| 2022 Q2 | 18,827,162 | 732,891 | 137,921 | 559,156 | 16.7% | 18.3% | \$43.76 |
| 2022 Q1 | 18,840,482 | 732,891 | 152,381 | 387,131 | 17.6% | 18.3% | \$43.74 |
| 2021 | 18,840,482 | 732,891 | 866,797 | 298,327 | 18.8% | 19.7% | \$43.44 |
| 2020 | 17,973,685 | 1,177,749 | 561,676 | -59,031 | 16.5% | 19.3% | \$43.40 |
| 2019 | 17,412,009 | 1,739,425 | 1,519,031 | 724,457 | 13.5% | 16.4% | \$45.81 |
| 2018 | 15,892,978 | 2,886,696 | -439,794 | -655,887 | 9.8% | 12.1% | \$46.19 |
| 2017 | 16,332,772 | 2,331,877 | 271,782 | 563,321 | 8.2% | 10.9% | \$44.56 |
| 2016 | 16,060,990 | 1,876,460 | 323,527 | -64,225 | 10.1% | 14.3% | \$45.44 |
| 2015 | 15,737,463 | 523,630 | 34,472 | 187,895 | 7.6% | 11.9% | \$43.90 |
| 2014 | 15,702,991 | 212,304 | 22,025 | -595,637 | 8.6% | 10.7% | \$40.36 |
| 2013 | 15,680,966 | 288,291 | 22,618 | 162,921 | 4.7% | 5.2% | \$36.61 |
| 2012 | 15,658,348 | 102,000 | -152,171 | 357,991 | 5.7% | 6.6% | \$35.37 |

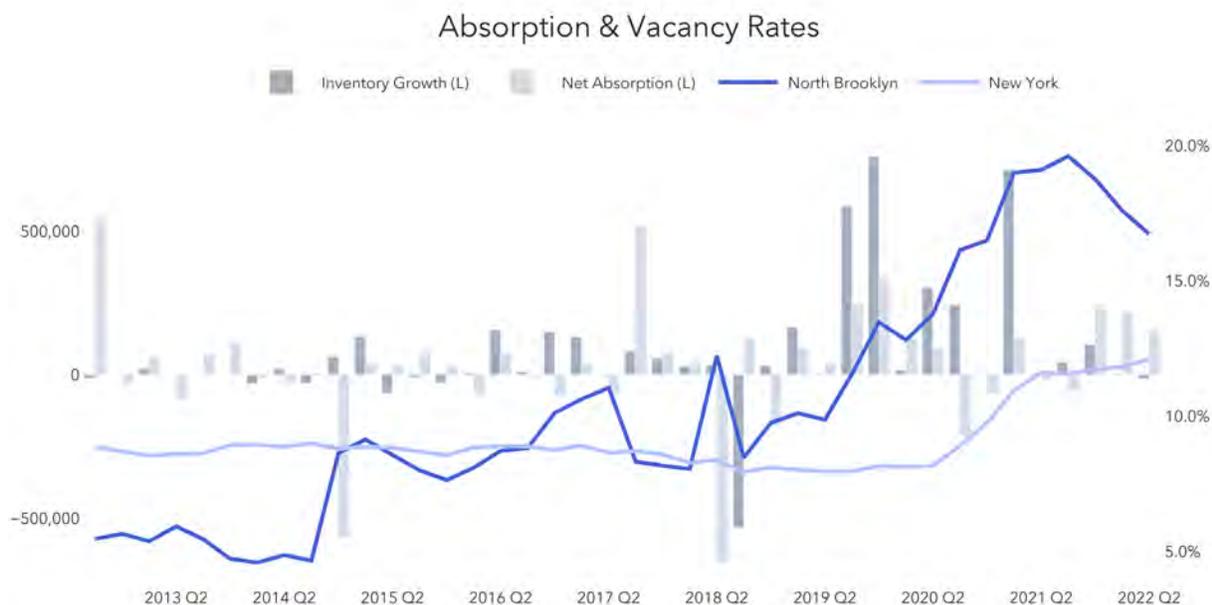
Supply & Demand

The Submarket has 18.8 million square feet of office space, and developers have added, net of demolitions, 3.2 million square feet over the past ten years. These developments have increased inventory by 20.2%. Despite growing inventory levels, with demand picking up, vacancy rates have compressed 238 bps over the past year from 19.1% to 16.7%, remaining above the 10-year average of 10.4% and above the Market average by 463 bps.

In the 2nd quarter, office tenants in the Submarket absorbed 154.5k square feet, a decrease from the 217.5k square feet of net absorption in 2022 Q1. With 154.5k square feet absorbed in the 2nd quarter, vacancy rates have compressed 88 bps since Q1.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|----------|
| National | 12.1% | 11.6% | 10.9% | 10.3% | 10.0% | 9.8% | 9.5% | 9.6% | 11.0% | 12.1% | 12.2% | 12.3% |
| Market | 8.7% | 8.9% | 8.8% | 8.6% | 8.8% | 8.6% | 8.1% | 8.2% | 9.8% | 11.7% | 11.8% | 12.1% |
| Submarket | 5.7% | 4.7% | 8.6% | 7.6% | 10.1% | 8.2% | 9.8% | 13.5% | 16.5% | 18.8% | 17.6% | 16.7% |
| Class A | 1.1% | 1.1% | 3.6% | 3.4% | 22.2% | 22.6% | 32.2% | 54.6% | 55.8% | 58.1% | 56.0% | 53.0% |
| Class B | 5.2% | 4.1% | 11.4% | 10.4% | 13.2% | 9.0% | 12.1% | 10.1% | 12.1% | 16.1% | 15.1% | 14.1% |
| Class C | 6.8% | 6.0% | 5.7% | 4.5% | 4.4% | 5.0% | 3.2% | 3.8% | 5.7% | 4.7% | 3.8% | 4.0% |



Rents

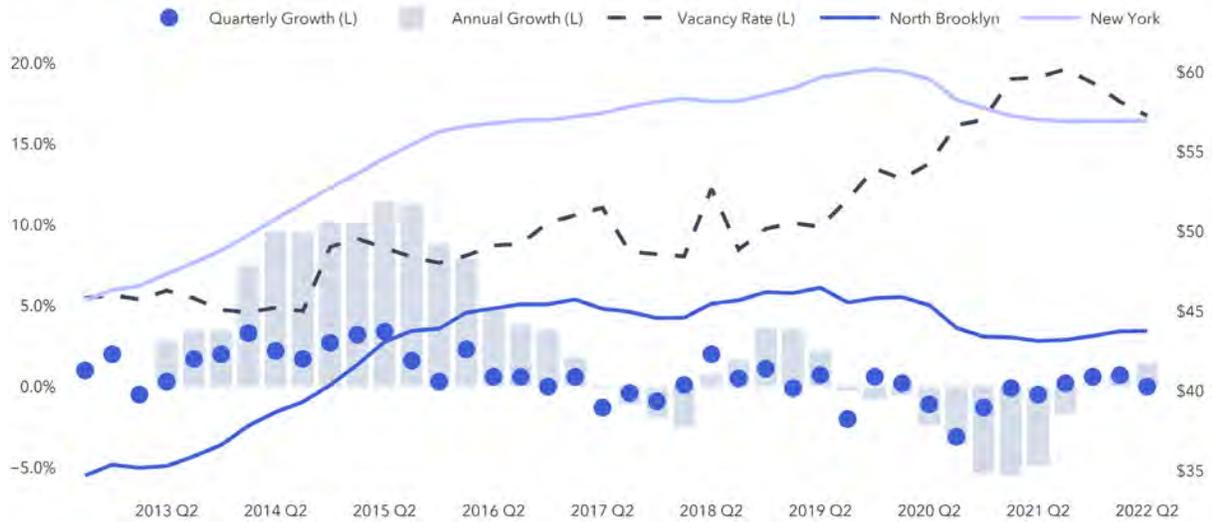
At \$43.76/SF, rents in the Submarket are roughly 23% lower than the Market where rents sit at \$56.93/SF. Rents in the Submarket have grown 2.6% per annum over the past decade, exceeding the Market, where rents increased 2.5% per annum during that time.

Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$26.51 | \$27.49 | \$28.95 | \$30.63 | \$31.64 | \$32.56 | \$33.67 | \$35.00 | \$34.48 | \$34.71 | \$34.82 | \$34.87 |
| Market | \$46.31 | \$48.79 | \$52.74 | \$56.25 | \$56.98 | \$58.13 | \$58.55 | \$60.17 | \$57.77 | \$56.91 | \$56.96 | \$56.93 |
| Submarket | \$35.37 | \$36.61 | \$40.36 | \$43.90 | \$45.44 | \$44.56 | \$46.19 | \$45.81 | \$43.40 | \$43.44 | \$43.74 | \$43.76 |
| Class A | \$43.21 | \$46.11 | \$48.46 | \$53.51 | \$54.19 | \$55.51 | \$56.03 | \$58.02 | \$56.18 | \$55.68 | \$55.73 | \$55.68 |
| Class B | \$33.40 | \$35.22 | \$38.58 | \$43.07 | \$44.44 | \$43.18 | \$45.36 | \$44.90 | \$41.99 | \$42.24 | \$42.60 | \$42.62 |
| Class C | \$34.31 | \$33.82 | \$38.87 | \$40.19 | \$42.44 | \$41.01 | \$42.37 | \$40.89 | \$38.93 | \$38.95 | \$39.29 | \$39.34 |

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 -1.1%. By the end of 2020, rents had fallen 5.3% from the 2019 Q4 rent level of \$45.81/SF. Quarterly rent growth in 2022 Q2 reached 0.0%, pushing annual growth to 1.5%.

Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 4.3 million square feet to the Submarket over that time, expanding inventory by 20.2%. Developers are currently active in the Submarket with 732.9k square feet, or the equivalent of 3.9% of existing inventory, underway. Demand in the North Brooklyn Submarket has outpaced new deliveries over the past year but could slow along with softening economic growth.

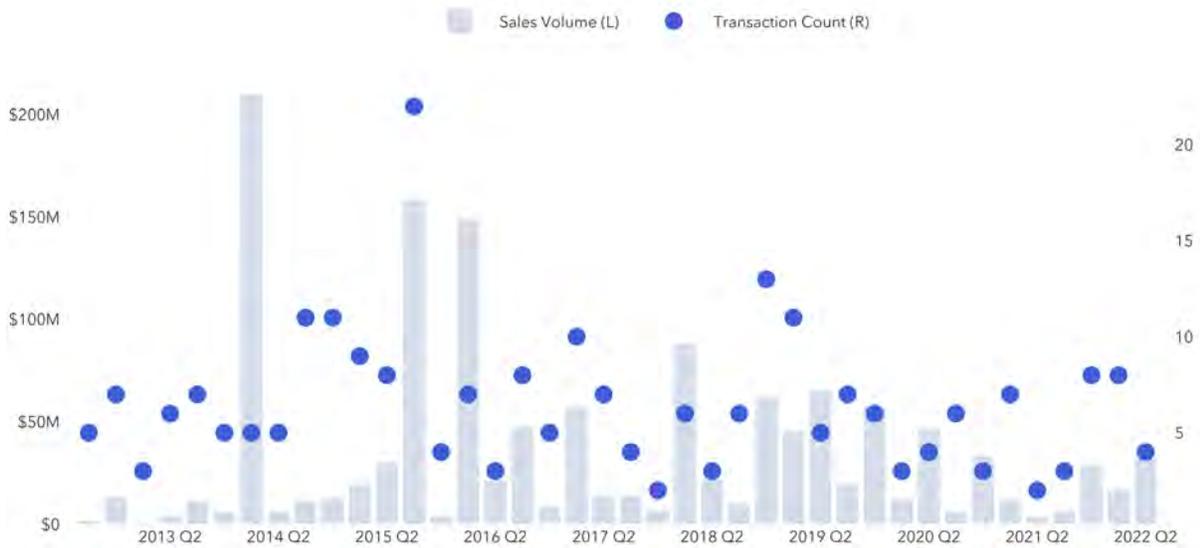
Under Construction SF - Share of Inventory



Capital Markets

Buyers have shown steady interest and have been busily acquiring assets over the years. Going back three years, investors have closed, on average, 22 transactions per year with an annual average sales volume of \$111.3 million. Over the past year, there were 23 closed transactions across 227.4k square feet, representing \$84.2 million in dollar volume. In 2022 Q2, there were 4 sales for a total sales volume of \$32 million.

Sales Volume & Transaction Count

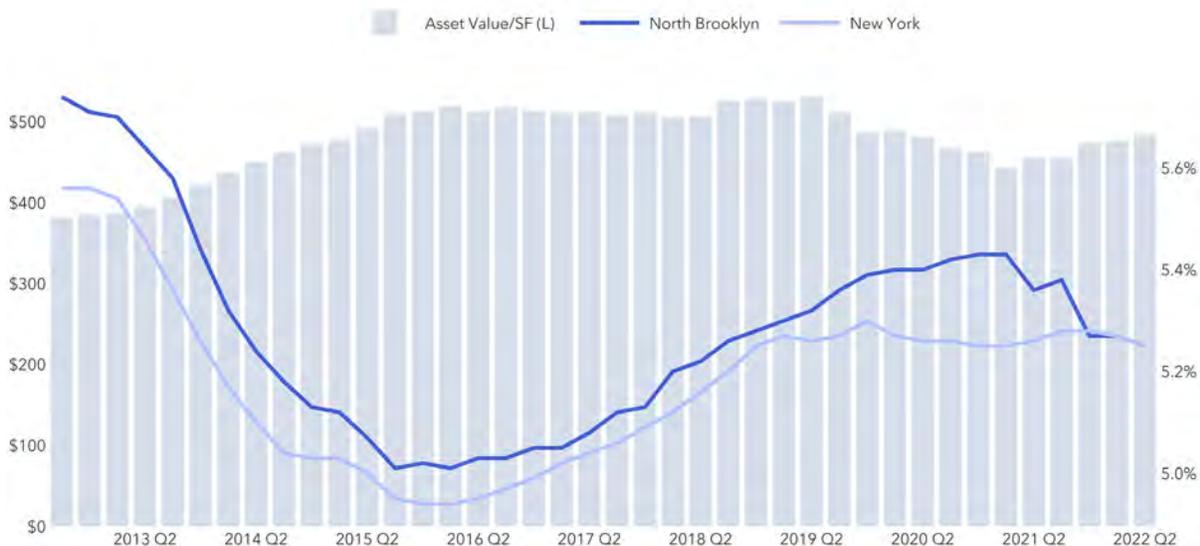


Market pricing, based on the estimated price movement of all properties in the Submarket, sat at \$484/SF and has increased 6% over the past year. Capitalization rates have compressed 11 bps over the past year to 5.2%. The capital markets remain active throughout the country including North Brooklyn. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | RBA | Building Class | Year Built | Last Sale Date | Last Sale Price |
|--------------------------------|-------|----------------|------------|----------------|-----------------|
| 284 Suydam St, Brooklyn | 4,875 | C | 1901 | Q1 2022 | \$2,000,000 |
| 541 3rd Ave, Brooklyn | 3,000 | C | 1925 | Q3 2021 | \$1,880,000 |
| 790-792 Flushing Ave, Brooklyn | 6,780 | C | 1931 | Q3 2021 | \$1,150,000 |

Asset Value & Market Cap Rates



Outlook

Office demand remains below prepandemic levels for many markets. This comes at a time of softening economic growth, which will further slow the recovery for the sector. Many office markets are contending with elevated vacancy rates and will experience limited rent growth, if any, over the second half of 2022.

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 uses¹⁰ 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 R6A, which permits residential and community facility use as of right as well as commercial uses due to the C2-4 commercial overlay. Based on the maximum effective FAR of 3.00 and a lot area of 20,000 square feet, 60,000 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 20,000 square feet with 200 feet of frontage along Nostrand Avenue, 100 feet of frontage along Macon Street and 100 feet of frontage along Halsey 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. |

¹⁰ The definitions of these alternative uses can be found in the Glossary of Terms, which is located in the Addenda.

As Improved

| | |
|---|--|
| Legally Permissible | The subject improvements consist of 61,380 square feet of gross building area on a 20,000 square foot site. Based on the zoning analysis referenced herein, the subject has a residential FAR of 2.19 and a commercial FAR of 0.67. Located in the R6A zone, permitted uses include residential and community facility as well as commercial due to the C2-4 commercial overlay. The current residential and commercial of the improvements are permitted uses. However, the improvements do not comply to bulk requirements as specified and discussed in the zoning section of this report. |
| Physically Possible | The subject is an individually landmarked, 5-story, walk-up, mixed-use building consisting of 46 residential units and 11 commercial units, of which 1 is an office and 10 are retail, with 61,380 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 residential and commercial property is considered the most functional. |
| 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 96% occupancy and generates a positive net cash flow. Therefore, use as a mixed-use commercial/apartment property is financially feasible. |
| Maximally Productive/ 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 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 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

| Approach | Applicability to Subject | Use in Assignment |
|--------------------------------|--------------------------|-------------------|
| 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 (As Is Market Value)

Current Residential Rent Roll

500 Nostrand Avenue currently contains 45 occupied units and 1 vacant unit generating \$564,440 of total annual residential income.

The provided rent roll as of October 6, 2022 indicates that the vacant unit, 3K, has been pre-leased at \$913.59 per month for a term beginning October 21, 2022. Therefore, we treat this unit as vacant as of our effective date of value. There is a unit reserved for the building superintendent, 2G, for which they pay \$0 rent as part of their compensation package.

All units are rent- and income-restricted for a 30-year compliance period through June 29, 2027. Specifically, the agreement restricts units to households earning less than 60% of Area Median Income ("AMI"), and it sets corresponding maximum rents based on bedroom types. The entire building is subject to rent stabilization ordinances. We requested but did not receive the DHCR-registered rent roll.

500 Nostrand Avenue

| # | Unit # | Rooms | Bedrooms | Bathrooms | Rent Status | Lease Status | Monthly Rent |
|----|--------|-------|----------|-----------|-----------------|--------------|--------------|
| 1 | 1A | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,130.46 |
| 2 | 1B | 3 | 1 | 1 | Rent Stabilized | Occupied | \$913.70 |
| 3 | 1C | 3 | 1 | 1 | Rent Stabilized | Occupied | \$874.59 |
| 4 | 2A | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,058.11 |
| 5 | 2B | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,152.63 |
| 6 | 2C | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,426.57 |
| 7 | 2D | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,198.05 |
| 8 | 2E | 3 | 1 | 1 | Rent Stabilized | Occupied | \$884.28 |
| 9 | 3A | 4 | 2 | 1 | Rent Stabilized | Occupied | \$975.90 |
| 10 | 3B | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,007.26 |
| 11 | 3C | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,289.83 |
| 12 | 3D | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,022.98 |
| 13 | 3E | 3 | 1 | 1 | Rent Stabilized | Occupied | \$859.33 |
| 14 | 4A | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,330.22 |
| 15 | 4B | 4 | 2 | 1 | Rent Stabilized | Occupied | \$959.51 |
| 16 | 4C | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,101.02 |
| 17 | 4D | 3 | 1 | 1 | Rent Stabilized | Occupied | \$933.93 |
| 18 | 4E | 3 | 1 | 1 | Rent Stabilized | Occupied | \$853.34 |
| 19 | 5A | 4 | 2 | 1 | Rent Stabilized | Occupied | \$970.55 |
| 20 | 5B | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,129.70 |
| 21 | 5C | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,062.56 |
| 22 | 5D | 3 | 1 | 1 | Rent Stabilized | Occupied | \$952.96 |
| 23 | 5E | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,120.39 |
| 24 | 1D | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,184.87 |
| 25 | 1E | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,083.47 |
| 26 | 1F | 3 | 1 | 1 | Rent Stabilized | Occupied | \$900.16 |
| 27 | 2F | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,140.20 |

| | | | | | | | |
|--------------------|----|------------|-----------|-----------|-----------------|----------|---------------------|
| 28 | 2G | 4 | 2 | 1 | Rent Stabilized | Occupied | \$0.00 |
| 29 | 2H | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,130.01 |
| 30 | 2J | 3 | 1 | 1 | Rent Stabilized | Occupied | \$875.12 |
| 31 | 2K | 3 | 1 | 1 | Rent Stabilized | Occupied | \$857.36 |
| 32 | 3F | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,005.19 |
| 33 | 3G | 4 | 2 | 1 | Rent Stabilized | Occupied | \$980.67 |
| 34 | 3H | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,041.06 |
| 35 | 3J | 3 | 1 | 1 | Rent Stabilized | Occupied | \$988.64 |
| 36 | 3K | 3 | 1 | 1 | Rent Stabilized | Vacant | - |
| 37 | 4F | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,373.31 |
| 38 | 4G | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,005.83 |
| 39 | 4H | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,105.27 |
| 40 | 4J | 3 | 1 | 1 | Rent Stabilized | Occupied | \$866.75 |
| 41 | 4K | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,301.08 |
| 42 | 5F | 4 | 2 | 1 | Rent Stabilized | Occupied | \$1,145.88 |
| 43 | 5G | 4 | 2 | 1 | Rent Stabilized | Occupied | \$989.19 |
| 44 | 5H | 5 | 3 | 1.5 | Rent Stabilized | Occupied | \$1,108.46 |
| 45 | 5J | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,301.75 |
| 46 | 5K | 3 | 1 | 1 | Rent Stabilized | Occupied | \$1,444.49 |
| Totals/Avgs | | 170 | 78 | 50 | | | \$47,036.63 |
| Annual | | | | | | | \$564,439.56 |

AMI-Restricted Rents

The client indicated that subject's units are rent restricted to tenants whose incomes are equal to or less than 60% of Area Median Income ("AMI"). The maximum initial rents in 1997 were set at \$490 per month for one-bedrooms, \$589 per month for two-bedrooms, and \$682 per month for three-bedrooms, with subsequent annual increases governed by rent stabilization laws.

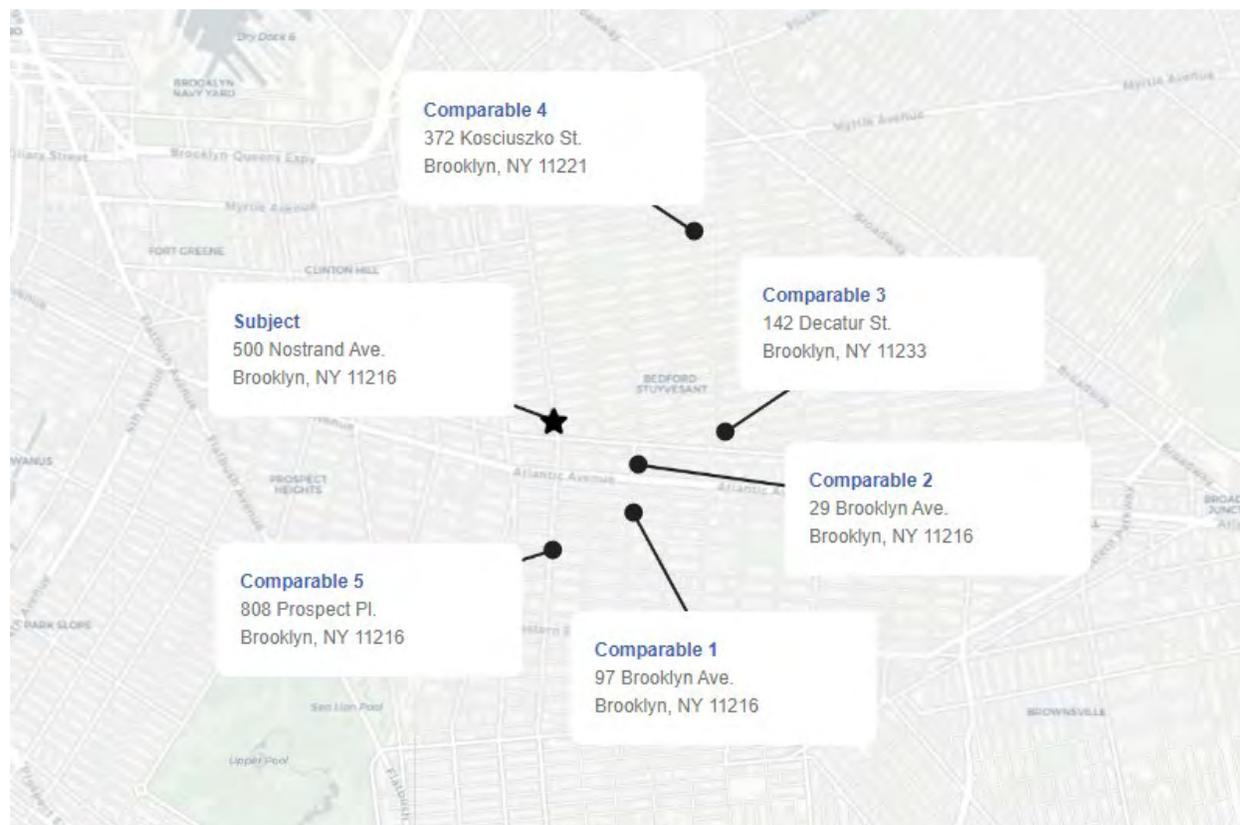
The 2022 AMI for the New York City region is \$120,100 for a three-person family (100%). There is a household adjustment factor for each bedroom type. NYC HPD outlines the allowable maximum rents for each bedroom type and income band, as summarized below. If the tenant pays utilities, there are allowable deductions, which lower the maximum rent. At the subject, tenants pay for electricity only.

| 60% AMI | HH Size | HH Factor | Income Limit | Tenant Pays | | Tenant Pays |
|----------------|---------|-----------|--------------|--------------|------------------------------------|-----------------------------|
| | | | | No Utilities | Electricity (Excl. Electric Stove) | Electricity and Cooking Gas |
| 1 BR | 2 | 0.75 | \$64,080 | \$1,501 | \$1,417 | \$1,391 |
| 2 BR | 3 | 0.9 | \$72,060 | \$1,801 | \$1,691 | \$1,662 |
| 3 BR | 4 | 1.04 | \$80,040 | \$2,081 | \$1,945 | \$1,912 |

We emphasize that these implied rents are based on the 2022 AMI, whereas the subject's initial rents were based on the 1997 AMI and increased each year based on allowable increases for rent stabilized units.

Comparable Rentals¹¹

In order to advance an opinion of market rent, we have examined the following rental activity in the submarket:



Comparable Rentals Summary

| | Address | Year Built | Resi. Units | Occupancy | Dist. (mi.) | Unit Mix | Rent | SF | Rent PSF |
|---|---|------------|-------------|-----------|-------------|-----------|---------|-------|----------|
| 1 | 97 Brooklyn Ave. Brooklyn, NY, 11216 | 1900 | 71 | 98.6% | 0.6 | 1BD/1BA | \$2,100 | 708 | \$36 |
| | | | | | | 2BD/1BA | \$2,789 | 984 | \$34 |
| | | | | | | 3BD/1BA | | | |
| 2 | 29 Brooklyn Ave. Brooklyn, NY, 11216 | 1910 | 20 | 100.0% | 0.4 | 1BD/1BA | \$2,612 | 1,025 | \$31 |
| | | | | | | 2BD/1BA | \$2,872 | 1,225 | \$28 |
| | | | | | | 3BD/1BA | | | |
| 3 | 142-144 Decatur St. Brooklyn, NY 11233 | 1910 | 20 | 100.0% | 0.7 | 1BD/1BA | \$2,000 | 520 | \$46 |
| | | | | | | 2BD/1BA | \$2,600 | 900 | \$35 |
| | | | | | | 3BD/1BA | | | |
| 4 | 372 Kosciuszko St. Brooklyn, NY 11221 | 1930 | 49 | 100.0% | 1.2 | 1BD/1BA | \$2,350 | 600 | \$47 |
| | | | | | | 2BD/1BA | \$3,150 | 750 | \$50 |
| | | | | | | 3BD/1.5BA | \$3,650 | 1,050 | \$42 |
| 5 | 808 Prospect Pl. Brooklyn, NY 11216 | 1905 | 19 | 100.0% | 0.5 | 1BD/1BA | \$2,300 | 650 | \$42 |
| | | | | | | 2BD/1BA | \$2,800 | 796 | \$42 |
| | | | | | | 3BD/1BA | \$3,000 | 1,159 | \$31 |

¹¹ The comparable rental outlines can be found in the Addenda.

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 Bedford-Stuyvesant, 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-Bedroom Units

The subject's rent stabilized units range from \$853 to \$1,444 per month with an average of \$1,021 per month. The surveyed comparables range from \$2,000 to \$2,350 per month with an average of \$2,188 per month. Based on the range of the comparables, we forecast a market rent for the subject's one-bedroom, one-bathroom units, on average, of \$2,300 per month. We weighted Comparable 5 most heavily in developing this conclusion due to its similarity in unit size (650 sqft. vs. 677 sqft. average for the subject's units), proximity at 0.5 miles away, and because it is also located in a mixed-use building.

This market rent conclusion equates to a rent of \$41 per square foot per year which is within the surveyed range of \$36 to \$47 per square foot per year and is thus considered to be reasonable. Therefore, the in-place rents are below market.

2-Bedroom Units

The subject's rent stabilized units range from \$960 to \$1,373 per month with an average of \$1,082 per month. The surveyed comparables range from \$2,600 to \$3,150 per month with an average of \$2,790 per month. Based on the range of the comparables, we forecast a market rent for the subject's two-bedroom, one-bathroom units, on average, of \$2,700 per month. We weighted each comparable equally, as the comparables average 891 square feet, which is very similar to the subject's average unit size of 864 square feet.

This market rent conclusion equates to a rent of \$39 per square foot per year which is within the surveyed range of \$31 to \$50 per square foot per year and is thus considered to be reasonable. Therefore, the in-place rents are below market.

3-Bedroom Units

The subject's rent stabilized units range from \$1,041 to \$1,427 per month with an average of \$1,158 per month. The surveyed comparables range from \$2,872 to \$3,650 per month with an average of \$3,174 per month. Based on the range of the comparables, we forecast a market rent for the subject's three-bedroom, one-and-a-half bathroom units, on average, of \$3,200 per month. We weighted each comparable in developing this conclusion, as Comparables 2 and 5 are within 0.5 miles of the subject and Comparable 4, which is 1.2 miles away, also has 1.5 bathrooms.

This market rent conclusion equates to a rent of \$29 per square foot per year which is within the surveyed range of \$28 to \$42 per square foot per year and is thus considered to be reasonable. Therefore, the in-place rents are below market.

Market Rent Comparison (Monthly)

| Bedroom | Market Survey | Subject | Market Rent Opinion |
|----------|---------------|---------|---------------------|
| 1BD Min. | \$2,000 | \$853 | |
| 1BD Avg. | \$2,188 | \$1,021 | \$2,300 |
| 1BD Max. | \$2,350 | \$1,444 | |
| 2BD Min. | \$2,600 | \$960 | |
| 2BD Avg. | \$2,790 | \$1,082 | \$2,700 |
| 2BD Max. | \$3,150 | \$1,373 | |
| 3BD Min. | \$2,872 | \$1,041 | |
| 3BD Avg. | \$3,174 | \$1,158 | \$3,200 |
| 3BD Max. | \$3,650 | \$1,427 | |

Market Rent Comparison (Annual PSF)

| Bedroom | Market Survey | Subject | Market Rent Opinion |
|----------|---------------|---------|---------------------|
| 1BD Min. | \$36 | \$15 | |
| 1BD Avg. | \$43 | \$18 | \$41 |
| 1BD Max. | \$47 | \$24 | |
| 2BD Min. | \$31 | \$12 | |
| 2BD Avg. | \$38 | \$15 | \$38 |
| 2BD Max. | \$50 | \$21 | |
| 3BD Min. | \$28 | \$9 | |
| 3BD Avg. | \$34 | \$10 | \$29 |
| 3BD Max. | \$42 | \$13 | |

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 3.25% and for two-year leases allowable increases are set for 5.00%. 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 2.88%.

Project Rent Stabilized Rent Growth

| | Allowable Increase | Tenancy | 12-Mo. Adj. Factor | Blended Increase |
|----------------------------------|--------------------|---------|--------------------|------------------|
| 1-Year | 3.25% | x 50% | x 100% | = 1.63% |
| 2-Year | 5.00% | x 50% | x 50% | = 1.25% |
| Weighted Average Increase | | | | 2.88% |

Vacant Unit Forecast

| Unit Number | Type | Legal Status | Legal Monthly Rent |
|-------------|---------|-----------------|--------------------|
| 3K | 2BD/1BA | Rent Stabilized | \$913.59 |

We apply the pre-leased figure of \$913.59 per month to vacant, rent stabilized unit 3K. This equates to a total annual rent of \$10,963.

Base Residential Income

*The building superintendent occupies a two-bedroom unit for \$0 per month. We have excluded this rent from calculation of averages.

Rent Roll Summary by Unit Type

| Unit Type | No. of Units | Rental Range Per Month | Total Annual Rent | Avg. Rent Per Month |
|-----------------------|--------------|------------------------|-------------------|---------------------|
| 1 BR | 22 | \$853 - \$1,444 | \$269,535 | \$1,021 |
| 2 BR | 16 | \$0 - \$1,373 | \$194,690 | *\$1,082 |
| 3 BR | 8 | \$1,041 - \$1,427 | \$111,177 | \$1,158 |
| Totals/Average | 46* | | \$575,403 | *\$1,066 |

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 | 46 | \$0 - \$1,444 | \$575,403 | *\$1,066 |
| Totals/Average | 46 | | \$575,403 | *\$1,066 |

The average monthly rent is \$1,066.

The contract rents are based on the following expense structure:

| | |
|-------------------------------|---|
| Landlord's Obligations | Common area electricity, heat and gas, refuse removal, water/sewer and common area maintenance. |
| Tenant Obligations | In-unit electricity. |

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 | \$575,403 | x 1.02880 = | \$591,974 |
| Total | \$575,403 | | \$591,974 |

Based on our market rent conclusions, the residential rent roll is 42% of market.

Commercial Income

The subject contains 11 commercial units. As noted, H&R Block's unit was recently partitioned to create a smaller eleventh retail unit, which is currently vacant. We have forecasted market rent and market lease terms for the vacant unit based on the occupied unit leases, the comparables below, and our research of the subject's retail market. The forecasted lease terms are summarized below:

Current Commercial Rent Roll

The occupied unit leases are summarized below. We note that:

- The provided commercial rent roll indicates a rent of \$2,476 per month for Brooklyn Baby Cakes, but the lease renewal indicates a current rent of \$2,600 per month. The property contact confirmed the figure in the lease is current, and we will utilize this in our rent roll.
- DLSS Management also has access to an additional 232 square feet of below ground storage space in addition to their built-out area.

500 Nostrand Avenue

| Tenant | Use | Lease Status | Start Date | Expiration Date | SF | Annual Rent | Monthly Rent | Rent PSF |
|------------------------------|--------|--------------|------------|-----------------|--------------|------------------|-----------------|----------------|
| DLSS Management | Office | Occupied | 11/01/2020 | 03/31/2023 | 995 | \$14,400 | \$1,200 | \$14.47 |
| La Taverne Inc | Retail | Occupied | 03/01/2012 | 02/29/2028 | 698 | \$42,927 | \$3,577 | \$61.50 |
| Pattie Hut B | Retail | Occupied | 02/01/2012 | 01/31/2032 | 590 | \$37,104 | \$3,092 | \$62.89 |
| Jasmine House of Scents | Retail | Occupied | 04/22/2011 | 04/30/2024 | 542 | \$33,252 | \$2,771 | \$61.35 |
| 512 Nostrand Inc | Retail | Occupied | 06/17/2019 | 05/31/2029 | 1,600 | \$102,695 | \$8,558 | \$64.18 |
| Platinum Cuts Inc | Retail | Occupied | 08/05/2010 | 04/30/2029 | 694 | \$36,060 | \$3,005 | \$51.96 |
| Ma's Fish and Chips Plus LLC | Retail | Occupied | 12/13/2010 | 12/31/2025 | 654 | \$36,442 | \$3,037 | \$55.72 |
| Brooklyn Baby Cakes Inc | Retail | Occupied | 03/01/1990 | 03/31/2025 | 452 | \$31,200 | \$2,600 | \$69.03 |
| Liquid Assets Ocean Hill Inc | Retail | Occupied | 11/01/2018 | 10/31/2023 | 490 | \$29,897 | \$2,491 | \$61.01 |
| Commercial Unit 10 | Retail | Vacant | - | - | 611 | - | - | - |
| H&R Block, Inc | Retail | Occupied | 08/01/1999 | 04/30/2027 | 1,222 | \$66,560 | \$5,547 | \$54.47 |
| Totals | | | | | 8,548 | \$430,537 | \$35,878 | \$54.24 |

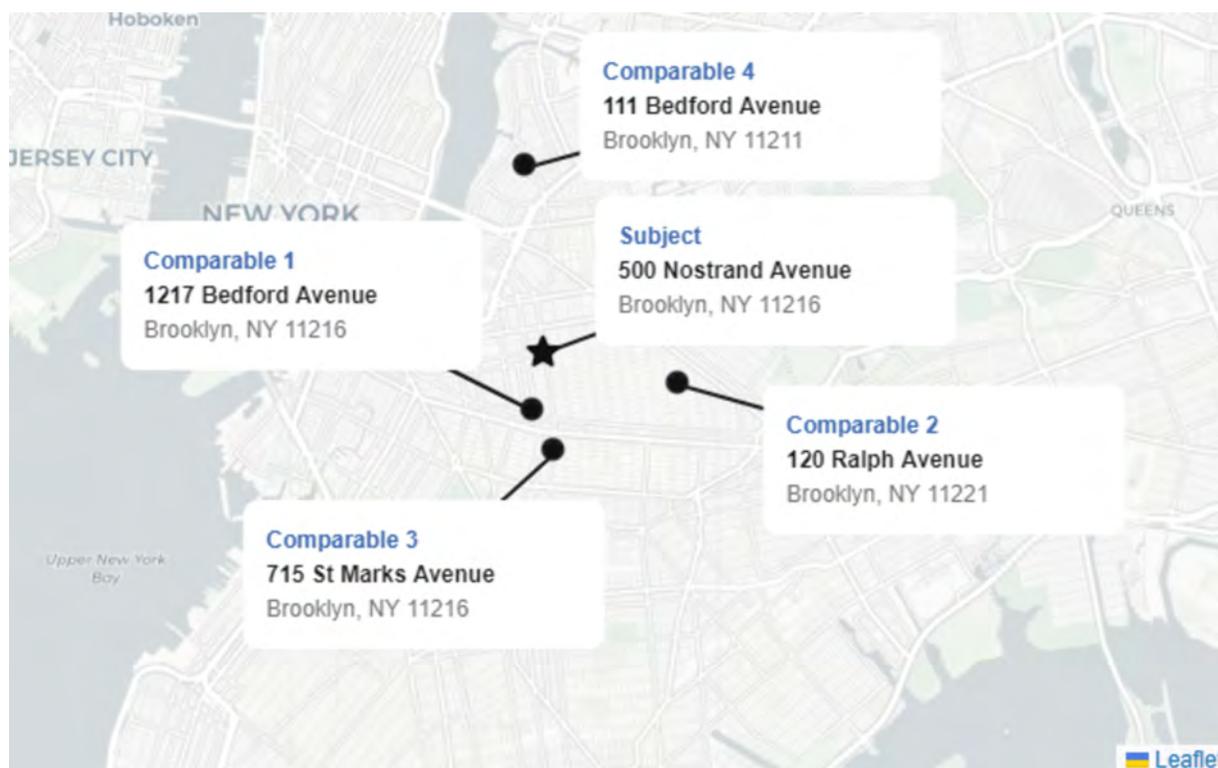
Commercial Rent Comparables

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

Office Mid-Block Rent Comparables Map

To determine the reasonableness of DLSS Management's rent, we have surveyed the following comparables. The subject's unit is located on the lower level. We have excluded the cellar-level storage space when calculating the subject's rent per square foot given that rent is typically expressed as rent per finished square foot in this market.

We emphasize the dearth of recent rentals of below grade office space. Therefore, we expanded our search radius and also considered at grade office space. We will consider the implied discount of below grade vs. at/above grade space in concluding to a market rent for the subject.



| | Address | Tenant | Grade | Start Date | Sq. Ft. | Base Rent | Lease Terms |
|---|-----------------------------------|--------------------------|-------------|------------|--------------|----------------|----------------|
| 1 | 1217 Bedford Avenue, Brooklyn, NY | Current Listing | Below Grade | N/A | 368 | \$42.39 | Modified gross |
| 2 | 120 Ralph Avenue, Brooklyn, NY | BPM Construction Company | At Grade | Jan-22 | 1,800 | \$22.00 | Modified gross |
| 3 | 715 St Marks Avenue, Brooklyn, NY | Office | At Grade | Jan-22 | 3,300 | \$19.00 | Gross |
| 4 | 111 Bedford Avenue, Brooklyn, NY | Undisclosed | Below Grade | Oct-21 | 4,000 | \$28.00 | Modified gross |
| | | | | Min | 368 | \$19.00 | |
| | | | | Avg | 2,367 | \$27.85 | |
| | | | | Max | 4,000 | \$42.39 | |

Office Mid-Block Rent Reconciliation Adjustment Grid

| Details | Subject Base Unit | Comp 1 | Comp 2 | Comp 3 | Comp 4 |
|---|-------------------|---------------------|--------------------------|---------------------|--------------------|
| Tenant Name | DLSS Management | Current Listing | BPM Construction Company | Undisclosed Office | Undisclosed |
| Address | 82 Halsey St. | 1217 Bedford Avenue | 120 Ralph Avenue | 715 St Marks Avenue | 111 Bedford Avenue |
| Date Signed | 11/1/2020 | 9/29/2022 | 1/21/2022 | 1/19/2022 | 10/15/2021 |
| Square Feet | 995 | 368 | 1,800 | 3,300 | 4,000 |
| Corner | Modified gross | Mid-block | mid-block | mid-block | mid-block |
| Lease Terms | N/A | modified gross | modified gross | gross | modified gross |
| Rent /SF | \$14.47 | \$42.39 | \$22.00 | \$19.00 | \$28.00 |
| Lease Terms Adjustment | | 0% | 0% | -5% | 0% |
| Lease Terms Adjustment Sub-Total | | \$42.39 | \$22.00 | \$18.05 | \$28.00 |
| Market Conditions (Time) | | -10% | 0% | 0% | 0% |
| Trended Rent/SF | | \$38.15 | \$22.00 | \$18.05 | \$28.00 |
| Square Feet | 995 | -5% | 5% | 10% | 10% |
| Neighborhood | Bed-Stuy | 0% | 0% | 0% | -10% |
| Location | Mid-block | 0% | 0% | 0% | 0% |
| Grade | Below Grade | 0% | -15% | -15% | 0% |
| Condition | Average | 0% | 0% | 0% | -10% |
| Total | | -5% | -10% | -5% | -10% |
| Adjusted Rent/SF | | \$36.24 | \$19.80 | \$17.15 | \$25.20 |

Market Rent Conclusion **\$25.00**

Office Mid-Block Discussion

The indicated unadjusted range of the comparable commercial units is from \$19.00 per square foot to \$42.39 per square foot, with an average of \$27.85 per square foot and a median of \$25.00 per square foot. We made the following adjustments:

- Comparable 4 is a gross lease, whereas the subject's unit has a modified gross lease in which the landlord and tenant share responsibilities for operating expenses. Therefore, this comparable was adjusted downward.
- Comparable 1 is a current listing and its rent may be negotiated downward upon lease execution.
- Comparable 1 is significantly smaller than the subject's unit and was adjusted downward, while Comparables 2, 3, and 4 are larger than the subject's unit and were adjusted upward.
- Comparable 4 is located in Williamsburg, which commands higher trending rental rates, and was adjusted downward.
- Comparables 2 and 3 are located at grade. At grade space typically rents at a premium over below grade space, so these were adjusted downward.
- Comparable 4 is in excellent condition and was adjusted downward.

After adjustments, the comparable commercial units exhibited a range between \$17.15 per square foot to \$36.24 per square foot, with an average of \$24.60 per square foot and a median of \$22.50 per square foot. Based on the subject property's location, size and condition, we conclude to a market rent of \$25.00 per square foot, modified gross, for the subject's unit. Therefore, the in-place rent of \$14.47 per square foot is below market, but we have been informed that this unit is leased to the subject's management company at a below market rate. A property this size with LIHTC/HPD agreements requires on site management to assist with operations. Therefore, we apply the in-place rent.

Retail Corner Rent Comparables Map

We surveyed the following rentals to determine the reasonableness of the rents for the corner units, La Taverne Inc. which is rented for \$61.50 PSF per year, and H&R Block Inc. which is rented for \$54.47 per square foot per year.



| | Address | Tenant | Start Date | Sq. Ft. | Base Rent | Lease Terms |
|---|------------------------------------|--------------------------|------------|------------|--------------|----------------|
| 1 | 590 Nostrand Avenue, Brooklyn, NY | Undisclosed | Sep-22 | 1,241 | \$55.11 | Triple net |
| 2 | 1183 Bedford Avenue, Brooklyn, NY | Undisclosed | Sep-22 | 1,700 | \$43.00 | Modified gross |
| 3 | 381 Myrtle Avenue, Brooklyn, NY | Growth Mindset | Sep-22 | 2,050 | \$53.00 | Modified gross |
| 4 | 1318 Bushwick Avenue, Brooklyn, NY | Exotic VIP & Convenience | Jul-22 | 750 | \$65.00 | Modified gross |
| | | | | Min | 750 | \$43.00 |
| | | | | Avg | 1,435 | \$54.03 |
| | | | | Max | 2,050 | \$65.00 |

Retail Corner Rent Reconciliation Adjustment Grid

| Details | Subject Base Unit | Comp 1 | Comp 2 | Comp 3 | Comp 4 |
|---|-------------------------------------|---------------------|---------------------|-------------------|--------------------------|
| Tenant Name | H&R Block, Inc & La Taverne | Undisclosed | Undisclosed | Growth Mindset | Exotic VIP & Convenience |
| Address | 500-502 Nostrand; 518 Nostrand Ave. | 590 Nostrand Avenue | 1183 Bedford Avenue | 381 Myrtle Avenue | 1318 Bushwick Avenue |
| Date Signed | 8/1/1999; 3/1/2012 | 9/20/2022 | 9/12/2022 | 9/1/2022 | 7/11/2022 |
| Square Feet | 698 - 1,222 | 1,241 | 1,700 | 2,050 | 750 |
| Corner | corner | corner | corner | corner | corner |
| Lease Terms | N/A | triple net | modified gross | modified gross | modified gross |
| Rent/SF | \$54.47 - \$61.50 | \$55.11 | \$43.00 | \$53.00 | \$65.00 |
| Lease Terms Adjustment | | 10% | 0% | 0% | 0% |
| Lease Terms Adjustment Sub-Total | | \$60.62 | \$43.00 | \$53.00 | \$65.00 |
| Market Conditions (Time) | | 0% | 0% | 0% | 0% |
| Trended Rent/SF | | \$60.62 | \$43.00 | \$53.00 | \$65.00 |
| Square Feet | 698 - 1,222 | 0% | 0% | 5% | 0% |
| Neighborhood | Bed-Stuy | 0% | 0% | 0% | 0% |
| Location | Corner | 0% | 0% | 0% | 0% |
| Condition | Average | 0% | 0% | 0% | 0% |
| Total | | 0% | 0% | 5% | 0% |
| Adjusted Rent/SF | | \$60.62 | \$43.00 | \$55.65 | \$65.00 |

Market Rent Conclusion **\$60.00**

Retail Corner Discussion

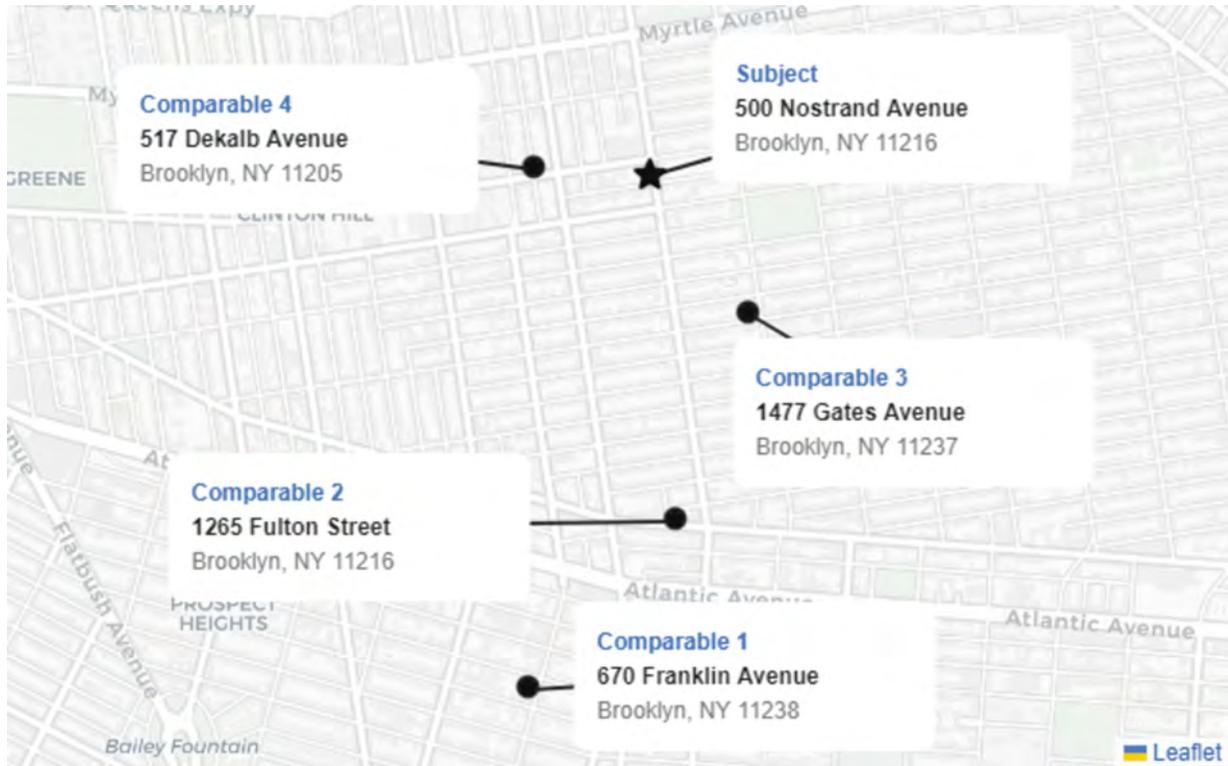
The indicated unadjusted range of the comparable commercial units is from \$43.00 per square foot to \$65.00 per square foot, with an average of \$54.03 per square foot and a median of \$54.05 per square foot. We made the following adjustments:

- Comparable 1 is structured as a triple net lease and was adjusted upward relative to the subject's modified gross leases.
- Comparable 2 is significantly larger than the subject's units and was adjusted upward.

After adjustments, the comparable commercial units exhibited a range between \$43.00 per square foot to \$65.00 per square foot, with an average of \$56.07 per square foot and a median of \$58.14 per square foot. Based on the subject property's location, size and condition, we conclude to a market rent of \$60.00 per square foot, modified gross, for the subject's units. Therefore, La Taverne's rent at \$61.50 per square foot per year is slightly above market, while H&R Block, Inc.'s rent of \$54.47 per square foot is slightly below market.

Retail Mid-Block Rent Comparables Map

The following comparables were selected to determine the reasonableness of the rents for the 7 occupied, mid-block retail units and to forecast a market rent for the subject's 611 square foot vacant space.



| | Address | Tenant | Start Date | Sq. Ft. | Base Rent | Lease Terms |
|---|-----------------------------------|------------------------------------|------------|--------------|----------------|----------------|
| 1 | 670 Franklin Avenue, Brooklyn, NY | Undisclosed (Law Office Build-Out) | Aug-22 | 1,190 | \$65.54 | Modified gross |
| 2 | 1265 Fulton Street, Brooklyn, NY | Worker's Transporter | May-22 | 2,000 | \$48.00 | Modified gross |
| 3 | 1477 Gates Avenue, Brooklyn, NY | Undisclosed | Apr-22 | 800 | \$56.00 | Modified gross |
| 4 | 517 Dekalb Avenue, Brooklyn, NY | Nail Salon | Mar-22 | 840 | \$51.31 | Modified gross |
| | | | Min | 800 | \$48.00 | |
| | | | Avg | 1,208 | \$55.21 | |
| | | | Max | 2,000 | \$65.54 | |

Retail Mid-Block Rent Reconciliation Adjustment Grid

| Details | Subject Base Unit | Comp 1 | Comp 2 | Comp 3 | Comp 4 |
|---|-------------------------|------------------------------------|----------------------|-------------------|-------------------|
| Tenant Name | Variable | Undisclosed (Law Office Build-Out) | Worker's Transporter | Undisclosed | Nail Salon |
| Address | 504 - 518 Nostrand Ave. | 670 Franklin Avenue | 1265 Fulton Street | 1477 Gates Avenue | 517 Dekalb Avenue |
| Date Signed | N/A | 8/5/2022 | 5/6/2022 | 4/6/2022 | 3/31/2022 |
| Square Feet | 452 - 1,600 (704 avg.) | 1,190 | 2,000 | 800 | 840 |
| Frontage | N/A | N/A | N/A | N/A | N/A |
| Corner | | mid-block | mid-block | mid-block | mid-block |
| Lease Terms | N/A | modified gross | modified gross | modified gross | modified gross |
| Avg. Rent /SF | \$60.88 | \$65.54 | \$48.00 | \$56.00 | \$51.31 |
| Lease Terms Adjustment | | 0% | 0% | 0% | 0% |
| Lease Terms Adjustment Sub-Total | | \$65.54 | \$48.00 | \$56.00 | \$51.31 |
| Market Conditions (Time) | | 0% | 0% | 0% | 0% |
| Trended Rent/SF | | \$65.54 | \$48.00 | \$56.00 | \$51.31 |
| Square Feet | 704 avg. | 5% | 5% | 0% | 0% |
| Neighborhood | Bed-Stuy | 0% | 0% | 0% | 0% |
| Location | Mid-block | 0% | 0% | 0% | 0% |
| Condition | | 0% | 0% | 0% | 0% |
| Total | | 5% | 5% | 0% | 0% |
| Adjusted Rent/SF | | \$68.82 | \$50.40 | \$56.00 | \$51.31 |
| Market Rent Conclusion | \$59.00 | | | | |

Retail Mid-Block Discussion

The indicated unadjusted range of the comparable commercial units is from \$48.00 per square foot to \$65.54 per square foot, with an average of \$55.21 per square foot and a median of \$53.66 per square foot. We made the following adjustments:

- Comparables 1 and 2 are larger than the average size of the subject's mid-block retail units, and were adjusted upward.

After adjustments, the comparable commercial units exhibited a range between \$50.40 per square foot to \$68.82 per square foot, with an average of \$56.63 per square foot and a median of \$53.66 per square foot. Based on the subject property's location, size and condition, we conclude to a market rent of \$59.00 per square foot, modified gross, for the subject's units.

We weighted Comparables 1 and 4 most heavily. Comparable 1 is the most recently signed lease and Comparable 4 due to its proximity. Therefore, the subject has a mix of above market (Pattie Hut B, 512 Nostrand Inc.), slightly above/at market (Jasmine House of Scents, Liquid Assets Ocean Hill Inc.), and below market (Platinum Cuts Inc., Ma's Fish and Chips Plus LLC) rates. This variance will be considered qualitatively in the cap rate conclusion discussion. We will apply our projected rent of \$59.00 per square foot to the vacant unit.

Commercial Stabilized Rent Roll

We have forecasted market rent and market lease terms for the vacant unit based on the occupied unit leases, the comparables above, and our research of the subject's market. The forecasted lease term is summarized below.

500 Nostrand Avenue

| Tenant | Use | Lease Terms | Lease Status | Start Date | Expiration Date | SF | Annual Rent | Monthly Rent | Rent PSF |
|-----------------------------------|--------|----------------|--------------|------------|-----------------|--------------|------------------|-----------------|----------------|
| DLSS Management | Office | Modified Gross | Occupied | 11/01/2020 | 03/31/2023 | 995 | \$14,400 | \$1,200 | \$14.47 |
| La Taverne Inc | Retail | Modified Gross | Occupied | 03/01/2012 | 02/29/2028 | 698 | \$42,927 | \$3,577 | \$61.50 |
| Pattie Hut B | Retail | Modified Gross | Occupied | 02/01/2012 | 01/31/2032 | 590 | \$37,104 | \$3,092 | \$62.89 |
| Jasmine House of Scents | Retail | Modified Gross | Occupied | 04/22/2011 | 04/30/2024 | 542 | \$33,252 | \$2,771 | \$61.35 |
| 512 Nostrand Inc | Retail | Modified Gross | Occupied | 06/17/2019 | 05/31/2029 | 1,600 | \$102,695 | \$8,558 | \$64.18 |
| Platinum Cuts Inc | Retail | Modified Gross | Occupied | 08/05/2010 | 04/30/2029 | 694 | \$36,060 | \$3,005 | \$51.96 |
| Ma's Fish and Chips Plus LLC | Retail | Modified Gross | Occupied | 12/13/2010 | 12/31/2025 | 654 | \$36,442 | \$3,037 | \$55.72 |
| Brooklyn Baby Cakes Inc | Retail | Modified Gross | Occupied | 03/01/1990 | 03/31/2025 | 452 | \$31,200 | \$2,600 | \$69.03 |
| Liquid Assets | Retail | Modified Gross | Occupied | 11/01/2018 | 10/31/2023 | 490 | \$29,897 | \$2,491 | \$61.01 |
| Ocean Hill Inc Commercial Unit 10 | Retail | Modified Gross | Vacant | - | - | 611 | \$36,049 | \$3,004 | \$59.00 |
| H&R Block, Inc | Retail | Modified Gross | Occupied | 08/01/1999 | 04/30/2027 | 1,222 | \$66,560 | \$5,547 | \$54.47 |
| Totals | | | | | | 8,548 | \$466,586 | \$38,882 | \$54.58 |

We note the following:

- H&R Block was initially leasing 500-504 Nostrand Ave. for \$7,800 per month. However, their rent was adjusted to \$5,546.66 per month through the remainder of the lease term upon delivery of the surrendered space which ownership used to create an additional commercial unit.
- The provided renewal for Fish and Chips' lease extends to 12/31/2022, but the property contact confirmed that there is an additional renewal through 2025. We did not receive this renewal.

The contract and forecasted rents are based on the following expense structures:

| Lease Structure | | | | | | | | | | |
|-----------------|------------------------------|--------|--------------|----------------|------------|--------|--------------------------|-----------|-------------|---------------------------------------|
| # | Tenant | Use | Lease Status | Lease Terms | Rent Steps | Taxes | Electric / Water & Sewer | Insurance | Maintenance | Renewal Options |
| 1 | DLSS Management | Office | Occupied | Modified Gross | None | Owner | Electricity-Tenant | Tenant | Tenant | Exercising |
| 2 | La Taverne Inc | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | Exercising |
| 3 | Pattie Hut B | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | Exercising |
| 4 | Jasmine House of Scents | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | Exercising |
| 5 | 512 Nostrand Inc | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | (1) 5-year option |
| 6 | Platinum Cuts Inc | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | Exercising; additional 10-year option |
| 7 | Ma's Fish and Chips Plus LLC | Retail | Occupied | Modified Gross | None | Shared | Tenant | Tenant | Tenant | Exercising |
| 8 | Brooklyn Baby Cakes Inc | Retail | Occupied | Modified Gross | None | Shared | Tenant | Tenant | Tenant | Exercising |
| 9 | Liquid Assets Ocean Hill Inc | Retail | Occupied | Modified Gross | ~3% | Shared | Tenant | Tenant | Tenant | None |
| 10 | Commercial Unit 10 | Retail | Vacant | Modified Gross | - | Shared | Tenant | Tenant | Tenant | N/A |
| 11 | H&R Block, Inc | Retail | Occupied | Modified Gross | None | Shared | Tenant | Tenant | Tenant | Exercising |

Miscellaneous Income

Water & Sewer Reimbursements

Total water and sewer reimbursements - from fixed monthly payments and submeter charges - amount to \$24,916.01 per year. Additional details can be found in the commercial rent roll annexed in the Provided Documents section of the Addenda. We do not apply the projected reimbursement for the vacant unit.

Storage Income

A storage unit is leased to Pattie Hut B for \$800 per month, or \$9,600 per year, and another space is leased to Ma's Fish and Chips Plus LLC for \$350 per month, or \$4,200 per year. Storage is also providing \$13,800 of annual income for the subject and will be applied to our stabilized rent roll.

Real Estate Tax Reimbursements

Real estate tax reimbursements are calculated as follows. As shown, several of the tenants reimburse a percentage of the total taxes rather than a percentage increase in real estate taxes over a designated base year. In any case in which the provided rent roll conflicts with the executed lease/lease renewal, we have reverted to the base year and pro rata share indicated in the lease, as instructed by the property contact.

Additionally, DLSS Management, La Taverna Inc., Pattie Hut B, Jasmine House of Scents, Platinum Cuts Inc., Ma's Fish and Chips Plus LLC, Brooklyn Baby Cakes Inc., and H&R Block are currently exercising lease renewals which they signed in the last 12 months. These tenants, with the exception of DLSS Management, are responsible for reimbursing a portion of the real estate taxes and BID charges levied against the property. In calculating the real estate tax reimbursements in subsequent sections, we have reverted to the most updated figure and base year in their lease renewal, which often differs from the base year and pro rata shares indicated in their original leases.

| Tenant | Base Year | Current Year Taxes | Base Year Taxes | Increase | Pro Rata Share | Reimbursement |
|------------------------------|-------------------------|--------------------|-----------------|--------------|----------------|--------------------|
| DLSS Management | N/A | N/A - | N/A = | N/A | 0.00% | \$0.00 |
| La Taverna Inc | 2011/12 | \$165,659.70 - | \$52,476.00 = | \$113,183.70 | 3.69% | \$4,176.48 |
| Pattie Hut B | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 3.12% | \$5,168.58 |
| Jasmine House of Scents | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 3.65% | \$6,046.58 |
| 512 Nostrand Inc | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 6.97% | \$11,546.48 |
| Platinum Cuts Inc | 2014/15 | \$165,659.70 - | \$21,803.00 = | \$143,856.70 | 3.65% | \$5,250.77 |
| Ma's Fish and Chips Plus LLC | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 3.46% | \$5,731.83 |
| Brooklyn Baby Cakes Inc | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 2.39% | \$3,959.27 |
| Liquid Assets Ocean Hill Inc | N/A - % of Current Year | \$165,659.70 - | \$0.00 = | \$165,659.70 | 2.54% | \$4,207.76 |
| BECOMES VACANT 10/01/22 | Next Year* | N/A - | N/A = | N/A | N/A | \$0.00 |
| H&R Block, Inc | N/A - % of Current Year | \$165,659.70 - | \$19,079.32 = | \$146,580.38 | 4.87% | \$8,067.63 |
| Total | | | | | | \$54,155.37 |

*The commercial rent roll indicates that the future tenant will reimburse for a portion of the real estate taxes. Because this unit is currently vacant, we do not attribute any reimbursements to this unit.

**Previously, H&R Block reimbursed 39% of the 24.12% increase over the base year taxes. However, the lease amendment modified their share of the Real Estate Taxes to 4.87%, which we apply in our analysis.

BID Charge Reimbursements

In FY 2022/23, the property has \$11,522.92 in applicable BID charges. The majority of the commercial units are responsible for reimbursing a pro rata share of the annual BID charge. In any case when the pro rata share indicated in the commercial rent roll conflicts with that in the lease, we have reverted to the figure in the most recently executed lease or lease renewal, per the instructions of the property contact. We do not attribute any reimbursement income to the vacant unit.

| Tenant | BID Charge | | Pro Rata Share | | Reimbursement |
|------------------------------|-------------|---|----------------|---|--------------------|
| DLSS Management | \$11,522.92 | x | N/A | = | \$0.00 |
| La Tavernne, Inc | \$11,522.92 | x | 9.52% | = | \$1,096.51 |
| Pattie Hut B | \$11,522.92 | x | 8.05% | = | \$927.28 |
| Jasmine House of Scents | \$11,522.92 | x | 9.36% | = | \$1,078.55 |
| 512 Nostrand Inc | \$11,522.92 | x | 17.86% | = | \$2,057.99 |
| Platinum Cuts Inc | \$11,522.92 | x | 9.42% | = | \$1,084.93 |
| Ma's Fish and Chips Plus LLC | \$11,522.92 | x | 8.87% | = | \$1,022.08 |
| Brooklyn Baby Cakes Inc | \$11,522.92 | x | 6.13% | = | \$706.35 |
| Liquid Assets Ocean Hill Inc | \$11,522.92 | x | 6.51% | = | \$750.14 |
| VACANT UNIT | \$11,522.92 | x | N/A | = | \$0.00 |
| H&R Block, Inc | \$11,522.92 | x | 16.23% | = | \$1,870.17 |
| Total | | | | | \$10,594.01 |

Residential Vacancy & Collection Loss

CoStar reports the submarket vacancy rate near 2.78%, down 42 bps YoY, and metro area rate near 2.26%, down 14 bps YoY. Per Costar, developers have delivered several units along the L train line in the last 10 years, and this development activity, coupled with North Brooklyn's macroeconomic recovery from COVID (as evidenced by the decreasing vacancy rate), has driven up demand for units. The subject is 98% occupied - with the vacant unit pre-leased for October occupancy. The aged receivables report as of August 31, 2022 indicates \$18,622.15 in 90+ day arrears due to non-payment from 7 tenants, which equates to approximately 3% of the total potential residential income. However, at least 1 of the tenants has since been paying in full, as they were withholding rent due to repairs. The in-place rents are significantly below market - at 42% of market - due to the regulatory agreement, which lends security to the cash flow. Based on 500 Nostrand Avenue's current and historical operating results, macro market conditions, and investor expectations, a 2.00% residential vacancy and collection loss has been applied.

Commercial Vacancy & Collection Loss

Retail

Costar reports the vacancy rate in the North Brooklyn retail submarket at approximately 3.08%, flat YoY, and the market-area vacancy rate at 4.10%, up 2 bps YoY. The submarket market rent per square foot has moderately increased 1.22% YoY and the metro area market rent has followed a similar trend, up 0.91%. Additionally, over the last 12 months, net absorption has been positive, with an additional 270,000 SF of space in development currently, a significant portion of which has been pre-leased. The subject's specific location, occupying a through lot with frontage on Nostrand Avenue, Halsey Avenue, and Macon Street, just one block from the Nostrand Av. train stop, is well suited for retail space. 9 of the subject's 10 retail units are occupied, and the aged receivables report as of August 31, 2022 indicates 512 Nostrand, Inc. owes \$3,480.38 in <30-day arrears, which equates to <1% of the total potential retail income. Considering these factors, as well as investor expectations for retail vacancy and collection loss, we have applied a 4.00% vacancy and collection allowance to the retail income.

Office

Costar reports the submarket office vacancy rate at 16.09%, down 346 bps YoY, and the market vacancy rate at 12.19%, up 62 bps YoY. Over the last 12 months, 726,471 square feet of net space was absorbed in the submarket, dramatically outperforming the 12-month market absorption rate of negative 2.3M square feet. The subject's office space is leased to its management company at a rate which is significantly below market, which lends risk to the cash flow.

Considering these factors, as well as investor expectations for office vacancy and collection loss, we have applied a 10.00% vacancy and collection allowance to the office income.

Reimbursements

We will apply the 4% retail vacancy and collection loss factor to the water RUB income, storage income, real estate tax reimbursements, and BID charge reimbursements, given that these are being generated by retail tenants.

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 | \$591,974 |
| Potential Retail Income | \$452,186 |
| Potential Office Income | \$14,400 |
| Water RUB Income | \$24,916 |
| Storage Income | \$13,800 |
| Real Estate Tax Reimbursement | \$54,155 |
| BID Charge Reimbursement | \$10,594 |
| Potential Gross Income | \$1,162,026 |
| Less Residential V/C Loss @ 2.00% | -\$11,839 |
| Less Retail V/C Loss @ 4.00% | -\$18,087 |
| Less Office V/C Loss @ 10.00% | -\$1,440 |
| Less Water Rub V/C Loss @ 4.00% | -\$997 |
| Less Storage V/C Loss @ 4.00% | -\$552 |
| Less Real Estate Tax Reimbursement V/C Loss @ 4.00% | -\$2,166 |
| Less Bid Charge Reimbursement V/C Loss @ 4.00% | -\$424 |
| Effective Gross Income | \$1,126,521 |

Operating Expense Analysis

We were provided with historical expenses and the owner's pro forma 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 building area, is presented below. We note the following:

- The 2019 statement calculates net municipal charges as water & sewer charges less BID reimbursements. The 2020 and 2021 statements calculate net municipal charges as water & sewer charges less BID reimbursements and real estate tax reimbursements. However, we present the gross water & sewer charges, and add the reimbursements to the gross income line item.
- The historical statement provided one line item for insurance and tax escrow, so the resultant figure may not be reflective of property insurance charges. Our presented "insurance" line item includes this insurance and tax escrow line item as well as the insurance line item under Administrative expenses in the historical statements.
- The property contact also indicated that the "Total Professional" line item and the "miscellaneous" line item under "Mortgage Escrow/Taxes" reflect non-recurring, one-time expenses.
- Additionally, we do not consider debt servicing payments within our operating expense analysis.

Owner's Operating Expense History & Projection

Historical & Projected Expenses

| | 2019 Actual | | | 2020 Actual | | |
|--|------------------|---------------|----------------|------------------------|---------------|-----------------|
| | Gross | Per SF | Per Unit | Gross | Per SF | Per Unit |
| Effective Gross Revenue | \$871,558 | \$14.20 | \$18,947 | \$942,597 | \$15.36 | \$20,491 |
| Operating Expenses | | | | | | |
| Real Estate Taxes | \$25,132 | \$0.41 | \$546 | \$180,197 | \$2.94 | \$3,917 |
| Insurance | \$216,838 | \$3.53 | \$4,714 | \$54,307 | \$0.88 | \$1,181 |
| Electricity | \$15,980 | \$0.26 | \$347 | \$14,884 | \$0.24 | \$324 |
| Fuel | \$53,049 | \$0.86 | \$1,153 | \$47,900 | \$0.78 | \$1,041 |
| Water & Sewer | \$32,684 | \$0.53 | \$711 | \$51,038 | \$0.83 | \$1,110 |
| Repairs & Maintenance | \$25,760 | \$0.42 | \$560 | \$24,221 | \$0.39 | \$527 |
| Payroll & Benefits | \$56,489 | \$0.92 | \$1,228 | \$44,606 | \$0.73 | \$970 |
| General & Administrative | \$13,368 | \$0.22 | \$291 | \$16,795 | \$0.27 | \$365 |
| Management Fees | - | - | - | - | - | - |
| Replacement Reserves | \$14,326 | \$0.23 | \$311 | \$13,224 | \$0.22 | \$287 |
| Total Operating Expenses | \$453,626 | \$7.39 | \$9,861 | \$447,174 | \$7.29 | \$9,721 |
| Total Operating Expenses (Excl. RE Taxes) | \$428,494 | \$6.98 | \$9,315 | \$266,977 | \$4.35 | \$5,804 |
| | | | | | | |
| | 2021 Actual | | | 2021 - 2022 Actual T12 | | |
| | Gross | Per SF | Per Unit | Gross | Per SF | Per Unit |
| Effective Gross Revenue | \$1,020,234 | \$16.62 | \$22,179 | \$1,147,250 | \$18.69 | \$24,940 |
| Operating Expenses | | | | | | |
| Real Estate Taxes | \$167,158 | \$2.72 | \$3,634 | \$166,121 | \$2.71 | \$3,611 |
| Insurance | \$52,143 | \$0.85 | \$1,134 | \$56,548 | \$0.92 | \$1,229 |
| Electricity | \$14,937 | \$0.24 | \$325 | \$15,225 | \$0.25 | \$331 |
| Fuel | \$41,888 | \$0.68 | \$911 | \$52,832 | \$0.86 | \$1,149 |
| Water & Sewer | \$53,684 | \$0.87 | \$1,167 | \$64,186 | \$1.05 | \$1,395 |
| Repairs & Maintenance | \$23,705 | \$0.39 | \$515 | \$19,457 | \$0.32 | \$423 |
| Payroll & Benefits | \$55,356 | \$0.90 | \$1,203 | \$57,251 | \$0.93 | \$1,245 |
| General & Administrative | \$7,137 | \$0.12 | \$155 | \$9,956 | \$0.16 | \$216 |
| Management Fees | - | - | - | \$48,564 | \$0.79 | \$1,056 |
| Replacement Reserves | \$13,224 | \$0.22 | \$287 | \$13,224 | \$0.22 | \$287 |
| Total Operating Expenses | \$429,232 | \$6.99 | \$9,331 | \$503,365 | \$8.20 | \$10,943 |
| Total Operating Expenses (Excl. RE Taxes) | \$262,074 | \$4.27 | \$5,697 | \$337,244 | \$5.49 | \$7,331 |

| | Owner's 2023 Pro Forma | | |
|--|------------------------|---------------|----------------|
| | Gross | Per SF | Per Unit |
| Effective Gross Revenue | \$1,100,000 | \$17.92 | \$23,913 |
| Operating Expenses | | | |
| Real Estate Taxes | \$133,318 | \$2.17 | \$2,898 |
| Insurance | \$59,334 | \$0.97 | \$1,290 |
| Electricity & Fuel* | \$55,000 | \$0.90 | \$1,196 |
| Water & Sewer | \$60,000 | \$0.98 | \$1,304 |
| Repairs & Maintenance | \$18,500 | \$0.30 | \$402 |
| Payroll & Benefits | \$49,480 | \$0.81 | \$1,076 |
| General & Administrative | \$10,000 | \$0.16 | \$217 |
| Management Fees | \$27,500 | \$0.45 | \$598 |
| Replacement Reserves | \$9,200 | \$0.15 | \$200 |
| Total Operating Expenses | \$422,332 | \$6.88 | \$9,181 |
| Total Operating Expenses (Excl. RE Taxes) | \$289,014 | \$4.71 | \$6,283 |

*These expenses were not broken out in the provided pro forma statement.

Comparable Operating Expenses

| | Basis & Totals | | | | | | | | | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|------------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 | Comp 6 | Comp 7 | Comp 8 | Comp 9 | Average |
| SF | 31,000 | 28,160 | 28,160 | 64,080 | 47,680 | 27,566 | 19,952 | 52,554 | 85,314 | 42,718 |
| Units | 42 | 34 | 34 | 60 | 62 | 26 | 28 | 55 | 60 | 45 |
| Insurance | \$24,976 | \$23,570 | \$23,570 | \$25,340 | \$21,700 | \$17,150 | \$11,702 | \$49,161 | \$113,334 | \$34,500 |
| Electricity | \$2,790 | \$4,847 | \$4,847 | \$6,820 | \$12,650 | \$3,614 | - | \$12,771 | \$8,801 | \$7,142 |
| Fuel | \$32,636 | \$25,019 | \$25,019 | \$29,560 | \$49,450 | \$22,106 | \$25,683 | \$28,361 | \$67,697 | \$33,948 |
| Water & Sewer | \$43,000 | \$34,164 | \$34,164 | \$59,000 | \$63,359 | \$27,544 | \$21,909 | \$61,681 | \$64,434 | \$45,473 |
| Repairs & Maintenance | \$21,000 | \$16,441 | \$16,441 | \$26,160 | \$18,600 | \$6,482 | \$2,232 | \$41,689 | \$90,707 | \$26,639 |
| Payroll & Benefits | \$26,000 | \$13,200 | \$13,200 | \$6,800 | \$21,700 | \$3,600 | - | \$25,826 | \$49,208 | \$19,942 |
| General & Administrative | - | \$5,894 | \$4,894 | \$3,000 | - | - | - | - | \$29,686 | \$10,868 |
| Management Fees | \$17,791 | \$10,357 | \$10,357 | \$28,896 | \$35,621 | - | - | \$32,814 | \$74,306 | \$30,020 |
| Total Operating Expenses | \$168,193 | \$133,492 | \$132,492 | \$185,576 | \$223,080 | \$80,496 | \$61,525 | \$252,302 | \$498,173 | \$192,814 |

| | Per Square Foot | | | | | | | | | |
|---------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 | Comp 6 | Comp 7 | Comp 8 | Comp 9 | Average |
| Insurance | \$0.81 | \$0.84 | \$0.84 | \$0.40 | \$0.46 | \$0.62 | \$0.59 | \$0.94 | \$1.33 | \$0.76 |
| Electricity | \$0.09 | \$0.17 | \$0.17 | \$0.11 | \$0.27 | \$0.13 | - | \$0.24 | \$0.10 | \$0.16 |
| Fuel | \$1.05 | \$0.89 | \$0.89 | \$0.46 | \$1.04 | \$0.80 | \$1.29 | \$0.54 | \$0.79 | \$0.86 |
| Water & Sewer | \$1.39 | \$1.21 | \$1.21 | \$0.92 | \$1.33 | \$1.00 | \$1.10 | \$1.17 | \$0.76 | \$1.12 |
| Repairs & Maintenance | \$0.68 | \$0.58 | \$0.58 | \$0.41 | \$0.39 | \$0.24 | \$0.11 | \$0.79 | \$1.06 | \$0.54 |
| Payroll & Benefits | \$0.84 | \$0.47 | \$0.47 | \$0.11 | \$0.46 | \$0.13 | - | \$0.49 | \$0.58 | \$0.44 |
| General & Administrative | - | \$0.21 | \$0.17 | \$0.05 | - | - | - | - | \$0.35 | \$0.19 |
| Management Fees | \$0.57 | \$0.37 | \$0.37 | \$0.45 | \$0.75 | - | - | \$0.62 | \$0.87 | \$0.57 |
| Total Operating Expenses | \$5.43 | \$4.74 | \$4.70 | \$2.90 | \$4.68 | \$2.92 | \$3.08 | \$4.80 | \$5.84 | \$4.34 |

| | Per Unit | | | | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Comp 1 | Comp 2 | Comp 3 | Comp 4 | Comp 5 | Comp 6 | Comp 7 | Comp 8 | Comp 9 | Average |
| Insurance | \$595 | \$693 | \$693 | \$422 | \$350 | \$660 | \$418 | \$894 | \$1,889 | \$735 |
| Electricity | \$66 | \$143 | \$143 | \$114 | \$204 | \$139 | - | \$232 | \$147 | \$148 |
| Fuel | \$777 | \$736 | \$736 | \$493 | \$798 | \$850 | \$917 | \$516 | \$1,128 | \$772 |
| Water & Sewer | \$1,024 | \$1,005 | \$1,005 | \$983 | \$1,022 | \$1,059 | \$782 | \$1,121 | \$1,074 | \$1,008 |
| Repairs & Maintenance | \$500 | \$484 | \$484 | \$436 | \$300 | \$249 | \$80 | \$758 | \$1,512 | \$534 |
| Payroll & Benefits | \$619 | \$388 | \$388 | \$113 | \$350 | \$138 | - | \$470 | \$820 | \$411 |
| General & Administrative | - | \$173 | \$144 | \$50 | - | - | - | - | \$495 | \$216 |
| Management Fees | \$424 | \$305 | \$305 | \$482 | \$575 | - | - | \$597 | \$1,238 | \$561 |
| Total Operating Expenses | \$4,005 | \$3,926 | \$3,897 | \$3,093 | \$3,598 | \$3,096 | \$2,197 | \$4,587 | \$8,303 | \$4,078 |

Estimated Operating Expenses

Our stabilized annual expense forecast is presented:

Real Estate Taxes

As presented earlier, we forecasted the tax payment at \$177,183 annually or \$2.89 per square foot.

Insurance

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$3.53 | | | |
| 2020 Actual | \$0.88 | | | |
| 2021 Actual | \$0.85 | | | |
| 2021 - 2022 Actual T12 | \$0.92 | | | |
| Owner's Projection | \$0.97 | | | |
| Comparable | | \$0.40 | \$0.76 | \$1.33 |
| Appraiser's Forecast | \$0.95 | | | |

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 \$0.95 per square foot, or \$58,311 annually.

Electricity

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.26 | | | |
| 2020 Actual | \$0.24 | | | |
| 2021 Actual | \$0.24 | | | |
| 2021 - 2022 Actual T12 | \$0.25 | | | |
| Owner's Projection | \$0.90 | | | |
| Comparable | | \$0.09 | \$0.16 | \$0.27 |
| Appraiser's Forecast | \$0.25 | | | |

Based on the information above, we have projected this expense at \$0.25 per square foot, or \$15,345 annually. The owner did not break out electricity and fuel in their pro forma operating statement and their projected figure reflects aggregate utilities expenses.

Fuel

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.86 | | | |
| 2020 Actual | \$0.78 | | | |
| 2021 Actual | \$0.68 | | | |
| 2021 - 2022 Actual T12 | \$0.86 | | | |
| Comparable | | \$0.46 | \$0.86 | \$1.29 |
| Appraiser's Forecast | \$0.70 | | | |

As noted, the borrower forecasted total electricity and fuel expenses as \$0.90 per square foot. We have forecasted electricity expenses at \$0.25 per square foot. Based on the information above, our forecast of heating fuel expense is \$0.70 per square foot, which reflects investor expectations.

Electricity & Fuel

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$1.12 | | | |
| 2020 Actual | \$1.02 | | | |
| 2021 Actual | \$0.93 | | | |
| 2021 - 2022 Actual T12 | \$1.11 | | | |
| Comparable | | \$0.57 | \$1.00 | \$1.30 |
| Appraiser's Forecast | \$0.95 | | | |

The tenant is responsible for in-unit electricity. The owner is responsible for common area electricity, heat, and hot water for residential tenants. Commercial tenants are responsible for their own utility expenses. Based on the information above, we have projected this expense at \$0.95 per square foot or \$58,311 annually, which is reasonable relative to the owner's projected figure of \$0.90 per square foot for electricity & fuel, as well as supported by the comparable data and historical figures.

Water & Sewer

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.53 | | | |
| 2020 Actual | \$0.83 | | | |
| 2021 Actual | \$0.87 | | | |
| 2021 - 2022 Actual T12 | \$1.05 | | | |
| Owner's Projection | \$0.98 | | | |
| Comparable | | \$0.76 | \$1.12 | \$1.39 |
| Appraiser's Forecast | \$0.95 | | | |

Based on the information above, we have projected this expense at \$0.95 per square foot, or \$58,311 annually.

Repairs & Maintenance

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.42 | | | |
| 2020 Actual | \$0.39 | | | |
| 2021 Actual | \$0.39 | | | |
| 2021 - 2022 Actual T12 | \$0.32 | | | |
| Owner's Projection | \$0.30 | | | |
| Comparable | | \$0.11 | \$0.54 | \$1.06 |
| Appraiser's Forecast | \$0.30 | | | |

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 \$0.30 per square foot, or \$18,414 annually, in line with the owner's projection, as the repairs & maintenance costs have trended downward year over year. Additionally, we note that there is an onsite superintendent and on-site management, which typically lends to lower repairs & maintenance costs, which we have considered in developing this forecast.

Payroll & Benefits

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.92 | | | |
| 2020 Actual | \$0.73 | | | |
| 2021 Actual | \$0.90 | | | |
| 2021 - 2022 Actual T12 | \$0.93 | | | |
| Owner's Projection | \$0.81 | | | |
| Comparable | | \$0.11 | \$0.44 | \$0.84 |
| Appraiser's Forecast | \$0.80 | | | |

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 \$0.80 per square foot, or \$49,104 annually, in line owner's projection.

General & Administrative

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$0.22 | | | |
| 2020 Actual | \$0.27 | | | |
| 2021 Actual | \$0.12 | | | |
| 2021 - 2022 Actual T12 | \$0.16 | | | |
| Owner's Projection | \$0.16 | | | |
| Comparable | | \$0.05 | \$0.19 | \$0.35 |
| Appraiser's Forecast | \$0.15 | | | |

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 \$0.15 per square foot, or \$9,207 annually, in line with the T-12 figure and the owner's projection given the support from the comparable range.

Management Fees

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2021 - 2022 Actual T12 | \$0.79 | | | |
| Owner's Projection | \$0.45 | | | |
| Comparable | | \$0.37 | \$0.57 | \$0.87 |
| Appraiser's Forecast | \$0.46 | | | |

Typically, management fees for similar properties range from roughly 2% to 6% of effective gross income. PwC's 2022 Q1 Investor Survey indicates a range of management fees from 2% to 3% of EGI with an average of 2.59% EGI for apartments in the Mid-Atlantic region. We have projected this expense at 2.5% of effective gross income, in line with the executed management agreement, which equates to \$0.46 per square foot or \$28,163 annually.

Replacement Reserves

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|--------------|-----|---------|------|
| 2019 Actual | \$311 | | | |
| 2020 Actual | \$287 | | | |
| 2021 Actual | \$287 | | | |
| 2021 - 2022 Actual T12 | \$287 | | | |
| Owner's Projection | \$200 | | | |
| Comparable | | - | - | - |
| Appraiser's Forecast | \$250 | | | |

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. PwC's 2022 Q1 Investor Survey indicates a range of replacement reserves from \$100 to \$350 per unit for apartments in the Mid-Atlantic Region, with a \$235 per unit average. We have projected this expense at \$250 per residential unit, or \$11,500 annually.

Total Operating Expenses

Per Square Foot

| PSF Summary | Value | Low | Average | High |
|-----------------------------|---------------|--------|---------|--------|
| 2019 Actual | \$6.98 | | | |
| 2020 Actual | \$4.35 | | | |
| 2021 Actual | \$4.27 | | | |
| 2021 - 2022 Actual T12 | \$5.49 | | | |
| Owner's Projection | \$4.71 | | | |
| Comparable | | \$2.90 | \$4.34 | \$5.84 |
| Appraiser's Forecast | \$4.75 | | | |

Per Residential Unit

| Per Unit Summary | Value | Low | Average | High |
|-----------------------------|----------------|---------|---------|---------|
| 2019 Actual | \$9,315 | | | |
| 2020 Actual | \$5,804 | | | |
| 2021 Actual | \$5,697 | | | |
| 2021 - 2022 Actual T12 | \$7,331 | | | |
| Owner's Projection | \$6,283 | | | |
| Comparable | | \$2,197 | \$4,078 | \$8,303 |
| Appraiser's Forecast | \$6,333 | | | |

Operating expenses, exclusive of real estate taxes, were forecasted at \$4.75 per square foot and \$6,333 per unit. Excluding real estate taxes, the comparables ranged from \$2.90 to \$5.84 per square foot and \$2,197 to \$8,303 per residential unit. Our forecast is supported by 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 |
| Income | | | |
| Potential Residential Income | \$591,974 | \$9.64 | \$12,869 |
| Potential Retail Income | \$452,186 | \$7.37 | \$9,830 |
| Potential Office Income | \$14,400 | \$0.23 | \$313 |
| Potential Water RUB | \$24,916 | \$0.41 | \$542 |
| Potential Storage Income | \$13,800 | \$0.22 | \$300 |
| Potential Real Estate Tax Reimbursement | \$54,155 | \$0.88 | \$1,177 |
| Potential BID Charge Reimbursement | \$10,594 | \$0.17 | \$230 |
| Potential Gross Income | \$1,162,026 | \$18.93 | \$25,261 |
| Less Residential V/C Loss @ 2.00% | -\$11,839 | -\$0.19 | -\$257 |
| Less Retail V/C Loss @ 4.00% | -\$18,087 | -\$0.29 | -\$393 |
| Less Office V/C Loss @ 10.00% | -\$1,440 | -\$0.02 | -\$31 |
| Less Water Rub V/C Loss @ 4.00% | -\$997 | -\$0.02 | -\$22 |
| Less Storage V/C Loss @ 4.00% | -\$552 | -\$0.01 | -\$12 |
| Less Real Estate Tax Reimbursement V/C Loss @ 4.00% | -\$2,166 | -\$0.04 | -\$47 |
| Less Bid Charge Reimbursement V/C Loss @ 4.00% | -\$424 | -\$0.01 | -\$9 |
| Effective Gross Income | \$1,126,521 | \$18.35 | \$24,490 |
| Operating Expenses | | | |
| Real Estate Taxes | \$177,183 | \$2.89 | \$3,852 |
| Insurance | \$58,311 | \$0.95 | \$1,268 |
| Electricity | \$15,345 | \$0.25 | \$334 |
| Fuel | \$42,966 | \$0.70 | \$934 |
| Water & Sewer | \$58,311 | \$0.95 | \$1,268 |
| Repairs & Maintenance | \$18,414 | \$0.30 | \$400 |
| Payroll & Benefits | \$49,104 | \$0.80 | \$1,067 |
| General & Administrative | \$9,207 | \$0.15 | \$200 |
| Management Fees | \$28,163 | \$0.46 | \$612 |
| Replacement Reserves | \$11,500 | \$0.19 | \$250 |
| Total Operating Expenses | \$468,504 | \$7.63 | \$10,185 |
| Total Expenses Excluding RE Taxes | \$291,321 | \$4.75 | \$6,333 |
| Net Operating Income | \$658,017 | \$10.72 | \$14,305 |
| Operating Expense Ratio | 42% | | |

Net Operating Income Comparison

| | 2019 Actual | 2020 Actual | 2021 Actual | 2021 - 2022 Actual T12 | Pro Forma | Bowery Pro Forma |
|-----------------------------------|------------------|------------------|------------------|------------------------------|------------------|---------------------|
| Effective Gross Income | \$871,558 | \$942,597 | \$1,020,234 | \$1,147,250 | \$1,100,000 | \$1,126,521 |
| Operating Expense | | | | | | |
| Real Estate Taxes | \$25,132 | \$180,197 | \$167,158 | \$166,121 | \$133,318 | \$177,183 |
| Insurance | \$216,838 | \$54,307 | \$52,143 | \$56,548 | \$59,334 | \$58,311 |
| Electricity | \$15,980 | \$14,884 | \$14,937 | \$15,225 | *\$55,000 | \$15,345 |
| Fuel | \$53,049 | \$47,900 | \$41,888 | \$52,832 | - | \$42,966 |
| Water & Sewer | \$32,684 | \$51,038 | \$53,684 | \$64,186 | \$60,000 | \$58,311 |
| Repairs & Maintenance | \$25,760 | \$24,221 | \$23,705 | \$19,457 | \$18,500 | \$18,414 |
| Payroll & Benefits | \$56,489 | \$44,606 | \$55,356 | \$57,251 | \$49,480 | \$49,104 |
| General & Administrative | \$13,368 | \$16,795 | \$7,137 | \$9,956 | \$10,000 | \$9,207 |
| Management Fees | - | - | - | \$48,564 | \$27,500 | \$28,163 |
| Replacement Reserves | \$14,326 | \$13,224 | \$13,224 | \$13,224 | \$9,200 | \$11,500 |
| Total Operating Expenses | \$453,626 | \$447,174 | \$429,232 | \$503,365 | \$422,332 | \$468,504 |
| Total Expenses Excluding RE Taxes | \$428,494 | \$266,977 | \$262,074 | \$337,244 | \$289,014 | \$291,321 |
| Net Operating Income | \$417,932 | \$495,423 | \$591,002 | \$643,885 | \$677,668 | \$658,017 |
| Operating Expense Ratio | 52% | 47% | 42% | 44% | 38% | 42% |

The 2020 and 2021 EGI figures were lower than the borrower's pro forma statement due to the impacts of COVID-19. Additionally, the real estate taxes were significantly lower in 2019 relative to other years, as the property was still benefiting from a J-51 tax benefit, which has since expired. Our pro forma is reasonable relative to historical years and the pro forma figures in terms of the projected NOI and operating expense ratio.

*As noted, this reflects the forecast for electricity and fuel.

Income Capitalization

In developing an opinion of the overall capitalization rate required by an investor, we will apply several methods of analyses: (1) Debt Coverage Ratio; (2) Comparable Capitalization Rates; (3) National Survey Responses; (4) Personal Surveys; and (5) 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

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.

Survey of Competitive Rates

| | |
|-----------------------|-------------|
| Federal Funds Rate | 2.25%-2.50% |
| 5-year CD | 2.42%-3.65% |
| 10-year Treasury Bond | 3.83% |
| 30-year Treasury Bond | 3.79% |
| Corporate Bonds (AAA) | 4.91% |

Source: Federal Reserve Economic Data (FRED)

Currently, 10-year treasuries are trading at 3.83% suggesting mortgage rates of roughly 5.58% to 7.83%. The current mortgage market indicates a competitive interest rate, as there is strong demand from mortgage lenders seeking stable multi-unit residential deals.

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 75% of value at an annual interest rate of approximately 5.5% and a 30-year payout. Therefore, the mortgage constant is 0.0681.

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 apartment 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 9.88% and ranges from 4.82% to 14.02%.

Investor Surveys

| Survey | Type of Product | Equity Dividend Rates |
|--------------|--------------------|-----------------------|
| Realty Rates | National Apartment | 4.82% to 14.02% |
| 2Q 2022 | Market | 9.88% Average |

Based on our discussions with market participants, equity dividend rates for multi-unit residential and mixed-use 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 6% 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 | 5.50% |
| Amortization Term (Years) | 30 |
| Number of Payments | 360 |
| Loan-to-Value Ratio (M) | 75% |
| Equity Ratio | 25% |
| Mortgage Constant | 6.81% |

Band of Investment

| Band of Investment | Value |
|-------------------------------|--------------|
| Mortgage Ratio | 75% |
| Annual Mortgage Constant | x 6.81% |
| Mortgage Component | 5.11% |
| Equity Ratio | 25% |
| Equity Dividend Rate | x 6.00% |
| Equity Component | 1.50% |
| Indicated Overall Rate | 6.61% |

Debt Coverage Ratio Analysis

Next, we perform a debt coverage ratio analysis. As lenders will lend based on its underwriting standards, this factor plays a role in developing an overall capitalization rate. The most often applied standards are the Debt Service Coverage Ratio (DSCR) and the Loan-to-Value Ratio. The DSCR is a proprietary-underwriting standard, generally established by the lending institution, varying according to property type, age, location, and the quality of stream of income. The Loan-to-Value Ratio is generally an imposition of a regulatory body and therefore is a limiting factor as opposed to an indicator of value. The Debt Service Coverage Ratio will be the focus here. The lender wants the amount of the debt service, the annualized monthly payments on the mortgage loan, to be more than fully covered by the Net Operating Income from the property.

If an investor must meet a Loan-to-Value Ratio standard, iterations employing this method will direct the investor towards the optimum balance of LTV, DSCR, Rate, Term, loan amount and required equity. Employing the Income Capitalization Method using the Loan-Underwriter's Method to determine the capitalization rate will resolve the matter more readily, albeit with complete disregard for the return on equity, which is a secondary by-product. The estimate capitalization rate using the debt service coverage formula is $DSCR \times LTV \times \text{mortgage constant}$. Below we perform the DCRA analysis:

Debt Coverage Ratio Analysis

| Debt Coverage Ratio Analysis | Value |
|-------------------------------|--------------|
| Debt Coverage Ratio | 1.25 |
| Mortgage Constant | 6.81% |
| Loan To Value | 75% |
| Capital Rate Suggested | 6.39% |

The Debt Coverage Ratio Analysis suggests a capitalization rate of 6.39%.

Comparable Capitalization Rates

We expanded our search radius and also considered multifamily properties in order to identify properties with similar rent restriction levels and income profiles as the subject.

Comparable Cap Rates Table

| # | Address | Property Type | GBA | Year Built | Sale Date | Capitalization Rate | NOI PSF | |
|---|--|---------------|--------|------------|-----------|---------------------|--------------|------------|
| 1 | 571 Ovington Avenue, Brooklyn, NY 11209 | Multifamily | 27,548 | 1931 | 9/30/22 | 5.47% | \$11 | |
| 2 | 575 Herkimer Street, Brooklyn, NY 11213 | Multifamily | 35,200 | 1965 | 7/15/22 | 4.40% | \$7 | |
| 3 | 1245 Ocean Avenue, Brooklyn, NY 11230 | Multifamily | 55,800 | 1941 | 3/8/22 | 5.00% | \$7 | |
| 4 | 6830 Ridge Boulevard, Brooklyn, NY 11220 | Mixed-Use | 23,740 | 1916 | 1/10/22 | 6.13% | \$12 | |
| 5 | 1550 East 13th Street, Brooklyn, NY 11230 | Multifamily | 58,800 | 1939 | 6/23/21 | 5.47% | \$10 | |
| | | | | | | Avg | 5.29% | \$9 |

We analyzed sales of comparable assets within the subject's periphery and they exhibit overall capitalization rates from 4.40% to 6.13% with an average of 5.29%. We have supplemented our capitalization rate comparables with one additional comparables not used in our sales comparison approach, 1245 Ocean Avenue. We have provided a full outline of this sale in the Addenda. The additional rate is a good indicator for capitalization rates for the subject and is recent, however, there are differences regarding the comparable 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 3% to 7%, with an average between 3.9% and 4.4%.

Personal Survey

On Tuesday, September 20, 2022, Spencer Levy, Global Client Strategist and Senior Economic Advisor for CBRE, gave a presentation at the Metro New York Chapter of the Appraisal Institute's fall conference. Mr. Levy opined that the recent rate hikes will have immediate effects on cap rates in the range of ~plus-100bps.

Summary

| Survey | Low | Avg | High |
|----------------------|-------|-------|-------|
| Band of Investment | - | 6.61% | - |
| Debt Coverage Ratio | - | 6.39% | - |
| PwC 2Q 2022 | 3.00% | 4.40% | 7.00% |
| Situs-RERC 2Q 2022 | 3.50% | 3.90% | 4.60% |
| Comparable Cap Rates | 4.40% | 5.29% | 6.13% |

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:

- With respect to income, the subject's residential rent roll is 98% occupied while the rent roll is operating at 42% of market rents, suggesting security to the cash flow beyond that offered by other rent stabilized buildings with rents at a higher percentage of market. However, there are limited potential for future income spikes as all units are subject to rent stabilization laws and restrictions per the HPD agreement.
- The commercial rent roll is 91% occupied and it has a mix of below, at, and above-market rents. Of the 10 occupied units, 8 have leases that extend through 2024 or later, which lends security to the cash flow.
- The asset is in average condition.
- It is in a market where there has been continually strong demand for investment and capitalization rates have been continually strong.
- In terms of the subject's position relative to the comparables, all of the comparables are 100% rent stabilized with similar income profiles (in terms of NOI per square foot) relative to the subject. Comparable 2 was built in 1965, whereas the subject and other comparables are of pre-war vintage.

Comparables 1 and 4 are located in Bay Ridge, Comparable 2 is located in Bed-Stuy, and Comparables 3 and 5 are located in Flatbush/Midwood. Comparables 1, 3, 4, and 5's locations command lower trending rental rates and sale prices per square foot.

Based on these factors, an overall rate of 5.50% is applied in the analysis and in line with investor expectations. We do not apply any deductions for lease up costs of the vacant residential or commercial unit given that the property is operating on a stabilized basis at >95% overall occupancy. The value is calculated below:

Value Opinion Via the Income Capitalization Approach

| | Date of Value | Value | Final Value (RD) |
|--|---------------------------|---------------------|---------------------|
| NOI | | \$658,017 | - |
| Cap Rate | | 5.50% | - |
| As Is Market Value Via the Income Capitalization Approach | September 30, 2022 | \$11,963,943 | \$12,000,000 |

In consideration of the above analysis, the As Is Market Value of \$12,000,000 reflects a square foot value of \$196 per square foot. The final value is rounded to the nearest \$100,000.

Hypothetical Value (Market Rents Applied)

In our unencumbered scenario, we employ the Hypothetical Condition that the property is free of rent and income-restrictions, free and clear of encumbrances.

Potential Gross Income

Our opinion of the potential gross residential income is based on applying market rents concluded in the Rent Reconciliation section to all units except for the two-bedroom unit occupied by the superintendent, rent-free.

| Unit Type | Unit Count | Market Rent | Annual Total |
|----------------------------|------------|----------------|--------------------|
| One-Bedroom | 22 | \$2,300 | \$607,200 |
| Two-Bedroom | 15 | \$2,700 | \$486,000 |
| Two-Bedroom (Super's Unit) | 1 | \$0 | \$0 |
| Three-Bedroom | 8 | \$3,200 | \$307,200 |
| Total/Avg. | 46 | \$2,537 | \$1,400,400 |

We apply the total potential commercial income, as well as the commercial reimbursements and storage income, as detailed in the previous sections.

| Commercial Income | Annual |
|-------------------------------------|------------------|
| Base Rent | \$466,586 |
| Real Estate Tax & BID Reimbursement | \$64,749 |
| Water & Sewer Reimbursement | \$24,916 |
| Storage Income | \$13,800 |
| Total | \$570,051 |

Effective Gross Income

To derive the effective gross income, we apply a 5% residential vacancy and collection loss, higher than the 2% in the Encumbered Market Value analysis given that the rent roll will be fully occupied and operating at 100% of market, which lends risk to the cash flow. We will apply the concluded 4% retail vacancy and collection loss and a 10% office vacancy and collection loss, which implies a blended commercial vacancy rate of 4.19%. Only the retail tenants reimburse for real estate taxes, BID charges, storage, and water & sewer charges, so we apply the retail vacancy and collection loss factor to the commercial reimbursements.

| | Total |
|---|--------------------|
| Potential Residential Income | \$1,400,400 |
| Potential Storage Income | \$13,800 |
| Potential Commercial Income | \$466,586 |
| Potential W&S, Tax, BID Reimbursements | \$89,665 |
| Potential Gross Income | \$1,970,451 |
| Less Residential V/C Loss @ 5% | -\$70,020 |
| Less Storage V/C Loss @ 4% | -\$552 |
| Less Blended Commercial V/C Loss @ 4.19% | -\$19,527 |
| Less W&S, Tax, BID Reimbursements V/C Loss @ 4% | -\$3,587 |
| Effective Gross Income | \$1,876,765 |

Stabilized Income & Expenses

We assume similar operating expenses in this scenario. However, management fees will vary given that they are calculated as a percentage of effective gross income. The stabilized income & expenses are presented as follows:

| Pro Forma Income | \$ | PSF | Per Residential Unit | % of PGI |
|---|--------------------|----------------|-----------------------------|-----------------|
| Potential Residential Income | \$1,400,400 | \$22.82 | \$30,443 | 71.1% |
| Potential Storage Income | \$13,800 | \$0.22 | \$300 | 0.7% |
| Potential Commercial Income | \$466,586 | \$7.60 | \$10,143 | 23.7% |
| Potential W&S, Tax, BID Reimbursements | \$89,665 | \$1.46 | \$1,949 | 4.6% |
| Potential Gross Income | \$1,970,451 | \$32.10 | \$42,836 | - |
| Less Residential V/C Loss @ 5% | -\$70,020 | -\$1.14 | -\$1,522 | -3.6% |
| Less Storage V/C Loss @ 4% | -\$552 | -\$0.01 | -\$12 | 0.0% |
| Less Blended Commercial V/C Loss @ 4.19% | -\$19,527 | -\$0.32 | -\$425 | -1.0% |
| Less W&S, Tax, BID Reimbursements V/C Loss @ 4% | -\$3,587 | -\$0.06 | -\$78 | -0.2% |
| Effective Gross Income | \$1,876,765 | \$30.58 | \$40,799 | - |
| Pro Forma Operating Expenses | \$ | PSF | Per Residential Unit | % of EGI |
| Real Estate Taxes | \$177,183 | \$2.89 | \$3,852 | 9.4% |
| Insurance | \$58,311 | \$0.95 | \$1,268 | 3.1% |
| Electricity | \$15,345 | \$0.25 | \$334 | 0.8% |
| Fuel | \$42,966 | \$0.70 | \$934 | 2.3% |
| Water & Sewer | \$58,311 | \$0.95 | \$1,268 | 3.1% |
| Repairs & Maintenance | \$18,414 | \$0.30 | \$400 | 1.0% |
| Payroll & Benefits | \$49,104 | \$0.80 | \$1,067 | 2.6% |
| General & Administrative | \$9,207 | \$0.15 | \$200 | 0.5% |
| Management Fees | \$46,919 | \$0.76 | \$1,020 | 2.5% |
| Replacement Reserves | \$11,500 | \$0.19 | \$250 | 0.6% |
| Total Operating Expenses | \$487,260 | \$7.94 | \$10,593 | 26.0% |
| Total Operating Expenses, Excluding Real Estate Taxes | \$310,077 | \$5.05 | \$6,741 | 16.5% |
| Net Operating Income | \$1,389,505 | \$22.64 | \$30,207 | 74.0% |
| Operating Expense Ratio | 26% | | | |

Comparable Capitalization Rates

In determining a market-oriented cap rate, we analyze recent transactions of properties with similar income profiles as the subject. Because the subject is operating at 100% of market in this scenario, we considered properties of newer vintage in order to analyze properties with a similar income profile.

| Address | GBA (SF) | Type | Sale Date | Year Built/Reno. | Sale Price PSF | Cap Rate | NOI PSF |
|---|----------|-------------|------------|------------------|-----------------|--------------|----------------|
| 555-561 Gates Ave., Brooklyn, NY 11221 | 21,140 | Mixed-Use | For Sale | 1910/2015 | \$449.39 | 6.20% | \$24.93 |
| 792 Sterling Pl., Brooklyn, NY 11216 | 61,550 | Multifamily | 8/9/2022 | 2007 | \$389.93 | 5.70% | \$22.23 |
| 750 Grand St., Brooklyn, NY 11211 | 47,464 | Mixed-Use | 1/18/2022 | 1920/1998 | \$279.69 | 5.52% | \$15.44 |
| 180 Scholes St., Brooklyn, NY 11206 | 52,500 | Multifamily | 11/8/2021 | 2012 | \$343.81 | 6.54% * | \$22.49 |
| 1079 Fulton St., Brooklyn, NY 11238 | 21,632 | Multifamily | 10/14/2021 | 2005 | \$473.84 | 8.45% | \$40.04 |
| Average | | | | | \$387.33 | 6.48% | \$25.02 |

*This cap rate was calculated based on the deeded price and the NOI calculated by applying abated taxes, as the property sold with a 421-a tax benefit in place. When deducting the NPV of the remaining tax savings from the deed price and applying the full, unabated taxes to the NOI, this yields an adjusted cap rate of 5.17%.

Capitalization Rate Conclusion

In terms of the subject's position relative to the cap rate comparables, its rents are operating at 100% of market. Comparables 2, 4, and 5 have market-oriented rents, while Comparables 1 and 3 have a mix of below market and market-oriented rents.

In terms of their condition, Comparables 2, 4, and 5 are newer properties with lower risk of unscheduled capital expenditure during the holding period. Comparables 1 and 3 are in similar condition.

In terms of their locations, Comparables 1 and 5 are located in Bed-Stuy, Comparable 2 is in Crown Heights, and Comparables 3 and 4 are in Williamsburg. Crown Heights is a similar location to Bed-Stuy in terms of trending rental rates and sale prices, while Williamsburg is a superior location.

Additionally, we note that the subject's NOI in this Hypothetical Scenario equates to \$22.64 per square foot, while the Comparables average \$25.02 per square foot. Therefore, we conclude to a cap rate of 6.50% for the subject, toward the central tendency of the data.

Income Capitalization

The hypothetical value is calculated as follows:

| | Date of Value | Value | Final Value (RD) |
|---|---------------|---------------------|---------------------|
| NOI | | \$1,389,505 | |
| OAR | | 6.50% | |
| Hypothetical Value with Unrestricted Rents | N/A | \$21,377,003 | \$21,400,000 |

This value, which equates to \$348.65 per square foot, is rounded to the nearest \$100,000. Although we do not present a full Sales Comparison Approach in this Hypothetical Scenario, we note that this figure is supported by the sale prices per square foot shown in the Comparable Capitalization Rates table above. This lends support to our Hypothetical Value on a per square foot basis.

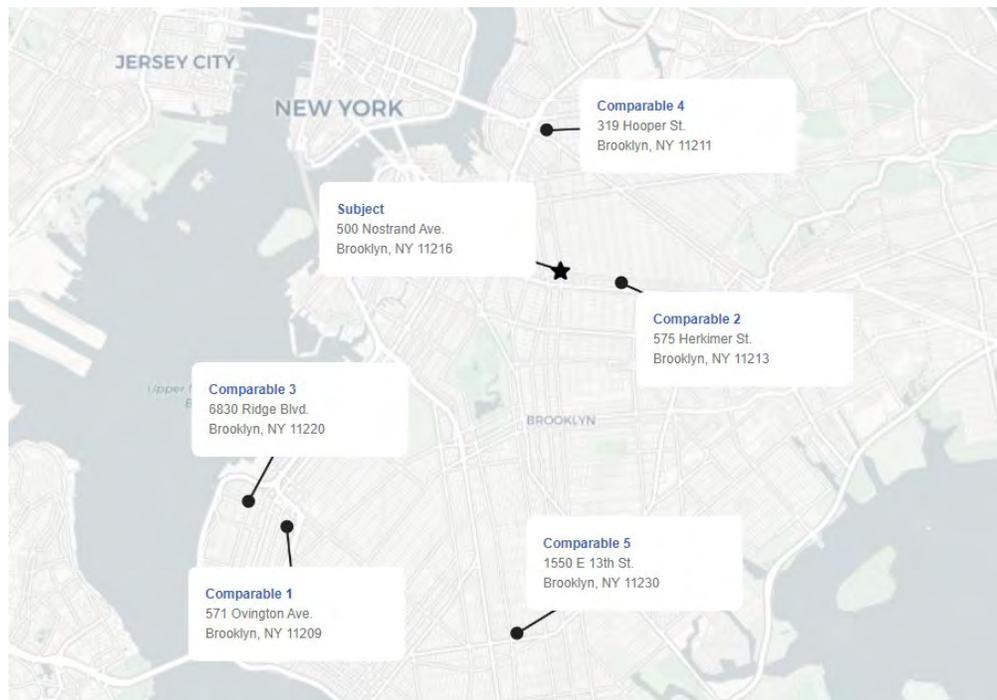
Sales Comparison Approach (As Is Market Value)

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 mixed-use buildings in the subject's area in terms of value per square foot, we have applied this unit of comparison. In order to select buildings with a similar income profile as the subject which have transacted in the last 12 to 18 months, we expanded our search radius throughout Brooklyn.

Comparable Sales Summary¹²



| | Address | Sale Date | Square Feet | Adj. Sale Price | Sale Price | | Cap Rate |
|---|-------------------------------------|-----------|-------------|-----------------|------------|------------|----------|
| | | | | | Per SF | NOI Per SF | |
| 1 | 571 Ovington Avenue, Brooklyn, NY | 9/30/2022 | 27,548 | \$5,700,000 | \$207 | \$11 | 5.47% |
| 2 | 575 Herkimer Street, Brooklyn, NY | 7/15/2022 | 35,200 | \$5,240,500 | \$149 | \$7 | 4.40% |
| 3 | 6830 Ridge Boulevard, Brooklyn, NY | 1/10/2022 | 23,740 | \$4,600,000 | \$194 | \$12 | 6.13% |
| 4 | 319 Hooper Street, Brooklyn, NY | 12/8/2021 | 23,292 | \$7,758,883 | \$333 | N/A | N/A |
| 5 | 1550 East 13th Street, Brooklyn, NY | 6/23/2021 | 58,800 | \$10,450,000 | \$178 | \$10 | 5.47% |

¹² 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 | 500 Nostrand Avenue, Brooklyn, NY | 571 Ovington Avenue, Brooklyn, NY | 575 Herkimer Street, Brooklyn, NY | 6830 Ridge Boulevard, Brooklyn, NY | 319 Hooper Street, Brooklyn, NY | 1550 East 13th Street, Brooklyn, NY |
| Sale Date | | 09/30/2022 | 07/15/2022 | 01/10/2022 | 12/08/2021 | 06/23/2021 |
| No. Units (Resi. + Comm.) | 46 + 11 | 35 | 38 | 23 + 1 | 32 + 2 | 54 |
| SF | 61,380 | 27,548 | 35,200 | 23,740 | 23,292 | 58,800 |
| Year Built | 1890 | 1931 | 1965 | 1916 | 1925 | 1939 |
| Condition | Average | Average | Average | Average | Average | Average |
| Deed Price | | \$5,700,000 | \$5,250,000 | \$4,600,000 | \$7,758,883 | \$10,200,000 |
| Price Adjustments | | - | (\$9,500) | - | - | +\$250,000 |
| Adjusted Price | | \$5,700,000 | \$5,240,500 | \$4,600,000 | \$7,758,883 | \$10,450,000 |
| Price Per SF: | | \$207 | \$149 | \$194 | \$333 | \$178 |
| Property Rights | Leased Fee Interest | 0% | 0% | 0% | 0% | 0% |
| Financing Terms | None | 0% | 0% | 0% | 0% | 0% |
| Conditions of Sale | None | 0% | 0% | 0% | 0% | 0% |
| Market Conditions (Time): | September 30, 2022 | 0% | 0% | 0% | 0% | 0% |
| Cumulative Price Per SF: | | \$207 | \$149 | \$194 | \$333 | \$178 |
| Location | | 5% | 0% | 5% | -10% | 5% |
| Utility | N/A | 15% | 10% | 0% | 0% | 10% |
| Size (SF) | 61,380 | -5% | 0% | -5% | -5% | 0% |
| Rent Stabilization Level | 100% | 0% | 0% | 0% | 0% | 0% |
| Condition | Average | 0% | 0% | 0% | 0% | 0% |
| Net Adjustments | | 15% | 10% | 0% | -15% | 15% |
| Adjusted Price Per SF | | \$238 | \$164 | \$194 | \$283 | \$204 |

Unadjusted

| | |
|---------|-------|
| Low | \$149 |
| Average | \$212 |
| High | \$333 |
| Median | \$194 |

Adjusted

| | |
|---------|-------|
| Low | \$164 |
| Average | \$217 |
| High | \$283 |
| Median | \$204 |

| | |
|----------------------------------|--|
| Adjustments to Deed Price | <p>Comparable 2 sold with a J-51 benefit. We estimate the remaining value of this benefit as \$9,500, and we have deducted this from the sale price.</p> <p>After purchase of Comparable 5, the buyer made an expenditure of \$250,000 for necessary façade improvements that were recommended by the NYC Façade Inspection & Safety Program. This amount was added to the recorded sale price to account for the cost to the purchaser.</p> |
| Property Rights Appraised | <p>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.</p> |
| Financing Terms | <p>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.</p> |
| Conditions of Sale | <p>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.</p> |
| Market Conditions (Time) | <p>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.</p> |
| Location | <p>The subject property is located in the Bedford-Stuyvesant neighborhood of Brooklyn, New York.</p> <p>Comparables 1, 3 and 5 are located in Bay Ridge and Midwood, which are neighborhoods with lower trending rental rates and sale prices per square foot, and thus required upward adjustments. Comparable 4 is located in Williamsburg, which has higher trending sale prices and rents per square foot. and thus required a 10% downward adjustment.</p> |
| Utility | <p>The subject is a mixed use, through lot, walk-up building. It features average quality finishes and storage units available for tenants to rent.</p> <p>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.</p> <p>Commercial Space: Commercial space typically commands a higher price per square foot in this market. Comparables 1, 2 and 5 do not have commercial space, and thus required upward adjustments.</p> <p>Corner: Corners provide superior exposure. Comparables 1, 2 and 5 are located mid-block, and thus required upward adjustments.</p> <p>Elevator: The subject property is a walk-up. Elevator buildings typically command a higher price per square foot. Comparables 2 and 5 have elevators, and thus required downward adjustments.</p> <p>Net adjustments are summarized on the table below.</p> |

| | Comp. 1 | Comp. 2 | Comp. 3 | Comp. 4 | Comp. 5 |
|------------------|------------|------------|-----------|-----------|------------|
| Commercial Space | 10% | 10% | 0% | 0% | 10% |
| Corner | 5% | 5% | 0% | 0% | 5% |
| Elevator | 0% | -5% | 0% | 0% | -5% |
| Net | 15% | 10% | 0% | 0% | 10% |

| | |
|---------------------------------|--|
| 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. Comparables 1, 3 and 4 warranted downward adjustments as they are significantly smaller than the subject in terms of the total square footage. |
| Rent Stabilization Level | The subject is 100% rent stabilized, of the 46 residential units, all are rent stabilized. No adjustments were necessary as the comparables have similar rent stabilization levels. Comparables 1, 2, 3, and 4 are 100% rent stabilized and Comparable 5 is 98% rent stabilized. |
| Condition | The subject property was constructed in 1890 and is in average condition. The comparables sold in similar condition to the subject, and no adjustment was warranted. |
| Unit Mix | <p>The subject has a mix of one-, two-, and three-bedrooms. The comparables' unit mixes are summarized as follows:</p> <ul style="list-style-type: none"> • Comp. 1: Studio, 1BD, 2BD • Comp. 2: 1BD, 2BD • Comp. 3: 2BD • Comp. 4: 1BD, 2BD • Comp. 5: 1BD, 2BD <p>No adjustments were needed, as the comparables' have similar unit mixes as the subject.</p> |

After adjustments, the comparable sales exhibited a range between \$163.77 per square foot and \$283.15 per square foot with an average of \$216.60 per square foot and a median of \$204.38 per square foot. Thus, considering the elements of comparison noted above, our opinion of market value is \$200.00 per square foot, toward the central tendency of the adjusted data. We weighted each comparable equally due to their similarity in income profiles.

Value Opinion via the Sales Comparison Approach

| | Date of Value | Value | Final Value (RD) |
|---|---------------------------|---------------------|---------------------|
| Concluded Value Per Square Foot | | \$200.00 | - |
| Square Footage | | 61,380 | - |
| As Is Market Value Via the Sales Comparison Approach | September 30, 2022 | \$12,276,000 | \$12,300,000 |

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 Market Value | N/A | Not Applied |
| Income Capitalization Approach | As Is Market Value | September 30, 2022 | \$12,000,000 |
| Income Capitalization Approach | Hypothetical Value (applying market rents) | N/A | \$21,400,000 |
| Sales Comparison Approach | As Is Market Value | September 30, 2022 | \$12,300,000 |

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 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. 500 Nostrand Avenue was constructed in 1890 and has notable physical and economic depreciation, therefore we chose not to use this approach.

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. 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 Capitalization Approach. We also provided a Hypothetical Value applying market rents which was derived via 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 the Income Capitalization Approach.

| Final Value Conclusion | | | |
|--|--------------------|---------------------|------------------|
| Value Premise | Date of Value | Interest Appraised | Value Conclusion |
| As Is Market Value | September 30, 2022 | Leased Fee Interest | \$12,000,000 |
| Hypothetical Value (applying market rents) | N/A | Leased Fee Interest | \$21,400,000 |

The value conclusions are subject to the following **Extraordinary Assumptions**¹³. 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:

- It is assumed that stabilized occupancy is sustained for the duration of the regulatory agreement at the required set rents and income limits to avoid penalties and to comply with the terms outlined in the regulatory agreement.

If the extraordinary assumptions employed in this appraisal are proved to be false, the values reported herein may be materially impacted.

¹³ The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

The value conclusions are based on the following **Hypothetical Conditions**¹⁴. We note the use of this/these hypothetical condition(s) may have affected the assignment results:

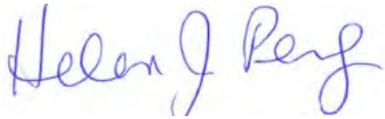
- The subject is encumbered by a regulatory agreement that imposes rent and income restrictions for tenants. Per the client's requirements, a hypothetical condition is employed that assumes the absence of the regulatory agreement, and therefore, any restrictions associated with income and/or rent. The expressed intent of the hypothetical condition is to provide a market value of the property such that both income and expenses reflect market levels with no influence from any restrictive encumbrances.

¹⁴ 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 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 9/30/22. Helen Peng, Ross Wigon, and Madi Johnson have not made a personal inspection of the property that is the subject of this report.
- 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, Helen Peng, MAI, AI-GRS has completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report, Ross Wigon 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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Director
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John M Tuohy
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Certified General Real Estate Appraiser
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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



Building Facade



Building Facade



Building Facade



Building Facade



Subject Street



Subject Street



Subject Street



Subject Street



Subject Street



Buzzers



Exterior Entrance



Exterior Entrance



Exterior Entrance



Unit Entrance



Unit Entrance



Exterior Entrance



Unit Entrance



Unit Entrance



Typical Stairway



Typical Hallway



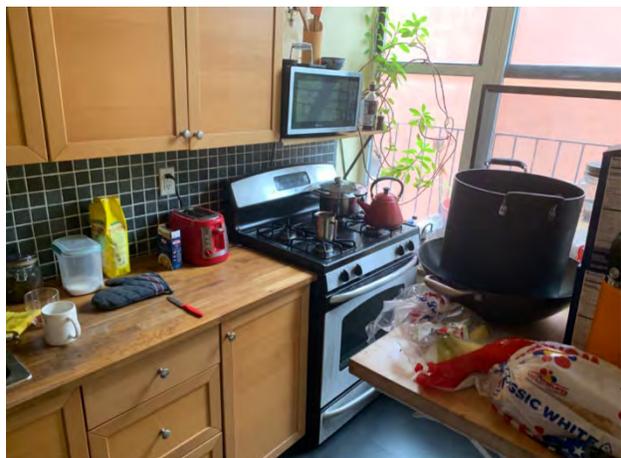
Mailboxes



Buzzers



Typical Kitchen



Typical Kitchen



Typical Kitchen



Typical Kitchen



Typical Kitchen



Typical Bathroom



Typical Bathroom



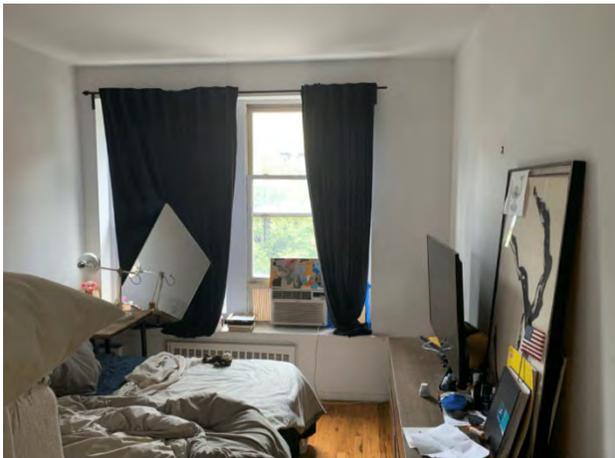
Typical Bathroom



Typical Bathroom



Typical Bedroom



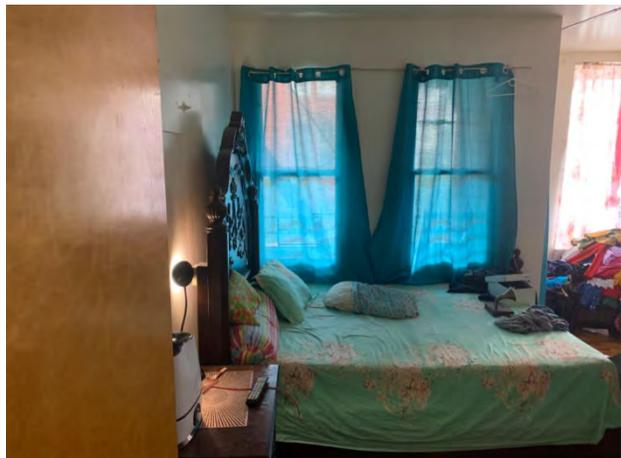
Typical Bedroom



Typical Bedroom



Typical Bedroom



Typical Living Room



Typical Living Room



Typical Living Room



Electric Meters



Electric Meters



Electric Meters



Master Gas Meter



Boilers



Boilers



Boilers



Boilers



Pipes



Split Units (for Commercial Tenants)



Split Unit (for Commercial Tenant)



Hot Water System



Hot Water System



Roof



Roof



Roof



Roof



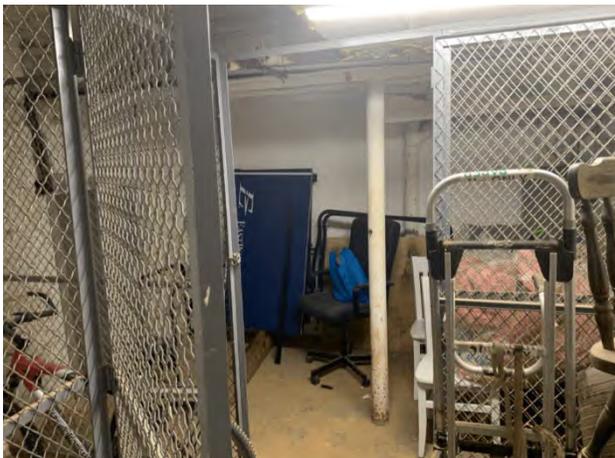
Basement



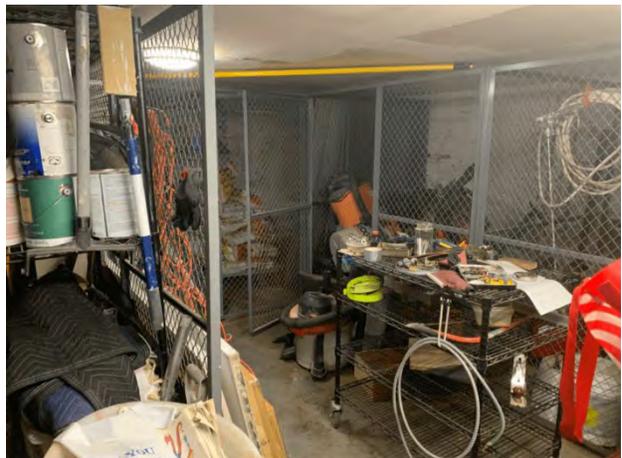
Storage Room



Storage Room



Storage Room



Storage Room



Basement



82 Halsey St. Entrance



Rear/Side Facade



Facade



Facade



Rear/Side Facade



Outdoor Space



Outdoor Space



Rear/Side Facade



H&R Block



Liquid Assets



Brooklyn Baby Cakes



Brooklyn Baby Cakes



Ma's Fish and Chips



Platinum Cuts



Jasmine House of Scents



BTS Food Market



BTS Food Market



Pattie Hut & Grill



Le Paris Dakar (La Taverne)



Le Paris Dakar (La Taverne)



DLSS Management



DLSS Management



DLSS Management



DLSS Management



DLSS Management



DLSS Management



Map Gallery

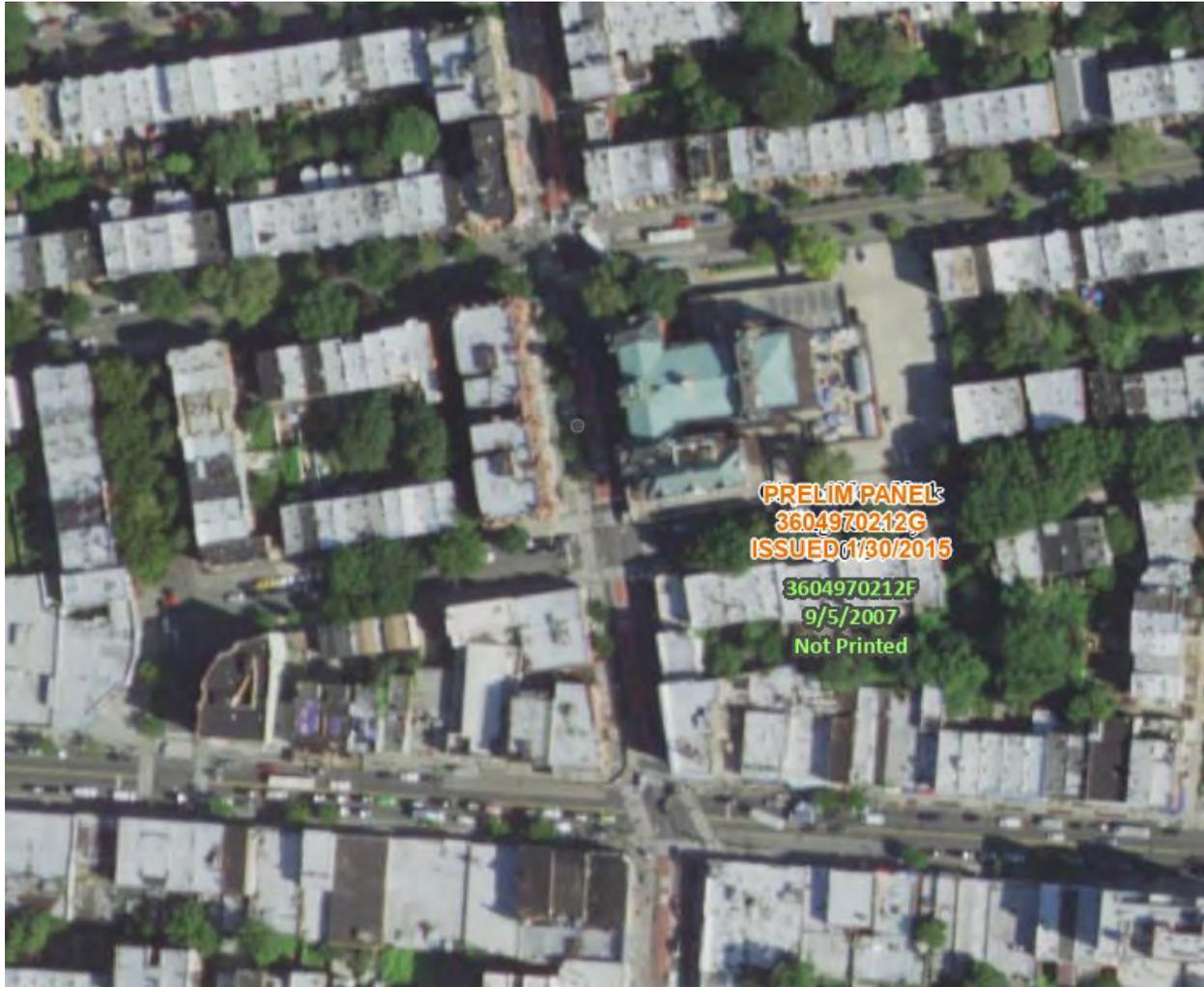
Zoning Map



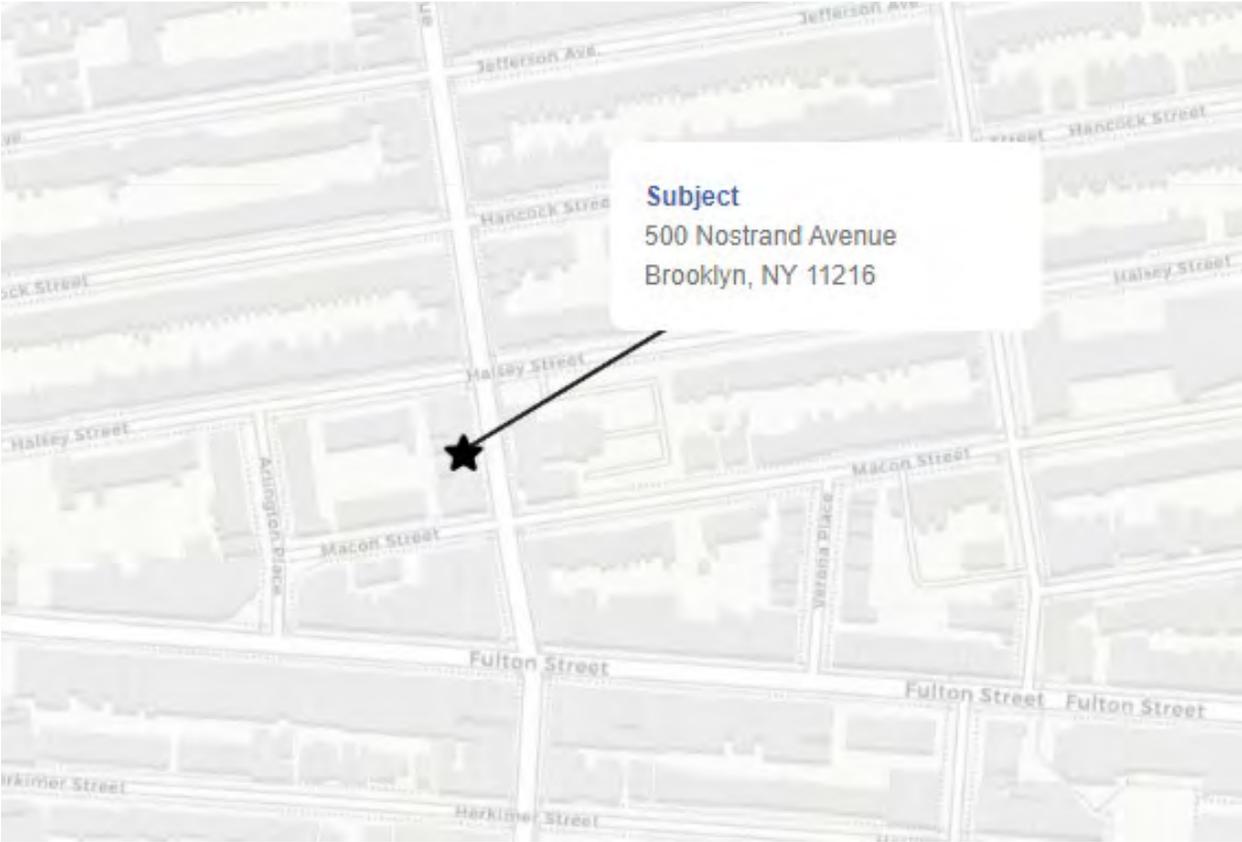
Tax Map



Flood Map



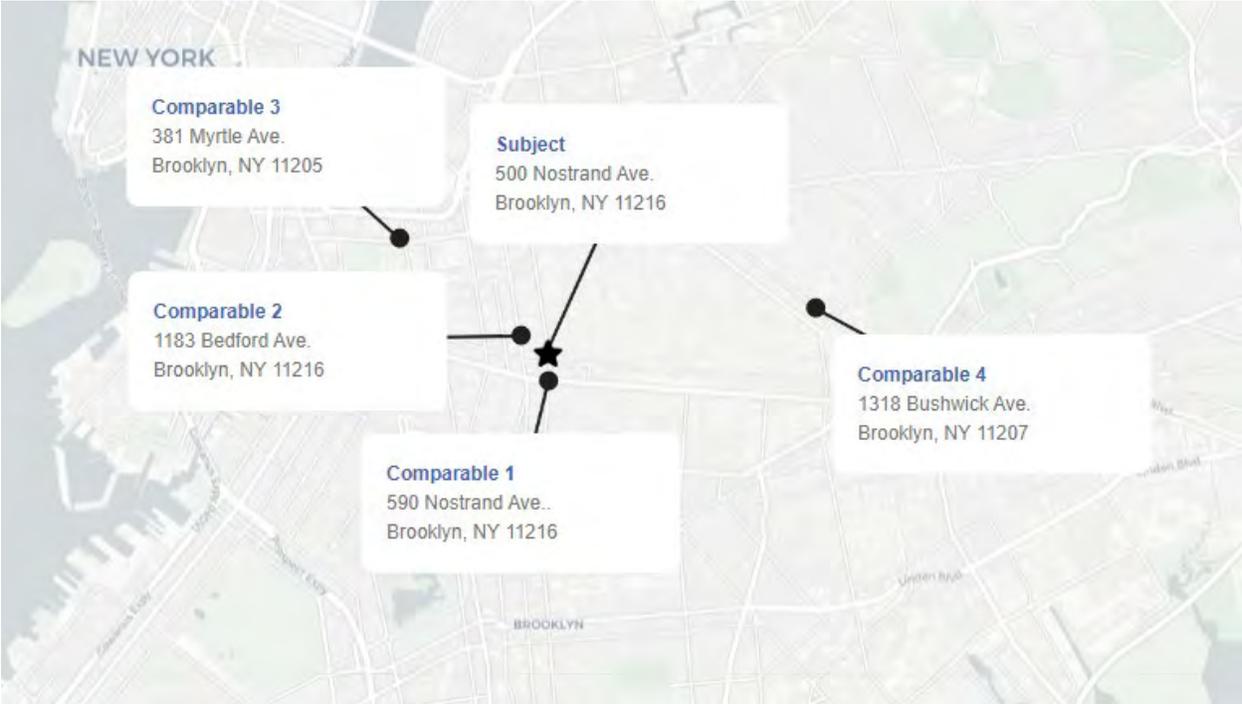
Site Map



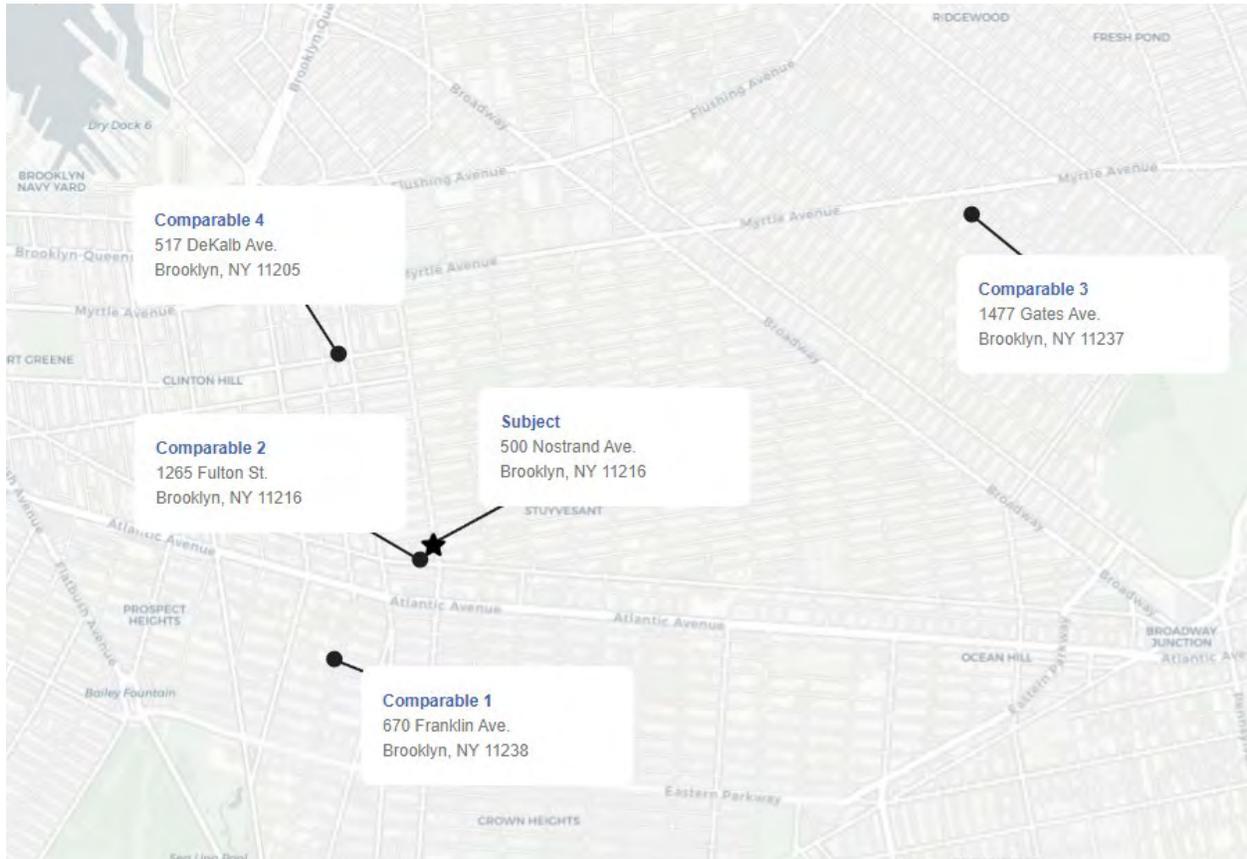
Office Mid-Block Rent Comparables Map



Retail Corner Rent Comparables Map



Retail Mid-Block Rent Comparables Map



Provided Documents

Aged Receivables Report

| Delinquency (As Of) | | | | | | |
|---|-----------------------|-------------------|------------------|-----------------|-----------------|--|
| Property Groups: The Alhambra | | | | | | |
| As of: 08/31/2022 | | | | | | |
| Unit | Name | Amount Receivable | < 30 | 30-60 | 60-90 | 90+ |
| Alhambra Associates, L.P. (29) - 29 Macon Street Brooklyn, NY 11216 | | | | | | |
| 1B | Egwuatu, Juliet A. | 4,709.91 | 913.70 | 913.70 | 913.70 | 1,968.81 |
| | | | | | | Tenant will re-open case with ERAP due to struggles from COVID |
| 2C | Baro Gassama, Mamadou | 5,421.96 | 1,205.49 | 1,405.49 | 1,405.49 | 1,405.49 |
| 2D | Mckenzie, Muneke M | 5,128.05 | 1,198.05 | 1,198.05 | 1,128.00 | 1,603.95 |
| | | | | | | Tenant was withholding rent due to repairs whicj ave now been done. Tenant made a payment of \$2,827.45 since then and will nbe paying in full going forward |
| | | | | | | Tenant is in court for non-payment Has been advised to apply for ERAP |
| | | 15,259.92 | 3,317.24 | 3,517.24 | 3,447.19 | 4,978.25 |
| Alhambra Associates, L.P. (500) - 500-518 Nostrand Avenue Brooklyn, NY 11216 | | | | | | |
| Store 04 | 512 Nostrand, Inc. | 3,480.38 | 3,430.38 | 0.00 | 0.00 | 0.00 |
| | | | | | | Tenant has been making monthly payments and will be fully caught up on rent within |
| | | 3,480.38 | 3,430.38 | 0.00 | 0.00 | 0.00 |
| Alhambra Associates, L.P. (86) - 86 Halsey Street Brooklyn, NY 11216 | | | | | | |
| 2J | Carothers, Jacqueline | 7,264.82 | 875.12 | 875.12 | 895.12 | 4,639.46 |
| 4F | Mckenzie, Natoya T. | 6,845.92 | 1,373.31 | 1,373.31 | 1,373.31 | 2,725.99 |
| 4H | Fordo, Wendy J. | 2,784.22 | 1,105.27 | 705.27 | 550.41 | 423.27 |
| 4K | Hossain, Mamun | 9,668.18 | 1,271.00 | 1,271.00 | 1,271.00 | 5,855.18 |
| | | | | | | Has filed an appeal with ERAP due to continued struggles |
| | | | | | | Has filed an appeal with ERAP due to continued struggles |
| | | | | | | Tenant is in court for non-pay |
| | | | | | | Has filed an appeal with ERAP due to continued struggles |
| | | 26,563.14 | 4,624.70 | 4,224.70 | 4,089.84 | 13,643.90 |
| Total | | 45,523.44 | 11,372.32 | 7,741.94 | 7,537.03 | 18,622.15 |

Rent Roll (as of October 6, 2022)

Rent Roll

Exported On: 10/06/2022 03:10 PM

Property Groups: The Alhambra

Units: Active

As of: 10/06/2022

Include Non-Revenue Units: No

| Unit | Tenant | BD/BA | Unit Type | Sq. Ft. | Rent | Lease From | Lease To |
|--|-------------------------------------|---------------|------------------|---------------|------------------|-------------------|-------------------|
| Alhambra Associates, L. P. (29) - 29 Macon Street Brooklyn, NY 11216 | | | | | | | |
| 1A | Renee A. Butler | 1/1.00 | RS/ LIHTC | 596 | 1,130.46 | 05/23/2022 | 05/31/2024 |
| 1B | Juliet A. Egwuatu | 1/1.00 | RS/ LIHTC | 637 | 913.70 | 05/01/2022 | 04/30/2024 |
| 1C | Timothy J. Jackman | 1/1.00 | RS/ LIHTC | 684 | 874.59 | 06/01/2022 | 05/31/2024 |
| 2A | Anita Cain | 2/1.00 | RS/ LIHTC | 773 | 1,058.11 | 07/01/2022 | 06/30/2024 |
| 2B | Earlene Semper | 2/1.00 | RS/ LIHTC | 969 | 1,152.63 | 02/01/2021 | 01/31/2023 |
| 2C | Mamadou Baro Gassama | 3/1.50 | RS/ LIHTC | 1,343 | 1,426.57 | 06/01/2022 | 05/31/2023 |
| 2D | Muneka M. Mckenzie | 1/1.00 | RS/ LIHTC | 683 | 1,198.05 | 12/01/2021 | 11/30/2023 |
| 2E | Merline P. Skervin | 1/1.00 | RS/ LIHTC | 691 | 884.28 | 02/01/2022 | 01/31/2024 |
| 3A | Sandra E. Gittens-Hollingsworth | 2/1.00 | RS/ LIHTC | 773 | 975.90 | 12/01/2021 | 11/30/2023 |
| 3B | Emma A. Blankson | 2/1.00 | RS/ LIHTC | 969 | 1,007.26 | 02/01/2022 | 01/31/2023 |
| 3C | Obaed Ullah | 3/1.50 | RS/ LIHTC | 1,343 | 1,289.83 | 11/01/2020 | 10/31/2022 |
| 3D | Henrietta Koffi | 1/1.00 | RS/ LIHTC | 683 | 1,022.98 | 11/01/2021 | 10/31/2023 |
| 3E | Deandra L. Herring | 1/1.00 | RS/ LIHTC | 691 | 859.33 | 03/01/2021 | 02/28/2023 |
| 4A | Amy Badji | 2/1.00 | RS/ LIHTC | 773 | 1,330.22 | 11/01/2022 | 12/31/2023 |
| 4B | Yvette J. Doldron | 2/1.00 | RS/ LIHTC | 869 | 959.51 | 03/01/2021 | 02/28/2023 |
| 4C | Samantha M. Benton | 3/1.50 | RS/ LIHTC | 1,328 | 1,101.02 | 05/01/2021 | 04/30/2023 |
| 4D | Esmatullah Salim | 1/1.00 | RS/ LIHTC | 683 | 933.93 | 02/01/2022 | 01/31/2024 |
| 4E | Ouedrago Boukary | 1/1.00 | RS/ LIHTC | 691 | 853.34 | 06/01/2022 | 05/31/2023 |
| 5A | Terri L. Ball | 2/1.00 | RS/ LIHTC | 811 | 970.55 | 02/01/2021 | 01/31/2023 |
| 5B | Maymouna Thiam | 2/1.00 | RS/ LIHTC | 974 | 1,129.70 | 12/01/2021 | 11/30/2023 |
| 5C | Sultana Begum | 3/1.50 | RS/ LIHTC | 1,368 | 1,062.56 | 11/01/2020 | 10/31/2022 |
| 5D | Andre C. Holder | 1/1.00 | RS/ LIHTC | 683 | 952.96 | 02/01/2021 | 01/31/2023 |
| 5E | Phillipa Dianne Marchan | 1/1.00 | RS/ LIHTC | 728 | 1,120.39 | 04/01/2022 | 03/31/2023 |
| 23 Units | | | | 19,743 | 24,207.87 | | |
| Alhambra Associates, L. P. (500) - 500-518 Nostrand Avenue Brooklyn, NY 11216 | | | | | | | |
| Office | DLS Management, LLC | --/-- | COMM | 995 | 1,200.00 | 04/01/2021 | 03/31/2023 |
| Store 01 | La Taverne, Inc. | --/-- | COMM | 698 | 4,090.40 | 03/01/2022 | 02/28/2028 |
| Store 02 | Pattie Hut B, Inc. | --/-- | COMM | 590 | 5,783.20 | 02/01/2022 | 01/31/2028 |
| Store 03 | Jasmine's House of Scents | --/-- | COMM | 542 | 3,403.45 | 05/01/2021 | 04/30/2026 |
| Store 04 | 512 Nostrand, Inc. | --/-- | COMM | 1,600 | 10,050.18 | 06/01/2019 | 05/31/2029 |
| Store 07 | Platinum Cuts, Inc. | --/-- | COMM | 694 | 3,311.31 | 05/01/2019 | 04/30/2029 |
| Store 08 | M. A.'s Fish & Chips Plus, LLC | --/-- | COMM | 654 | 3,750.93 | 01/01/2022 | 12/31/2023 |
| Store 09 | Brooklyn Baby Cakes, Inc. | --/-- | COMM | 452 | 2,713.30 | 04/01/2012 | 12/31/2023 |
| Store 10 | Liquid Assets Ocean Hill, Inc. | --/-- | COMM | 490 | 2,939.93 | 11/01/2018 | 12/31/2023 |
| Store 11 | H&R Block Eastern Tax Service, Inc. | --/-- | COMM | 1,830 | 7,987.20 | 05/01/2022 | 04/30/2027 |
| 10 Units | | | | 8,545 | 45,229.90 | | |
| Alhambra Associates, L. P. (86) - 86 Halsey Street Brooklyn, NY 11216 | | | | | | | |
| 1D | Annette E. Fearon | 1/1.00 | RS/ LIHTC | 596 | 1,184.87 | 06/22/2022 | 06/30/2023 |
| 1E | Sean P. Guillory | 1/1.00 | RS/ LIHTC | 637 | 1,083.47 | 06/01/2021 | 05/31/2023 |
| 1F | Marcel A. Adjalla | 1/1.00 | RS/ LIHTC | 684 | 900.16 | 07/01/2022 | 06/30/2024 |
| 2F | Leeanne M. Gordon | 2/1.00 | RS/ LIHTC | 773 | 1,140.20 | 06/01/2022 | 05/31/2024 |
| 2G | Sebastian Pardinias (Super's Unit) | 2/1.00 | RS/ LIHTC | 969 | 1,518.00 | | |
| 2H | Yvonne Amos | 3/1.50 | RS/ LIHTC | 1,343 | 1,130.01 | 01/01/2022 | 12/31/2023 |
| 2J | Jacqueline Carothers | 1/1.00 | RS/ LIHTC | 683 | 875.12 | 01/01/2022 | 12/31/2022 |
| 2K | Erlene T. Forde | 1/1.00 | RS/ LIHTC | 691 | 857.36 | 02/01/2021 | 01/31/2023 |
| 3F | Sarferaz Alam | 2/1.00 | RS/ LIHTC | 773 | 1,005.19 | 06/01/2022 | 05/31/2024 |
| 3G | Gwendolyn M. Davis | 2/1.00 | RS/ LIHTC | 969 | 980.67 | 02/01/2021 | 01/31/2023 |
| 3H | Tonya A. Drakeford | 3/1.50 | RS/ LIHTC | 1,343 | 1,041.06 | 01/01/2022 | 12/31/2022 |
| 3J | Derek D. Moven | 1/1.00 | RS/ LIHTC | 683 | 988.64 | 11/01/2020 | 10/31/2022 |
| 3K | Allison S. Thompson | 1/1.00 | RS/ LIHTC | 691 | 913.59 | 10/21/2022 | 10/31/2024 |
| 4F | Natoya T. Mckenzie | 2/1.00 | RS/ LIHTC | 773 | 1,373.31 | 01/01/2020 | 12/31/2022 |
| 4G | Marvina Queenie | 2/1.00 | RS/ LIHTC | 869 | 1,005.83 | 02/01/2022 | 01/31/2024 |
| 4H | Wendy I. Forde | 3/1.50 | RS/ LIHTC | 1,328 | 1,105.27 | 12/01/2021 | 11/30/2022 |
| 4J | Sabine Mondesir | 1/1.00 | RS/ LIHTC | 683 | 866.75 | 12/01/2021 | 11/30/2022 |
| 4K | Mamun Hossain | 1/1.00 | RS/ LIHTC | 691 | 1,301.08 | 12/01/2021 | 11/30/2023 |
| 5F | Akmn Mohi Uddin | 2/1.00 | RS/ LIHTC | 811 | 1,145.88 | 04/01/2022 | 03/31/2024 |
| 5G | Mohammad S.I. Buahyin | 2/1.00 | RS/ LIHTC | 974 | 989.19 | 01/01/2022 | 12/31/2023 |
| 5H | Tanyia Y. Brand | 3/1.50 | RS/ LIHTC | 1,368 | 1,108.46 | 02/01/2021 | 01/31/2023 |
| 5J | Richard D. Piggott | 1/1.00 | RS/ LIHTC | 683 | 1,301.75 | 04/01/2022 | 03/31/2024 |
| 5K | Brenda A. Rudzinski | 1/1.00 | RS/ LIHTC | 728 | 1,444.49 | 01/01/2022 | 12/31/2023 |
| 23 Units | | | | 19,743 | 25,260.35 | | |
| Total 56 Units | | | | 48,031 | 94,698.12 | | |

Commercial Rent Roll

| COMMERCIAL RENT ROLL | | | | | | | | | |
|---|-------------------------------------|--------|-----------------------|------------|------------|--------------|----------------------------------|-------------------|----------------|
| <i>500 Nostrand Ave., Brooklyn, NY</i> | | | | | | | | | |
| Unit | Tenant | Type | Address | Move In | Lease End | SF | Annual Lease Rent | Monthly Rent | Rent PSF |
| 1 | DLSS Management | Office | 82 Halsey St. | 11/1/2020 | 3/31/2023 | 995 | \$14,400.00 | \$1,200.00 | \$14.47 |
| 2 | La Taverna Inc | Retail | 518 Nostrand Ave. | 3/1/2012 | 2/29/2028 | 698 | \$42,927.00 | \$3,577.25 | \$61.50 |
| 3 | Pattie Hut B | Retail | 516 Nostrand Ave. | 2/1/2012 | 1/31/2032 | 590 | \$37,104.00 | \$3,092.00 | \$62.89 |
| 4 | Jasmine House of Scents | Retail | 514 Nostrand Ave. | 4/22/2011 | 4/30/2024 | 542 | \$33,252.00 | \$2,771.00 | \$61.35 |
| 5 | 512 Nostrand Inc | Retail | 512 Nostrand Ave. | 6/17/2019 | 5/31/2029 | 1,600 | \$102,695.16 | \$8,557.93 | \$64.18 |
| 6 | Platinum Cuts Inc | Retail | 510 A Nostrand Ave. | 8/5/2010 | 4/30/2029 | 694 | \$36,060.12 | \$3,005.01 | \$51.96 |
| 7 | Ma's Fish and Chips Plus LLC | Retail | 510 Nostrand Ave. | 12/13/2010 | 12/31/2025 | 654 | \$36,442.20 | \$3,036.85 | \$55.72 |
| 8 | Brooklyn Baby Cakes Inc | Retail | 508 Nostrand Ave. | 3/1/1990 | 3/31/2025 | 452 | \$29,713.44 | \$2,476.12 | \$65.74 |
| 9 | Liquid Assets Ocean Hill Inc | Retail | 506 Nostrand Ave. | 11/1/2018 | 10/31/2023 | 490 | \$29,897.04 | \$2,491.42 | \$61.01 |
| 10 | BECOMES VACANT 10/01/22 | Retail | 504 Nostrand Ave. | <i>TBD</i> | <i>TBD</i> | 611 | \$27,040.08 | \$2,253.34 | \$60.00 |
| 11 | H&R Block, Inc | Retail | 500-502 Nostrand Ave. | 8/1/1999 | 4/30/2027 | 1,222 | \$66,559.92 | \$5,546.66 | \$54.47 |
| Info provided by Borrower: | | | | | | 8,548 | \$456,090.96 | \$38,008 | \$53.36 |
| From T-12 financial Statement (through December 2021): | | | | | | | | | |
| Implied Vacancy/Bad Debt from T12: t from T12: | | | | | | | | | |
| | | | | | | | Current Commercial Income | | |
| | | | | | | | Monthly | \$35,754 | |
| | | | | | | | Annual | \$429,051 | |
| | | | | | | | GPR | \$456,091 | |

Commercial Rent Roll and Reimbursements

| COMMERCIAL RENT ROLL | | | | | | | | | | | | |
|---------------------------------|------------------------------|----------------|--------------------|-------------------|--------------------------|-------------------|----------------------|-------------------|--------------------|-------------------|-----------------|----------------------------------|
| 500 Nostrand Ave., Brooklyn, NY | | | | | | | | | | | | |
| Unit | Tenant | BID | | Real Estate Taxes | | | Water Usage | | Storage | | Total | Total Commercial Income per Year |
| | | BID Charges % | Annual Reimburse. | Base Year | % Real Estate Taxes Paid | Annual Reimburse. | Usage Billed | Annual Reimburse. | Storage Rental mo. | Annual Reimburse. | Other Income | |
| 1 | DLSS Management | 0.00% | \$0.00 | N/A | N/A | \$0.00 | N/A | \$0.00 | N/A | \$0.00 | \$0.00 | \$14,400.00 |
| 2 | La Taverna Inc | 9.52% | \$1,090.07 | 2011/2012 | 1.97% | \$2,377.80 | Submetered | \$2,743.00 | N/A | \$0.00 | \$6,210.87 | \$49,137.87 |
| 3 | Pattie Hut B | 8.05% | \$921.83 | Current Year | 4.27% | \$5,155.10 | Submetered | \$17,648.42 | \$800.00 | \$9,600.00 | \$33,325.35 | \$70,429.35 |
| 4 | Jasmine House of Scents | 9.42% | \$1,078.55 | Current Year | 4.99% | \$6,030.84 | \$40.00/Mo | \$480.00 | N/A | \$0.00 | \$7,589.39 | \$40,841.39 |
| 5 | 512 Nostrand Inc | 17.97% | \$2,058.00 | N/A | 9.53% | \$11,516.40 | Own Meter | \$0.00 | N/A | \$0.00 | \$13,574.40 | \$116,269.56 |
| 6 | Platinum Cuts Inc | 9.42% | \$1,078.55 | 2014/2015 | 1.16% | \$1,396.68 | Submetered | \$684.22 | N/A | \$0.00 | \$3,159.45 | \$39,219.57 |
| 7 | Ma's Fish and Chips Plus LLC | 8.92% | \$1,022.08 | Current year | 0.85% | \$1,022.52 | Submetered | \$2,743.73 | \$350.00 | \$4,200.00 | \$8,988.33 | \$45,430.53 |
| 8 | Brooklyn Baby Cakes Inc | 6.16% | \$705.84 | Current year | 1.27% | \$1,540.08 | \$50.00/Mo | \$600.00 | N/A | \$0.00 | \$2,845.92 | \$32,559.36 |
| 9 | Liquid Assets Ocean Hill Inc | 6.66% | \$762.84 | Fixed | 3.47% | \$4,196.76 | Submetered | \$376.64 | N/A | \$0.00 | \$5,336.24 | \$35,233.28 |
| 10 | BECOMES VACANT 10/01/22 | 8.11% | \$929.02 | Next Year | 2.43% | \$2,942.47 | Submetered, Estimate | \$360.00 | N/A | \$0.00 | \$4,231.48 | \$31,271.56 |
| 11 | H&R Block, Inc | 16.23% | \$1,859.18 | Current year | 4.87% | \$5,884.93 | Included in Lease | NA | N/A | \$0.00 | \$0.00 | \$66,559.92 |
| | | 100.00% | \$11,505.96 | | 32.37% | \$42,064 | | \$25,276 | | \$13,800 | \$81,030 | \$541,352 |

| | | |
|--|--|---------------------|
| Combined RE Taxes & BID for Alhambra: | | \$132,318.00 |
| BID Assessment: | | \$11,455.20 |
| Real Estate Taxes: | | \$120,862.80 |
| Current Other Income Charges | | |
| Other Income Charges | | \$88,414.06 |
| BID Assessment: | | \$10,576.94 |
| Real Estate Taxes: | | \$39,121.11 |
| Water RUB | | \$24,916.01 |
| Storage Space | | \$13,800 |

Borrower's 2023 Budget

| Address City, ST | 500 Nostrand Ave Brooklyn, NY | |
|--|----------------------------------|---------------------|
| No. of Commercial Units | 10 | |
| No. of Residential Units | 46 | |
| Residential Income | \$ 600,000 | \$ 1,087 |
| Commercial Income | \$ 450,000 | \$ 815 |
| Commercial Other Income | \$ 90,000 | \$ 163 |
| Other Income (Pet, Late, App, Termination) | \$ 5,000 | \$ 109 |
| Total Income | \$ 1,145,000 | \$ 24,891 |
| Residential Vacancy | \$ (18,000) | 3% |
| Commercial Vacancy | \$ (27,000) | 3% |
| EFFECTIVE GROSS INCOME | \$ 1,100,000 | \$ 23,913.04 |
| RE Taxes | \$ 133,318 | \$ 2,898 |
| Water/Sewer | \$ 60,000 | \$ 1,304 |
| Gas and Electric | \$ 55,000 | \$ 1,196 |
| Insurance | \$ 59,334 | \$ 1,290 |
| Payroll | \$ 49,480 | \$ 1,076 |
| Repairs & Maintenance | \$ 18,500 | \$ 402 |
| Management | \$ 27,500 | 2.5% |
| G&A | \$ 10,000 | \$ 217 |
| Reserves | \$ 9,200 | \$ 200 |
| TOTAL EXPENSES | \$ 422,332 | \$ 9,181 |
| NOI | \$ 677,668 | \$ 14,732 |

2019 I&E

| ALHAMBRA ASSOCIATES, LP | | | | | | | | | | | 12:58 PM |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|---------------|
| Profit & Loss | | | | | | | | | | | 11/09/2021 |
| January through December 2019 | | | | | | | | | | | Accrual Basis |
| | Apr 19 | May 19 | Jun 19 | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | TOTAL | |
| Ordinary Income/Expense | | | | | | | | | | | |
| Income | | | | | | | | | | | |
| Tenant Income | | | | | | | | | | | |
| Base Rent | | | | | | | | | | | |
| Commercial Rent | 19,677.76 | 25,362.55 | 42,778.03 | 25,362.55 | 25,362.55 | 18,462.55 | 25,362.55 | 25,430.95 | 31,830.95 | 308,850.18 | |
| Base Rent - Other | 50,221.75 | 44,111.11 | 46,800.63 | 44,226.46 | 44,324.82 | 51,766.06 | 44,324.82 | 44,254.18 | 44,390.06 | 551,401.87 | |
| Total Base Rent | 69,899.51 | 69,473.66 | 89,578.66 | 69,589.01 | 69,687.37 | 70,228.61 | 69,687.37 | 69,685.13 | 76,221.01 | 860,252.05 | |
| Late Fees | 672.38 | 0.00 | 100.00 | 275.00 | 469.91 | 444.91 | 647.37 | 419.91 | 250.00 | 4,880.52 | |
| Total Tenant Income | 70,571.89 | 69,473.66 | 89,678.66 | 69,864.01 | 70,157.28 | 70,673.52 | 70,334.74 | 70,105.04 | 76,471.01 | 865,132.57 | |
| Bldg Income | | | | | | | | | | | |
| Misc | 0.00 | 0.00 | 50.00 | -50.00 | -227.47 | 18.00 | 0.00 | 0.00 | 0.00 | 404.53 | |
| Total Bldg Income | 0.00 | 0.00 | 50.00 | -50.00 | -227.47 | 18.00 | 0.00 | 0.00 | 0.00 | 404.53 | |
| Total Income | 70,571.89 | 69,473.66 | 89,728.66 | 69,814.01 | 69,929.81 | 70,691.52 | 70,334.74 | 70,105.04 | 76,471.01 | 865,537.10 | |
| Gross Profit | 70,571.89 | 69,473.66 | 89,728.66 | 69,814.01 | 69,929.81 | 70,691.52 | 70,334.74 | 70,105.04 | 76,471.01 | 865,537.10 | |
| Expense | | | | | | | | | | | |
| Municipal Fees | | | | | | | | | | | |
| Water Charges | -1,203.45 | 4,468.22 | 3,096.98 | -1,818.60 | 3,370.60 | 7,763.21 | 3,140.00 | -1,864.19 | 3,661.68 | 32,683.98 | |
| RE Taxes-BID Charges | -401.10 | -401.10 | -404.76 | -1,009.45 | -463.75 | -345.89 | -463.75 | -526.35 | -314.81 | -6,021.03 | |
| Total Municipal Fees | -1,604.55 | 4,067.12 | 2,692.22 | -2,828.05 | 2,906.85 | 7,417.32 | 2,676.25 | -2,390.54 | 3,346.87 | 26,662.95 | |
| Reconciliation Discrepancies | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 | -0.07 | 0.00 | 0.00 | 0.00 | 6.63 | |
| Debt Service | | | | | | | | | | | |
| Interest/Principal | 43,346.06 | 39,484.20 | 40,573.01 | 38,961.67 | 39,783.33 | 38,888.67 | 36,516.67 | 37,544.44 | 36,333.33 | 470,113.86 | |
| Total Debt Service | 43,346.06 | 39,484.20 | 40,573.01 | 38,961.67 | 39,783.33 | 38,888.67 | 36,516.67 | 37,544.44 | 36,333.33 | 470,113.86 | |
| Mtge Escrow/Taxes | | | | | | | | | | | |
| Building Reserve | 1,102.00 | 2,204.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 14,326.00 | |
| Ins/Tax Escrow | 11,328.19 | 28,732.69 | 9,250.00 | 9,250.00 | 21,816.00 | 32,691.43 | 7,004.30 | 22,731.58 | 22,731.58 | 199,520.34 | |
| Misc. | 944.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 944.70 | |
| Real Estate Tax Escrow | 0.00 | 0.00 | 12,566.00 | 12,566.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 25,132.00 | |
| Mtge Escrow/Taxes - Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Total Mtge Escrow/Taxes | 13,374.89 | 30,936.69 | 22,918.00 | 22,918.00 | 22,918.00 | 33,793.43 | 8,106.30 | 23,833.58 | 23,833.58 | 239,923.04 | |

| | | | | | | | | | | | |
|--|--------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|------------------|--------------------|
| | Payroll | | | | | | | | | | |
| | Supers Apt-Electric/Fuel | 750.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 750.00 |
| | Gross Payroll | 4,004.11 | 7,265.15 | 4,405.84 | 2,739.51 | 4,448.19 | 4,533.60 | 7,261.77 | 5,134.90 | 4,591.29 | 55,739.20 |
| | Total Payroll | 4,754.11 | 7,265.15 | 4,405.84 | 2,739.51 | 4,448.19 | 4,533.60 | 7,261.77 | 5,134.90 | 4,591.29 | 56,489.20 |
| | Administration | | | | | | | | | | |
| | Internet | 0.00 | 344.84 | 0.00 | 0.00 | 226.56 | 0.00 | 354.84 | 0.00 | 0.00 | 1,147.29 |
| | Insurance | 4,209.51 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 440.00 | 0.00 | 0.00 | 17,318.04 |
| | Bank Charges | 1,052.35 | 758.29 | 789.03 | 682.21 | 722.87 | 720.33 | 870.77 | 742.39 | 687.21 | 8,858.40 |
| | Fees/Permits | 174.80 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 165.60 | 0.00 | 1,071.40 |
| | Franchise Tax | 0.00 | 0.00 | 26.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 26.00 |
| | Miscellan. | 0.00 | 344.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 803.94 |
| | Postage/Fedex | 562.41 | 0.00 | 68.52 | 0.00 | 0.00 | 130.16 | 13.15 | 60.78 | 0.00 | 1,235.70 |
| | Telephone | 45.00 | 0.00 | 90.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 225.00 |
| | Total Administration | 6,044.07 | 1,447.17 | 973.55 | 682.21 | 949.43 | 850.49 | 1,678.76 | 968.77 | 687.21 | 30,685.77 |
| | Professional | | | | | | | | | | |
| | Accounting | 0.00 | 416.66 | 3,100.00 | 600.00 | 600.00 | 3,350.00 | 0.00 | 0.00 | 0.00 | 10,566.66 |
| | Legal | 1,495.60 | 574.38 | 956.83 | 150.80 | 1,201.66 | 879.95 | 771.61 | 0.00 | 283.70 | 12,757.79 |
| | Prof Fees-Other | 3,501.73 | 269.00 | 0.00 | 0.00 | 344.04 | 315.65 | 300.00 | 0.00 | 1,000.00 | 5,830.42 |
| | Total Professional | 4,997.33 | 1,260.04 | 4,056.83 | 750.80 | 2,145.70 | 4,545.60 | 1,071.61 | 0.00 | 1,283.70 | 29,154.87 |
| | Repairs / Maintenance | | | | | | | | | | |
| | Floors | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 47.64 | 0.00 | 0.00 | 47.64 |
| | Appliances | 0.00 | 272.19 | 0.00 | 1,094.21 | 283.00 | 299.40 | 783.83 | 283.00 | 0.00 | 4,403.78 |
| | Boiler/Burner | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 623.84 | 623.84 |
| | Doors/Windows | 0.00 | 0.00 | 0.00 | 0.00 | 84.91 | 0.00 | 91.69 | 0.00 | 0.00 | 176.60 |
| | Electrical | 3.35 | 22.83 | 0.00 | 0.00 | 0.00 | 0.00 | 5.43 | 0.00 | 0.00 | 94.21 |
| | Exterminator | 236.00 | 236.00 | 236.00 | 236.00 | 200.00 | 236.00 | 0.00 | 0.00 | 0.00 | 2,366.00 |
| | Locks | 0.00 | 33.75 | 0.00 | 0.00 | 7.00 | 104.52 | 3.00 | 0.00 | 5.71 | 219.27 |
| | Maintenance-Other | 4,260.83 | 0.00 | 1,158.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 619.36 | 6,800.06 |
| | Painting/Plaster | 0.00 | 0.00 | 0.00 | 225.00 | 675.00 | 0.00 | 0.00 | 520.00 | 0.00 | 1,758.65 |
| | Plumbing | 76.53 | 166.11 | 23.67 | 2,784.46 | 76.65 | 247.14 | 377.99 | 0.00 | 35.34 | 4,466.26 |
| | Supplies | 266.20 | 0.00 | 608.72 | 0.00 | 380.88 | 0.00 | 254.77 | 0.00 | 942.66 | 3,649.35 |
| | Repairs / Maintenance - Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,154.15 |
| | Total Repairs / Maintenance | 4,842.91 | 730.88 | 2,026.60 | 4,339.67 | 1,707.44 | 887.06 | 1,564.35 | 803.00 | 2,226.91 | 25,759.81 |
| | Fuel/Electricity | | | | | | | | | | |
| | Electricity/512 Nostrand | 150.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 150.00 |
| | Electricity/Building | 2,286.49 | 1,391.62 | 1,437.09 | 314.01 | 967.37 | 1,897.12 | 1,032.61 | 1,046.37 | 1,221.71 | 15,829.90 |
| | Gas-Domestic/Building | 6,163.56 | 289.08 | 2,217.63 | 1,134.76 | 1,506.82 | 1,270.58 | 1,363.50 | 3,138.98 | 6,731.76 | 53,048.88 |
| | Total Fuel/Electricity | 8,600.05 | 1,680.70 | 3,654.72 | 1,448.77 | 2,474.19 | 3,167.70 | 2,396.11 | 4,185.35 | 7,953.47 | 69,028.78 |
| | Total Expense | 84,354.87 | 86,871.95 | 81,300.77 | 69,012.68 | 77,333.13 | 94,083.80 | 61,271.82 | 70,079.50 | 80,256.36 | 947,824.91 |
| | Net Ordinary Income | -13,782.98 | -17,398.29 | 8,427.89 | 801.33 | -7,403.32 | -23,392.28 | 9,062.92 | 25.54 | -3,785.35 | -82,287.81 |
| | Other Income/Expense | | | | | | | | | | |
| | Other Expense | | | | | | | | | | |
| | Real Estate Commissions | 0.00 | 0.00 | 19,987.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 19,987.90 |
| | Building Violations | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 14,129.50 |
| | Consulting, Other Legal | 7,169.92 | 0.00 | 0.00 | 0.00 | 0.00 | 2,635.66 | 2,753.75 | 0.00 | 0.00 | 22,559.33 |
| | Total Other Expense | 7,169.92 | 0.00 | 19,987.90 | 0.00 | 0.00 | 2,635.66 | 2,753.75 | 0.00 | 0.00 | 56,676.73 |
| | Net Other Income | -7,169.92 | 0.00 | -19,987.90 | 0.00 | 0.00 | -2,635.66 | -2,753.75 | 0.00 | 0.00 | -56,676.73 |
| | Net Income | -20,952.90 | -17,398.29 | -11,560.01 | 801.33 | -7,403.32 | -26,027.94 | 6,309.17 | 25.54 | -3,785.35 | -138,964.54 |

2020 I&E

| ALHAMBRA ASSOCIATES, LP | | 12:59 PM |
|--------------------------------|--|---------------|
| Profit & Loss | | 11/09/202 |
| January through December 2020 | | Accrual Basis |
| | | TOTAL |
| Ordinary Income/Expense | | |
| Income | | |
| Tenant Income | | |
| Base Rent | | |
| Commercial Rent | | 360,207.2 |
| Base Rent - Other | | 548,434.8 |
| Total Base Rent | | 908,642.0 |
| Late Fees | | 1,296.2 |
| Total Tenant Income | | 909,938.3 |
| Bldg Income | | |
| Misc | | 96.0 |
| Total Bldg Income | | 96.0 |
| Total Income | | 910,034.3 |
| Gross Profit | | 910,034.3 |
| Expense | | |
| Municipal Fees | | |
| RE Taxes | | -22,948.1 |
| Water Charges | | 51,038.1 |
| RE Taxes-BID Charges | | -9,614.8 |
| Total Municipal Fees | | 18,475.1 |
| Reconciliation Discrepancies | | -0.4 |
| Debt Service | | |
| Interest/Principal | | 443,266.6 |
| Total Debt Service | | 443,266.6 |
| Mtge Escrow/Taxes | | |
| Building Reserve | | 13,224.0 |
| Ins/Tax Escrow | | 51,652.2 |
| Misc. | | 24,000.8 |
| Real Estate Tax Escrow | | 180,197.1 |
| Total Mtge Escrow/Taxes | | 269,074.2 |

| | | |
|--------------------------------|--|---------------|
| ALHAMBRA ASSOCIATES, LP | | 12:59 PM |
| Profit & Loss | | 11/09/2021 |
| January through December 2020 | | Accrual Basis |
| | | TOTAL ▾ |
| Ordinary Income/Expense | | |
| Income | | |
| Tenant Income | | |
| Base Rent | | |
| Commercial Rent | | 360,207.24 |
| Base Rent - Other | | 548,434.80 |
| Total Base Rent | | 908,642.04 |
| Late Fees | | 1,296.27 |
| Total Tenant Income | | 909,938.31 |
| Bldg Income | | |
| Misc | | 96.00 |
| Total Bldg Income | | 96.00 |
| Total Income | | 910,034.31 |
| Gross Profit | | 910,034.31 |
| Expense | | |
| Municipal Fees | | |
| RE Taxes | | -22,948.15 |
| Water Charges | | 51,038.14 |
| RE Taxes-BID Charges | | -9,614.84 |
| Total Municipal Fees | | 18,475.15 |
| Reconciliation Discrepancies | | -0.41 |
| Debt Service | | |
| Interest/Principal | | 443,266.62 |
| Total Debt Service | | 443,266.62 |
| Mtge Escrow/Taxes | | |
| Building Reserve | | 13,224.00 |
| Ins/Tax Escrow | | 51,652.20 |
| Misc. | | 24,000.81 |
| Real Estate Tax Escrow | | 180,197.19 |
| Total Mtge Escrow/Taxes | | 269,074.20 |
| Payroll | | |

| | | | |
|--|--|--------------------------------|-------------------|
| | | Mtge Escrow/Taxes | |
| | | Building Reserve | 13,224.00 |
| | | Ins/Tax Escrow | 51,652.20 |
| | | Misc. | 24,000.81 |
| | | Real Estate Tax Escrow | 180,197.19 |
| | | Total Mtge Escrow/Taxes | 269,074.20 |
| | | Payroll | |
| | | Gross Payroll | 44,606.25 |
| | | Total Payroll | 44,606.25 |
| | | Administration | |
| | | Internet | 753.96 |
| | | Insurance | 2,655.00 |
| | | Bank Charges | 9,596.69 |
| | | Dues and Subscriptions | 322.00 |
| | | Fees/Permits | 2,386.82 |
| | | Franchise Tax | 325.00 |
| | | Miscellan. | 60.00 |
| | | Postage/Fedex | 1,043.89 |
| | | Telephone | 957.12 |
| | | Violations | 1,350.00 |
| | | Total Administration | 19,450.48 |
| | | Professional | |
| | | Accounting | 3,500.00 |
| | | Legal | 1,306.70 |
| | | Prof Fees-Other | 15,913.00 |
| | | Total Professional | 20,719.70 |
| | | Repairs / Maintenance | |
| | | Floors | 6.52 |
| | | Appliances | 2,576.81 |
| | | Electrical | 325.66 |
| | | Exterminator | 2,350.00 |
| | | Locks | 457.83 |
| | | Maintenance-Other | 6,917.48 |
| | | Painting/Plaster | 3,024.19 |
| | | Plumbing | 635.18 |

| | | | | | | |
|--|--|--|--|--|------------------------------------|-------------------|
| | | | | | Roof | 76.64 |
| | | | | | Supplies | 7,851.15 |
| | | | | | Total Repairs / Maintenance | 24,221.46 |
| | | | | | Fuel/Electricity | |
| | | | | | Electricity/Building | 14,884.02 |
| | | | | | Gas-Domestic/Building | 47,900.18 |
| | | | | | Total Fuel/Electricity | 62,784.20 |
| | | | | | Total Expense | 902,597.65 |
| | | | | | Net Ordinary Income | 7,436.66 |
| | | | | | Net Income | 7,436.66 |

2021 I&E

| 1:30 PM | | | | | | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|--|
| 01/11/2022 | | | | | | | | | | | | | | |
| Cash Basis | | | | | | | | | | | | | | |
| | Jan 21 | Feb 21 | Mar 21 | Apr 21 | May 21 | Jun 21 | Jul 21 | Aug 21 | Sep 21 | Oct 21 | Nov 21 | Dec 21 | T-12 | |
| Ordinary Income/Expense | | | | | | | | | | | | | | |
| Income | | | | | | | | | | | | | | |
| Tenant Income | | | | | | | | | | | | | | |
| Commercial Rent | | | | | | | | | | | | | | |
| Base Rent | 29,432.10 | 30,059.49 | 33,902.60 | 31,964.11 | 29,540.70 | 34,657.76 | 34,357.76 | 34,657.76 | 30,049.09 | 31,026.00 | 33,628.00 | 35,526.58 | 388,801.95 | |
| Real Estate Taxes | 3,276.09 | 2,446.43 | 3,154.01 | 2,891.81 | 2,447.12 | 2,891.81 | 1,709.38 | 3,386.13 | 2,490.81 | 2,046.12 | 2,046.12 | 4,039.87 | 32,825.70 | |
| BID | 875.00 | 461.46 | 631.95 | 631.95 | 376.79 | 461.46 | 868.40 | 461.46 | 385.09 | 237.22 | 313.59 | 1,068.97 | 6,773.34 | |
| Water Usage | 2,228.14 | 900.00 | 1,578.35 | 1,506.80 | 1,901.68 | 2,063.28 | 1,962.08 | 2,559.56 | 927.28 | 351.34 | 2,345.12 | 2,562.12 | 20,885.75 | |
| Storage Rental | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 3,600.00 | |
| Residential Rent | 46,384.19 | 46,384.19 | 47,684.12 | 47,068.55 | 45,558.67 | 46,456.39 | 45,307.69 | 45,073.40 | 45,381.78 | 47,168.24 | 46,181.73 | 45,198.10 | 553,847.05 | |
| Total Base Rent | 82,495.52 | 80,551.57 | 87,251.03 | 84,363.22 | 80,124.96 | 86,830.70 | 84,505.31 | 86,438.31 | 79,534.05 | 81,128.92 | 84,814.56 | 88,695.64 | 918,038.15 | |
| Late Fees | 0.00 | 0.00 | -300.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -300.00 | |
| Total Tenant Income | 82,495.52 | 80,551.57 | 86,951.03 | 84,363.22 | 80,124.96 | 86,830.70 | 84,505.31 | 86,438.31 | 79,534.05 | 81,128.92 | 84,814.56 | 88,695.64 | 1,006,433.79 | |
| Total Income | 82,495.52 | 80,551.57 | 86,951.03 | 84,363.22 | 80,124.96 | 86,830.70 | 84,505.31 | 86,438.31 | 79,534.05 | 81,128.92 | 84,814.56 | 88,695.64 | 1,006,433.79 | |
| Gross Profit | 82,495.52 | 80,551.57 | 86,951.03 | 84,363.22 | 80,124.96 | 86,830.70 | 84,505.31 | 86,438.31 | 79,534.05 | 81,128.92 | 84,814.56 | 88,695.64 | 1,006,433.79 | |
| Expense | | | | | | | | | | | | | | |
| Municipal Fees | | | | | | | | | | | | | | |
| RE Taxes | -3,787.63 | -3,787.63 | -3,787.63 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -11,362.89 | |
| Water Charges | 3,989.28 | 3,189.96 | 3,516.36 | 4,430.31 | 4,960.18 | 5,442.73 | 4,815.69 | 5,302.57 | 7,745.17 | 5,002.19 | 0.00 | 5,289.57 | 53,684.01 | |
| RE Taxes-BID Charges | -1,173.78 | -631.95 | -631.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -2,437.68 | |
| Total Municipal Fees | -972.13 | -1,229.62 | -903.22 | 4,430.31 | 4,960.18 | 5,442.73 | 4,815.69 | 5,302.57 | 7,745.17 | 5,002.19 | 0.00 | 5,289.57 | 39,883.44 | |
| Debt Service | | | | | | | | | | | | | | |
| Interest/Principal | 49,431.81 | 49,375.49 | 45,707.64 | 49,262.86 | 48,006.33 | 49,150.23 | 47,897.33 | 49,037.59 | 48,981.28 | 47,733.00 | 48,868.64 | 47,624.83 | 581,077.03 | |
| Total Debt Service | 49,431.81 | 49,375.49 | 45,707.64 | 49,262.86 | 48,006.33 | 49,150.23 | 47,897.33 | 49,037.59 | 48,981.28 | 47,733.00 | 48,868.64 | 47,624.83 | 581,077.03 | |
| Mtge Escrow/Taxes | | | | | | | | | | | | | | |
| Building Reserve | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 13,224.00 | |
| Ins/Tax Escrow | 4,304.35 | 4,304.35 | 4,304.35 | 4,304.35 | 4,304.35 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 52,909.26 | |
| Real Estate Tax Escrow | 13,447.30 | 13,447.30 | 13,447.30 | 13,447.30 | 13,447.30 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 167,158.42 | |
| Total Mtge Escrow/Taxes | 18,853.65 | 18,853.65 | 18,853.65 | 18,853.65 | 18,853.65 | 19,860.49 | 233,291.68 | |
| Payroll | | | | | | | | | | | | | | |
| Gross Payroll | 1,404.00 | 5,893.86 | 4,370.00 | 4,370.00 | 4,370.00 | 4,370.00 | 6,555.00 | 4,812.28 | 4,847.84 | 4,812.28 | 4,775.28 | 4,775.28 | 55,355.82 | |
| Total Payroll | 1,404.00 | 5,893.86 | 4,370.00 | 4,370.00 | 4,370.00 | 4,370.00 | 6,555.00 | 4,812.28 | 4,847.84 | 4,812.28 | 4,775.28 | 4,775.28 | 55,355.82 | |
| Administration | | | | | | | | | | | | | | |
| Insurance | -1,362.00 | 0.00 | 0.00 | 596.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -766.00 | |
| Bank Charges | 1,050.62 | 1,472.10 | 1,059.99 | 787.67 | 180.00 | 195.00 | 210.00 | 922.17 | 225.00 | 308.00 | 210.00 | 270.00 | 6,890.55 | |
| Miscellan. | 0.00 | 0.00 | 151.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 151.45 | |
| Postage/Fedex | 0.00 | 0.00 | 7.95 | 23.25 | 63.60 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 94.80 | |
| Telephone | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Total Administration | -311.38 | 1,472.10 | 1,219.39 | 1,406.92 | 243.60 | 195.00 | 210.00 | 922.17 | 225.00 | 308.00 | 210.00 | 270.00 | 6,370.80 | |
| Professional | | | | | | | | | | | | | | |
| Prof Fees-Other | 0.00 | 0.00 | 400.00 | 2,577.90 | 1,145.15 | 0.00 | 0.00 | 169.50 | 1,800.00 | 46,280.00 | 299.00 | 457.32 | 53,128.87 | |
| Total Professional | 0.00 | 0.00 | 400.00 | 2,577.90 | 1,145.15 | 0.00 | 0.00 | 169.50 | 1,800.00 | 46,280.00 | 299.00 | 457.32 | 53,128.87 | |

| | | | | | | | | | | | | | | |
|------------------------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|-------------|---------------------|
| Repairs / Maintenance | | | | | | | | | | | | | | |
| Floors | 0.00 | 0.00 | 400.00 | 2,577.90 | 1,145.15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,123.05 |
| Appliances | 0.00 | 0.00 | 400.00 | 2,577.90 | 1,145.15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 268.00 | 0.00 | 4,391.05 |
| Doors/Windows | 0.00 | 30.42 | 0.00 | 528.04 | 0.00 | 435.00 | 7.61 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,001.07 |
| Electrical/Appliances | 0.00 | -1.57 | 0.00 | 0.00 | 682.36 | 0.00 | 0.00 | 682.85 | 339.40 | 174.20 | 0.00 | 0.00 | 0.00 | 1,877.24 |
| Exterminator | 300.00 | 300.00 | 300.00 | 300.00 | 81.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 3,563.00 |
| Locks | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance-Other | 21.76 | 1,221.93 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 163.12 | 0.00 | 0.00 | 0.00 | 1,406.81 |
| Plumbing | 0.00 | 306.76 | 3,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 251.53 | 0.00 | 3,558.29 |
| Roof | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Supplies | 943.26 | 943.26 | 0.00 | 0.00 | 0.00 | 283.58 | 7.61 | 0.00 | 748.29 | 284.16 | 493.16 | 81.39 | 0.00 | 3,784.71 |
| Total Repairs / Maintenance | 1,265.02 | 2,800.80 | 4,100.00 | 5,983.84 | 3,053.66 | 1,044.58 | 341.22 | 1,008.85 | 1,413.69 | 947.48 | 819.16 | 926.92 | 0.00 | 23,705.22 |
| Fuel/Electricity | | | | | | | | | | | | | | |
| Electricity/Building | 1,810.10 | 2,034.22 | 1,933.17 | 1,741.51 | 1,539.13 | 1,121.69 | 972.69 | 884.69 | 801.48 | 659.37 | 710.46 | 728.46 | 0.00 | 14,936.96 |
| Gas-Domestic/Building | 6,159.24 | 6,831.08 | 7,808.96 | 5,820.22 | 4,256.92 | 2,287.37 | 1,764.32 | 1,738.84 | 1,273.20 | 1,356.87 | 1,255.47 | 1,335.47 | 0.00 | 41,887.95 |
| Total Fuel/Electricity | 7,969.34 | 8,865.30 | 9,742.13 | 7,561.73 | 5,796.05 | 3,409.06 | 2,737.01 | 2,623.53 | 2,074.68 | 2,016.24 | 1,965.92 | 2,063.92 | 0.00 | 56,824.91 |
| Total Expense | 77,640.31 | 86,031.58 | 83,489.59 | 94,447.21 | 86,428.62 | 83,472.09 | 82,416.74 | 83,736.98 | 86,948.15 | 126,959.68 | 76,798.49 | 81,268.33 | 0.00 | 1,049,637.77 |
| Net Ordinary Income | 4,855.21 | -5,480.01 | 3,461.44 | -10,083.99 | -6,303.66 | 3,358.61 | 2,088.57 | 2,701.33 | -7,414.10 | -45,830.76 | 8,016.07 | 7,427.31 | 0.00 | -43,203.98 |

2022 T-12

| | Sep 21 | Oct 21 | Nov 21 | Dec 21 | Jan-22 | Feb-22 | Mar-22 | April 22 | May 22 | June 22 | July 22 | August 22 |
|--------------------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Ordinary Income/Expense | | | | | | | | | | | | |
| Income | | | | | | | | | | | | |
| Tenant Income | | | | | | | | | | | | |
| Commercial Rent | | | | | | | | | | | | |
| Base Rent | 36,796.67 | 35,457.76 | 35,530.33 | 35,530.33 | 36,159.33 | 36,327.23 | 39,807.64 | 36,770.79 | 37,758.32 | 37,058.32 | 38,007.58 | 38,007.58 |
| Real Estate Taxes | 4,091.02 | 4,091.02 | 4,091.02 | 4,091.02 | 3,489.51 | 3,428.63 | 3,428.63 | 3,428.63 | 3,428.63 | 3,428.63 | 3,585.99 | 3,585.99 |
| BID | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 955.14 | 957.02 | 957.02 |
| Water Usage | 2,563.69 | 1,967.41 | 2,424.65 | 2,103.37 | 2,040.15 | 2,503.43 | 1,780.64 | 1,829.60 | 2,242.45 | 2,596.39 | 2,141.74 | 2,266.88 |
| Storage Rental | 300.00 | 300.00 | 300.00 | 300.00 | 300.00 | 800.00 | 800.00 | 800.00 | 800.00 | 800.00 | 800.00 | 800.00 |
| Residential Rent | 43,577.32 | 43,686.17 | 43,627.38 | 43,812.46 | 42,966.13 | 44,235.59 | 45,121.58 | 44,291.14 | 45,443.89 | 45,391.30 | 47,029.74 | 47,667.66 |
| Total Base Rent | 88,283.84 | 86,457.50 | 86,928.52 | 86,792.32 | 85,910.26 | 88,250.02 | 91,893.63 | 88,075.30 | 90,628.43 | 90,229.78 | 92,522.07 | 93,285.13 |
| Collection allowance | 8,439.15 | -518.99 | 4,711.05 | 33,647.94 | 16,761.21 | 14,261.83 | 1,439.12 | -295.57 | 6,412.95 | -3,219.08 | 6,985.80 | -4,543.15 |
| Rent Credits | -439.48 | -439.48 | -414.48 | -469.56 | -623.05 | -447.08 | -643.05 | -531.80 | -531.80 | -553.13 | -553.13 | -553.13 |
| Late/NSF Fees | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20.00 | 20.00 | 70.00 | 0.00 | 0.00 |
| Total Tenant Income | 96,283.51 | 85,499.03 | 91,225.09 | 119,970.70 | 102,048.42 | 102,064.77 | 92,689.70 | 87,267.93 | 96,529.58 | 86,527.57 | 98,954.74 | 88,188.85 |
| Total Income | 96,283.51 | 85,499.03 | 91,225.09 | 119,970.70 | 102,048.42 | 102,064.77 | 92,689.70 | 87,267.93 | 96,529.58 | 86,527.57 | 98,954.74 | 88,188.85 |
| Gross Profit | 96,283.51 | 85,499.03 | 91,225.09 | 119,970.70 | 102,048.42 | 102,064.77 | 92,689.70 | 87,267.93 | 96,529.58 | 86,527.57 | 98,954.74 | 88,188.85 |
| Expense | | | | | | | | | | | | |
| Municipal Fees | | | | | | | | | | | | |
| Water Charges | 5,001.55 | 5,819.21 | 5,277.64 | 5,347.76 | 5,336.93 | 4,881.26 | 5,872.33 | 5,230.37 | 5,097.12 | 5,578.71 | 5,302.57 | 5,440.64 |
| Total Municipal Fees | 5,001.55 | 5,819.21 | 5,277.64 | 5,347.76 | 5,336.93 | 4,881.26 | 5,872.33 | 5,230.37 | 5,097.12 | 5,578.71 | 5,302.57 | 5,440.64 |
| Debt Service | | | | | | | | | | | | |
| Interest/Principal | 48,981.28 | 47,733.83 | 48,868.64 | 47,624.83 | 48,756.01 | 48,699.69 | 45,097.24 | 48,587.06 | 47,352.33 | 48,474.43 | 47,243.33 | 48,361.79 |
| Total Debt Service | 48,981.28 | 47,733.83 | 48,868.64 | 47,624.83 | 48,756.01 | 48,699.69 | 45,097.24 | 48,587.06 | 47,352.33 | 48,474.43 | 47,243.33 | 48,361.79 |
| Mtge Escrow/Taxes | | | | | | | | | | | | |
| Building Reserve | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 | 1,102.00 |
| Ins/Tax Escrow | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,483.93 | 4,775.09 | 4,775.09 | 4,775.09 |
| Real Estate Tax Escrow | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 14,274.56 | 12,549.95 | 12,549.95 | 12,549.95 |
| Total Mtge Escrow/Taxes | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 19,860.49 | 18,427.04 | 18,427.04 | 18,427.04 |
| Payroll | | | | | | | | | | | | |
| Gross Payroll & Tax | 4,750.94 | 4,715.38 | 4,678.38 | 4,629.93 | 4,883.78 | 4,883.79 | 4,878.98 | 4,867.71 | 4,816.56 | 4,750.95 | 4,716.10 | 4,678.38 |
| Total Payroll | 4,750.94 | 4,715.38 | 4,678.38 | 4,629.93 | 4,883.78 | 4,883.79 | 4,878.98 | 4,867.71 | 4,816.56 | 4,750.95 | 4,716.10 | 4,678.38 |

| | | | | | | | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Administration | | | | | | | | | | | | |
| Insurance | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 | 155.60 |
| Bank Charges | 225.00 | 308.00 | 210.00 | 270.00 | 429.00 | 225.00 | 270.00 | 727.64 | 689.73 | 710.99 | 225.00 | 225.00 |
| Miscellan. | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Permits/Fees | 83.40 | 0.00 | 0.00 | 710.00 | 50.00 | 300.00 | 700.00 | 1,300.00 | 1,016.60 | 100.00 | 825.30 | 80.60 |
| Telephone | 57.00 | 52.00 | 0.00 | 52.00 | 0.00 | 0.00 | 0.00 | 57.00 | 0.00 | 0.00 | 0.00 | 57.00 |
| Total Administration | 521.00 | 515.60 | 365.60 | 1,187.60 | 634.60 | 680.60 | 1,125.60 | 2,240.24 | 1,861.93 | 966.59 | 1,205.90 | 518.20 |
| Professional | | | | | | | | | | | | |
| Legal | 666.67 | 666.67 | 916.67 | 400.00 | 400.00 | 250.00 | 200.00 | 224.87 | 175.00 | 175.00 | 175.00 | 175.00 |
| Management fees | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 | 4,047.00 |
| Prof Fees-Other | 446.90 | 446.90 | 446.90 | 446.90 | 631.70 | 446.90 | 446.90 | 446.90 | 446.90 | 446.90 | 446.90 | 446.90 |
| Total Professional | 5,160.57 | 5,160.57 | 5,410.57 | 4,893.90 | 5,078.70 | 4,743.90 | 4,693.90 | 4,718.77 | 4,668.90 | 4,668.90 | 4,668.90 | 4,668.90 |
| Repairs / Maintenance | | | | | | | | | | | | |
| Appliances | 0.00 | 174.20 | 268.00 | 179.65 | 0.00 | 0.00 | 353.81 | 0.00 | 1,225.22 | 479.00 | 0.00 | 0.00 |
| Doors/Windows | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 435.50 | 0.00 | 159.81 |
| Electrical | 0.00 | 0.00 | 0.00 | 16.33 | 0.00 | 0.00 | 0.00 | 0.00 | 90.09 | 468.21 | 0.00 | 0.00 |
| Exterminator | 326.00 | 326.00 | 326.00 | 451.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 | 326.00 |
| Locks | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 94.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance-Other | 384.42 | 582.58 | 65.85 | 797.56 | 302.99 | 187.43 | 110.42 | 120.42 | 226.68 | 1,002.02 | 120.42 | 180.42 |
| Plumbing | 0.00 | 1,422.52 | 0.00 | 534.69 | 174.72 | 0.00 | 29.56 | 119.74 | 343.07 | 0.00 | 0.00 | 0.00 |
| Roof | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Supplies | 702.34 | 709.54 | 1,032.90 | 195.97 | 24.99 | 703.65 | 127.05 | 1,008.04 | 187.27 | 40.43 | 10.00 | 28.26 |
| Total Repairs / Maintenance | 1,412.76 | 3,214.84 | 1,692.75 | 2,175.20 | 828.70 | 1,217.08 | 946.84 | 1,668.42 | 2,398.33 | 2,751.16 | 456.42 | 694.49 |
| Fuel/Electricity | | | | | | | | | | | | |
| Electricity/Building | 658.37 | 886.89 | 1,282.46 | 1,459.15 | 2,091.62 | 1,228.46 | 1,625.50 | 1,475.71 | 1,625.50 | 963.83 | 963.83 | 963.83 |
| Gas-Domestic/Building | 1,356.87 | 3,047.22 | 4,807.56 | 6,640.37 | 8,558.61 | 9,229.74 | 7,478.78 | 5,725.77 | 2,915.97 | 1,564.15 | 758.52 | 748.92 |
| Total Fuel/Electricity | 2,015.24 | 3,934.11 | 6,090.02 | 8,099.52 | 10,650.23 | 10,458.20 | 9,104.28 | 7,201.48 | 4,541.47 | 2,527.98 | 1,722.35 | 1,712.75 |
| Total Expense | 87,703.83 | 90,954.03 | 92,244.09 | 93,819.23 | 96,029.44 | 95,425.01 | 91,579.66 | 94,374.54 | 90,597.13 | 88,145.76 | 83,742.61 | 84,502.19 |
| Net Ordinary Income | 8,579.68 | -5,455.00 | -1,019.00 | 26,151.47 | 6,018.98 | 6,639.76 | 1,110.04 | -7,106.61 | 5,932.45 | -1,618.19 | 15,212.13 | 3,686.66 |
| Delinquency - Beginning | 110,685.70 | 103,806.55 | 105,885.54 | 102,734.49 | 70,646.55 | 55,445.34 | 42,743.51 | 42,864.39 | 44,719.96 | 39,867.01 | 44,646.09 | 39,220.29 |
| Billed | 87,844.36 | 86,018.02 | 86,514.04 | 86,322.76 | 85,287.21 | 87,802.94 | 91,250.58 | 87,563.50 | 90,116.63 | 89,746.65 | 91,968.94 | 92,732.00 |
| Collection allowance | 8,439.15 | -518.99 | 4,711.05 | 33,647.94 | 16,761.21 | 14,261.83 | 1,439.12 | -295.57 | 6,412.95 | -3,219.08 | 6,985.80 | -4,543.15 |
| Collected | 96,283.51 | 85,499.03 | 91,225.09 | 119,970.70 | 102,048.42 | 102,064.77 | 92,689.70 | 87,267.93 | 96,529.58 | 86,527.57 | 98,954.74 | 88,188.85 |
| Delinquency - Ending | 102,246.55 | 104,325.54 | 101,174.49 | 69,086.55 | 53,885.34 | 41,183.51 | 41,304.39 | 43,159.96 | 38,307.01 | 43,086.09 | 37,660.29 | 43,763.44 |

HPD Regulatory Agreement

REEL 4015 PG 1945 ⑥135NYNY1737KX

REGULATORY AGREEMENT

This Regulatory Agreement is entered into as of 6 10, 1997, by and between **ALHAMBRA ASSOCIATES, L.P.**, a New York limited partnership, having its principal place of business at c/o Tom Anderson, 100 Varick Street, New York, New York 10013 ("Owner") and **THE CITY OF NEW YORK** ("City"), a municipal corporation of the State of New York, acting by and through its **DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT** ("HPD"), having an office at 100 Gold Street, New York, New York 10038.

WHEREAS, the Owner holds fee title to certain real property, as more fully described in Schedule A attached hereto and made a part hereof ("Premises"), which is in need of rehabilitation (the "Project"); and

WHEREAS, the Project will be partially financed by a low interest loan made pursuant to Article 15 of the N.Y.S. Private Housing Finance Law and secured by a certain mortgage made by the Owner to the City of even date herewith (the "Mortgage") to be recorded in the office of the City Register for the county in which the Premises are located; and

WHEREAS, to induce HPD to provide such financing to the Owner, HPD requires the Owner, among other conditions for such financing, to agree that the Premises be restricted in the manner hereinafter provided,

NOW, THEREFORE, the parties do hereby agree as follows:

1. Term of Restrictions

The term of the restrictions set forth in this Regulatory Agreement shall commence on the date a Temporary Certificate of Occupancy is issued for all of the residential dwelling units on the Premises ("Commencement Date") and shall terminate on the thirtieth (30th) anniversary of the Commencement Date. Said thirty year period shall be hereinafter referred to as the "Restriction Period".

2. Residential Rent Levels

A. On or prior to the Commencement Date, the Owner shall register each residential dwelling unit on the Premises for the maximum initial rent set forth in Schedule B attached hereto and made a part hereof, in accordance with the rent registration procedures set forth in Title 26, Chapter 4 of the New York City Administrative Code (or any successor statute) and the regulations promulgated pursuant thereto ("Rent Stabilization"). The rent so registered for each unit shall be its rent as of the Commencement Date and shall be deemed its initial legal regulated rent for the purposes of Rent Stabilization.

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REF 4015 PG 1946

B. If the Premises contain eight or more dwelling units:

During the Restriction Period the Owner shall lease a vacant dwelling unit only to an applicant ("Eligible Tenant") whose Annual Income (as hereinafter defined) at the time of his or her application for the unit does not exceed the annual rent (excluding utilities) of the applicable unit multiplied by five (5), and where at least one household member was a resident of the City of New York at the time of application.

If the Premises contain less than eight dwelling units:

Upon the initial lease of each vacant dwelling unit, the Owner shall lease such unit only to an applicant ("Eligible Tenant") whose Annual Income (as hereinafter defined) at the time of his or her application for the unit does not exceed the annual rent (excluding utilities) of the applicable unit multiplied by five (5), and where at least one household member was a resident of the City of New York at the time of the application. This requirement shall not apply to any apartment at the Premises which is occupied by the Owner.

C. An Eligible Tenant shall be entitled to remain in occupancy of his or her unit in accordance with Rent Stabilization, notwithstanding that such Eligible Tenant's Annual Income, after initial occupancy, may exceed the aforesaid maximum Annual Income for initial eligibility.

D. In order to determine whether an applicant for a dwelling unit is an Eligible Tenant, the Owner shall ascertain the Annual Income of the applicant's household. "Annual Income" is the anticipated total income from all sources to be received by the applicant's household, including the applicant, his or her spouse and each additional household member, for the 12 month period following the date of initial determination of such income, and shall include all net income derived from assets during said period, but exclude income that is temporary, non-recurring or sporadic, as defined in 24 CFR 813.106(c) and also exclude certain other types of income specified in 24 CFR 813.106(d) (or any successor regulations). The Owner may consult with HPD to obtain advice and guidance with respect to income determinations. The Owner must retain copies of all records and documents relating to the Owner's determination of Annual Income for each Eligible Tenant for at least three years after the initial occupancy date. The Owner shall provide for the termination of the lease and eviction of any tenant who falsely or fraudulently certifies income to the Owner.

E. If the Premises contain eight or more dwelling units:

The Owner shall submit to HPD no later than thirty (30) days after the Commencement Date and upon each anniversary thereafter until the end of the Restriction Period a written certification setting forth the Annual Income of all Eligible Tenants of units who began occupancy during the prior year together with copies of all supporting documentation.

REEL 4015 PG 1947

If the Premises contain less than eight dwelling units:

The Owner shall submit to HPD, no later than thirty (30) days after the initial lease of each vacant dwelling unit, a written certification setting forth the Annual Income of the Eligible Tenant of such unit together with copies of all supporting documentation.

3. Minimum Household Size For Dwelling Units

The Owner agrees not to rent a unit to an Eligible Tenant whose household shall contain less than the required minimum number of occupants for each type of dwelling unit as specified below:

| <u>Number of Bedrooms</u> | <u>Minimum Number of Occupants</u> |
|---------------------------|------------------------------------|
| 0 | 1 |
| 1 | 1 |
| 2 | 2 |
| 3 | 4 |
| 4 | 6 |

The number and configuration of residential units and any commercial space must be as set forth in Schedule B.

4. Marketing Plan

If the Premises contain eight or more dwelling units, the Owner shall adhere to the Tenant Selection Procedure annexed hereto as Schedule C and made a part hereof.

5. Amendments

This Agreement may only be amended by an instrument in recordable form, executed by both parties.

6. Enforcement

Upon the occurrence of a violation or breach of any of the foregoing provisions of this Agreement, which violation or breach remains uncorrected for a period of thirty (30) days immediately following such occurrence, the City and its successors or assigns, without regard to whether the City or its successors or assigns is an owner of the Premises or any interest therein, shall have the right to (i) institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or breach or to compel specific performance by the Owner, its successors and assigns, of its obligations hereunder, and may (ii) at its sole discretion extend the Restriction Period for an additional period not to exceed ten (10) years.

REC 4015 PG 1948

No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any person or party entitled to enforce the provisions hereof to obtain relief against or remedy for the continuation or repetition of such breach or violation or any similar breach or violation hereof at any later time.

7. Assignment

The Owner shall not assign its rights and obligations under this Agreement without the prior written consent of HPD. HPD may assign its rights and obligations hereunder without the need for the consent of the Owner.

8. Prohibition Against Condominium or Cooperative Conversions

Sponsor shall not convert the Project to cooperative or condominium ownership during the Restriction Period ("Conversion Prohibition Period"); provided, however, that if the Mortgage is prepaid in full, the Conversion Prohibition Period shall terminate twenty (20) years from the Commencement Date. Any conversion after the Conversion Prohibition Period must conform to State and City laws and must be on the basis of a non-eviction plan.

9. Investigations

Owner agrees to be bound by the provisions of Schedule D annexed hereto and made a part hereof.

10. Binding Nature of Restrictions

The restrictions set forth in this Regulatory Agreement shall run with the land and bind Owner, its successors and assigns, personal representatives and heirs, and all future owners and lessees of the Premises for the entire Restriction Period, even if the Mortgage is satisfied prior to the expiration of the Restriction Period.

The Owner shall cause this Agreement to be recorded as soon as possible after its execution in the City Register's Office for the County in which the Premises are located and shall pay the recording fees therefor.

11. Notices

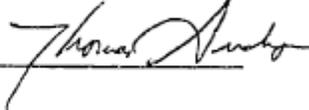
All notices shall be delivered by certified or registered mail, return receipt requested, to the respective parties hereto, at the addresses first above written, unless such addresses are otherwise modified in writing by the party delivered to the other party in the manner herein provided.

REC: 4015 PG 1949

12. Expiration

Except as otherwise provided herein, upon the expiration of the Restriction Period, this Regulatory Agreement shall become null and void and of no further force and effect and HPD shall, at its sole cost and expense, execute and deliver to the Owner any document in recordable form requested by the Owner to reflect the expiration of this Regulatory Agreement.

ALHAMBRA ASSOCIATES, L.P.

By: 

THE CITY OF NEW YORK acting by
and through its DEPARTMENT OF
HOUSING PRESERVATION AND
DEVELOPMENT

By: 
Lee Warshavsky
Assistant Commissioner

APPROVED AS TO FORM
BY STANDARD TYPE OF
CLASS FOR USE UNTIL
SEPTEMBER 1, 1997.

By: /s/ Daniel Muller
Acting Corporation Counsel

REEL 4015 PG 1950

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On June 13, 1997, before me personally came Lee Warshavsky, Assistant Commissioner of the Office of Rehabilitation Finance of the Department of Housing Preservation and Development of the City of New York, the person described as such in the foregoing instrument and who executed the same as such Assistant Commissioner for the purposes and pursuant to the authority therein recited.


NOTARY PUBLIC

ROBERT J. CASTANG
Notary Public, State of New York
No. 5070567
Qualified in Queens County
Commission Expires, March 15 1999

CORPORATE ACKNOWLEDGEMENT

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 2nd day of July, 1997, before me personally came Tom Anderson, to me known to be the person who executed this instrument, who being by me duly sworn, did depose and say that he resides at 108 Vauck St New York, NY New York, and that he is the President of Alhambra Development Corporation, General Partner of Alhambra Associates, L.P., a limited partnership duly formed pursuant to the laws of the State of New York, described in and which executed the foregoing instrument; and he acknowledged that he signed his name to said instrument on behalf of said limited partnership.


NOTARY PUBLIC

DEBORAH M. VOYTOVICH
Notary Public, State of New York
No. 4950598
Qualified in Suffolk County
Commission Expires May 1, 1999

REEL 4015 PG 1952

SCHEDULE B

MAXIMUM INITIAL RENTS

| <u>Number of Units</u> | <u>Number of Rooms</u> | <u>Maximum Initial Rent</u> |
|------------------------|------------------------|-----------------------------|
| 22 | 3 | \$490.00 |
| 16 | 4 | \$589.00 |
| 8 | 5 | \$682.00 |

. schedule 2

REF: 4015 PG 1953

TENANT SELECTION PROCEDURES

1. NOTICE OF INTENT

Marketing must begin at least four (4) months prior to expected occupancy of the first unit. The Sponsor/Developer, or a representative, must submit to HPD a Notice of Intent to begin marketing at least one (1) month prior to the date upon which they expect to market the first unit in the project.

2. WRITING AND PLACING ADVERTISEMENT

The Developer, or a representative shall begin marketing by placing an advertisement for applicants in accordance with the following:

- a) HPD will provide developer with the ad format. No changes to the format will be permitted without the prior written approval of the Director of Neighborhood Resources.
- b) Developer, or a representative, is responsible for placing ad.
- c) Ad must be advertised in at least three (3) newspapers, including:
 - one (1) citywide daily newspaper with a circulation of at least 200,000;
 - one (1) ethnic-based newspaper with a circulation of at least 10,000;
 - one (1) local newspaper.
- d) Ad to run at least three (3) days (with at least one (1) day falling on a weekend), at least sixty (60) days prior to the application deadline.

3. CONTENTS OF APPLICATION

- a) Format of Application will be provided by HPD. Any changes to the application must receive prior approval from HPD.
- b) Application must be accompanied by a cover letter that reiterates program guidelines and highlights the post office box to which applications must be returned. The format will be provided by HPD. Any changes to the letter must receive prior approval from HPD.

4. PICKING UP COMPLETED APPLICATIONS

- a) Applications will be picked up from the post office box one (1) week after the postmark deadline. The applications must be picked up by the Developer, or a representative in the presence of HPD staff.
- b) If the post office requires that letters be picked up on a regular basis due to the large volume of mail, the Developer must notify HPD prior to picking up the mail and place all letters, unopened, in one secure location. The Developer will then return to the post office one (1) week after the postmark deadline to pick up, in the presence of HPD staff, any remaining mail.
- c) Any applications postmarked after the application deadline ("late" applications) will be set aside for possible consideration pursuant to these Tenant Selection Procedures, only after all applications postmarked by the deadline have been exhausted. (See Sections 8b and 9b)

5. OPENING APPLICATIONS & CREATING THE LOG

- a) Log format will be provided by HPD.
- b) After picking up applications from the post office as described in Section 4, in the presence of HPD staff, all applications or a minimum number of applications equal to ten (10) times the number of units being marketed in the project will be randomly opened and entered in ink in a log in the order of which they were randomly opened. All names will then be selected in number order from this log.

04/24/95

Page 1

- III. **Requirement of non-homeless units:** For non-homeless units, Developer must rent not less than thirty per cent (30%) of the total number of non-homeless units in the project to eligible neighborhood residents if the project is located in one (1) community board, and not less than forty per cent (40%) of the total number of these units to eligible neighborhood residents if the project is located in two (2) community boards or is on the border of two (2) community boards. When seventy per cent (70%), (in the case of a thirty per cent (30%) neighborhood preference requirement) or sixty per cent (60%), (in the case of a forty per cent (40%) neighborhood preference requirement) of the total number of non-homeless units in the project have been rented, Developer must rent the next remaining units only to eligible neighborhood residents until the neighborhood preference requirement is met. See also Section 9 for completing neighborhood preference rent-up.

7. **COMPLETING RENT-UP OF LOW-INCOME APARTMENTS**

- a) If after following procedures outlined in Sections 5 and 6 and exhausting all eligible names on the Log, low-income apartments are still available but some applications remain unopened, Developer or a representative, must notify HPD, and in the presence of HPD and pursuant to procedures listed in Section

04/24/95

TSP - Page 3



- 5, randomly open and log a number of remaining vacancies. The developer, or a representative will then follow Tenant Selection Procedures outlined in Section 6.
- b) If apartments are still available after the Developer has exhausted all remaining applications pursuant to Section 7a, Developer or a representative, must notify HPD, and in the presence of HPD and pursuant to procedures listed in Section 5, randomly open and log a number of "late" applications set aside pursuant to Section 4c sufficient to tenant the remaining low-income vacancies. The Developer, or a representative will then follow Tenant Selection Procedures in Section 6.
- c) If after the Developer has exhausted all remaining applications as described above and low-income apartments are still available, Developer, or a representative, must notify HPD. HPD will provide the format for a readvertisement, which will contain an open application. All applications will be picked up from the post office as needed in the presence of HPD staff. Future lotteries for the site will be held as needed in the presence of HPD staff. During this period, all other requirements contained in these Tenant Selection Procedures will continue to apply.

REEL 401

8. **COMPLETING RENT-UP OF MODERATE-INCOME APARTMENTS**

Developer and/or HPD may determine upon reviewing the initial log that there will be an insufficient number of qualified moderate-income applicants from the lottery to complete the moderate-income rent-up. Unless otherwise specified and upon written approval from HPD, Developer will be permitted to conduct direct outreach or solicit additional applications pursuant to procedures listed below in this section in order to rent the remaining moderate income units. Developer will be permitted to process these additional applicants, but may not rent to these applicants until all eligible applications from the original applicant pool have been exhausted.

- a) Developer will then be required at minimum to readvertise the units in addition to any direct outreach/solicitation.
 -- Ad will be provided by the Developer;
 -- Ad must be placed in at least three (3) newspapers as described in Section 2c of these Tenant Selection Procedures;
 -- Developer must provide HPD with a copy of the readvertisement.
- b) All applications received as a result of this process must be logged by the Developer.
- c) Developer must apply the same eligibility and rent-up criteria/requirements utilized for all other applicants when renting these apartments.
- d) Developer will be required to certify to HPD that this process has been completed in accordance with these guidelines.

FIRST AMERICAN TITLE CO.
OF NEW YORK
230 EAST 45TH STREET
NEW YORK, NY 10017
TEL: (212) 922-9700
FAX: (212) 922-0861

**CITY REGISTER RECORDING AND ENDORSEMENT PAGE
- KINGS COUNTY -**

(This page forms part of the instrument)

Block(s) 1843
 Lot(s) 20
500-518 Nostrand Ave.

Record & Return to: DEPT OF HPD - STUART EISENACK, Legal Affairs
100 Gold Street, Rm 552 NY NY 10038
 Title/Agent Company name: First American Title FNS.
 Title Company number: 135 NY NY 17 337 KX

OFFICE USE ONLY - DO NOT WRITE BELOW THIS LINE

THE FOREGOING INSTRUMENT WAS ENDORSED FOR THE RECORD AS FOLLOWS: 053632

Examined by (s): _____

Mise Tax Serial No. _____
 Mise Amount \$ _____
 Taxable Amount \$ _____

Exemption (✓) YES NO

Type: [31EE] [255] [OTHER _____]

Dwelling Type: [1 to 2] [3] [4 to 6] [OVER 6]

TAX RECEIVED ON ABOVE MORTGAGE ▼

County (basic) \$ _____
 City (Adm) \$ _____
 Spec Adm \$ _____
 TASF \$ _____
 MTA \$ _____
 NYCTA \$ _____
 TOTAL TAX \$ _____

Apportionment Mortgage (✓) YES NO

Joy A. Bobrow, City Register

City Register Serial Number + 53632

Indexed By (s): [Signature] Verified By (s): _____

Block(s) and Lot(s) verified by (✓):
 Address Tax Map
 Extra Block(s) _____ Lot(s) _____

Recording Fee \$ 117-
 Affidavit Fee (C) \$ _____
 TP-584/582 Fee (Y) \$ _____
 RPTT Fee (R) \$ _____
 HPD-A HPD-C

New York State Real Estate Transfer Tax ▼
 \$ _____
 Serial Number → _____

New York City Real Property Transfer Tax
 Serial Number → _____

New York State Gains Tax
 Serial Number → _____



RECORDED IN KINGS COUNTY
OFFICE OF THE CITY REGISTER

1997 SEP 10 A 10:16

Witness My Hand and Official Seal

Joy A. Bobrow
City Register

CRGFMBBK BPG 1/93

43-10-003

Insurable Replacement Cost

In estimating the insurable replacement cost we have followed traditional appraisal standards and industry practices in using the calculator cost method of Marshall Valuation Service. This estimate is based on the replacement cost new of the building improvements less deductions for typical insurable exclusions. It is noted that actual construction costs and related estimates can vary greatly from this estimate.

It is noted that methodologies for developing insurable replacement costs vary dependent upon underwriter standards. We have not viewed the specific policy that is in effect or may be written for the subject, nor have we been given specific instructions by the client on what is to be included in or excluded from the insurable replacement cost estimate.

This is provided to aid the client/intended user in their overall decision-making process. We recommend the engagement of an appropriately qualified professional if a definitive estimate of insurable replacement cost for insurance coverage is required.

The indicated insurable replacement cost is shown on the following page.

Insurable Value

Apartments (High Rise) - Section 11, Page 18, Class C, Average Quality, Manual Dated Nov-20

| | | | |
|--|---------|---|---------------------|
| Base Unit Cost New PSF | | | \$102.00 |
| Refinements: | | | |
| HVAC / Climate Adjustment | | | -\$0.78 |
| Elevator Deduction | | | -\$3.04 |
| Add Sprinklers | | + | \$0.00 |
| Adjusted Base Unit Cost New PSF | | | \$98.18 |
| Multipliers: | | | |
| Number of Stories Multiplier | 1.015 | | |
| Current Cost Multiplier | 1.340 | | |
| Local Multiplier | 1.360 | | |
| Complex/Congested Sites Multiplier | x 1.020 | | |
| Total Multiplier | | x | 1.809 |
| Adjusted Replacement Cost New PSF | | | \$177.64 |
| Area | | x | 61,380 |
| Replacement Cost New | | | \$10,903,814 |
| Refinements: | | | |
| Elevator Addition | | | \$0.00 |
| Add Balconies / Canopies | | | \$0 |
| Add Fireplace | | + | \$0 |
| Replacement Cost New | | | \$10,903,814 |

Basements - High Rise Apartments - Section 11, Page 19, Class CDS, manual dated Nov-20

| | | | |
|--|---------|---|---------------------|
| Base Unit Cost New PSF | | | \$34.00 |
| Refinements: | | | |
| Add HVAC / Climate Adjustment | | | \$0.00 |
| Add Sprinklers | | + | \$0.00 |
| Adjusted Base Unit Cost PSF | | | \$34.00 |
| Number of Stories Multiplier | 1.015 | | |
| Height/Story Multiplier | 1.000 | | |
| Floor Area/Perimeter Multiplier | 0.959 | | |
| Current Cost Multiplier | 1.340 | | |
| Local Multiplier | 1.360 | | |
| Complex/Congested Sites Multiplier | x 1.020 | | |
| Total Multiplier | | x | 1.809 |
| Adjusted Replacement Cost New PSF | | | \$61.52 |
| Area | | x | 12,276 |
| Replacement Cost New | | | \$755,204 |
| Total Replacement Cost New | | | \$11,659,018 |
| Insurance Additions / Exclusions | | | |
| Demolition | 0.00% | | \$0 |
| Excavation | 0.44% | | (\$51,300) |
| Foundation Below Grade | 3.20% | | (\$373,089) |
| Architects' Fees | 0.00% | | \$0 |
| Piping Below Ground | 0.20% | | (\$23,318) |
| Optional Exclusion | | + | \$0 |
| Total Insurance Additions / Exclusions | | | \$447,706 |
| Indicated Insurable | | | \$11,211,312 |
| Indicated Insurable Replacement Cost (RD) | | | \$11,200,000 |

Comparable Rentals Outlines

Comparable 1



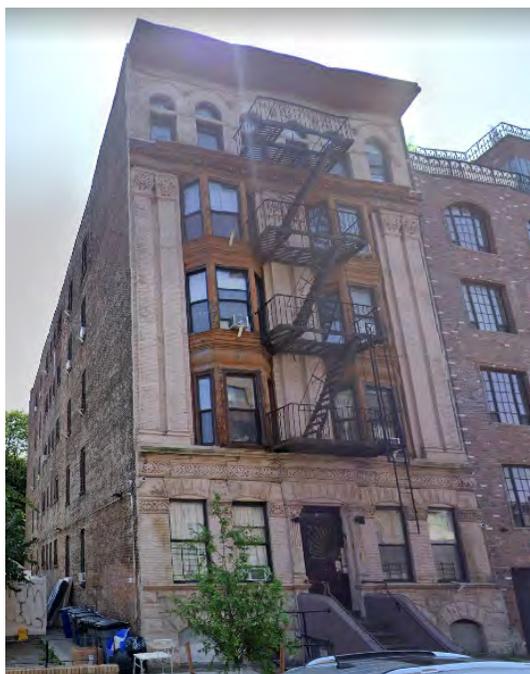
1

| | |
|------------------------------------|---------------------|
| Building Name: | N/A |
| Address: | 97 Brooklyn Ave. |
| Location: | Brooklyn, NY, 11216 |
| Building Type: | Multifamily |
| Total Number of Residential Units: | 71 |
| Date Constructed/ Renovated: | 1900 |
| Occupancy Rate: | 98.6% |
| Distance (miles): | 0.6 |

| Unit Type | Rent | SF | Rent PSF |
|-----------|---------|-------|----------|
| 1BD/1BA | \$2,100 | 708 | \$36 |
| 2BD/1BA | \$2,789 | 984 | \$34 |
| 3BD/1BA | - | 1,160 | - |

| Unit Features | | Property Features | |
|-----------------|-------------------|---------------------|---------------------------|
| Unit Amenities | Kitchen | Convenience | Leisure |
| AC | x Range/Stove | On-Site Maintenance | Fitness Center |
| Carpeting | x Refrigerator | On-Site Management | Pool |
| x Wood Floors | x Microwave | Doorman | Tennis Court |
| Tile Flooring | DW | Parking | Playground |
| Walk-in Closets | Disposal | x Laundry Room | Roof Deck |
| Washer / Dryer | | x Elevator | Bike Storage |
| | Bathrooms | | Utilities Included |
| | x One per unit | | x Heat |
| | | | x Hot Water / Gas |
| | | | Electric / Cooking Gas |
| | Outdoor | | x Water / Sewer |
| | x Balcony / Patio | | x Trash |

Comparable 2



2

| | |
|------------------------------------|---------------------|
| Building Name: | N/A |
| Address: | 29 Brooklyn Ave. |
| Location: | Brooklyn, NY, 11216 |
| Building Type: | Multifamily |
| Total Number of Residential Units: | 20 |
| Date Constructed/ Renovated: | 1910 |
| Occupancy Rate: | 100.0% |
| Distance (miles): | 0.4 |

| Unit Type | Rent | SF (est.) | Rent PSF |
|-----------|---------|-----------|----------|
| 1BD/1BA | | | |
| 2BD/1BA | \$2,612 | 1,025 | \$31 |
| 3BD/1BA | \$2,872 | 1,225 | \$28 |

| Unit Features | | Property Features | | |
|-----------------|-------------------|---------------------|---------------------------|------------------------|
| Unit Amenities | Kitchen | Convenience | Leisure | |
| AC | x Range/Stove | On-Site Maintenance | Fitness Center | |
| Carpeting | x Refrigerator | On-Site Management | Media Room | |
| x Wood Floors | x Microwave | Laundry | Tennis Court | |
| x Tile Flooring | DW | Covered Parking | Courtyard | |
| Walk-in Closets | Disposal | Bike Room | Roof Deck | |
| Washer / Dryer | | Elevator | | |
| | <i>Bathrooms</i> | | <i>Utilities Included</i> | |
| | x One per unit | | x | Heat |
| | | | x | Hot Water / Gas |
| | | | | Electric / Cooking Gas |
| | <i>Outdoor</i> | | x | Water / Sewer |
| | x Balcony / Patio | | x | Trash |

Comparable 3



3

| | |
|------------------------------------|---------------------|
| Building Name: | The Decatur |
| Address: | 142-144 Decatur St. |
| Location: | Brooklyn, NY 11233 |
| Building Type: | Mixed-Use |
| Total Number of Residential Units: | 20 |
| Date Constructed/ Renovated: | 1910 |
| Occupancy Rate: | 100.0% |
| Distance (miles): | 0.7 |

| Unit Type | Rent | SF | Rent PSF |
|-----------|---------|-----|----------|
| 1BD/1BA | \$2,000 | 520 | \$46 |
| 2BD/1BA | \$2,600 | 900 | \$35 |
| 3BD/1BA | | | |

| Unit Features | | Property Features | |
|-----------------|------------------|---------------------|---------------------------|
| Unit Amenities | Kitchen | Convenience | Leisure |
| AC | x Range/Stove | On-Site Maintenance | Fitness Center |
| Carpeting | x Refrigerator | On-Site Management | Pool |
| x Wood Floors | x Microwave | Doorman | Tennis Court |
| x Tile Flooring | DW | Parking | Playground |
| Walk-in Closets | Disposal | x Laundry Room | Roof Deck |
| Washer / Dryer | | Elevator | Storage |
| | Bathrooms | | Utilities Included |
| | x One per unit | | x Heat |
| | | | x Hot Water / Gas |
| | | | Electric / Cooking Gas |
| | Outdoor | | x Water / Sewer |
| | Balcony / Patio | | x Trash |

Comparable 4



4

| | |
|------------------------------------|--------------------|
| Building Name: | N/A |
| Address: | 372 Kosciuszko St. |
| Location: | Brooklyn, NY 11221 |
| Building Type: | Mixed-Use |
| Total Number of Residential Units: | 49 |
| Date Constructed/ Renovated: | 1930 |
| Occupancy Rate: | 100.0% |
| Distance (miles): | 1.2 |

| Unit Type | Rent | SF (est.) | Avg Rent PSF |
|-----------|---------|-----------|--------------|
| 1BD/1BA | \$2,350 | 600 | \$47 |
| 2BD/1BA | \$3,150 | 750 | \$50 |
| 3BD/1.5BA | \$3,650 | 1,050 | \$42 |

| Unit Features | | Property Features | |
|-----------------|-------------------|----------------------|---------------------------|
| Unit Amenities | Kitchen | Convenience | Leisure |
| AC | x Range/Stove | On-Site Maintenance | x Fitness Center |
| Carpeting | x Refrigerator | x On-Site Management | Pool |
| x Wood Floors | x Microwave | Storage | x Bike Room |
| x Tile Flooring | DW | Parking | x Children's Playroom |
| Walk-in Closets | Disposal | x Laundry Room | x Roof Deck |
| Washer / Dryer | | Elevator | x Recreation Room |
| | <i>Bathrooms</i> | | <i>Utilities Included</i> |
| | x One per unit | | Heat |
| | | | Hot Water / Gas |
| | | | Electric / Cooking Gas |
| | <i>Outdoor</i> | | x Water / Sewer |
| | x Balcony / Patio | | x Trash |

Comparable 5



5

| | |
|------------------------------------|--------------------|
| Building Name: | N/A |
| Address: | 808 Prospect Pl. |
| Location: | Brooklyn, NY 11216 |
| Building Type: | Mixed Use |
| Total Number of Residential Units: | 19 |
| Date Constructed/ Renovated: | 1905 |
| Occupancy Rate: | 100.0% |
| Distance (miles): | 0.5 |

| Unit Type | Rent | SF | Rent PSF |
|-----------|---------|-------|----------|
| 1BD/1BA | \$2,300 | 650 | \$42 |
| 2BD/1BA | \$2,800 | 796 | \$42 |
| 3BD/1BA | \$3,000 | 1,159 | \$31 |

| Unit Features | | Property Features | |
|------------------|------------------|---------------------|---------------------------|
| Unit Amenities | Kitchen | Convenience | Leisure |
| AC | x Range/Stove | On-Site Maintenance | Fitness Center |
| Carpeting | x Refrigerator | On-Site Management | Roof Deck |
| x Wood Floors | x Microwave | Business Center | Clubhouse |
| Tile Flooring | x DW | Parking | Pool |
| Walk-in Closets | Disposal | Laundry Room | Shared Garden |
| x Washer / Dryer | | Elevator | |
| | <i>Bathrooms</i> | | <i>Utilities Included</i> |
| | x One per unit | | x Heat |
| | | | x Hot Water / Gas |
| | | | Electric / Cooking Gas |
| | <i>Outdoor</i> | | x Water / Sewer |
| | Balcony / Patio | | x Trash |

Comparable Sales Outlines

Comparable Sale 1



Location Overview

| | |
|------------------------------|---------------------|
| Street Address | 571 Ovington Avenue |
| City | Brooklyn |
| State | NY |
| Zip | 11209 |
| Property ID | BROOKLYN_5874_58 |
| Neighborhood/District | Bay Ridge |

Property Information

| | | | |
|---------------------------|--------------|--------------------------|--------------------|
| Condition | Average | Site Area | 9,000 SF |
| Year Built | 1931 | Residential Units | 35 |
| # Floors | 4 | Comparable Type | Multifamily |
| Building Type | Walk-Up | Commercial Units | 0 |
| Building Amenities | Laundry Room | Unit Types | Studio, 1 BR, 2 BR |
| GBA | 27,548 SF | | |

Sale Information

| | | | |
|-----------------------|---------------------|------------------------|-------------|
| Sale Status | Transaction | Deed Sale Price | \$5,700,000 |
| Sale Date | 9/30/2022 | Per Unit | \$162,857 |
| Grantee | Confidential | Per SF | \$207 |
| Grantor | 571 Ovington Avenue | Cap Rate | 5.47% |
| Unique Sale ID | Unavailable | EGI | \$578,865 |
| NOI | \$311,622 | | |

Verification Source

| | | | |
|---------------------|-------------------------|--------------------------|-------------------------------|
| Contact Name | Lawrence Sarn | Role | Investment Sales Professional |
| Company | Ariel Property Advisors | Verification Date | 10/3/2022 |

Appraiser Comments

Data was reported from CoStar. This 35-unit building includes 1 unit reserved for the building superintendent. 34 units are rent stabilized and 1 is rent controlled but will be converted to a rent stabilized unit. The average in-place rent is \$1,463 per month. It was initially listed for \$6,000,000 by Stephen Vorvolako, Sean R. Kelly, and Lawrence Sarn of Ariel Property Advisors. Brevitas, Costar, and Crexi indicate the property sold on September 30, 2022, but the deed is not yet available in the public record. On October 3, 2022, we spoke with listing broker Lawrence Sarn, Investment Sales Professional of Ariel Property Advisors who confirmed the \$5.7M closing price, September 30, 2022 closing date, and approximate 5.5% cap rate. He commented that the cap rate was calculated by applying full taxes to the pro forma, (but we are unaware of any tax benefits currently).

Comparable Sale 2



Location Overview

| | |
|------------------------------|---------------------|
| Street Address | 575 Herkimer Street |
| City | Brooklyn |
| State | NY |
| Zip | 11213 |
| Property ID | BROOKLYN_1700_62 |
| Neighborhood/District | Crown Heights |

Property Information

| | | | |
|---------------------------|---|--------------------------|-------------|
| Condition | Average | Site Area | 8,652 SF |
| Year Built | 1965 | Residential Units | 38 |
| # Floors | 7 | Comparable Type | Multifamily |
| Building Type | Elevator | Commercial Units | 0 |
| Building Amenities | Laundry Room, On Site Superintendent | Unit Types | 1 BR, 2 BR |
| GBA | 35,200 SF | | |

Sale Information

| | | | |
|-----------------------|-----------------------------|------------------------|-------------|
| Sale Status | Transaction | Deed Sale Price | \$5,250,000 |
| Sale Date | 7/15/2022 | Adjustment | -\$9,500 |
| Grantee | 79 Clinton St. Realty Corp. | Adjusted Price | \$5,240,500 |
| Grantor | 2 Stuyvesant Manor Inc. | Per Unit | \$137,908 |
| Unique Sale ID | 2022000315070 | Per SF | \$149 |
| | | Cap Rate | 4.40% |

Verification Source

| | | | |
|---------------------|-----------------------|--------------------------|-----------------|
| Contact Name | Ben Khakshoor | Role | Senior Director |
| Company | Rosewood Realty Group | Verification Date | 10/3/2022 |

Appraiser Comments

The property has 38 rent stabilized units. The NYC DOF indicates the property has a 14-year J-51 tax exemption which began in FY 2015/16. We estimate the remaining tax savings as of FY 2022/23 as \$9,500, discounted at 5% annually, and we have adjusted the sale price. BISWEB filings indicate that new telecommunication antenna components were installed on the roof in 2020, but subsequently decommissioned in 2021. Data was reported from CoStar and confirmed with public record. The buyer was represented by Ben Khakshoor, Senior Director of Rosewood Realty Group, and the seller was represented by Aaron Jungreis, President at Rosewood Realty Group. On October 4, 2021, we contacted Mr. Khakshoor via phone to verify the details of this transaction, and he emailed the listing brokers' set-up/offering memorandum. We have confirmed pertinent details with this provided information.

Comparable Sale 3



Location Overview

| | |
|------------------------------|----------------------|
| Street Address | 6830 Ridge Boulevard |
| City | Brooklyn |
| State | NY |
| Zip | 11220 |
| Property ID | BROOKLYN_5861_57 |
| Neighborhood/District | Bay Ridge |
| Market | New York |
| Submarket | Bay Ridge |

Property Information

| | | | |
|-----------------------|-----------|--------------------------|-----------|
| Condition | Average | Site Area | 7,652 SF |
| Year Built | 1916 | Residential Units | 23 |
| # Floors | 4 | Comparable Type | Mixed-Use |
| Building Type | Walk-Up | Commercial Units | 1 |
| Building Class | C7 | Commercial Area | 750 SF |
| Zoning | R6A, BR | Unit Types | 2 BR |
| GBA | 23,740 SF | | |

Sale Information

| | | | |
|-----------------------|-----------------------------|------------------------|-------------|
| Sale Status | Transaction | Deed Sale Price | \$4,600,000 |
| Sale Date | 1/10/2022 | Per Unit | \$191,667 |
| Grantee | 3860 Ridge Blvd LLC | Per SF | \$194 |
| Grantor | Konstantinos Konstantinidis | Cap Rate | 6.13% |
| Unique Sale ID | 202201060018920101 | | |

Appraiser Comments

This is the sale of a 4-story mixed-use building in Bay Ridge, Brooklyn. The property features 23 residential units and one 750 square foot commercial unit which is operating as a dental office. The property consists of 23,740 square feet of gross building area on 7,652 square feet of land. After over a year of marketing, the property sold for \$4,600,000 on January 10, 2022, indicating a price per square foot of \$194 and was represented by Charles Farraj from 1st Premier Realty Network Inc. According to the Department of Finance, the building is completely rent stabilized, and does not receive any tax benefits. We attempted to reach the parties involved in the sale, but after multiple attempts we were unsuccessful. CoStar had reported a net operating income of \$282,076 for 2021 yielding a capitalization rate of 6.13% All data is reported by CoStar and Public Record.

Comparable Sale 4



Location Overview

| | |
|------------------------------|-------------------|
| Street Address | 319 Hooper Street |
| City | Brooklyn |
| State | NY |
| Zip | 11211 |
| Property ID | BROOKLYN_2450_22 |
| Neighborhood/District | Williamsburg |

Property Information

| | | | |
|---------------------------|------------------------|--------------------------|------------|
| Condition | Average | Site Area | 4,700 SF |
| Year Built | 1925 | Residential Units | 32 |
| # Floors | 6 | Comparable Type | Mixed-Use |
| Building Type | Walk-Up | Commercial Units | 2 |
| Building Amenities | On Site Superintendent | Commercial Area | 1,600 SF |
| GBA | 23,292 SF | Unit Types | 1 BR, 2 BR |

Sale Information

| | | | |
|-----------------------|--|------------------------|-------------|
| Sale Status | Transaction | Deed Sale Price | \$7,758,883 |
| Sale Date | 12/8/2021 | Per Unit | \$228,202 |
| Grantee | 319 Hooper LLC | Per SF | \$333 |
| Grantor | Amanda Wiesenfeld Aka Amanda Gold, As Trustee | Cap Rate | N/A |
| Unique Sale ID | 2021000511680 | | |

Appraiser Comments

This property sold as part of a 15-property, \$76M multifamily and mixed-use portfolio in Williamsburg. The average price per square foot in the portfolio was \$257.74, and it traded at a 5.50% overall cap rate. The property's sale was recorded in an individual deed. It was fully occupied at sale close, and has 32 rent stabilized residential units and 2 ground floor commercial units, one of which was occupied by a medical office and another of which was occupied by a cafe. The portfolio was brokered by Steven Vegh and Phil Goldstein of Westwood Realty Advisors. Data was reported from CoStar and confirmed with public record.

Comparable Sale 5



Location Overview

| | |
|------------------------------|---------------------|
| Street Address | 1550 East 13 Street |
| City | Brooklyn |
| State | NY |
| Zip | 11230 |
| Property ID | BROOKLYN_6759_26 |
| Neighborhood/District | Midwood |
| Market | New York |

Property Information

| | | | |
|---------------------------|---|--------------------------|-------------|
| Condition | Average | Zoning | R4-1 |
| Year Built | 1939 est. | GBA | 58,800 SF |
| # Floors | 6 | Site Area | 14,000 SF |
| Building Type | Elevator | Residential Units | 54 |
| Building Amenities | Laundry Room, On Site Superintendent | Comparable Type | Multifamily |
| Building Class | D1 | Commercial Units | 0 |

Sale Information

| | | | |
|-----------------------|---------------------------|----------------------------|--------------|
| Sale Status | Transaction | Deed Sale Price | \$10,200,000 |
| Sale Date | 6/23/2021 | Price Adjustment | \$250,000 |
| Grantee | M&M Midwood LLC | Adjusted Sale Price | \$10,450,000 |
| Grantor | 1550 East 13th Street LLC | Per Unit | \$193,519 |
| Unique Sale ID | 2021000259789 | Per SF | \$178 |
| NOI | \$588,450 | Cap Rate | 5.47% |

Verification Source

| | | | |
|---------------------|--------------------|--------------------------|----------------------------------|
| Contact Name | Mark Zarella | Role | Licensed Real Estate Salesperson |
| Company | Marcus & Millichap | Verification Date | |

Appraiser Comments

This is the sale of a 6-story, elevatored, multifamily apartment building. It features 54 residential units, 53 of which are rent stabilized. It reportedly traded at a 5.47% cap rate with a net operating income of \$558,450. StreetEasy listing photos show average finishes with standard appliances. The building's amenities include a laundry room and live-in super. We spoke with Mark Zarella, the Listing Broker from Marcus & Millichap, who confirmed the details of the sale. Mr. Zarella informed us that the property was openly marketed. He also mentioned that there was an expenditure of about \$250,000 made after the purchase for necessary façade improvements that were recommended by the NYC Façade Inspection & Safety Program. This amount was added to the recorded sale price to account for this cost to the purchaser. The data is also confirmed with CoStar and Public Record. The photo was taken from the listing brokers' offering memorandum.

Supplemental Sale Outline



Location Overview

| | |
|------------------------------|----------------------|
| Street Address | 1245 Ocean Avenue |
| City | Brooklyn |
| State | NY |
| Zip | 11230 |
| Property ID | BROOKLYN_7548_29 |
| Neighborhood/District | Flatbush |
| Market | New York |
| Submarket | Flatbush-Ditmas Park |

Property Information

| | | | |
|-----------------------|-----------|--------------------------|-------------|
| Condition | Average | GBA | 55,800 SF |
| Year Built | 1941 est. | Site Area | 11,000 SF |
| # Floors | 6 | Residential Units | 48 |
| Building Type | Elevator | Comparable Type | Multifamily |
| Building Class | D1 | Commercial Units | 0 |
| Zoning | R7A | | |

Sale Information

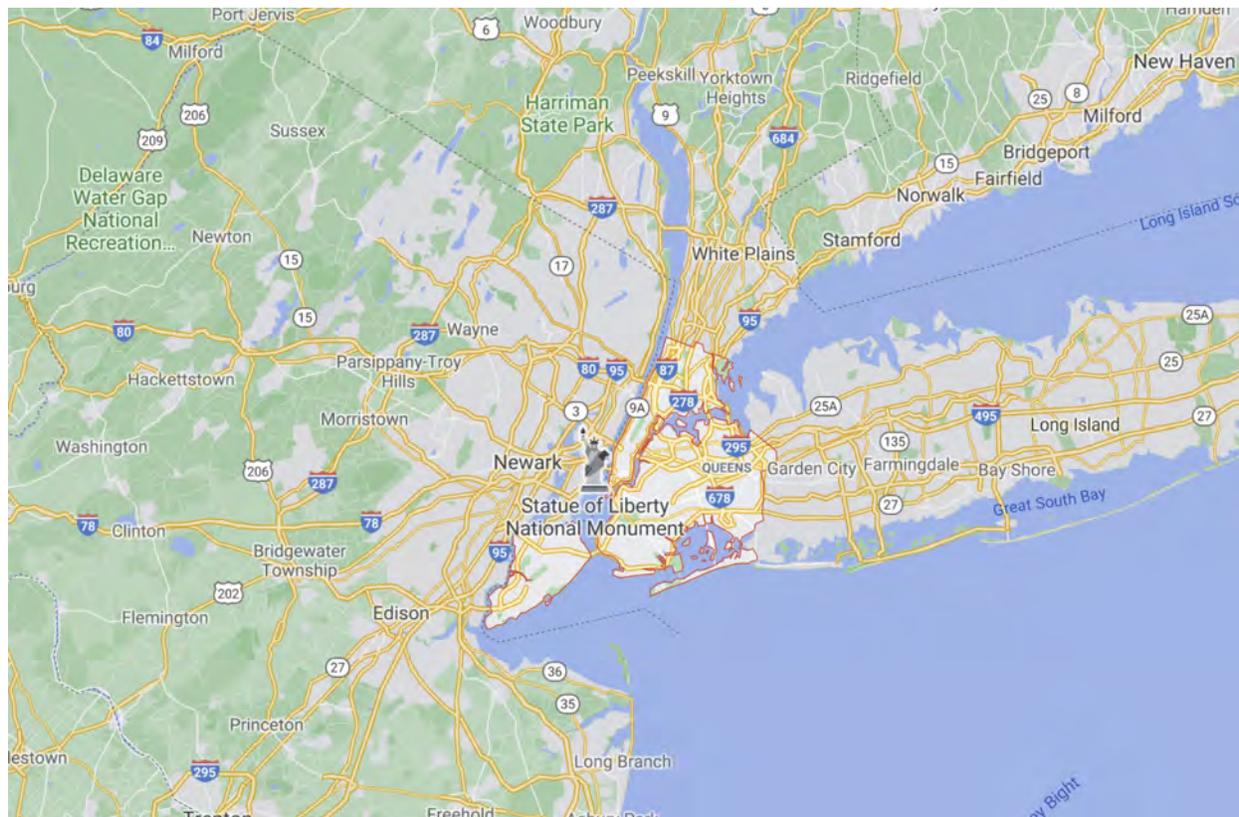
| | | | |
|-----------------------|----------------------|------------------------|-------------|
| Sale Status | Transaction | Deed Sale Price | \$8,150,000 |
| Sale Date | 3/8/2022 | Per Unit | \$169,792 |
| Grantee | 1245 Ocean LLC | Per SF | \$146 |
| Grantor | LNJ Mazel Realty LLC | Cap Rate | 5.00% |
| Unique Sale ID | 2022031101407001 | | |

Appraiser Comments

This is the sale of a 48-unit elevatored multifamily building in Flatbush, Brooklyn. The property contains 55,800 square feet of gross building area on an 11,000 square foot lot. It most recently transferred on March 8, 2022 for \$8,150,000. This equates to a price per unit of \$169,792 and a price per square foot of \$146. The property reportedly traded at a 5% cap rate, indicating a net operating income of \$407,000. According to the Department of Finance, all 48 units are rent stabilized. Data was reported from CoStar and 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 2022 Q2 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. 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.

Manhattan has been described as the cultural, financial, media, and entertainment capital of the world, and the borough hosts the United Nations headquarters. Anchored by Wall Street in the Financial District of Lower Manhattan, New York City has been called both the most economically powerful city and the leading financial center of the world, and Manhattan is home to the world's two largest stock exchanges by total market capitalization: the New York Stock Exchange and NASDAQ. Many multinational media conglomerates are based in Manhattan, and the borough has been the setting for numerous books, films, and television shows.

The COVID-19 pandemic slowed economic growth throughout the country, including here in New York County. Between February 2020 and April, New York County employers shed over 183,585 jobs (19.3% of the labor market), as social distancing protocols were put in place and operating restrictions were imposed. With the availability of vaccines in early 2021, restrictions eased, and growth returned.

As of 06/22, New York County's economic output is contracting at 4.5% per year. The unemployment rate currently sits at 4.8%, below its five-year average of 5.6% and above the state level of 4.4%. The largest industry in terms of employment in New York County is Professional & Business Services, which employs 24.9% of all workers in the County.

Area Fundamentals

| Attribute | County Level Value | 5 Year Annualized | |
|----------------------------|--------------------|-------------------|----------------------------|
| | | Growth Rate | Relative to Baseline (MSA) |
| Employment | 846,703 | -1.6% | Slower than MSA |
| GDP | \$610.4 billion | 1.3% | Faster than MSA |
| Population | 1,576,876 | -0.7% | Slower than MSA |
| Per Capita Personal Income | \$191,220 | 5.0% | Slower than MSA |

Labor Market Conditions

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City employed 7,577,821 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 1,922,585 (25.2%), 1,644,780 (21.6%), and 1,461,583 (19.1%) private sector workers in the Metro, respectively.

MSA Private Employment Composition & Wages by Industry (2021 Q4)



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York County employed 2,270,311 employees, with establishments in the Professional & Business Services, Education & Health Services, and Financial Activities industries accounting for the top three employers. These industries employ 566,602 (24.9%), 428,483 (18.8%), and 384,723 (16.9%) workers in the County, respectively. New York County has an especially large share of workers in the Information industry. In fact, its 8.7% fraction of workers is 4.2 times higher than the National average.

County Employment Composition & Wages by Industry (2021 Q4)

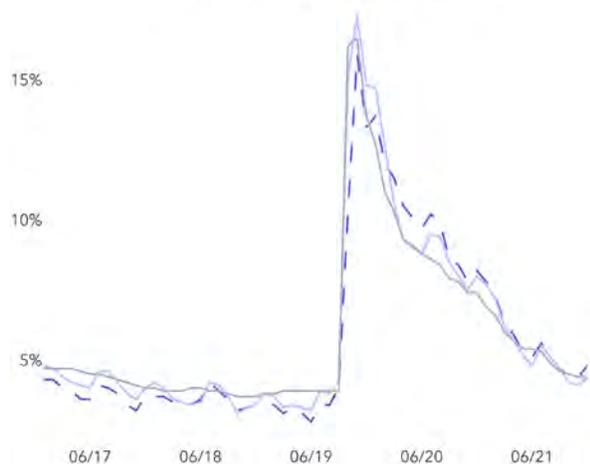


Source: U.S. Bureau of Labor Statistics

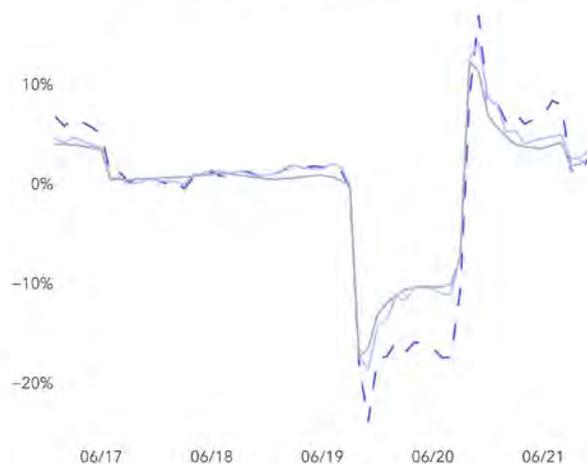
At the onset of the pandemic last spring, New York County area employers shed 19.3% of its workforce, expanding the unemployment rate from 3.4% in February 2020 to 10.3% just two months later. The unemployment rate in New York County has compressed over the past year to the current rate of 4.8%, just slightly above the New York-Newark-Jersey City rate of 4.4%. As of 06/22, total employment is up 2% on a year-over-year basis. The unemployment rate remains above its pre-pandemic level (Feb 2020) of 3.4%.

— New York County — New York-Newark-Jersey City (MSA) — New York

Unemployment Rate

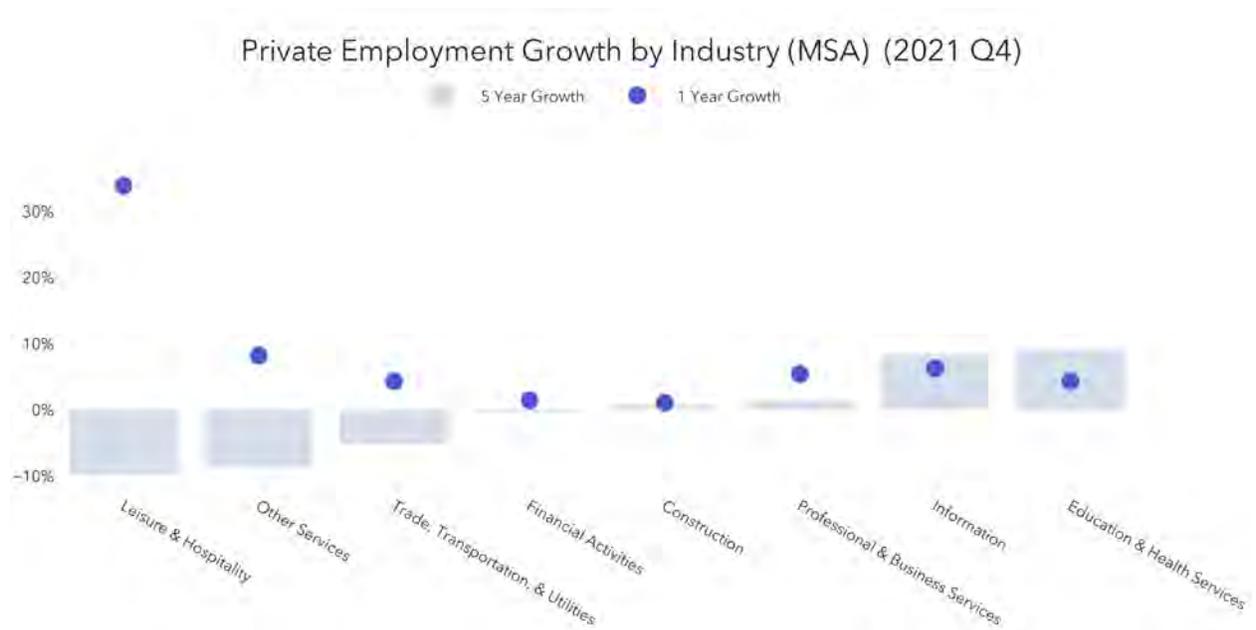


Annual Employment Growth



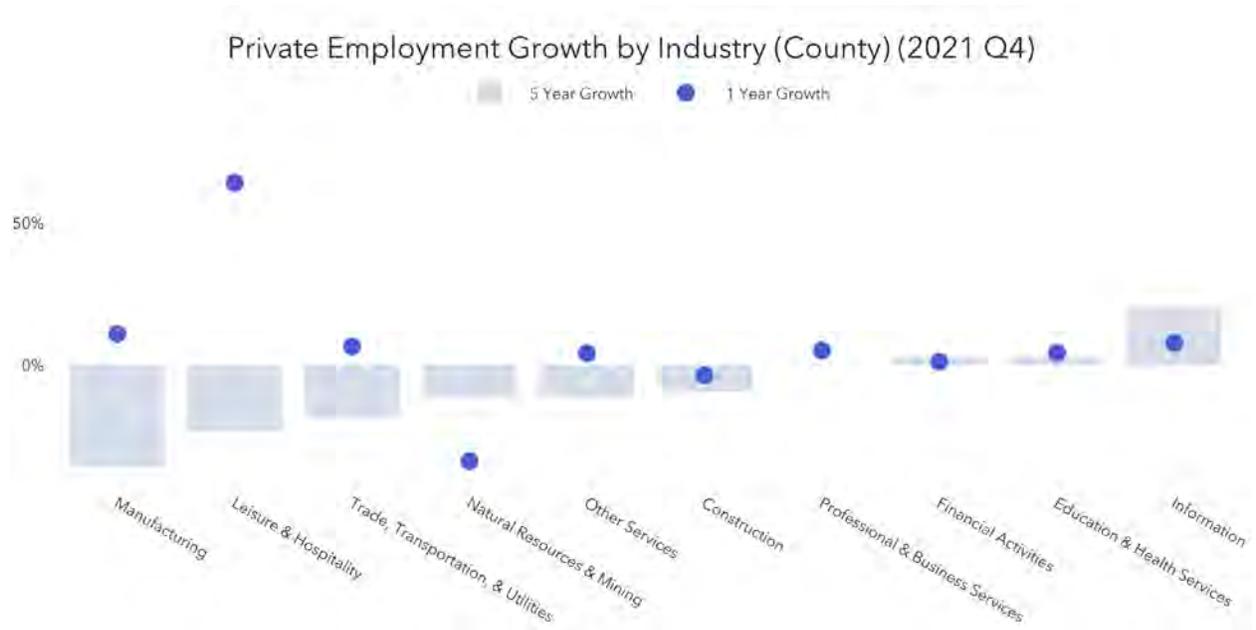
Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York-Newark-Jersey City Metro has experienced private employment compress 0.2% (-16,564) 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 9.1%, 8.4%, and 1.4%, respectively. Meanwhile, the Leisure & Hospitality Industry has experienced employment collapse 9.9% over the previous five years.



Source: U.S. Bureau of Labor Statistics

According to the Q4 2021 Quarterly Census of Employment and Wages, New York County has experienced private employment compress 4.4% (-97,660) in total over the last five years. During that time, the Information, Education & Health Services, and Financial Activities industries saw the strongest growth, expanding 20.4%, 2.6%, and 2.6%, respectively. Meanwhile, the Manufacturing Industry has experienced employment collapse 35.7% over the previous five years.

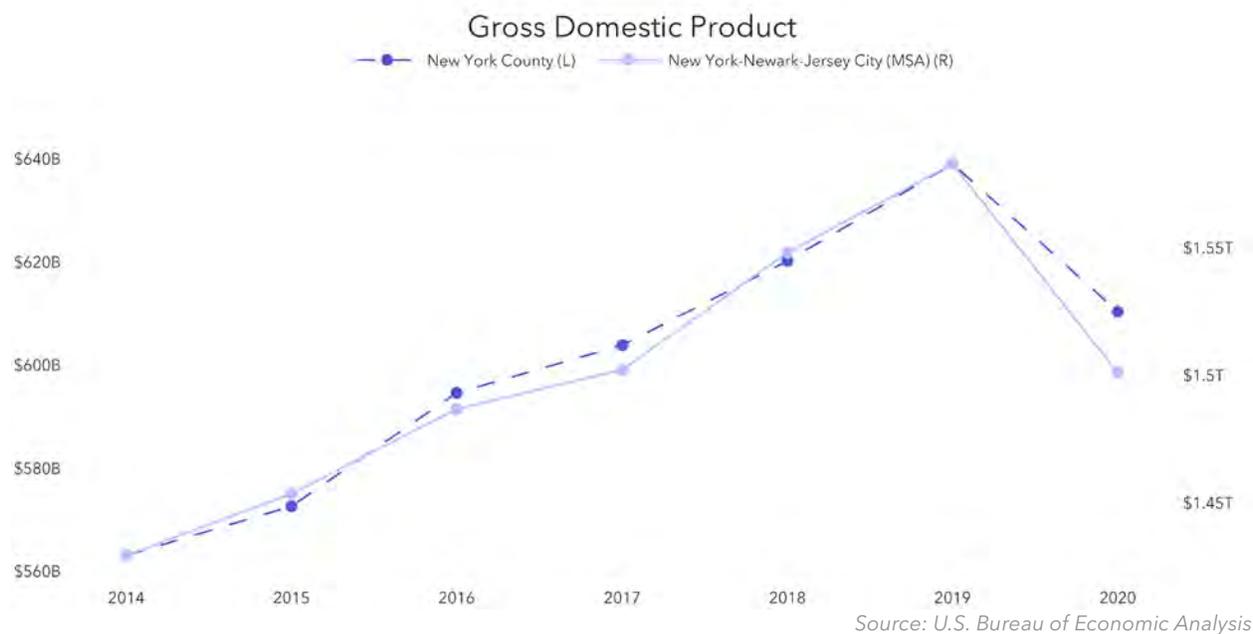


Source: U.S. Bureau of Labor Statistics

Economic Production

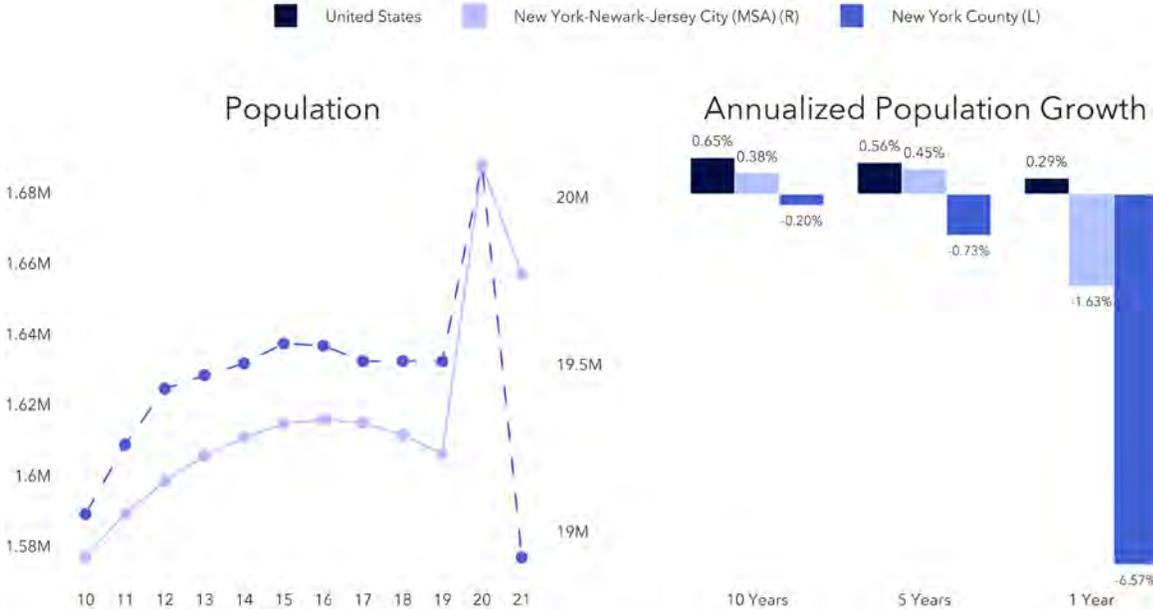
After accelerating to 6.9% in the fourth quarter of 2021, GDP growth fell for the 2nd straight quarter, decreasing at an annualized rate of 0.9% in Q2. The Federal Reserve remains steadfast in curtailing high inflation rates, increasing the Federal Funds rate for the fourth time this year. Interest rate hikes will continue to pose a threat to the recovery, many economic observers expect that the economy will soften further over the second half of 2022.

For the five years prior to the pandemic, New York County experienced annual growth of 2.7% compared to 2.1% for the Metro. In 2020, New York County produced about \$610.4 billion of output, representing an annual change of -4.5% compared to -5.2% for the Metro.



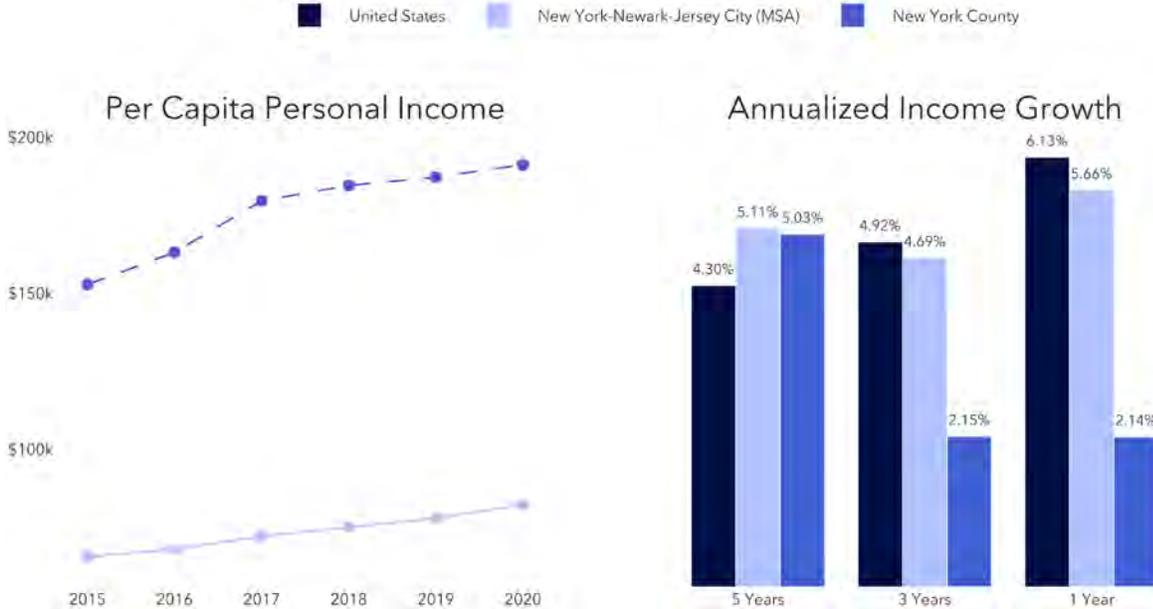
Demographics

Going back ten years, New York County's population has compressed 0.2% per annum to the 2021 count of 1,576,876. Over the past five years, growth has declined, contracting 0.7% per annum since 2016. This growth rate falls short of the Nation, which has expanded 0.6% per year over the last five years.



Source: U.S. Census Bureau

Going back five years, New York County residents' per capita personal income has expanded 5.0% per annum to the 2020 level of \$191,220. Over the past three years, growth has declined, growing 2.1% per annum since 2017. This growth rate lags the Nation, which has expanded 4.9% per year over the last three years.



Source: U.S. Census Bureau

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.

 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

In 2021, historically low mortgage rates, the desire for more space, and the ability to work from home led to an increase in demand for housing. This, combined with historically low inventory levels pushed values to record highs in most counties and metros across the Nation in 2021. However, with persistent inflation in 2022, the Fed has expanded interest rates, pushing mortgage rates to an elevated rate in the first half of 2022. The sharp rise in mortgage rates has eroded housing affordability, resulting in a decrease in demand and slowing growth in values.

In New York County, Realtor.com data points to continued growth in values. In fact, as of 06/2022, the median home list price sits at \$1,573,932, an increase of 9% compared to an increase of 9% for the New York-Newark-Jersey City Metro, and an increase of 17% across the Nation over the past year. With the recent sharp rise in mortgage rates, demand is expected to soften along with growth in values.



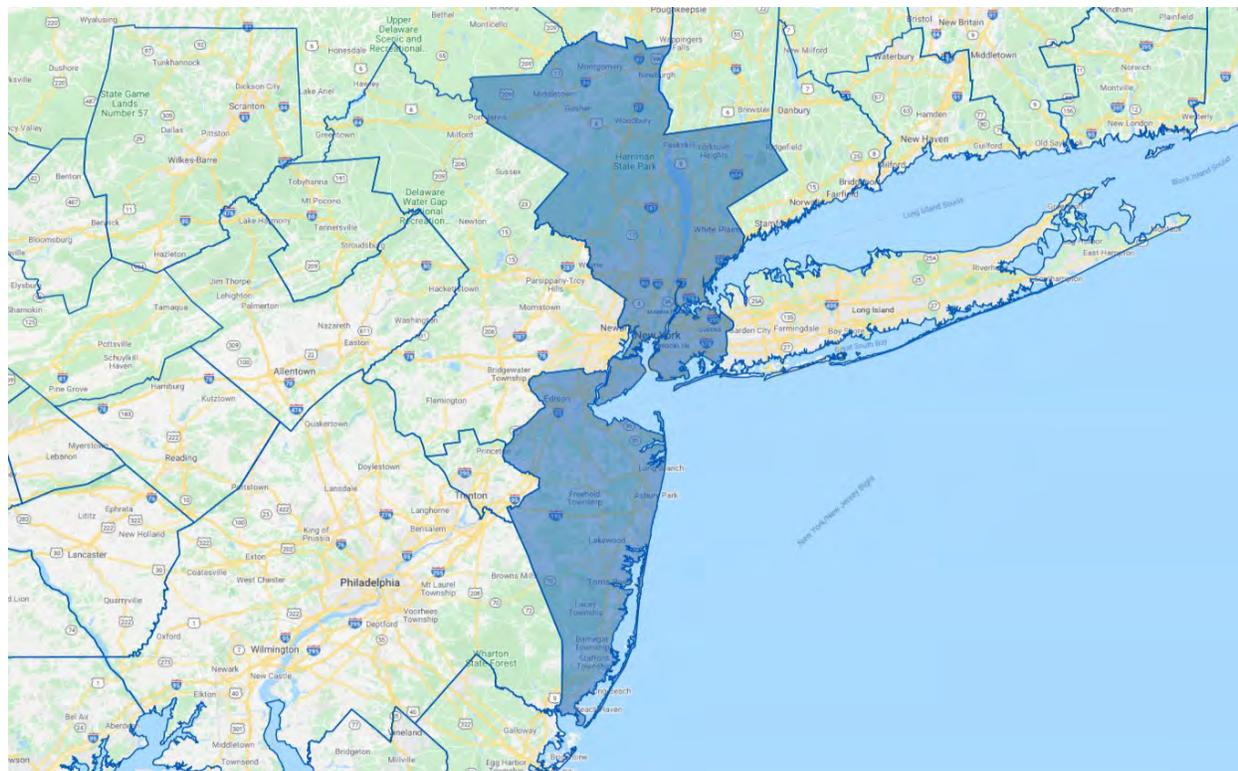
Outlook

The United States economy continues to recover from the aftermath of the Covid-19 pandemic, although there are signs of softening. The labor market has restored over 20 million of the 21 million jobs lost at the beginning of the pandemic, as measured by non-farm employment, keeping the unemployment rate steady at 3.6% for the fourth month in a row. Total nonfarm payroll employment rose by 372,000 in June, in line with the average monthly gain over the prior 3 months. In June, notable job growth occurred in professional and business services, leisure and hospitality, and healthcare. 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. Interest rate hikes will continue to pose a threat to the recovery. Many economic observers expect that the economy will soften further over the second half of 2022.

Between, 2014 and 2020, New York County GDP grew 8.4%. This growth rate lagged the national average by 1,064 bps during this period. The current unemployment rate in New York County of 4.8% is below its five-year average. It is above and above the state (4.4%) and national average (3.5%), respectively. New York County continues to experience population loss with one- and five-year annual growth rates of -6.6% and -0.7%. Growth has been slow, but the gradual reopening of businesses has led to a resurgence of activity. Residents and tourists alike have returned, driving the real estate market, retail sales, and overall foot traffic. 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 2022 Q2 CoStar data for the New York Multifamily Market ("Market").



Overview

The subject property is in the New York Market defined in the map above. This Market accounts for 8.2% of the Nation's total inventory with 1.5 million units of multifamily space. The inventory is roughly 13% Class A, 31% Class B, and 56% Class C. New York's apartment market has been on the upswing for more than a year despite experiencing turbulence throughout 2020. Renter demand has rebounded impressively as the public health situation greatly improved which has led to the lifting of all business restrictions that have aided in the mass return of office workers and university students. Helping matters is the fact that New Yorkers who left the area, did not stray far, often going to more suburban parts of the metro in New Jersey and Westchester County.

Despite the completion of more than 50,000 new units across the metro since the start of 2020, this influx of demand helped vacancies decline to near all-time lows of 2.3%. About 56,000 units are under construction as projects continue to break ground quarter-over-quarter. Jersey City, Long Island City, and Brooklyn continue to contain the metro's most active supply pipelines. Though developers remain busy, the base case forecast projects that vacancies will remain tight as demand is expected to largely keep pace with supply.

With occupancies greatly improving in recent quarters, rents have grown by 6.8% over the past year. In New York City, all submarkets have since exceeded their prepandemic rent totals. Submarkets located in suburban New Jersey and Westchester County have seen rents rise even during the onset of the pandemic and continue to witness increases today. Concessions are no longer part of the equation as building occupancies have improved and available units are met with considerable interest in what is now a competitive market for prospective renters.

A much weakened, but still expensive market is not exactly one that initially lent itself to a lot of deal flow. Only \$5 billion traded hands in 2020, representing the lowest total since the tail-end of the Great Recession in 2010. While this level of activity continued for much of 2021, more than \$5 billion traded hands in 2021 Q4 and more than \$7 billion traded in the first half of 2022 as the apartment market's swift recovery has lured investors back.

Sector Fundamentals

| | New York | YoY | QoQ | National | YoY | QoQ |
|----------------------|-----------------|---------|-------|------------------|---------|--------|
| Market Rent/Unit | \$2,975 | 6.8% | 2.0% | \$1,629 | 9.7% | 2.8% |
| Vacancy Rate | 2.33% | -52 bps | 2 bps | 5.04% | -11 bps | 8 bps |
| Net Absorption Units | 6,943 | -37.1% | 5.6% | 68,314 | -74.3% | 8.9% |
| Asset Value/Unit | \$458,007 | 2.0% | 0.2% | \$269,343 | 8.6% | 2.1% |
| Market Cap Rate | 4.22% | 5 bps | 2 bps | 4.98% | -10 bps | -2 bps |
| Transaction Count | 339 | -12% | -30% | 5,734 | -3% | -0% |
| Sales Volume | \$3,789,910,528 | 95% | -2% | \$69,789,081,600 | 45% | 33% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for multifamily space in the Market are presented in the following table.

Historical Multifamily Performance: New York Market

| Period | Inventory Units | Under Construction Units | Net Delivered Units 12 Mo | Absorption Units 12 Mo | Vacancy Rate | Market Effective Rent/Unit |
|---------|-----------------|--------------------------|---------------------------|------------------------|--------------|----------------------------|
| 2022 Q2 | 1,498,855 | 57,402 | 24,467 | 31,638 | 2.3% | \$2,975 |
| 2022 Q1 | 1,491,409 | 57,519 | 23,384 | 35,737 | 2.3% | \$2,918 |
| 2021 | 1,484,626 | 55,637 | 19,804 | 38,296 | 2.3% | \$2,873 |
| 2020 | 1,464,822 | 57,036 | 16,056 | 4,139 | 3.6% | \$2,684 |
| 2019 | 1,448,766 | 51,708 | 20,363 | 18,891 | 2.8% | \$2,752 |
| 2018 | 1,428,403 | 46,485 | 22,940 | 27,487 | 2.7% | \$2,704 |
| 2017 | 1,405,463 | 47,712 | 28,397 | 24,747 | 3.1% | \$2,647 |
| 2016 | 1,377,063 | 55,764 | 16,102 | 20,977 | 2.9% | \$2,624 |
| 2015 | 1,360,958 | 53,827 | 14,480 | 12,325 | 3.3% | \$2,583 |
| 2014 | 1,346,478 | 40,497 | 11,634 | 11,919 | 3.2% | \$2,506 |
| 2013 | 1,334,844 | 26,112 | 9,533 | 11,495 | 3.2% | \$2,442 |
| 2012 | 1,325,311 | 19,263 | 6,490 | 9,342 | 3.4% | \$2,398 |

Supply & Demand

While the pandemic initially caused New York's apartment market to swiftly reverse course in 2020, fundamentals have since rebounded impressively. Robust renter demand has typically defined the New York metro as vacancies have historically remained low despite the notable number of new units coming to market over the past decade.

Speaking to the current state of demand, renters are continuing to relocate here despite some having the option to work-from-anywhere. Renter demand over the past year has also been fueled by widespread concessions, continued hiring, and the reopening of New York City. Even in expensive submarkets located near office nodes in Manhattan and Brooklyn, vacancies are now in-line with their prepandemic rate despite the majority of office workers operating in remote or hybrid settings. The more suburban parts of the metro have fared better as these areas do not face the same issues that have initially weakened their urban counterparts. Submarkets in Westchester County and suburban New Jersey witnessing declines in vacancy since the end of 2020 as renters initially flocked to the suburbs.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Q1 | Q2 |
|----------|------|------|------|------|------|------|------|------|------|------|------|------|
| National | 6.3% | 6.2% | 6.2% | 6.1% | 6.5% | 6.7% | 6.5% | 6.5% | 6.7% | 4.8% | 5.0% | 5.0% |
| Market | 3.4% | 3.2% | 3.2% | 3.3% | 2.9% | 3.1% | 2.7% | 2.8% | 3.6% | 2.3% | 2.3% | 2.3% |
| Class A | 5.1% | 6.3% | 7.1% | 9.4% | 6.7% | 8.3% | 6.3% | 6.1% | 8.4% | 5.6% | 5.8% | 5.8% |

| | | | | | | | | | | | | |
|---------|------|------|------|------|------|------|------|------|------|------|------|------|
| Class B | 3.5% | 3.2% | 3.2% | 3.2% | 3.0% | 3.1% | 2.8% | 3.0% | 3.7% | 2.2% | 2.2% | 2.3% |
| Class C | 3.1% | 2.9% | 2.7% | 2.6% | 2.3% | 2.3% | 2.1% | 2.0% | 2.5% | 1.6% | 1.6% | 1.5% |

Absorption & Vacancy Rates



Rents

At \$2,975/unit, the rents in the Market are roughly 83% higher than the National average where rents sit at \$1,629/unit. Rents in the Market have grown 2.5% per annum over the past decade, falling short of the National average, where rents increased 4.5% per annum during that time.

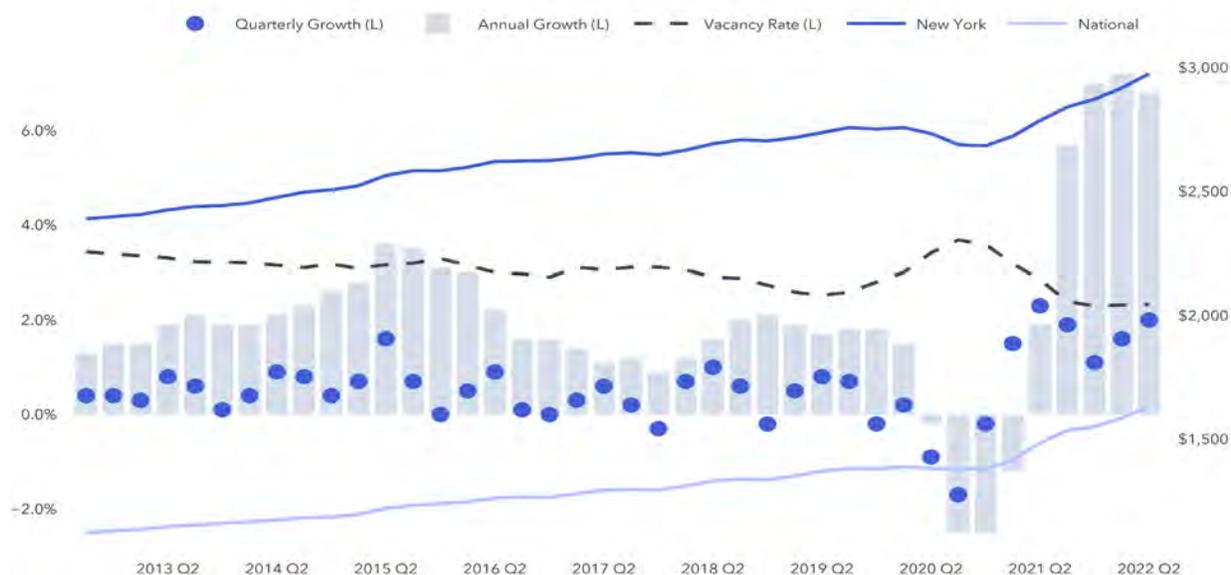
With absorption levels rebounding since the start of 2021, year-over-year rental growth now stands at 6.8%. The pandemic had initially resulted in rents declining as renter demand was negatively impacted as annual rental growth remained in negative territory from 2020 Q2 to 2021 Q1. In 2019 Q4, annual rent growth in the Market remained stable, but was below the historical average, with annual growth of 1.8%. In 2020 Q2, quarterly rent growth softened -0.9%. By the end of 2020, rents had fallen 2.5% from the 2019 Q4 rent level of \$2,752/unit. Quarterly rent growth in 2022 Q2 reached 2.0%, softening annual growth to 6.8%.

In New York City, all submarkets have since exceeded their prepandemic rent levels. Submarkets located in suburban New Jersey and Westchester County saw rents rise even during the onset of the pandemic as tenants fled the city for more space and continue to witness increases today. And while the number of buildings offering concessions, such as multiple months of free rent, increased dramatically in 2020, the practice has grown less common as building occupancies have notably improved metro-wide. Recently delivered buildings may continue to advertise concessions in an attempt to quickly stabilize occupancies, though they will likely be far less enticing.

Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$1,126 | \$1,155 | \$1,184 | \$1,236 | \$1,264 | \$1,294 | \$1,335 | \$1,380 | \$1,381 | \$1,549 | \$1,585 | \$1,629 |
| Market | \$2,398 | \$2,442 | \$2,506 | \$2,583 | \$2,624 | \$2,647 | \$2,704 | \$2,752 | \$2,684 | \$2,873 | \$2,918 | \$2,975 |
| Class A | \$3,196 | \$3,259 | \$3,361 | \$3,450 | \$3,480 | \$3,497 | \$3,582 | \$3,665 | \$3,479 | \$3,857 | \$3,951 | \$4,064 |
| Class B | \$2,554 | \$2,604 | \$2,672 | \$2,766 | \$2,812 | \$2,837 | \$2,898 | \$2,942 | \$2,884 | \$3,078 | \$3,121 | \$3,177 |
| Class C | \$1,714 | \$1,742 | \$1,774 | \$1,830 | \$1,874 | \$1,900 | \$1,932 | \$1,962 | \$1,964 | \$2,021 | \$2,037 | \$2,058 |

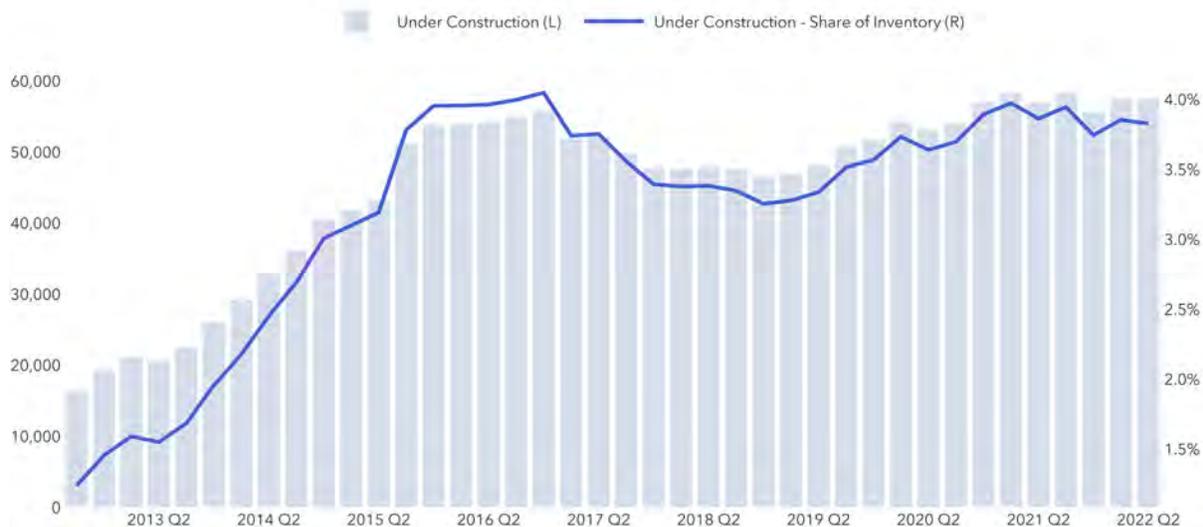
Market Effective Rent/Unit - Annual & Quarterly Growth



Construction & Future Supply

Currently, about 57,400 units are under construction. Development is widespread but a significant number of units are located in Brooklyn, Long Island City, and Jersey City; areas where a supply wave has been ongoing for more than five years due a mixture of robust demand and available land. Throughout the past cycle, developers have remained active in the New York metro; attracted by the market's healthy fundamentals and robust renter demand. Despite the issues initially brought on by the pandemic, developers have remained busy as more than 55,000 units have broken ground since the start of 2020. And as demand has started to spread to the more suburban nodes of the metro, development activity has followed. Apartment construction has increased in Greater Hudson County, where transit-oriented development has been clustered around the PATH station in Harrison and more than 3,000 units are underway in the Yonkers/New Rochelle area in Westchester County. Recently delivered buildings may continue to advertise concessions in an attempt to quickly stabilize occupancies, though they will likely be far less enticing.

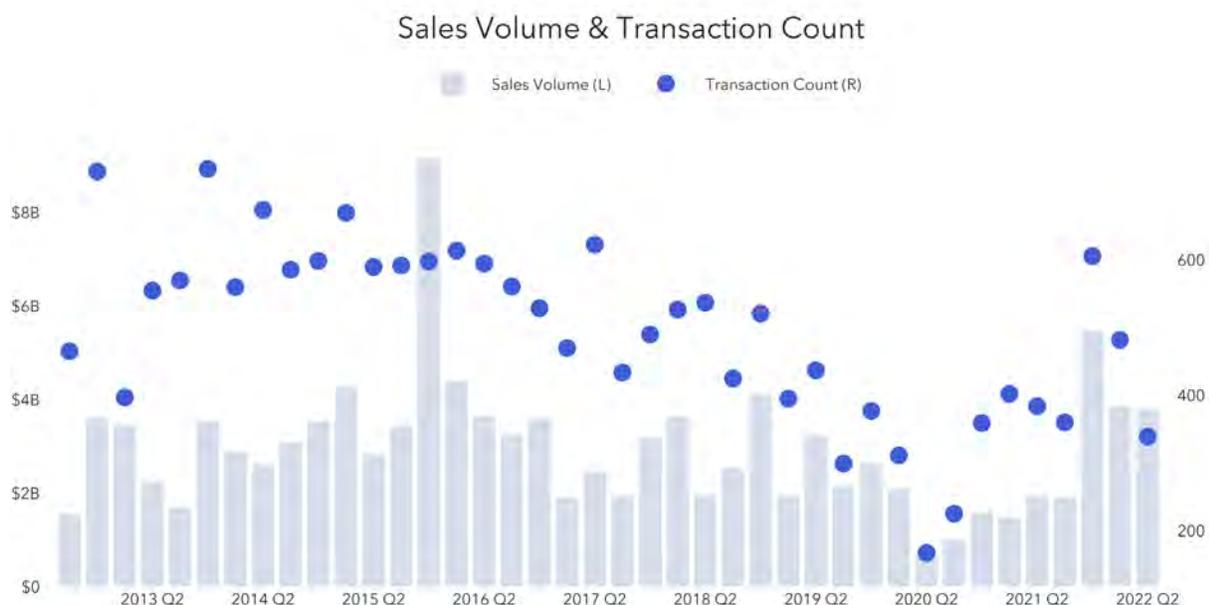
Under Construction Units - Share of Inventory



Capital Markets

With renter demand blunted in 2020, annual investment volume sharply declined as only \$5 billion traded hands, the lowest total since 2010. Limited investment activity had continued for much of 2021, but perhaps New York's swift recovery lured investors back as more than \$5 billion traded hands in 2021 Q4 and more than \$7 billion transacted in the first half of 2022. Driving sales volume over the past 12 months was the sale of Denizen Bushwick for \$506 million. The 911-unit building was sold as the former owners, All Year, were facing financial difficulties and the new owners, Atlas Capital Group, are assuming certain debt obligations which helps explain the below-market price per unit. A sizable recent trade was the \$837 million purchase of the American Copper Buildings by Black Spruce Management. The pricing (\$1,110/unit) reflects the assets Midtown Manhattan location, high occupancy levels, and its newer year build (2017).

Some notable deals have recently taken place in suburban communities located outside of New York City such as the 2021 Q1 purchase in New Jersey of the Brownstones at Englewood by Rockwood Capital for \$140 million. The reported cap rate of 4% is likely due to the building's relatively high occupancy of 94%. Additionally, the pricing per unit was high compared to buildings within the submarket that have traded hands over the past two years. In 2021 Q3, AvalonBay sold the 110-unit Village at Bronxville to Goldman Sachs for \$89 million. Considering all the difficulties initially facing dense neighborhoods in New York City, suburban submarkets served as a haven for investment capital.

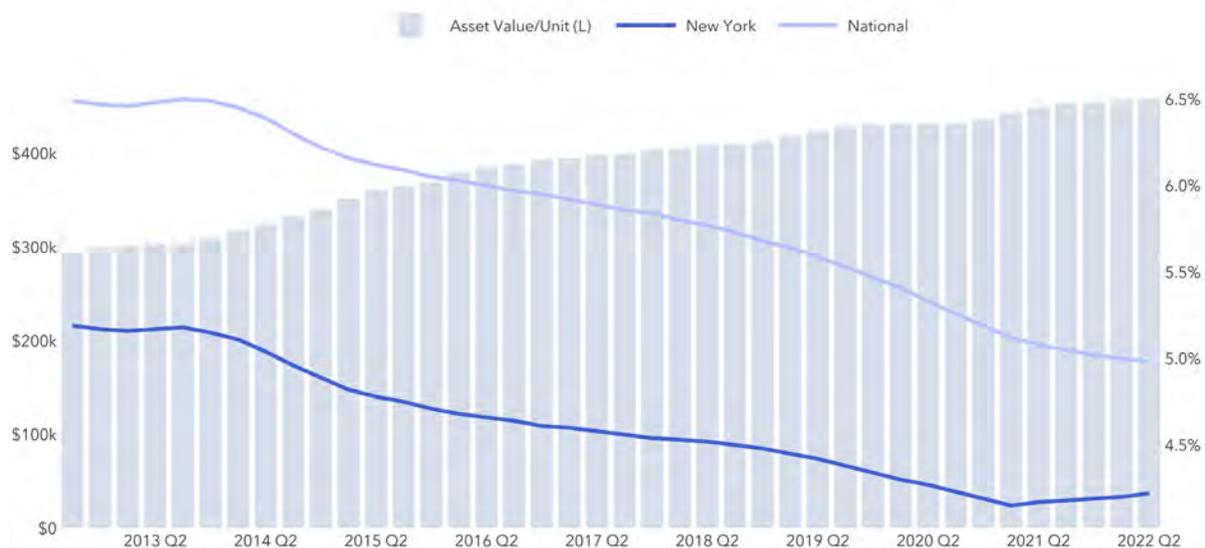


Market pricing, based on the estimated price movement of all properties in the Market, sat at \$458,007/unit and has increased 2% over the past year. Capitalization rates have increased 5 bps over the past year to 4.2%. The capital markets remain active throughout the country including New York. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | Number Of Units | Building Class | Style | Year Built | Last Sale Date | Price/Unit |
|-------------------------------|-----------------|----------------|----------|------------|----------------|------------|
| 255 W 94th St, New York | 285 | A | Hi-Rise | 2000 | Q2 2022 | \$933,333 |
| 1 Richmond St, New Brunswick | 415 | A | Mid-Rise | 2004 | Q1 2022 | \$417,952 |
| 225 Schermerhorn St, Brooklyn | 271 | B | Hi-Rise | 2011 | Q2 2022 | \$525,277 |
| 30 Waterside Plz, New York | 1,469 | B | Hi-Rise | 1973 | Q3 2021 | \$69,956 |
| 100 Sterling Blvd, Englewood | 252 | A | Mid-Rise | 2008 | Q4 2021 | \$390,873 |

Asset Value & Market Cap Rates



Outlook

The U.S. multifamily sector has experienced an uptick in vacancy rates over the first half of the year despite seasonal demand trends. In spite of this uptick in vacancy rates, rent growth remains inflated in many markets across the Nation. While markets and submarkets with elevated pipelines will face challenges, the overall strength of the sector will lead to continued growth over the second half of 2022. Multifamily fundamentals in the New York Market indicate growing demand despite an increase in inventory. With demand outpacing new inventory, vacancy rates have compressed over the past year. With vacancy rates compressing, quarterly rent growth in 2022 Q2 reached 2.0%, contracting annual growth to 6.8%. Looking ahead, vacancies are projected to remain stable throughout the forecast as demand is expected to keep pace with supply despite about 57,400 units currently under construction.

Appendix

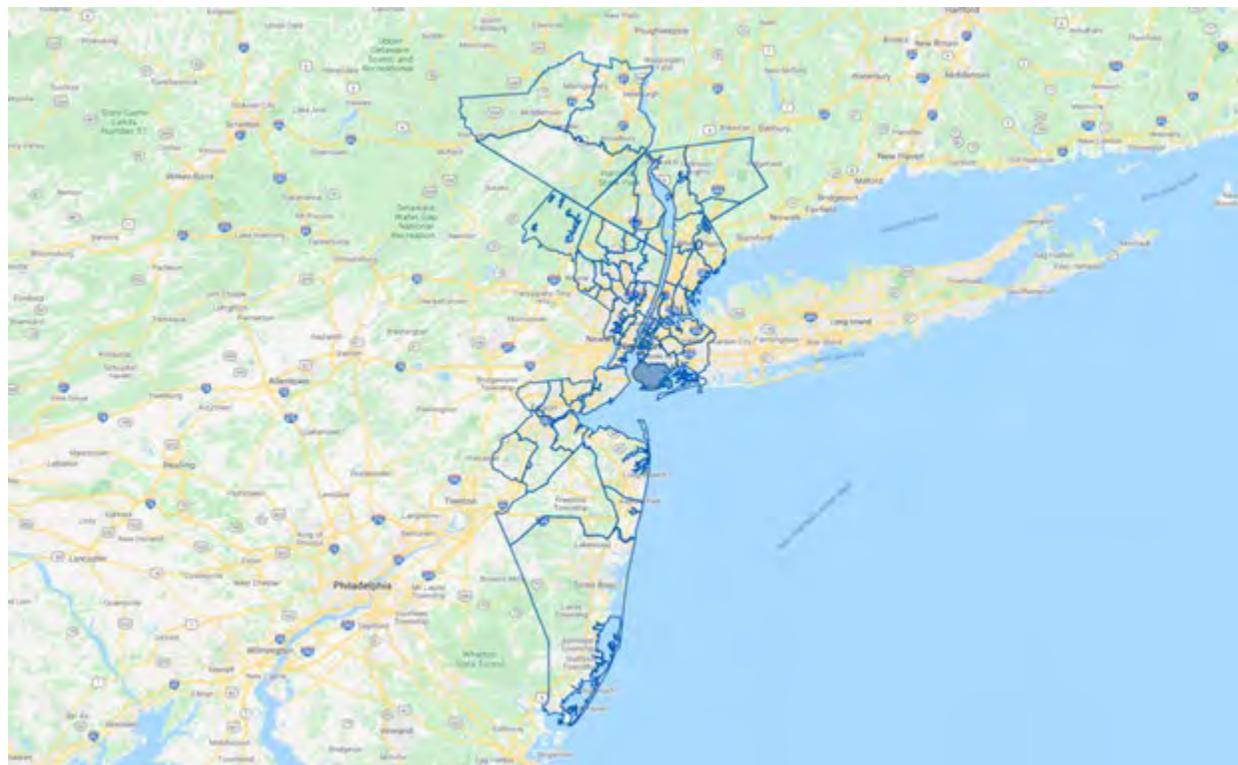
New York Multifamily Market Overview

| Submarket | Inventory Units | Vacancy Rate | Under Construction Units | Market Effective Rent/Unit |
|--------------------------------|--------------------|--------------|-----------------------------|-------------------------------|
| West Bronx | 92,672 | 0.5% | 1,663 | \$1,471 |
| South Bronx | 62,031 | 0.5% | 3,374 | \$1,713 |
| Prospect Park | 60,353 | 2.4% | 2,043 | \$2,661 |
| Flatbush | 60,189 | 1.3% | 836 | \$1,994 |
| Upper West Side | 58,020 | 2.1% | 500 | \$4,817 |
| Upper East Side | 57,906 | 2.0% | 89 | \$4,240 |
| Upper Manhattan | 54,651 | 1.1% | 0 | \$2,093 |
| Bushwick | 48,902 | 2.8% | 1,942 | \$2,561 |
| Central Queens | 48,411 | 0.7% | 1,515 | \$2,012 |
| Harlem | 43,722 | 2.5% | 612 | \$2,304 |
| Southwest Brooklyn | 38,847 | 1.4% | 534 | \$1,700 |
| Northwestern Queens | 38,648 | 1.8% | 537 | \$2,140 |
| Williamsburg | 34,866 | 2.3% | 6,035 | \$4,054 |
| East Village | 33,952 | 1.4% | 20 | \$4,118 |
| North Middlesex County | 33,215 | 2.9% | 1,394 | \$2,013 |
| Midtown West | 33,020 | 2.6% | 494 | \$4,315 |
| Greater Hudson County | 31,272 | 8.6% | 3,183 | \$2,303 |
| Lower West Side | 31,071 | 1.7% | 57 | \$4,663 |
| Yonkers/Mt Vernon/New Rochelle | 29,914 | 4.8% | 4,096 | \$2,183 |
| South Shore Brooklyn | 29,914 | 1.8% | 516 | \$1,843 |
| Southeast Bronx | 26,725 | 0.4% | 33 | \$1,545 |
| Northeast Queens | 26,605 | 1.1% | 673 | \$1,901 |

| | | | | |
|----------------------------|--------|------|-------|---------|
| Southeast Queens | 26,095 | 2.2% | 2,524 | \$1,884 |
| Downtown Brooklyn | 25,332 | 5.2% | 2,979 | \$4,026 |
| Chelsea | 24,809 | 2.2% | 2,608 | \$4,624 |
| Jersey City Waterfront | 24,570 | 5.9% | 0 | \$3,838 |
| Long Island City | 23,344 | 9.7% | 1,910 | \$3,576 |
| East Monmouth County | 22,945 | 1.3% | 410 | \$1,904 |
| Greater Bergen County | 22,770 | 1.4% | 1,213 | \$2,015 |
| North Hudson County | 20,432 | 3.4% | 616 | \$2,910 |
| Murray Hill/Kips Bay | 19,644 | 2.4% | 0 | \$4,424 |
| East Harlem | 19,541 | 5.0% | 440 | \$2,795 |
| Passaic County | 19,192 | 2.0% | 780 | \$1,746 |
| Jersey City/Journal Square | 18,925 | 3.5% | 4,466 | \$2,545 |
| East Bronx | 17,896 | 0.3% | 454 | \$1,520 |
| Midtown South | 17,595 | 5.1% | 209 | \$4,686 |
| Turnpike West | 16,324 | 2.6% | 500 | \$2,067 |
| Financial District | 16,043 | 3.2% | 41 | \$4,924 |
| Lower East Side | 15,305 | 3.6% | 516 | \$3,993 |
| Midtown East | 14,806 | 1.9% | 260 | \$4,455 |
| Hackensack/Teaneck | 13,552 | 2.1% | 1,340 | \$2,001 |
| Bergen County Waterfront | 13,344 | 2.8% | 565 | \$2,881 |
| Turnpike East | 13,187 | 4.0% | 140 | \$1,868 |
| East New York | 11,099 | 0.6% | 778 | \$1,400 |
| North Ocean County | 10,748 | 0.7% | 471 | \$1,694 |
| Northwest Bronx | 10,083 | 0.7% | 268 | \$2,467 |
| Hoboken | 9,939 | 2.6% | 0 | \$3,896 |
| Staten Island | 9,536 | 1.4% | 489 | \$1,758 |
| Westchester County South | 9,237 | 3.4% | 49 | \$2,860 |
| Westchester County North | 8,484 | 6.2% | 890 | \$2,631 |
| Rockland County | 8,429 | 1.3% | 74 | \$2,183 |
| South Shore Queens | 8,113 | 0.7% | 10 | \$1,636 |
| Little Italy/Chinatown | 7,877 | 1.9% | 12 | \$3,708 |
| White Plains | 5,040 | 3.6% | 1,862 | \$2,811 |
| Middletown/Goshen | 4,021 | 0.5% | 274 | \$1,867 |
| Outlying Orange County | 3,965 | 1.8% | 68 | \$1,540 |
| Morningside Heights | 3,713 | 5.2% | 0 | \$3,834 |
| Roosevelt Island | 3,115 | 1.5% | 0 | \$4,069 |
| West Monmouth County | 2,187 | 0.9% | 0 | \$2,282 |
| Newburgh | 1,504 | 1.1% | 0 | \$1,797 |
| South Ocean County | 974 | 1.9% | 40 | \$1,895 |

New York: Retail Market Analysis

The information contained in this report was provided using 2022 Q2 CoStar data for the New York Retail Market ("Market").



Overview

The subject property is in the New York Market defined in the map above. This Market accounts for 5.3% of the Nation's total inventory with 620.7 million square feet of retail space. The inventory is roughly 74% General Retail, 6% Mall, 13% Neighborhood, 4% Power, and 3% Strip. New York's retail market is in recovery after facing significant hardships over the past 18 months. A slew of local restaurants and retailers announced closures while national retailers are also facing difficulties. Neiman Marcus, J. Crew, JCPenney, and Century 21 are just some of the major names that have declared bankruptcy. This has initially put a significant amount of space back on the market, but vacancies have improved in recent quarters with tenants such as Target, Wegman's, and Home Depot taking new space across the market. On a smaller scale, fitness studios, designer fashion, urgent care centers, grocery delivery platforms, and fast-food chains have leased space here in recent quarters.

New York retail properties have shown strength over the past year. In fact, vacancy rates decreased to 4.0% while rents have increased 1.2%. With improving fundamentals for retail properties in the Market, values have increased over the past year to \$425/SF. Capitalization rates have increased 4 bps to a rate of 6.0%, moving further below the long-term average.

Sector Fundamentals

| | New York | YoY | QoQ | National | YoY | QoQ |
|-------------------|-----------------|------------|------------|-----------------|------------|------------|
| Market Rent/SF | \$45.07 | 1.2% | 0.2% | \$23.26 | 4.4% | 1.2% |
| Vacancy Rate | 3.96% | -33 bps | 8 bps | 4.39% | -67 bps | -12 bps |
| Availability Rate | 5.3% | -74 bps | -5 bps | 5.2% | -99 bps | -17 bps |
| Net Absorption SF | -292,495 | -144.2% | -145.2% | 19,171,208 | 19.0% | -10.9% |
| Asset Value/SF | \$425 | 2.3% | 0.3% | \$238 | 5.7% | 1.4% |

| | | | | | | |
|-------------------|-----------------|-------|-------|------------------|--------|--------|
| Market Cap Rate | 5.98% | 4 bps | 1 bps | 6.81% | -6 bps | -1 bps |
| Transaction Count | 536 | -26% | -37% | 12,318 | -15% | -9% |
| Sales Volume | \$1,263,896,576 | -15% | -33% | \$25,351,503,872 | 29% | 7% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for retail space in the Market are presented in the following table.

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 |
|---------|--------------|-----------------------|------------------------|-------------------------|--------------|-------------------|----------------|
| 2022 Q2 | 620,694,777 | 2,954,043 | 844,447 | 2,859,162 | 4.0% | 5.3% | \$45.07 |
| 2022 Q1 | 620,511,855 | 2,902,843 | 821,266 | 3,813,934 | 3.9% | 5.4% | \$44.99 |
| 2021 | 620,300,324 | 3,096,524 | 979,555 | 2,791,676 | 4.0% | 5.6% | \$44.82 |
| 2020 | 619,316,809 | 3,379,034 | 2,541,104 | -1,643,105 | 4.2% | 6.3% | \$44.01 |
| 2019 | 616,759,217 | 4,518,997 | 3,413,920 | 2,364,499 | 3.6% | 5.4% | \$44.64 |
| 2018 | 613,242,029 | 7,808,962 | 1,947,118 | 3,574,270 | 3.4% | 5.2% | \$43.94 |
| 2017 | 611,211,790 | 6,725,833 | 2,125,841 | 1,654,330 | 3.7% | 5.5% | \$43.36 |
| 2016 | 609,076,511 | 6,585,383 | 2,609,652 | 5,074,273 | 3.6% | 5.5% | \$42.42 |
| 2015 | 606,462,643 | 5,970,055 | 1,997,422 | 3,903,881 | 4.0% | 6.1% | \$41.61 |
| 2014 | 604,465,221 | 4,680,631 | 2,032,160 | 5,013,778 | 4.4% | 6.5% | \$40.33 |
| 2013 | 602,433,061 | 5,370,082 | 1,327,392 | 3,902,186 | 4.9% | 6.9% | \$38.87 |
| 2012 | 601,105,669 | 3,401,844 | 1,482,092 | -102,749 | 5.3% | 7.2% | \$37.19 |

Supply & Demand

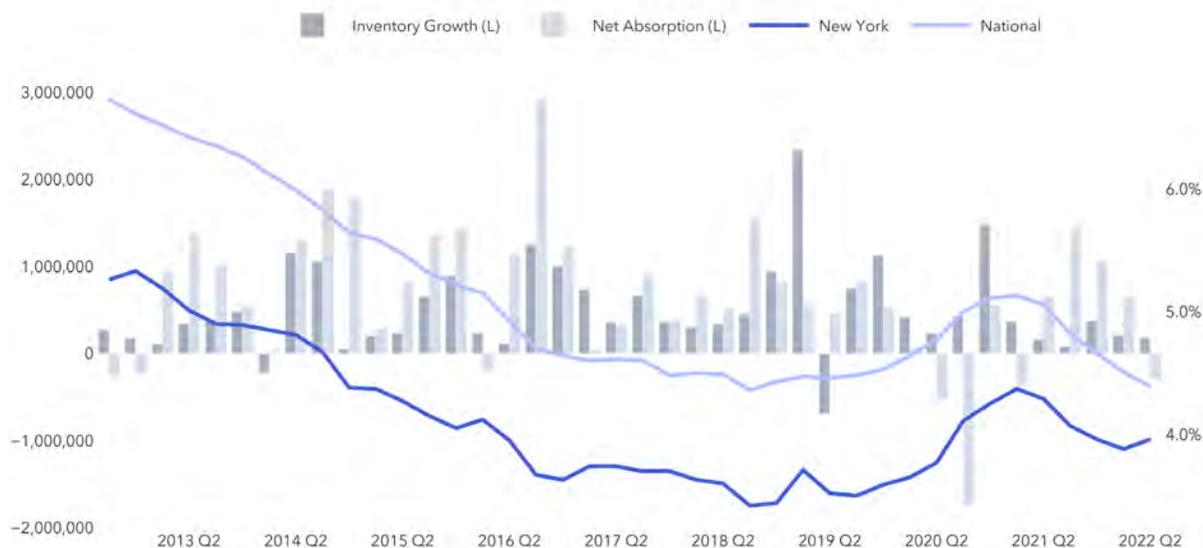
Though Manhattan is still facing challenges in regard to the lack of in-person office work and declining tourism, a number of retailers have also signed notable leases since the outbreak of the pandemic. In August, Bed Bath & Beyond renewed its 82,000-SF lease at 620 Avenue of the Americas in Chelsea, even as the home goods retailer closes other locations around the country, on a 10-year term. Canadian fashion label Aritzia leased 28,600 SF at 100 Crosby St. in SoHo on a 20-year term. On a smaller scale, fitness studios, designer fashion, urgent care centers, grocery delivery platforms, and fast-food chains have leased space here in recent quarters.

While storefronts slowly get filled, large format malls continue to face difficulties. Declining foot traffic in properties like Hudson Yards and the American Dream Mall has led to stores, such as Neiman Marcus, closing their doors and sluggish lease-up which has greatly affected their valuations with the American Dream Mall posting a \$60 million loss in 2021. Despite growing inventory levels, with demand picking up, vacancy rates have compressed 33 bps over the past year from 4.3% to 4.0%, moving below the 10-year average of 4.1% and below the National average by 43 bps. In the 2nd quarter, retail tenants in the Market vacated 292.5k square feet, a decrease from the 647.7k square feet of net absorption in 2022 Q1. With 292.5k square feet vacated in the 2nd quarter, vacancy rates have increased 8 bps since Q1.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Q1 | Q2 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|
| National | 6.6% | 6.3% | 5.6% | 5.2% | 4.6% | 4.5% | 4.4% | 4.5% | 5.1% | 4.7% | 4.5% | 4.4% |
| Market | 5.3% | 4.9% | 4.4% | 4.0% | 3.6% | 3.7% | 3.4% | 3.6% | 4.2% | 4.0% | 3.9% | 4.0% |
| General Retail | 5.1% | 4.7% | 4.1% | 3.7% | 3.1% | 3.3% | 3.0% | 3.1% | 3.8% | 3.5% | 3.4% | 3.5% |
| Mall | 2.4% | 2.0% | 1.7% | 1.6% | 1.8% | 1.1% | 1.6% | 2.4% | 2.7% | 3.6% | 3.6% | 3.6% |
| Neighborhood | 7.6% | 6.8% | 6.8% | 7.0% | 6.8% | 6.8% | 6.2% | 6.4% | 7.3% | 6.7% | 6.4% | 6.5% |
| Power | 5.2% | 4.0% | 3.2% | 3.1% | 4.0% | 4.0% | 3.9% | 4.0% | 4.4% | 3.4% | 3.5% | 3.9% |
| Strip | 9.0% | 8.3% | 7.5% | 7.1% | 7.1% | 6.5% | 5.5% | 5.2% | 6.3% | 5.8% | 5.7% | 5.8% |

Absorption & Vacancy Rates



Rents

At \$45.07/SF, the rents in the Market are roughly 94% higher than the National average where rents sit at \$23.26/SF. Rents in the Market have grown 2.3% per annum over the past decade, falling short of the National average, where rents increased 2.8% per annum during that time. In 2019 Q4, annual rent growth in the Market accelerated above the previous quarter, but remained below the historical average, with annual growth of 1.6%. In 2020 Q2, quarterly rent growth softened -0.1%. By the end of 2020, rents had fallen 1.4% from the 2019 Q4 rent level of \$44.64/SF. Quarterly rent growth in 2022 Q2 reached 0.2%, softening annual growth to 1.2%.

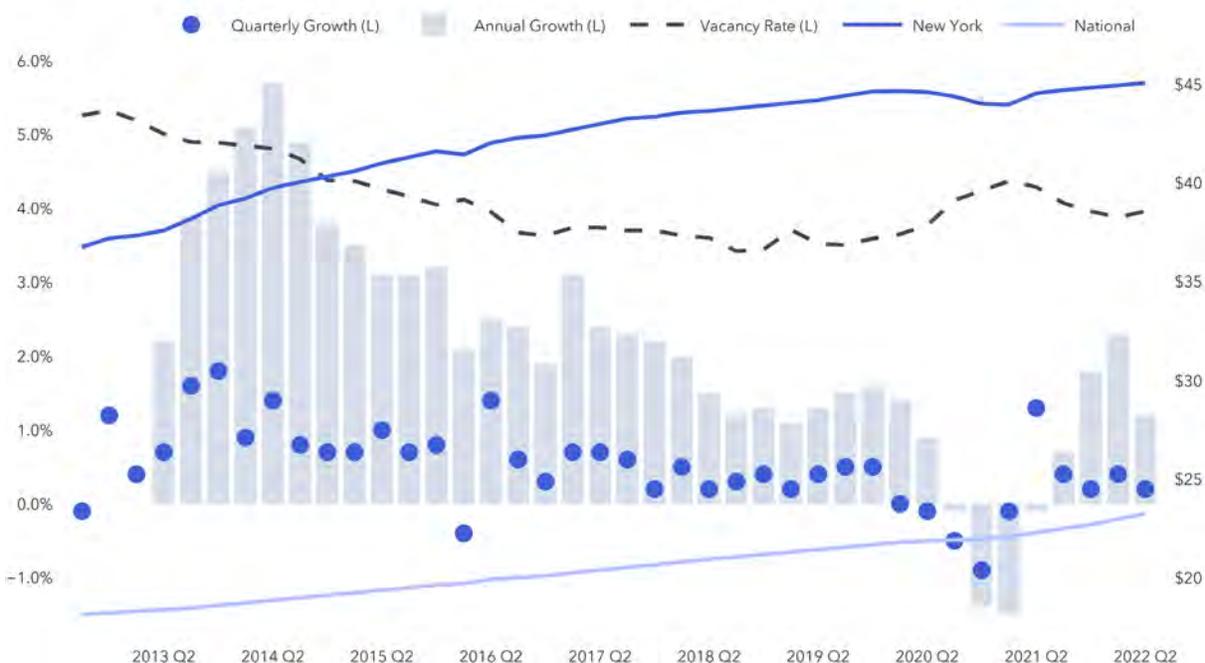
Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Q1 | Q2 |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$18.21 | \$18.60 | \$19.09 | \$19.64 | \$20.10 | \$20.68 | \$21.18 | \$21.70 | \$21.97 | \$22.70 | \$22.98 | \$23.26 |
| Market | \$37.19 | \$38.87 | \$40.33 | \$41.61 | \$42.42 | \$43.36 | \$43.94 | \$44.64 | \$44.01 | \$44.82 | \$44.99 | \$45.07 |
| General Retail | \$39.33 | \$41.12 | \$42.68 | \$44.05 | \$44.94 | \$45.95 | \$46.54 | \$47.18 | \$46.48 | \$47.40 | \$47.60 | \$47.71 |
| Mall | \$39.47 | \$41.61 | \$43.33 | \$44.86 | \$45.79 | \$46.79 | \$47.61 | \$48.96 | \$48.35 | \$48.81 | \$48.88 | \$48.71 |
| Neighborhood | \$29.59 | \$30.73 | \$31.76 | \$32.68 | \$33.15 | \$33.83 | \$34.27 | \$34.97 | \$34.61 | \$35.21 | \$35.29 | \$35.32 |
| Power | \$28.74 | \$30.11 | \$31.24 | \$32.22 | \$32.86 | \$33.56 | \$34.14 | \$35.00 | \$34.47 | \$34.87 | \$34.94 | \$34.83 |
| Strip | \$24.38 | \$25.12 | \$25.89 | \$26.51 | \$26.84 | \$27.34 | \$27.67 | \$28.10 | \$27.85 | \$28.55 | \$28.67 | \$28.84 |

The Times Square submarket has the highest average rent in New York, at more than \$280/SF. Rents here are driven up by ultra-high prices in the Bowtie area, the intersection of Broadway and Seventh Avenue, where asking rents can often reach over \$1,000/SF. Taco Bell Cantina leased 3,250 SF at 1501 Broadway in January 2020, with a reported effective rent of nearly \$800/SF. Though this eye-popping figure is one of the most expensive deals recorded of late, it is a significant discount from the asking rent on the space, which was \$1,500/SF.

Fifth Avenue in the Plaza District and Madison Avenue in the Upper East Side are other prominent shopping corridors that have seen rents of \$1,000/SF or more in recent years. These areas rely heavily on tourism, which has declined significantly since early 2020, and rents here were impacted as a result. Highlighting the decrease in rents in luxury retail locations, Harry Winston's renewal at 712 Fifth Ave. closed with a reported starting rent of \$437/SF while rents in a number of deals closed in the past with taking rents at \$1,000/SF or more.

Market Rent/SF - Annual & Quarterly Growth



Construction & Future Supply

Developers have been active for much of the past ten years. In fact, they have added 30.6 million square feet to the Market over that time, expanding inventory by 3.3%. Developers are currently active in the Market with 3 million square feet, or the equivalent of 0.5% of existing inventory, underway. The mixed-use complex at Hudson Yards is the pinnacle of such development in Manhattan. The Related Companies' 1-million-SF The Shops & Hudson Yards, which delivered in 19Q1, represents the retail component of the \$25 billion live/work/play development. The mall has not been immune to the effects of the COVID-19 outbreak. Neiman Marcus, the anchor tenant, declared bankruptcy in June, and in July announced the permanent closure of the one-year-old Hudson Yards location. Neiman Marcus' space is reportedly being marketed as office space.

Aside from the mixed-use mega-projects in Manhattan, retail projects of notable size tend to break ground outside of the borough, where larger and more affordable land lots are available. The Meadowlands Submarket in the Northern New Jersey section of the metro hosts the largest recent retail delivery, the American Dream at Meadowlands Mall. The project epitomized the shift to experiential retail and includes an indoor ski slope, a Nickelodeon Universe theme park, Dreamworks WaterPark, and an ice rink. The mall recently declared losses of \$60 million in 2021.

South Brooklyn and Northeast Queens have the largest supply pipeline. In South Brooklyn, the 303,000-SF retail component of 1504 Coney Island Ave. in Midwood is due to deliver by the end of 2023. The project has no confirmed tenants yet and is being marketed by ICP Realty. In Northeast Queens, most of the under-construction space is in Flushing's Tangram Tower. The Tangram Tower is a condo development at 3709 College Point Blvd., with 275,000 SF of retail at the base. Regal Cinemas has committed to 34,000 SF, and Orangetheory Fitness will be taking 3,200 SF. The project delivered in 22Q1.

Under Construction SF - Share of Inventory

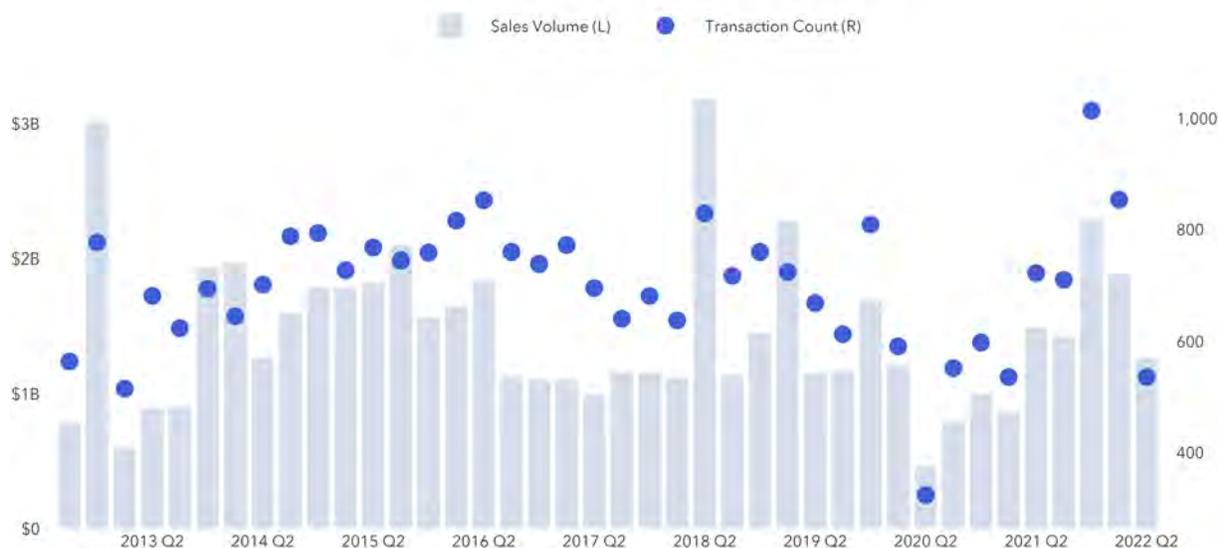


Capital Markets

Buyers have shown steady interest and have been busily acquiring assets over the years. Going back three years, investors have closed, on average, 2,622 transactions per year with an annual average sales volume of \$5.3 billion. Over the past year, there were 3,115 closed transactions across 21.7 million square feet, representing \$6.9 billion in dollar volume. In 2022 Q2, there were 536 sales for a total sales volume of \$1.3 billion. In May 2021, Uniqlo repurchased its flagship at 546 Broadway in SoHo for \$160 million, where it had leased nearly 80,000 SF since 2006. The 96,000-SF property was sold by Salva Realty Group.

Another large trade over the past 12 months was the acquisition of 712 Madison Ave. by Graff Diamonds for \$43 million. Graff Diamonds was lessor in a 25-year ground lease, which commenced in 2019, and exercised its option to purchase the 6,800-SF building. The seller was SL Green. Where investor interest is likely to remain strong is for assets with stable, long-term tenant rosters, particularly triple net leases. In July, Rosenthal & Rosenthal, Inc. purchased a 13,500-SF CVS Pharmacy at 61-15 Metropolitan Ave. in Ridgewood for \$17 million. CVS Pharmacy occupies the space on a triple net term, and the lease expires in 2037. The sale closed at a reported 5.1% cap rate, and the seller was GZ Acquisitions NY LLC.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$425/SF and has increased 2% over the past year. Capitalization rates have increased 4 bps over the past year to 6.0%. The capital markets remain active throughout the country including New York. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | RBA | Building Class | Year Built | Last Sale | |
|----------------------------------|--------|----------------|------------|-----------|-----------------|
| | | | | Date | Last Sale Price |
| 991 Third Ave, New York | 4,960 | B | 1984 | Q4 2021 | \$19,750,000 |
| 818 Madison Ave, New York | 7,674 | B | 1910 | Q4 2021 | \$17,000,000 |
| 34 E 61st St, New York | 9,765 | C | 1910 | Q2 2022 | \$16,500,000 |
| 810 Main St, New Rochelle | 9,583 | B | 2009 | Q4 2021 | \$15,368,591 |
| 2241-2249 Westchester Ave, Bronx | 28,500 | C | 1990 | Q1 2022 | \$12,850,000 |

Asset Value & Market Cap Rates



Outlook

The retail sector has recovered relatively well from the pandemic. Retail sales and foot traffic have remained elevated despite high inflation. However, persistent inflation will likely shift consumer preferences, ultimately causing retailers to slow their leasing pace. Still, property performance continues to vary significantly by subtype, location, class, and tenant composition. Necessity based retailers and those in strong population growth markets are best positioned.

Appendix

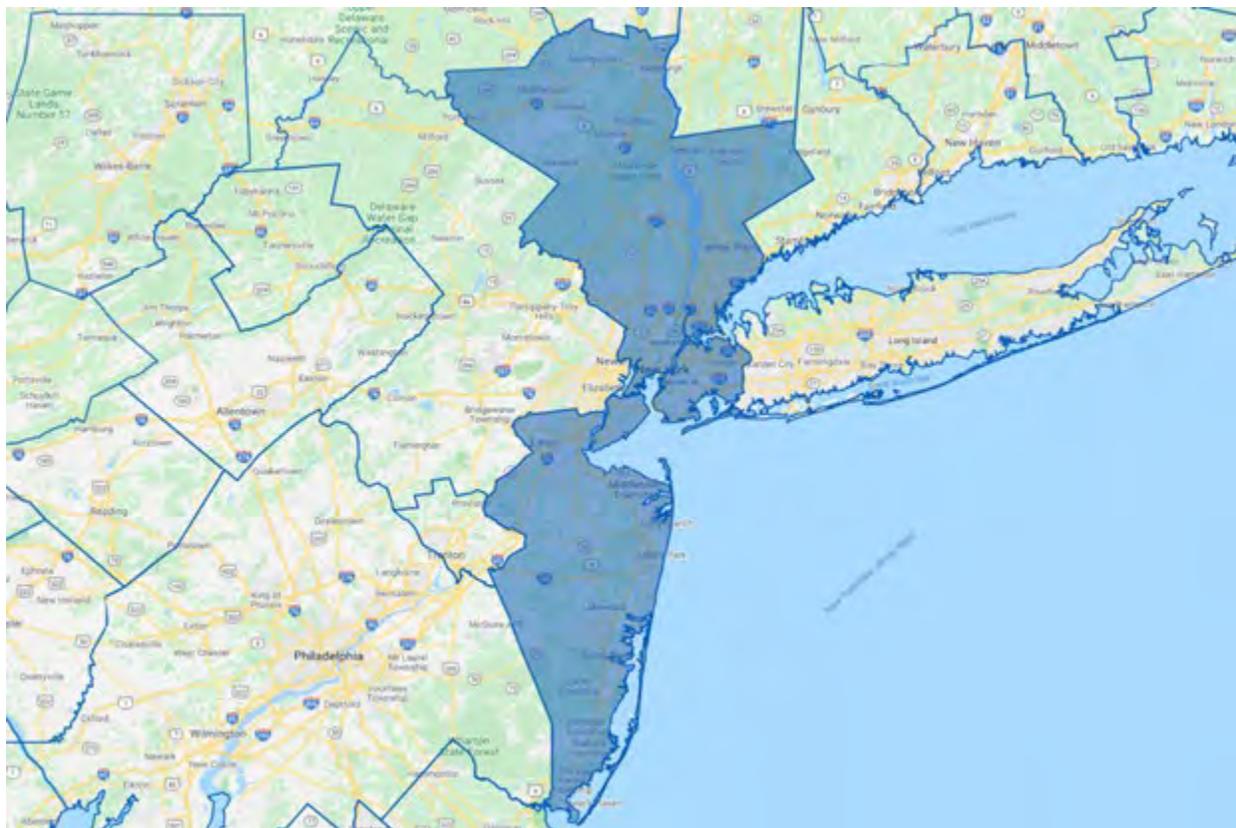
New York Retail Market Overview

| Submarket | Inventory SF | Vacancy Rate | Availability Rate | Under Construction SF | Market Rent/SF |
|-------------------------|--------------|--------------|-------------------|-----------------------|----------------|
| North Brooklyn | 50,034,883 | 2.9% | 3.4% | 266,859 | \$50.80 |
| South Brooklyn | 46,315,458 | 3.6% | 4.9% | 500,046 | \$44.98 |
| Bronx | 36,416,145 | 3.6% | 5.9% | 15,000 | \$47.03 |
| Hudson Waterfront | 32,526,124 | 1.9% | 2.2% | 39,243 | \$30.88 |
| Ocean County | 26,988,596 | 3.9% | 4.9% | 304,133 | \$20.63 |
| Northeast Queens | 24,904,853 | 4.1% | 5.6% | 128,207 | \$51.99 |
| Eastern Monmouth | 23,601,116 | 4.9% | 5.5% | 18,500 | \$25.64 |
| South Queens | 21,534,716 | 4.2% | 5.3% | 13,985 | \$40.39 |
| Staten Island | 19,393,129 | 5.4% | 6.7% | 110,551 | \$34.32 |
| Central Queens | 16,799,623 | 3.1% | 4.7% | 170,000 | \$46.68 |
| Northwest Queens | 15,034,227 | 3.5% | 4.5% | 65,000 | \$50.74 |
| Southeast | 13,880,930 | 4.0% | 5.0% | 0 | \$35.46 |
| Western Monmouth | 13,792,741 | 5.4% | 7.4% | 19,822 | \$23.80 |
| South Edison | 13,288,945 | 4.1% | 4.6% | 26,048 | \$22.85 |
| Brunswick | 13,008,744 | 6.9% | 8.5% | 43,000 | \$23.02 |
| Route 4/17 | 12,231,098 | 4.3% | 6.1% | 41,254 | \$38.96 |
| Southwest | 11,607,060 | 3.0% | 3.9% | 265,000 | \$38.62 |
| Meadowlands | 11,230,353 | 2.8% | 3.9% | 53,613 | \$23.37 |
| Harlem/North Manhattan | 9,854,610 | 4.6% | 8.1% | 90,000 | \$71.10 |
| Clarkstown | 9,786,499 | 2.9% | 3.4% | 30,000 | \$37.41 |
| Newburgh | 9,695,304 | 3.5% | 5.1% | 12,960 | \$18.91 |
| Passaic Rt 46/23 | 8,811,001 | 6.2% | 8.2% | 0 | \$26.24 |
| Middletown | 8,616,684 | 2.9% | 5.2% | 101,500 | \$18.72 |
| Route 3/GSP | 8,352,949 | 2.4% | 5.5% | 0 | \$22.91 |
| Southern Monmouth | 8,233,170 | 3.1% | 4.8% | 37,000 | \$21.41 |
| GW Bridge | 8,206,518 | 2.9% | 3.8% | 12,000 | \$34.68 |
| North Edison/Woodbridge | 7,789,908 | 6.7% | 11.8% | 0 | \$27.60 |
| Passaic Urban Region | 6,887,768 | 1.3% | 2.1% | 0 | \$23.84 |
| East I-287 Corridor | 6,404,202 | 3.6% | 4.5% | 0 | \$37.39 |
| Downtown Brooklyn | 6,396,802 | 6.4% | 9.3% | 21,502 | \$91.25 |
| Penn Plaza/Garment | 6,183,916 | 8.7% | 6.0% | 0 | \$105.35 |
| Northwest | 6,117,519 | 4.0% | 6.3% | 34,345 | \$26.44 |
| Chelsea | 6,041,249 | 4.6% | 7.4% | 62,069 | \$124.08 |
| Route 46 Corridor | 5,862,876 | 4.1% | 5.0% | 0 | \$24.35 |
| Soho | 5,786,829 | 4.6% | 5.7% | 0 | \$123.97 |
| Plaza District | 5,699,378 | 5.1% | 6.0% | 0 | \$129.05 |
| North | 5,482,679 | 5.3% | 9.3% | 0 | \$33.43 |
| White Plains CBD | 5,470,539 | 2.6% | 2.8% | 8,145 | \$45.85 |
| West I-287 Corridor | 4,887,182 | 5.1% | 7.0% | 0 | \$35.08 |
| Ramapo | 4,788,076 | 2.7% | 2.9% | 24,000 | \$24.86 |
| Route 287 East | 4,515,246 | 5.0% | 5.1% | 0 | \$25.20 |
| Monroe | 4,224,273 | 3.4% | 4.1% | 38,772 | \$23.35 |
| North Central Bergen | 3,974,373 | 6.9% | 8.3% | 26,600 | \$28.17 |
| Palisades | 3,962,353 | 3.3% | 4.8% | 8,526 | \$25.47 |
| Upper East Side | 3,935,738 | 3.8% | 5.9% | 0 | \$144.79 |
| Times Square | 3,748,949 | 4.8% | 8.2% | 75,000 | \$291.25 |
| Hackensack | 3,708,726 | 3.2% | 7.0% | 14,308 | \$25.43 |
| Upper West Side | 3,479,417 | 3.4% | 4.6% | 0 | \$156.13 |
| North 17 Corridor | 3,261,365 | 4.4% | 4.8% | 38,530 | \$29.06 |
| Brunswick West | 2,601,181 | 7.1% | 9.2% | 0 | \$20.96 |
| Columbus Circle | 2,523,243 | 2.7% | 11.2% | 0 | \$163.52 |

| | | | | | |
|------------------------|-----------|-------|-------|---------|----------|
| Gramercy Park | 2,364,662 | 3.2% | 6.2% | 0 | \$113.85 |
| Upper Suburban Passaic | 2,128,013 | 4.5% | 6.5% | 0 | \$18.50 |
| Orangetown | 2,125,333 | 6.1% | 7.4% | 0 | \$23.41 |
| Greenwich Village | 2,093,780 | 3.8% | 5.2% | 0 | \$131.58 |
| Route 208 Corridor | 2,068,548 | 4.4% | 5.0% | 23,400 | \$23.88 |
| City Hall | 1,695,672 | 6.9% | 7.4% | 4,100 | \$88.68 |
| Hudson Square | 1,641,639 | 5.1% | 6.5% | 0 | \$167.93 |
| Western Bergen | 1,360,739 | 1.6% | 2.7% | 0 | \$29.16 |
| Teaneck/Ridgefield | 1,243,294 | 1.8% | 2.7% | 0 | \$24.46 |
| Upper Parkway | 1,220,435 | 4.0% | 7.0% | 82,025 | \$36.30 |
| Tribeca | 1,004,965 | 8.7% | 9.1% | 0 | \$98.33 |
| World Trade Center | 918,069 | 8.4% | 7.8% | 129,000 | \$107.44 |
| Insurance District | 807,459 | 11.2% | 4.4% | 0 | \$100.11 |
| Financial District | 754,358 | 0.5% | 3.9% | 0 | \$100.99 |
| Murray Hill | 710,159 | 4.4% | 5.4% | 0 | \$151.92 |
| Grand Central | 412,707 | 11.6% | 14.7% | 0 | \$240.02 |
| Northeast | 338,646 | 2.7% | 3.0% | 0 | \$43.02 |
| U.N. Plaza | 32,868 | 3.0% | 6.2% | 0 | \$126.02 |

New York: Office Market Analysis

The information contained in this report was provided using 2022 Q2 CoStar data for the New York Office Market ("Market").



Overview

The subject property is in the New York Market defined in the map above. This Market accounts for 11.7% of the Nation's total inventory with 971.9 million square feet of office space. The inventory is roughly 49% Class A, 34% Class B, and 16% Class C. On the back of continued office-using employment growth and positive absorption, the Office sector demonstrated signs of durability and resiliency since hitting a trough in late 2020. Office leasing activity has exceeded 100 million square feet for three consecutive quarters with positive absorption in Q4 2021 and into Q1 2022. While some markets and submarkets have fared better than others, office properties in the Market experienced limited improvement.

The majority of companies continue to operate in fully remote or hybrid settings as office usage in New York remains well below prepandemic levels according to data from Kastle Systems. With some occupiers viewing remote work as a productive, cost-effective, and safer alternative, the amount of available sublet space remains stubbornly high. Additionally, the availability rate has risen during 2022 while leasing activity has largely underwhelmed. With vacancy rates rising over the year, annual rent growth remains in negative territory. Despite softening fundamentals for office properties in the Market, values have increased over the past year to \$700/SF. Capitalization rates have seen minimal movement to a rate of 5.2%, moving further above the long-term average.

Sector Fundamentals

| | New York | YoY | QoQ | National | YoY | QoQ |
|----------------|----------|--------|--------|----------|--------|-------|
| Market Rent/SF | \$56.93 | -0.1% | -0.1% | \$34.87 | 1.2% | 0.1% |
| Vacancy Rate | 12.1% | 49 bps | 28 bps | 12.27% | 22 bps | 8 bps |

| | | | | | | |
|-------------------|-----------------|---------|---------|------------------|--------|--------|
| Availability Rate | 16.1% | -36 bps | -7 bps | 15.7% | 6 bps | 21 bps |
| Net Absorption SF | -250,111 | 95.6% | -155.5% | 4,491,727 | 128.7% | 130.0% |
| Asset Value/SF | \$700 | 1.6% | 0.9% | \$346 | 3.5% | 0.8% |
| Market Cap Rate | 5.25% | -0 bps | -2 bps | 6.82% | -6 bps | -1 bps |
| Transaction Count | 221 | -16% | -30% | 5,446 | -8% | -4% |
| Sales Volume | \$2,098,089,600 | -3% | -60% | \$21,079,914,496 | -6% | -24% |

Supply and demand indicators, including inventory levels, absorption, vacancy, and rental rates for office space in the Market are presented in the following table.

Historical Office 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 |
|---------|--------------|-----------------------|------------------------|-------------------------|--------------|-------------------|----------------|
| 2022 Q2 | 971,868,500 | 17,228,280 | 4,430,733 | -839,784 | 12.1% | 16.1% | \$56.93 |
| 2022 Q1 | 969,076,885 | 20,359,480 | 2,361,122 | -6,312,114 | 11.8% | 16.2% | \$56.96 |
| 2021 | 967,626,834 | 21,154,764 | 2,071,844 | -17,295,916 | 11.7% | 16.0% | \$56.91 |
| 2020 | 965,548,330 | 19,677,360 | 3,037,184 | -12,719,665 | 9.8% | 14.6% | \$57.77 |
| 2019 | 962,460,527 | 23,856,668 | 9,611,350 | 8,263,701 | 8.2% | 11.7% | \$60.17 |
| 2018 | 952,844,777 | 26,491,228 | 2,888,488 | 7,232,779 | 8.1% | 11.0% | \$58.55 |
| 2017 | 949,821,289 | 22,628,980 | 705,167 | 1,943,179 | 8.6% | 11.4% | \$58.13 |
| 2016 | 949,056,122 | 17,599,652 | 1,735,028 | -36,962 | 8.8% | 11.7% | \$56.98 |
| 2015 | 947,317,594 | 16,189,261 | -3,001,561 | -525,576 | 8.6% | 11.4% | \$56.25 |
| 2014 | 950,319,155 | 9,323,700 | 1,663,610 | 2,968,694 | 8.8% | 11.3% | \$52.74 |
| 2013 | 948,655,545 | 9,168,717 | 1,542,139 | -1,106,146 | 8.9% | 11.9% | \$48.79 |
| 2012 | 947,113,406 | 10,354,499 | -2,503,426 | -1,823,526 | 8.7% | 12.2% | \$46.31 |

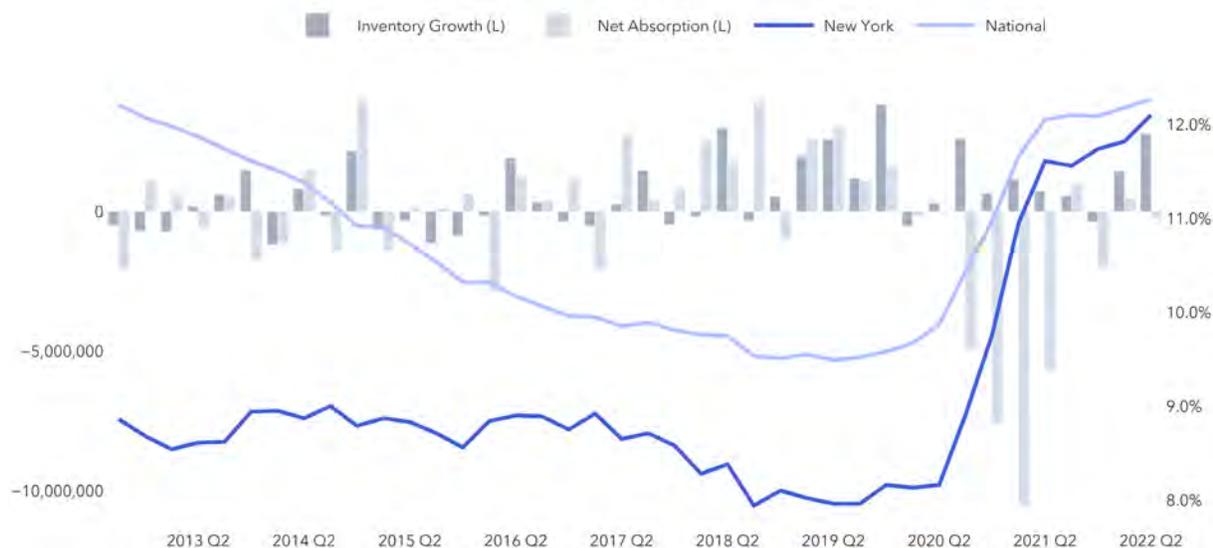
Supply & Demand

Still, there are positives worth reporting. Leasing activity has increased over the past year compared to levels witnessed throughout 2020 as new deals are outpacing renewals with more companies taking advantage of this more favorable leasing environment. Some of the larger leases signed consisted of tenants in creative industries (Roku, AlphaSights, Stripe, Microsoft) who plan to keep adding to their headcount, particularly in the Midtown Manhattan area. Some financial sector tenants, such as Chubb, Bloomberg, and Signature Bank have also recently made significant commitments to remain in New York City. Despite demand picking up, with rising inventory levels, vacancy rates have increased 49 bps over the past year from 11.6% to 12.1%, remaining above the 10-year average of 9.1% and below the National average by 17 bps. In the 2nd quarter, office tenants in the Market vacated 250.1k square feet, a decrease from the 450.3k square feet of net absorption in 2022 Q1. With 250.1k square feet vacated in the 2nd quarter, vacancy rates have increased 28 bps since Q1.

Vacancy Rates

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| National | 12.1% | 11.6% | 10.9% | 10.3% | 10.0% | 9.8% | 9.5% | 9.6% | 11.0% | 12.1% | 12.2% | 12.3% |
| Market | 8.7% | 8.9% | 8.8% | 8.6% | 8.8% | 8.6% | 8.1% | 8.2% | 9.8% | 11.7% | 11.8% | 12.1% |
| Class A | 10.1% | 10.7% | 10.3% | 10.2% | 10.6% | 10.4% | 10.0% | 10.4% | 11.6% | 14.4% | 14.5% | 15.0% |
| Class B | 7.9% | 7.9% | 7.9% | 7.9% | 8.1% | 7.9% | 7.3% | 6.7% | 9.0% | 10.5% | 10.5% | 10.6% |
| Class C | 6.2% | 6.2% | 6.0% | 5.2% | 4.7% | 4.8% | 4.4% | 4.6% | 5.9% | 6.6% | 6.5% | 6.5% |

Absorption & Vacancy Rates



Rents

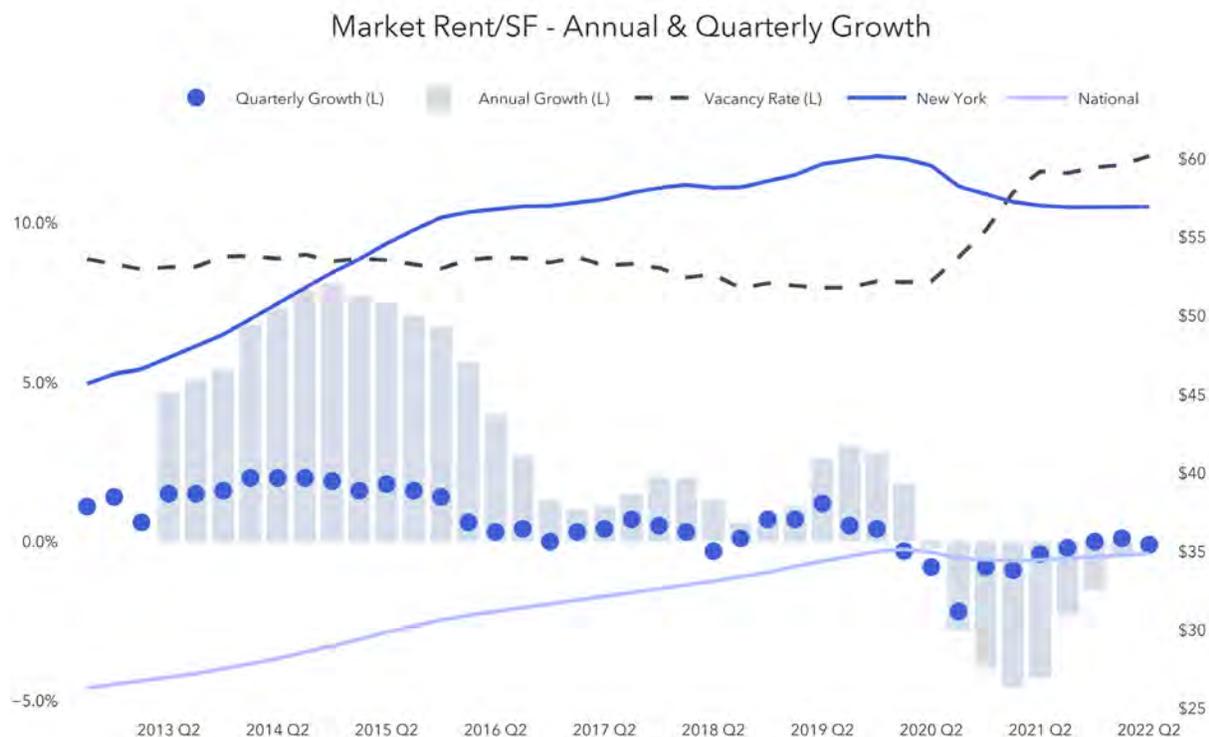
At \$56.93/SF, the rents in the Market are roughly 63% higher than the National average where rents sit at \$34.87/SF. Rents in the Market have grown 2.5% per annum over the past decade, falling short of the National average, where rents increased 3.2% per annum during that time. In 2019 Q4, annual rent growth in the Market softened below the previous quarter, and was below the historical average, with annual growth of 2.8%. In 2020 Q2, quarterly rent growth softened -0.8%. By the end of 2020, rents had fallen 4.0% from the 2019 Q4 rent level of \$60.17/SF. Quarterly rent growth in 2022 Q2 reached -0.1%, pushing annual growth to -0.1%.

Market Rents

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 22 Q1 | 22 Q2 |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| National | \$26.51 | \$27.49 | \$28.95 | \$30.63 | \$31.64 | \$32.56 | \$33.67 | \$35.00 | \$34.48 | \$34.71 | \$34.82 | \$34.87 |
| Market | \$46.31 | \$48.79 | \$52.74 | \$56.25 | \$56.98 | \$58.13 | \$58.55 | \$60.17 | \$57.77 | \$56.91 | \$56.96 | \$56.93 |
| Class A | \$55.92 | \$58.24 | \$62.85 | \$67.04 | \$67.85 | \$70.10 | \$70.42 | \$72.82 | \$70.96 | \$70.28 | \$70.32 | \$70.25 |
| Class B | \$38.37 | \$41.30 | \$44.86 | \$48.00 | \$48.69 | \$48.68 | \$49.34 | \$50.35 | \$47.16 | \$45.99 | \$46.01 | \$46.01 |
| Class C | \$33.14 | \$35.19 | \$37.91 | \$40.08 | \$40.64 | \$40.81 | \$41.07 | \$41.53 | \$39.13 | \$38.33 | \$38.48 | \$38.51 |

Rental growth would be worse except landlords are typically hesitant to drop their asking rents, opting to instead offer generous concession packages to secure leases. With a notable amount of available space on the market, the competition for tenants is fierce and has resulted in concession packages notably rising since 2017. When signing a long-term lease, a midsized to large occupier can expect to obtain at least 12 months of free rent and more than \$100/SF in tenant improvement allowance. A recent example of this surfaced when Facebook was able to secure better terms when finalizing their lease in 20Q3 with a reduced starting rent (\$109/SF), more than 18 months of free rent, and the landlord is contributing \$146 million to build out the office space.

While concessions and greater lease flexibility, via shorter terms or opt-out clauses, are now part of the discussion, the prices for new Class A buildings are still lofty enough to rank among the highest in the nation. Asking rents at newly delivered projects at 1 Vanderbilt and Hudson Yards easily surpass \$100/SF. The biggest question today is what happens to the asking rents of buildings that are not deemed the highest quality.



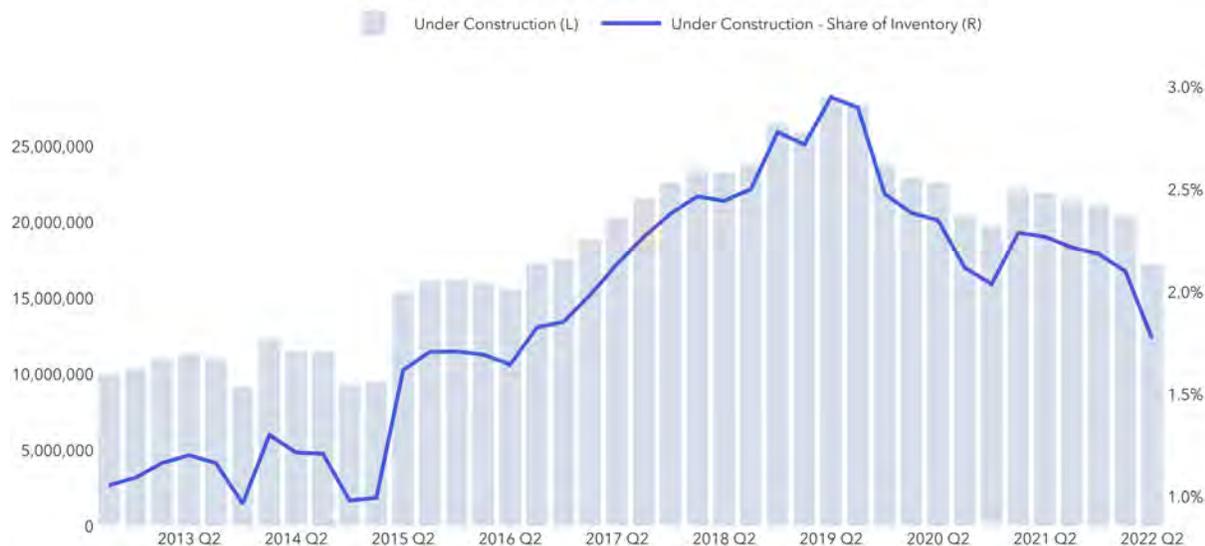
Construction & Future Supply

But with a nation-leading 17.2 million SF of office projects under construction, vacancy levels are projected to remain elevated over the life of the forecast. Despite the office sector's issues, projects have continued to break ground in what will surely muddle any recovery timeline. Still, developers believe that what new leasing activity does occur will likely take place in the highest quality of buildings. Perhaps this leads to a situation where older, less competitive office buildings are converted to an alternative use like apartments.

Leading the Manhattan construction boom is the mega-development at Hudson Yards. With its focus on meeting the demands of companies looking for modern office spaces, the \$25 billion mixed-use, multi-property project on the Far West Side of Midtown remains at the forefront of Manhattan's evolving office landscape. Despite the enormity of the tower's, delivered buildings are near full occupancy and much of the space in buildings close to completion is spoken for. Still yet to deliver in the development site are the projects located at Two Manhattan West, 3 Hudson Boulevard, and 66 Hudson Boulevard.

A recent large completion was the \$3 billion development at 1 Vanderbilt in the Grand Central submarket. At the start of 2022, the Class A 1.7 million-SF tower is roughly 90% leased to tenants like TD Bank and the Carlyle Group. The asking rents on some of the remaining space reportedly exceed \$200/SF. Recent deliveries also occurred outside of Manhattan with the completion of the Dime, a mixed-use building in Williamsburg that features a sizable amount of office space that has yet to lease to any tenants as office demand in Brooklyn remains sluggish. Though today's tenant values the product over the neighborhood, it seems that the idea of relocating outside Manhattan is a bridge too far.

Under Construction SF - Share of Inventory



Capital Markets

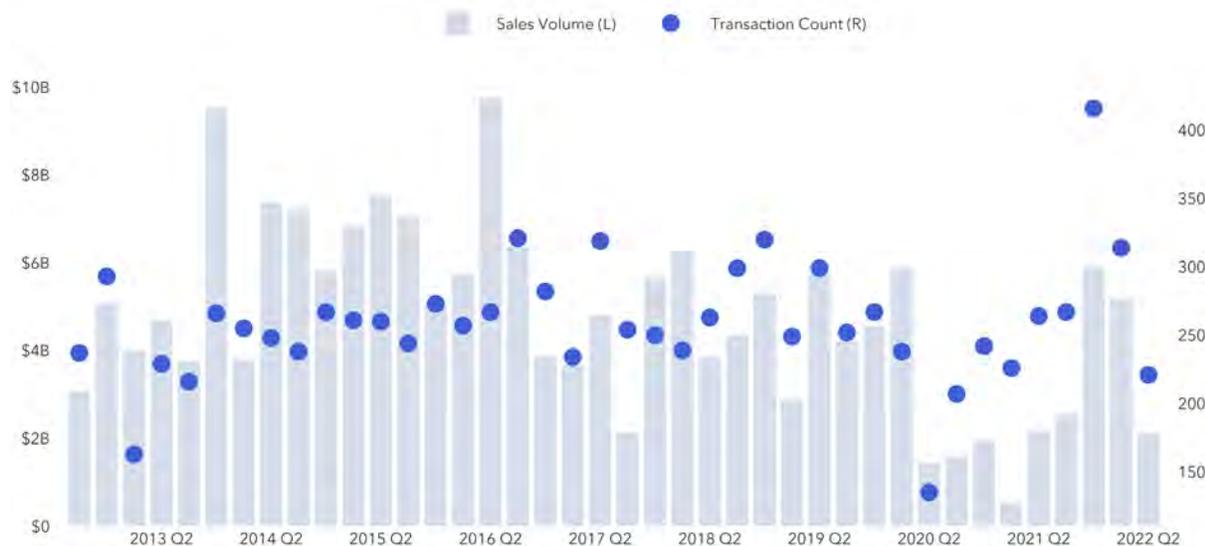
Buyers have shown steady interest and have been busily acquiring assets over the years. Going back three years, investors have closed, on average, 1,021 transactions per year with an annual average sales volume of \$13.2 billion. Over the past year, there were 1,218 closed transactions across 34.7 million square feet, representing \$15.8 billion in dollar volume. In 2022 Q2, there were 221 sales for a total sales volume of \$2.1 billion.

But sales activity has returned in recent quarters and driving deal flow was the transfer of recently modernized Class A buildings like 1 Manhattan West (at a \$2.45 Billion Valuation), 441 9th Avenue (\$1 Billion), and 100 Pearl Street (\$850 million). Buyers view these assets as less risky since current occupiers covet their high quality. Investors are still largely staying away from mostly vacant value-add opportunities for the time being because of the current surplus of available space in quality buildings.

Another notable trade involved 601W Companies purchasing 410 Tenth Avenue from SL Green for \$905 million during 20Q4. The sale price represents a nice profit for SL Green who purchased the 636,000-SF building for \$440 million in 2018. The increased valuation is largely due to the ongoing renovation of the building which has helped land First Republic Bank and Amazon as anchor tenants, not to mention the building's location just outside of the Hudson Yards development. It should be noted, however, that news reports detailed that the targeted sale price was rumored to be \$1.1 billion.

SL Green has remained active, selling a 49% stake in 220 E 42nd Street to Meritz Alternative Investment Management for \$790 million in 21Q3. The price paid was largely reflective of the building's low vacancies, its location in Midtown Manhattan, and the buyer's belief in core New York City office assets.

Sales Volume & Transaction Count



Market pricing, based on the estimated price movement of all properties in the Market, sat at \$700/SF and has increased 2% over the past year. Capitalization rates have remained stable over the past year at 5.2%. The capital markets remain active throughout the country including New York. However, the recent increases in interest rates will likely cause the pace of price growth and cap rate compression to slow this year.

Recent Transactions

| Property Address | RBA | Building Class | Year Built | Last Sale Date | Last Sale Price |
|-----------------------------|---------|----------------|------------|----------------|-----------------|
| 51 W 52nd St, New York | 897,071 | A | 1963 | Q4 2021 | \$760,000,000 |
| 450 Park Ave, New York | 337,000 | A | 1971 | Q2 2022 | \$445,000,000 |
| 70 Hudson St, Jersey City | 431,281 | A | 2001 | Q1 2022 | \$300,000,000 |
| 79 Fifth Ave, New York | 345,751 | B | 1906 | Q2 2022 | \$276,750,000 |
| 1000 Harbor Blvd, Weehawken | 617,187 | A | 1989 | Q4 2021 | \$219,000,000 |

Asset Value & Market Cap Rates



Outlook

Office demand remains below prepandemic levels for many markets. This comes at a time of softening economic growth, which will further slow the recovery for the sector. Many office markets are contending with elevated vacancy rates and will experience limited rent growth, if any, over the second half of 2022.

Appendix

New York Office Market Overview

| Submarket | Inventory SF | Vacancy Rate | Availability Rate | Under Construction SF | Market Rent/SF |
|-------------------------|--------------|--------------|-------------------|-----------------------|----------------|
| Plaza District | 93,219,232 | 14.0% | 17.1% | 1,871,767 | \$89.47 |
| Penn Plaza/Garment | 84,330,213 | 11.5% | 19.0% | 7,335,732 | \$65.20 |
| Grand Central | 59,653,034 | 13.2% | 17.8% | 39,487 | \$76.15 |
| Times Square | 49,985,933 | 13.5% | 19.6% | 0 | \$78.37 |
| Chelsea | 45,676,132 | 12.7% | 17.2% | 970,555 | \$64.83 |
| Financial District | 41,396,682 | 18.4% | 25.7% | 0 | \$55.82 |
| World Trade Center | 38,852,225 | 11.5% | 17.4% | 48,801 | \$63.91 |
| Columbus Circle | 36,546,175 | 10.0% | 14.1% | 0 | \$75.70 |
| Hudson Waterfront | 31,156,288 | 13.7% | 17.6% | 149,787 | \$40.98 |
| Gramercy Park | 28,447,194 | 12.3% | 15.9% | 0 | \$72.12 |
| Downtown Brooklyn | 24,419,975 | 17.2% | 15.5% | 777,677 | \$48.16 |
| Northwest Queens | 22,081,678 | 17.1% | 20.1% | 107,740 | \$45.45 |
| City Hall | 19,579,548 | 5.7% | 6.4% | 19,412 | \$53.84 |
| North Brooklyn | 18,827,162 | 16.7% | 18.3% | 732,891 | \$43.76 |
| South Brooklyn | 18,561,296 | 8.5% | 10.5% | 123,680 | \$36.02 |
| Eastern Monmouth | 17,341,280 | 7.2% | 9.3% | 0 | \$27.50 |
| Murray Hill | 16,629,554 | 18.5% | 23.6% | 36,500 | \$54.60 |
| Bronx | 15,288,071 | 8.3% | 10.9% | 237,110 | \$38.44 |
| Insurance District | 14,286,102 | 19.5% | 22.8% | 0 | \$55.55 |
| East I-287 Corridor | 14,042,713 | 13.6% | 18.2% | 0 | \$31.88 |
| Northeast Queens | 13,183,440 | 3.3% | 4.1% | 45,000 | \$44.08 |
| Hudson Square | 13,182,002 | 9.6% | 15.7% | 2,767,227 | \$74.43 |
| Soho | 12,718,974 | 14.0% | 16.4% | 0 | \$68.25 |
| Brunswick West | 10,222,742 | 19.7% | 24.8% | 0 | \$34.23 |
| Tribeca | 9,734,519 | 8.6% | 11.7% | 0 | \$70.94 |
| West I-287 Corridor | 9,550,633 | 10.9% | 15.9% | 0 | \$32.65 |
| Ocean County | 9,471,906 | 4.5% | 6.1% | 122,322 | \$25.25 |
| White Plains CBD | 9,095,728 | 11.5% | 14.5% | 0 | \$36.48 |
| GW Bridge | 8,915,584 | 9.8% | 8.2% | 0 | \$30.21 |
| Brunswick | 8,594,213 | 6.9% | 7.9% | 550,000 | \$29.16 |
| North Edison/Woodbridge | 8,374,795 | 8.5% | 17.4% | 0 | \$36.26 |
| Meadowlands | 8,339,341 | 11.3% | 17.4% | 0 | \$30.47 |
| Harlem/North Manhattan | 8,164,399 | 12.3% | 15.2% | 322,526 | \$45.56 |
| South Edison | 7,672,343 | 7.9% | 9.3% | 0 | \$30.07 |
| Staten Island | 7,528,714 | 7.7% | 10.0% | 100,000 | \$33.33 |
| Greenwich Village | 7,494,382 | 13.6% | 16.4% | 0 | \$72.81 |
| Route 287 East | 7,357,394 | 11.2% | 13.1% | 0 | \$24.64 |
| Passaic Rt 46/23 | 6,880,438 | 11.8% | 22.5% | 0 | \$29.48 |
| South Queens | 6,710,271 | 6.3% | 8.0% | 20,280 | \$41.78 |
| Western Monmouth | 6,185,049 | 6.7% | 9.2% | 39,600 | \$25.69 |
| Route 4/17 | 6,128,955 | 11.0% | 14.3% | 18,669 | \$29.91 |
| Southeast | 6,011,885 | 6.3% | 7.4% | 0 | \$28.07 |
| Southwest | 5,556,116 | 7.2% | 8.7% | 0 | \$32.25 |
| North | 5,338,634 | 15.6% | 17.5% | 0 | \$32.86 |
| Upper East Side | 5,139,731 | 5.0% | 5.0% | 0 | \$67.96 |
| U.N. Plaza | 5,070,119 | 4.8% | 11.8% | 0 | \$62.14 |
| Central Queens | 5,036,767 | 4.6% | 14.4% | 363,873 | \$41.89 |
| North 17 Corridor | 4,900,073 | 10.8% | 15.1% | 0 | \$28.07 |
| Hackensack | 4,841,715 | 9.5% | 13.8% | 137,100 | \$27.36 |
| Upper Parkway | 4,642,784 | 18.1% | 17.8% | 0 | \$32.39 |
| Southern Monmouth | 4,583,981 | 11.8% | 14.0% | 24,500 | \$26.46 |
| Route 3/GSP | 3,608,935 | 2.6% | 4.4% | 84,151 | \$29.55 |
| Middletown | 3,556,254 | 11.8% | 12.4% | 0 | \$24.38 |
| Newburgh | 3,253,356 | 6.7% | 7.2% | 23,893 | \$24.67 |

| | | | | | |
|------------------------|-----------|-------|-------|---------|---------|
| North Central Bergen | 2,992,241 | 6.8% | 8.7% | 0 | \$29.35 |
| Passaic Urban Region | 2,931,085 | 10.8% | 13.0% | 0 | \$29.48 |
| Orangetown | 2,836,349 | 19.3% | 26.1% | 0 | \$26.86 |
| Northwest | 2,794,611 | 6.5% | 7.9% | 0 | \$30.73 |
| Ramapo | 2,720,724 | 3.4% | 3.4% | 158,000 | \$29.27 |
| Teaneck/Ridgefield | 2,687,194 | 10.4% | 19.0% | 0 | \$34.14 |
| Route 46 Corridor | 2,632,041 | 7.2% | 9.8% | 0 | \$28.60 |
| Upper West Side | 2,299,218 | 20.8% | 20.7% | 0 | \$57.02 |
| Western Bergen | 2,255,947 | 5.8% | 9.2% | 0 | \$35.53 |
| Clarkstown | 2,248,011 | 4.8% | 5.9% | 0 | \$26.80 |
| Route 208 Corridor | 2,181,504 | 9.0% | 9.8% | 0 | \$26.07 |
| Monroe | 1,907,826 | 1.6% | 3.0% | 0 | \$24.05 |
| Palisades | 1,858,661 | 8.0% | 9.7% | 0 | \$25.61 |
| Northeast | 1,407,008 | 3.1% | 6.3% | 0 | \$38.68 |
| Upper Suburban Passaic | 540,764 | 7.0% | 7.0% | 0 | \$28.13 |

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 2022, the NYC Rent Guidelines Board adopted rent adjustments for rent stabilized apartment and loft leases commencing on or after October 1, 2022 and on or before September 30, 2023.

- 1-year lease: 3.25%
- 2-year lease: 5.00%

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 |
|----------------------|---|--------------|
| 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 \$2,816, 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

Helen Peng, MAI, AI-GRS

Director

Experience

Helen Peng is a Director at Bowery Valuation who joined in February 2019. Helen has over 35 years of experience in real estate valuation. The majority of her career was spent at Bankers Trust/Deutsche Bank. The first few years of her career was spent at Chase Manhattan Bank as an Appraiser with the last few years spent as a Director at BBG in New York City with the responsibility of Quality Control Reviewer.

At Deutsche Bank, Helen was a Director where she handled consulting, due diligence and prescreening of deals for various areas of the bank. Responsibilities include assessment of the transaction, cash flow analysis, market research, site visits and review of structure and documentation. Helen has also evaluated and conducted due diligence on domestic and international portfolios. Portfolios comprised of distressed mortgages and real estate owned assets. Travels covered Japan, Taiwan, South Korea, Sweden, Italy, France, Canada, Mexico, Czech Republic and Germany.

In addition, in her role as a Review Appraiser she ordered and reviewed appraisals, provided market data as well as opined on values for all property types on national basis.

During her tenure at Chase Manhattan Bank, Helen was a Second Vice President and Senior Staff Appraiser. Her experience involves writing and reviewing reports for various property types including commercial, industrial, residential and retail. Property located in Metropolitan and Suburban New York.

Education

| | |
|----------------------------------|--|
| New York University | Master of Science in Real Estate, Diploma in Real Estate Investment |
| University of Connecticut | Bachelor of Science in Business Administration, Diploma in Real Estate and Urban Economic Studies |

Certifications & Professional Designations

| | |
|--|---|
| Appraisal Institute | MAI, Designated Member AI-GRS Designated Member Former Faculty Member Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members. |
| CUNY - Baruch | Former Faculty Member of Steven L. Newman Real Estate Institute |
| Certified General Real Estate Appraiser | New York (License #46000008916) Florida (Certified General No. #RZ4138) Connecticut (License RDG.0001473) Georgia (Certified General No. 404728) Arizona (CGA - 1022387) |

Ross Wigon

Vice President

Experience

Ross Wigon is a Vice President at Bowery Valuation who joined the firm in February 2019. He has worked in the real estate appraisal industry since 2015 and has experience appraising multifamily, mixed-use, office, retail and industrial properties in New York, New Jersey, Connecticut, Pennsylvania, Maryland, Florida, Texas, Indiana, Arkansas and Tennessee.

Prior to joining Bowery, Mr. Wigon served as an Associate at BBG based in New York.

Education

Boston University, Questrom School of Business Bachelor of Science in Business Administration

Certifications & Professional Designations

Certified General Real Estate Appraiser

- Alabama (License #G01580)
- Connecticut (License #RCG.0001665)
- Maryland (License #34697)
- New Jersey (License #42RG00279600)
- New York (License #46000053177)
- Pennsylvania (License #GA004601)
- Tennessee (License #6205)
- Texas (License #TX1381201G)
- Virginia (License #4001018232)

John M. Tuohy

Vice President

Experience

John M. Tuohy is a Vice President, Valuation at Bowery Valuation who joined the firm in August 2020. He has worked in the real estate appraisal industry for a total of 27 years and has appraised hotels, multi-family, office, retail, hospitals, and assisted living properties in New York State.

Before joining Bowery, Mr. Tuohy served as a Senior Appraiser at BBG Appraisals based in New York City and specialized in the multi-family valuations.

Mr. Tuohy holds his General State Certification for New York State.

Education

| | |
|----------------------------|--|
| Vaughn College | Bachelor of Aerospace Technology |
| New York University | Master of Real Estate, Valuation |
| Appraisal Institute | Appraisal Review Theory Advanced Income Capitalization (510) General Market Analysis and Highest and Best Use Advanced Sales Comparison and Cost Approach |

Certifications

| | |
|--|-------------------------|
| Certified General Real Estate Appraiser | New York (#46000018743) |
| Licensed Real Estate Broker | State of New York |

Madi Johnson

Senior Associate

Experience

Madi Johnson is a Senior Associate at Bowery Valuation who joined the firm in September 2020. Ms. Johnson is actively engaged in appraising multifamily, mixed-use, retail, office, development sites, and vacant land. She has experience appraising assets in 17 states to date.

Prior to joining Bowery, Ms. Johnson worked as an M&A Investment Banking Summer Analyst at Evercore, based in New York City, where she received rigorous financial modeling training and rotated through the Real Estate, Infrastructure, and Industrials groups.

Ms. Johnson graduated from Harvard College in May 2020 with a Bachelor of Arts degree in History and a secondary field in Economics.

Education

| | |
|----------------------------|---|
| Harvard College | B.A. in History, secondary in Economics |
| Appraisal Institute | Basic Appraisal Procedures Basic Appraisal Principles |
| McKissock Learning | 15-Hour National USPAP General Appraiser Sales Comparison Approach General Appraiser Market Analysis & Highest and Best Use |

Licenses

Helen Peng, State Certified General Appraiser- New York

| | | |
|---|--|---|
| UNIQUE ID NUMBER 4600008916 | State of New York Department of State DIVISION OF LICENSING SERVICES | FOR OFFICE USE ONLY Control No. 1545054 |
| PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS. | | EFFECTIVE DATE MO DAY YR 11 10 21 |
| PENG HELEN J C/O BBC INC 171 SHORE RD OLD GREENWICH, CT 06870 | | EXPIRATION DATE MO DAY YR 11 09 23 |
| HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER | | |
| In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed. ROSSANA ROSADO SECRETARY OF STATE | | |

Ross Wigon, State Certified General Appraiser- New York

| | | |
|---|--|---|
| UNIQUE ID NUMBER 46000053177 | State of New York Department of State DIVISION OF LICENSING SERVICES | FOR OFFICE USE ONLY Control No. 1542503 |
| PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS. | | EFFECTIVE DATE MO DAY YR 04 19 21 |
| WIGON ROSS J C/O BOWERY VALUATION 61-63 CROSBY ST 3RD FL NEW YORK, NY 10012 | | EXPIRATION DATE MO DAY YR 04 18 23 |
| HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER | | |
| In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed. ROSSANA ROSADO SECRETARY OF STATE | | |

John Tuohy, State Certified General Appraiser- New York

| | | |
|---|---|---|
| UNIQUE ID NUMBER 46000018743 | <i>State of New York</i> <i>Department of State</i> DIVISION OF LICENSING SERVICES | FOR OFFICE USE ONLY Control No. 1541633 |
| PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS. | | EFFECTIVE DATE MO. DAY YR. 04 19 21 |
| TUOHY JOHN M C/O TUOHY JOHN M 132 04 CRONSTON AVE BELLE HARBOR, NY 11694-1420 | | EXPIRATION DATE MO. DAY YR. 04 18 23 |
| HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER | | In Witness Whereof, The Department of State has caused this official seal to be hereunto affixed. ROSSANA ROSADO SECRETARY OF STATE |
| DOS-1096 (Rev. 3/01) | | |

Letter of Engagement

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9/22/2022

VIA EMAIL

Steve Schaller
 Bowery Valuations
 61-63 Crosby Street, 3rd Floor
 New York, NY, 10012
 Steve.schaller@boweryvaluation.com

RE: Engagement Letter

| | | |
|-------------------------------|-------------------------|------|
| Property Name (the "Project") | ALHAMBRA APARTMENTS | |
| Street Address | 500 NOSTRAND AVE | |
| City, State, Zip | Brooklyn, NY, 11216 | |
| Unit Count/Year Built | 46 | 1931 |
| # of Buildings /# of Stories | 1 | 6 |
| Type of Deal | FREDDIE MAC, AFFORDABLE | |

Dear Steve Schaller,

Please accept this letter (the "Engagement Letter") as confirmation of the terms of the engagement of Bowery Valuations (the "Vendor") by Greystone Servicing Company LLC ("Greystone").

Scope of Work

| Report(s) | Fee |
|------------------------|------------|
| APPRAISAL (AFFORDABLE) | \$5,000.00 |
| CLOSER UPLOAD FILE | \$0.00 |

Compensation: It is agreed that the total fee to prepare all the required Report(s) outlined above is \$5,000.00 (the "Fee"), which includes all costs and expenses (including, but not limited to, any travel, printing and copying costs) incurred by the Vendor with respect to the Report(s). Greystone agrees to pay the Fee upon our receipt and acceptance of the report(s) (each a "Report" and collectively the "Reports").

Report Due Dates:

Greystone must receive an unlocked draft of each Report via email on or before 10/7/2022 (the "Draft Delivery Date").

Ownership Interest: Leased Fee

Scope of Services:

- **Appraisal (Affordable):** Provide a full narrative appraisal of the Property and Market and an estimate of the market value of the Property that is based upon and supported by market data, logical analysis and sound, professional judgement. The appraisal report must estimate the market value of the Property, on an "as-is" basis and as of the effective date of the Appraisal subject to stated assumptions and limiting conditions. The appraisal must include three values: insurable, restricted, and unrestricted value. Also, a market study is required when more than twenty percent (20%) of the units have a project-based HAP Contract in order to identify an absorption rate and rent level for the submarket.
- **Closer Upload File:** Provide the data schema (via XML or JSON) for direct upload/import into the Closer system.

Appraisal Standards: The appraisal must be prepared by a qualified, state licensed or certified appraiser, comply in content and format with the Freddie Mac Guide and conform to the requirements prescribed by the Uniform Standards of Professional Appraisal Practice (USPAP). The report must also meet any governmental regulations in effect when the Mortgage Loan was originated, including the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

Greystone Contacts: All electronic drafts of each Report(s) and invoices should be sent to the following designated Greystone Contacts.

Third Party Coordinator - Shawntae Nixon, at Shawntae.nixon@greyco.com

Delivery & Completion: Please notify Greystone as soon as possible of any major issues that may require additional testing and/or mitigation, any unanticipated delays, or unusual findings discovered during the preparation of the Report(s). Communication prior to delivery of each draft Report is greatly appreciated.

All draft and final Report(s) must be either in Word, Excel or non-scanned PDF form, so that word searches are possible. Color photos of items requiring critical and non-critical repair, and all completed required Freddie Mac forms and files must accompany each draft Report; otherwise such Report will not be deemed complete. Note that the list of critical and non-critical repairs should clearly describe the location of each of the repairs at the Property and what repair(s) is/are required. The description of each repair must be sufficiently detailed so that an experienced person can perform the work and that an experienced inspector can inspect such repair with minimal additional direction or consultation.

Greystone reserves the right to impose a five percent (5%) penalty for each week each Report(s) is/are late unless an alternative delivery date is mutually agreed upon by Greystone and Vendor in writing. After review and approval of each of the Report(s), the final signed electronic copy of each Report(s) will be promptly due thereafter. Additionally, unexcused delays in the delivery of any Report(s) may require the Vendor, at no additional fee, cost, or expense to Greystone, to revisit the Project or undertake other measures as required by Greystone or Freddie Mac to ensure the information contained in each Report(s) is/are within the timeframe permitted by Freddie Mac.

DocuSign Envelope ID: 8900D0FE-B0BF-4139-AF8C-2FD424312F25

The Vendor understands and agrees that time is of the essence with respect to the performance of its obligations hereunder.

Please immediately furnish Greystone by email a list of what information you need to (1) begin your work and (2) timely complete each of the Report(s). The effective date of each of the Report(s) will be the site visit date, and the Vendor understands and agrees that each of the Report(s) has/have a limited shelf life. If the Vendor makes the site visit prior to its receipt of any critical piece of information required to conduct its review and assessment of the Project and prepare the Report(s), then Greystone may require the Vendor to re-issue each of the Report(s) at no further fee, cost, or expense to Greystone. Greystone prefers that the Vendor not make the site visit to the Project until all critical information has been delivered to it, but in all cases, the parties will work together to ensure that you receive the information you need in a timely fashion.

Intended User: Greystone Servicing Company LLC and Freddie Mac and their respective successors and assigns. You must obtain Greystone's prior written authorization before releasing any of the Report(s) to any other person or party.

Distribution of Report: It is understood and agreed by the Vendor that a copy of each of the Report(s) may be provided by Greystone to any representative and/or employee of Greystone (and/or any affiliate of Greystone), the Borrower/Owner and/or sponsor(s) of the Project (and their respective representatives and employees), Freddie Mac and all other third-party report providers.

Identity-of-Interest: The Vendor represents and warrants to Greystone that neither the Vendor nor any of the individuals conducting any review and assessment of the Project and preparing any of the Report(s) is/are affiliated with the Borrower, any Sponsor or any individual or entity involved in the Project of which Vendor is made aware by Greystone, nor involved in any way with respect to the proposed Freddie Mac loan for the Project, other than the engagement with Greystone hereunder to prepare the Report(s).

Confidentiality: The results of your engagement are to be communicated only in writing and only to Greystone. All documents and information furnished to you by Greystone and/or Borrower in connection with this engagement are confidential information.

Competency: Your engagement is predicated on being able to complete the assessment(s) and prepare the Report(s) in compliance with the above requirements. If at any time in the course of your engagement you find that you will not be able to comply with any of the requirements outlined herein, please contact us immediately and do not proceed with any further performance of the assessment(s) and preparation of the Report(s) until we have discussed the matter.

Requested Amendments. It is agreed that the final Report(s) provided to Greystone hereunder will not be amended or otherwise revised without the written consent and approval of Greystone. In addition, the terms and conditions of this Engagement Letter is not amended, modified, and/or supplemented except in writing signed by both parties, nor will any provision of this Engagement Letter be waived except in writing signed by the party waiving its rights hereunder.

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Reliance Language:

The report(s) must include the following reliance language in the letter of transmittal above the contacts signature and/or on the contacts Certification page above the contacts signature:

- "This report is for the use and benefit of, and may be relied upon by,
- the Greystone Servicing Company LLC, Freddie Mac and any successors and assigns ("Lender");
 - independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;
 - governmental agencies having regulatory authority over Lender;
 - designated persons pursuant to an order or legal process of any court or governmental agency;
 - prospective purchasers of the Mortgage; and
 - with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is subject of this report, the following parties and their respective successors and assigns:
 - any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
 - any initial purchaser or subsequent holder of such debt and/or securities;
 - any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
 - any indenture trustee;
 - any rating agency; and
 - any institutional provider from time to time of any liquidity facility or credit support for such financing

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities."

Applicable Law: Please acknowledge your acceptance of the terms and conditions of this Engagement Letter by executing below and returning via e-mail. Please provide us with the name of each individual(s) who will be working on each Report(s). Failure to complete and timely deliver any one or more of the foregoing items shall entitle Greystone, at its option, to terminate this Engagement Letter upon written notice to the Vendor, all without any fee or liability to the Vendor. Should you need any future information, please reach out to the Greystone contacts.

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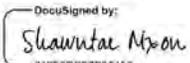
I / We agree to the terms of the assignment stated in this engagement letter:

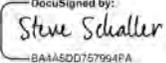
Greystone Servicing Company LLC

Vendor Name: Bowery Valuations

Printed Name: Shawntae Nixon

Printed Name: Steve Schaller

Signature: 
71ZE3DEF78B6457
9/22/2022

Signature: 
BA4ASDD757994FA
9/22/2022

Report to be completed by: _____
(Name of Individual)

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.

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| 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. |
| Arm's Length Transaction | A transaction between unrelated parties who are each acting in his or her own best interest. |
| 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. |

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| Equity Dividend | The portion of net income that remains after debt service is paid; this is returned to the equity position. |
| Excess Land | Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. |
| 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. |

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| Liquidation Value (also known as Disposition Value) | The most probable price that a specified interest in real property should bring under the following conditions: • Consummation of a sale within a short time period. • The property is subjected to market conditions prevailing as of the date of valuation. • Both the buyer and seller are acting prudently and knowledgeably. • The seller is under extreme compulsion to sell. • The buyer is typically motivated. • Both parties are acting in what they consider to be their best interests. • A normal marketing effort is not possible due to the brief exposure time. • Payment will be made in cash in US dollars or in terms of financial arrangements comparable thereto. • The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. |
| 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 Market Value "As Completed" and "As Stabilized" | A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value—as completed— reflects the property's market value as of the time that development is expected to be completed. The prospective market value—as stabilized— reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. |

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| 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. |
| Surplus Land | Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. |

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).