

APPRAISAL REPORT
of
123,438 Square Feet of Air Rights
Generated by Hudson River Park Piers 59, 60 & 61
For Use by 601 West 29th Street & 301-309 11th Avenue
New York, New York

SUBMITTED TO

Hudson River Park Trust
c/o Douglas B. Heitner, Esq.
Kasowitz Benson Torres LLP
1633 Broadway
New York, New York 10019





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November 24, 2017

Hudson River Park Trust
c/o Douglas B. Heitner, Esq.
Kasowitz Benson Torres LLP
1633 Broadway
New York, New York 10019

**Re: 123,438 Square Feet of Air Rights
Generated by Hudson River Park
Piers 59, 60 & 61
Block 662, Lots 11, 16 & 19
New York, New York**

**For Use by 601 West 29th Street & 301-309
11th Avenue
Block 675, Lots 12, 29 & 36
New York, New York**

Dear Mr. Heitner:

In accordance with your request, we have prepared an appraisal report of the above captioned 123,438 square feet of air rights, henceforth referred to as the “subject property air rights.” This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and Code of Ethics of the Appraisal Institute.

The air rights that are the subject of this report are those air rights generated by Piers 59, 60 & 61 of the Hudson River Park, (“Granting Site”), legally identified as Block 662 Lots 11, 16 and 19 on the NYC Assessor’s map. The air rights are available to be transferred to those eligible properties located within one block west of 12th Avenue in the Community Board including 601 West 29th Street/301-309 11th Avenue, hereafter referred to as 601 West 29th Street (“Receiving Site”). The client of this report, the Hudson River Park Trust (“HRPT”), may enter into negotiations to transfer air rights from the Granting Site to 601 West 29th Street/301-309 11th Avenue, in connection with the rezoning of the site. Therefore, this appraisal considers an analysis whereby the air rights generated by the Granting Site are sold to 601 West 29th Street/301-309 11th Avenue for use in enhancing the proposed development.

The receiving site at 601 West 29th Street, legally identified as Block 675, Lots 12, 29 & 36, and located in West Chelsea, Manhattan, New York. The site, as-if rezoned to C6-4X can legally be improved with approximately 617,188 square feet of zoning floor area based on a proposed zoning map change and certain other approvals.

However, plans call for development with approximately 740,625 square feet of Zoning Floor Area (“ZFA”), consisting of a first-class 62-story rental apartment building comprised of market rate residential units, affordable housing, retail space, and parking garage.

There will be a shortfall of 123,438 square feet on the zoning lot which is to be provided to the site via transfer of air rights from the Granting Site in conjunction with a proposed amendment to the text of the zoning resolution, amendment to the zoning map and approval of a special permit, henceforth referred to in this report as the “Rezoning.” Moreover, we have been informed that the proposed zoning map change, approval of a special permit, and certain other actions, will be treated together as a single set of approvals, and that these approvals may not proceed without the purchase of the Granting Site’s air rights.

The rezoning and special permit will require that the proposed development include a 25% on-site low-income affordable housing component as per Mandatory Inclusionary Housing (“MIH”) guidelines and that the property enter into a Regulatory Agreement between the subject project developer and the City of New York’s Department of Housing Preservation and Development (“HPD”). There will be no other requirements as to what is developed with respect to residential and/or commercial uses other than the property will be developed on a ground lease, and there will be preclusion of condominiums.

Therefore, our value of the development rights considers the pro rata share of the required affordable components only, with the remaining development rights valued as per their highest and best use, which in light of the proposed deed restrictions, we have determined to be residential rental. It is noted that the developer’s planned development, is designed to take advantage of the Affordable New York Partial Tax Abatement Program (“New Program”), formerly known as “421-a.”

Valuation Methodology

The value of air rights to be transferred is based upon two factors:

1. The value of the underlying fee interest of the proposed development receiving site at 601 West 29th Street, after considering the highest and best use of the planned uses, subject to the affordable requirements for the proposed development and preclusions for condominium development, and
2. The ratio between the sales prices of air rights and the underlying fee interest for comparable air rights transactions that we have observed in the market. The applicable ratio for air rights transfers in NYC is generally less than 1.00 both because the market for unused air rights is typically constrained, often to a single purchaser, and because the air rights do not include any additional land to enlarge the development footprint and thereby allow greater flexibility in configuring the built space. The value of air rights is therefore generally less than fee value.

The appraisal of the subject property air rights considers the mixed-income residential uses proposed for the site, as if subject to the restrictions created by the Ground Lease. We have developed both a Sales Comparison Approach utilizing development site transactions, as well as an Income Approach via a land residual technique to value the underlying land of the receiving site.

Market value is defined as the most probable price as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after a reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest and assuming neither is under undue duress.

The intended user of this appraisal is the client, The Hudson River Park Trust c/o Douglas B. Heitner, Esq. The intended use of the appraisal is to provide information in connection with a potential disposition of air rights generated by the Granting Site at Piers 59, 60 & 61 of the Hudson River Park. The interest appraised is the fee simple interest, and the effective date of the appraisal is September 30, 2017.

Receiving Site Ground Lease:

The receiving site is owned by West Side 11th & 29th LLC c/o Marjorie Nesbitt (“Lessor”). Douglaston Development reportedly has a Letter of Intent (“LOI”) to enter into a triple-net, 99-year ground lease (“Ground Lease”) following the Rezoning and development rights acquisition is complete. Because the property will be subject to the proposed Ground Lease, condominiums are precluded from being developed as per New York State law concerning development of condominiums on privately-owned leased land.

Furthermore, in connection with the sales of the subject property development rights, HRPT contemplates recording a deed restriction precluding all forms of for-sale units on the receiving site. The deed restriction will include language that will call for a payment from Douglaston Development if individual apartment units are sold either as cooperative apartments, cond-op apartments or condominium units, the latter of which would require a termination of the Ground Lease.

Consequently, we have valued the subject land and to-be transferred air rights as-if-vacant, and subject to the legal restrictions on development caused by the proposed Ground Lease and regulatory agreement. This appraisal does not consider the financial terms of the proposed ground lease.

Extraordinary Assumptions and Hypothetical Conditions

Given the nature of this appraisal, a hypothetical condition and a series of extraordinary assumptions, described below, are necessary to develop credible assignment results. The hypothetical condition employed in this valuation is that the proposed Rezoning have been granted through a successful ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development. Therefore, our analysis proceeds in two parts: first consideration of the development rights as part of the fee parcel, and second the market relationship, expressed as a ratio, between the value of the air rights and the value of the underlying fee parcel. The market value of subject property air rights equals the value of the allocable portion of the fee interest multiplied by this ratio.

A hypothetical condition is defined as *“that which is contrary to what exists, but is supposed for the purpose of the analysis.”* In a comment, USPAP notes that *“Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or the*

integrity of data used in an analysis.” The hypothetical condition is necessary to produce credible assignment results.

An extraordinary assumption is defined as, “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”¹

The extraordinary assumptions made in this appraisal are summarized as follows:

1. That the outline of the planned development comprising the developments 740,625 square feet of Zoning Floor Area (ZFA), the (“Receiving Site ZFA”) will generally include:
 - 533,410 square feet of ZFA (493,152 net rentable square feet) allocable to market rate residential development, inclusive of a 982 square foot superintendent’s unit
 - 177,357 square feet of ZFA (164,220 net rentable square feet) allocable to affordable residential rentals
 - 14,550 square feet of ZFA (20,460 net rentable square feet) allocable to two (2) retail spaces
 - 37,050 gross square feet of indoor tenant amenity space
 - 26,560 gross square feet of rooftop amenity space
 - 20,980 net rentable square feet of car and bicycle parking garage for 198 accessory parking spaces
2. That, as per the client, and based on information provided by NYCDCP, the affordable components will not be eligible to generate off-site Inclusionary Housing bonuses to be sold to qualifying sites, which departs from prior programs for affordable housing development in New York City.
3. That this project will fall under the Mandatory Inclusionary Housing Program and will qualify for the “Option 1” for 25% affordable units, averaging 60% AMI across the affordable component. That the developer will be guided by the 2017 Area Median Income (AMI) of \$95,400 for a family of four and the AMI categories will be:
 - 5% of residential floor area @ 100% AMI
 - 10% of residential floor area @ 60% AMI
 - 10% of residential floor area @ 40% AMI

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Ed., (Illinois: Appraisal Institute, 2015), page 83

4. That this project will be available to qualify for New Program (421-a) benefits.
5. That the subject property will receive compensation from the Gateway / Hudson Tunnel project in connection with any temporary use of the site for staging and open storage.

If any of the extraordinary assumptions are found to be materially different than what is assumed for this assignment, the appraisal may require revision.

City of New York Housing and Preservation and Development (NYC HPD) has stated that because of tax credit volume caps, the subject property will not be eligible for either non-taxable bond financing, cash subsidies nor will the property be eligible to receive either 4% or 9% Low Income Housing Tax Credits (LIHTC). If the project becomes eligible for LIHTC, the conclusions of value in this report are subject to change.

The following report sets forth all available data and methodology utilized in arriving at our value conclusion and should be read in its entirety. The appraisal is subject to the Underlying Assumptions and Contingent Conditions set forth on the following pages.

After an analysis of all relevant data and based upon conclusions and the documentation presented within the following report, it is our opinion that the market value of the fee simple interest in the Receiving Site known as Block 675, Lots 12, 29 & 36, as of September 30, 2017, was:

**\$462 PER SQUARE FOOT OF ZONING FLOOR AREA OR
THREE HUNDRED FORTY TWO MILLION DOLLARS (\$342,000,000)**

After an analysis of all relevant data and based upon the conclusions and documentation presented within the following report, considering the limited market of both granting and eligible parcels for the Granting Site's air rights, that yields an applicable ratio of 65%, it is our opinion that the market value of the 123,438 square feet of subject air rights as of September 30, 2017, was:

**\$300 PER SQUARE FOOT OF ZONING FLOOR AREA OR
THIRTY SEVEN MILLION DOLLARS (\$37,000,000)**

The following report sets forth all available data and methodology utilized in arriving at our value conclusion and should be read in its entirety. The appraisal is subject to the Underlying Assumptions and Contingent Conditions set forth on the following pages.

Respectfully submitted,



Sharon Y. Locatelli, MAI, CRE, MRICS
State of New York Certified General Appraiser
I.D. #46000007350



Adam L. Wald, MAI
State of New York Certified General Appraiser
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Rendering of Proposed Development at Subject Receiving Site

APPRAISAL REPORT
of
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Generated by Hudson River Park Piers 59, 60 & 61
Block 662, Lots 11, 16 & 19

For Use by 601 West 29th Street
Block 675, Lots 12, 29 & 36
New York, New York

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UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS

For the purpose of this appraisal, except as otherwise stated in the appraisal report, it is assumed:

1. That the legal description is correct.
2. That the title to the property is legally sufficient.
3. That there are no encumbrances or defects of title.
4. That the property is free and clear of all liens.
5. That the property will be efficiently managed and properly maintained.
6. That there are no structural conditions which are not apparent.
7. That there are no sub-surface soil conditions which would cause extraordinary development costs.

The appraisal is made subject to the following contingent conditions:

1. That no liability is assumed because of inaccuracies or errors in information furnished by others.
2. That no liability is assumed as a result of matters of legal character affecting the property, such as title defects, encroachments, liens, overlapping boundaries, party wall agreements, and easements.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser, and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. Except as the otherwise stated in the appraisal report, the value indication is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
4. This appraisal is to be used in whole and not in part. The appraisal is invalid if used in part.
5. That no survey, structural or sub-surface soil investigation was made of the property by the appraiser.
6. The appraiser herein by reason of this appraisal is not required to give testimony in court with reference to the subject property unless otherwise previously arranged.

7. Possession of this report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone but the applicant without the previous written consent of the appraiser.
8. This appraisal was made for the purpose stated and should not be used for any unrelated purpose.
9. Each finding, prediction, assumption or conclusion contained in the appraisal report is the appraiser's personal opinion and is not an assurance that an event will or will not occur. Except as otherwise stated in the appraisal report, we assume that there are no conditions relating to the real estate, sub-soil or structures located on the real estate which would affect appraiser's analyses, opinions or conclusions with respect to the real estate that are not apparent.
10. Appraisers and Planners, Inc. has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA, effective January 16, 1992). It is possible that a compliance survey of the property and a detailed analysis of the ADA requirements may reveal that the property is not in compliance with one or more requirements. If so, this fact might have a negative effect upon the value of the property. Appraisers and Planners, Inc. is not an ADA expert and has no direct evidence relating to this issue. This report does not reflect possible non-compliance with the ADA or its potential negative effect on the concluded value herein.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Identification:	123,438 Square Feet of Air Rights Generating Site – Piers 59, 60 & 61 of the Hudson River Park, New York, New York Receiving Site – 601 West 29 th Street, New York, New York
Tax Identification:	Block 662, Lots 9, 11 & 16 – Piers 59, 60 & 61 of the Hudson River Park, grantor of Air Rights Block 675, Lots 12, 29 & 36 – 601 West 29 th Street & 301-309 11 th Avenue (“601 West 29 th Street”), receiver of Air Rights
Owner:	The generating site is the Hudson River Park c/o the Hudson River Park Trust. The receiving site, 601 West 29 th Street, is owned by West Side 11 th & 29 th LLC c/o Eight Points Asset Management LLC. Reportedly, the property is to be ground leased for 99 years to Douglaston Development and will be improved with the contemplated development. We have not been provided with the lease or any financial details or terms of the agreement.
Location and Property Description:	“L”-shaped, block-front parcel bounded northerly by West 30 th Street, southerly by West 29 th Street and easterly by 11 th Avenue. The property has the following frontages: 525.0’ – West 29 th Street 197.5’ – 11 th Avenue 100.0’ – West 30 th Street The receiving site has a total lot area of 61,718.75 square feet
Interest Appraised:	The interest appraised is the fee simple interest in 123,438 square feet of air rights.
Purpose of Appraisal:	The purpose of the appraisal is to render an opinion of the market value of the fee simple interest in 123,438 square feet of air rights.
Intended Use of Appraisal:	The intended use of the appraisal is to provide information in connection with a potential disposition of air rights generated by the Hudson River Park.

Zoning: Current: M2-3, a Medium Performance Manufacturing District

Proposed: In conjunction with the mixed-use development discussed within this appraisal. The proposed rezoning will include both a map and text amendment that will rezone the property to C6-4X, with an FAR of 10.0 or a ZFA of 617,188.

The planned development calls for a mixed-income rental development with an FAR of 12.0, or a total ZFA of 740,625. Therefore, a shortfall between the contemplated development and the basic maximum FAR of the C6-4X zone upon rezoning is 2.0 FAR, or 123,438 square feet. The subject property of this appraisal is these air rights, generated by Hudson River Park and to be sold to the contemplated development at the receiving site.

Effective Date of Appraisal: September 30, 2017

Market Value Conclusions:	Income Approach	\$295,400,000
	Sales Comparison Approach	\$361,200,000
	Conclusion - Receiving Site	\$342,000,000
	Fee Development Value PSF	\$462
	Air Rights as % of Land Value	65.0%
	Air Rights Value PSF	\$300
	Sq. Ft. of Air Rights	123,438
	Value of 123,438 Air Rights	\$37,031,400
	Rounded	\$37,000,000

Given the nature of this appraisal, a hypothetical condition and a series of extraordinary assumptions, described below, are necessary to develop credible assignment results. The hypothetical condition employed in this valuation is that the proposed Rezoning have been granted through a successful ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development. Therefore, our analysis proceeds in two parts: first consideration of the development rights as part of the fee parcel, and second the market relationship, expressed as a ratio, between the value of the air rights and the value of the underlying fee parcel. The market value of subject property air rights equals the value of the allocable portion of the fee interest multiplied by this ratio.

A hypothetical condition is defined as *“that which is contrary to what exists, but is supposed for the purpose of the analysis.”* In a comment, USPAP notes that *“Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.”* The hypothetical condition is necessary to produce credible assignment results.

An extraordinary assumption is defined as, “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”

The extraordinary assumptions made in this appraisal are summarized as follows:

1. That the outline of the planned development comprising the developments 740,625 square feet of Zoning Floor Area (ZFA), the (“Receiving Site ZFA”) will generally include:
 - 533,410 square feet of ZFA (493,152 net rentable square feet) allocable to market rate residential development, inclusive of a 982 square foot superintendent’s unit
 - 177,357 square feet of ZFA (164,220 net rentable square feet) allocable to affordable residential rentals
 - 14,550 square feet of ZFA (20,460 net rentable square feet) allocable to two (2) retail spaces
 - 37,050 gross square feet of indoor tenant amenity space
 - 26,560 gross square feet of rooftop amenity space
 - 20,980 net rentable square feet of car and bicycle parking garage for 198 accessory parking spaces
2. That, as per the client, and based on information provided by NYCDCP, the affordable components will not be eligible to generate off-site Inclusionary Housing bonuses to be sold to qualifying sites, which departs from prior programs for affordable housing development in New York City.
3. That this project will fall under the Mandatory Inclusionary Housing Program and will qualify for the “Option 1” for 25% affordable units, averaging 60% AMI across the affordable component. That the developer will be guided by the 2017 Area Median Income (AMI) of \$95,400 for a family of four and the AMI categories will be:
 - 5% of residential floor area @ 100% AMI
 - 10% of residential floor area @ 60% AMI
 - 10% of residential floor area @ 40% AMI
4. That this project will be available to qualify for New Program (421-a) benefits.
5. That the subject property will receive compensation from the Gateway / Hudson Tunnel project in connection with any temporary use of the site for staging and open storage.

If any of the extraordinary assumptions are found to be materially different than what is assumed for this assignment, the appraisal may require revision.

City of New York Housing and Preservation and Development (NYC HPD) has stated that because of tax credit volume caps, the subject property will not be eligible for either non-taxable bond financing, cash subsidies nor will the property be eligible to receive either 4% or 9% Low Income Housing Tax Credits (LIHTC). If the project becomes eligible for LIHTC, the conclusions of value in this report are subject to change.

SCOPE OF THE APPRAISAL

Appraisers and Planners, Inc. has been retained by The Hudson River Park Trust c/o Kasowitz Benson Torres LLP, to prepare an appraisal of the fee simple interest in 123,438 square feet of air rights generated by Piers 59, 60 & 61 of the Hudson River Park.

This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and Code of Ethics of the Appraisal Institute. To accomplish this assignment, the following scope of services was undertaken:

- Inspected the Hudson River Park in the vicinity of the West Chelsea neighborhood, and made an exterior inspection of 601 West 29th Street and 301-309 11th Avenue.
- Analyzed demographic trends in the vicinity of the subject property: Regional, area and neighborhood data are based on published sources, the files and library of Appraisers and Planners, Inc. and our discussions with knowledgeable sources.
- Analyzed current zoning regulations applicable to the subject property and all comparable development site sales: Zoning information is based upon the City of New York Zoning Resolution. We have also analyzed the proposed rezoning of the receiving site in conjunction with mixed-use development proposed for the site.
- Developed an opinion of highest and best use for the receiving site, subject to the condition that for-sale units are to be precluded, in conformity with NYC's space program requirements for low-income affordable housing.
- Conducted a study of development land market conditions in the subject market area: Market information is based upon published studies, sales information sources such as PropertyShark and CoStar, NYC Department of Buildings, the files and library of Appraisers and Planners, Inc. and our discussions with active participants and lenders in the marketplace.
- Considered all approaches to value and developed a sales comparison approach and a residual land technique through an income approach. The proposed development will contain a restriction on for-sale development.

- Provided a value conclusion for the development rights based upon the data and methodology set forth within the appraisal report. Final market value conclusions are based on the weighted average of the subject development rights considering the blended uses comprising the highest and best uses proposed for the site.
- Analyzed transactions of blocks of air rights.
- Analyzed the percentage relationship between the value of fee development sites and air rights transactions in understanding the relationship between fee development site transactions and air rights sales.
- Provided a value conclusion for the subject air rights based upon the data and methodology set forth within the appraisal report.

IDENTIFICATION OF SUBJECT PROPERTY

The generating site of the subject air rights is the Hudson River Park and the proposed receiving site is the development legally identified as Block 675, Lots 12, 29 & 36 on the City of New York Tax Assessment Maps. The property is an “L”-shaped, block-front parcel bounded northerly by West 30th Street, southerly by West 29th Street and easterly by 11th Avenue.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to render an opinion of the market value of the fee simple interest in 123,438 square feet of air rights.

INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is to provide information in connection with a potential disposition of air rights generated by the Hudson River Park.

EFFECTIVE APPRAISAL DATE

The effective appraisal date is September 30, 2017.

INTENDED USER

The intended user of the report is the The Hudson River Park Trust c/o Kasowitz Benson Torres LLP, the client.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are those of the Fee Simple Estate. According to the *Dictionary of Real Estate Appraisal, Sixth Edition (2015)*, a publication of the *Appraisal Institute*, the interests are defined as follows:

Fee Simple Estate is defined as:

“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.”

OWNERSHIP HISTORY

Records indicate ownership of the receiving site, 601 West 29th Street, is held by West Side 11th & 29th LLC c/o Eight Points Asset Management LLC. Douglaston Development, the property developer will, reportedly, enter into a 99-year ground lease with the current ownership. We have not been provided with a copy of the LOI, nor have we been informed about the structure of the proposed lease, or financial deal points.

Other than the reported lease, there have been no arms-length transactions of the subject property receiving site within three (3) years prior to the appraisal date.

According to the Preliminary Engineering plans for the Gateway / Hudson Tunnel project, there is a proposed temporary subsurface easement over a portion of Lot 12 and a proposed surface easement for construction staging. This will render portions of the site unusable until staging is complete, and may be required until 2026. It is an extraordinary assumption in this appraisal that the property will be fairly compensated by the Gateway project for any diminution in value to the site caused by the staging, and resulting from a delay in developing the impacted portion of the site.

EXPOSURE TIME

The definition of Exposure Time as published in The Dictionary of Real Estate, Sixth Edition (2015) by the Appraisal Institute is as follows:

“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.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)”

In estimating the appropriate exposure time applicable to the interest in the subject property we have considered marketing periods for similar type properties based on a survey of property listings as well as sales data and interviews with market participants. In addition, when the information was available, we have considered the exposure time of the development site sales contained within this appraisal. It is our opinion that a reasonable exposure time applicable to the interest in the subject property as of the effective appraisal date is six (6) to nine (9) months.

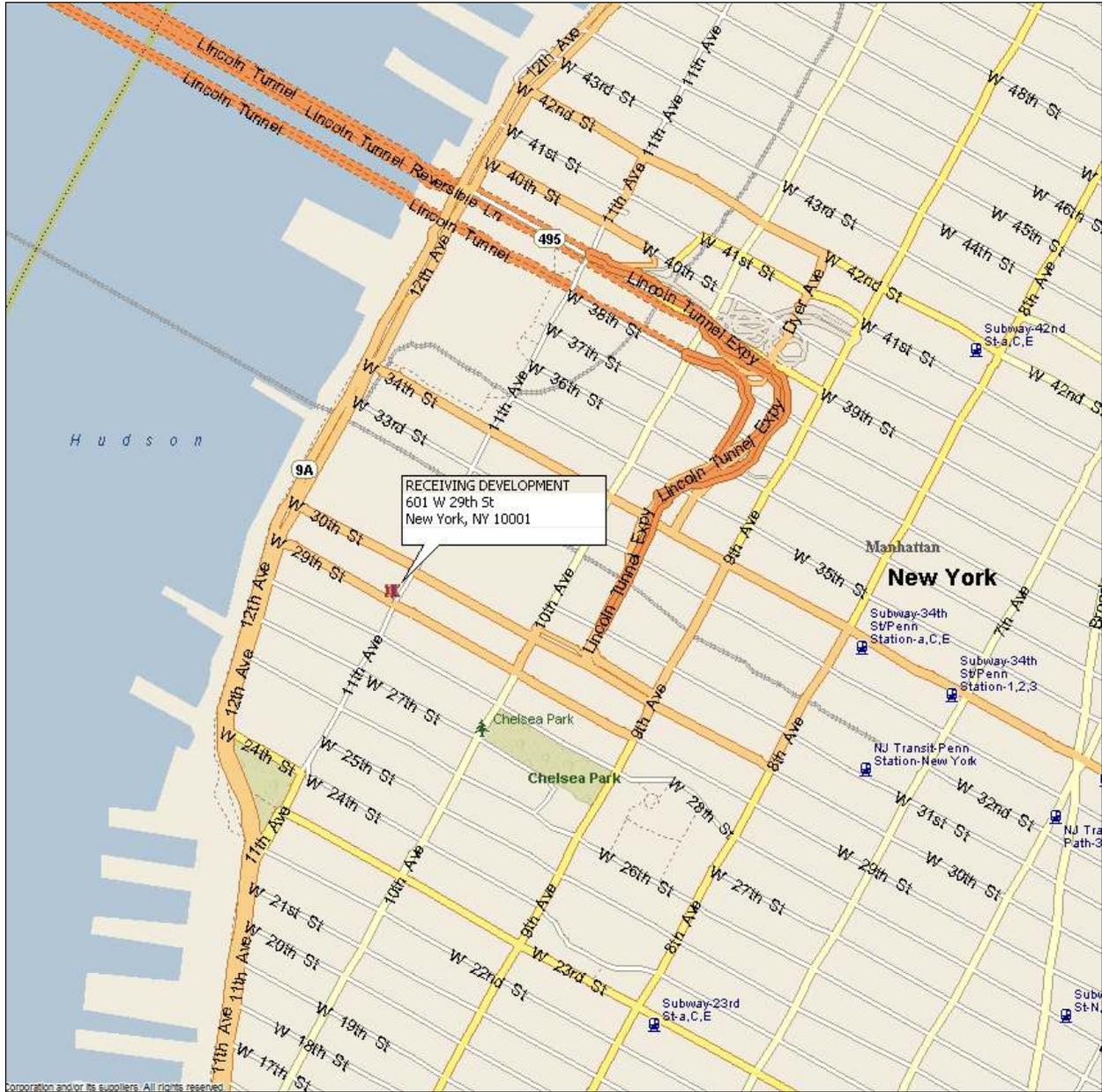
DEFINITION OF MARKET VALUE

Market value is defined as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition 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 acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
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.”²

² Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition, (Illinois: Appraisal Institute, 2013), page 59



Area Map

REGIONAL ANALYSIS

Location

The subject property is in Manhattan, one of the five boroughs of New York City (“City”). New York City is the largest city in the United States and one of the largest in the world. It is located on New York Bay at the mouth of the Hudson River and comprises five boroughs which are coterminous with five counties, as follows: Manhattan (New York County), the Bronx (Bronx County), Queens (Queens County), Brooklyn (Kings County), and Staten Island (Richmond County). The following map details New York City’s geographic location within the Greater New York Metropolitan area.



There are four interactive forces which affect the market value of real property: social forces, economic circumstances, physical and environmental conditions and governmental controls. The constantly changing nature of these forces can alter the supply and demand for real property which in turn, affects its market value. The following discussion will isolate and examine the historical trends for the elemental forces in the region which influence and create value in real estate. Our analysis includes comparative data for the nation as well as for New York City and its five boroughs.

SOCIAL FORCES

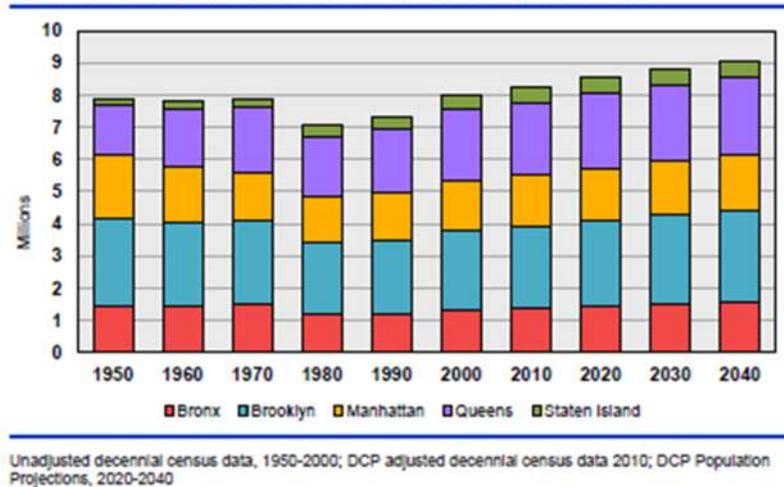
Social forces that influence real estate values within an area or region comprise the demographic characteristics and trends within the specified area, including but not limited to population and household formation. A review of these demographic trends is instructive in determining the basic demand for real property within a real estate market.

Population

The New York metropolitan area, also referred to as, Metropolitan New York, Greater New York, or the Tri-State area, is the most populous metropolitan area in the United States. It is considered part of the New York, Northern New Jersey, Long Island, and New York-New Jersey-Pennsylvania Metropolitan Statistical Area (MSA), as currently defined by the U.S. Office of Management and Budget. As per the 2014 census estimates, the Greater New York area continues to rank first in population among the nation’s 366 MSAs and New York City is by far the most densely populated region within this Greater New York area.

In a December 2013 report, New York City’s Department of City Planning issued historical population statistics, as well as, population projections for New York City through 2040. The report entitled “New York City Population Projections by Age/Sex & Borough, 2010-2040” anticipates steady growth in population for the City over the next three decades. Findings based on US Census data and reports published by the New York City Department of City Planning are summarized in the following charts and pages.

Figure 2: Total Population, New York City and Boroughs, 1950-2040



Since 1980, the City’s population has grown in each decade increasing by 3.5% in the decade of the 1980s and by 9.5% in the 1990s, representing a reversal of what had been a long-term trend of declining population. The 2010 census revealed a more moderate rate of growth in years 2000 through 2010, as the City’s population grew by 2.2%. New York State reported a similar growth rate (2.2%) between 2000 and 2010. As shown in the table which follows, based upon the 2013 report, the City’s population is projected to increase to approximately 8.55 million people by 2020, a percentage increase of 3.7% between 2010 and 2020. During that same ten-year period, the Bronx is expected to experience the largest percentage growth in population of 4.5%, followed by 3.9% for Staten Island, 3.7% for Brooklyn, 3.6% for Queens and 3.3% for Manhattan. For the thirty-year period, from 2010 to 2040, New York City’s population is expected to grow to 9,025,145, increasing by more than 782,000, indicating an overall rate of growth in population for that thirty-year period of 9.5%.

Table 1: Projected Total New York City Population by Borough, 2010-2040

	2010	2020	2030	2040	CHANGE							
					2010-2020		2020-2030		2030-2040		2010-2040	
					Number	Percent	Number	Percent	Number	Percent	Number	Percent
NYC	8,242,624	8,550,971	8,821,027	9,025,145	308,347	3.7	270,056	3.2	204,118	2.3	782,521	9.5
Bronx	1,385,108	1,446,788	1,518,998	1,579,245	61,680	4.5	72,210	5.0	60,247	4.0	194,137	14.0
Brooklyn	2,552,911	2,648,452	2,754,009	2,840,525	95,541	3.7	105,557	4.0	86,516	3.1	287,614	11.3
Manhattan	1,585,873	1,638,281	1,676,720	1,691,617	52,408	3.3	38,439	2.3	14,897	0.9	105,744	6.7
Queens	2,250,002	2,330,295	2,373,551	2,412,649	80,293	3.6	43,256	1.9	39,098	1.6	162,647	7.2
Staten Island	468,730	487,155	497,749	501,109	18,425	3.9	10,594	2.2	3,360	0.7	32,379	6.9

According to the U.S. Census Bureau, as of July 2015, New York City's population reached an estimated 8,550,405 residents, a 4.6% increase over the April 2010 reported census figure. The New York City Department of City Planning indicated that the City's population has grown at a faster pace than had been projected in their earlier December 2013 report. The percentage growth in population that has already occurred between years 2010 and mid-year 2015 is more than 80% of the growth that had been projected to occur for the entire ten-year period between 2010 and 2020 with Brooklyn seeing the largest percentage change (5.3%) in population. Based upon the most recent population estimates, it is likely that population projections for New York City will be adjusted upward as the City continues to draw new residents, while an increasing percentage of older residents, with an increasing life expectancy, choose to remain New York City dwellers.

Households

The following is based upon demographic information provided by Environmental Systems Research Institute, Inc. (ESRI), a national subscription service providing radius reports, radius maps, market reports, market maps and market ranking reports using current data, census data and five-year projections. The household data, inclusive of the number of households and average household size, are summarized as follows:

Household Statistics									
Area	1990	2000	Percent	2010	% Change	2016	% Change	5 Year	
	Households	Households	Change	Census	2000-2010	Households	2010-2016	Projection	% Change
								2021	2016-2021
United States	91,926,423	105,480,101	14.7%	116,716,292	10.7%	121,786,233	4.3%	126,694,268	4.0%
State of New York	6,638,547	7,056,860	6.3%	7,317,755	3.7%	7,508,958	2.6%	7,689,093	2.4%
New York City (5 Boros)	2,818,855	3,021,322	7.2%	3,109,784	2.9%	3,236,455	4.1%	3,367,063	4.0%
Manhattan	716,424	738,644	3.1%	763,846	3.4%	794,362	4.0%	821,856	3.5%
Brooklyn	828,051	880,727	6.4%	916,856	4.1%	961,736	4.9%	1,006,488	4.7%
Queens	719,829	782,664	8.7%	780,117	-0.3%	813,673	4.3%	851,070	4.6%
Bronx	424,032	463,212	9.2%	483,449	4.4%	498,437	3.1%	516,505	3.6%
Staten Island	130,519	156,341	19.8%	165,516	5.9%	168,257	1.7%	171,155	1.7%

Source: ESRI; Compiled by Appraisers and Planners, Inc.

In the decade from 2000 through 2010, except for Queens which experienced a nominal contraction in the number of households, the remaining four boroughs experienced increases in the number of households, ranging from 3.4% in Manhattan to 5.9% in Staten Island. During that same ten-year period, the number of households increased by 4.4% in The Bronx and 4.1% in Brooklyn. Most recently, between 2010 and 2016, household formation has increased in all five boroughs by 4.1%. As shown in the previous table, the overall number of households in New York City is anticipated to grow at an overall rate of 4.0%, or by 130,608 households, in years 2016 through 2021. During that

same five-year period, Brooklyn is expected to have the greatest overall percentage increase in households of 4.7%; followed by Queens (4.6%), the Bronx (3.6%), Manhattan (3.5%) and Staten Island (1.7%).

Based on 2010 census data, the population and household data suggests that the average household size in New York City is 2.65 persons, 2.78 persons in Brooklyn, 2.88 persons, in the Bronx, Queens, and Staten Island, while Manhattan has the smallest household average size of 2.1 persons. It is estimated that nearly half of the households in Manhattan are single persons, twice the rate of the State average. The smaller household size is largely attributed to the job opportunities in Manhattan that attract a younger demographic, as well as, a function of Manhattan lifestyles. Based upon current projections and trends, the average household size in New York City is not expected to significantly change through 2021.

ECONOMIC FORCES

Economic forces which shape demand for real estate within a region and/or local area include cyclical recessions and resulting changes in employment, income levels, and dynamics within the residential, office, and retail real estate markets. Data within this section has been obtained from the ESRI, The U.S. Bureau of Labor Statistics, local real estate sources and from our independent research.

New York City is a vibrant center for commerce and business and one of the three “world cities” (along with London and Tokyo) that dominate world finance. The City is also a cultural, political and leading media center, housing many of the world’s most notable art museums, political institutions, such as, the United Nations, varied consulates, as well as, several the world’s largest communications companies. In addition, the City attracts many visitors. Over the past six years, New York City has continued to experience record-breaking visitors each year, achieving a record high of 60.3 million visitors in 2016. The strength of the City’s tourism industry is one of the reasons the New York City economy has fared better in the most recent recession when compared to other MSAs. Additionally, the local economy has benefitted from a growing diversity of its industries. One of the more dynamic growing sectors of the New York City economy is TAMI, which is an acronym for the Technology, Advertising, Media and Information industries. The TAMI sector of the economy represents some of the highest paying jobs in the local economy and growth in this sector has contributed to a resurgence of many neighborhoods in Midtown South whose older loft buildings offer a more unconventional type of office space that has proven to be highly desirable to the typical TAMI office user. Overall, New York City is benefitting from a local economy that is continuing to diversify and adapt to the latest innovations in business and technology.

Economic Cycles

Over the past 20 years, New York, along with the nation, has gone through 3 recessions: the recession of the early 1990s, the tech-bubble recession, commencing in 2001, and the financial crisis-led recession of 2007. The most recent national recession that began in December 2007 and officially ended in June 2009, led to a total of 92,200 jobs lost in New York City. As evident in prior recessions, New York City has proved to be one of the more resilient economies in the nation and was among the first to recapture all jobs that had been lost in the most recent recession.

Employment

As shown in the table which follows, between year-end 2015 and 2016, the New York City economy added 163,000 jobs, a year over year increase of 3.86%. In the 12 months from July 2016 to July 2017, this increase was 76,000 total jobs or an increase of 1.74%. Most of jobs were created in the service producing sector of the local economy, with two sectors, Leisure and Hospitality and Other Services (which includes Religious and Civic oriented organizations) experiencing the largest overall increases in jobs between 2015 and 2016 at 3.4% each. In the 12 months trailing July 2017, the growth was observed in Education and Health Services sector, which added 53,600 jobs and the Professional Business Services sector which added 30,100 jobs. The gains in the employment numbers for the Education and Health Services sector continues a trend of strong growth in this sector, which has typically been among the strongest sectors of growth in terms of employment in New York City. The following chart illustrates the historical and most recent employment statistics available, as of our effective date of value, for New York City:

NEW YORK CITY EMPLOYMENT STATISTICS																
(000s)																
Industry	2000	2005	% Change '00-'05	2007	2010	% Change '07-'10'	2011	2012	2013	2014	2015	2016	% Change '15 to '16	Jul '16	Jul '17	% Change Jul '16 to Jul '17
Natural Resources, Mining, & Construction	120.5	113.3	-6.0%	127.3	112.5	-11.6%	112.3	116.1	122.2	127.7	142.4	145.5	2.2%	149.5	154.9	3.6%
Manufacturing	176.8	113.9	-35.6%	101.0	76.3	-24.5%	75.7	76.3	76.4	76.0	79.1	78.4	-0.9%	76.3	74.1	-2.9%
GOODS PRODUCING:	297.3	227.2	-23.6%	228.3	188.8	-17.3%	188.0	192.4	198.6	203.7	221.5	223.9	1.1%	225.8	229.0	1.42%
Trade/Transportation/Utilities	570.5	548.2	-3.9%	570.5	559.1	-2.0%	574.7	589.3	603.8	618.4	647.7	655.7	1.2%	622.0	619.6	-0.4%
Information	187.3	162.8	-13.1%	166.9	166.0	-0.5%	170.9	175.8	179.6	184.5	193.7	191.5	-1.1%	197.6	189.5	-4.1%
Financial Activities	488.8	445.1	-8.9%	467.6	428.6	-8.3%	439.5	439.1	437.9	448.8	464.4	460.2	-0.9%	473.3	481.5	1.7%
Professional/Business Svcs.	586.9	556.0	-5.3%	592.3	575.8	-2.8%	598.3	620.4	643.6	668.9	719.4	727.1	1.1%	728.6	758.7	4.1%
Education/Health Svcs.	613.8	677.4	10.4%	703.9	752.4	6.9%	769.2	786.2	813.2	846.6	898.8	924.3	2.8%	902.0	955.6	5.9%
Leisure/Hospitality	256.7	276.7	7.8%	297.8	322.2	8.2%	342.2	365.7	385.4	406.8	433.5	448.2	3.4%	459.3	443.9	-3.4%
Other Svcs.	147.4	153.2	3.9%	157.7	160.6	1.8%	165.2	170.4	174.9	179.5	188.0	194.4	3.4%	187.6	193.1	2.9%
Government	568.9	555.6	-2.3%	559.0	558.0	-0.2%	550.6	546.1	544.4	545.0	556.2	561.4	0.9%	563.3	564.6	0.9%
SERVICE PRODUCING:	3,420.3	3,375.0	-1.3%	3,515.7	3,522.7	0.2%	3,610.6	3,693.0	3,782.8	3,898.5	4,101.7	4,162.8	1.49%	4,133.7	4,206.5	1.76%
TOTAL NON-FARM EMPLOYMENT:	3,717.6	3,602.2	-3.1%	3,744.0	3,711.5	-0.9%	3,798.6	3,885.4	3,981.4	4,102.2	4,223.7	4,386.7	3.86%	4,359.5	4,435.5	1.74%

Source: New York State Department of Labor Statistics; compiled by Appraisers and Planners, Inc.

Note: data is not seasonally adjusted.

As of July 2017, 94.8% of total employment in the City is in the Services Producing sector, while only 5.2% of all employment is in the Goods Producing sector. We note that while there has been an uptick in the manufacturing sector in the local economy during 2015 to 2016, the small percentage of jobs that are in the goods producing industries relative to the overall City economy reflects the significant contraction in manufacturing jobs that has taken place over the past several decades; the decline in the number of manufacturing jobs mirrors the overall contraction in manufacturing that has occurred in the national economy. While there has been a recent increase in demand for American and locally made products, high operating costs in New York City can make large scale manufacturing cost prohibitive in many cases.

In New York City, the Financial Activities sector, led by Wall Street, employs approximately 11.4% of all those employed in the services providing sector. This sector, which has historically led recoveries, was slow to recover from the most recent recession. At its most recent high point in 2007, prior to the “great recession”, the average annual employment within the sector was 467,600 jobs; by year-end 2009, the sector lost 7.14% of its jobs and continued to contract through 2010, losing an additional 5,600 jobs between year-end 2009 and 2010. The total number of jobs lost in this sector from its recent high mark of 467,600 jobs in 2007 and its nadir of 428,600 jobs in 2010 was 39,000 jobs.

Like the overall New York City economy, the recovery in the Financial Activities sector began to take hold in the latter part of 2010, as the rate of decline in the number of jobs lost lessened. By year-end 2011, this sector recovered 10,900 jobs, or just about 28% of all jobs that had been lost. Since that time, the financial service sector has for the most part continued to improve at a modest rate. As of July 2017, the number of jobs reported for the financial activities sector of the City economy is 481,500, which represents the most financial jobs since the recession. Despite its volatility, the financial activities sector is likely to remain an important component of the New York City economy, as it registers some of the highest salaries earned in the City, however, the prevailing consensus is the City's economy will continue to diversify as it looks to become less reliant upon Wall Street.

The number of private sector jobs overall in New York City has grown more rapidly than initially forecast and at the fastest rate of growth in almost 25 years. Over the past several years, much of this growth has been in the leisure and hospitality and education and health services sectors. Based on the 2015 Significant Industries Report (the most recent report available) published by the New York State Bureau of Labor Information, the median salary for workers in these industries was \$60,100 and \$54,800 per annum respectively, compared to the 2014 average on Wall Street of \$404,800. We note that there has also been strong growth in the Professional and Business Services and TAMI sectors which offer jobs that on average pay over \$122,000 per annum. Most economists agree that the City's development of new industries has helped to diversify the local economy and bodes well for the overall health of the New York City economy. However, we note that the lower median salaries for these industries have reverberating effects on consumer spending.

Unemployment

As exhibited in following table, New York City's ebb and flow in unemployment generally mirrors the overall economy. Strong employment figures were exhibited in years 2005 through 2007, reflecting a robust economy, followed by rising unemployment rates beginning in 2008 as the ill effects of the most recent recession began to manifest in the unemployment numbers. Unemployment continued to increase through 2010 as the local and national economies were slow to recover. Since year-end 2010, the local and national economies have improved as evidenced by the steady decline in the unemployment rates. In fact, the unemployment rates reported for Manhattan, New York City, New York State and the Nation closely resemble the corresponding unemployment rates recorded in 2007. This would suggest that the local and national economies are approaching pre-recession levels or have fully recovered from the adverse effects of the "great recession."

The historical unemployment rates for the Borough of Manhattan, New York City, New York State and the Country overall are as follows:

*Not Seasonally adjusted ANNUAL AVERAGE UNEMPLOYMENT 2000 -				
Year	Manhattan	New York City	New York State	U.S.
Jul-2017	4.40%	5.00%	4.90%	4.3%
Jun-2017	3.90%	4.40%	4.50%	4.40%
May-2017	3.80%	4.20%	4.30%	4.30%
April-2017	3.50%	3.90%	4.20%	4.40%
Mar-2017	3.60%	4.10%	4.40%	4.50%
Feb-2017	4.20%	4.80%	5.00%	4.70%
Jan-2017	4.30%	4.80%	4.90%	4.80%
2016	4.50%	5.20%	4.80%	4.90%
2015	4.90%	5.70%	5.30%	6.20%
2014	6.10%	7.30%	6.30%	6.20%
2013	7.50%	8.80%	7.70%	7.40%
2012	8.00%	9.30%	8.50%	8.10%
2011	7.80%	9.10%	8.30%	8.90%
2010	8.60%	9.50%	8.60%	9.60%
2009	8.40%	9.30%	8.30%	9.30%
2008	4.90%	5.60%	5.40%	5.80%
2007	4.30%	5.00%	4.60%	4.60%
2006	4.30%	5.00%	4.60%	4.60%
2005	5.10%	5.80%	5.00%	5.10%

Source: NY State Department of Labor and the US Bureau of Labor Statistics; compiled by Appraisers and Planners, Inc.

Economists typically view the economy at full employment when the rate of unemployment registers from 5.5% to 6.0%. While current unemployment rates would suggest that the national and local economies are at full employment, the “U6 Rate” is a broader measure of unemployment which includes part time workers who want full time jobs and those too discouraged to search for employment. As of July 2017, this rate was 8.9%. If the economy remains strong, many expect the overall rate of unemployment to be positively affected by an anticipated labor shortage in the second half of this decade (2015-2020) due to the retiring of “baby boomers” and the expectation that there will be an inadequate number of new workers to take their place.

Household Income

An important measure of an area’s economic health is its income characteristics. One component of an area’s income is its median household income. A summary of each borough, the City and the State median household incomes is as follows.

Median Household Income									
Area	1990	2000	Percent Change	2010	% Change	2016	% Change	2021	% Change
	Median Household	Median Household		Census	2000-2010	Median Household	2010-2016	Median Household	2016-2021
United States	\$30,099	\$42,253	40.4%	\$51,362	21.6%	\$54,149	5.4%	\$59,476	9.8%
State of New York	\$33,029	\$43,643	32.1%	\$55,267	26.6%	\$58,196	5.3%	\$65,431	12.4%
New York City (5 Boros)	\$31,672	\$41,248	30.2%	\$53,583	29.9%	\$52,861	-1.3%	\$58,818	11.3%
Manhattan	\$32,306	\$47,306	46.4%	\$72,695	53.7%	\$74,300	2.2%	\$84,375	13.6%
Brooklyn	\$25,781	\$32,509	26.1%	\$42,903	32.0%	\$45,575	6.2%	\$51,432	12.9%
Queens	\$34,316	\$42,960	25.2%	\$54,341	26.5%	\$56,888	4.7%	\$63,609	11.8%
Bronx	\$22,015	\$27,947	26.9%	\$32,892	17.7%	\$34,343	4.4%	\$32,363	-5.8%
Staten Island	\$43,943	\$55,516	26.3%	\$65,085	17.2%	\$75,812	16.5%	\$83,711	10.4%

Source: ESRI; compiled by Appraisers and Planners, Inc.

While the cost of living in New York State and City is high, the indicated median household income for the State and City is also high. As illustrated in the previous table, the State of New York has a median household income that is higher than both the City and national average. The most recent data revealed that Staten Island has the highest median income of the five boroughs, followed by Manhattan, Queens, Brooklyn and the Bronx. Median income in New York City increased by 29.9% in years 2000 through 2010, an average increase equating to 2.9% per annum. Five year projections indicate an average per annum increase in the median income for the City of 2.3%.

Manhattan has historically experienced the largest gains in household income, exceeding the Nation, State, and other city boroughs. This trend is expected to continue over the next five years with Manhattan's median income anticipated to increase in years 2016 through 2021 by an overall percentage of 13.6%. Projections for 2021 expect that Manhattan's median income will increase to \$84,375, exceeding the Nation's median income level by 41.93% and the State's median income by 28.9%.

Tourism

New York City, in particular the Borough of Manhattan, is the leading domestic and international tourist center in the United States and tourism has been a significant economic force in the City's recovery. In 2016, the City's tourism data revealed another record breaking year with a new record high of 60.3 million tourists, marking the seventh straight year of increases in the number of tourists visiting the City as seen below:

New York City Tourism / Visitation Statistics					
Period	Visitor Spending	Domestic	International	Total	Annual Change (%)
2016	\$43.0 B	47.6 M	12.7 M	60.3 M	3.0%
2015	\$42.2 B	46.2 M	12.3 M	58.5 M	3.4%
2014	\$41.2 B	44.5 M	12.0 M	56.5 M	3.9%
2013	\$38.8 B	42.8 M	11.5 M	54.3 M	2.9%
2012	\$36.9 B	41.8 M	10.9 M	52.7 M	3.4%
2011	\$34.5 B	40.3 M	10.6 M	50.9 M	4.1%
2010	\$31.5 B	39.0 M	9.8 M	48.8 M	

Source: NYC & Company Research & Analysis, compiled by Appraisers & Planners, Inc.

Many factors have contributed to the increase in tourism over the past decade, including, among others, the establishment of *NYC & Company*, a quasi-public/private organization which was specifically created to promote New York City tourism, a dollar that has historically been weak against the Euro, the significant growth in hotel rooms, and the City's enhanced reputation as a safe place to visit. The 2016 direct visitor spending figures were reported to be \$43.0 billion, an increase of 1.9% over 2015 tourist spending of \$42.2 billion. As of the date of value, it is unclear how recent domestic and international political shifts such as Brexit may affect the pound and the euro relative to the dollar, however City economic analysts and local officials anticipate that the number of tourists visiting the City each year will continue to expand, as this sector is expected to make a significant contribution to the local economy into the foreseeable future.

Economic Projections

In November of 2016, Donald Trump was elected the 45th President of the United States of America. Due to a lack of experience in terms of governmental policy, there is uncertainty in terms of how his tenure as president will affect various social and economic sectors in New York. Promises made during the campaign portend that this presidency will prioritize American manufacturing jobs, infrastructure spending and the preservation of current pro-development tax programs. Based on Donald Trump's history as a commercial real estate developer and investor, industry professionals are optimistic regarding the continued health of the Real Estate industry.

A May 2017 report issued by the New York City Comptroller has indicated a stabilizing of the local economy in 2016 and into the beginning of 2017. The report states that, "The City's economy started the year on a solid note and outperformed the nation in the first quarter of 2017. The City's job market was strong and there was an increase in average hourly earnings. However, the residential and commercial real estate markets were mixed and venture capital investment continued to decline."³ Despite the strong labor market and rising incomes, which indicate continued expansion, there were some signs of softness in the first quarter. Venture capital investment experienced its fourth consecutive quarter of year-over-year decline. And despite the increase in commercial leasing in Manhattan, the vacancy rate also increased in 1Q17. The residential market was mixed. Prices and the number of apartments sales increased in Manhattan, Brooklyn, and Queens in 1Q17 from 1Q16, but the number of sales in Manhattan increased only 0.5 percent. However, supply and days on market has increased, as have listing discounts for both rentals and for-sale units.

Most New York City economists and real estate analysts anticipate that the local economy will continue to grow, albeit modestly, and that real estate markets throughout the City will remain fairly strong and stable. The Federal Reserve Board voted to raise its key rate to 0.75% in December 2016 for only the second time since the financial crisis of 2008 and rose the rate again 0.25% to 1.00% at the March 2017 meeting of the Fed Board. As of the writing of this report, the Fed again raised the

³ NYC Quarterly Economic Update found at www.comptroller.nyc.gov

key rate by 25 basis points at the June 2017 meeting. This reflects a belief that the economy has strengthened and can support these increased rates.

Despite the economic confidence displayed by the Federal Reserve, there appears to be a growing consensus that the significant rate of appreciation that has recently occurred in the residential and commercial real estate sectors has begun to subside. Further interest rate increases are expected to be made throughout 2017 which will likely increase capitalization rates which could put negative pressure on property values. In addition, there is evidence that current rents and asset values in the City's real estate markets have most likely hit their peak. Overall sales volume has decreased, according to Cushman & Wakefield's Year-End 2016 Manhattan Property Sales Report, as 765 properties were sold in 2016, down 29.8% from 2015. This trend continued into the first quarter of 2017 as only 22 development sites comprising \$322m transacted. The total dollar volume marks a 68% decrease year-over-year. Although residential and commercial base rents have yet to decrease, many residential and commercial property owners have indicated that average effective rents have dropped in 2016 as concessions and marketing times have increased as landlords attempt to fill vacancies or renew existing tenants.

The most evident decline is in the market for development sites as the dollar volume of land sales has decreased by 74% and the number of overall transactions is down 47% since this time last year. The sharp decline in land sales and is thought to be partially attributed to the expiration of the popular 421-a tax incentive program. However, as of the date this writing, a replacement incentive program known as "Affordable New York" has been signed into law by Governor Andrew Cuomo. The immediate impacts of Affordable New York are already being felt. In the first quarter of 2017 the NYC Department of Buildings approved 6,343 new residential units, the most authorized in a single first quarter since 2007 when 7,264 units were approved.

GOVERNMENTAL FORCES

The City of New York is governed by the Mayor and the City Council. Each borough has a Borough President and Council persons who represent individual districts within each borough. Local city officials implement land use policies through the Department of City Planning and City Planning Commission. Most proposed projects must also be reviewed by the Community Boards, and/or Borough Boards. The City of New York provides public transportation, schools, health care, police, and fire protection.

Uniform Land Use Review Procedure - ULURP

Governmental forces directly impacting the subject air rights and the proposed development for 601 West 29th Street include the undertaking a rezoning and other actions through a process known as The Uniform Land Use Review Procedure (ULURP). According to the NYC Department of Planning, "ULURP is a standardized procedure whereby applications affecting the land use of the city would be publicly reviewed. The Charter also established mandated time frames within which application review must take place. Key participants in the ULURP process are now the Department of City Planning (DCP) and the City Planning Commission (CPC), Community Boards, the Borough Presidents, the Borough Boards, the City Council and the Mayor."

ULURP can proceed in 215 days or less, or just over seven months, from Certification. However, depending on the size and complexity of the application, and the nature of the action, the pre-certification period may be relatively extensive. It is explicitly assumed in the hypothetical condition of this appraisal that the approvals for ULURP have been granted to 601 West 29th Street as of the date of appraisal, facilitating the transfer of air rights to be incorporated within the development.

New York City Rent Regulations

Rent Stabilization: The rent stabilization laws apply to most housing available for rental in buildings containing six or more dwelling units. Exemptions to the rent stabilization regulations include apartments not occupied by the tenant as the tenant's primary residence and units subject to rent control. An additional exemption to the rent stabilization laws was created in the mid-1990s when the New York State legislature voted to allow apartments to be de-controlled (no longer subject to stabilization regulations) when a tenant's income exceeds \$175,000 per annum for two consecutive years and the monthly rent amounts to \$2,000 or more, or when a vacancy occurs in an apartment rented for \$2,000, or more per month. In 2011, this exemption was amended wherein the Rent Act of 2011 raised the monthly rent threshold from \$2,000 to \$2,500 per month and the annual income requirement from \$175,000 to \$200,000. Most recently, in July 2015, the monthly rent threshold was again increased from \$2,500 to \$2,700 per month.

The rent stabilization laws provide a broad range of rights to tenants and have historically limited the ability of owners to collect rents commensurate with fair market rates. Tenants in rent stabilized apartments must be offered the right to renew their leases for periods of one or two years, except under a narrow range of circumstances. Rent increases for rent stabilized apartment units are set annually by a Rent Guidelines Board, a group appointed by the Mayor of New York City which tends to seek to balance the competing interests of owners and tenants. Mirroring the prior year increases, the board recently voted for no increases for one year leases while two year leases are allowed a 2.00% increase. These percentage rent increases apply to leases that are renewed between October 1, 2016 and September 30, 2017. Landlords are also permitted a statutory vacancy increase allowance of 18.0% for new one year leases and 20.0% for new two-year leases; if the prior tenant was paying a preferred rent than the permitted increases to the legal regulated rent may range from 5.0% to 20.0%; in addition, the landlord may be entitled to certain increases in rent related to the cost to upgrade the apartment unit, if the landlord so chooses to renovate.

Over the past ten-year period, between 2006 and 2016, the rent increase permitted for one year leases has averaged 2.35% per annum and 5.05% per annum for two year leases. More recently, over the past five-year period, the average percentage increase for one year leases was 1.40% and 3.69% for two-year leases. We note that over the many years that these regulations have been in place rental increases have resulted in legal rents that in some instances surpass market rent levels. A monthly rent for a stabilized unit that is below the legal regulated rent is considered a preferential rent. Preferential or preferred rentals occur when the legal rents for stabilized apartment units are greater than market rent levels. As of 2003, a preferential rent terminates upon vacancy or renewal at the option of the landlord i.e. the landlord may offer the tenant a one or two-year lease at the legal rent plus the corresponding permitted increase for that year. Not barring any other contract or provisions of the stabilization laws, the landlord is required to paint the residential units every three years.

Rent Control: Rent control laws apply to units in buildings constructed before 1947 whose tenants were in occupancy since early 1971. Rent control tenants do not have leases; their occupancy rights are statutory. As long as an owner of rent controlled apartments meets certain maintenance requirements and participates in the Maximum Base Rent program, collectible rents may be increased at the rate of 7.5% annually until the maximum base rent is achieved. Upon the vacancy of a rent control tenant, the apartment becomes decontrolled and if applicable becomes subject to the rent stabilization regulations. Within the City of New York, both rent stabilization and rent control is administered by the New York State Department of Housing and Community Renewal (“DHCR”).

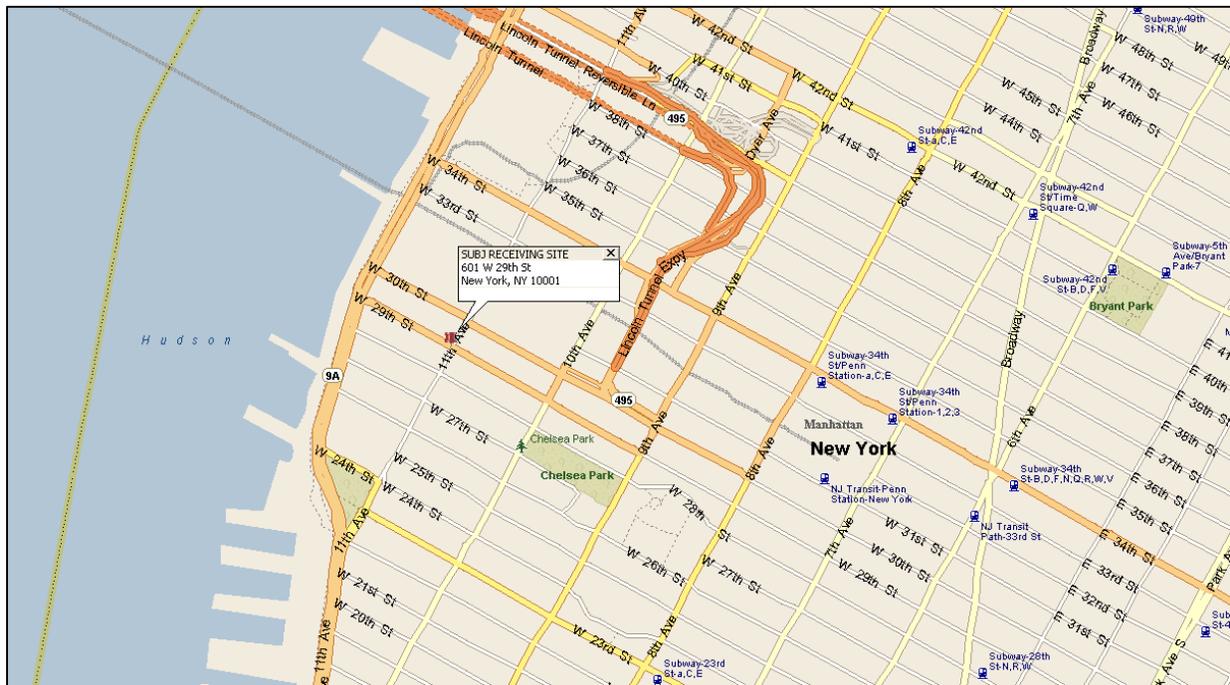
Conclusion

Population growth, household formation, and median income trends in New York City are all positive. City economists anticipate that the local economy will continue to expand through 2020, which would represent a 10-year economic expansion, the longest economic expansion without a recession in the City's history. Likewise, many economists believe that the national and local economies will continue to strengthen into the near future, although the optimistic projections have been tempered by the reality that the largest areas of job growth are occurring in lower paying industries, further exacerbating the dichotomy between the City's very wealthy residents and its less affluent working, middle class and poorer populations. The current political and economic uncertainty in America and abroad, given the recent presidential election and Brexit vote could affect economic conditions on a local, national and international level. The recent decision by the Federal Reserve Board voted to raise rates for only the second time since the financial crisis of 2008 would suggest that there is confidence in the economy, however upward movement in capitalization rates could decrease property values unless this is offset by stronger growth in rental rates. However, New York City has proven to be one of the most resilient economies in the Country and barring an unforeseen downturn, it is anticipated that the City's economy will continue to expand, albeit at a slower pace, which bodes well for the City's local real estate markets.

LOCATION ANALYSIS

General

The subject is located at 601 West 29th Street/301-309 11th Avenue, straddling the border of the West Chelsea and Hudson Yards neighborhoods of the Borough of Manhattan, City and State of New York. West Chelsea is the area generally bounded by Tenth and Eleventh Avenues between West 16th and West 30th Streets, whereas Hudson Yards is the area generally considered to be bound by West 30th Street, West 42nd Street, Eighth Avenue and the Hudson River Park. Nearby neighborhoods include The Meat Packing District directly to the south of West Chelsea, Hells Kitchen/Clinton to the north and Penn Plaza, the Garment District and Chelsea to the east. The subject property and surrounding area is mapped as follows:



The subject's neighborhood was historically an industrial area which was largely improved with industrial buildings, single- and multi-story storage buildings, commercial lofts, warehouses and vacant lots. In recent years, this district has been revitalized with many redevelopment projects, as the area was designated and rezoned in 2005 as the Special West Chelsea District, permitting new residential and commercial development in conjunction with the restoration of the High Line Park. The West Chelsea district is a mixed-use area improved with many new residential and commercial developments. It is well known for its Gallery District, and the High Line Park, as well as for its proximity to the Meatpacking District, all of which are major draws for pedestrian traffic.

High Line Park

In 1999, Friends of the High Line was founded to advocate for the High Line's preservation and reuse as public open space. After drawing attention to the potential uses available for the High Line, in April

2002, Mayor Bloomberg announced that the City would undertake a four-month feasibility study of the potential reuse of the High Line as a public open space. Following the feasibility study, in April 2003 the High Line redevelopment was endorsed by the Bloomberg administration as a part of its tentative plans for the redevelopment of the far West Side. In October 2003, Mayor Bloomberg unveiled a special redevelopment area around the High Line, which became the Special West Chelsea District. The rezoning was to encourage residential development, encourage preservation of low-lying galleries and warehouses and preserve open views of what was to become the High Line Park. In December 2005, CSX donated the High Line to the City of New York and construction of the first segment of the High Line Park began in April 2006. In May 2007, plans were unveiled for a 26-acre complex of residential and commercial towers atop the Hudson Rail Yards, which include a possibility of retaining the High Line on the site. On June 8, 2009, the first section of High Line opened, followed by the commencement of construction on Phase 2. Phase 2, from West 20th Street to West 30th Street opened on June 8, 2011, two years after the opening of Phase 1. On September 21, 2014, the third phase of the park opened to the public. This phase wraps around the main Hudson Yards Development to 34th Street.

The High Line project aims, among other things, to connect the Hudson Yards Development with West Chelsea and the Meatpacking District, making these areas fully accessible for office and residential uses. According to the website Related Development,⁴ “Growth can be attributed to the success of the High Line which has spurred \$2 billion of private investment, 12,000 new jobs and 29 development projects since opening in June 2009.” The High Line has been a powerful catalyst for new development, with nearly all soft sites along the High Line under development or planned for redevelopment. According to the New York City Economic Development Corporation (NYCEDC),⁵ as of September 12, 2016, “Since the rezoning, a total of 1,374 new housing units—132 of which are affordable units—and just under 500,000 square feet of commercial office space were completed or put into construction from Gansevoort Street to 30th Street. A total of 33 new housing, commercial, retail, non-profit and gallery projects are completed, in construction, or in the planning stage as a result of the new economic development opportunities provided by the High Line.”

Hudson River Park

In addition to its location near the High Line Park, the subject property benefits from close proximity to several other public park areas along the western border of Manhattan. The Hudson River Park is a 550-acre public park which borders along the Hudson River from West 59th Street south to Battery Park. Improvements include bicycle and pedestrian paths, tennis courts, soccer fields, batting cages, children’s playground, dog run, recreational piers, and many other features. Chelsea Piers, located along the Hudson River at West 23rd Street, is a 1.7 million square foot world class sports and entertainment arena open year round to the public. Plans for additional redevelopment of the City’s piers (40, 57 and 54) are also underway, with Google signing on to occupy the office space at Pier 57, and Anthony Bourdain scheduled to take space at this

⁴ <http://www.hudsonyardsnewyork.com/the-story/new-west-side>.

⁵ <http://www.nycedc.com/project/high-line>.

development. Other recent commercial developments include the redevelopment of 48-74 Gansevoort Street into three main lots comprising almost 111,000 square feet of commercial space improved with office and retail tenants.

Special Hudson Yards District

Another factor influencing the value of the subject receiving development, and property values in West Chelsea as a whole, is the development of the Hudson Yards neighborhood. The Special Hudson Yards District is currently under construction with approximately a \$20 billion project that includes infrastructure and individual property development. It is reported that Related Development/Oxford Property’s Hudson Yards core development is the largest private real estate development in the country. The development will include office towers, a hotel, nine apartment houses, a cultural center, a school, and parkland. The main component covers 28 acres of land, much of which includes exposed, below grade railroad tracks that link Pennsylvania Station with Amtrak, New Jersey Transit, and the Long Island Railroad. It is bounded by Tenth and Twelfth Avenues and West 30th and West 33rd streets, and encompasses the northernmost section of the High Line. Related and Oxford have since expanded the footprint of the core development to include 50 and 55 Hudson Yards, which sit on the block bounded by 11th Avenue, 10th Avenue, West 33rd Street and West 34th Street. Hudson Boulevard divides the two properties. This area, and the surrounding blocks, has also been rezoned to provide opportunities for substantial new office and hotel development to reinforce existing residential neighborhoods and encourage new housing on Manhattan’s Far West Side.

Map of Hudson Yards Development Plan



Summary of Related Development Hudson Yards Development – Eastern Rail Yards and Surrounding Properties

Core Hudson Yards Development	Developer	Planned (Completed) Development	Estimated Delivery	Notes/Tenants
10 Hudson Yards	Related Development / Oxford Properties	52-story 1.8 million square feet office with retail. Building has direct access to High Line and was first completed office in Hudson Yards complex	Delivered May 2016	Coach, Inc., L'Oréal USA, SAP, The Boston Consulting Group, VaynerMedia, Intersection and Sidewalk Labs
30 Hudson Yards	Related Development / Oxford Properties	90-story, 1,296', under-construction, 2.6 million square foot office, organized as a condominium. Building is fully committed.	2019	Time Warner Inc., including CNN, HBO, Turner Broadcasting and Warner Bros. acquired approx 1.5 million sq. ft. KKR, Wells Fargo and DNB will occupy balance of building. Related Companies and Oxford Property Group will also occupy space here.
15 Hudson Yards	Related Development / Oxford Properties	88-story, mixed-use building with access to Culture Shed, 285 condominium units.	2018	Condominiums ranging from one to five-bedrooms. Current asking prices range from \$2,465 per sq. ft. up to \$4,090 per sq. ft. and average \$3,300.
35 Hudson Yards	Related Development / Oxford Properties	72-story, 1,000' 1.1 million square foot tower with 137 apartments, retail, and office space and a 200+ room Equinox branded hotel	2019	Pricing and configurations for apartment units not available.
50 Hudson Yards	Related Development / Oxford Properties	985', 62-story, 2.9 million square foot office tower. Building will have direct subway access.	2022	Tenants include BlackRock, which has committed to 850,000 square feet at a reported annual base rent of \$50.8 million. Morgan Stanley is considering purchasing portion of building.
55 Hudson Yards	Related Development / Oxford Properties and Mitsui Fudosan	51-story, 760' 1.5 million square foot office tower with retail.	2018	Tenants include Milbank, Tweed, Hadley & McCloy; Cooley LLP, Boies, Schiller & Flexner; Intercept Pharmaceuticals; Point 72 Asset Management; Market Axess and others.
Shops at Hudson Yards	Related Development / Oxford Properties	1,000,000 vertical shopping center featuring retail, restaurants and Neiman Marcus. Shops connect directly to 10 and 30 Hudson Yards.	2018	Over 100 stores and restaurants including H&M, Zara, Banana Republic, Coach, Jo Malone and others. Restaurants by David Chang, Thomas Keller, Jose Andres and others.
Culture Shed	Related Development / Oxford Properties	200,000 square foot expandable performance and exhibit space located at the base of 15 Hudson Yards. The hall can accommodate an audience of 1,200 seated or 2,700 standing	2019	To be permanent home of New York Fashion Week, and can host live performances, art exhibitions and other interactive programming.
Public Square	Related Development / Oxford Properties	The Vessel is the centerpiece, with 2,500 steps and 80 landings.	2018	Designed by Thomas Heatherwick and will sit in front of the Shops. The installation will be surrounded by public open space and the retail pavilion, with connection to Hudson Boulevard.

Additional Infrastructure and Government-Led Projects

The Hudson Yards District was created to transform the area into a mixed-use extension of Manhattan’s Central Business District. Working together, City, State and the MTA envision significant residential components and new municipal facilities. In facilitating the development of the neighborhood, developers have been offered an assortment of incentives, such as Payment in Lieu of Taxes, (PILOT), Payment in Lieu of Mortgage Recording Taxes (PILOMRT), NYCIDA Uniform Tax Exemption Policy (UTEP) benefits and other programs. To date, public infrastructure investment in the immediate neighborhood has included:

-Completion of the aforementioned High Line Park

-Ongoing development of Hudson Boulevard and Park Hudson Park & Boulevard, an approximately 4 acre system of broad tree-lined parks and open space, will run between 10th and 11th Avenues from West 33rd to West 39th Streets. The Park will extend from West 33rd to West 39th Streets. The Boulevard will extend from West 33rd to West 38th Streets on the east side of the Park and from West 35th to West 38th Streets on the west side, and will be approximately 30 feet wide. The Park & Boulevard will be built in two phases. The first phase presently under construction, is located between West 33rd and West 36th Streets. The second phase, located between West 36th Street and West 39th Street, is also under construction.

-The Extension of the No. 7 Subway Extension, with two entrances in the Hudson Park & Boulevard. The principal entrance is located between West 33rd and West 34th Streets and a second entrance is located in the Park between West 34th and 35th Streets. New commercial buildings such as Tishman Speyer’s development at 509 West 34th Street and The Moinian Group’s development at 3 Hudson Boulevard are to be constructed along the Park and Boulevard will also have entrances on the Boulevard. Phase one of the Park & Boulevard opened with the No. 7 Subway in July 2015.

Additional infrastructure development is planned to support the neighborhood. A summary of the planned public projects in the neighborhood are presented below:

Address	Developer	Planned Development	Estimated Delivery	Notes
Infrastructure				
Javits Center Expansion	NYS - Turner and LendLease	500,000 sq. ft. expansion of existing convention center.	2021	27 new loading docks, 90k sq. ft. of new exhibit space, 45k sq. ft. meetin space, 55k sq. ft. ballroom, roof terrace for 1,500 people and new back of house
Moynihan Station	NYS - Vornado and Related Development	255,000 sq. ft. train hall with 70,000 sq. ft. of commercial, retail and dining space.	2020	From main hall, passengers will have access to nine (9) platforms and 17 tracks and subway.

Other Commercial Development

The Hudson Yards development and neighborhood rezoning has spurred an assortment of mixed-use projects in the blocks north and east of the core project. A summary of some of the planned developments is presented in the table below and on the following page. The developments are separated by hotel and other office and mixed-use projects.

Address	Developer	Planned Development	Estimated Delivery	Notes
Hotel				
545 West 37th Street	Chetrit Group	46-story retail, hotel and residential tower	2020/2021	Mixed-use tower with planned 358 hotel rooms and 131 residential units.
450 11th Avenue	Marx Development Group	42-story hotel and retail development	2019	3,000 sq. ft. retail under 440 hotel rooms
470 11th Avenue	Kuafu and Siras Development	Stalled mixed-use hotel and residential condominium site	n/a	160 hotel suites and 15 condominiums in 47 stories contemplated
360 10th Avenue	McCourt Global	Stalled mixed-use hotel development	n/a	733,000 square foot residential and hotel development with connection to High Line park
461 West 34th Street	Marx Development Group	399-room hotel flagged with a Marriot Courtyard	2017	29-story hotel with retail at grade

Address	Developer	Planned Development	Estimated Delivery	Notes
Office				
3 Hudson Boulevard	Moinian Group	1.8 million square foot office building with retail	2019	66-story development with direct access to subway station and Hudson Boulevard and park
1, 2 and 5 Manhattan West	Brookfield Properties	Total of 5.7 million square feet of office and retail. 16-story renovated building, 62-story new development and 67-story new development	2019 and 2021	Five Manhattan West (16 stories) has been delivered with One (67 stories) and Two (62 stories) to be delivered in Q3 2019 and 2021, respectively.
441 9th Avenue	Cove Property Group/Baupost	423,000 sq. ft. office building to be vacated and expanded by 210,000 sq. ft.	n/a	Development may also include conversion of portion of the property to retail uses.
66 Hudson Yards	Tishman Speyer	2.8 million square foot, 65-story office and retail building	n/a	Designed by Bjarke Ingels, this project is the full block of West 34th, West 35th, 10th Avenue and Hudson Boulevard
550 West 37th Street	Tishman Speyer	1.7 million square foot office tower	n/a	Fronting along Hudson Boulevard

DEMOGRAPHICS

In order to identify and analyze the demographics of the local area, we have relied on information obtained from demographic research firm, Environmental Systems Research Institute (ESRI), which is a subscription service providing radius reports, radius maps, market reports, market maps and market ranking reports using current data, census data, and five year projections. We have requested a demographic profile based on the subject’s neighborhood of West Chelsea. The neighborhood boundaries were drawn utilizing ESRI’s interactive map, with borders we selected.

Although the ULURP has not been completed as of the date of appraisal, we have employed a hypothetical condition in this valuation that the proposed Rezoning has been granted through a successful ULURP as of the effective date of appraisal. Therefore, the receiving site is able to incorporate the air rights purchased from HRPT into the development as of the date of value. According to the client and NYC DCP, the projected build year of the receiving site development is 2022, but because no ULURP timeline is assumed, this valuation utilizes a protracted development timeline, and a build year of 2021. Therefore, our demographic analysis employs 2016 data, the most recent full-year data available, and five-year demographic projections for year 2021.

The borders of the neighborhood are shown below:



Population and Households

Historical trends for population and household data in Manhattan and within the West Chelsea neighborhood are summarized as follows:

Population Statistics					
Area	Census			Projected	
	2010 Population	2016 Population	% Change From 2010	2021 Population	% Change From 2016
Manhattan	1,585,873	1,651,162	4.1%	1,708,835	3.5%
West Chelsea	1,876	2,562	36.6%	3,042	18.7%

Source: ESRI

Within the past five years, these statistics indicate that the subject area’s population has increased at a significantly greater pace than the borough of Manhattan at large. Population projections for 2021 indicate similar trends, with substantially greater projected growth in the subject area. New developments and redevelopments in the West Chelsea District began in 2005, when the area was rezoned to allow for new development of mixed-use, residential, and commercial condominiums. As discussed, numerous residential developments are currently under construction and/or planned in West Chelsea and the High Line, as well as in the Hudson Yards. The growing trend in population is anticipated to continue in the near term.

Household Statistics					
Area	Census			Projected	
	2010 Households	2016 Households	% Change From 2010	2021 Households	% Change From 2016
Manhattan	763,846	794,362	4.0%	821,856	3.5%
West Chelsea	1,041	1,376	32.2%	1,648	19.8%

Source: ESRI

The number of households in the subject area has also followed this growth trend. As noted, household development began in 2005 in the subject’s market. There was a 32.2% increase in households from 2010 through 2016 in the subject area, indicating an annual growth rate of 5.4% per year. Five-year projections of numbers of households in the subject zip code indicate an increase of 19.8%, an annual increase of 4.0% per year. The influx of population has been coupled with the creation of thousands of housing units, with thousands more planned. It is anticipated that this number will increase as future plans are developed for the remaining vacant sites.

Income

Another important measure of an area’s economic health is its income characteristics. A household consists of all the people occupying a single housing unit. While individual members of a household purchase goods and services, these purchases actually reflect household needs and decisions and levels of disposable income. Thus, the household (and subsequently, income) is one of the critical units to be considered when reviewing market data and forming conclusions about the demographic

impact on any real property. The areas' per capita income and median household income is summarized as follows:

Median Household Income			
Area	Projected		% Change From 2014
	2016 Income	2021 Income	
Manhattan	\$74,300	\$84,375	13.6%
West Chelsea	\$135,539	\$154,476	14.0%

Source: ESRI

Household income for the local area is projected to continue to increase over the next five years. Per capita income levels have experienced the same trends in both areas as well. 2010 income data was not available for the defined area. Five-year projections call for significant increases in both median and per capita incomes in the local area, far outpacing Manhattan. New York City is considered an affluent area when compared to national data; therefore, the significantly higher income levels of the local area are indicative of a concentration of wealth within the subject's local area. This is due in large part to the concentration of new luxury development within the defined West Chelsea neighborhood.

Per Capita Income			
Area	Projected		% Change From 2014
	2016 Income	2021 Income	
Manhattan	\$61,286	\$66,305	8.2%
West Chelsea	\$122,367	\$133,092	8.8%

Source: ESRI

The demographics of the subject area indicate a developing neighborhood with strong growth in terms of increasing population, household formation, and income levels. Further, these growing trends are projected to continue to increase into 2021. Overall, the demographics continue to support new development within the subject's market area. The influencing factors of the High Line Park, Hudson River Park, West Chelsea rezoning, development of the Hudson Yards, and the redevelopment occurring within the Meatpacking District have created a confluence of investment activity in the subject area and drawn attention to neighborhoods that were not previously destinations for either residents, commercial tenants, tourists or developers. With the intersecting factors involved, the subject location has greatly benefitted from the rezoning, repurposing of the High Line Park, and the redevelopment of the bordering neighborhoods.

The increased affluence in the neighborhood, coupled with the area's high popularity with tourists has continued to attract attention to West Chelsea and the Meatpacking. The rising demand for space in the neighborhood, and other influencing factors of the area serve to benefit the subject property, especially given the planned uses of office, retail and recreation spaces.

Subject Block and Neighboring Projects

The subject property is an "L"-shaped parcel located on the westerly block-front of 11th Avenue, with frontages on West 30th Street and West 29th Street. The subject property's block contains non-residential uses, including open parking, office, storage and industrial. Abutting the subject site to the west is a small lot, and beyond this lot is a lot owned by Lalezarian Properties, which contemplates a rezoning, purchase of Air Rights from Hudson River park and eventually construction of a luxury rental development.

As part of the Gateway Tunnel project, there is a planned "cut and cover" of West 30th Street, along the subject's West 30th Street frontage. According to documentation we have been provided, this project is anticipated to occur between 2020 and 2022 and will last for 24 months. During which time, the proposed development will have been recently completed. In our valuation of the proposed development, we have considered the impact on occupancy created by the nuisance of the road construction.

The contemplated subject development and Lalezarian's development on the subject block are a representation of the number of ongoing and planned residential developments in the subject neighborhood. The table below illustrates some of the proposed developments in the neighborhood.

New and Planned Residential and Commercial Development in West Chelsea / Hudson Yards

Address	Developer	Planned Development	Estimated Delivery	Notes
Residential/Mixed Use				
514 11th Avenue/540 West 41st	Silverstein Properties	600,000 sq. ft. condo tower and 1 million sq. ft. office tower	2020	Subject to ULURP approval. Initial development envisioned 1,400 units in a 1,000'+ tower
480 10th Avenue	Clinton Housing Development Company	18-story, 98-unit affordable rental units in a mixed-use building with 74-seat theater	2020	
517 West 35th Street - 451 10th Avenue	Related Development/Spitzer Enterprises	1.4 million office, retail and residential development	2025 (all phases)	Development team applied for zoning text amendment to allow phased development, with residential portion first
530 West 30th Street / 1 Hudson Yards	Related Development	174-unit luxury rental tower	2Q 2017	One- to Three-bedroom units starting at \$5,095 per month
507 West 28th St., Maestro Complex	Lalezarian	375-unit, luxury rental development with 20% affordable units. Units range from studios to two-bedrooms	2017	Leasing has commenced for luxury units with average asking rents ov \$100 per square foot, before concessions.
606 West 30th Street	Lalezarian	Proposed rental development with 25% affordable units	2021	Subject to ULURP approval and purchase of air rights from Hudson River Park Trust
170 11th Avenue	Related Development	Proposed 22-story, 140-unit condominium and retail/gallery development in 288,000 sq. ft.	2021-22	Subject to ULURP approval. Related in contract to purchase side for \$200,000,000. Will need to convert affordable units at 535 West 23rd St.
522 West 29th St., Soori High Line	Siras Oriel Development	Recently-completed condominium development featuring 31 units, 16 of which have private pools.	2017	Offering plan projected sellout of \$266m or \$8.6m per unit.
572 11th Avenue	Moinian Group	Proposed 13-story mixed-use retail and residential development	2018	
220 11th Avenue	Moinian Group	Reportedly, last project designed by Zaha Hadid, a 40-unit condominium	2019	
511 West 18th Street	Related Development	10-story and 22-story towers to hold condominiums with retail.	2018/2019	
476 11th Avenue	Rockrose	Applying to rezone to permit 1.4 million sq. ft. of residential and commercial	2020	
76 11th Avenue	HFZ Capital Group	Developing luxury condos and hotel with retail in two towers.	2019	Land purchased for \$870m; adjacent to High Line park. Development over 760,000 ZFA.
515 West 36th Street	Lalezarian	Nearly-complete 251-unit rental tower with commercial and community facility component.	2017	20% affordable units.

Community Facilities

The most notable community facility addition to the West Chelsea market is the Avenues of the World School. It opened its 10-story flagship school in the fall 2012. This school occupies the full block front at 259 Tenth Avenue between West 25th and West 26th Streets, less than one block east of the subject property. It is a private school providing lower, middle, and upper level education. The school has capacity for approximately 1,600 students, 1,320 students in grades pre-school through tenth. Tuition is estimated at approximately \$45,000 per year. This school is projected to be a large driver of demand for family sized units within the subject neighborhood. It has reportedly been very well received and is anticipated to continue to grow internationally as well. Avenues has also signed a lease to expand operations to a new development at 540-544 West 26th Street.

Additional schools planned for the area include a 750-seat school planned for the Western Rail Yards. In December 2016, Success Academy purchased an 88,264 square foot leasehold condominium at 551 10th Avenue from Extell Development for \$67.7 million. The school will open in 2017 and will house a 900 student in grades kindergarten through eighth grade. Anticipated date for full enrollment is 2020.

The Whitney Museum anchors the High Line at Gansevoort and Washington Street and acts as the gateway to the High Line Park and West Chelsea. On May 3, 2015, the new nine-story, 200,000 square foot Whitney Museum opened, nearly 8½ years after signing a letter of intent to acquire the location's site in November 2006. The \$422 million facility was designed by renowned architect Renzo Piano and houses a number of components including 50,000 square feet of indoor gallery space and 13,000 square feet of outdoor exhibition space and terraces overlooking the High Line Park. The museum also includes a gallery for special exhibitions totaling approximately 18,000 square feet. Other spaces in the building include an 8,500 square foot outdoor plaza, an education center, and a 170-seat theater.

Transportation

The subject location has adequate access to public transportation, although the far west side is not known for its access to subways, although the addition of the 7 line extension has alleviated some of the pressure on commuters. Although somewhat distant to the subject, both the 1 and C/E lines run to Pennsylvania Station at 34th Street which is a major transportation hub for commuters for the Long Island Railroad and Amtrak train service. The M34 Crosstown bus runs regularly across West 34th Street and the M11 bus runs north on Tenth Avenue and south on Ninth Avenue. Additional transportation includes ferry service, which currently has a stop on at Pier 79 on West 39th Street.

Conclusion

The subject property is located in a developing neighborhood with many projects currently under construction and/or planned. Over the last decade, large and moderate mixed-use, mid-rises and high-rises have been developed in and around West Chelsea, with a significant increase in pace since 2005, following the City's rezoning to encourage residential construction. Tenth and Eleventh Avenues, above 14th Street, have seen a major transformation of new mixed-used developments of commercial and luxury residential buildings, making West Chelsea one of the most desirable areas in the City. We note that all properties in West Chelsea should benefit from new developments between the Meatpacking District to the south and the Hudson Yards District to the north. The subject is also very well located at the northernmost portion of West Chelsea, near Hudson Yards and the High Line Park. Overall, the West Chelsea District in Manhattan is currently one of the most vibrant areas in the city. The neighborhoods' extensive re-development has begun to meet demand for both residential and commercial properties. We project that this trend will continue in both the short and long term.

RESIDENTIAL MARKET ANALYSIS

The subject air rights are to be included as part of 62-story, luxury rental development with an affordable component and will be a positive addition to the existing and planned housing stock in the area. New York City residential market is the largest housing market in the United States. It is composed of a complex and diverse group of properties, from single family townhouses, low rise walk-up buildings, low to moderate income high rise buildings, luxury high rise towers and converted office buildings for multi-tenant use. According to the Initial Findings of the 2014 New York City Housing and Vacancy Survey (NYC HVS), there are over 3.40 million housing units in the City's five boroughs. This represents the largest housing stock in New York City since 1965. The following chart depicts New York City's housing inventory.

New York City Housing Inventory 2005-2014					
Inventory:	2005	2008	2011	2014	% Change 11-'14
Owner Units:					
Owner Occupied	1,010,370	1,019,365	984,066	1,015,299	3.2%
Vacant For Sale	21,410	26,588	30,875	17,926	-41.9%
Total	1,031,780	1,045,953	1,014,941	1,033,225	1.8%
Rental Units:					
Renter Occupied	2,027,626	2,082,890	2,104,816	2,108,838	0.2%
Vacant For Rent	64,737	61,762	67,818	75,458	11.3%
Total	2,092,363	2,144,652	2,172,634	2,184,297	0.5%
Vacant Units Not Available	136,712	138,043	164,467	182,571	11.0%
Total Housing Units	3,260,855	3,328,648	3,352,042	3,400,093	1.4%
Total Vacant Units	222,859	226,393	263,160	275,955	4.9%

Source: U.S. Bureau of the Census and New York City Housing and Vacancy Surveys

According to the 2014 NYC HVS, there was a 1.4% increase in the entire inventory for New York City between the years of 2011 and 2014. This is reflective of the increased construction since the Great Recession of 2008. The residential market can be further divided into owner-occupied property and rental property. Owner units represent 30.3% of the total housing units in the City's five boroughs. The rental market is New York City's largest residential category which currently comprises approximately 64.2% of all housing inventory. This ratio is nearly the opposite of the national average, whereby two out of three households are owner-occupied.

Total owner units, both occupied and vacant units, decreased by 1.8% between 2011 and 2014 while total rental units, including occupied and vacant units, increased at a lesser rate of 0.5%. Since 2005, total inventory has increased in owner units by the negligible amount of 1,445 units or 0.14%. Rental units show a different trend, with an increase of 91,934 units, representing and by 4.4% increase in rental units, over the nine year period. The most housing units are located within the Borough of Brooklyn at 29.6%, followed by Manhattan at 25.1%, Queens at 24.8%, Bronx at 15.2%, and Staten

Island at 5.2% of the City's total housing units.

The 2014 NYC HVS showed that Manhattan is comprised of 853,865 housing units, representing 25.1% of all the housing units in New York City. Owner occupied units represent approximately 189,100 units, or 24.8% and renter occupied units represent 572,176 units, or 67% of the total housing units. Single-family home communities are scattered throughout Manhattan in neighborhoods such as Greenwich Village, Upper East Side, Upper West Side and Central and West Harlem as they are interspersed amongst the dense multi-unit housing located throughout Manhattan.

Tax abatement and incentive plans continue to play a large role in shaping New York City's residential housing development, as do zoning laws and designations of historic preservation districts. Additions to the City's housing supply are from new construction, substantial rehabilitations of deteriorated buildings, and conversions from non-residential buildings.

Rental Inventory

New York City's rental market is comprised of free market units and rent regulated units classified as either rent controlled or rent stabilized units. Rent stabilized units comprise the majority (47.1%) of rental units in New York City. Free market units comprise 38.9%, other rental units comprise 12.7% and rent controlled units comprise 1.2% of the City's rental housing inventory. The 2014 NYC Vacancy and Housing Survey results indicate the following breakdown of rental units for New York City:

RENTAL INVENTORY BY RENT REGULATION STATUS						
	2005	2008	2011*	2014	3-Yr Avg % Change	11-'14 % Change
All Rentals Units (occupied and vacant available)	2,092,363	2,144,652	2,172,634	2,184,297	1.3%	0.5%
Rent Controlled (c)	44,317	40,480	37,764	27,039	-12.3%	-28.4%
Rent Stabilized	1,043,677	1,026,839	1,020,727	1,029,918	-0.4%	0.9%
Pre-1947 stabilized	747,332	725,337	767,521	766,296	0.1%	-0.2%
Post-1947 stabilized	296,345	301,503	253,206	263,621	-1.7%	4.1%
Private non-regulated units (a)	697,363	765,399	816,522	848,721	9.5%	3.9%
All other Rental Units (b)	308,007	311,934	297,620	278,618	-3.1%	-6.4%
<i>Sources: Us Bureau of the Census and New York City Housing and Vacancy Survey</i>						
(a) "Private non-regulated" consists of units which were never RC or RS, units which were decontrolled, and unregulated rentals in cooperative or condominium buildings.						
(b) All other rental units includes Public Housing, Mitchell-Lama, In Rem, HUD-regulated, Article 4, Minicipal Loan and Loft Board Units.						
(c) Occupied only						
* 2011 Data was revised.						

The City's rental inventory increased between the years of 2011 and 2014 by 11,663 housing units or by 0.5%. This is an overall decrease compared to the previous years between 2008 and 2011 which increased in rental units by 1.3%. On average, however, the recent three year increase is below the overall three year average of the past fifteen years or 1.3%. Changes to the City's rent regulated units resulted in a decrease of 10,725 rent controlled units from 2011 to 2014. There was an increase of 9,919 rent stabilized units. Although high rent and vacancy decontrol led to the majority of units leaving the rent stabilization program, new developments built with abatement programs are governed under rent stabilization. From 1994 to the present day, there has been a net decrease of 65,915 apartments from the rent regulation system.

Vacancy Rates

New York City's vacancy rates by borough are summarized in the following chart.

NEW YORK CITY VACANCY RATES - BY BOROUGH						
	1999	2002	2005	2008	2011	2014
NYC	3.19%	2.94%	3.09%	2.88%	3.12%	3.45%
Bronx	5.04%	3.29%	2.63%	3.07%	3.23%	3.77%
Brooklyn	3.26%	2.73%	2.78%	2.34%	2.61%	3.06%
Manhattan	2.57%	3.86%	3.79%	2.70%	2.80%	4.07%
Queens	2.11%	1.78%	2.82%	3.32%	3.79%	2.69%
Staten Island	5.82%	2.43%	n/a	6.37%	6.65%	5.50%

Source: U.S. Bureau of the Census and New York City Housing and Vacancy Surveys

According to the 2014 survey, New York City's overall vacancy rate in 2011 was 3.45%, slightly higher than the previous 15 years. Excluding Staten Island which has too few units reported for comparison, the lowest vacancy rate in 2014 is found in Queens (2.69%) with the highest vacancy rate found in Manhattan (4.07%), an increase of 1.27%, while the Bronx recorded an increase to 3.77% over the three year period.

Rent Control and Rent Stabilization

In new buildings that receive a 421-a abatement, such as the contemplate development on the receiving site, even the market rate leases are protected by rent stabilization laws. This also means that rent increases, eviction proceedings, and other steps taken by landlords, are all regulated. Rent control and rent stabilization are under the auspices of the New York State Division of Housing and Community Renewal (DHCR). The main aims of the Regulation Reform Act of 1997 were to limit the number of high income earners that were living in apartments with controlled or stabilized rent and to promote a large increase in low income and affordable housing. The luxury decontrol measure was proposed to significantly reduce the number of apartments held under stabilization when the lessee was able to afford a "market rental" unit. The limitation of rental restrictions was also expected to spur developers and owners into creating more units to be leased at lower levels of rent, therefore providing more apartments at affordable rents. Historical rent increases approved by the Rent Guidelines Board are summarized in the following chart:

RENT GUIDELINES BOARD HISTORICAL ALLOWABLE INCREASES		
YEAR	1 YEAR LEASE	2 YEAR LEASE
2008/09	4.50%	8.50%
2009/10	3.00%	6.00%
2010/11	2.25%	4.50%
2011/12	3.75%	7.25%
2012/13	2.00%	4.00%
2013/14	4.00%	7.75%
2014/15	1.00%	2.75%
2015/16	0.00%	2.00%
2016/17	0.00%	2.00%
2017/18	1.25%	2.00%
10 Yr Average	2.18%	4.68%

As the table illustrates, the allowable increases for rent stabilized apartments with leases that expire as of September 30, 2017 are as follows: rent for a one-year renewal lease is eligible for a 1.25% rent increase. However, rent for a two-year renewal lease can be increased by 2.00%. After a two-year freeze on one-year leases the RGB board agreed to these increases in June 2017. Stabilized leases in 421-a buildings can also be subject to an additional 2.2% rent increase while the property benefits from the 421-a program begin to phase out.

The ten-year average increase for a one-year lease term equates to 2.18% and for a two-year lease term the average is 4.68%, when heat is provided. The increases, established in late spring each year, have become a major politicized event due to the rapidly increasing rents of the unrestricted housing market in the city and the increase in the price index of operating costs over the past.

The Rent act of 2015 provided for these major changes

- **Frequency of vacancy increases:** Effective June 15, 2015, rent increases legally permitted upon vacancy may not be taken more than once in any calendar year (January 1 - December 31).
- **Individual Apartment Improvements:** Effective June, 15, 2015, individual apartment improvements completed in buildings with more than 35 apartments allow the landlord to permanently increase the legal regulated rent by 1/60th of the cost of the improvements (was 1/40th under the prior Rent Law). For improvements done in apartments located in buildings containing 35 or fewer units, passing along 1/40th of the cost of improvements remains unchanged.
- **High-Rent/Vacancy Deregulation:** Effective June 15, 2015, this provision allows for the deregulation of an apartment upon vacancy if the legal regulated rent reaches \$2,700 (up from \$2,500 under the prior Rent Law);

- **High-Rent/High-Income Deregulation:** Effective July 1, 2011, this provision permits, by order of DHCR, upon application by the building owner, the deregulation of an apartment with a monthly legal regulated rent of \$2,700 or more (up from \$2,500 under the prior Rent Law) if household income is in excess of \$200,000 in each of the two preceding calendar years (up from \$175,000 under the prior Rent Law). These new thresholds apply to proceedings commenced in the January 1, 2016.

These laws provide for, among other things, deregulation of high-rent apartments occupied by high-income tenants by order of DHCR in response to the filing of an owner's petition for high-rent/high-income deregulation. Pursuant to the Rent Act of 2015, for deregulation petitions filed with DHCR after June 15, 2015, deregulation will occur for apartments with legal rents of \$2,700 or more per month and which are occupied by households with incomes in excess of \$200,000 in each of the two successive years prior to the filing of the owner's petition. However, apartments are not automatically deregulated under these conditions. For an apartment to be deregulated, an owner must follow specific procedures, which are detailed in the Rent Act of 2015.

In addition, if a tenant lives in a rent stabilized apartment whose rent rises to \$2,700 or more while the tenant resides there, the owner may file a petition for deregulation even if the occupants' total household income is below \$200,000. If that is the case, it is imperative that the tenant respond to all requests for information relating to the petition, for any failure to respond may result in the deregulation of the apartment, even if the income requirements are not met.

Furthermore, the owner is allowed to file a petition annually, and a response by the tenant is required each time, even if the same information was supplied in previous requests.

A rent stabilized apartment which becomes vacant and could be offered at a legal regulated rent of \$2,700 or more per month is no longer subject to rent regulation. For example, if the most recent tenant paid a rent of \$2,300, the owner could, under recent guidelines, legally raise the rent 20% for a two-year vacancy lease, which would increase the new rent to \$2,760. Since the legal regulated rent that could be charged is \$2,700 or more, the apartment is no longer subject to rent regulation, and the owner would be free to charge whatever the market can bear.

Rent Control General Guidelines

The rent control program generally applies to residential buildings constructed before February 1947 in municipalities that have not declared an end to the postwar rental housing emergency. For an apartment to be under rent control, the tenant (or their lawful successor such as a family member, spouse, or adult lifetime partner) must have been living in that apartment continuously since before July 1, 1971. When a rent controlled apartment becomes vacant, it either becomes rent stabilized, or, if it is in a building with fewer than six units, it is generally removed from regulation.

An apartment in a one- or two-family house must have a tenant in continuous occupancy since April 1, 1953 in order to be subject to rent control. Once it is vacated after that date, it is no longer subject to regulation. Previously controlled apartments may have been decontrolled on various other grounds. On rare occasion, a decontrolled apartment is ordered back under rent control as a penalty for certain

violations of the rent laws. Rent control covers about 40,000 apartments occupied largely by an elderly, low income population who have been in occupancy since July 1, 1971 or by their lawful successors. Apartments under rent control become decontrolled upon vacancy. If the apartment is in a building with six or more units it will generally fall under rent stabilization upon vacancy. If in a building with five or fewer apartments it will “go to market,” that is, leave rent regulation and become a market-rate rental. Even if the apartment is in a building with six or more units, and it rents for more than \$2,700 it will be fully deregulated. Whether or not the legal rent has surpassed this \$2,700 threshold may be determined in what is known as a Fair Market Rent Appeal.

For units that are in the rent control program, landlords are permitted a maximum base rent (MBR). The MBR, which is a formula based on a property’s operating expenses and a return on capital, is supposed to ensure that rent from the rent control units is sufficient to cover a building’s operating expenses and provide for enough revenue to allow for building improvements. The MBR is updated every two years.

Occupants of rent regulated apartments are protected by fairly wide-ranging safeguards and benefit from leniency that does not typically extend to a non-rent stabilized neighbor. Rent stabilized tenants are not subject to post rent control legislation rules and if such rules were enforced upon them they could claim a "reduction of services", as written in the Code, and promptly apply for a reduction in rent.

Second Quarter 2017 Manhattan Residential Sales

For the past several years, through late 2015, the overall Manhattan housing market had generally experienced price appreciation and sales stability, holding its position as one of the better performing housing markets in the US. The combination of record low mortgage rates and rising rents led to rising demand from entry-level buyers. In addition, new development activity remained consistent, as much of the former shadow inventory created during the recent housing boom was absorbed. However, the 2016 Manhattan residential market showed signs of softening. According to Miller Samuels Inc. 4th Quarter 2016 Report, Manhattan’s overall median sale price was reported at \$1,050,000 revealing an annual decrease of 8.7%, and a quarterly decrease of -2.2% from the 3rd Quarter median price of \$1,073,750. This represents the fourth consecutive quarterly price decrease and first year-over-year price decrease since 4th Quarter 2012. Furthermore, “days on market” increased substantially, on both a quarterly and annual basis, indicating that the typical apartment required an additional two (2) weeks to sell compared with 3rd Quarter 2016. Sales volume also decreased slightly both year over year and quarterly, down 3.7% in both measures. In addition, the listing discount increased substantially quarter over quarter and year over year.

Miller Samuel/Prudential Douglas Elliman compiles Manhattan-wide data, as well as product-specific data i.e., condominium, cooperative, luxury and new development. The most recent comparative market data for the Manhattan Residential market as reported is presented in the chart below:

Manhattan Residential Sales Market										Prior Qtr.	Annual
	2Q '13	2Q '14	2Q '15	2Q '16	3Q '16	4Q '16	1Q '17	2Q '17	% Change	% Change	
Average Sale Price	\$ 1,425,403	\$ 1,680,185	\$ 1,872,367	\$ 2,029,075	\$ 2,032,459	\$ 2,098,459	\$ 2,104,350	\$ 2,189,037	4.0%	7.9%	
Median Sale Price:											
New Development	\$ 865,000	\$ 910,000	\$ 980,000	\$ 1,108,500	\$ 1,073,750	\$ 1,050,000	\$ 1,100,000	\$ 1,189,011	8.1%	7.3%	
Re-Sale	\$ 1,395,000	\$ 1,580,000	\$ 1,868,489	\$ 2,693,271	\$ 4,011,044	\$ 2,965,000	\$ 2,734,510	\$ 3,306,656	20.9%	22.8%	
	\$ 837,500	\$ 890,000	\$ 945,000	\$ 945,000	\$ 950,000	\$ 900,000	\$ 950,000	\$ 975,000	2.6%	3.2%	
Avg Price / Sq. Ft.	\$ 1,149	\$ 1,268	\$ 1,340	\$ 1,759	\$ 1,692	\$ 1,760	\$ 2,083	\$ 1,773	-14.9%	0.8%	
Number of Sales	3,144	3,342	2,674	2,736	2,974	2,864	2,892	3,153	9.0%	15.2%	
Days on the Market	178	96	94	89	79	94	108	108	0.0%	21.3%	
Listing Inventory	4,795	5,659	5,730	6,352	6,263	5,393	5,867	6,311	7.6%	-0.6%	
Listing Discount (from last list price)	2.7%	2.8%	6.1%	2.2%	2.9%	5.5%	5.5%	6.1%	10.9%	177.3%	

Source: The Elliman Report Quarterly Survey

As of the second quarter of 2017 the Manhattan residential market recorded improvements in various indicators such as increases in the number of transactions and increases in the pricing indicators. Compared to same time last year the number of sales increased by 15.2% and the overall listing inventory decreased slightly by 0.6%. The absorption rate decreased to 6 months compared to a rate of 7 months during the second quarter of 2016. An increase in the number of closed sales might indicate that sellers are readjusting to the current market demands as the listing discounts have been increasing during the last three quarters, notably increasing from 2.9% during third quarter of 2016 to 5.5% during the next quarter and to 6.1% as of the second quarter of 2017. However, as reported by the Corcoran second quarter 2017 market report, signed contracts were down 8% year-over-year, retreating from the annual increase posted during first quarter 2017. The report lists a number of possible factors which contributed to this decrease including the high prices of active inventory and the burn off of pent-up demand that built up prior to the election.

Pricing indicators generally increased during the first two quarters of 2017. As of second quarter of 2017 the median and average sale price increased year over year by 7.3% and 7.9%, respectively. Concurrently, median sales price for both new development and re-sale transactions increased year over year by 22.8% and 3.2%, respectively. However, the large increase in price of new development transactions is due to high value sales as well as closings of contracts signed several years ago. We also note that the average price per square foot decreased significantly from the prior quarter.

Conclusion

During 2014 and 2015 Manhattan residential sales market made large gains with consistent increases in overall sale prices and pricing indicators. However, in 2016 we observed a cooling trend influenced by oversupply of newly developed projects, unreasonable seller expectations based on record setting prior years and uncertainty due to presidential elections and political factors abroad. During the first two quarters of 2017, the residential sales market recorded some improvements to the pricing indicators and it appears that, compared to 2016, current sellers are more likely to meet buyers' demands as indicated by increased listing discounts. Recent increase of the interest rate, as well as further increases anticipated in the near future, is another reason why unit owners might be more willing to sell adding to the rate of sale transactions reported by the current market surveys. Review of the recent residential sale statistics appears to indicate that demand for appropriately priced residential residences remains relatively strong. However, we note that according to data compiled by

Halstead, as of second quarter 2017 there are a total of 11,465 residential units in the pipeline for Manhattan. As this inventory is released into the market over the near term, a large increase in supply has to be factored into assessment of the market, likely creating downward pressure on prices.

Local Condominium Market Analysis

Following the development of the High Line Park, the West Chelsea market has been by all measurements strong market with increased development activity, international investment and architecturally significant buildings that have attracted buyers both locally and from across the globe. It is not uncommon for apartments in these new developments to trade for between \$10 million and \$20 million, with some trading in excess of \$30,000,000.

According to the Halstead Property Development Marketing (HPDM) Second Quarter 2017 New Development Report, condominiums in West Chelsea had an average active listing price of \$3,293 per square foot, and average contract price of \$2,844 per square foot and an average closed price of \$2,062 per square foot. When compared to the larger Manhattan new development market, the West Chelsea statistics are greater in active price per foot (\$3,293 vs. \$2,576 for Manhattan) and average price per contract signed (\$2,844 vs. \$2,172 for Manhattan). The average closed price per foot of \$2,192 was higher in Manhattan than in West Chelsea.

With respect to total inventory, West Chelsea had 468 total units and 35% sold. In the HPDM report, “Total Inventory is defined as all new development units, both currently listed as either Active, Contract Signed, or Closed, as well as those units not yet released to the market. Available Units is defined as new development units that are either currently listed as Active or those not yet released to the market. These numbers include units released prior to 2017, provided they are in a project that has not sold out all sponsor units. This data provides a comprehensive look at new development inventory by including unreleased units.”

Survey of Comparable Condominium Buildings:

Below is a survey of recently-completed and under-development condominium buildings near the subject receiving site.

Address	Block/Lot	Condo Name	ZFA Sq. Ft.	Saleable SF	# Units	Offering Plan Price	Sales Notes
15 Hudson Yards (condo portion only)	702 / 7501	15 Hudson Yards (condo portion only)	629,899	532,640	285	\$1,740,000,000	Property is a mixed-income development with lower-floor rent stabilized units beneath market condominium. According to sales agent at building, 40% of condo units are in contract an average price per foot of \$2,940; available listings average \$3,623 PSF (weighted) including a \$32m penthouse asking \$6,200 PSF
550 West 29th Street	700 / 59	550 West 29th Street	55,447	43,045	19	\$121,800,000	Property has not been openly listed/marketed. "The apartments are large, with three or four bedrooms a piece, and are divided into four single-story apartments, 12 duplexes, and three penthouses (the latter come with gas fireplaces and 20-foot double height living spaces.) More than half of the apartments come with private outdoor spaces, measuring up to 1,835 square feet." Apartments are priced from \$4.6m to \$13.5m.
527 West 27th Street	699 / 49	Jardim / Jardim Norte	96,107	N/A - offering plan not available	36	\$216,469,200	Active and in-contract listings average \$2,556 per square foot.
520 West 28th Street	699 / 43	520 W 28 by Zaha Hadid	148,957	126,821	40	\$434,920,000	Sold units average \$3,066 per square foot and active and in-contract listings average \$3,644 per square foot.
551 West 21st Street	693 / 1	551W21	157,380	134,255	44	\$455,500,000	Active, sold and in-contract listings have a blended average of \$3,239 per square foot.
239 10th Avenue	696 / 32	The Getty	41,382	N/A - offering plan not available	8	\$138,000,000	No per-unit, or per square foot pricing available
522 West 29th Street	700 / 47	Soori High Line	81,683	N/A - offering plan not available	27	\$256,224,500	Active and in-contract listings average \$2,892 per square foot.

Discussion and Conclusion:

The most comparable developments for a high-rise project is 15 Hudson Yards, while the asking prices at the Soori, 550 West 29th Street and 520 West 28th Street represent asking prices for nearby projects. We note that all of the projects along the High Line are mid-rise projects that are substantially smaller than the subject proposed development. Demand for new condominium product in this neighborhood is evident, and the subject development would be appropriate for condominium development; however, the restrictions on for-sale product to be recorded against the property will preclude this type of development.

RENTAL MARKET ANALYSIS

Subject Units and Development Programming

The proposed subject development will be a high-rise luxury rental apartment building with two separate common amenity floors. The building is also tentatively programmed with retail space, and a garage for bicycle and car parking. In accordance with MIH options for development, the development will include 75% market rate apartments and 25% affordable apartments. The developer has not yet fully programmed the proposed development but have given a rough outline of 658,354 net residential square feet, which we have translated into 968 units using an average unit size of 680 square feet. The client has not provided us with a breakdown of the unit mix or locations of units other than a contemplated breakdown between mid- and high-rise floors of:

- Floors 1-2 - Two (2) retail spaces, bike storage.
- Floors 3 to 6: - unknown residential rental square feet per floor (assume 11,600 per floor)
- Floors 7 to 31: - 13,528 residential rental square feet per floor
- Floors: 32 to 28 - unknown residential rental square feet per floor (assume 13,528 per floor)
- Floors 39 to 62: - 7,458 residential rental square feet per floor

Unit Breakdown and Size:

Other than a tentative unit breakdown of 30% Studios, 50% one-bedrooms and 20% 2-3 bedrooms, the developer has not provided additional proposed layouts or configurations other than contemplated average unit sizes of 446 square feet for studios, 631 square feet for one-bedrooms and 980 square feet for 2-3 bedroom units. In programming the unit sizes and breakdowns, we have surveyed the market of new, mixed-income luxury rental developments in Manhattan over 200 units. Our survey of comparable new-construction apartment buildings includes:

Address	Cross Street	Bldg Name	Neighborhood	Developer	Year Built	# Stories	# Apt. Units
Subject - 601 West 29th	11th Ave., W. 30th St.	TBD	West Chelsea	Douglaston Development	2021	62	968
555 10th Avenue	W. 40th, W. 41st.	N/A	Hells Kitchen	Extell Development	2015	55	597
606 West 57th Street	11th Ave., 12th Ave.	N/A	Hells Kitchen	TF Cornerstone	2018	42	1,028
435 West 31st Street	9th Ave., 10th Ave.	Eugene	Hudson Yards	Brookfield Properties	2017	61	844
515 West 38th Street	10th Ave., 11th Ave.	Henry Hall	Hudson Yards	Imperial Companies	2017	30	225
500 West 30th Street	SWC w/ 10th Ave.	Abington House	West Chelsea	Related Development	2015	34	395
507 West 28th Street	10th Ave., 11th Ave.	Maestro	West Chelsea	Lalezarian Properties	2016	37	375
605 West 42nd Street	W. 43rd, 11th Ave.	Sky	Hells Kitchen	The Moinian Group	2015	71	1,175

Summary of Findings

The source for this data was the publicly-recorded Regulatory Agreements made between each project developer and the City of New York's Department of Housing Preservation and Development ("HPD"). The Regulatory Agreements contain the size, breakdown and location of apartment units in a proposed mixed-income development. The summary of the data is presented below:

555 10th Avenue	Studio	1-BR	2-BR	3-BR
Avg. SF / Unit	493	713	1,110	1,410
% breakdown	16.92%	55.11%	23.95%	4.02%

606 West 57th	Studio	1-BR	2-BR	3-BR
Avg. SF / Unit	506	678	1,008	1,349
% breakdown	21.21%	42.41%	33.37%	3.02%

Eugene - Brookfield	Studio	1-BR	2-BR	3-BR
Avg. SF / Unit	400	614	934	1,205
% breakdown	31.75%	52.61%	14.45%	1.18%

515 West 38th Street	Studio	1-BR	2-BR
Avg. SF / Unit	432	582	902
% breakdown	32.44%	56.00%	11.56%

500 W 30th	Studio	1-BR	2-BR
Avg. SF / Unit	492	665	992
% breakdown	33.42%	42.60%	24.74%

Maestro - 507 W 28	Studio	1-BR	2-BR
Avg. SF / Unit	406	568	813
% breakdown	26.13%	50.13%	23.73%

605 W 42nd	Studio	1-BR	2-BR
Avg. SF / Unit	477	676	1,018
% breakdown	44.51%	41.96%	13.53%

Statistical Breakdown and Conclusion of Unit Mix

Analyzing the data from the comparable new developments, we have derived our opinion of the most likely unit sizes and breakdown. Our conclusion of average unit size is 680 square feet, lower than the weighted average unit size of the competitive set of 694 square feet.

Unit Type	Comparable Data Set				Subject Conclusion -		
	Minimum per Building	Maximum per Building	Avg. Sq. Ft. by Unit	Avg. Allocation by Unit	Unit Sq. Ft.	Unit Allocation	# Units by Type
Studio	400	713	462	29.48%	460	31.75%	307
One Bedroom	568	1,110	653	48.69%	660	43.68%	423
Two Bedroom	813	1,110	979	20.76%	980	23.05%	223
Three Bedroom	1,205	1,410	1,321	2.74%	1,235	1.52%	15
	Weighted Avg. Unit Size		694		679		

We have departed from the developer's tentative unit breakdown, providing more studio apartments (31.75%) and two-bedroom apartments (23.05%), as the most competitive properties to the subject had over 30% studios and over 20% two-bedrooms. While some developments opted to not include three-bedroom units, we have included 1.52% of the property with three-bedroom units, as given the location and size of the development, we anticipate demand for apartments this size.

COMPARABLE RENTALS

Comparable Rental Data

We have surveyed comparable rental buildings in the subject neighborhood that we deem competitive to the proposed subject development. As discussed, the proposed development is in the northwesterly most portion of West Chelsea, at the border with the Hudson Yards neighborhood. There has been an introduction of a number of new rental and condominium product to the neighborhood over the last decade, with new product still being introduced.

The proposed subject development will be the tallest project in the West Chelsea neighborhood, substantially taller than neighboring competitive properties such as The Ohm at 312 11th Avenue, Abington House at 500 West 30th Street and the Chelsea Maestro cluster at 10th Avenue and West 28th and West 29th Streets. We anticipate there will be a notable premium for the proposed building's height, the 60,000+ square feet of amenity and common area space, and for its unobstructed views.

The competitive rental set includes:

Ohm at 312 11th Avenue

507 West 28th Street (limited data available for this new development)

Abington House at 500 West 30th Street

The Eugene at 435 West 31st Street (limited data available for this new development)

Ten23 at 500 West 23rd Street

Henry Hall at 515 West 38th Street (limited data available for this new development)

The Beatrice at 105 West 29th Street (outside subject market, but a 51-story project)

Avalon West Chelsea at 282 11th Avenue

Presentation of Data

The comparable rentals presented for each competitive building concern rentals from late 2015 through June 2017, where available. The rents presented are effective taking rents. The average square footages were derived either from information sourced from listings, or where available from the stated square footages as indicated in the publicly-recorded Regulatory Agreements.

The presentation of the rental data can be found on the following page

Comparable Rental Apartment Buildings and Average Rent Figures

Type	Most Comparable Properties												
	High Rise		Mid- and High Rise		High Rise		High Rise		High Rise		Mid-Rise	High Rise	High Rise
Property Name	Ohm		507 W 28th		Abington House		The Eugene		Henry Hall		Ten23	The Beatrice	Avalon West Chelsea
Address	312 11th Avenue (534)		507 West 28th Street		500 West 30th Street		435 West 31st Street		515 West 38th		500 West 23rd Street	105 West 29th Street	282 11th Avenue
Size (units)	360		375		395		844		225		111	302	568
# of Floors	34		37		34		64		30		12	51 (26-51)	31
Year Built	2008		2016		2014		2017		2017		2012	2010	2014
Class	A		A		A		A		A		A	A	A
Vacancy (from REIS)	2.10%		n/a - lease-up		1.60%		n/a - lease-up		n/a - lease-up		4.50%	3.60%	1.20%
Current Concessions	1 month on 13-month lease to new tenants		2 Months on 14-month lease		1 month on 13-month lease to new tenants		2 Months on 14-month lease		2 Months on 14-month lease		Varies by unit - some have one month free	Up to 1/2 month free on limited units.	Minimal concessions, but lower rents,
Additional Notes	Oldest luxury/high-rise rental development in West Chelsea. Least competitive high rise to subject.		Still in initial lease-up. Three-building complex with full amenity package. Mid-rise and high-rise components.		Abuts the high line with direct access. High-rise development with premier location.		Because TCO is phased, rents largely from lower-floor units		Because TCO is phased, rents largely from lower-floor units. Few units publicly listed and data from this development is minimal. Full amenity package; abuts Hudson Blvd.		Mid-rise development along busy West 23rd Street. Well-located and accessible.	More centrally located - rental residential component of a mixed-used project. Listing manager indicated high occupancy and consistent demand with only 5 vacant units	Lower quality finishes and amenities than competitive set; high-rise with mid-rise component, high occupancy.
Rent Type	Effective	Face	Effective	Face	Effective	Face	Effective	Face	Effective	Face	Effective=Face	Effective=Face	Effective=Face
STUDIO	563		406		492		400		432		481	500	526
Avg Unit Size	563		406		492		400		432		481	500	526
Monthly Min Rent	\$2,850	\$3,088	\$3,091	\$3,606	\$2,920	\$3,163	\$2,769	\$3,231	\$2,657	\$3,100	\$3,090	\$3,320	\$3,085
Monthly Max Rent	\$3,390	\$3,673	\$3,998	\$4,665	\$4,505	\$4,880	\$3,471	\$4,050	\$3,728	\$4,349	\$3,815	\$4,410	\$3,560
Monthly Avg Rent	\$3,146	\$3,409	\$3,447	\$4,021	\$3,714	\$4,024	\$3,038	\$3,545	\$3,089	\$3,604	\$3,459	\$3,849	\$3,323
Avg Rent/SF	\$67	\$73	\$87	\$102	\$91	\$98	\$91	\$106	\$86	\$100	\$87	\$93	\$76
1 BEDROOM	706		568		665		614		582		688	707	713
Avg Unit Size	706		568		665		614		582		688	707	713
Monthly Min Rent	\$3,190	\$3,456	\$3,583	\$4,180	\$3,850	\$4,171	\$3,763	\$4,390	\$3,514	\$4,100	\$4,130	\$4,760	\$3,520
Monthly Max Rent	\$5,695	\$6,170	\$4,583	\$5,347	\$6,105	\$6,614	\$4,828	\$5,633	\$4,628	\$5,399	\$5,945	\$7,030	\$6,210
Monthly Avg Rent	\$3,940	\$4,268	\$4,071	\$4,749	\$4,795	\$5,195	\$4,127	\$4,815	\$3,860	\$4,504	\$4,978	\$5,639	\$4,270
Avg Rent/SF	\$67	\$73	\$86	\$100	\$86	\$94	\$81	\$94	\$80	\$93	\$87	\$96	\$72
2 BEDROOM	1087		813		992		934		902		1061	1013	1175
Avg Unit Size	1087		813		992		934		902		1061	1013	1175
Monthly Min Rent	\$4,250	\$4,604	\$5,304	\$6,188	\$5,200	\$5,633	\$6,009	\$7,011	\$5,623	\$6,560	\$6,100	\$7,025	\$6,615
Monthly Max Rent	\$8,500	\$9,208	\$6,129	\$7,151	\$10,215	\$11,066	\$6,757	\$7,883	\$7,967	\$9,295	\$8,680	\$9,220	\$8,100
Monthly Avg Rent	\$6,211	\$6,728	\$5,790	\$6,755	\$6,839	\$7,409	\$6,307	\$7,358	\$6,473	\$7,551	\$7,195	\$7,923	\$7,358
Avg Rent/SF	\$69	\$74	\$85	\$100	\$83	\$90	\$81	\$95	\$86	\$100	\$82	\$94	\$75

Discussion of Market Rents and Conclusion of Rents for the Subject

In estimating market face rent for the proposed subject development, we have considered rental trends in the comparable buildings, market concessions for first generation tenants, amenity packages, location and height/views of each building as compared with the contemplated subject development.

The three most competitive and comparable properties to the subject are 507 West 28th Street, Abington House at 500 West 30th Street and the Eugene at 435 West 31st Street. Each of these buildings are new construction, with Abington House being the oldest of the three. All are high-rise developments, and all are located in the northerly portion of the neighborhood, north of West 28th Street. 507 West 28th Street and the Eugene are, as of this writing, in their initial lease-up and are offering two (2) months free rent on 14-month leases to first generation tenants. Effective taking rents from these two developments range from a low of \$81 per square foot for one- and two-bedroom units to a high of \$94 per square foot. The face rents range from \$94 to \$109 per square foot. In both of these buildings, and in Abington House, asking face rents exceed \$110 per square foot for some one-bedroom and studio units located on higher floors.

Conclusion of Face Rent for Proposed Market Rate Subject Units

Unit	Floor Range	Avg. Sq. Ft.	Annual Face Rent		Annual Market Rent	Avg Face Rent/Unit
			RSF Market	PSF		
Studio	3 - 20	460	41,469	\$100	\$4,146,900	\$3,833
1BR/1BA	3 - 20	660	75,900	\$95	\$7,210,500	\$5,225
2BR/2BA	3 - 20	980	59,780	\$95	\$5,679,100	\$7,758
3BR/2BA	3 - 20	1,235	0	\$90	\$0	\$9,263
Studio	21 - 38	460	37,260	\$110	\$4,098,600	\$4,217
1BR/1BA	21 - 38	660	77,022	\$100	\$7,702,200	\$5,500
2BR/2BA	21 - 38	980	62,328	\$100	\$6,232,800	\$8,167
3BR/2BA	21 - 38	1,235	5,311	\$95	\$504,498	\$9,777
Studio	39 - 62	460	27,232	\$115	\$3,131,680	\$4,408
1BR/1BA	39 - 62	660	56,219	\$110	\$6,184,068	\$6,050
2BR/2BA	39 - 62	980	42,728	\$110	\$4,700,080	\$8,983
3BR/2BA	39 - 62	1,235	7,904	\$105	\$829,920	\$10,806
			493,152	\$102	\$50,420,346	
					Less SUPER 2BR	\$93,100
					Total Market PGI	\$50,327,246

Apartment Concessions, Initial Lease-Up and Effective Rent

Rental concessions from the comparable properties range from zero months on a 12-month lease up to two (2) months on a 14-months lease, the latter of which is observed for first-generation tenants in the new developments such as Henry Hall at 515 West 38th Street, 507 West 28th Street and the Eugene at 435 West 31st Street. Beyond the initial lease-up concessions vary depending on the rent levels and unit sizes.

Based on the trajectory of leasing observed in competitive luxury buildings in Manhattan, we have estimated the following occupancy schedule and lease-up discount during the first year following construction.

Month # - Year Post Completion	Occupancy - Post Completion	Potential Monthly Market Rent	Actual Monthly Rent
1	25.00%	\$4,193,937	\$1,048,484
2	35.00%	\$4,193,937	\$1,467,878
3	45.00%	\$4,193,937	\$1,887,272
4	50.00%	\$4,193,937	\$2,096,969
5	60.00%	\$4,193,937	\$2,516,362
6	65.00%	\$4,193,937	\$2,726,059
7	75.00%	\$4,193,937	\$3,145,453
8	85.00%	\$4,193,937	\$3,564,847
9	90.00%	\$4,193,937	\$3,774,543
10	92.50%	\$4,193,937	\$3,879,392
11	95.00%	\$4,193,937	\$3,984,240
12	97.50%	\$4,193,937	\$4,089,089
First Year (annual)	67.92%	\$50,327,246	\$34,180,588
Avg Occupancy			67.92%
Effective Discount			-\$16,146,658
Free Rent (2 mos. on 14 mos. - market units)			-\$7,189,607
Free-Rent/Lease-up Vacancy			-\$23,336,264

As highlighted in the August 2017 Elliman Report, 24.1% of all new apartment leases in Manhattan offered rental concessions, up from 12.1% in August 2016, but down from 26.5% in July 2017. The free rent/owner paid increased to 1.3 months, up from 1.2 months on year prior. The CitiHabitats August 2017 market report indicated similar figures, claiming that in Manhattan 31% of rental transactions had concessions.

We consider the data available from the comparable developments in conjunction with the broader market data provided by Elliman and CitiHabitats and estimate that the initial lease-up of the development will use two (2) months concessions on a 14-month lease, and that all new tenants after

initial lease-up will be offered three months free rent on a 24-month lease, and owner-paid brokerage commission or “no-fee.” We project that renewing tenants will be offered one month free on an 18-month lease. Applying these figures to an estimated 30% turnover, an effective discount from total face rent is 7.29%, as computed below:

Market Rent	% of each	Mos. Free	Lease Mos.	% of Annual Rent	Weighted
% Renewing	75%	1	18	5.56%	4.17%
% New tenants	25%	1.5-3 mos.	12-24 mos.	12.50%	3.13%
					<u>7.29%</u>

Effective Rent Calculation

We apply the rent concessions derived above to estimated market face rents for each unit type. The total blended face rent per square foot is \$102 per square foot, and after applying concessions, which does not include owner’s brokerage costs, the total effective rent is \$94.56 per square foot. This effective rent is consistent with the effective rents of the most competitive subject property buildings and is below the current effective asking rents of many units in these buildings. This rent is trended forward 2.5% per annum until the building is projected to be completed in 2021/22.

PARKING GARAGE ANALYSIS

The proposed development is contemplated to contain up to 198 parking spaces, as per the EIS Draft Scope of Work, although this figure was based on a maximum unit count of 990. In the preliminary programming for the subject development, the developer provided a total of 27,360 square feet for bicycle and car parking.

Off-street parking has remained an important consideration to the public policy of New York City because of its relation to the broader aspect of traffic congestion in the area. Since the 1970s the city has had a policy of reducing off-street parking availability as a means of reducing air pollution and congestion in the midtown central business district. This policy, however, did not become effective until it was written into the city's zoning ordinance in the early 1980s.

From 1980 through 1987, New York City experienced tremendous growth in the office building and residential housing markets. This building activity greatly affected the supply and demand of parking garages and their value as potential investment vehicles. This trend again occurred during the past several years as the market for new residential construction resulted in demand for land or properties such as garages which could be demolished and constructed with new improvements.

Zoning regulations, which prohibit public parking structures below 96th Street on the East Side and 110th Street on the West Side, have further negatively impacted the supply of parking in Manhattan. Special permits for construction of future garages can only be granted by the City Planning Commission as stipulated by Sections 13-462 and 74-52 Z.R. of the planning code. Therefore, those garages with existing special permits issued by the City Planning Commissions are of considerable value due to their limited number. Parking garages are now only constructed as part of a new development, and typically they provide less space than what was previously on a site.

The subject property's potential 198-space garage is anticipated to be leased to an operator. We have therefore applied an estimated current market rent to the garage. In order to determine the market rent for parking garages in the subject area as of the date of value, we have surveyed similar parking garages in the subject's area and in areas similar to the subject.

Parking/Garage Rents

We have uncovered information on several garages leases located within Manhattan and we have concentrated our analysis on those leases located within the most similar areas. The chart on the following page sets forth the lease comparables utilized in our analysis.

Parking Garage Lease Comparables									
No.	Address	Operator	Lease Date	Annual Rent	Licensed Capacity	Rent/Car Per Year	Term (Yrs)	Comments	
1	260 West 54th Street Midtown, Manhattan	The Marc	16-Jan	\$ 2,425,005	355	\$ 6,831	5	Landlord pays RE Taxes Net Lease Concessions: None Rent increases 2% / annum	
2	235 West 48th Street (bet. Seventh & Eight Ave) Midtown, Manhattan	The Ritz Plaza	15-Oct	\$ 1,386,782	94	\$ 14,753	15	RE Taxes: Over base Net Lease 6% increases every 3 years Concessions: None	
3	400 West 113th Street Morningside Heights, Manhattan	The Enclave	15-Oct	\$ 825,075	193	\$ 4,275	15	Landlord pays RE Taxes Net Lease Concessions: 3 months Rent increases 6% / 3 years	
4	345 East 94th Street Yorkville, Manhattan	The Chesapeake	15-Sep	\$ 164,988	36	\$ 4,583	5	Landlord pays RE Taxes Net Lease Concessions: 3 months Rent increases 3% / annum	
5	1 West Street Financial District, Manhattan	The Ocean	15-Jan	\$ 609,952	98	\$ 6,224	2	RE Taxes: Over base Net Lease Concessions: None Rent increases \$10,000/ annum	
6	41-47 East 21st Street, (btw Broadway & Park Avenue South) Flatiron, Manhattan	Unique Parking, LLC	Dec-14	\$ 1,771,764	175 58,957 SF	\$ 10,124	known	Modified Gross Lease 3% increases/ annum No Free Rent or TI	

Summary	# Spaces	Rent/Space
Min	36	\$4,275
Max	355	\$14,753
Average	159	\$7,798

The leases range in rent per licensed space per annum from \$4,275 to \$14,753 per space plus escalations with an average rent of approximately \$7,798 per space. The leases were signed between December 2014 and January 2016. Garages typically collect income from monthly, daily, and transient customers. All of the Garage lease comparables are parking garages located within residential buildings with the exception of #2 and #6. Generally speaking, it is our opinion that Comparable #1 and #5 are the most comparable to the subject in terms of potential customers. However, Comparable #2 and 6 are superior in terms of location, but garage #2 and has significantly fewer spaces affecting the overall rent per licensed space.

Conclusion

Based upon the lease data uncovered, it is our opinion that the subject property’s contemplated spaces have a gross market rent of approximately \$8,500 per space. In our estimate of market rent, we conclude above the average, giving consideration to the demand for parking space in a high-density area that is not, and will not be well-served by public transportation.

RETAIL MARKET ANALYSIS

The subject receiving site's proposed development can be programmed with a corner retail space measuring 9,760 square feet at grade with 4,600 of basement space, and a mid-block retail space along West 29th Street with 6,100 square feet of rentable area. It is in a location that will benefit from High Line pedestrian traffic, as well as attention to Hudson Yards.

The Manhattan Retail Market includes the Downtown, Midtown, Midtown South, and Uptown submarkets. As reported in the Real Estate Board of New York ("REBNY") Fall 2016 Retail Report ("Report" or "REBNY Report"), increases in supply that had been noted in REBNY's Spring 2016 Retail Report finally began to adversely affect ground floor asking rents, as evidenced by the decline in average asking rents in 11 of 17 retail corridors that are tracked in the report. The report goes on to say that market participants believe that the decline in average rents is a function of a natural correction to a retail market that had been "soaring for a brief period following the 2008 financial crisis." The upside to the recent decline in average asking rents is an increase in demand and leasing activity, as potential retail users who had been "sitting out" due to high rents have now become reinterested in pursuing potential spaces that have become more affordable.

According to several published retail reports, recent rent decreases reflect a natural market adjustment, as rents in many retail corridors had climbed significantly over the past several years. Further, the recent decline is attributable to increases in inventory as new mixed-use developments have hit the market. New construction of luxury residential condominium developments, are driving local retail demand, but the added inventory to the market is also driving rents down. According to most professionals active in the market, retail demand continues to exist in the high-profile retail corridors. However, recent trends of closed deals include landlord concessions that generally benefit the tenants. Demand continues to exist for coveted locations as well as locations near public transit. Secondary locations are experiencing similar trends. If rental rates continue to reset themselves to more stable and achievable rents, it is anticipated that retail demand will continue in the New York City market, given its solid fundamentals, which in turn will continue to promote growth over the long term. Members of REBNY's Manhattan Retail Report Advisory Group suggested that increases in ground floor space availabilities along major retail corridors, such as, Madison Avenue between 57th and 72nd Street and the corresponding decrease in average asking rents is not necessarily a "by product" of the "state of the economy and retail demand" but also reflects changing attitudes in the retail industry regarding branding and the need for large ground floor stores with wide frontage.

According to REBNY'S classification the subject is located within the Midtown South Retail Submarket of Manhattan, New York. Historical market data reported by The Real Estate Board of New York (REBNY) is as follows:

REBNY Retail Report Midtown South Manhattan (15th to 34th Street)			
	Average	6-Mo %	Annual %
	<u>Asking Rent</u>	<u>Change</u>	<u>Change</u>
Fall 2016	\$152	-3.8%	-0.7%
Spring 2016	\$158	3.3%	
Fall 2015	\$153	5.5%	0.7%
Spring 2015	\$145	-4.6%	
Fall 2014	\$152	11.8%	18.8%
Spring 2014	\$136	6.3%	
Fall 2013	\$128	6.7%	21.9%
Spring 2013	\$120	14.3%	
Fall 2012	\$105	8.2%	7.1%
Spring 2012	\$97	-1.0%	
Fall 2011	\$98	3.2%	-4.9%

According to REBNY, the Midtown South retail market encompasses retail locations between 15th Street and 34th Street. The asking rents within Midtown South have remained relatively flat in the past quarters. According the REBNY, the most recent submarket-wide data from Fall 2016⁶ indicates an increase in average asking rent to \$152 per square foot. Annually the current asking rent marks a negligible decrease of less than 1% year-over-year and a decrease of 3.8% on a semi-annual basis. Within the subject's immediate submarket of West Chelsea and Hudson Yards, there is a lack of historical data as there is limited retail space available for non-gallery tenants. Moreover, the introduction of new office, hotel and residential product has shifted the demographics in the area with many residents bringing substantial purchasing power.

Subject Property Spaces

The subject property's retail component will be comprised of two spaces. One space will be a first floor retail/gallery space measuring approximately 9,760 square feet above-grade and 4,600 below grade.⁷ The second space is a 6,100 square foot grade-level retail space located along West 29th Street in the western portion of the site. We have researched and analyzed a number of comparable retail spaces in order to development market rent for the subject space.

⁶ Spring 2017 REBNY Report solely reports select corridor performance.

⁷ We were not provided an exact measurement of the space, and this is estimated from plans provided, as well as a general outline of the proposed building.

Conclusion of Market Rent

Based upon the comparable data available, plus our knowledge of the greater retail market in this area, it is our opinion that the following market rents are appropriate for the smaller retail spaces in the subject property. The most comparable rent is the rental of the restaurant space at 500 West 30th Street at the corner with 10th Avenue. Amongst the comparable rentals uncovered it is the only non-gallery space, and is one block east of the subject. The subject space is therefore judged to achieve a rent of approximately \$150 per square foot.

#	Neighborhood	Tenant / Address	Lease Date	Area SF	Level	Term (Years)	Grade Rent PSF	Steps	Comments
1	West Chelsea	MB Gallery 507 West 24th Street	2Q 2016	7,210	Grade (3,895 sf) and lower level (3,315 sf)	10	\$195	3% per year	Gallery lease in a space located under the High Line Park. Taking rent based on grade space.
2	West Chelsea	Morgan Lehman Gallery 543 West 23rd Street	2Q 2016	1,420	Grade	10	\$125	3% per year	Gallery lease on well-traveled West 23rd Street.
3	West Chelsea	500 West 30th Street	1Q 2016	1,766	Grade (1,766) Bsmt (1,000)	10	\$150	3% per year	Restaurant lease at base of new luxury residential bldg. Has frontage on 10th Avenue.
4	West Chelsea	West 20s Confidential	2Q 2016	3,672	Grade	10	\$165	3% per year	Gallery lease in renovated space.
5	West Chelsea	West 20s Confidential	2Q 2015	3,972	Grade with 470 sq. ft. mezzanine	10	\$146	3% per year	Gallery lease in renovated space.
						Min	\$125		
						Max	\$195		
						Avg.	\$156		
						Concl.	\$150		

Conclusion of Market Rent and Blended Rent

Based upon the comparable rentals, we have concluded that market rent for the proposed retail space is \$175 per square foot for the corner space, and \$125 per square foot for the mid-block space. For the basement space, we estimate that the rent is 15% of the market grade rent or \$26 per square foot. Therefore, the total blended rent is computed as follows:

Corner of 11th Avenue and West 30th Street

Retail Space	Sq. Ft.	Market Rent PSF	Total Annual Market Rent	Blended Rent PSF
Above Grade	9,760	\$175	\$1,708,000	
Below Grade	4,600	\$26	\$119,600	
Total Rent	14,360		\$1,827,600	\$127

West 29th Street - Mid-block

Retail Space	Sq. Ft.	Market Rent PSF	Total Annual Market Rent	Blended Rent PSF
Grade	6,100	\$125	\$762,500	\$125

Commissions and Free Rent

The positive market trends in the subject's neighborhood indicate that the subject retail space can be quickly absorbed. Vacancy has decreased, market absorption has increased and available inventory continues to decrease, along with rapidly rising rents and speculative new rental product. Given the planned redevelopment of the property, the space will be desirable and competitive in the market and should be fully absorbed upon completion of the property's development.

In order to achieve the estimated market rent for this space, it is our opinion that upfront expenditures of this magnitude will be required. For the subject gallery/retail space, free rent of six (6) months on 10-years deals is projected. Full leasing commissions are applied to this space on the initial lease up based upon a brokerage fee calculated on the following percentage of annual contract rent: Year 1, 5.0%; Year 2, 4.0%; Years 3-5, 3.5%; Years 6-10 2.5%. A one-half commission is assumed payable on renewing tenants. All commissions are paid in the first year of the lease. Retail commissions are therefore estimated at 45% of the stabilized income (4.5% per annum) assuming full commissions with overrides for tenants' leasing brokers.

MANHATTAN DEVELOPMENT LAND MARKET

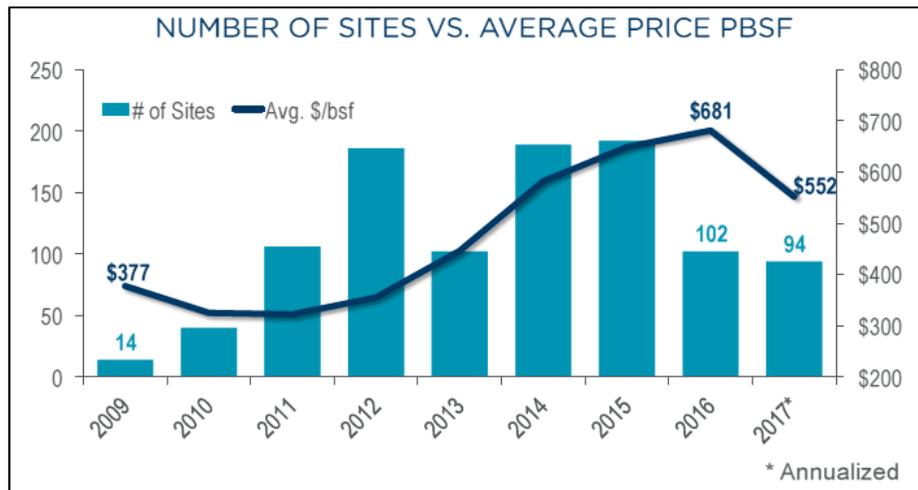
The subject property receiving site is valued as if vacant and available to be developed. Given that land pricing is a function of the demand for built space coupled with the availability of acquisition financing, construction financing, and construction costs, until the recession, the demand was greater than the costs to construct the supply. As the recession of 2008 approached, acquisition financing and construction financing became more expensive, and lenders were unwilling to finance new development. Coupling increasing development costs with a drop in demand due to declining job growth and stagnant wages, demand for space, especially residential space, slowed as compared with the pace of 2003-2008. Few development site transactions closed in the latter third of 2008 and 2009, as the appetite for new development, both from an equity and debt side, was, for all intents and purposes, gone.

Coming out of the recession, development site sales picked up in both price and volume, beginning in 2010, as national, and local, employment grew; population increased to NYC; and financing increasingly became available at low rates. Additionally, investors and developers looking to capitalize on depressed property values, and foreclosed sites, were well-positioned to strike. Beginning in 2010 and continuing to 2011 land prices rose steadily. Beginning at the end of 2011 towards early 2012 the local economy further strengthened, interest rates reached new lows, and financing became available for real estate acquisitions; and in particular, lenders became increasingly willing to finance new development. As a result, from early 2012 to mid-2015 prices rose to record levels, far surpassing previous highs. The rate of appreciation in this 3+-year period was unprecedented, with some properties doubling in value in a 2-year span from 2011 to 2014 and into 2015.

Beginning with the second quarter of 2015 in some markets we observed, a softening in prices, as measured by reduced asking prices for development parcels, and an increased availability of sites, signaling some developers' preference to forego development risk and instead capitalize on recent appreciation trends. The lack of volume in the development site market from Mid-2015 through the end of 2016 is evidence that investors took a pause, but we have observed that during this period, although there was a dip in volume pricing did not decrease.

Broader Market Data – Development Site Sales

Massey Knakal Realty Services (now known as Cushman and Wakefield) publishes market reports tracking transactions of real estate throughout New York City. The market reports cover a variety of asset classes and are generally well-regarded as a reliable source for general market data. For the asset type discussed here - development/conversion sites - the C&W reports started to track and present the data in 2009, with full-year data available in reports beginning in 2010. The reports track the number of sales, the total volume of sales, and the price per square foot of developable area. The data contains a mix of commercial development/conversion sites, but nearly all of the data concerns residential development sites. A summary of the data is presented in the table below.



Summary – Massey Knakal/C&W Market Reports

The C&W reports indicate that, beginning with the year 2011, the volume of development/conversion property sales in Manhattan increased dramatically. From 2010 to 2014, annual volume increased from \$802 million to \$5 billion, representing a 523% increase. Just from 2011 to 2012, total volume increased 123%. Increased sales volume has also been coupled with rapid price appreciation in the same periods analyzed. Total price appreciation for full-year 2011 data to full-year 2014 is 86%. One observation to be made is the velocity with which the prices have increased. From 2011 to 2012, prices show a reported increase of 18%, followed by a 22% increase to 2013, and an even higher increase of 30% to 2014.

The C&W data suggests that, following the recession, there was rapid price appreciation for development sites, and that the capital deployed towards development properties increased significantly as market conditions created a development-friendly environment. Although transaction volume concluded at an all-time high in 2015, pricing decreased as the year came to a close, reflecting the market observation of prolonged absorption periods for the luxury condominium product – the source of the rapid demand rise from 2012 through mid-2015.

While pricing in 2016 remained generally level with 2015 pricing there was a steep drop in total number of sales as well as total transaction volume. The total number of development site sales dropped to 105 from 182 in 2015 a decrease of 47%, and total volume decreased to \$2.74 billion, down 74% from 2015.

2017 Data and Conclusion

Through the second quarter of 2017, C&W reports total development site volume of \$742 million, and a cumulative price per buildable foot of \$552. The volume is a 63% decrease from the second quarter of 2016 and the price per foot is a 21% decrease from the same period. There was an uptick in both volume and price per foot observed between first quarter 2017 and second quarter 2017. First quarter volume was \$332 million, and price per foot was \$499 per foot. It is our observation that this

uptick in pricing and volume on a quarter-over-quarter is indicative of improving trends in the land market.

In fact, we have observed per-unit increases in some development site transactions in some markets in Manhattan. For example, 439-443 West 54th Street sold in February 2015 for \$19,600,000 and then recently re-sold in May 2017 for \$23,000,000. This price increase of \$3,400,000 or 17.3% is approximately 0.6% per month during this 29-month period. It is our observation that despite the decreased volume in development site transactions in 2016 and into the beginning of 2017, well-located sites in prime corridors still achieve pricing near the observed peak of the market and the subject property receiving site is judged to be one of those sites.

With the supply of condominiums in the market, the speculative land market has suffered recently. With the re-introduction of 421-a, which provides a healthy subsidy to new mixed-income development, it is our opinion that land prices will stabilize in the coming year as developers look to acquire sites, such as the subject receiving site, to develop mixed-income projects. As we have demonstrated in the Real Estate Assessed Valuation and Tax Data in the following section, for mixed-income projects with high market rents, the New Program (421-a) provides a subsidy in excess of \$300 per square foot of ZFA.

REAL ESTATE ASSESSED VALUATION AND TAX DATA

Ad valorem taxes are one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established by the local assessor. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value so that properties of equal market values will have similar assessments, and properties of higher and lower values will have proportionately larger and smaller assessments. The real estate taxes for the property are based on local tax assessment practices, existing assessments and changes in market value, and changes in the tax rate.

The subject air rights will be transferred to the property identified on the New York City tax rolls as Block 675, Lots 12, 29 & 36. According to the New York City tax records, the subject property is comprised of one parcel classified as Tax Class IV. The historical tax rates for IV properties are summarized below.

Historical Tax Rates		
Year	Class IV Tax Rates	% Change
2007/08	\$10.059	-8.530%
2008/09	\$10.241	1.809%
2009/10	\$10.426	1.806%
2010/11	\$10.312	-1.093%
2011/12	\$10.152	-1.552%
2012/13	\$10.288	1.340%
2013/14	\$10.323	0.340%
2014/15	\$10.684	3.497%
2015/16	\$10.656	-0.262%
2016/17	\$10.574	-0.770%
Average:		-0.341%
<i>Source: NYC Department of Finance</i>		

The historical rates indicate an average annual change in the tax rate of -0.341% for Class IV over the past ten years.

Local Tax Assessment

The Property Division of the City of New York Department of Finance assigns both an actual and transitional assessment to real property. Real estate taxes are typically calculated based on the lower of the two assessments. Assessments are theoretically based on 45% of the assessor's fair market value conclusion for class II and IV and 6% of the market value for class I. The subject property is classified within Tax Class IV. The current taxes are presented to calculated the Mini-Tax, or the taxes paid for three years properties receiving 421-a benefits during the construction of the improvements.

Subject Receiving Site Assessments and Taxes

Block	675	675	675
Lot	12	29	36
Building Class	G9	K1	G4
Tax Class	4	4	4
Actual AV - Land	\$2,826,450	\$888,750	\$589,500
Actual AV - Building	\$2,672,550	\$133,650	\$345,600
Actual AV - Total	<u>\$5,499,000</u>	<u>\$1,022,400</u>	<u>\$935,100</u>
Transitional AV - Land	\$2,795,220	\$888,750	\$589,500
Transitional AV - Building	\$2,120,715	\$185,420	\$278,010
Transitional AV - Total	<u>\$4,915,935</u>	<u>\$1,074,170</u>	<u>\$867,510</u>
Taxable Assessment	\$4,915,935	\$1,022,400	\$867,510
Tax Rate per \$1,000 AV	<u>10.57%</u>	<u>10.57%</u>	<u>10.57%</u>
Total Taxes	\$519,811	\$108,109	\$91,731
Total Current Taxes and Mini-Tax Basis		\$719,650	

Conclusion and Applicability in Valuation

The current taxes are used as the Mini-Tax during construction of the proposed improvements. Upon completion of the property development, the full assessed value will be in effect, reflective of the use and condition of the property as of the taxable status date in 2021. As discussed, the property is anticipated to received New Program (421-a) tax benefits, as discussed below.

Affordable New York Housing Program f/k/a 421-a Partial Tax Exemption Program

The subject receiving site will be developed with affordable housing and the receiving site's proposed development will be eligible for partial tax exemption under the Affordable New York Housing Program ("New Program"), formerly known as the 421-a partial tax exemption program. The program is described in Part TTT of the January 23, 2017 Senate-Assembly Budget Bill, which was approved by Governor Cuomo on April 10, 2017. The new program is available to projects that commence construction between January 1, 2016 and June 15, 2022 and are completed before June 15, 2026. Projects that commenced construction on or before December 31, 2015 also may opt into the New Program if they have not yet received 421-a benefits. Projects that do not receive the enhanced 35 year benefit would have to comply with the affordability requirements and other requirements for 35 years. Projects that receive the enhanced 35 year benefit would have a 40 year compliance period.

Affordability and Tax Benefit Options

For rental projects of over 300 units, and located in one of the enhanced affordability areas, or for projects that voluntarily comply with the minimum average hourly wage requirements, the project would receive the following tax benefits:

- 100% exemption for a construction period of up to three (3) years (Mini-Tax)
- A 35-year post-construction 100% exemption.

These projects would be required to choose one of the three affordability options and comply with it through the extended restriction period, which is 40 years from completion.

Option 1:

- 25% of the units must be affordable: at least 10% at up to 40% of AMI, 10% at up to 60% of AMI, and 5% at up to 120% of AMI; and
- the project cannot receive any government subsidies other than tax-exempt bond proceeds and 4% tax credits.

Option 2:

- 30% of the units must be affordable: at least 10% at up to 70% of AMI and 20% at up to 130% of AMI.

Option 3:

- at least 30% of the units must be affordable at up to 130% of AMI;
- the project cannot receive any government subsidies; and
- the project **cannot** be located in the Manhattan Enhanced Affordability Area.

Subject New Program Option

The developer of the subject site has indicated that it will pursue the AMI bands as outlined in Option 1, but will in fact pursue 5% of the units at 100% of AMI as to conform with the Mandatory Inclusionary Housing development option stipulating that 25% of the units must be set aside as affordable housing, with a 60% AMI average and a minimum of 10% of the units to be priced with an AMI of 40%.

Tax Burden Computations – Two Methodologies:

In estimating projected taxes and the 421-a benefit for the subject receiving site's proposed development we have applied two methodologies. First, we have researched and uncovered comparable mixed-income rental apartment buildings built within the last 10 years and located in Manhattan. Second, we used the estimated income for the proposed development to compute full taxes using the 2017 City of New York Assessment Guidelines. The two methodologies produce similar results.

Tax Comparables

The receiving site's proposed development will consist of a mix of residential and commercial uses, which upon completion will be reassessed, reflective of the uses. We have therefore set forth below tax comparables for use in our valuation.

COMPARABLE REAL ESTATE TAX BURDENS - MID- AND HIGH-RISE MULTI-UNIT RENTAL BUILDINGS								
	#1	#2	#3	#5	#6	#7	#8	#9
Address	539 West 28th Street	534 West 30th Street	455 West 37th Street	435 West 31st St.	500 West 30th Street	505 West 37th Street	175 West 60th	51 Amsterdam
Description	31-story, blt 2013	34-sty, blt. 2008	32-sty, built 2009	64-story built 2015/2016	35-story built 2014/2015	44-sty, built 2007	48 Story, blt. 2013	54 Story, blt. 2014
Block/Lot	700/9	701/62	735/6	729/50	701/1101, 1103, 1104	709/31	1132/21	1132/35
GBA	674,428	387,468	386,309	748,279	370,756	834,583	312,041	461,229
Assessment 2016/17*	\$82,581,660	\$45,444,060	\$37,421,280	\$74,189,409	\$43,567,948	\$80,437,210	\$31,055,364	\$57,111,187
Tax Class	2	2	2	2	2	2	2	2
2016/17 Tax Rate	12.892%	12.892%	12.892%	12.892%	12.892%	12.892%	12.892%	12.892%
Est. Tax Burden /Annum	\$10,646,428	\$5,858,648	\$4,824,351	\$9,564,499	\$5,616,780	\$10,369,965	\$4,003,658	\$7,362,774
Est. Tax PSF GBA	\$15.79	\$15.12	\$12.49	\$12.78	\$15.15	\$12.43	\$12.83	\$15.96

*Prior to Abatements or Exemptions

Min	\$12.43
Max	\$15.96
Mean	\$14.07
Median	\$13.98
Conclusion	\$15.50

The proposed subject development will approximately 890,695 square feet of above-grade building area. It will also contain more affordable units than the tax comparables, however the subject development will be a new development of 62 stories, taller than all comparable properties other than 435 West 31st Street. Based upon these tax comparables we have projected that the residential component at the receiving sites proposed property will upon completion have a non-abated real estate tax burden of approximately \$15.50/SF or \$13,805,773.

Taxes as a Percentage of Income:

Based on market assumptions regarding rental rates for newly-constructed market rate apartments, we have derived estimated annual tax benefit, post-construction. As discussed in the Residential Market Analysis, effective gross income after concessions is estimated to be an average rent of \$94.61 per square foot, inclusive of amenity fees and other charges. Stabilized occupancy is estimated to be 95% for commercial income, 97% for the market rate component and 99% for the affordable components.

Furthermore, we have been researched AMI figures for this project and the following rents have been considered.

2017 Fair Market Rent - Tenant Pays Electric				
# 40% AMI	# Units	Monthly Rent	Total Monthly /Unit Type	Annualized
Studio	30	\$613	\$18,390	\$220,680
1 Bed	42	\$659	\$27,678	\$332,136
2 Bed	23	\$801	\$18,423	\$221,076
3 Bed	2	\$917	\$1,834	\$22,008
# 60% AMI	# Units	Monthly Rent	Total Monthly /Unit Type	Annualized
Studio	30	\$947	\$28,410	\$340,920
1 Bed	42	\$1,017	\$42,714	\$512,568
2 Bed	23	\$1,230	\$28,290	\$339,480
3 Bed	1	\$1,413	\$1,413	\$16,956
100% AMI	# Units	Monthly Rent	Total Monthly /Unit Type	Annualized
Studio	15	\$1,624	\$24,360	\$350,784
1 Bed	21	\$1,743	\$36,603	\$439,236
2 Bed	12	\$2,099	\$25,188	\$302,256
3 Bed	1	\$2,419	\$2,419	\$29,028
Total Affordable	242			\$3,127,128

Summary of Income Components

Market Rent EGI - Effective Rent and Amenity Fees	\$46,734,191
Affordable Income Rent EGI	\$3,127,128
Commercial/Amenity Income EGI	\$4,059,445
Total Income	\$53,920,764
Taxes as % of Income @	\$14,558,606

Using the Total Income derived above we apply a 28% factor to the market rate, amenity and commercial income and 20% factor to the affordable income. For Post-1973 Residential Regulated apartment buildings in Manhattan, the NYC Assessment Roll guidelines indicates a tax burden range of 17% to 28.7%⁸. We conclude towards the higher end of the range at 27%.

This methodology produces an estimated tax burden of \$14,558,606, or \$16.35 of gross building area, \$0.85 more per square foot than demonstrated by the tax comparables. In our conclusion of projected taxes, consideration is given to both methodologies and the estimated taxes are projected to be \$14,000,000 and the improvement exemption is estimated to be \$13,280,350. The computations are presented below:

Total Income		\$53,920,764
Taxes as % of Income @	27.0%	\$14,558,606
Tax Comps @	\$15.50	\$13,805,773
Conclusion		\$14,000,000
Less Base Mini-Tax (current taxes)		(\$719,650)
RE Taxes - Improvements		\$13,280,350

Mini-Tax – Real Estate Taxes During Construction of 421-a Project

The 421-a benefits are computed on the improvements, less the applicable mini-tax during the development, and we deduct the estimated pro-rata share of the mini-tax as of the date of appraisal from the taxable improvements that generate the 421-a benefits. The mini-tax is computed by using the assessment in effect during the tax year prior to commencement of construction. As presented earlier, this figure as of the date of appraisal is \$719,650. During the holding period, the current real estate taxes are used, trended forward 3% per annum, as the property is assumed to be fully exempt for real estate taxes on the improvements. The table below illustrates the computations of the tax benefit generated by the New Program as of the appraisal date.

⁸ (Effective Tax Rate of 5.797% x approximate market value range) / Income range

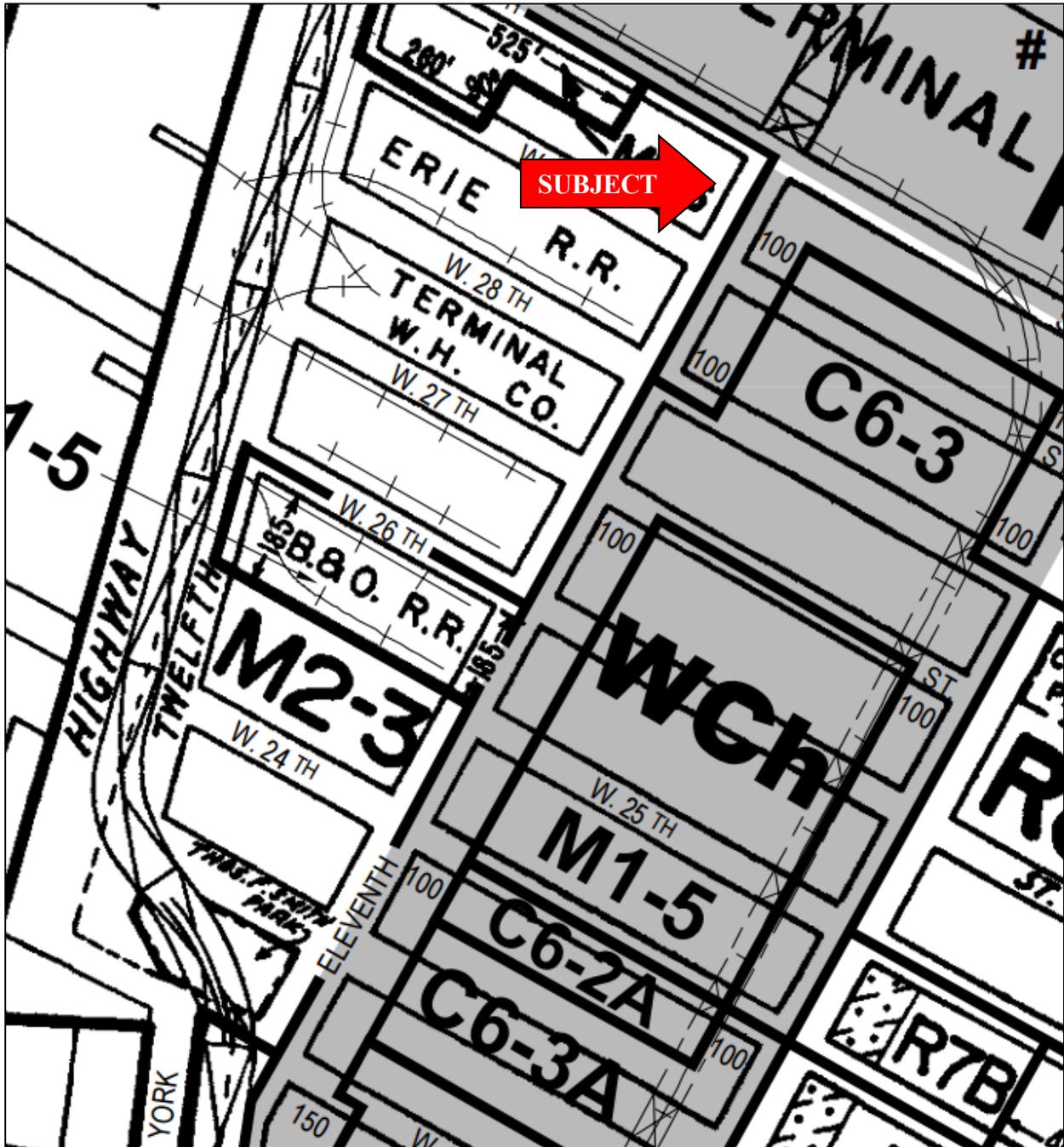
Taxes Payable and Balance of 421-a Benefits Reversion

Based on historical trends of similar properties, taxes on properties such as what is proposed for the receiving site's proposed development can expect to increase on average at 1% per year. Additionally, assessments for this property type can be expected to increase in the range of 3% to 8% per year, on average. The 421-a exemption is applied to the development, post-construction, which is assumed to be three years following the appraisal date. We discount to present value the per-square-foot tax savings generated by the 421-a exemption at reversion. In computing the present value of the tax savings, we estimate that the proposed taxes would increase 3% per annum and the savings are discounted at the relatively low rate of 6%, reflective of the risk level associated with these savings.

The land residual valuation of this appraisal applies the exempt taxes in the cash flow during a 15-year holding period following the appraisal date. At the reversion year or year 16, we assume the property is fully taxable and we add back the balance of the New Program benefits to the capitalized income in the reversion year.

The table below shows the computations of the discounted present value of the New Program benefits at reversion.

Fiscal Year	Year	Payable Taxes (3% growth)	Improvement Exemption %	Annual Tax Exemption 3%/annum Tax Growth	PV @ 6%
2032/33	16	\$1,154,827	100%	\$21,311,063	\$9,991,458
2033/34	17	\$1,189,472	100%	\$21,950,395	\$9,708,681
2034/35	18	\$1,225,156	100%	\$22,608,907	\$9,433,907
2035/36	19	\$1,261,911	100%	\$23,287,174	\$9,166,910
2036/37	20	\$1,299,768	100%	\$23,985,789	\$8,907,469
2037/38	21	\$1,338,761	100%	\$24,705,363	\$8,655,371
2038/39	22	\$1,378,924	100%	\$25,446,524	\$8,410,407
2039/40	23	\$1,420,292	100%	\$26,209,920	\$8,172,377
2040/41	24	\$1,462,900	100%	\$26,996,217	\$7,941,083
2041/42	25	\$1,506,787	100%	\$27,806,104	\$7,716,335
2042/43	26	\$1,551,991	100%	\$28,640,287	\$7,497,949
2043/44	27	\$1,598,551	100%	\$29,499,495	\$7,285,743
2044/45	28	\$1,646,507	100%	\$30,384,480	\$7,079,542
2045/46	29	\$23,472,011	25%	\$7,824,004	\$1,719,794
2046/47	30	\$24,176,171	25%	\$8,058,724	\$1,671,121
2047/48	31	\$24,901,456	25%	\$8,300,485	\$1,623,825
2048/49	32	\$25,648,500	25%	\$8,549,500	\$1,577,868
2049/50	33	\$26,417,955	25%	\$8,805,985	\$1,533,211
2050/51	34	\$27,210,494	25%	\$9,070,165	\$1,489,818
2051/52	35	\$28,026,809	25%	\$9,342,270	\$1,447,654
2052/53	36	\$28,867,613	25%	\$9,622,538	\$1,406,682
2053/54	37	\$29,733,641	25%	\$9,911,214	\$1,366,871
2054/55	38	\$30,625,650	25%	\$10,208,550	\$1,328,186
Balance at Reversion (2032/33 to 2054/55)					\$125,132,261



Zoning Map (current)

ZONING ANALYSIS

Current Zoning

The subject receiving site is located in a zoning district classified as M2-3, Medium Performance Manufacturing District. This district is designed "...for manufacturing and related activities which can meet a medium level of performance standards. Enclosure of such activities is not normally required except in areas along the boundary of a Residence District." No new residences or community facilities are permitted.

Permissible uses in the M2-3 zoning district include manufacturing, printing establishments, parking lots, parking garages, health facilities, retail and service establishments, business and trade schools and public service establishments.

Permitted Use Groups with M2-3 districts include:

Retail and Commercial:	Groups 6 through 11
Recreation:	Groups 11 through 14
General Service:	Group 16
Manufacturing:	Group 17

The following bulk regulations apply to the subject:

Maximum Floor Area Ratio:

Commercial:	2.0
Manufacturing:	2.0

Minimum Yard Requirement:

Side Yard:	8 feet
Rear Yard:	20 feet
Initial Setback:	15 feet

Maximum Height of Front Wall: 60 feet (total height above set back governed by sky exposure plane)

The maximum building area permitted, if the site was vacant and available for development to its Highest and Best Use, is as follows:

				Maximum Total
	Lot Area	FAR		Building Area
	61,719	x 2.0	=	123,438 sq. ft.

The receiving site contains approximately 61,719 square feet of combined site area, indicating a maximum permissible gross building area of 123,438 square feet. The receiving site is improved with an office building totaling 56,865 square feet spread over three tax lots. Based on the present zoning ordinance, the receiving site property is legally conforming as to use and legally non-complying as to

bulk as it was built prior to current zoning regulations. We note that it was built prior to the enactment of the current zoning regulations affecting the site.

Proposed Plan and Rezoning

The proposed rezoning to C6-4X calls for a mixed-use development with a Floor Area Ratio (FAR) of 10.0 and a total Zoning Floor Area (ZFA) of 617,188 square feet. Additional floor area would be transferred to the sites from the granting site within Hudson River Park for a total FAR of 12.0 resulting in a total ZFA of 740,625 square feet; the shortfall of 123,438 square feet of ZFA will be transferred from the generating site by Hudson River Park Piers 59, 60 & 61, known as tax Block 662, Lots 11, 16, 19 and part of lot 62.

In order for the development on the subject site to occur, three zoning text amendments and a zoning map amendment are required. Additionally, the developer must seek a special permit to transfer the subject development rights.

The subject property will be rezoned and included in the Special Hudson River Park District, eligible to become receiving sites from the Hudson River Park Trust (HRPT) pursuant to the special district regulations. In order to affect the transfer of the development rights from HRPT, the subject receiving site must apply to receive a special permit to transfer floor area from the granting site to the subject receiving site. As of the date of appraisal, the valuation assumes that the aforementioned text amendments and special permit have been granted and that the development rights can be acquired and assembled on the site.

It should be noted the restrictions summarized do not represent the entire restrictions summarized in the *Zoning Resolutions* but are the most basic restrictions applicable. There are numerous other restrictions applicable that must be considered in the determination of true compliance, particularly within the special districts. However, the determination of compliance with zoning restrictions is beyond the scope of a real estate appraisal, therefore, our comments regarding compliance apply only to the restrictions noted above. Furthermore, we are unaware of any deed restrictions that may further limit the receiving site's use. Deed restrictions are a legal matter and only a title examination by an attorney or a title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

SITE AND IMPROVEMENT DATA – RECEIVING SITE

- Location:** The receiving site is identified as 601 West 29th Street a/k/a 301-309 11th Avenue, an “L”-shaped, block-front parcel bounded northerly by West 30th Street, southerly by West 29th Street and easterly by 11th Avenue. The receiving site property is identified on the New York City Assessor’s Map as part of Block 675, Lots 12, 29 & 36.
- Site Measurement:** The receiving site has the following frontages:
- 525.0’ – West 29th Street
197.5’ – 11th Avenue
100.0’ – West 30th Street
- Total Land Area:** 61,718.75 square feet.
- Zoning:** M2-3, to be rezoned C6-4X, subject to guidelines of the Mandatory Inclusionary Housing program.
- Topography:** The site is generally level along all street frontages.
- Flood Zone:** According to FEMA Flood Panel Map 3604970069G, portions of the property are located within the confines of FEMA Zone AE: areas determined to be within the 0.2 percent Annual Chance Flood Hazard area. The property is situated in NYC Hurricane Evacuation Zone 1, which is the highest risk level.
- The developer reports that a “bathtub” system may be required to protect the property from flooding.
- Utilities Available:** Utilities available to the site are telephone, provided by Verizon and others; gas and electric provided by Consolidated Edison; water and sewer provided by the City of New York.
- Municipal Services:** Street lighting, sanitation, street maintenance, police and fire protection are provided by the City of New York.
- Ingress/Egress:** Ingress and egress to the site are by means of West 29th Street, West 30th Street and 11th Avenue. The development contemplates vehicular access at two points on West 29th Street.
- Gateway Project:** As detailed in the Draft Scope of Work, in conjunction with the development of the Hudson Tunnel Project,
- “the construction may use part of the interior parking area inside the single-story west wing of the project site A building for temporary

construction staging until 2026. The applicant has been coordinating with the rail agencies regarding this potential arrangement. This would allow construction of the entire project on project site A to be completed as planned by 2021 with the understanding that, if necessary, the applicant would allow Hudson Tunnel construction staging in its indoor parking area in the west wing of the building. If the Hudson Tunnel Project requires construction staging in the project site A building, there would be garage doors or a similar opening on the north side of the structure to provide access for staging directly to and from the adjacent (off-site) tunnel construction staging area. When the construction staging is no longer required, the opening would be sealed and the area would be used as intended as accessory parking for building residents. Amtrak and PANYNJ have agreed to continue working with the applicant to coordinate construction of the Hudson Tunnel and site A projects. As part of the Hudson Tunnel Project's engineering review, they have indicated that the area slated for the EMS facility⁹ and garage may be needed for tunnel construction staging purposes, for some or all of the construction period of the Hudson Tunnel Project. If the Hudson Tunnel Project ultimately decides to use the far western portion of project site A as an open yard for construction, completion of the west wing of the building on West 29th Street would be delayed at least until 2027. In this situation, the Hudson Tunnel Project would build the west wing as part of its project. Because the construction plans for the Hudson Tunnel Project are evolving and may include any number of options, the EIS for that project will consider the potential construction impacts of building this portion of the structure along West 29th Street at a later date."

In connection with this plan we have reviewed a summary of the West 30th Street "cut and cover" which estimates a total construction time of 24 months along west 30th Street, from 2020 into 2022. In our valuation we have assumed a total impact on value of 5%, which is derived from both reduced unit pricing, as well as a reduced pool of potential purchasers. In the income capitalization approach, we translated this impact to a 10% reduction in total income in the two years following completion of the project. We note that many of the comparable data in this report is from high-trafficked areas of

⁹ Since DCP reports that the potential EMS use will use up ZFA, it is our opinion that the expanded parking garage and retail is the highest and best use

Manhattan that will experience nearby development in the short- or medium term, thereby mitigating the degree of this adjustment.

**Potential Hazards/
Subsoil Conditions:**

Appraisers and Planners, Inc. is not aware of any potential hazards affecting the site. Soil conditions are assumed to be adequate to support the existing structure and the proposed development. We have not been provided with a Phase I or Phase II environmental report. An investigation into the hazardous materials on the site is a component of the contemplated Rezoning as defined in the Draft Scope of Work for the Environmental Impact Statement.

We note that a portion of the receiving site has been operated as a gasoline service station, while the westerly portion of the property has been used for DSNY truck parking. The developer indicates that cleanup will be required at the site and the property may be eligible for the Brownfield Tax Credit Program.

**Receiving Site's Current
Improvements:**

We did not make an interior inspection of the improvements. The summary of improvements below is based on information gleaned from a variety of sources. The property is presently improved with the aforementioned gasoline service station, truck parking lot for DSNY and supporting staff building, and an artist's studio and office building. According to the Draft Scope of Work, the improvements are summarized as follows:

- A Mobil Gas station and minimart at 309 Eleventh Avenue (the corner of West 30th Street and Eleventh Avenue). The gas station includes a 1,056 gsf building on a 9,875 sf lot (Lot 36).
- A center of operations for the American artist Jeff Koons, who is known for his oversized sculptures of balloon animals, at 609, 603, and 601 West 29th Street (portion of Lot 12 and Lot 29). The Koons facility operates within a single-story garage with frontage on West 29th Street (Lot 29), a four-story loft building (portion of Lot 12), as well as a two-story art studio space. The Koons studio employs approximately 150 people as painters, sculptors, digital artists, and administrators in a total of 43,859 gsf of space.
- A New York Department of Sanitation (DSNY) facility at 613 West 29th Street (portion of Lot 12). The DSNY facility includes a two-story office building totaling 11,950 gsf and is used as an office and worker lounge. DSNY has plans to vacate the property and is currently constructing a replacement facility.

- A PANYNJ lot at 615 West 29th Street (portion of Lot 12). PANYNJ uses this lot for security and office functions as well as vehicle parking.

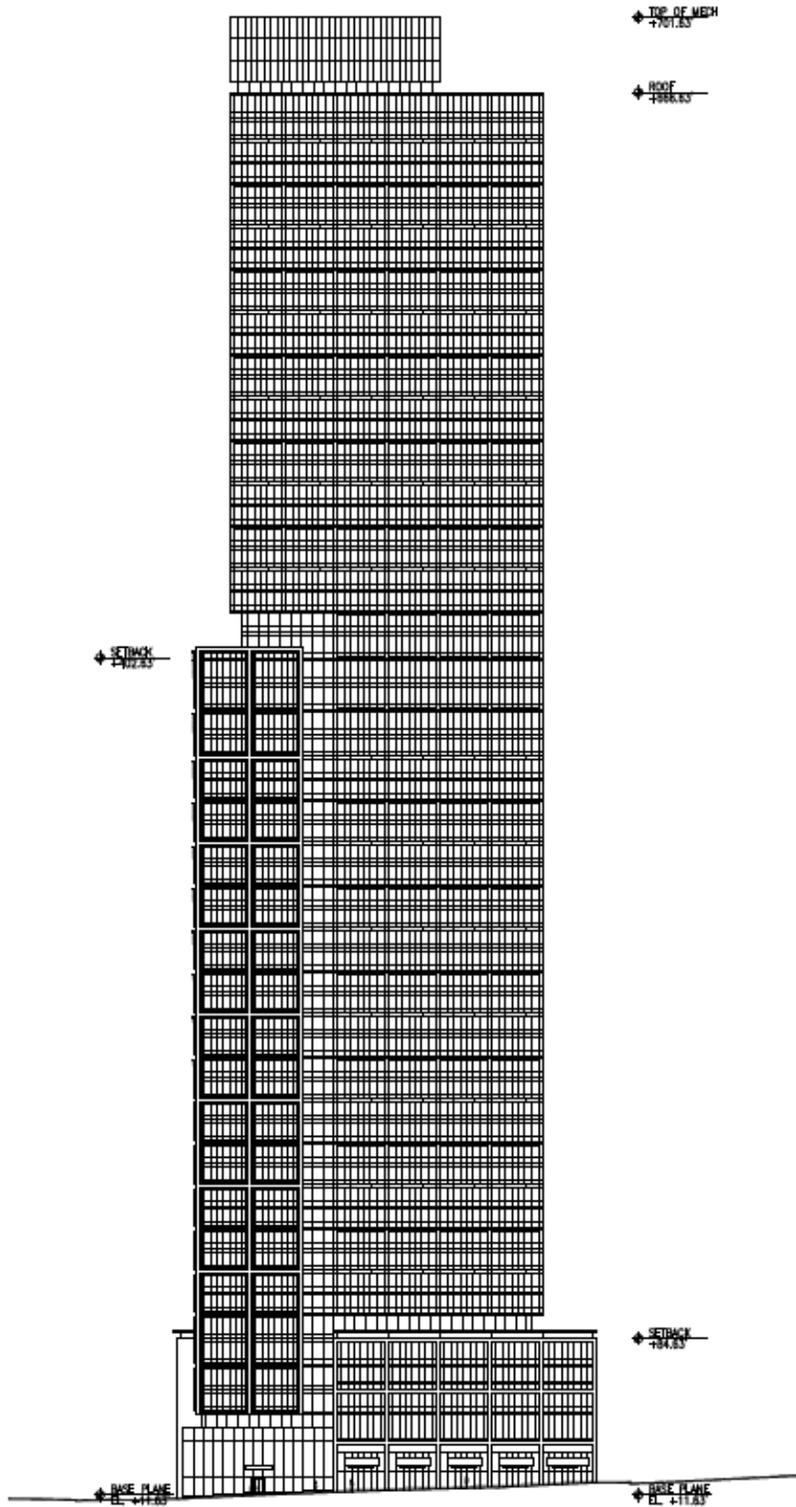
**Receiving Site's
Proposed Improvements:**

The proposed improvements call for a development that could house:

- a) 533,410 square feet of ZFA (493,152 net rentable square feet) allocable to market rate residential development, inclusive of a 982 square foot superintendent's unit
- b) 177,357 square feet of ZFA (164,220 net rentable square feet) allocable to affordable residential rentals
- c) 14,550 square feet of ZFA (20,460 net rentable square feet) allocable to two (2) retail spaces
- d) 37,050 gross square feet of indoor tenant amenity space
- e) 26,560 gross square feet of rooftop amenity space
- f) 20,980 net rentable square feet of car and bicycle parking garage

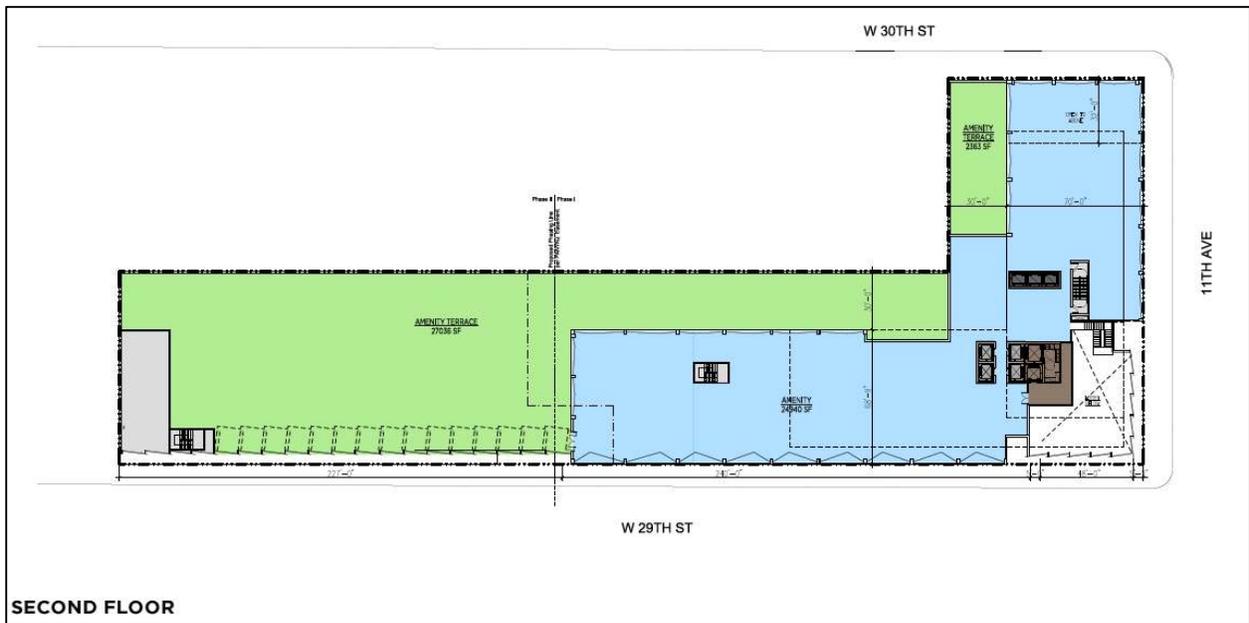
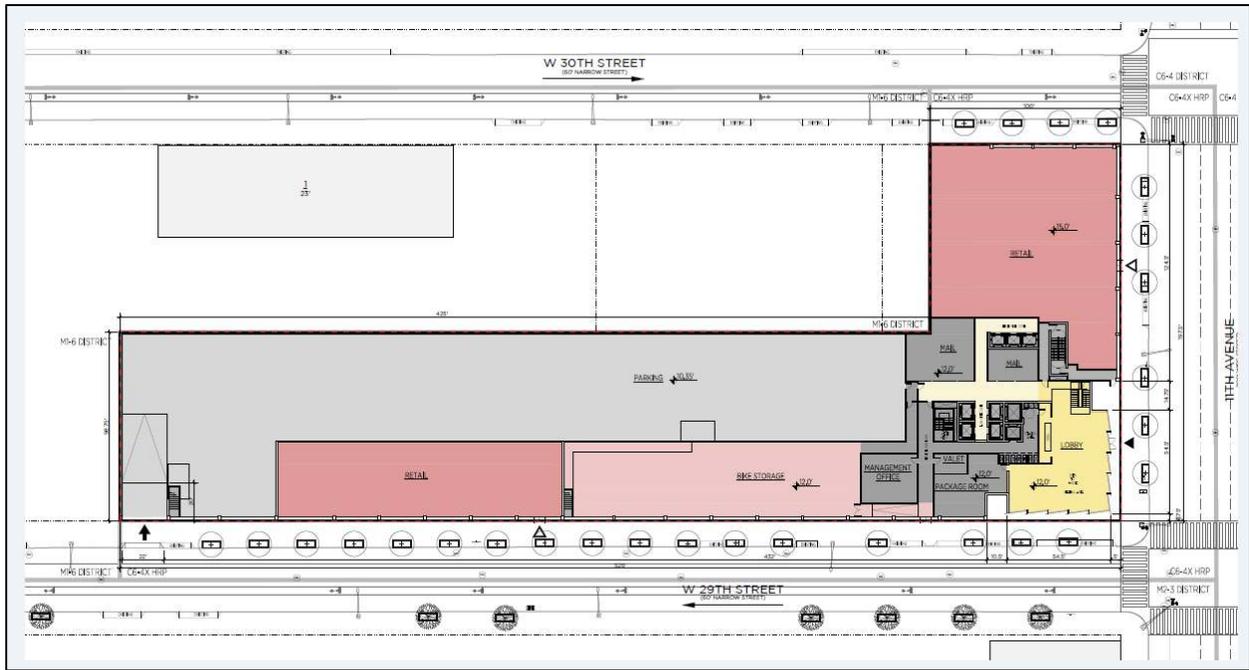
The layout and configurations of the units have not been fully programmed by the developer. But, as discussed in the residential market analysis, we have estimated a likely unit mix, consisting of:

Unit Type	# Units	% of Total	Avg. Size
Studio	307	31.75%	460
1 Bed	423	43.68%	660
2 Bed	223	23.05%	980
3 Bed	15	1.52%	1,235
	968		680

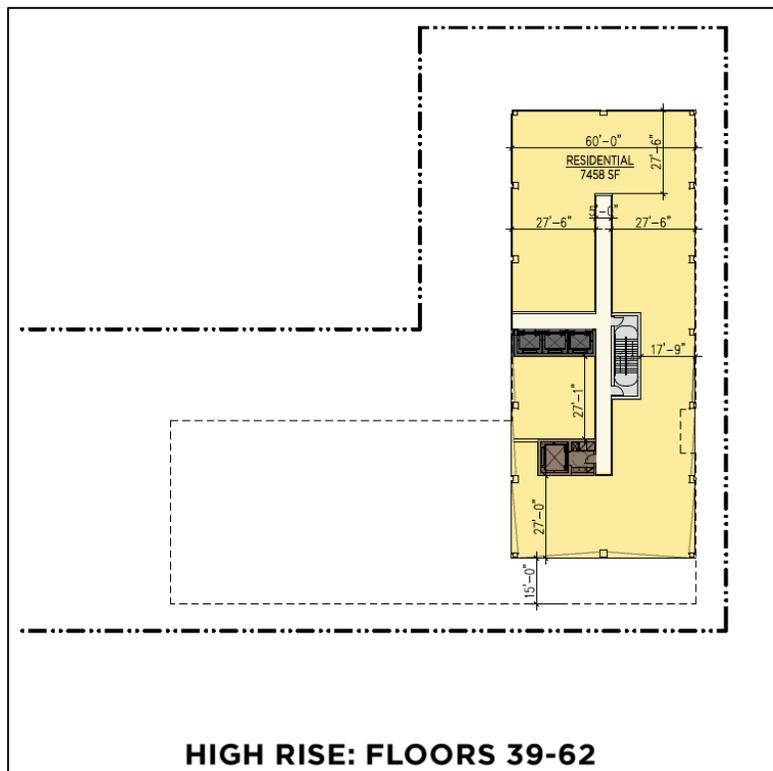
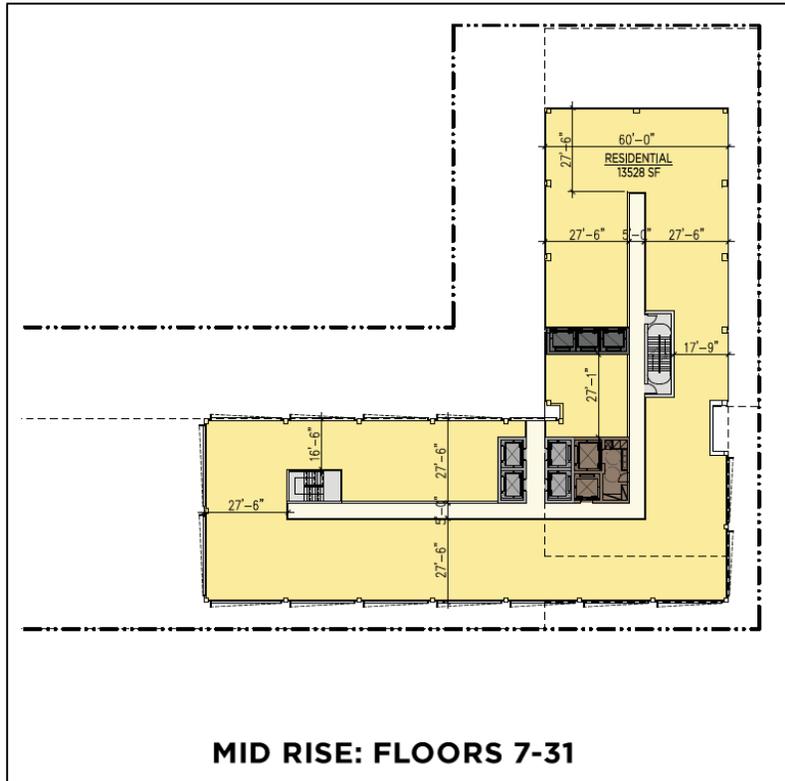


East Elevation of Proposed Subject Receiving Site

Proposed Space Programming



SECOND FLOOR



HIGHEST AND BEST USE ANALYSIS

The highest and best use analysis and conclusions for a particular property provide the basis upon which the market value is predicated. The purpose of the highest and best use analysis is to identify the use of a property that is expected to produce the highest overall return.

According to the Appraisal Institute, **highest and best use** is defined as:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in highest value."¹⁰

The highest and best use analysis involves examination of the highest and best use of the subject property first as if vacant and unimproved and second, as improved.

In determining the highest and best use, the four tests of highest and best use are examined.

- **Legally Permissible:** The initial test or criterion of highest and best use considers what uses are legally permissible. This relates to designated zoning, bulk regulations, restrictions applicable to a lease, environmental regulations, easements or other restrictions. For the purposes of this appraisal we have considered the permissible uses and regulations as per the proposed rezoning and special permit.
- **Physically Possible:** The second test of highest and best use considers the size, shape, area and terrain or topography of a parcel of land that can affect the use of that parcel. This test also takes into account utility of the parcel based on frontage and depth measurements.
- **Financially Feasible:** The financial feasibility criterion refers to that use of the physically possible, legally permissible uses that is likely to produce a positive return to the owner.
- **Maximally Productive:** The fourth and final test of highest and best use is determining which of the financially feasible uses provides the highest net return to the investor.

The definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has an existing improvement on it, the highest and best use may be determined to be different from the improved 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.

Given that we are valuing the subject develop rights assuming they are part of the fee development of the receiving site identified as 601 West 29th Street, this highest and best use analysis considers the

¹⁰ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th Ed., (Illinois: Appraisal Institute, 2010), page 93

highest and best use of the development rights transferred to the zoning lot comprising 601 West 29th Street. In addition, this highest and best use analysis considers uses permissible under the rezoning and special permit which include residential, commercial retail, and community facility. Required uses include low-income affordable components.

We have made an investigation of the property uses in the neighborhood and their relation to the subject air rights and the proposed receiving site's development. The subject property is currently split-zoned M2-3 by the City of New York. The property's location on West 29th Street, West 30th Street and 11th Avenue in Manhattan's West Chelsea neighborhood is appropriate for a mix of uses. There are several surrounding high-density commercial, industrial and residential uses, when/if rezoned. The recent neighborhood rezonings have spurred changes to land use in the immediate area.

As Vacant

This receiving development property at 601 West 29th Street must meet four criteria in the analysis of its highest and best use as though vacant or improved. First, the highest and best use must be legally permissible. This refers mainly to zoning, private restrictions, building codes, etc. This property is currently zoned M2-3 by the City of New York. These districts permit commercial, hotel and industrial uses which would be in context with some surrounding properties within the neighborhood. As evidenced by the efforts to rezone the proposed development, the area would benefit from a greater mix of uses including a residential component.

Second, the highest and best use must be physically possible. In other words, it must have a size, topography, availability of utilities, etc., in order for any proposed development to be possible. Because the size is approximately 61,719 square feet, there are several potential uses from a mixed-use standpoint. The two sites are suitably shaped, have City utilities, a relatively level topography, and good access and visibility to a number of thoroughfares. It is our opinion that the receiving site can be physically improved with a variety of uses.

Third, the highest and best use must be financially feasible. This refers to the abilities of the use to provide a positive return. Potential income, operating expenses, and the percentage of vacancy are important factors. If the revenue projected is not capable of satisfying a required rate of return, the use may not be financially feasible. A mix of uses with a large residential component could easily produce a positive return if they are constructed in a functional manner. There is ample evidence of developers constructing residential and mixed-use developments on similarly-sized lots near the proposed receiving site. Demand for this type of use in the area exists, taking into consideration its population, income level, etc. Retail, or other commercial uses, may be financially feasible for portions of the first and second floors given the well-occupied status of nearby retail properties in West Chelsea.

The fourth criterion is that the highest and best use must be maximally productive. Of the uses that are physically possible, legally permissible, and financially feasible, the use that produces the highest price or value is the highest and best use. As illustrated in the development site sales in the Sales Comparison Approach, a number of developers are purchasing large parcels in nearby locations and are redeveloping them in favor of a variety of uses. As shown by the results of the Sales Comparison

Approach, the highest and best use of the subject property development rights are for use as market rate residential units upon rezoning from M2-3 zoning to more favorable zoning that permits a wider variety of uses and densities.

We note that certain residential uses are contemplated to be restricted on the site. The client will record, or cause to record, a deed restriction precluding the development of for-sale units. This will include condominium, cond-op and cooperative ownership. As a result, the highest and best use for the residential component will be rental apartments. With respect to grade uses, a retail component will be accretive to the property, and is an appropriate use for a portion of the site, as vacant.

As Improved

As improved, the property at 601 West 29th Street consists of a gasoline service station, open parking lot and small commercial buildings. The property is legally permissible, physically possible; and it may be considered to be financially feasible. We have not been provided with the income and expenses for the property; however, the assumption is that the property is not financially feasible given the plans to redevelop the property. The current use, as improved, is not considered to be maximally productive, as evidenced by the rezoning efforts being undertaken by the proposed lessee of 601 West 29th Street.

The scope of the assignment requires a valuation of air rights to be assigned to a specific development. The value of the subject air rights represents a blending of uses planned for the target development that includes market rate residential rentals, affordable rentals, and grade retail, and accessory parking areas.

In addition, a hypothetical condition has been employed in this valuation as we have assumed that the proposed rezoning and special permit have been granted through a successful ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development.

Consequently, it is concluded that the highest and best use of the subject air rights is for construction of the required affordable residential uses that will be provided for as per the ULURP, in conjunction with the retail component, supporting parking garage and the market rate residential uses. The valuation of residential rental use is the higher than other permitted uses for the site including office or hotel.

APPRAISAL PROCESS

The appraisal process is the orderly program in which the data used to provide an opinion of the market value of the subject property is acquired, classified, analyzed and presented. The first step is defining the appraisal problem, i.e., identification of the real estate, establishing the effective date of the value estimate, addressing the property rights being appraised and the type of value sought. Once this has been accomplished, the appraiser considers all the factors that affect the value of the subject property. This study includes Area and Neighborhood Analyses, Site and Improvement Analyses, Highest and Best Use Analysis and the application of the three approaches to rendering an opinion of the property's value. The three traditional approaches to value real property are: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

The **Cost Approach** is used to arrive at a market value developed by computing the current cost of replacing a property and deducting any accrued depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence and external obsolescence. The resultant figure, combined with an adequate return for the entrepreneurial effort, is added to the land value to arrive at an indication of value for the whole property. Generally, the land value is obtained through the Sales Comparison Approach. The Cost Approach is often best suited to new or recently constructed properties with a minimum amount of accrued depreciation.

The **Sales Comparison Approach** is based on the principle of substitution since a prudent purchaser would pay no more for a particular property than the price necessary for the acquisition of a substitute property which offers equal utility. The appraiser gathers data on sales of comparable properties and analyzes the nature and condition of each sale, making logical adjustments for dissimilar characteristics. Typically, a common denominator is found. For land value, this is usually either a price per square foot or price per acre; for improved properties, the common denominator may be price per square foot, price per unit, or a gross rent multiplier. The Sales Comparison Approach gives a good indication of value when sales of similar properties are available.

The **Income Capitalization Approach** is predicated on the assumption that there is a definite relationship between the amount of cash flow a property may generate and its value. The anticipated annual cash flow of the subject property is processed to produce an indication of value. This approach is based on the principle that value is created by the expectation of benefits derived in the future. The Income Capitalization Approach encompasses two different techniques: discounted cash flow analysis and direct capitalization. In this appraisal, the discounted cash flow analysis via a land residual technique is used to derive land value for certain components of the subject property. In the discounted cash flow technique, the benefits to equity of annual cash flow and sale proceeds over a reasonable holding period are converted into a value estimate using current costs of equity capital. Rates of return are derived from yields anticipated by recent buyers of similar real estate. Factors such as risk, time, interest on the capital investment, and recapture of the depreciating asset are considered in the selection of rates. In the direct capitalization

technique, the cash flow for the first stabilized year is converted into an indication of value by using an overall capitalization rate.

A final step in the appraisal process is the **Reconciliation** of the value indications. In the reconciliation the appraiser considers the relative applicability of each of the three approaches, examines the range between the value indications and places major emphasis on the approach that appears to produce the most reliable solution to the specific appraisal problem. The purpose of the appraisal, the type of property and the adequacy and reliability of the data are analyzed, and appropriate weight is given to each of the approaches to value. In analyzing the three approaches to value, it can be readily observed that most of the information pertaining to the fair market value of the subject property must be derived from the marketplace because the appraiser anticipates the actions of buyers and sellers in the market.

Applicability to Subject Property:

Overview

The subject property of this appraisal is the air rights generated by the Hudson River Park to be incorporated within a proposed development on 601 West 29th Street, which is legally identified as Block 675, Lots 12, 29 & 36. The receiving site development is proposed to include, market rate residential rentals, affordable rentals, retail space and tenant garage. This appraisal considers the value of only the air rights to be incorporated into this proposed development and, it is our understanding that the proposed rezoning and special permit are being granted on the condition that the receiving site purchase the air rights from the HRPT.

Moreover, the contemplated development is to be subject to a Ground Lease. We have not been provided with any terms of the proposed lease, and it is effectively ignored in this valuation other than our consideration of the typical development and ownership restrictions of ground-leased property, in conjunction with the limitations created by the to-be recorded deed restriction.

The **Income Approach** via discounted cash flow analysis was developed by a land residual technique to value the proposed development to occur at 601 West 29th Street. There exists a paucity of recent arms-length sales transactions of development sites for mixed-income developments, therefore, this was the primary methodology to value these components wherein we have considered the income to be generated by these components, costs to construct these components of the development and expenses to operate them.

The **Sales Comparison Approach** was developed as the secondary method of valuation for the receiving development site. The receiving site's fee development rights were valued by analyzing other transactions of development sites, taking into account the affordable requirements and the contemplated deed restriction that will preclude for-sale residential development. In developing an opinion of value for the receiving site's fee development rights, we have been guided by the client with respect to the amount of residential Zoning Floor Area and uses that might be allowed subsequent

to the rezoning and issuance of the special permit. It is our understanding that the client has received this information from NYCDCP.

The **Cost Approach** was not developed as the subject of this appraisal is solely comprised of the development rights associated with a proposed development, although elements of the cost approach are crucial steps in developing the residual land valuation. The current improvements on 601 West 29th Street are to be demolished or reconfigured in favor of new mixed-use development.

SALES COMPARISON APPROACH

We incorporate by reference the explanation of the sales comparison approach to value and the appraisal methodology for developing and analyzing the data to produce results via this approach.

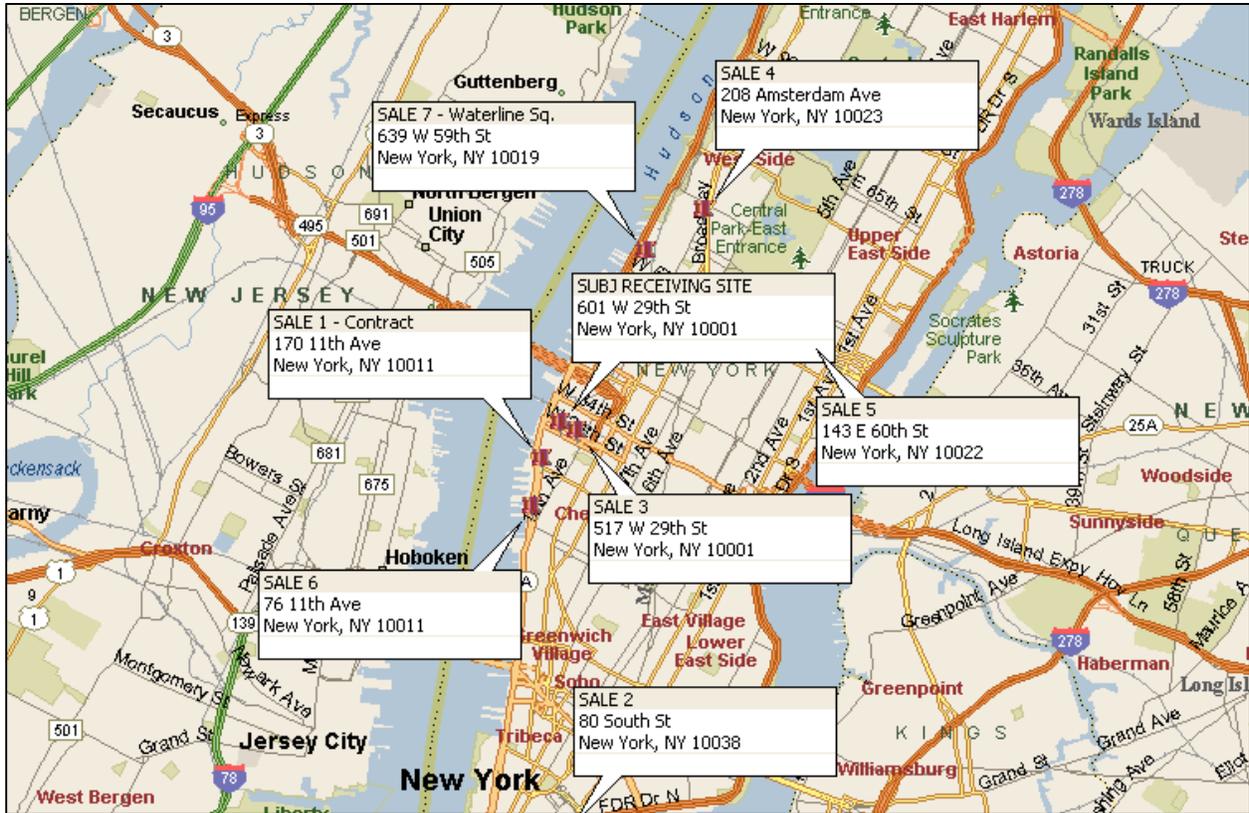
Condominium vs. Market Rate Rental Development and Selection of Sales Data

Most new developments in Manhattan are for condominiums as, given the rapid rise in land prices over the past three years, the cost of financing and developing rentals has become less feasible for most developers. Nearly all new recent and ongoing market rate rental developments in core Manhattan are being undertaken by developers that have long held their property, or were able to obtain properties via atypical conditions of sale such as through foreclosure or through favorable terms such as a ground lease. Rental developments are also occurring on rezoned properties whereby as a condition of the rezoning, a portion of the new project is to include affordable as well as market rate rental housing.

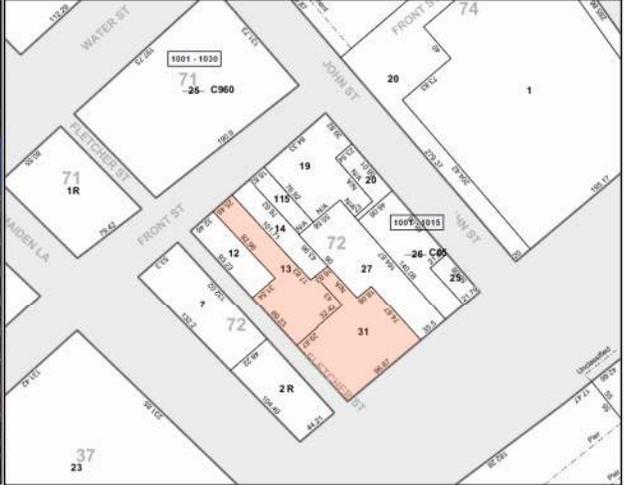
Other than the aforementioned situations, it is now very rare to find any arms-length transactions of market rate residential rental development sites and only a small group, scattered throughout Manhattan, were uncovered for this alternate valuation. As a result, a search for recent (2nd quarter 2015 through 3rd quarter 2017) land transactions in core Manhattan where the developer planned rentals produced only three results, as mapped below.

Comparable sales of properties planned for market rate residential development were derived and confirmed through a thorough investigative search of public records as well as discussions with knowledgeable parties. In addition we have relied upon several recognized data sources for comparable sales such as CoStar Comps and Property Shark.

Map of Comparable Development Site Sales



Comparable Sale 1 - In Contract as of Appraisal Date			
Sale Data			
Property Address:	170 11th Avenue	Grantor:	Amerco Real Estate Company
Block/Lot:	Block 694, Lots 1, 2, 5, 60, 61 & 65	Grantee:	c/o Related Development
Cross Streets:	West 23rd St., West 22nd St.	Contract Date:	Various dates
Neighborhood:	West Chelsea	Sale Date:	October 7, 2017
Municipality:	New York, NY	Doc ID #:	Various
Purchase Price:	\$233,250,000	Price Per Sq. Ft. of ZFA	\$708
Site Data			
Land Area (Sq. Ft.):	31,869	Description:	Irregular, corner and through-block
Frontage (Feet):	225 - West 23rd Street 125 - West 22nd Street 197.5 - 11th Avenue	Floor Area Ratio (FAR):	7.52, 7.50 and 5.0
Zoning:	C6-3 and C6-3A in Special West Chelsea District (WCh) and M1-5	Buildable Square Feet:**	329,506
Existing Improvements			
Building Area (Sq. Ft.):	65,388	Description:	Storage buildings
Year Built:	Various		
# of Stories:	One- and three		
Aerial Photo and Tax Map			
			
Comments			
<p>Sale includes between 68,662 sq. ft. of development rights from Lot 58 (highlighted)</p> <p>Demolition permits have been filed on all lots, but no new building permits have been submitted.</p> <p>Related Development has also committed to convert 16 market rate units in the Tate at 525 West 23rd Street to affordable units in connection with this action. Estimated costs and lost value as a result of this conversion are approximately \$10m.</p>			

Comparable Sale 2			
Sale Data			
Property Address:	80 South Street	Grantor:	c/o Howard Hughes Corp
Block/Lot:	Block 72, Lots 13 and 31	Grantee:	c/o China Oceanwide
Cross Streets:	Fletcher Street; John Street	Contract Date:	August 5, 2015
Neighborhood:	Financial District	Sale Date:	March 16, 2016
Municipality:	New York, NY	Doc ID #:	2016031700338002
Purchase Price:	\$390,000,000	Price Per Sq. Ft. of ZFA	\$477
Site Data			
Land Area (Sq. Ft.):	14,701	Zoning:	C5-3 in South Street Seaport subdistrict of LM District
Frontage (Feet):	96.67 - South Street 171.69 - Fletcher Street 25.46 - Front Street	Floor Area Ratio (FAR):	15.00
Description:	Irregular, corner and through-block	Buildable Square Feet:	817,784
Improvements			
Building Area (Sq. Ft.):	106,213	Description:	Attached commercial buildings.
Year Built:	varying		
# of Stories:	Three (3), ten (10) and five (5)		
Photograph and Tax Map			
			
Comments			
<p>ZFA utilized is the assembled zoning lot comprised of as-of right FAR, merged zoning lots, and South Street Seaport Historic District air rights purchases, all assembled and included in this transaction. Planned development will include residential and hotel.</p>			

Comparable Sale 3			
Sale Data			
Property Address:	517 West 29th Street	Grantor:	Tuck-it-Away Associates, LP
Block/Lot:	Block 701, Lot 24	Grantee:	Project 29 West Chelsea LLC*
Cross Streets:	10th and 11th Avenues	Contract Date:	March 10, 2015
Neighborhood:	West Chelsea	Sale Date:	November 13, 2015
Municipality:	New York, NY	Doc ID #:	2015111800788002
Purchase Price:	\$54,750,000	Price Per Sq. Ft. of ZFA	\$1,109
Site Data			
Land Area (Sq. Ft.):	9,875	Zoning:	C6-3 within Subarea B of WCh
Frontage (Feet):	100 - West 29th Street	Floor Area Ratio (FAR):	5.00
Description:	Rectangular, interior	Buildable Square Feet:	49,375
Improvements			
Building Area (Sq. Ft.):	55,000	Description:	Six-story storage building
Year Built:	circa 1920		
# of Stories:	Six (6)		
Photograph and Tax Map			
			
Comments			
<p>*c/o Six Sigma</p> <p>Property's base FAR is 5.0, but can be expanded to 7.5 with purchase of air rights from HLTC, which have reportedly been assembled at a price of \$800 per square foot.</p> <p>Initial press reports indicated this building was to be expanded, but demolition permits have been filed.</p> <p>Building permits, which were rejected, call for a 12-story, 43-unit development.</p>			

Comparable Sale 4			
Sale Data			
Property Address:	208 Amsterdam Avenue	Grantor:	ACP Amsterdam III, LLC
Block/Lot:	Block 1158, Lot 133	Grantee:	Amsterdam Avenue Redevelopment*
Cross Streets:	West 70th Street	Contract Date:	August 28, 2015
Neighborhood:	Upper West Side	Sale Date:	October 15, 2015
Municipality:	New York, NY	Doc ID #:	2015102001011002
Purchase Price:	\$275,000,000	Price Per Sq. Ft. of ZFA	\$708
Site Data			
Land Area (Sq. Ft.):	12,042	Description:	Rectangular, interior parcel
Frontage (Feet):	120.42 - Amsterdam Avenue	Floor Area Ratio (FAR):	6.02
Zoning:	R8 with a C2-5 Commercial Overlay	Buildable Square Feet:	388,192
Existing Improvements			
Building Area (Sq. Ft.):	23,535	Description:	One-story religious buildings
Year Built:	1970		
# of Stories:	One		
Tax Map and Photograph			
			
Comments			
<p>*...Associates LLC, c/o SJP Residential Properties</p> <p>A declaration of restrictions filed in connection with this sale sets forth the total residential ZFA (380,854), total ZFA (388,192) and height restrictions of 601 feet. The declaration also sets forth a payment to be made to 200 Parcel (200 West End Avenue) at a rate of \$300 per annum per unit, when developed.</p> <p>According to New Building permits filed with the DOB, the property is able to achieve a maximum ZFA of 350,686, less than discussed in the ZLDA.</p> <p>Property concerns a large, irregular zoning lot comprising the subject, and parts of five (5) other zoning lots. A zoning lot subdivision was filed in connection with the sale.</p>			

Comparable Sale 5			
Sale Data			
Property Address:	143-151 East 60th Street	Grantor:	WorldWide Group
Block/Lot:	Block 1395, Lots 120, 21 & 23-26	Grantee:	Kuafu Properties
Cross Streets:	Between Lexington and Third	Contract Date:	June 12, 2015
Neighborhood:	Border UES/Midtown East	Sale Date:	October 13, 2015
Municipality:	New York, NY	Doc ID #:	2015102000689001 + others
Purchase Price:	\$300,000,000	Price Per Sq. Ft. of ZFA	\$1,064
Site Data			
Land Area (Sq. Ft.):	19,684	Description:	Rectangular, corner parcel
Frontage (Feet):	200 - East 60th Street	Floor Area Ratio (FAR):	10.00
Zoning:	C5-2	Buildable Square Feet:	281,900
Existing Improvements			
Building Area (Sq. Ft.):	112,413	Description:	Four-story, mixed use properties.
Year Built:	Varying		
# of Stories:	Varying		
Tax Map			
			
Comments			
<p>The seller purchased 33,641.8 square feet of air rights from lot 29, and a total of 51,418.4 square feet of inclusionary housing air rights from three affordable developments.</p> <p>* Sale date, and contract date, were estimated, as deed has not yet been recorded.</p> <p>Price was confirmed by representative at Cushman & Wakefield</p> <p>Budget for demolition is \$3,500,000 or \$31.14 PSF of building area.</p> <p>Properties reportedly delivered vacant at closing.</p>			

Comparable Sale 6			
Sale Data			
Property Address:	76 11th Avenue	Contract Date:	November 26, 2014
Municipality:	New York, NY	Sale Date:	May 7, 2015
Block/Lot:	Block 689, Lot 17	Purchase Price:	\$870,000,000
Grantor:	HLP Properties	Price Per Buildable Sq. Ft.:	\$1,138
Grantee:	HFZ Capital Group	Doc ID #:	2015050701527001
Site Data			
Land Area (Sq. Ft.):	76,440	Description:	Irregular, full-block parcel
Frontage (Feet):	184.00 - 10th Avenue 450.97 - West 18th Street 197.25 - 11th Avenue 379.89 - West 17th Street	Base FAR:	7.50
Zoning:	C6-4 in Subarea H of the Special West Chelsea District (WCh)	Maximum FAR:*	10.00
		Buildable Square Feet:	764,400
Improvements			
Building Area (Sq. Ft.):	0	Description:	Vacant land, capped with clay and concrete over partially-remediated soil.
Year Built:	n/a		
# of Stories:	0		
Photograph and Tax Map			
Comments			
<p>Property transferred with a Certificate of Completion from the NYS Brownfield Cleanup Program. FAR of 10.0 is achievable through mandatory work and contributions to the High Line as part of doing plaza work at the site. HFZ is constructing hotel, retail and condominium development in a two-tower configuration as dictated by zoning.</p>			

Comparable Sale 7			
Sale Data			
Property Address:	Waterline Square Assemblage	Grantor:*	CRP/EXTELL Parcel L. L.P.
Block/Lot:	Block 1171, Lots 154-158	Grantee:**	RCB4 Nominee, LLC
Cross Streets:	12th Ave/Riverside Blvd; West 61st St.	Contract Date:	March 18, 2014
Neighborhood:	Midtown West	Sale Date:	April and November 2015
Municipality:	New York, NY	Doc ID #:	2015042100488001
Purchase Price:	\$675,691,505	Price Per Sq. Ft. of ZFA	\$418
Site Data			
Land Area (Sq. Ft.):	201,021	Description:	Irregular, corner parcel
Frontage (Feet):	478 - 12th Avenue 411 - West 59th Street 424 - West 61st Street	Floor Area Ratio (FAR):	n/a - per LSGD
		Maximum FAR	n/a - per LSGD
Zoning:	C4-7, in Designated IH Area	Buildable Square Feet:	1,617,979
Existing Improvements			
Building Area (Sq. Ft.):	Vacant parcel	Description:	Vacant parcel
Year Built:	n/a		
# of Stories:	n/a		
Architect Rendering and Tax Map			
			
Comments			
<p>Parcels are part of a Large Scale General Development with planned uses for 1,172 apartments, community facility space and garage space. The property will contain 257 apartment condominiums with the balance of the units for mixed-income residential rentals. Total affordable square footage on the site is reported to be 284,168.</p> <p>* and CRP/Extell Parcel N. L.P. c/o Extell Development and Carlyle Group</p> <p>**c/o The General Investment & Development Companies</p>			

Comparable Sale 8			
Sale Data			
Property Address:	1865 Broadway	Grantor:	American Bible Society
Block/Lot:	Block 1114, Lot 9	Grantee:	Avalon Communities
Cross Streets:	Corner with West 61st Street	Contract Date:	December 30, 2014
Neighborhood:	Upper West Side	Sale Date:	January 30, 2015
Municipality:	New York, NY	Doc ID #:	2015020502238001
Purchase Price:	\$300,000,000	Price Per Buildable Sq. Ft.:	\$1,107
Site Data			
Land Area (Sq. Ft.):	22,582	Description:	Rectangular, interior parcel
Frontage (Feet):	114.03 - Broadway 256.58 - West 61st Street	Base FAR:	10.00
Zoning:	C4-7 within Subdistrict C of the Lincoln Square Special District	Maximum FAR:	12.00
		Buildable Square Feet:	270,984
Improvements			
Building Area (Sq. Ft.):	156,000	Description:	12-story office masonry office building.
Year Built:	1965		
# of Stories:	12		
Photograph and Tax Map			
			
Comments			
<p>Helen Hwang of Cushman and Wakefield indicated total sq. ft. FAR assembled included inclusionary housing and total ZFA is 12.0 FAR or 270,984 square feet of ZFA.</p> <p>Buyer, AvalonBay has filed plans to develop a mixed-use development known as 11 West 61st Street. The development will be comprised of rental apartments over a 67,000 square foot retail component on the sub-cellar, cellar, 1st and 2nd floors.</p> <p>According to SEC Filings, AvalonBay projects average monthly rents to be \$10,730 per unit for 172 units, or \$115 per foot in rent.</p>			

DISCUSSION OF ADJUSTMENTS TO COMPARABLE SALES

Intangible/Transactional Adjustments for all sales are discussed below

Property Rights: All comparable sales represent the sale of the fee simple interest, or a leased fee interest with short term leases remaining, which is tantamount to fee simple for valuation purposes and no adjustments were made.

Financing: No adjustments are made for financing; all sales were typically financed or required no financing.

Conditions of Sale: No atypical motivations were detected and no adjustments were made to any of the sales.

Market Conditions (time): The sale dates of the comparable development site sales analyzed range from January 2015 to October 2017¹¹.

Sales of development sites in Manhattan through May 2015 increased over prior quarters as financing for the sites remained favorable and demand for new residential product was high. As discussed, the appetite for development land in prime areas had been by all measures unprecedented. The demand for well-located development sites had been unprecedented during this period causing a number of sites to resell for significant increases over a recent transaction. In general, the demand for residential sites that are slated for condominium development commanded the largest increase. Demand came not only from well-capitalized local developers but from investors from around the world. Based upon past market conditions, we have applied upward adjustments of 2.5% per month to all sales through April 2015, as the market for residential development parcels in the subject's market segment had shown unprecedented strength.

However, beginning in the second quarter of 2015 and through the fourth quarter of 2015, we have observed developers' apprehension at purchasing land for luxury condominium development, and through the appraisal date, we have observed a disconnect between buyers and sellers that we believe will lead to decreasing land prices. Concerns about the strength of the high end condominium market weighs heavily on development prices, as the velocity of sales in new developments seen in 2013 and 2014 slowed in the second half of 2015 and into 2016 and appear less likely of being achieved for developments in the second half of 2016 and 2017-2018.

Given the slowdown in investor perceptions as borne out by the decreased sales of development sites, we have assumed flat market conditions from April 2015 through September 2015. As discussed in the Manhattan Development Land Market analysis in this report, the slowdown in investor perceptions led to decreased sales of development sites in later 2015 through the end of 2016, but we have observed a pick-up in activity through May 2017. As such, we have applied a -1.0% per month

¹¹ Sale 1 was in contract as of the appraisal date, but closed one week later, on October 7, 2017.

adjustment for the time period of October 1, 2015 through December 31, 2016 and then flat through our date of value of September 30, 2017.

Sale No. 1 – (170 11th Avenue): This is sale of a six-parcel, 35,571 square foot, through-block and block-front development site located along 11th Avenue, West 23rd Street and West 22nd Street in West Chelsea. According to press reports, the property is to be developed with a fully-market rate condominium apartment building over retail and gallery space. The property is zoned C6-3 and C6-3A and M1-5 in the Special West Chelsea District and the FAR is 7.52 and 5.0, respectively. The sale will include a merged zoning lot with an indicated ZFA of approximately 329,506 including 68,662 sq. ft. of air rights from Block 694, Lot 58. As indicated in City Planning Commission Report in connection with this sale, a ULURP filing for a zoning text amendment was granted to allow transfer of development rights across zoning district boundaries, specifically from C6-3A to C6-3 in West Chelsea. The various parcels entered into contract on a series of dates ranging from approximately June 1, 2016 to September 2017, and closed for a total purchase price of \$233,250,000 or \$708 per square foot. Demolition costs for the existing 65,388 square-foot structures is estimated at \$30 per square foot and is added to the sale price, bringing the total price to \$234,833,220 or \$714 per square foot of ZFA. Additional possession costs are also considered in the analysis of this sale, as in order for the merged zoning lot to be approved, a zoning text amendment had to be recorded to permit the transfer of density across zoning district boundaries with different basic maximum FAR for residential development. In connection with this ULURP action, Related Development committed to converting 16 market rate units it owns at 525 West 23rd Street to affordable units. We have estimated that the lost rent and the additional soft costs associated with pursuing this action is approximately \$10,000,000, which we have added to the reported purchase price. The total price used in this analysis is \$244,833,220 or **\$744 per square foot of ZFA.**

Sale No. 2 (80 South Street): This is the sale of a fully-assembled corner- and through-block development site located at 80 South Street with frontages on Fletcher Street and Front Street. The property offers a footprint of 14,701 square feet but includes 817,784 square feet of development rights comprised of merged zoning lots and TDRs from the South Street Seaport District. The property is contemplated to be build to a height of over 1,400 feet and will be comprised of half residential condominiums and half commercial space including a hotel. The property entered into contract on August 5, 2015 and closed on March 16, 2016 for an indicated purchase price of \$390,000,000 or \$477 per square foot. Demolition costs for the existing 106,213 square foot structures are estimated at \$30 per square foot and is added to the sale price, bringing the total consideration to \$393,186,390 or **\$481 per square foot of ZFA.**

Sale No. 3 (517 West 29th Street): Although considerably smaller than the subject development envelope and the development envelopes of the other comparable sales in this approach, this represents the most recent development site sale near the subject property. This property measures 9,875 square feet, and is located along West 29th Street between 10th Avenue and 11th Avenue in West Chelsea. The property is zoned C6-3 within Subarea B of the Special West Chelsea District and the basic FAR is 5.0 yielding a ZFA of 49,375 square feet. The site can be expanded with the purchase of High Line Transfer Corridor development rights, which the buyer did subsequent to the initial sale at an indicated price of \$800 per square foot. The property entered into contract on

March 10, 2015 and closed on November 13, 2015 for an indicated purchase price of \$54,750,000 or \$1,109 per square foot. Demolition costs for the existing 106,213 square foot structures are estimated at \$30 per square foot and is added to the sale price, bringing the total consideration to \$56,400,000 or **\$1,142 per square foot of ZFA**.

Sale No. 4 (208 Amsterdam Avenue): This transaction represents the sale of a 12,042 square foot corner parcel situated along Amsterdam Avenue between West 69th Street and West 70th Street. The property is zoned R8A with a C2-5 overlay, and maximum FAR in this district is 6.02. The property was sold subsequent to a complex zoning lot merger with a number of other tax lots; the result of the lot merger is a development envelope with a maximum ZFA of 388,192 square feet, 380,854 of which must be dedicated to residential space. We note that the developer has applied to develop a building with a total ZFA of 350,686, less than what was provided for in the transaction documents. We have used the original ZFA provided for in the transaction as this was the marketed ZFA and what the developer contemplated at time of purchase. The property entered into contract on August 28, 2015 and sold on October 15, 2015 for an indicated purchase price of \$275,000,000. In addition to the sale price, we estimate demolition of the existing 23,535-square-foot of existing buildings at \$30 per-square-foot. Thus, the total sale price is computed to be \$275,706,050, and equates to **\$710 per square foot of ZFA**.

Sale No. 5 (143-151 East 60th Street): This is the sale of a 19,684 square-foot, mid-block development site along East 60th Street between Lexington Avenue and Third Avenue, opposite Bloomingdales. The sale property is zoned C5-2 and the FAR for residential development is 10. Total buildable area is reportedly 281,900 square feet and includes previously-assembled inclusionary housing certificates as well as air rights from an abutting property located at Block 1395, Lot 29. The property entered into contract on March 1, 2015 and, reportedly, closed on or around June 15, 2015 for an indicated purchase price of \$300,000,000, or \$1,064 per buildable square foot. In addition to the sale price, we estimate demolition of the existing 112,413-square-foot of existing buildings at \$30 per-square-foot. Thus, the total sale price is computed to be \$303,372,390, and equates to **\$1,076 per square foot of ZFA**.

Sale No. 6 (76 11th Avenue): This the sale of a full-block parcel bounded by West 17th Street, West 18th Street, 10th Avenue and 11th Avenue in West Chelsea. The property contains a total lot area of 76,440 and a total ZFA of 764,400 square feet. The property is zoned C6-4 in Subarea H of the Special West Chelsea District, allowing for a base FAR of 7.5, and maximum FAR of 10.0. However, it is assumed that the 10.0 FAR is achieved, as the developer cannot finalize the development without making the necessary park improvements and High Line contributions, but those contributions and improvements increase the FAR to 10.0. The property is to be improved with a condominium apartment building, retail component and it was recently announced that there will also be a hotel component included as part of the development, taking advantage of the demand for hotel space in the area near the property. The property entered into contract on November 26, 2014 and sold on May 7, 2015 for an indicated purchase price of \$870,000,000 or \$1,138 per square foot of ZFA. There are no demolition costs at the site, but additional High Line park costs of approximately \$12,000,000 were estimated by the developer in order to achieve the

full 10.0 FAR and were added to the sales price to arrive at a total land price of \$882,000,000 or **\$1,154 per square foot of ZFA.**

Sale No. 7 (Waterline Square Assemblage): This is acquisition of an assemblage completed in three transactions. The sale concerns five parcels that combined to form a nearly-rectangular block-front parcel. The property is known as Waterline Square and is part of the Riverside Center Large Scale General Development plan. The property is bound by West 61st Street on the north, West 59th Street on the south and 12th Avenue on the west, and is located at the southernmost portion of the Upper West Side neighborhood at its border with Clinton/Midtown West. The total assemblage measures approximately 92,878 square feet. The property is a portion of a larger development plan and is zoned C4-7 within a Designated Inclusionary Housing area. The FAR allotted to the purchased parcels is measured by the planned development on the site of 1,617,919 square feet of ZFA in three buildings known as One-, Two- and Three- Waterline Square. The development includes a total of 1,172 apartments and community facility and commercial space. Of the 1,172 units 257 are condominium apartments, with the balance comprised of mixed-income rental apartments with approved 421-a partial tax exemption.

All components of the transaction entered into contract on March 18, 2014. Block 1171, Lots 154 and 156 closed on April 20, 2015 for \$410,826,638. Block 1171, Lot 155 closed on November 18, 2015 for an indicated purchase price of \$209,623,082 and Lots 157 and 158 closed on the same date for \$55,241,785. The total consideration for this transaction was \$675,691,505 or **\$418 per square foot of ZFA.**

Sale No. 8 (1865 Broadway): This is the sale of a 22,582 square-foot, corner development site along West 61st Street, and Broadway. The sale property is zoned C4-7 and the FAR for residential/mixed-used development is 10, but can be increased to 12.0 with on-site inclusionary housing or purchase of inclusionary certificates. Total buildable area is, reportedly, 270,984 square feet and includes previously-assembled inclusionary housing certificates. AvalonBay, the purchaser of the site, has filed to construct a 33-story luxury market-rate rental building over a 67,000 square foot retail component. The retail component will be spread over the sub-cellar, cellar, 1st floor and 2nd floor. The property entered into contract on December 30, 2014 and sold on January 30, 2015 for an indicated purchase price of \$300,000,000, or \$1,107 per buildable square foot. In addition to the sale price, we estimate demolition of the existing 156,000-square-foot building at \$30 per-square-foot. Thus, the total sale price is computed to be \$304,680,000, and equates to **\$1,124 per square foot of ZFA.**

Physical/Locational Adjustments

Location/Use: The receiving site is located along 11th Avenue fronting along the southerly side of West 30th Street and northerly side of West 29th Street in the northernmost portion of West Chelsea. The subject property is judged to be a superior residential location to sales 2, 4 and 7 and these sales were adjusted upward. Sale 2 was given an additional upward adjustment as only approximately half of the development can contain residential development given the New York State cap on residential FAR of 12.0. Sales 1, 3, 5 and 6 are judged to be in superior residential locations than the subject receiving site and were adjusted downward. Comparable sale 8 will

feature a well-located retail component measuring over 67,000 square feet with frontage along Broadway. Additionally, the property will be 100% market-rate luxury rental housing. Based on retail rent and apartment rent projections for the project proposed at sale 8 as compared to the subject, a downward adjustment was applied.

Rentals-Only Adjustment: The valuation of the receiving site is predicated on the assumption that only rentals can be developed, as per the to-be recorded deed restriction. The comparable sales largely reflect purchases of development sites for condominium/mixed-use development. We have observed that there would be a discount for a development site that precludes development of for-sale units. In measuring the discount developers may measure for the purchase of a “rentals-only” development site we have undertaken two investigations. No adjustment was made to sale 8 as this project is programmed to be a rental development.

Manhattan Rents vs. Condominium Sales: According to the May 2017 Elliman Report, the average rental in Manhattan is \$66.94 per square foot. Elliman also reports that the average sale price in Manhattan for condominiums is \$1,778 per square foot in the First Quarter of 2017. If the average rent is multiplied by an average of Cushman and Wakefield’s First Quarter 2017 Gross Rent Multiplier of 22.49 and full year 2016 GRM of 22.10 for elevator apartment buildings, the value of a rental building averages \$1,492 per square foot of rentable area. Using an average condominium price of \$1,778, the discount for a rental is 16%.

Subject Rental Building vs. 15 Hudson Yards: The proposed receiving site development, and the residential development envelope for 15 Hudson Yards are nearly identical in Zoning Floor Area (740,625 vs 740,226). 15 Hudson Yards is located directly opposite the subject property, across West 30th Street. Applying a stabilized income to the subject property development results in a hypothetical building value of \$1.15b. The offering plan for 15 Hudson Yards calls for a sellout of \$1.74b, exclusive of any benefits or value generated by the 106 affordable units located in this project. Small physical adjustments should be considered for 15 Hudson Yards, primarily that the residential component is the upper floors of a mixed-use tower, reaching up to the 84th floor. Applying a 10% adjustment to account for all physical differences between the two developments results in an adjusted sellout of \$1.57b, and a spread between rentals and condos of 26.75%.

The two methodologies average a 19.75% discount, but place more weight on the methodology that compares 15 Hudson Yards with the subject receiving site and conclude at a rentals-only discount of 25%.

Frontage/Configuration: The receiving site is an “L”-shaped corner, and block-front parcel with frontage along three streets. The site has ample frontage, but given the size of the development contemplated is an appropriate lot configuration. With the exception of sale 6 and 7, which are large block-front and whole-block parcels with superior frontages, all other sales were adjusted upward for this element of comparison.

Buildable Area: The subject receiving site offers a total ZFA of 740,625 square feet. Outside of a few sites in Hudson Yards and West Chelsea this is one of the larger development sites in Manhattan as measured by ZFA. It is our experience that although large urban development sites

offer enhanced flexibility, that there is a bell curve associated with total bulk and that the concept of economies of scale comes into play when dealing with development envelopes of this size. Accordingly, we have adjusted upward those development envelopes larger than the subject, and vice-versa for those smaller than the subject. Sale 3 was notably smaller than the subject envelope and was given a significant adjustment for this element of comparison.

Zoning/Height: As rezoned, the development contemplated for the receiving site will reach a height in excess of 650 feet. Sales 1, 3, 6 and 7 will comprise developments with capped heights, substantially below the subject's contemplated height and were adjusted upward. Comparable sale 8, although not in a height-capped zone, requires 65% of the floor area to be below 150 feet, which effectively limits the height of the project; sale 8 was adjusted upward. Comparable sale 2 is projected to reach over double the height of the subject, but given the efficiency of the floors and the cap on residential uses on the site, this downward adjustment is mitigated. Comparable sale 5 can also accommodate a development nearing 1,000 feet in height, but the overall zoning is similar to the subject and was not adjusted.

The adjustment grid is presented on the following page.

COMPARABLE SALES ADJUSTMENT GRID – DEVELOPMENT SITE SALES

	Sale 1 - In Contract	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	SUBJECT PROPERTY
Address	170 11th Avenue	80 South Street	517 West 29th Street	208 Amsterdam Avenue	143-151 East 60th Street	76 11th Avenue	Waterline Square Assemblage	601 West 29th Street
Intersection	West 22nd Street, West 23rd Street	Fletcher Street; John Street	10th and 11th Avenues	West 70th Street	Between Lexington and Third	West 17th Street, West 18th Street & 10th Avenue	12th Avenue, West 59th Street, West 61st Street	Westerly block-front of Eleventh Avenue, West 30th Street and West 29th Street
Municipality	New York, NY	New York, NY	New York, NY	New York, NY	New York, NY	New York, NY	New York, NY	New York, NY
Contract Date	Various dates	8/5/2015	3/10/2015	8/28/2015	6/12/2015	11/26/2014	3/18/2014	---
Sale Date	10/7/2017	3/16/2016	11/13/2015	10/15/2015	10/13/2015	5/7/2015	April and November 2015	9/30/2017
Block/Lot	Block 694, Lots 1, 2, 5, 60, 61 & 65	Block 72, Lots 13 and 31	Block 701, Lot 24	Block 1158, Lot 133	Block 1395, Lots 120, 21 & 23-26	Block 689, Lot 17	Block 1171, Lots 154-158	Block 675, Lots 12, 29 & 36
Frontages (feet)	225 - West 23rd Street 125 - West 22nd Street 197.5 - 11th Avenue	96.67 - South Street 171.69 - Fletcher Street 25.46 - Front Street	100 - West 29th Street	120.42 - Amsterdam Avenue	200 - East 60th Street	184.00 - 10th Avenue 450.97 - West 18th Street 197.25 - 11th Avenue 379.89 - West 17th Street	478 - 12th Avenue 411 - West 59th Street 424 - West 61st Street	525 - West 29th Street 100 - West 30th Street 197.5 - 11th Avenue
Zoning	C6-3 and C6-3A in Special West Chelsea District (WCh) and M1-5	C5-3 in South Street Seaport subdistrict of LM District	C6-3 within Subarea B of WCh	R8 with a C2-5 Commercial Overlay	C5-2	C6-4 in Subarea H of the Special West Chelsea District (WCh)	C4-7, in Designated IH Area	Proposed C6-4 in MIH
Land Area (Sq. Ft.)	31,869	14,701	9,875	12,042	19,684	76,440	201,021	61,719
Floor Area Ratio (FAR)	7.50 and 7.52	15.00	5.00	6.02	10.00	10.00	n/a - per LSGD	12.00
Sq. Ft Zoning Floor Area - ALL USES	329,506	817,784	49,375	388,192	281,900	764,400	1,617,979	740,625
Contemplated Development	Condominium over retail/gallery	Hotel, condominium, retail	Condominium	Condominium	Residential condominium over retail	Residential over hotel and retail	Mixed-income rentals, condominiums and community facility	Proposed mixed-income rentals over retail, EMS facility and garage
Building Sq. Ft. on Site	65,388	106,213	55,000	23,535	112,413	0	0	56,865
Sales Price	\$233,250,000	\$390,000,000	\$54,750,000	\$275,000,000	\$300,000,000	\$870,000,000	\$675,691,505	---
Plus Estimated Possession Costs	\$10,000,000	\$0	\$0	\$0	\$0	\$12,000,000	\$0	---
Plus Demolition Costs @\$30/SF*	\$1,961,640	\$3,186,390	\$1,650,000	\$706,050	\$3,372,390	\$0	\$0	---
Gross Sales Price for Maximum FAR	\$245,211,640	\$393,186,390	\$56,400,000	\$275,706,050	\$303,372,390	\$882,000,000	\$675,691,505	---
Price per Buildable Sq. Ft.	\$744	\$481	\$1,142	\$710	\$1,076	\$1,154	\$418	---
Intangible Adjustments								
Property Rights	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Adjusted Price Per Square Foot	\$744	\$481	\$1,142	\$710	\$1,076	\$1,154	\$418	
Financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Adjusted Price Per Square Foot	\$744	\$481	\$1,142	\$710	\$1,076	\$1,154	\$418	
Conditions of Sale/Approved Plans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Adjusted Price Per Square Foot	\$744	\$481	\$1,142	\$710	\$1,076	\$1,154	\$418	
To Oct 1, 2015	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Subtotal	\$744	\$481	\$1,142	\$710	\$1,076	\$1,154	\$418	
To January 1, 2017	0.00%	-8.00%	-14.00%	-15.00%	-15.00%	-15.00%	-9.00%	
to September 30, 2017	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Adjusted Price Per Square Foot	\$744	\$442	\$982	\$604	\$915	\$981	\$380	
Net Market Conditions Adjustment	0.00%	-8.00%	-14.00%	-15.00%	-15.00%	-15.00%	-9.00%	
Physical Adjustments								
Location/Uses	-10.0%	30.0%	-5.0%	10.0%	-15.0%	-20.0%	20.0%	
Construction Nuisance	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	
Rentals-Only Requirement*	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-12.5%	
Frontage and Configuration	0.0%	15.0%	10.0%	10.0%	10.0%	-10.0%	-10.0%	
Buildable Area	-7.5%	0.0%	-35.0%	-10.0%	-10.0%	0.0%	20.0%	
Zoning/Height	15.0%	-5.0%	15.0%	0.0%	-5.0%	10.0%	10.0%	
Net Adjustments	-32.5%	10.0%	-45.0%	-20.0%	-50.0%	-50.0%	22.5%	
Adjusted Price Per Square Foot	\$502	\$487	\$540	\$483	\$457	\$490	\$466	

Conclusion of Value – Market Rate Rental Development Sites

Adjusted comparable sales range from \$457 to \$540 per square foot and average \$489 and \$487 per square foot based on the mean and median, respectively. While we cannot adjust for all factors, we have considered intangible aspects of the comparable properties that impact sales prices such as property rights and market conditions. In addition, we have considered an array of physical differences between the receiving site development site and the comparable sales and made market-based adjustments to the comparable sales.

In our conclusion of market value for this component of the proposed receiving site property development, we conclude slightly above the averages at \$490 per square foot. Our conclusion is closest to the adjusted prices of sales 1 and 6, both of which are large development sites in West Chelsea that were adjusted to \$496 per square foot.

Summary of Adjusted Prices

Minimum	\$457
Maximum	\$540
Mean	\$489
Median	\$487
Conclusion	\$490
ZFA	740,625
Value - Subtotal	\$362,906,250
Less: Demolition Costs @ \$30 PSF	-\$1,705,950
Estimated Market Value	\$361,200,300
Rounded	\$361,200,000

Therefore, it is our opinion that the market value of the fee simple development rights associated with the receiving site property, as of September 30, 2017, was:

THREE HUNDRED SIXTY ONE MILLION TWO HUNDRED THOUSAND DOLLARS
(\$361,200,000)

INCOME CAPITALIZATION APPROACH - LAND RESIDUAL TECHNIQUE

In valuing the affordable components of the receiving site, a residual valuation of the property via discounted cash flow analysis is performed in which the property's capital expenses are spent to construct the development, the property is leased up and the stabilized cash flows, inclusive of a reversion, are discounted to present value. The residual value of the property is the remaining value after all capital expenses and cash flows are considered. The term selected for valuation purposes is 16 years following the appraisal date, which is after the property is constructed, achieves stabilized income and is assumed to be sold as the reversion. We have also applied this valuation technique in determining the value of the site's market rent housing in the addenda.

This technique is based on the principle of balance and the related concept of contribution, which are concerned with equilibrium among the agents of production- i.e., labor, capital, coordination and land. A version of the land residual technique involves first establishing the appropriate development for the site as if vacant. Then the stabilized, annual net operating income of the property is estimated from market rents and operating expenses as of the date of the appraisal. This income is then capitalized at the appropriate rate to provide an estimate of the property value. From this amount, the total cost of constructing the improvements is subtracted with the resulting amount representing the residual income attributable to the land.

Our valuation analysis sets forth an estimate of the value of all uses contemplated for the receiving site inclusive of retail space, parking garage space and tenant amenities. Our valuation assumes the components are developed with 726 market rate units, inclusive of a superintendent's unit; and 242 affordable rental units, or 25% of the apartments. The Area Median Income (AMI) components of the affordable units are in accordance with MIH options, and are 5% at 100% of AMI, 10% at 60% AMI and 10% at 40% AMI. In order to estimate the land value as per these terms we have undertaken the following steps:

- We considered the likely development to be constructed with the subject ZFA in terms of number of units, average unit size, amenities, etc.;
- Projected the likely timing and holding period involved in such construction, lease-up and sale;
- Estimated the projected income and expenses available for the proposed improvements;
- Determined the reversionary or sale value of the proposed residential project upon completion and stabilization via applying the appropriate capitalization rate to the projected NOI;
- Estimated necessary capital costs inclusive of hard and soft costs, as well as profit to be incurred in completing and stabilizing the projected property;
- Discounted both the annual cash flows and reversion to net present value (NPV) at the appropriate rates; and
- Determined the current underlying land value.

Holding Period

We have made a projection as to the timing involved in constructing the proposed development which includes architectural & engineering and permitting period, construction period, leasing period and sale. It is estimated that the total construction timeline is 36 months, and the property achieves stabilized income in the fourth year. We note that although the ULURP has not completed as of the date of appraisal, we have employed a hypothetical condition in this valuation that the proposed Rezoning have been granted through a successful ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development.

Although the ULURP has not been completed as of the date of appraisal, we have employed a hypothetical condition in this valuation that the proposed Rezoning has been granted through a successful ULURP as of the effective date of appraisal. Therefore, the receiving site is able to incorporate the air rights purchased from HRPT into the development as of the date of value. According to the client and NYC DCP, the projected build year of the receiving site development is 2022, but because no ULURP timeline is assumed, this valuation utilizes a protracted development timeline, and a build year of 2021.

We project a holding period of 15 years from the appraisal date. The reversion uses year 16 income, under the assumption that the property is fully taxable, and we add back the present value of the remaining 421-a benefits.

INCOME

Market Rate Apartment Income

As developed in the residential market analysis, the total market rate income as of the date of appraisal is \$50,327,246. This figure represents the face rent and total potential income of the market component. This figure is trended forward 2.5% per annum through the cash flow. This rent represents the face rent of the development, and we have factored in concessions as a below-the-line item in the cash flow.

Affordable Apartment Income

The total affordable income is estimated to be \$3,127,128 for the 242 affordable units. Like the market rent units, this rent is also trended forward 2.5% per annum.

Retail Space

As discussed in the retail market analysis section of this report, the proposed retail space is contemplated to contain two retail spaces: a 9,760 square feet at grade and 4,600 square feet below grade, and a 6,100 square foot space along West 30th Street in the western portion of the site. We have not received any further breakdown with respect to number of spaces, basement accessibility, or anticipated tenants/uses for this space. In estimating market rent for this space we uncovered a number of nearby retail and gallery rents that center around \$175 per square foot of grade space. Applying 15% of the grade rent to the basement space, the following market rent is estimated for both spaces:

Corner of 11th Avenue and West 30th Street

Retail Space	Sq. Ft.	Market Rent PSF	Total Annual Market Rent	Blended Rent PSF
Above Grade	9,760	\$175	\$1,708,000	
Below Grade	4,600	\$26	\$119,600	
Total Rent	14,360		\$1,827,600	\$127

West 29th Street - Mid-block

Retail Space	Sq. Ft.	Market Rent PSF	Total Annual Market Rent	Blended Rent PSF
Grade	6,100	\$125	\$762,500	\$125

Garage Income: As developed in the parking garage analysis, the estimated rent per space for the contemplated 198 spaces is \$8,500 per annum.

Additional Income: For a development of this size, additional income such as late fees, pet fees, amenity fees and laundry fees can be considered recurring income. We have consulted a number of large development and estimated the following additional income items:

Additional Income	
Late Fees	\$58,088
Pet Fees	\$174,263
Amenity Fees	\$813,229
Laundry Fees	\$197,499
Total Additional Income	\$1,243,079

EXPENSES**Vacancy & Collection Loss**

Both the investor and the appraiser are primarily interested in the cash revenues that an income producing property is likely to generate annually over a specified period rather than what could be produced were it always 100% occupied and all tenants were paying rent in- full and on time. It is a prudent practice to expect some income loss, either in the form of actual vacancy, tenant turnover, non-payment, or slow payment of rent by tenants. This allowance is usually estimated as a percentage of gross potential income. Regarding collection loss specifically we have taken into consideration the current market vacancy for similar properties. For the low-income components, where demand in Manhattan outpaces supply by as much as 500:1 for these desirable low-income units, vacancy and collection loss is estimated at 1% of potential gross income. Retail and parking garage income is estimated at 5% of potential gross income for these spaces.

Operating Expenses

Operating expenses for the proposed development are derived from comparable data within our files and projected expenses for new high-rise 80/20 projects. Like the proposed development, some projects feature parking and commercial space.

Comparable Building Budgeted Expenses

We have also obtained projected expenses from mixed-income projects in Manhattan. The expenses are obtained from the exhibits to regulatory agreements filed with the affordable housing plan, and where available, from owner's statements of historical operations. Not all expense categories are reported for all properties, hence the presentation of the table format below

Property	Real Estate									
	Insurance	Taxes	Utilities	Administrative & General	Repairs and Maintenance	Management Fee % EGI	Payroll	Advertising/Promotions	Other	Reserves
500 West 30th Street	\$174	\$997	\$1,092	\$393	\$1,047	\$1,181	\$2,726	\$894	\$100	\$150
212-222 East 44th Street	\$500	\$0	\$1,403	\$441	\$1,072	\$583	\$3,346	\$450	\$61	\$250
435 West 31st Street	\$400	\$476	\$2,144	\$313	\$1,185	\$1,259	\$3,507		\$12	
515 West 36th Street	\$498	\$2,167	\$1,776	\$151	\$462	\$1,925	\$1,829	\$46		\$370
555 10th Avenue	\$904	\$499	\$2,776	\$1,091	\$1,310	\$1,648	\$2,762	\$101		
507 West 28th Street	\$414	\$1,244	\$1,887	\$293	\$1,257	\$2,067	\$1,781	\$80	\$153	
605 West 42nd Street	\$511	\$748	\$1,711	\$1,083	\$848	\$1,121	\$2,230	\$121		
Min	\$174	\$0	\$1,092	\$151	\$462	\$583	\$1,781	\$46	\$12	\$150
Max	\$904	\$2,167	\$2,776	\$1,091	\$1,310	\$2,067	\$3,507	\$894	\$153	\$370
Average	\$486	\$876	\$1,827	\$538	\$1,026	\$1,398	\$2,597	\$282	\$81	\$257
Conclusion	\$500	\$743	\$1,700	\$400	\$1,000	\$1,662	\$2,500	\$225	\$75	\$300

A per-property summary of the expenses compared on a per-unit basis is presented below:

Address	# Units	Expenses/Unit
500 West 30th Street	390	\$8,754
212-222 East 44th Street	429	\$8,105
435 West 31st Street	844	\$9,296
515 West 36th Street	251	\$9,224
555 10th Avenue	598	\$11,092
507 West 28th Street	375	\$9,177
605 West 42nd Street	1,174	\$8,372
Average	580	\$9,146
SUBJECT - Conclusion	968	\$9,105

Based upon the expense comparables, and the expenses within our files we estimate the following expenses for each component, inflated 3% per annum through stabilization and the cash flow.

Insurance: This expense represents the subject's full liability and fire insurance coverage. Based on the comparable property budgets, this expense ranges from \$174 to \$904 per unit with an average of \$486. We consider the comparable expenses in our estimate of subject property expenses in this category and conclude to \$500 per unit.

Real Estate Taxes: The real estate taxes for the subject property, and for the projected, stabilized property as-complete were developed in the Real Estate Assessed Valuation and Tax Data section of this report. The estimated taxes for the property, as reduced by the 421-a benefits, are employed in the valuation as an operating expense, and the balance of the present value of the tax benefit generated by the 421-a is added to the capitalized net income at reversion.

Utilities: These expenses include fuel expenses for domestic hot water and heating the entire building, water and sewer charges, landlord electric for the operation of the elevators, any outside lighting and the lighting of the common building areas and the cooking gas for the apartment units. As is the case with our estimated affordable rental rates, and the underwriting of the comparable properties, all tenants pay for electric use. The comparable property budgets range from \$1,092 up to \$2,776 per unit, with an average of \$1,827 per unit. We conclude within the range, but slightly below the average at \$1,700 per unit.

Administrative and General: This expense category is for general administration of the property inclusive of legal and professional fees. Developers reported this expense category differently, as shown by the range of the expenses in this category. The range was from \$151 to \$1,091 per unit with an average of \$625 per unit. We conclude towards the lower end of the range, and below the comparable expenses at \$400 per unit.

Repairs and Maintenance: This category of expense typically includes the costs associated with building repairs including such items as plumbing and electrical repairs, mechanical and roof repairs, HVAC, elevator and pest control contracts, among other items. It also includes general apartment repairs, such as maintenance to the heating and cooling mechanicals typically included in individual units. Comparable expenses range from \$462 to \$1,310 per unit in this category with an average of \$1,026 per unit. We conclude slightly below the average at \$1,000 per unit.

Management Fee: Management fees are commonly accounted for by using a percentage of effective gross income. Depending upon size and level of income, anywhere from 3.0% - 5.0% is typical. The comparable expenses are expressed on a per-unit basis ranging from \$583 to \$2,067 per unit with an average of \$1,398 per unit. Based on the effective gross income estimated for the subject property, net of concessions and recurring free rent, this expense is estimated to be

Payroll: We have considered the project the following staffing levels for the proposed development:

Staffing Levels	# Slots	Salary	Total
Property Manager	1	\$100,000	\$100,000
Super (live-in)	1	\$75,000	\$75,000
Leasing Staff	5	\$90,000	\$450,000
Leasing Manager	1	\$120,000	\$120,000
Leasing Admins	2	\$55,000	\$110,000
Concierge	5	\$45,000	\$225,000
Handyman	3	\$55,000	\$165,000
Doormen	6	\$45,000	\$270,000
Porter	3	\$45,000	\$135,000
Total Payroll Expense			\$1,650,000
Benefits & Taxes			35%
OT and Bonus			10%
Total Payroll and Benefits			45%
Total Payroll			\$2,392,500
Per Unit			\$2,484
Rounded			\$2,500

The conclusion above compares favorably with the range and average figures of the comparable building expenses, which range from \$1,781 to \$3,507 with an average of \$2,597. We conclude slightly below the average at \$2,500 per unit.

Advertising/Promotions: For ongoing marketing of the subject property, certain recurring expenses are to be allocated to advertising and promotions. The comparable expense properties range from \$46 to \$450 per unit with an average of \$180. We conclude above the average at \$225 per unit. We note that during initial building lease-up we separately estimate up-front, non-recurring marketing expenses of \$2,500,000.

Other/Miscellaneous: A variety of miscellaneous expenses are required to operate an income producing property the size of the subject property. These expenses can include telephone, licenses and permits and an assortment of other items. We estimate miscellaneous expenses at \$75 per apartment or \$72,600 per annum.

Reserves for Replacements: For the periodic replacement of building and site components (roof, heating equipment, pointing, etc.) that wear out before the economic life of the property, we estimate this expense at \$300 per apartment. The 1st quarter 2017¹² PricewaterhouseCoopers Real Estate Investor Survey (f/k/a the Korpacz Survey) reports data for replacement reserves on a per-unit basis. Nationally, the range is from \$150 per unit to \$2,000 per unit.

¹² Most recent available, PwC reports this data annually, in the 1st quarter survey

Subject Property Estimated Expenses

EXPENSES	Per Unit	Total Expenses
Real Estate Taxes (Mini-Tax)	\$743	\$719,650
Insurance	\$500	\$484,000
Utilities	\$1,700	\$1,646,000
Administrative & General	\$400	\$387,000
Repairs and Maintenance	\$1,000	\$968,000
Management Fee % EGI	3.00%	\$1,614,000
Payroll	\$2,500	\$2,420,000
Advertising/Promotions	\$225	\$218,000
Other	\$75	\$72,600
Reserves	\$300	\$290,400
Total Operating Expenses		\$8,819,650
<i>Per Unit</i>		<i>\$9,110</i>

CONSTRUCTIONS COSTS

As the developer has not fully programmed the building, apartment configurations and unit mixture, only an outline of projected development costs were furnished to us. Thus, we have considered comparable construction data to test the reasonableness of the developer's projections. A summary of the projected hard costs are below:

Trade Total Cost, Including General Conditions		\$350,550,000	\$374.12
CM (Construction Management) Fee	3%	\$10,516,500	\$11.22
Subtotal		\$361,066,500	\$385.3
CM Contingency	5%	\$18,053,325	\$19.27
Subtotal		\$379,119,825	\$404.61
Construction Comprehensive General Liability & Umbrella Insurance	4%	\$15,164,793	\$16.18
Subtotal		\$394,284,618	\$420.79
Construction Bond Premium	1%	\$3,942,846	\$4.21
Total Construction Costs		\$398,227,464	\$425
Construction Bond Premium	5%	\$19,911,373	\$21.25
Total Construction Costs		\$418,138,837	\$446
Per Unit @ 968 units		\$431,962	

Construction cost estimates for this residual analysis are sourced from publicly-available costs of affordable and 80/20 projects, as well as from construction cost comparables for similar residential rental projects within our files. The construction budgets range from 2013 to 2017. Given rising construction costs, we have adjusted upward the budgets 5% per annum, which is in line with recent cost increases. According to a February 2017 report published by the New York Building Congress, "Construction costs in New York City increased by approximately 4 percent in 2016, which is slightly less than the 5 percent rate of cost inflation that was experienced annually throughout the five boroughs from 2013 through 2015."¹³ A table of hard construction cost data, with adjusted costs, is presented in the table below. Soft costs and lease-up costs are separately estimated.

¹³ <https://www.buildingcongress.com/outlook/020917.html>

#	Address	# Stories	Gross SF - Above		# Apts.	Sq. Ft.			Reported Hard Cost	Cost Date	Trended		Per Gross SF - Above		
			Grade	ZFA		/CF	Sq. Ft.	Spaces			Forward @ 5%/yr.	Trended Hard Cost	Per Unit	Grade	Per ZFA
SUBJECT	601 West 29th Street	62	890,695	740,625	968	14,330	20,980	193	\$418,138,837	2017	0.0%	\$418,138,837	\$431,962	\$469	\$565
1	500 West 30th Street	35	301,475	256,254	390	7,252	18,000	79	\$125,112,703	2015	10.3%	\$137,936,755	\$353,684	\$458	\$538
2	606 West 57th	42	1,054,856	999,115	1,028	37,795	79,432	400	\$486,743,389	2014	15.8%	\$563,466,316	\$548,119	\$534	\$564
3	605 West 42nd Street	60	956,043	888,123	1,175	66,997			\$362,435,636	2015	10.3%	\$399,585,289	\$340,073	\$418	\$450
4	555 10th Ave	51	572,625	530,208	598	70,000			\$313,415,617	2015	10.3%	\$345,540,718	\$577,827	\$603	\$652
5	515 West 38th Street	31	243,689	219,780	225	42,919	0	0	\$76,056,224	2015	10.3%	\$83,851,987	\$372,675	\$344	\$382
6	212-222 East 44th	40	428,730	361,354	429		52,000	231	\$178,460,000	2014	15.8%	\$206,589,758	\$481,561	\$482	\$572
7	626 First Ave	47	820,598	729,237	761	4,126	82,828	252	\$334,766,539	2013	21.6%	\$406,910,820	\$534,705	\$496	\$558
8	435 West 31st	64	786,662	748,297	844	7,931	0	0	\$492,182,611	2014	15.8%	\$569,762,895	\$675,075	\$724	\$761
9	507 West 28th St.	34	344,630	309,464	375	16,120	14,772	41	\$113,700,000	2013	21.6%	\$138,203,061	\$368,541	\$401	\$447
10	515 West 36th Street	38	294,156	247,636	251	49,504	6,342	25	\$90,000,000	2015	10.3%	\$99,225,000	\$395,319	\$337	\$401
												Min	\$340,073	\$337	\$382
												Max	\$675,075	\$724	\$761
												Average	\$464,758	\$480	\$532
												Developer	\$431,962	\$469	\$565

Based upon this data, it is our opinion that the developer's hard cost figures are in line with the comparable data and are accepted for this valuation

Soft Costs and Financial Soft Costs

Soft costs can fluctuate depending on the size and scope of a project, but for this analysis are computed as a percentage of hard costs, subject to adjustment depending on the applicable program. Soft costs from the projects above range from a low of 27% up to 40%, however these figures may also include lease-up costs that we have included separately in the cash flow.

We estimate the following soft costs, exclusive of an additional \$8,136,612 in lease-up and marketing costs.

Project Soft Costs (Excludes Lease-up Marketing)		
Professional fees (incl. conting.)	7.50%	\$31,360,413
Addl. Fees/Permits/Misc.		\$5,000,000
Developer's Fee (total hard and soft)	4.50%	\$19,407,395
Non-Financial Soft Cost Contingency	3.00%	\$1,917,133
Financial Soft Costs		\$57,677,334
Total Soft Costs		\$115,362,274
<i>as % of Hard Costs</i>		<i>28%</i>

The total soft costs represent approximately 28% of the estimated hard costs, which is consistent with the data.

Construction Loan Financing Assumptions and Financial Soft Costs

The financial soft costs utilized in this valuation are from the construction assumed to be secured in connection with the proposed development. We assumed that the property would be able to secure a loan with a total of 80% loan to cost with the developer contributing a 20% equity piece to the construction. The loan is assumed to be comprised of a 60% loan to cost senior note, that may be a "club" note syndicated amongst two or three lenders, and a 20% mezzanine financing

note. The developer did not provide us with any financial soft cost estimates, and we therefore relied on available market data, and our conversations with a number of financing and capital markets specialists active in this space. For a well-qualified developer constructing a rental development, as is supposed in this valuation, the responses we heard centered around an interest-only floating-rate loan, for a three-year term, with an average balance of 66.6% starting at a rate of 4.45% for the senior note, and a 10% interest-only loan for the mezzanine piece. Under the 80% loan-to-cost assumption on a cost of \$483,960,391, the total financed amount is \$387,168,312 and the total construction loan interest is \$45,156,699. We also add a 2.8% mortgage recording tax to the financial soft costs, and include an additional 3.00% for soft cost contingency and fees.

Thus, total financial soft costs are computed as follows:

Soft Cost Item	LTC	Amount Financed	Rate	# Years	Avg Balance	Total Interest (simple, I/O)
Senior Note (interest-only)	60.00%	\$290,376,234	4.4500%	3.00	67%	\$25,817,641
Mezz note	20.00%	\$96,792,078	10.00%	3.00	67%	\$19,339,057
Total Financed		\$387,168,312				\$45,156,699
Mortgage Recording Tax		\$387,168,312	2.80%			\$10,840,713
Financial Soft Cost Contingency and Fees	3.00%					\$1,679,922
Total Financial Soft Costs						\$57,677,334

Entrepreneurial Profit

A project management fee of 4.5% is included in the soft costs, and we have separately estimated developer's profit. Developer's profit typically ranges from 10% to 20% percent of total project costs. In most cases, profit should not fall below 10% or the project may not be economically infeasible. Given that the subject area is strong, the estimated entrepreneurial incentive is towards the lower end of the range. Therefore, we have included a developer's profit of 12.5% of all hard costs, soft costs and contingencies in our analysis. The total profit equates to \$66,687,639.

Cost Phasing and Total Development Costs

We have not been provided a detailed cost phasing or construction schedule, but have estimated the following annual cost accumulation. Our estimate is based on our knowledge of other large apartment building developments, and their reported annual schedules. The total development costs, exclusive of up-front marketing and lease-up costs are estimated to be \$600,188,751, phased as follows:

Year	1	2	3	4
Year Ending	9/30/2019	9/30/2020	9/30/2021	9/30/2022
<i>Soft cost split/ Year</i>	30%	50%	20%	
Soft Costs	(\$34,608,682)	(\$57,681,137)	(\$23,072,455)	
<i>Hard cost split/Year</i>	10%	40%	50%	
Hard Costs	(\$41,813,884)	(\$167,255,535)	(\$209,069,419)	
Total Hard and Soft Costs	(\$76,422,566)	(\$224,936,672)	(\$232,141,874)	
Developer's Profit @	12.5%	(\$9,552,821)	(\$28,117,084)	(\$29,017,734)
Total construction Costs	(\$85,975,387)	(\$253,053,756)	(\$261,159,608)	
Cumulative % Complete Per Year	14.3%	56.5%	100.0%	
Carrying and Pre-Stabilized Costs				
RE Taxes (Mini-Tax for 421-a)	(\$719,650)	(\$741,240)	(\$763,477)	
Upfront Marketing			(\$2,500,000)	
Leasing Commissions - Apartment Lease-Up				(\$3,412,246)
Total Carrying and Pre-Stabilized Costs	(\$719,650)	(\$741,240)	(\$3,263,477)	(\$3,412,246)
Total Development and Carrying Costs	(\$86,695,037)	(\$253,794,996)	(\$264,423,084)	(\$3,412,246)

DISCOUNT AND CAPITALIZATION RATES

Real estate investors generally agree that capitalization rates fall within a broad range, depending upon numerous risk factors including the following:

1. Location - typically, the better the location, the lower the rates;
2. Physical Characteristics of the Property - the newer the property, the higher the quality of materials and finishes, and the better the design and layout of the physical plant, the lower the rates, and;
3. Degree of forecasted cash flow growth - the greater the increase in reliably predictable cash flow growth, the lower the rates.

In choosing the appropriate discount rate to apply in our cash flow, the proposed subject property may be compared to alternative investment opportunities available, as it must compete in the open marketplace for the investment dollar. To capture the dollars needed the subject property must return an attractive yield in light of other types of investments currently available.

Yield rates for competing investments as of September 2017 were as follows:

<u>Instrument</u>	<u>Rate (%)</u>
Prime Rate	4.25
Federal Funds Rate	1.25
3-Month Treasury Bills	1.03
U.S. 10-Year Notes	2.33
U.S. 30-Year Bonds	2.86

These investment instruments and the pre-tax yield requirements of the institutional and corporate investors usually reflect prevailing real estate market conditions and are considered to be the best indicators available of general investor yield expectations in the marketplace, as discussed below.

Real estate as an investment does not contain a ready liquid market for sale and resale as in the bond market, and contains a larger element of risk that must be accounted for in the selection of an appropriate rate. Real estate is a leading indicator whose risk as well as the upside potential for a much larger return on an after tax basis, due to favorable tax treatment through depreciation and other recovery benefits, must be accounted for by the discount rate. This analysis will be performed on a pre-tax basis only, but these potential benefits are also addressed in the selection of the rate.

The National Apartment Market has IRR, or discount rates, ranging from 5.5% to 10% with an average of 7.24%. We select a discount rate towards the lower end of the range of the overall rates, at 6.0%. This discount rate is applied to both the cash flows as well as the reversion.

Issues that must be considered in the selection of an appropriate discount rate to apply to the subject property's projected cash flows are:

Issues that tend to lower the discount rate:

1. The subject's, desirable and somewhat convenient location in West Chelsea.
2. The strong economic conditions in New York City.
3. The fact that the Manhattan residential markets have proven to be one of the strongest and most resilient in the country.
4. The historically strong investor demand for well-located Manhattan residential properties.
5. The continued demand for affordable housing.

Issues that tend to raise the discount rate:

1. The fact that investors typically require a higher rate of return on speculative developments.
2. The uncertainties that are beginning to culminate regarding the continued levels of financing of mixed-income and affordable housing projects in New York State.
3. That the typical cash subsidies provided by HDC and HPD, LIHTC, and tax-exempt bond financing are not available for this project.

To balance these factors, we have concluded to a discount rate of 6.0% which is appropriately toward the lower end of the range exhibited in national survey data for institutional Manhattan apartment properties.

Resale – Reversion Calculation

At the end of 15th year of the cash flow projection, the property is assumed to be resold based on the 16th years' net operating income, capitalized at 4.25%. For purposes of analysis, the capitalized income in the reversion assumes the property is fully taxable, but we have added back the present value of the 421-a tax savings. This rate is also appropriately toward the lower end of the range exhibited in the national surveys. Costs associated with the sale have been estimated at 4.0% of the gross sales proceeds. Overall cap rates range from 3.50% to 8.0% and average 5.33% and residual cap rates range from 4.25% to 8.00% with an average of 5.75%. In selecting the terminal capitalization rates, we give weight to the survey data and also consider current capitalization rates for elevator apartment buildings in Manhattan and assign a small load to develop the terminal rate.

Cushman and Wakefield Property Sales Report states that in-place capitalization rates for Manhattan elevator apartment buildings averaged 2.90% in 1H 2017, and 3.30% in 2016. The subject product will consist of highly-desirable luxury apartments, and low-vacancy, affordable apartments that would command a lower cap rate than the market rate components, justifying a terminal capitalization rate of **4.25%**. The development will be new construction, and will benefit from lower operating expense ratios than existing competing development.

Discounted Cash Flow Analysis and Land Residual

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	REVERSION
Year Ending	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024	9/30/2025	9/30/2026	9/30/2027	9/30/2028	9/30/2029	9/30/2030	9/30/2031	9/30/2032	9/30/2033	
INCOME																
	<i>Shown - not used</i>															
Market Apartment Income - EGI	\$49,069,064	\$50,295,791	\$51,553,186	\$52,842,015	\$54,163,066	\$55,517,142	\$56,905,071	\$58,327,698	\$59,785,890	\$61,280,537	\$62,812,551	\$64,382,865	\$65,992,436	\$67,642,247	\$69,333,303	\$71,066,636
Affordable Apartment Income - EGI	\$3,095,857	\$3,173,253	\$3,252,584	\$3,333,899	\$3,417,247	\$3,502,678	\$3,590,245	\$3,680,001	\$3,772,001	\$3,866,301	\$3,962,958	\$4,062,032	\$4,163,583	\$4,267,673	\$4,374,364	\$4,483,724
Additional Income - EGI	\$1,243,079	\$1,274,156	\$1,306,010	\$1,338,660	\$1,372,127	\$1,406,430	\$1,441,590	\$1,477,630	\$1,514,571	\$1,552,435	\$1,591,246	\$1,631,027	\$1,671,803	\$1,713,598	\$1,756,438	\$1,800,349
Commercial Income - EGI	\$4,059,445	\$4,160,931	\$4,264,954	\$4,371,578	\$4,480,868	\$4,592,889	\$4,707,712	\$4,825,404	\$4,946,040	\$5,069,691	\$5,196,433	\$5,326,344	\$5,459,502	\$5,595,990	\$5,735,890	\$5,879,287
Subtotal - Income				\$61,886,153	\$63,433,307	\$65,019,139	\$66,644,618	\$68,310,733	\$70,018,502	\$71,768,964	\$73,563,188	\$75,402,268	\$77,287,325	\$79,219,508	\$81,199,995	\$83,229,995
Less 24 mos. Impact for "Cut and Cover" @	10%			-\$6,188,615	-\$6,343,331											
Total Effective Gross Income	\$57,467,445	\$58,904,131	\$60,376,734	\$55,697,537	\$57,089,976	\$65,019,139	\$66,644,618	\$68,310,733	\$70,018,502	\$71,768,964	\$73,563,188	\$75,402,268	\$77,287,325	\$79,219,508	\$81,199,995	\$83,229,995
EXPENSES																
	<i>Shown - not used</i>															
Total Operating Expenses	\$8,819,650	\$9,084,240	\$9,356,767	(\$9,637,470)	(\$9,926,594)	(\$10,224,392)	(\$10,531,123)	(\$10,847,057)	(\$11,172,469)	(\$11,507,643)	(\$11,852,872)	(\$12,208,458)	(\$12,574,712)	(\$12,951,953)	(\$13,340,512)	(\$35,051,790)
Net Operating Income	\$0	\$0	\$0	\$46,060,068	\$47,163,382	\$54,794,748	\$56,113,494	\$57,463,676	\$58,846,033	\$60,261,321	\$61,710,316	\$63,193,810	\$64,712,612	\$66,267,554	\$67,859,483	\$48,178,205
Construction Costs																
Soft cost split/Year	30%	50%	20%													
Soft Costs	(\$34,612,909)	(\$57,688,181)	(\$23,075,273)													
Hard cost split/Year	10%	40%	50%													
Hard Costs	(\$41,813,884)	(\$167,255,535)	(\$209,069,419)													
Total Hard and Soft Costs	(\$76,426,793)	(\$224,943,716)	(\$232,144,691)													
Developer's Profit @	12.5%	(\$9,553,349)	(\$28,117,965)	(\$29,018,086)												
Total construction Costs		(\$85,980,142)	(\$253,061,681)	(\$261,162,778)												
Cumulative % Complete Per Year	14.3%	56.5%	100.0%													
Carrying and Pre-Stabilized Costs																
RE Taxes (Mini-Tax for 421-a)	(\$719,650)	(\$741,240)	(\$763,477)													
Upfront Marketing			(\$2,500,000)													
Leasing Commissions - Apartment Lease-Up				(\$3,481,096)												
Total Carrying and Pre-Stabilized Costs	(\$719,650)	(\$741,240)	(\$3,263,477)	(\$3,481,096)												
Total Development and Carrying Costs	(\$86,699,792)	(\$253,802,921)	(\$264,426,254)	(\$3,481,096)												
Lease-up Discount & Free Rent/Concessions				(\$24,534,532)	(\$3,949,390)	(\$4,048,125)	(\$4,149,328)	(\$4,253,061)	(\$2,179,694)	(\$2,234,186)	(\$2,290,041)	(\$2,347,292)	(\$2,405,974)	(\$2,466,124)	(\$2,527,777)	(\$2,590,971)
Apartment Leasing Commissions (Avg. Annual)					(\$677,038)	(\$693,964)	(\$711,313)	(\$729,096)	(\$747,324)	(\$766,007)	(\$785,157)	(\$804,786)	(\$824,905)	(\$845,528)	(\$866,666)	(\$888,333)
Commercial Leasing Commissions/Free Rent	45%			(\$3,469,258)								(\$2,456,726)				
Net Cash Flow	(\$86,699,792)	(\$253,802,921)	(\$264,426,254)	\$14,575,181	\$42,536,954	\$50,052,658	\$51,252,853	\$52,481,519	\$55,919,015	\$57,261,128	\$58,635,118	\$60,041,732	\$59,024,957	\$62,955,903	\$64,465,040	\$44,698,901
Discounted (outflow @ rate of)	0.0%	(\$86,699,792)	(\$253,802,921)	(\$264,426,254)												
Discounted (inflow @ rate of)	6.0%			\$11,544,909	\$31,786,086	\$35,285,149	\$34,086,074	\$32,927,554	\$33,098,379	\$31,974,315	\$30,888,249	\$29,838,901	\$27,673,203	\$27,845,456	\$26,899,009	

Summary of the Land Residual

The 16th years' income of \$44,698,901 is capitalized at the terminal capitalization rate of 4.25%. From that figure we deduct selling costs of 4% to arrive at the future value of the reversion of \$1,009,669,286, which is discounted to a present value of \$421,299,716.

After discounting the income at 6.0%, but not discounting construction cost outflows, a subtotal of \$170,218,034 is derived. To this figure we add back the present value of the balance of the future 421-a tax savings to arrive a total land value of **\$295,400,000**.

REVERSION NOI - FULL TAXES	\$44,698,901
Reversion Capitalization Rate	4.25%
FV of Reversion	\$1,051,738,840
Less Sales Costs @	4.0% (\$42,069,554)
FV of Reversion - Net	\$1,009,669,286
Discounted to PV @	6.0% \$421,299,716
PV of Cash Flow - OUT	(\$604,928,967)
PV of Cash Flow - IN	\$353,847,285
Subtotal - Cash Flow and Reversion	\$170,218,034
Add Back PV of 421-a Savings	\$125,132,261
Total PV - Residual Land Value	\$295,350,296
Rounded	\$295,400,000
ZFA	740,625
\$/PSF ZFA - LAND	\$399

TWO HUNDRED NINETY FIVE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$295,400,000)

**RECONCILIATION AND VALUE CONCLUSION – RECEIVING SITE FEE
DEVELOPMENT RIGHTS**

The development rights associated with the proposed development on 601 West 29th Street; legally identified as Block 675, Lots 12, 29 & 36; were valued utilizing comparable development site sales, and an income capitalization approach considering all programmed uses for the receiving development.

The appraisal of the subject property air rights considers the blended uses proposed for the receiving site's fee development rights, to be rezoned C6-4X and designated as a Mandatory Inclusionary Housing project. Since the air rights can be applied to any use and the highest and best use is for the current programmed uses, we have valued the transferrable development rights based on their intended use on the site, subject to the programmatic requirements under ULURP.

In reconciling the results of the appraisal process, the sales comparison approach to value was utilized to value the market rate portion of the development rights. The income capitalization approach via a land residual technique was developed to value the receiving site as programmed with market rate rentals, affordable rentals, a retail component and parking garage component. The value conclusions are presented below:

Income Approach	\$295,400,000
Sales Comparison Approach	\$361,200,000
Conclusion - Receiving Site	\$342,000,000

We have placed most weight on the results of the sales comparison approach, which is the primary approach, and is most reliable when there is an active market for development sites. As evidenced by the number of sales uncovered and analyzed in this report, the subject market is active. Therefore, it is our opinion that the market value of the receiving site, as of September 30, 2017, was:

**\$462 PER SQUARE FOOT OF ZONING FLOOR AREA OR
THREE HUNDRED FORTY TWO MILLION DOLLARS (\$342,000,000)**

After an analysis of all relevant data and based upon the conclusions and documentation presented within the following report, considering the limited market of both granting and eligible parcels for the Granting Site's air rights, that yields an applicable ratio of 65%, it is our opinion that the market value of the 123,438 square feet of subject air rights as of September 30, 2017, was:

**\$300 PER SQUARE FOOT OF ZONING FLOOR AREA OR
THIRTY SEVEN MILLION DOLLARS (\$37,000,000)**

Given the nature of this appraisal, a hypothetical condition and a series of extraordinary assumptions, described below, are necessary to develop credible assignment results. The hypothetical condition

employed in this valuation is that the proposed Rezoning have been granted through a successful ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development. Therefore, our analysis proceeds in two parts: first consideration of the development rights as part of the fee parcel, and second the market relationship, expressed as a ratio, between the value of the air rights and the value of the underlying fee parcel. The market value of subject property air rights equals the value of the allocable portion of the fee interest multiplied by this ratio.

A hypothetical condition is defined as *“that which is contrary to what exists, but is supposed for the purpose of the analysis.”* In a comment, USPAP notes that *“Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.”* The hypothetical condition is necessary to produce credible assignment results.

An extraordinary assumption is defined as, *“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”*

The extraordinary assumptions made in this appraisal are summarized as follows:

1. That the outline of the planned development comprising the developments 740,625 square feet of Zoning Floor Area (ZFA), the (“Receiving Site ZFA”) will generally include:
 - 533,410 square feet of ZFA (493,152 net rentable square feet) allocable to market rate residential development, inclusive of a 982 square foot superintendent’s unit
 - 177,357 square feet of ZFA (164,220 net rentable square feet) allocable to affordable residential rentals
 - 14,550 square feet of ZFA (20,460 net rentable square feet) allocable to two (2) retail spaces
 - 37,050 gross square feet of indoor tenant amenity space
 - 26,560 gross square feet of rooftop amenity space
 - 20,980 net rentable square feet of car and bicycle parking garage for 198 accessory parking spaces
2. That, as per the client, and based on information provided by NYCDCP, the affordable components will not be eligible to generate off-site Inclusionary Housing bonuses to be sold to qualifying sites, which departs from prior programs for affordable housing development in New York City.

3. That this project will fall under the Mandatory Inclusionary Housing Program and will qualify for the “Option 1” for 25% affordable units, averaging 60% AMI across the affordable component. That the developer will be guided by the 2017 Area Median Income (AMI) of \$95,400 for a family of four and the AMI categories will be:
 - 5% of residential floor area @ 100% AMI
 - 10% of residential floor area @ 60% AMI
 - 10% of residential floor area @ 40% AMI
4. That this project will be available to qualify for New Program (421-a) benefits.
5. That the subject property will receive compensation from the Gateway / Hudson Tunnel project in connection with any temporary use of the site for staging and open storage.

If any of the extraordinary assumptions are found to be materially different than what is assumed for this assignment, the appraisal may require revision.

VALUATION – AIR RIGHTS

The following valuation of the air rights incorporates by reference the analysis developed earlier in this report, and develops an opinion measuring the relationship between fee development rights and air rights value. In undertaking this valuation, we have performed the following scope of work:

- Analyzed current zoning regulations applicable to the subject property and all comparable development site sales: Zoning information is based upon the City of New York Zoning Resolution. We have also analyzed the proposed rezoning of the receiving site in conjunction with mixed-use development proposed for the site.
- Conducted a study of development land market conditions in the subject market area: Market information is based upon published studies, sales information sources such as PropertyShark and CoStar, NYC Department of Buildings, the files and library of Appraisers and Planners, Inc. and our discussions with active participants and lenders in the marketplace.
- Provided a conclusion, based upon the data and methodology set forth within the appraisal report. The conclusion is based on the percentage relationship of air rights to fee value, after considering the weighted average of the subject development rights considering the blended uses proposed for 601 West 29th Street
- Applied the above-sought percentage to the value derived in the preceding Development Rights analysis to conclude at a value of the subject air rights.

EXPOSURE TIME – AIR RIGHTS

The definition of Exposure Time as published in The Dictionary of Real Estate, Sixth Edition (2015) by the Appraisal Institute is as follows:

“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.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)”

In estimating the appropriate exposure time applicable to the interest in the air rights, we have considered marketing periods for similar type properties based on a survey of property listings as well as sales data and interviews with market participants. In addition, when the information was available, we have considered the exposure time of the development site sales contained within this appraisal. It is our opinion that a reasonable exposure time applicable to the interest in the air rights analyzed herein, as of the effective appraisal date, is six (6) to nine (9) months.

DEFINITION OF MARKET VALUE – AIR RIGHTS

Market value is defined as follows:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition 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 acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
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.”¹⁴

For purposes of this appraisal, we have provided the market value of the air rights, after considering the relationship between land value and air rights, incorporating by reference the value of the underlying fee development at 601 West 29th Street, as set forth earlier in this appraisal. For example, if air rights are valued at 65% of corresponding land value, when a parcel of land for residential development is valued at \$100 per square foot of Zoning Floor Area (ZFA), air rights that can be transferred to that parcel, to enhance the aforementioned residential development, are valued at \$65 per square foot of ZFA.

¹⁴ Appraisal Institute, *The Appraisal of Real Estate*, 14th Edition, (Illinois: Appraisal Institute, 2013), page 59

Overview of Air Rights Transaction Mechanisms in New York City

This appraisal measures the relationship between land value and air rights value, expressed as a percentage of underlying land value. Air rights are transferred by three basic mechanisms in New York City: Zoning Lot Merger, TDR Programs and Landmark Transfers. Each program is discussed below.

Zoning Lot Merger

In Manhattan, the most common vehicle for air rights transfers is through the use of a Zoning Lot Development Agreement (ZLDA), which merges the zoning lots of contiguous parcels and allows for a receiving site to increase as-of-right Floor Area Ratio (FAR) by utilizing excess development rights from the granting parcel. This is the most common way in which air rights are transferred, and many development sites are assembled.

TDR Programs

Another way in which properties in certain districts of New York City may increase FAR is through the transfer of air rights through various district-wide TDR programs. Properties situated within certain zoning districts within Manhattan, such as the Theater Subdistrict or High Line Transfer Corridor in West Chelsea may benefit from an increase in FAR through the utilization of Transferable Development Rights from those sites generating excess development rights. In the case of the Theater District, landmark theaters generate the TDRs, and in West Chelsea, those zoning lots lying within the High Line Transfer Corridor generate the TDRs. In both cases the receiving site must identify a granting site, from which to receive TDRs and privately negotiate the price for these TDR rights. Included in this transaction is typically a fee to be paid to the Theater Subdistrict Fund. Unlike transfers from landmark properties, as discussed below, the TDR sales in the Theatre Subdistrict, although subject to review, are not subject to the depth of public review associated with the Uniform Land Use Review Process (ULURP) and are made similar to an inclusionary housing transfer or zoning lot merger.

Landmark Transfers

The Zoning Resolution (Section 74-79) provides a special transfer process to some of the landmarks designated by the LPC. This transfer provision allows individual landmarks within or in mid- and high-density zoning districts to transfer unused development rights not only to adjacent lots, but also to lots across the street or, if the landmark is on a corner, to any lot on another corner that faces the same intersection. Owners seeking to transfer TDRs through the landmark program rather than a zoning lot merger, however, must secure a special permit from the City Planning Commission, which, in turn, requires a report of the LPC and public review through ULURP and City Environment Quality Review (CEQR). The ULURP process can take over one year and can cost, at a minimum of \$500,000 in legal and professional fees to guide the process; this deters some owners from transferring air rights this way.

Conclusion – Air Rights Overview

For the purposes of this valuation, although the air rights are to be transferred from the Granting Site across West Street to 601 West 29th Street, similar to a typical Transferable Development Right (TDR) program such as seen in the Theater District or West Chelsea, for purposes of analysis, the sale of these rights is analyzed as if it were a sale done through a Zoning Lot Merger (ZLM). It is viewed as a ZLM as there is only one grantor of air rights, and only one recipient; a bilateral monopoly. Therefore the subject is considered most similar to the sales of air rights through ZLM and we have therefore considered and analyzed ZLM's to estimate the percentage relationship between land value and air rights value.

The Approaches to Value

The **Income Approach** was not developed to value the subject air rights or the percentage relationship between the underlying land value and the air rights to be added to the development. For purposes of analysis, the property is assumed to be vacant of improvements and the air rights are assumed to be transferred to enhance the residential portion of the development.

The **Sales Comparison Approach** was developed as the primary method of valuation. The relationship between land value and air rights value through ZLM was analyzed by researching recent development site transactions that involved the purchase of vacant land, or an under-utilized site, and a subsequent and sometimes simultaneous transaction of air rights through a zoning lot merger. While development site transactions occur often in the recent economic climate in New York City, and air rights transactions also occur regularly, the sales do not always happen in a similar timeframe. We uncovered a number of assemblages that were put together piece-by-piece over time, but because it is difficult to adjust each component for market conditions, and enhanced motivation seen with assemblages, those transactions were not used. Furthermore, this analysis concentrates on sales of land and corresponding air rights for residential purposes, in accordance with the hypothetical condition in this appraisal whereby the air rights are to be transferred subsequent to ULURP approval.

The **Cost Approach** was not developed as the subject of this appraisal is solely comprised of the air rights associated with a proposed development.

Summary: The development site sales and corresponding zoning lot mergers researched and uncovered concern an array of Manhattan development sites occurring between December 2014 to May 2017. The sales reflect those developers' willingness to expand their existing development scale through the purchase of air rights from an abutting property. In some instances, the transactions involved the sale of one parcel and one air rights purchase. In other transactions presented herein, one fee land parcel can be purchased, and can be significantly expanded by a developer who traverses the block assembling a development envelope, piece by piece. In nearly all instances, the acquisition of the air rights through ZLM, is between the land purchaser and the only likely grantor of air rights, or the only eligible party willing to permanently part with the excess development rights appurtenant to their site.

Furthermore, of the dozens of air rights transactions that have occurred in Manhattan since 2015, we have selected this sampling of seven (7) sales, as they satisfy the above criteria, but this group of sales concerns transactions wherein the land and the air were purchased under the same, or similar market conditions. When deriving the percentage relationship between the two components, if the same market conditions are utilized, then this further speaks to the strength of the underlying relationship between the components.

There does exist instances in the market where a ZLM is fully necessary for a developer to achieve the as-of-right FAR, otherwise the parcel may be limited to 45 feet in frontage, and the parcel would be deemed a sliver parcel. Without a lot merger, these parcels can often only be developed to the height that is equivalent to the fronting street width. However; if a ZLM of a narrow parcel were to occur with a parcel wide enough to provide a zoning lot width of at least 45 feet, then height limitations, especially in R10 or R10-equivalent zones, would not be limited. Because of these practices, ZLM's happen with regularity, especially in high-density areas where the more air rights assembled means the taller the development.

Selection of Comparable Fee and Air Rights Sales

Comparable sales of properties planned were derived and confirmed through a thorough investigative search of public records as well as discussions with knowledgeable parties. In addition, we have relied upon several recognized data sources for comparable sales such as CoStar Comps, New York City Department of Buildings, ACRIS and Property Shark.

We undertook an exhaustive search and relied upon the following transactions as most similar to the subject property as these sales are some of the most recent sales, represent the acquisition for residential developments without high-value retail, and in the cases of these sales, the acquisitions of air rights significantly added to the feasibility of the project. A summary of the transactions followed by a discussion of the data is found on the following pages.

Development Site Sales and Corresponding Air Rights Transactions

1	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	7/7/2016	144 East 48th Street and 143 East 47th Street	Block 1302, Lots 43 & 29	C5-2.5, C5-3 and C6-4.5 in Special Midtown District	131-141 East 47th Street	Block 1302, Lot 25	\$10,336,500	25,210	ZLM	\$410
	6/2/2015	Fee Land Parcel			131-141 East 47th Street		\$81,000,000	128,160	Fee Transfer	\$632
									Air Rights as % of Land	64.9%
2	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	3/4/2016	202 East 21st Street	Block 901, Lot 56	C1-9A	253-261 Third Avenue	Block 901, Lots 5, 58-60	\$5,800,000	10,986	ZLM and 6' cantilever	\$528
	8/10/2015	Fee Land Parcel			253-261 Third Avenue		\$70,300,000	90,153	Land and assembled Off-Site IH	\$780
									Air Rights as % of Land	67.7%
3	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	12/13/2016	350 West 125th Street	Block 1951, Lot 51	C4-4D in Special	362-370 West 125th St.	Block 1951, Lot 7	\$10,200,000	27,500	ZLM and 22' Cantilever	\$371
	7/26/2016	Fee Land Parcel		125th St. District	362-370 West 125th St.		\$28,500,000	67,095		\$425
									Air Rights as % of Land	87.3%
4	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	10/13/2016	1800 Second Avenue	Block 1556, Lot 1	C2-8	1802-1810 Second Avenue	Block 1556, Lots 2, 3, 5, 51 & 52	\$4,924,800	14,400	ZLM	\$342
	7/24/2015	Fee Land Parcel			1802-1810 Second Avenue		\$109,332,500	160,203		\$682
									Air Rights as % of Land	50.1%
5	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	Aug '16 and Jan '17	254-256 Fifth Avenue	Block 830, Lots 40, 41	C5-2	258-264 Fifth Avenue	Block 830, Lots 42, 44, 144 & 45	\$11,826,180	21,292	ZLM	\$555
	Dec '14 to Jan '16	Fee Land Parcel			258-264 Fifth Avenue		\$104,772,500	99,903		\$1,049
									Air Rights as % of Land	53.0%
									<i>(The above components have been adjusted to a 1/1/2016 date. The last air rights parcel sold for \$758 per sq. ft. of ZFA)</i>	
6	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	5/5/2017	35-37 East 28th St.; 38 East 29th Street	Block 858, Lots 29, 30 & 49	C5-2	30-36 East 29th Street	Block 858, Lots 52-54	\$11,036,997	26,227	ZLM	\$421
	5/5/2017	Fee Land Parcel			30-36 East 29th Street		\$68,153,620	107,443		\$634
									Air Rights as % of Land	66.3%
7	Sale Date	Granting Site	Granting Block/Lot	Zoning	Receiving Site	Receiving Block/Lot	Sale \$	ZFA	Transfer Type	\$/ ZFA
	11/30/2016	304 East 41st Street	Block 1333, Lot 42	C1-9	300-302 East 41st Street	Block 1333, Lot 49 & 149	\$11,400,210	27,000	ZLM	\$422
	3/2/2015	Fee Land Parcel			300-302 East 41st Street		\$19,800,000	37,762		\$524
									Air Rights as % of Land	80.5%

Min	50.1%
Max	87.3%
Avg.	67.1%

Discussion of Sales and Relationship of Air to Land Value

Sale 1: This sale represents the acquisition of four development parcels along East 47th Street and air rights from an abutting lot fronting along East 48th Street. The sales occurred over one year apart, and represent an unadjusted relationship of 64.9% of air rights value to land value. The fee sale parcels are located in C5-2.5 and C5-3 and the granting site is located in C6-4.5; all lots lie within the Special Midtown District. The 64.9% relationship between the air and fee parcels represents the transaction of air rights similar to what is assumed to take place at 601 West 29th Street, and this percentage is good evidence of what can be expected for the subject air rights.

Sale 2: This sale represents previously-assembled development site and inclusionary housing bonuses, as assembled with the air rights and cantilever sale. The two components transacted seven months apart. The relationship between the components is measured at 67.7%. Because the development is located in a height-capped contextual zone, the cantilever avails the developer of floor area that would otherwise be unable to be used, and the purchase of the airspace over the granting lot was necessary to maximize the utility of the site.

Sale 3: This sale represents a mixed-use development site on West 125th Street, as assembled with the air rights and cantilever sale. The two components transacted less than months apart. The relationship between the components is measured at 87.3%. Because the development is located in a height-capped contextual zone, the cantilever avails the developer of footprint that would otherwise be unable to be used, and the purchase of the airspace over the granting lot was necessary to maximize the utility of the site.

Sale 4: This sale represents the assemblage of a parcel along Second Avenue in Manhattan's Upper East Side where the developer is constructing luxury senior housing. To complete the assemblage, the developer purchased air rights from a corner piece occupied by a small building owned by the Metropolitan Transportation Authority. The main assemblage was complete in July 2015, and the air rights sale closed in October 2016. The measured relationship in this transaction was 50.1%.

Sale 5: This transaction concerns three development parcel sales and two subsequent air rights acquisitions to form a development parcel that is contemplated to reach 1,000 feet in height. The time adjusted components of the transaction produce a relationship between land and fee of 53.0%. In this transaction, we note that the final piece of this assemblage was purchased for \$758 per square foot, signifying the desire of the developer to increase the zoning lot and height of the development.

Sale 6: This transaction represents the simultaneous acquisition of land parcel and air rights forming an assemblage on East 29th Street. The measured relationship between fee parcel and air rights is 66.3.3%. The sale concerns two three development parcels and three air rights parcels.

Sale 7: This transaction represents the acquisition of two parcels and a subsequent purchase of air rights. The lot is a small lot on a busy intersection on Second Avenue and East 41st Street. The developer has filed to build rental apartments over retail space. The relationship between the fee parcel and the air rights parcel is 80.5%, which is at the highest end of the range we have observed.

Because the small size of the lot, it was necessary for the developer to assemble the air rights in order to maximize the as-of right FAR to the main fee component.

Conclusion of Air Rights Value

The comparable sales establish a relationship in the market between air rights and land value for the same development. The air rights are all assembled through zoning lot mergers, whereby neighboring parcels transfer rights to the developer site. The relationship reflects that in many cases the air rights are a bonus to the development. Moreover, as is seen in the sales above, many of the acquisitions concern the assemblage of air rights from either the only, or the most likely source available on the developer parcel block. In our conclusion, we have considered the sales which we found to represent the most similar air rights transactions for valuing the subject property's air rights to 601 West 29th Street. The percentage relationship established in comparable sales range from 50.1% to 87.3% of fee land value, and average 67.1%. We have considered the range and average of the comparable sales and have given most weight to sales 1 and 6 in our conclusion; these sales are some of the most recent sales, represent the acquisition for residential developments without high-value retail, and in the cases of these sales, the acquisitions of air rights significantly added to the feasibility of the project.

In addition, we have also considered the fact that the subject property's development rights are unique in that the proposed rezoning map change, and approval of a special permit, all of which will allow for construction of market rate housing on the subject site, may not proceed without the purchase of the Granting Site's air rights. The inclusion of these development rights will result not only in an expansion of the building envelope, but in the ability to build any residential uses. This factor, in combination with the high value of the end unit product which will result from inclusion of the development rights, provides that the subject development rights are particularly valuable as a percentage of underlying land value. We have therefore concluded at a percentage of 65%.

We have applied this percentage to the value of the fee development as found in the aforementioned fee land analysis, as follows:

Conclusion - Receiving Site	\$342,000,000
Fee Development Value PSF	\$462
Air Rights as % of Land Value	65.0%
Air Rights Value PSF	\$300
Sq. Ft. of Air Rights	123,438
Value of 123,438 Air Rights	\$37,031,400
Rounded	\$37,000,000

Therefore, it is our opinion that the market value of the subject air rights, for a development such as the one contemplated for 601 West 29th Street, as of September 30, 2017, was:

THIRTY SEVEN MILLION DOLLARS (\$37,000,000)

Given the nature of this appraisal, a hypothetical condition and a series of extraordinary assumptions, described below, are necessary to develop credible assignment results. The hypothetical condition employed in this valuation is that the proposed Rezoning have been granted through a successful

ULURP as of the effective date of value of this appraisal with the receiving site incorporating the air rights purchased from HRPT into the development. Therefore, our analysis proceeds in two parts: first consideration of the development rights as part of the fee parcel, and second the market relationship, expressed as a ratio, between the value of the air rights and the value of the underlying fee parcel. The market value of subject property air rights equals the value of the allocable portion of the fee interest multiplied by this ratio.

A hypothetical condition is defined as “*that which is contrary to what exists, but is supposed for the purpose of the analysis.*” In a comment, USPAP notes that “*Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.*” The hypothetical condition is necessary to produce credible assignment results.

An extraordinary assumption is defined as, “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”

The extraordinary assumptions made in this appraisal are summarized as follows:

1. That the outline of the planned development comprising the developments 740,625 square feet of Zoning Floor Area (ZFA), the (“Receiving Site ZFA”) will generally include:
 - 533,410 square feet of ZFA (493,152 net rentable square feet) allocable to market rate residential development, inclusive of a 982 square foot superintendent’s unit
 - 177,357 square feet of ZFA (164,220 net rentable square feet) allocable to affordable residential rentals
 - 14,550 square feet of ZFA (20,460 net rentable square feet) allocable to two (2) retail spaces
 - 37,050 gross square feet of indoor tenant amenity space
 - 26,560 gross square feet of rooftop amenity space
 - 20,980 net rentable square feet of car and bicycle parking garage for 198 accessory parking spaces
2. That, as per the client, and based on information provided by NYCDCP, the affordable components will not be eligible to generate off-site Inclusionary Housing bonuses to be sold to qualifying sites, which departs from prior programs for affordable housing development in New York City.

3. That this project will fall under the Mandatory Inclusionary Housing Program and will qualify for the “Option 1” for 25% affordable units, averaging 60% AMI across the affordable component. That the developer will be guided by the 2017 Area Median Income (AMI) of \$95,400 for a family of four and the AMI categories will be:
 - 5% of residential floor area @ 100% AMI
 - 10% of residential floor area @ 60% AMI
 - 10% of residential floor area @ 40% AMI
4. That this project will be available to qualify for New Program (421-a) benefits.
5. That the subject property will receive compensation from the Gateway / Hudson Tunnel project in connection with any temporary use of the site for staging and open storage.

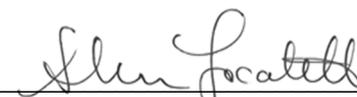
If any of the extraordinary assumptions are found to be materially different than what is assumed for this assignment, the appraisal may require revision.

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no interest with respect to the parties involved.
- We have not performed services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Sharon Y. Locatell and Adam L. Wald, made an exterior inspection of the property development that is the subject of this report.
- No one provided real property appraisal assistance to the persons signing this report.
- As of the date of this report, Sharon Y. Locatell, MAI and Adam L. Wald, MAI have completed the continuing education program of the Appraisal Institute.



Adam L. Wald, MAI



Sharon Y. Locatell, MAI, CRE, MRICS

**SHARON LOCATELL, MAI, CRE, MRICS - PRESIDENT
APPRAISERS & PLANNERS, INC.**

Sharon Locatell is President of Appraisers & Planners, Inc. headquartered in New York City. She is the former Executive Director of Brown Harris Stevens Appraisal & Consulting, LLC, where she headed the division for 18 years. Appraisers & Planners is a general appraisal and consulting business. Ms. Locatell has nearly 25 years' experience in real estate valuation and consulting with a diversified background in terms of property type, and services offered. She is actively involved in market value appraisals, consulting assignments, arbitration proceedings, purchase price allocation studies, estate work, litigation support and expert witness testimony, and investment advisory consultation.

Sharon Locatell has acted as real estate appraiser and/or consultant to Rudin Management Company, Cord Meyer Development LLC, Jack Resnick & Sons, Inc., The LeFrak Organization Inc., The Shubert Organization, Richemont, New York Racing Association, Inc., Titan Capital, Emerald Creek Capital, Piaget, Roman Catholic Archdiocese of New York, Yeshiva University, Lord & Taylor, Wien & Malkin, Consolidated Edison, Friedman LLP, Rockefeller Center, GAP Inc., General Accident, as well as other institutions, corporations and individuals. Her valuations have also included Rockefeller Center and the MesseTurm in Frankfurt, Germany, one of Europe's tallest office buildings.

Sharon Locatell has testified as an expert witness in Federal District Court on numerous occasions, and in various local and state courts. She is also active as an arbitrator.

Ms. Locatell has experience in both consultation and valuation of all types of properties including commercial, residential, retail, industrial, vacant land, as well as lease analysis, and feasibility studies.

EDUCATION

Gettysburg College	Bachelor of Arts (BA)
Gettysburg, Pennsylvania	(1984-1988)
University of Florida	Masters Degree (MA)
Graduate School of Business Administration	Real Estate and Urban Analysis (1988-1990)

PROFESSIONAL AFFILIATIONS

Member of Appraisal Institute **MAI**

Past President and Board Member of the New York Metropolitan Chapter
Counselor of Real Estate - **CRE**

Member – Royal Institution of Chartered Surveyors - **MRICS**

Member - Real Estate Board of New York

New York State Certified General Real Estate Appraiser #46000007350

New Jersey State Certified General Real Estate Appraiser #42RG00196800

Connecticut State Certified General Real Estate Appraiser #RCG0001066

ADAM L. WALD, MAI**PROFESSIONAL EXPERIENCE**

9/2015 – Present: Vice President – Appraisers and Planners, Inc.
1/2014 – 8/2015: Senior Staff Appraiser – Appraisers and Planners, Inc.
4/2012 – 12/2013: Associate Staff Appraiser – Appraisers and Planners, Inc.

2005 - 2012: Staff Appraiser - Sterling Appraisals, Inc.
Tuckahoe, New York

EDUCATION

Bachelor of Arts – Brandeis University

Major in Economics
Minor in International Business

New York University School of Continuing Professional Studies:

Completed AQB education for New York State General Certification. Courses included Introduction to Real Estate Appraisal; Valuation Principles and Procedures; Introduction to Income Property Valuation; Principles of Income Property Appraising; Applied Income Property Valuation; Fair Housing, Fair Lending and Environmental Issues; and 15-Hour USPAP – Nation Uniform Standards of Professional Appraisal Practice

Appraisal Institute – Designation Education:

Business Practices and Ethics; Advanced Market Analysis and Highest and Best Use; Advanced Income Capitalization; Quantitative Analysis; General Appraiser Report Writing and Case Studies; and Advanced Concepts and Case Studies

PROFESSIONAL AFFILIATIONS

Designated Member, Appraisal Institute

CURRENT LICENSE

State of New York - Certified General Appraiser #46000050707

COMMUNITY ACTIVITIES

Current Member of Manhattan Community Board 8 (2017-2019 Term)

- Zoning and Development Committee Member

APPRAISAL EXPERIENCE

Adam has worked exclusively in commercial real estate appraisal and consulting services and has amassed nearly 12 years' experience in real estate valuation and consulting. Property types appraised include multi-family, retail, industrial, manufacturing, office, institutional with a focus on development land, development rights and ground-leased assets. Appraisal assignments include multi-tenant, single tenant, owner-occupied properties, leased fee and leasehold assignments. Appraisals have been prepared for an assortment of uses including estate and gift tax, tax certiorari, purchase and sale negotiations, litigation and condemnation.