From: Hoyt, Winthrop <whoyt@[redacted]
Sent: Thursday, November 19, 2015 10:26 AM
To: Jeffrey Nelson
Cc: Yu, Susi; 'Scott Solish' (ScottSolish@[redacted]
Subject: Site 5 Development Rights
Attachments: 12-047NY-0410 (Atlantic Yards Site 5).pdf; 30._City_Participation_Agreement.pdf

Follow Up Flag: Follow up
Flag Status: Completed

Jeff:

Wanted to follow up with you after our Pacific Park B1 / Site 5 meeting last week. Thanks for taking the time to speak to us about our proposal. In the meeting we briefly discussed the City-owned air rights on Site 5 and I wanted to give you some background as to the agreement that we reached with EDC on this topic some time ago. The City owns the development rights above the current buildings on Site 5 – approximately 270,000 sf based on the underlying zoning. The City agreed to contribute these development rights, as well as certain other properties and benefits (e.g, certain streets, two parcels on the arena block, PILOT benefits, etc.), to the project. At the time of the Atlantic Yards / Pacific Park "Master Closing" in December of 2009, Forest City negotiated with EDC (specifically, Chris Leng-Smith and Charu Singh) a participation agreement by which the City would be repaid the value of these contributions via waterfall-based project cashflow sharing once the project achieves a 15% IRR. The valuation methodology for the development rights was agreed upon by both parties in the agreement and specifies the following: (1) the development rights will be appraised by an appraiser mutually selected by EDC and the developer; (2) they will be valued accounting for zoning and other conditions as of March 3, 2010 (the day before the title vesting date of the project's first condemnation), and (3) the valuation will not take into account the impact of the uses specified in the Atlantic Yards Modified General Project Plan.

Chris and I agreed on CB Richard Ellis as the appraiser for the Site 5 air rights, and CBRE completed the appraisal on June 29, 2012. The appraisal accounted for the appropriate value deductions that would be required to realize the value of the City's air rights, namely, the buyouts of the fee interests of both Site 5 parcels (occupied by Modell's and PC Richard), the cost of buying out Modell's long-term lease, and certain development cost premiums caused by the site's environmental status and proximity to multiple subway lines. The site condition-related items were agreed to by me, Chris and Lisa Kirsch, who had taken over for Charu. The resulting value of the development rights was $800,000. I am attaching the appraisal for your reference; Chris, Lisa and I had multiple calls in 2012 and 2013 with the appraiser to review the valuation.

The agreement also contains a provision calling for payment to the City if the developer fails to start construction of the project by May 12, 2020. In that scenario, we would either pay the City the value of the development rights or forfeit them back to the City. The agreement calls for the City to receive a 6.25% annual return on the value of the development rights and its other contributions.

I'm also attaching the governing agreement (the "Atlantic Yards – City Participation Agreement") for your reference. Realizing the complicated nature of this information, I'm happy to discuss it further at your convenience. Let me know your thoughts.

Best,
Win Hoyt

Winthrop Hoyt
Forest City Ratner Companies
One MetroTech Center
Brooklyn, NY 11201
[redacted]
(718) 923-8718 (f)
whoyt@[redacted]

ATLANTIC YARDS DEVELOPMENT SITE 5
15 Fourth Avenue & 617 Pacific Street
Brooklyn, Kings County, NY 11217
CBRE, Inc. File No. 12-047NY-0410

Self-Contained Appraisal Report

Prepared For:

Winthrop Hoyt
ATLANTIC YARDS DEVELOPMENT COMPANY, LLC
C/O FOREST CITY RATNER CO.'S, LLC "
One Metro Tech Center
Brooklyn, NY 11201

VALUATION & ADVISORY SERVICES

CBRE

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June 29, 2012

Winthrop Hoyt
ATLANTIC YARDS DEVELOPMENT COMPANY, LLC
C/O FOREST CITY RATNER COMPANIES, LLC
One Metro Tech Center
Brooklyn, NY 11201

RE: Appraisal of Atlantic Yards Development Site 5
15 Fourth Avenue
617 Pacific Street"
Brooklyn, Kings County, NY
CBRE, Inc. File No 12-047NY-0410

Dear Mr. Hoyt:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Self-Contained Appraisal Report.

The subject property, known as Atlantic Yards Development Site 5, is situated on a 53,933 SF parcel located in Brooklyn, NY. The site is bounded by Atlantic, Fourth and Flatbush Avenues and contains 2 one-story retail buildings and a 33 space parking lot. Retail uses consists of a 16,980 SF Modell's Sporting Goods and a 30,300 SF P.C. Richards and Sons.

At the request of the client, we have provided a value for the additional development rights granted to the site by estimating the overall fee simple value of the land and subtracting out the value of the property as it existed on the determination date specified (March 3, 2010), including the costs of infrastructure that was mutually agreed upon by the City of New York and Atlantic Yards Development Company (AYDC) and our estimate of the lease buy-out costs for Modell's. We were specifically instructed to value the site under a "stand alone" assumption, meaning that our value is not impacted by the overall re-development of Atlantic Yards, thus not adding value for the owner's investment in the surrounding community.

The requested value date per documentation provided is March 3, 2010, making this a retrospective value conclusion. Based on the analysis contained in the following report, the retrospective market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Value Conclusion**
As Is - Retrospective	Fee Simple Estate - Land	March 3, 2010	$35,600,000
Less: As Is - Retrospective	Fee Simple Estate - PC Richard	March 3, 2010	($13,700,000)
Less: As Is - Retrospective	Leased Fee Estate - Modell's	March 3, 2010	($6,700,000)
Less:	Modell's Lease Buyout Cost	March 3, 2010	($3,500,000)
Less:	Subway Cost	March 3, 2010	($10,900,000)
As Is - Retrospective - Development Rights	**Value Conclusion**	**March 3, 2010**	**$800,000**
Compiled by CBRE			

Data, information, and calculations leading to the value conclusion are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It also conforms to Title XI Regulations.

The intended use and user of our report is specifically named in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non intended users does not extend reliance to any other party and CBRE will not be responsible for unauthorized use of the report, it's conclusions or contents used partially or in its entirety.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE, Inc. can be of further service, please contact us.

Respectfully submitted,

CBRE, Inc. - VALUATION & ADVISORY SERVICES

Mark T. Godfrey
Vice-President
NY State Certification No. 46-41668
Phone: 212-715-5719
Fax: 212-207-6069
Email: mark.godfrey@cbre.com

Helene Jacobson, MAI
Managing Director
NY State Certification No: 46-26005
Phone: 212-207-6106
Fax: 212-207-6069
Email: helene.jacobson@cbre.com

CERTIFICATION OF THE APPRAISAL

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. 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.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. 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.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of NY.
8. 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 Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Helene Jacobson, MAI have completed the continuing education program of the Appraisal Institute.
11. As of the date of this report, Mark Godfrey has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
12. Mark Godfrey and Joseph Stunja have and Helene Jacobson, MAI has not made a personal inspection of the property that is the subject of this report.
13. Joe Stunja provided significant real property appraisal assistance to the persons signing this report.
14. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Mark Godfrey and Helene Jacobson, MAI have not provided any 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.

Mark T. Godfrey NY State Certification No. 46-41668	Helene Jacobson, MAI NY State Certification No: 46-26005

SUBJECT PHOTOGRAPHS

TYPICAL VIEW OF THE SUBJECT

TYPICAL VIEW OF THE SUBJECT

TYPICAL VIEW OF THE SUBJECT

VIEW LOOKING NORTH (FLATBUSH AVE)

VIEW LOOKING EAST (ATLANTIC AVE)

VIEW LOOKING SOUTH (4TH AVE)

SUMMARY OF SALIENT FACTS

Property Name	Atlantic Yards Development Site 5	
Location	15 4 Avenue 617 Pacific Street, Brooklyn, Kings County, NY 11217	
Assessor's Parcel Number	Block 927 Lot 1 & 16	
Highest and Best Use		
As If Vacant	Land	
Property Rights Appraised	Fee Simple Estate	
Land Area	1.24 AC	53,933 SF
Total Developable Square Feet (FAR)	323,598 SF	
Estimated Exposure Time	6 Months	
Financial Indicators - As Improved Valuations	**PC Richard**	**Modell's**
Owner/Leased GLA (Square Feet)	30,300 SF	16,980 SF
Current Occupancy	100.0%	100.0%
Stabilized Occupancy	96.0%	96.0%
Stabilized Credit Loss	1.0%	1.0%
Overall Capitalization Rate	7.25%	7.25%

VALUATION		***Total***	***Per SF***
Land Value		$35,600,000	$660.08
As Is - Retrospective - Development Rights		$800,000	
Market Value As Is On	**March 3, 2010**		
Fee Simple Estate - PC Richard & Son		$13,700,000	$452.15
Leased Fee Estate - Modell's		$6,700,000	$394.58
Modell's Lease Buyout Cost		$3,500,000	$206.12

CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
As Is - Retrospective	Fee Simple Estate - Land	March 3, 2010	$35,600,000
Less: As Is - Retrospective	Fee Simple Estate - PC Richard	March 3, 2010	($13,700,000)
Less: As Is - Retrospective	Leased Fee Estate - Modell's	March 3, 2010	($6,700,000)
Less:	Modell's Lease Buyout Cost		($3,500,000)
Less:	Subway Cost		($10,900,000)
As Is - Retrospective - Development Rights	**Value Conclusion**	**March 3, 2010**	**$800,000**

Compiled by CBRE

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths and weaknesses are internal to the subject; opportunities & threats are external to the subject

Strengths

- The subject is in a desirable location adjacent to the renovated Atlantic Terminal Mall
- The subject contains approximately 323,598 as of development rights

Weaknesses

- None Noted

Opportunities

- As of our date of value the market was poised to move into the recovery phase of the economic cycle following an extended period of market malaise.

Threats

- Overall uncertainty in the economy and marketplace

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

We were specifically instructed to value the site under a "stand alone" assumption, meaning that our value is not impacted by the overall re-development of Atlantic Yards, thus not adding value for the owner's investment in the surrounding community. This is an Extraordinary Assumption as we are assuming a condition which is known to be contrary to what existed as of the determination date.

The costs associated with the Subway related infrastructure has been provided to us and totals $10,900,000. We have not done any independent verification of this figure as it has reportedly been agreed upon by both parties to this transaction. Should this number change, the value conclusion contained herein would change accordingly.

At the request of the client we have estimated the costs to buy Modell's out of their leasehold position. The reader is cautioned that lease buy outs are complicated transactions, whereby the motivations of the tenant and landlord can have a significant impact on the resulting buy out figure. These transactions are often handled in arbitration forums and there is no true way to have a "market" estimate of what these costs will be. We have applied a methodology that is reasonable based on market participant interviews; however it is a specific assumption of this report that the negotiations between landlord and tenant are handled in a expeditious manner and are not impacted by non-market oriented factors.

The use of any extraordinary assumptions of hypothetical conditions may have a material impact on the value conclusions reported herein.

TABLE OF CONTENTS

INTRODUCTION

PROPERTY IDENTIFICATION

The subject property, known as Atlantic Yards Development Site 5, is situated on a 53,933 SF parcel located in Brooklyn, NY. The site is bounded by Atlantic, Fourth and Flatbush Avenues and contains 2 one-story retail buildings and a 33 space parking lot. Retail uses consists of a 16,980 SF Modell's Sporting Goods and a 30,300 SF P.C. Richards and Sons.

At the request of the client, we have provided a value for the additional development rights granted to the site by estimating the overall fee simple value of the land and subtracting out the value of the property as it existed on the determination date specified (March 3, 2010), including the costs of infrastructure that was mutually agreed upon by the City of New York and Atlantic Yards Development Company (AYDC) and our estimate of the lease buy-out costs for Modell's. We were specifically instructed to value the site under a "stand alone" assumption, meaning that our value is not impacted by the overall re-development of Atlantic Yards, thus not adding value for the owner's investment in the surrounding community.

The requested value date per documentation provided is March 3, 2010, making this a retrospective value conclusion.

OWNERSHIP AND PROPERTY HISTORY

The land is held by two separate entities. Title to the Lot 16 is currently vested in the name of Forest City Master Associates III, LLC who acquired title to the property in February 2007 by a real property transfer from a related party who acquired the property in 1998. Lot 1 is vested in the name of A.J. Richard & Sons, Inc. who acquired the property in 1998. To the best of our knowledge, there has been no ownership transfer of the property during the previous three years.

PREMISE OF THE APPRAISAL

The following table illustrates the various dates associated with the valuation of the subject, the valuation premise(s) and the rights appraised for each premise/date:

PREMISE OF THE APPRAISAL		
Item	Date	Interest Appraised
Date of Report:	June 29, 2012	
Date of Inspection:	May 4, 2012	
Dates of Value		
As Is - Retrospective:	March 3, 2010	Fee Simple Estate
As Is - Retrospective:	March 3, 2010	Leasehold Interest
Compiled by CBRE		

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property as per Sections 3a, 3b and 3c of an Atlantic Yards – City Participation Agreement dated December 23, 2009, between the Atlantic Yards Development Company, LLC (AYDC) and the City of New York. The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is 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. [1]

TERMS AND DEFINITIONS

The Glossary of Terms in the Addenda provides definitions for additional terms that are, and may be used in this appraisal.

INTENDED USE OF REPORT

This appraisal is to be used to establish development rights value for sale to Atlantic Yards Development Company, LLC (AYDC).

INTENDED USER OF REPORT

This appraisal is to be used by AYDC and The City of New York

> *Intended Users* - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended

[1] Office of Comptroller of the Currency (OCC), 12 CFR Part 34, Subpart C – Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 122-123. This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value as well as the updated Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report. [2]

SCOPE OF WORK

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied, all based upon the following problem-identifying factors stated elsewhere in this report:

- Client
- Intended use
- Intended user
- Type of opinion
- Effective date of opinion
- Relevant characteristics about the subject
- Assignment conditions

This appraisal of the subject has been presented in the form of a Self-Contained Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. That is, this report incorporates, to the fullest extent possible, practical explanation of the data, reasoning and analysis that were used to develop the opinion of value. This report also includes thorough descriptions of the subject and the market for the property type. CBRE, Inc. completed the following steps for this assignment:

Data Resources Utilized in the Analysis

RESOURCE VERIFICATION	
Site Data	Source/Verification:
Size	Public Record - City of New York
Excess/Surplus	Public Record - City of New York
Improved Data	Source/Verification:
Gross Size/Units	Public Record - City of New York
Area Breakdown/Use	Inspection
No. Bldgs.	Public Record / Inspection
Parking Spaces	Inspection
YOC	Public Record - City of New York
Economic Data	Source/Verification:
Deferred Maintenance:	N/A
Infrastructure Costs:	City of New York / Forest City
Income Data:	N/A
Expense Data:	N/A
Compiled by CBRE	

The costs associated with the Subway related infrastructure has been provided to us and totals $10,900,000. We have not done any independent verification of this figure as it has reportedly been

[2] Appraisal Institute, *The Appraisal of Real Estate Appraisal*, 13th ed. (Chicago: Appraisal Institute, 2008), 132.

agreed upon by both parties to this transaction. Should this number change, the value conclusion contained herein would change accordingly.

Extent to Which the Property is Identified

CBRE, Inc. collected the relevant information about the subject from the owner (or representatives), public records and through an inspection of the subject property. The property was legally identified through the following sources:

- postal address
- assessor's records

Economic characteristics of the subject were identified via:

- Lease abstract of leasehold

Extent to Which the Property is Inspected

CBRE, Inc. inspected the subject and its surrounding environs on May 4, 2012 the effective date of appraisal.

Type and Extent of the Data Researched

CBRE, Inc. reviewed the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process. This process included interviews with regional and/or local market participants, available published data, and other various resources. CBRE, Inc. also conducted regional and/or local research with respect to the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- comparable data

Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section. CBRE, Inc. then correlated and reconciled the results into a reasonable and defensible value conclusion, as defined herein. A reasonable exposure time associated with the value estimate presented has also been considered.

EXPOSURE/MARKETING TIME

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

- exposure periods for comparable sales used in this appraisal;
- exposure/marketing time information from the CBRE, Inc. *National Investor Survey* and the *PWC Real Estate Investor Survey;* and
- the opinions of market participants.

The following table presents the information derived from these sources.

EXPOSURE/MARKETING TIME INFORMATION				
	Exposure/Mktg. (Months)			
Investment Type	Range			Average
Comparable Sales Data	3.0	-	9.0	6.0
CBRE Apartments				
Class A	1.8	-	42.5	5.8
Class B	1.8	-	42.5	5.8
Class C	1.8	-	42.5	5.8
PwC Apartment				
National Data	0.0	-	18.0	5.3
Local Market Professionals	3.0	-	6.0	6.0
CBRE Exposure Time Estimate	**6 Months**			
Source: CBRE National Investor Survey & PwC Real Estate Investor Survey				

CBRE, Inc. has concluded an exposure/marketing time of 6 months to be reasonable for the subject. This exposure/marketing time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market-specific factors. It assumes that the subject is (or has been) actively and professionally marketed. The marketing/exposure time would apply to all valuation premises included in this report.

AREA ANALYSIS

The dynamic natures of economic relationships within a market area have a direct bearing on real estate values and the long-term quality of a real estate investment. In the market, the value of a property is not based on the price paid for it in the past or the cost of its creation, but on what buyers and sellers perceive it will provide in the future. Consequently, the attitude of the market toward a property within a specific neighborhood or market area reflects the probable future trend of that area.

Since real estate is an immobile asset, economic trends affecting its locational quality in relation to other competing properties within its market area will also have a direct effect on its value as an investment. To accurately reflect such influences, it is necessary to examine the past and probable future trends, which may affect the economic structure of the market and evaluate their impact on the market potential of the subject. This section of the report is designed to isolate and examine the discernible economic trends in the region and neighborhood, which influence and create value for the subject property.

REGIONAL AREA

The subject property is located in Brooklyn, one of the five boroughs comprising New York City.

The examination of social forces is primarily based upon demographic characteristics of an area including, but not limited to, population trends, age of population and household formation. A review of these demographic trends is imperative in order to determine the basic demand for real property in the area.

Population

The population in New York City as determined by the 2000 census increased 9.4% over the 1990 count after increasing by only 3.5% from the 1980 count. Changes among the different Boroughs between 1990 and 2000 varied considerably with Manhattan reflecting the lowest population increase of 3.3%, while Staten Island's population increased 17.1%. The low growth within Manhattan is most likely due to the out-migration to the outer boroughs for affordable housing and the limited room for expansion. More recent data from Claritas, Inc. is summarized as follows. It should be noted that the 2009 population figures represent an estimate utilizing 2000 census information.

NEW YORK CITY POPULATION DATA

	1990 Census	2000 Census	1990-2000 % Change	2009 Estimate	2000-2009 % Change	2014 Projection	2009-2014 % Change
Bronx	1,203,745	1,332,650	10.7%	1,376,775	3.3%	1,398,890	1.6%
Brooklyn	2,300,664	2,465,326	7.2%	2,539,821	3.0%	2,584,531	1.8%
Manhattan	1,487,530	1,537,195	3.3%	1,634,248	6.3%	1,686,919	3.2%
Queens	1,951,636	2,229,379	14.2%	2,278,911	2.2%	2,310,732	1.4%
Staten Island	378,977	443,728	17.1%	487,026	9.8%	509,469	4.6%
New York City	**7,322,552**	**8,008,278**	**9.4%**	**8,316,781**	**3.9%**	**8,490,541**	**2.1%**

Source: Claritas

Overall, the population is expected to increase slightly over the next several years reflecting the slower economic growth of the entire region.

Over the next five years Staten Island and Manhattan are anticipated to have the highest increase in population with respective increases of 4.6% and 3.2%. The Bronx and Brooklyn are anticipated to have more modest growth during the period while Queens is expected to have a small increase. Overall, the population in New York City is projected to increase by 2.1% during the next five-year period.

Households

Household statistics, including the number of households and average household size from Claritas, Inc. are summarized as follows.

NEW YORK CITY HOUSEHOLD DATA							
	1990 Census	2000 Census	1990-2000 %Change	2009 Estimate	2000-2009 % Change	2014 Projection	2009-2014 % Change
Bronx	424,096	463,212	9.2%	473,120	2.1%	478,835	1.2%
Brooklyn	828,199	880,727	6.3%	898,487	2.0%	911,262	1.4%
Manhattan	716,421	738,644	3.1%	768,292	4.0%	787,371	2.5%
Queens	720,166	782,664	8.7%	778,174	-0.6%	781,831	0.5%
Staten Island	130,519	156,341	19.8%	173,321	10.9%	181,963	5.0%
New York City Total	2,819,401	3,021,588	9.4%	3,091,394	2.3%	3,141,262	1.6%

Source: Claritas

As illustrated in the previous table, the number of households is expected to increase by 1.6% between 2009 and 2014. This is due in part to the moderate increase projected in the number of households in all the boroughs, with the exception of Queens, which display a projected decrease. Manhattan has the smallest average household size in the city since it has the highest percentage of one-person households. It is estimated that close to half the households in Manhattan are single persons, a rate twice the state average. This extraordinarily high percentage is due in part to the job opportunities available in the city, as well as a function of Manhattan lifestyles.

NEW YORK CITY HOUSEHOLD MEDIAN INCOME DATA							
	1990 Census	2000 Census	1990-2000 %Change	2009 Estimate	2000-2009 % Change	2014 Projection	2009-2014 % Change
Bronx	$21,968	$27,927	27.1%	$34,063	22.0%	$37,209	9.2%
Brooklyn	$25,756	$32,509	26.2%	$41,003	26.1%	$45,187	10.2%
Manhattan	$32,792	$47,471	44.8%	$63,472	33.7%	$71,543	11.3%
Queens	$34,320	$43,183	25.8%	$52,756	22.2%	$57,927	9.8%
Staten Island	$43,953	$55,641	26.6%	$66,862	20.2%	$73,049	9.3%

Source: Claritas

Of the five boroughs of New York City, Staten Island has the highest median household income, followed by Manhattan and Queens. Over the next five-year period, the median household income within the boroughs display increases that range from 9.2% in the Bronx to 11.3% in Manhattan.

Employment

The following chart outlines total employment and the composition of the different employment industries in New York City between 1999 and 2008.

ANNUAL EMPLOYMENY BY INDUSTRY NEW YORK CITY 1999-2008 (000's)												
Industry	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Avg. Ann. Growth**	**Total % Change**
Goods Producing	***299.3***	***297.3***	***277.7***	***255.2***	***239.2***	***232.6***	***227.2***	***224.6***	***228.1***	***226.6***	***0.33%***	***-24.29%***
Construction	112.5	120.5	122.1	115.8	112.7	111.8	113.3	118.5	127.1	131.5	*0.89%*	*16.89%*
Manufacturing	186.8	176.8	155.6	139.4	126.5	120.8	113.9	106.1	101.0	95.1	*0.54%*	*-49.09%*
Service Producing	***3,319.6***	***3,420.4***	***3,411.6***	***3,326.1***	***3,291.8***	***3,316.8***	***3,375.0***	***3,441.6***	***3,517.1***	***3,563.6***	***0.03%***	***7.35%***
Trade, Transportation & Utilities	556.3	569.6	557.4	536.5	533.5	539.3	547.5	558.3	570.6	573.2	*0.18%*	*3.04%*
Information	172.8	187.3	200.4	176.9	163.9	160.2	162.8	164.6	165.9	167.7	*0.58%*	*-2.95%*
Financial Activities	481.0	488.8	473.6	445.1	433.6	435.5	445.1	458.3	467.9	465.1	*0.21%*	*-3.31%*
Professional & Business Services	552.9	586.5	581.9	550.4	536.6	541.5	555.3	571.3	591.4	605.0	*0.18%*	*9.42%*
Educational and Health Services	604.4	615.2	627.1	646.0	658.2	665.3	678.8	694.7	707.0	719.3	*0.17%*	*19.01%*
Leisure & Hospitality	243.7	256.7	260.1	255.3	260.3	270.1	276.7	284.9	297.0	308.3	*0.41%*	*26.51%*
Other Services	141.5	147.4	148.7	149.7	149.1	150.5	153.2	154.3	158.1	161.4	*0.71%*	*14.06%*
Government	**567.0**	**568.9**	**562.4**	**566.2**	**556.6**	**554.4**	**555.6**	**555.2**	**559.2**	**563.6**	*0.18%*	*-0.60%*
Total Employment	***3,618.9***	***3,717.7***	***3,689.3***	***3,581.3***	***3,531.0***	***3,549.4***	***3,602.2***	***3,666.2***	***3,745.2***	***3,790.2***	***0.04%***	***6.19%***
Employment Change												
Goods Producing		-0.7%	-6.6%	-8.1%	-6.3%	-2.8%	-2.3%	-1.1%	1.6%	-0.7%		
Service Producing		3.0%	-0.3%	-2.5%	-1.0%	0.8%	1.8%	2.0%	2.2%	1.3%		
Total Employment		2.7%	-0.8%	-2.9%	-1.4%	0.5%	1.5%	1.8%	2.2%	1.2%		

Source: US Bureau of Labor Statistics

The following table illustrates the employment by major industry statistics from October 2008 to October 2009.

NON-AGRICULTURAL INSURED EMPLOYMENT BY MAJOR INDUSTRY DIVISION October 2008 - 2009 Comparison - Not Seasonally Adjusted NEW YORK CITY					
INDUSTRY	*Average Employment October 2008 (000's)*	*SHARE*	*Average Employment October 2009 (000's)****	*SHARE*	*CHANGE*
Construction & Mining	133.0	3.5%	119.3	3.2%	-11.5%
Manufactoring	93.3	2.4%	82.8	2.2%	-12.7%
T.T.C.P.U.*	576.2	15.1%	550.1	14.9%	-4.7%
Information	169.8	4.5%	160.3	4.3%	-5.9%
F.I.R.E.**	461.3	12.1%	428.8	11.6%	-7.6%
Professional & Business Services	607.7	15.9%	578.3	15.6%	-5.1%
Educational & Health Services	734.4	19.3%	750.1	20.3%	2.1%
Leisure & Hospitality	311.8	8.2%	309.8	8.4%	-0.6%
Other Services	163.8	4.3%	162.9	4.4%	-0.6%
Government	561.3	14.7%	560.3	15.1%	-0.2%
TOTALS	3,812.6	100.0%	3,702.7	100.0%	-3.0%

** Trade,Transportation, & Public Utilities*   *** Finance/Insurance/Real Estate*   **** Preliminary*

Source: U.S. Bureau of Labor Statistics: Compiled by CB Richard Ellis, Inc.

Unemployment rate

The following table details the historical unemployment rate in New York City, the state, and the nation as a whole.

UNEMPLOYMENT RATE COMPARISON BY CITY, STATE, AND US			
AVERAGE MONTHLY UNEMPLOYMENT RATE			
YEAR	**New York City**	**State**	**US**
Oct-09	10.3%	8.7%	10.2%
Oct-08	6.3%	5.7%	6.6%
AVERAGE ANNUAL UNEMPLOYMENT RATE			
YEAR	**New York City**	**State**	**US**
2008	5.5%	5.4%	5.8%
2007	4.9%	4.7%	4.6%
2006	5.0%	4.8%	4.6%
2005	5.8%	5.3%	5.1%
2004	7.1%	6.4%	5.5%
2003	8.3%	7.4%	6.0%
2002	8.0%	7.3%	5.8%
2001	6.1%	5.5%	4.7%
2000	5.8%	5.1%	4.0%

Source: Bureau of Labor Statistics
Complied by CB Richard Ellis, Inc

Unemployment rates have increased dramatically at the local, state and country level as the effects of the national economic recession have taken their toll on the market.

ECONOMY.COM

Moody's Economy.com provides the following New York City metro area economic summary as of September 2009. The full Moody's Economy.com report is presented in the Addenda.

NEW YORK CITY ECONOMIC ANALYSIS

Indicators	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross Metro Product, C$B	527.5	539.2	555.6	586.3	625.4	657.9	670.4	652.0	659.1	676.7	708.2	740.2
% Change	*-2.2*	*2.2*	*3.0*	*5.5*	*6.7*	*5.2*	*1.9*	*-2.7*	*1.1*	*2.7*	*4.7*	*4.5*
Total Employment (000)	5,036.0	4,992.1	5,016.2	5,070.1	5,140.0	5,231.6	5,277.7	5,159.7	5,045.1	5,086.8	5,208.7	5,334.1
% Change	*-2.5*	*-0.9*	*0.5*	*1.1*	*1.4*	*1.8*	*0.9*	*-2.2*	*-2.2*	*0.8*	*2.4*	*2.4*
Unemployment Rate	7.3	7.4	6.4	5.3	4.8	4.7	5.5	8.9	10.2	9.2	7.3	6.1
Personal Income Growth	-0.8	1.6	7.0	7.3	8.7	7.6	4.1	-0.5	-0.1	4.0	6.1	6.0
Population (000)	11,415.0	11,448.2	11,494.8	11,534.9	11,566.7	11,627.9	11,696.7	11,761.0	11,807.5	11,842.3	11,865.1	11,876.1
Single-Family Permits	4,599	4,508	4,053	4,340	3,532	2,905	2,126	1,256	1,633	2,449	4,035	4,266
Multifamily Permits	20,926	23,534	30,335	37,219	36,366	38,402	37,636	5,017	11,129	24,196	32,546	32,560
Existing Home Price ($Ths)	344.8	385.5	432.1	503.5	518.2	537.6	493.4	416.9	354.7	350.4	371.6	401.7
Mortgage Originations ($Mil)	77,512	116,677	92,753	106,286	104,454	96,936	68,682	76,436	65,712	62,517	63,371	67,351
Net Migration (000)	-69.4	-99.1	-106.5	-119.1	-97.2	-62.5	-5.3	-18.5	-38.2	-51.5	-65.1	-78.5
Personal Bankruptcies	35,462	38,266	40,203	58,292	11,410	15,793	20,363	30,474	40,729	45,000	39,860	34,650

Source: Moody's Economy.com

Though job losses in New York City have become smaller, there are still worrying signs that the recession is far from over. Job losses in construction and leisure/hospitality have abated, but cuts in financial activities, professional/business services and retail are still large and these industries contribute much more to the metro division's economy. The unemployment rate at 10.3% is the highest since the early 1990s and has risen quickly since the start of the year. Home sales have stabilized at low levels but prices in both the single-family and condo markets are still falling. Also, consumer credit quality is deteriorating rapidly and mortgage delinquency rates in New York City are now above the national average for the first time since the recession began.

New York City's housing market will lag behind the national housing cycle, falling further and longer than the rest of the nation. The relatively small single-family market in New York City has been in decline since late 2006 and has lost 14% of its peak value. In comparison, the multifamily market in New York City has only just begun its decline with condo prices contracting for the first time in the third quarter of last year. The delayed impact of job losses in financial services and the reduction of bonus payments mean that condo prices will fall further this year and next. While Moody's Economy.com expects that house prices nationally will begin to rise again by the middle of next year, house prices, both single- and multifamily, will not bottom out in New York City until the middle of 2011.

Job losses in New York City have been smaller than expected thus far, but there are significant risks that the economy may deteriorate further through the end of the year. New York City has lost about 97,000 jobs since the peak in employment last fall; this is significantly less than expected back in March. It appears that, after a sharp initial decline, the pace of losses have levered off largely due to the rebound off the leisure & hospitality sector and continued growth on non cyclical sectors. During the first quarter losses in financial services were relatively small despite the sweeping layoff announcements by several large New York City-based banks. Losses in professional/business services and in leisure/hospitality have been smaller than anticipated as well. However losses in financial activities, professional/business services and retail and wholesale have become larger throughout the year.

BETTER THAN EXPECTED

Job losses in New York City have been smaller than expected thus far, but there are significant risks that the economy may deteriorate further through the end of the year. New York City has lost about 150,000 jobs since the peak in employment last fall; this is almost 100,000 jobs fewer than expected back in March. During the first quarter losses in financial services were relatively small despite the sweeping layoff announcements by several large New York City-based banks. Losses in professional/business services and in leisure/hospitality have been smaller than anticipated as well. Losses in financial activities, mainly in securities and commodities brokerages, have become larger in recent months however, and third quarter losses are tracking above our forecast.

WORRYING SIGNS

Other labor market indicators point to a still-severe recession in New York City and affirm the forecast for a lagged recovery. In August, the unemployment rate for the five boroughs of New York City rose from 9.5% to 10.3%--the highest jobless rate since 1993. More disturbing than the rate itself is the pace of increase; since January, New York City's unemployment rate has risen 3.4 percentage points compared to 2.1 percentage points for the nation. In four of the last eight months, increases in the city's unemployment rate have been the largest on record back to the 1970s.

The extent of unemployment is also taking a toll on consumer credit in New York City. Delinquency rates on all types of consumer credit soared in the first half of the year, rising above national average rates. Mortgage credit quality is particularly bad; 30- and 60-day delinquencies are rising faster in New York City compared to declines at the national level, suggesting the pipeline for foreclosures is filling.

EMPTY SPACE

Losses in office-using jobs combined with a nearly-frozen CMBS market will continue to take a toll on the commercial real estate market in New York City into next year. According to CBRE, office vacancy rates in midtown Manhattan are just shy of their peak during the 2001 recession. There were some hopeful signs in the August data though; leasing activity rose and the availability rate fell, though rents continue to decline. In the past year, average asking rents are down by a third. Given the forecast for office-using employment, expect the midtown vacancy rate to peak above 10% later this year.

CONCLUSION

The restructuring on Wall Street will take a toll on New York City's economy, office market, and real estate market over the next two years. After the area begins to recover from the downturn in late 2010, growth will be slower because of decreased productivity and profitability in the finance industry. Employment growth will be slightly slower than the national average as well as lower than in other U.S. financial centers.

NEIGHBORHOOD ANALYSIS

LOCATION

The subject is in the city of Brooklyn, located at the intersection of Atlantic and Flatbush Avenues, bound by Pacific Street and 4th Avenue.

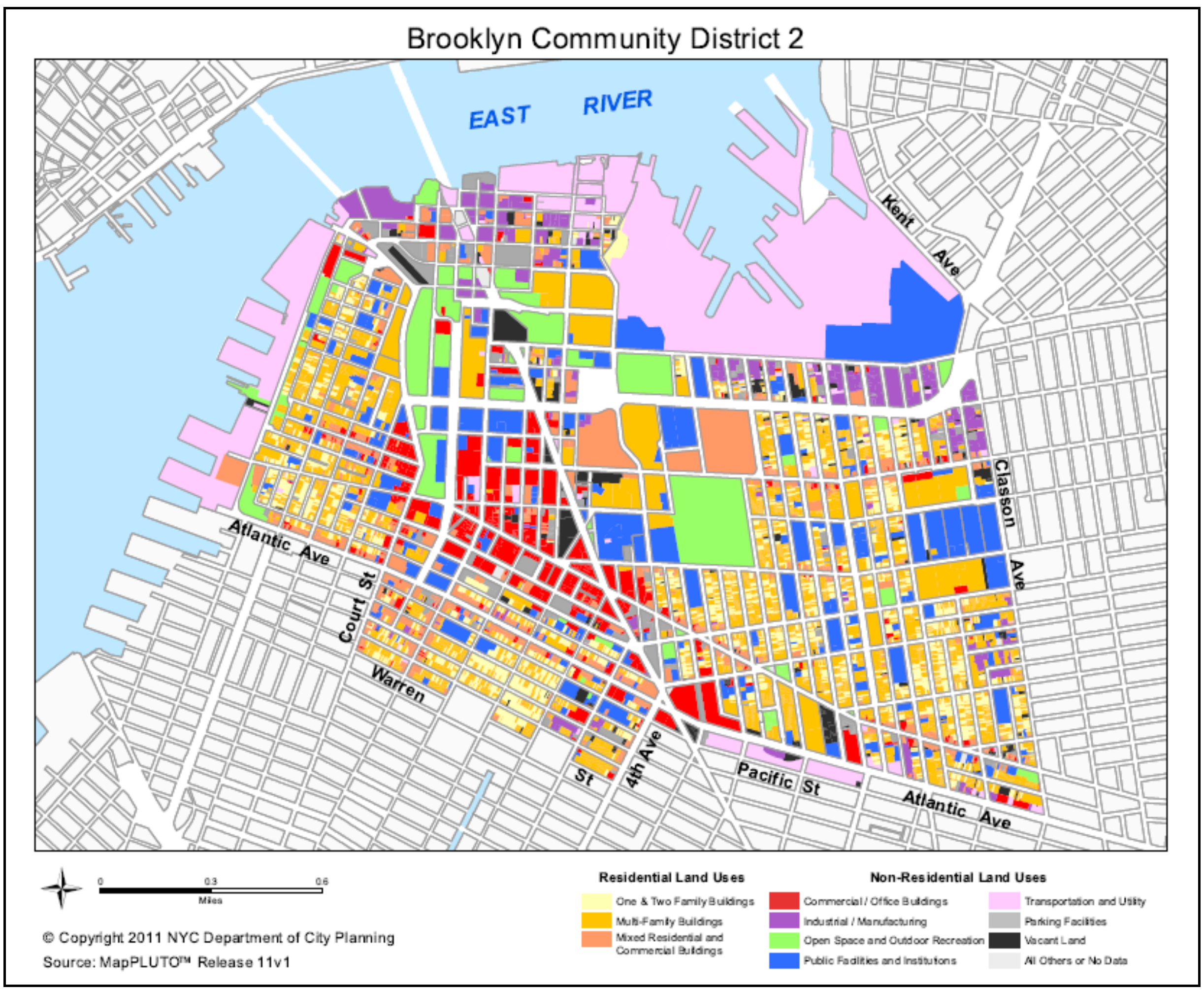
BOUNDARIES

The neighborhood boundaries are detailed as follows:

North:	East River
South:	Atlantic Avenue
East:	Classon Avenue
West:	East River

LAND USE

Land uses within the subject's immediate neighborhood include multi-family uses, with commercial uses located primarily along Avenues. The immediate surrounding properties consist of low-rise residential walk-up buildings varying from 3 to 6 stories. Ancillary uses include the Atlantic Center Mall, the renovated Atlantic Terminal Mall and the Atlantic Yards Development located across the street. It should be noted, we have not considered the impact that the Atlantic Yards Development project or the uses described in the Modified General Project Plan could have on the applicable value of the subject. The subject property is located in Brooklyn Community District 2. According to 2010 figures produced by City Planning the surround uses situated within this district was 23.4% multi-family housing and 17.1% of transportation/utility. The chart below further shows the land use within the Brooklyn Community District 2.



LAND USE, 2010

		Lot Area	
	Lots	Sq. Ft.(000)	%
1- 2 Family Residential	2,292	4,429.0	8.2
Multi-Family Residential	3,227	12,542.6	23.4
Mixed Resid. / Commercial	1,035	4,258.0	7.9
Commercial / Office	440	4,259.8	7.9
Industrial	218	2,719.5	5.1
Transportation / Utility	90	9,174.3	17.1
Institutions	268	7,991.3	14.9
Open Space / Recreation	111	4,582.8	8.5
Parking Facilities	257	1,846.6	3.4
Vacant Land	332	1,768.1	3.3
Miscellaneous	52	153.6	0.3
Total	**8,322**	**53,725.6**	**100.0**

GROWTH PATTERNS / ATLANTIC YARDS DEVELOPMENT PROJECT

Atlantic Yards is a large mixed use commercial and residential development in Prospect Heights, Brooklyn. The Project will provide a first-class Arena, the Barclays Center, designed by Ellerbe Becket and Shop Architects, needed to bring a professional sports team back to Brooklyn. The 22.0 acre Project will transform the current rail yards and predominantly underutilized and industrial area into 17 new buildings creating approximately 5,325 to 6,430 affordable and market rate housing units, with 2,250 rental units being affordable to low-, moderate-, and middle-income families, while providing approximately 336,000 square feet of Class A office space and a 180-room hotel. The Project would result in a signature mixed-use, mixed income development at one of Brooklyn's most important crossroads.

It is currently anticipated that the buildings would be based on a master plan prepared by Frank Gehry, a world renowned architect. It is anticipated that the open space – which would be eight acres of environmentally sustainable, publicly accessible open space, including, to the extent applicable, the School Open Space – would be based on designs by landscape architect Laurie Olin, whose designs include the open space in Battery Park City and Bryant Park. The buildings and open space will be designed in accordance with the Design Guidelines.

The build-out of the Project is likely to occur in two phases, with the Project elements on the Phase I Site and the Upgraded Yard (collectively, "Phase I") anticipated to be completed by 2014 and the Project elements on the Phase II Site (collectively, "Phase II") anticipated to be completed by 2019.

The principal goal of the Atlantic Yards Land Use Improvement and Civic Project is to transform an area that is blighted and underutilized into a vibrant, mixed-use, mixed-income community that capitalizes on the tremendous mass transit service available at this unique location. In addition to eliminating the blighting influence of the below-grade Yard and the blighted conditions of the area, the Project aims, through this comprehensive and cohesive plan, to provide for the following public uses and purposes:

Aforementioned, we have not considered the impact that the Atlantic Yards Development project or the uses described in the Modified General Project Plan could have on the applicable value of the subject.

ACCESS

The subject has ample service by the subway system with the N, Q, Q, B, D, 2, 3, 4, & 5 lines running through the neighborhood and stopping at the Atlantic Avenue / Flatbush Avenue stop directly across the street of the subject. Eleven bus lines serve the location including the B25, B26, B28, B37, B41, B45, B52, B63, B65, B67 and B69. Bus service is available throughout the neighborhood and in close proximity to an express bus to Manhattan. Light Rail service is also located across the street at the Atlantic Terminal, with stops in Jamaica (with transfers available to all other lines) and Penn Station.

DEMOGRAPHICS

Selected neighborhood demographics of the subject's zip code are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS	
Zip Code 11217 Brooklyn, NY	2010 Estimates for 11217
Population	
2015 Population	35,309
2010 Population	35,261
2000 Population	34,944
1990 Population	34,188
Growth 2010 - 2015	0.14%
Growth 2000 - 2010	0.91%
Growth 1990 - 2000	2.21%
Households	
2015 Households	15,828
2010 Households	15,731
2000 Households	15,500
1990 Households	14,369
Growth 2010 - 2015	0.62%
Growth 2000 - 2010	1.49%
Growth 1990 - 2000	7.87%
2010 Median HH Inc	$69,406
2010 Estimated Average Household Income	$93,560
2010 Estimated Per Capita Income	$42,428
2010 Median Value of all Owner-Occ HUs	$884,430
Age 25+ College Graduates - 2010	15,775
Age 25+ Percent College Graduates - 2010	59.0%

Source: CBRE

CONCLUSION

As shown above, the population within the subject neighborhood has increased slightly over the last decade and is projected to increase over the next 5 years. The subject's neighborhood is characterized as a middle income demographic area. The subject property conforms well with the surrounding uses and to the overall neighborhood. The outlook for the neighborhood is positive over the long-term.

MARKET ANALYSIS

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis includes REIS and Claritas.

The subject consists of two one-story free standing retail buildings with possible redevelopment into mixed use residential building. As such, we have considered the New York City residential rental markets with specific emphasis on the Brooklyn submarket.

DEMOGRAPHIC ANALYSIS

Demand for additional residential property is a direct function of population change. Multi-family communities are products of a clearly definable demand relating directly to population shifts.

Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject neighborhood with primary focus on the subject zip code.

POPULATION AND HOUSEHOLD PROJECTIONS

Zip Code 11217 Brooklyn, NY	2010 Estimates for 11217
Population	
2015 Population	35,309
2010 Population	35,261
2000 Population	34,944
1990 Population	34,188
Growth 2010 - 2015	0.14%
Growth 2000 - 2010	0.91%
Growth 1990 - 2000	2.21%
Households	
2015 Households	15,828
2010 Households	15,731
2000 Households	15,500
1990 Households	14,369
Growth 2010 - 2015	0.62%
Growth 2000 - 2010	1.49%
Growth 1990 - 2000	7.87%

Source: CBRE

As shown, the subject's neighborhood is experiencing moderate positive increases in both population and households.

Income Distributions

Household income available for expenditure on housing and other consumer items is a primary factor in determining the price/rent level of housing demand in a market area. In the case of this study, projections of household income, particularly for renters, identifies in gross terms the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

HOUSEHOLD INCOME DISTRIBUTION	
Zip Code 11217 Brooklyn, NY	2010 Estimates for 11217
Households by Income Distribution - 2010	15,731
Less than $15K	14.44%
$15K - $25K	5.82%
$25K - $35K	5.66%
$35K - $50K	10.58%
$50K - $75K	17.18%
$75K - $100K	14.93%
$100K - $150K	14.39%
$150K - $200K	8.89%
$200K - $500K	6.37%
$500K or more	1.72%
Source: CBRE	

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS	
Zip Code 11217 Brooklyn, NY	2010 Estimates for 11217
2010 Median HH Inc	$69,406
2010 Estimated Average Household Income	$93,560
2010 Estimated Per Capita Income	$42,428
Source: CBRE	

An analysis of the income data indicates that the submarket is generally comprised of lower to middle income demographic.

Employment

An employment breakdown typically indicates the working class characteristics for a given market area. The specific employment population within the indicated radii of the subject is as follows:

EMPLOYMENT BY INDUSTRY	
Zip Code 11217 Brooklyn, NY	2010 Estimates for 11217
Employment by Industry - 2010	18,827
Agr/Frst/Fish/Hunt/Mine	0.05%
Construction	2.35%
Total Manufacturing	2.55%
Wholesale Trade	1.72%
Retail Trade	7.13%
Transport/Warehse/Utils	3.85%
Information	9.44%
Fin/Insur/RE/Rent/Lse	8.42%
Prof/Sci/Tech/Admin	18.41%
Mgmt of Companies	0.18%
Admin/Spprt/Waste Mgmt	3.01%
Educational Svcs	10.25%
Health Care/Soc Asst	11.05%
Entertainment & Rec Services	8.55%
Accommdtn/Food Svcs	4.96%
Oth Svcs, Not Pub Admin	4.23%
Public Administration	3.85%
Source: CBRE	

The previous table illustrates the employment character of the subject's neighborhood, indicating a predominantly middle-income employment profile, with most people holding jobs in the health care/social services and F.I.R.E. sectors.

Outlook

Based on this analysis, the immediate area surrounding the subject is projected to experience moderate, positive growth relative to households and population into the near future. The area is comprised primarily of lower-middle income households. The pace of gentrification in the neighborhood is likely to slow due to the onset of the national recession.

OVERVIEW

Demand in the current New York City rental apartment market has been weakened by job cuts throughout the City. While layoffs have not been as severe as originally predicted, employers are likely to continue to thin payrolls. In anticipation of declining residential demand, developers have begun to alter plans. Multi-family permitting activity, an indicator of future supply, has dropped dramatically. However, because of long planning and construction timetables, a continuing number of new projects, which is not expected to wane until 2010, are still coming online. Manhattan's market-rate apartment rate inventory will expand by 3,180 units this year, the greatest supply increase since 2005. In 2008, 1,225 units were completed. As a result, rent deductions are expected for market rate housing going forward for the short-term. Conversely rent stabilized units, because of recent increases authorized by the Rent Guidelines Board, will see rent increases. Investment demand has diminished considerably, as investors are trying to gauge how falling revenues will affect values.

Unprecedented turmoil in the financial markets beginning in September 2008 led to a significant decline in the New York City for-sale housing market. A sharp decline in contract activity coupled with a substantial increase in listing inventory, as well as a decline in price level summarizes the sales market for 2009 year-to-date. Additionally, the severe economic recession and the tightening of financial requirements from lenders limited the pool of potential buyers. According to the Prudential Elliman Manhattan Market Overview, Q2 2009, the Manhattan market, as measured by the median sales price of re-sale apartments, fell 25.6% as compared to the same period last year. The overall number of sales was 50.3% below the same period last year as a result of the tightening of credit, rising unemployment and a recessionary economy. Market share of new development unit sales fell to 27% of all sales, their lowest level in 18 months and tend to lag market conditions by more than a year.

In both the for-sale and rental apartment market, supply will exceed demand for several years. Equilibrium in the rental market will return sooner than the for-sale market.

EXISTING INVENTORY

New York City has one of the nation's largest and most diverse residential markets. The New York City housing market comprises a significant number of regulated and non-regulated rental apartments as well as owner occupied apartments. The following chart depicts the total inventory of residential units within the five boroughs. The information was compiled from the initial findings of the *Selected Initial Findings of the 2008 New York City Housing and Vacancy Survey*. The United States Bureau of the Census conducts the *Housing and Vacancy Survey* every three years on behalf of the City of New York. A summary of the results is presented on the following table:

NEW YORK CITY HOUSING SURVEY						
	Bronx	**Brooklyn**	**Manhattan**	**Queens**	**Staten Island**	**New York City Total**
Rental Units						
Occupied	373,701	648,145	580,557	428,275	(a)	2,082,890
Vacant/Available	11,836	15,530	16,110	14,707	(a)	61,762
Total Rental Units	385,537	663,675	596,667	442,982	(a)	2,144,652
(Vacancy Rate)	3.07%	2.34%	2.70%	3.32%	6.37% (a)	2.88%
Owner Units						
Occupied	106,699	255,629	182,824	362,211	112,002	1,019,365
Ownership Rate	22.20%	28.30%	24.00%	45.80%	68.00%	32.90%
Vacant/Available						26,588
Total Owner Units						1,045,953
(Vacancy Rate)						2.54%
Vacant Units not available for sale/rent						138,043
Total Housing Units	509,632	962,741	839,134	838,670	178,471	3,328,648

(a) Too few units to report.

Source: Selected Initial Findings of the 2008 New York City Housing and Vacancy Survey

Initial findings of the survey indicate that:

Housing Inventory

- The vacancy rate for units available for rent in the City during the period between February and June of 2008 was 2.88 percent, down from 3.09 percent during the same period in 2005. The 2008 rental vacancy rate is lower than 5.0 percent and, thus, meets the legal threshold mandated by State and City laws to justify the continuation of rent control and rent stabilization.

- The number of housing units in New York City was 3.33 million in 2008, the largest housing stock in the 43-year period since the first survey was conducted in 1965. Between 2005 and 2008, the housing inventory increased by 68,000 units or 2.1 percent, the largest increase since the survey was initiated.

- Every borough saw an increase in housing inventory: The Bronx grew by 11,000 units (2.1 percent); Brooklyn by 18,000 units (1.9 percent); Manhattan by 24,000 units (2.9 percent); Queens by 11,000 units (1.3 percent); and Staten Island by 5,000 units (2.7 percent).

Neighborhood and Housing Conditions

- Neighborhood conditions were the best in the 30-year period since the survey began to address this issue. The proportion of renter households near buildings with broken or boarded-up windows on the same street fell to 5.1 percent in 2008 from 6.3 percent in 2005 and 8.7 percent in 2002.

- Neighborhood satisfaction was the best in the 30-year period since the survey began measuring perceptions of neighborhood quality in 1978. In the survey, 71.8 percent of renter households rated the quality of their neighborhood buildings as "good" or "excellent," up from 63.1 percent in 1987 and 56.2 percent and in 1978.

- In 2008, building conditions remained among the best since the survey started covering them. For all occupied units, the dilapidation rate was 0.5 percent, remaining at an all-time low since the survey began in 1965. The dilapidation rate for rental units was 0.6 percent in 2008, still the best ever recorded.

- The proportion of renter-occupied units with five or more of the seven maintenance deficiencies measured by the 2008 Survey was 4.4, one of the lowest ever recorded since these conditions were first measured in 1991.

Rental and Ownership Rates

- The number of rent controlled units remained relatively stable from 2005 to 2008, from 43,000 in 2005 to 40,000 in 2008. During the same period, the number of rent stabilized units in buildings constructed before 1947 fell by 22,000, or 2.9 percent. This loss was offset by an increase of 5,000 units in buildings constructed after 1947, for a net loss in rent stabilized units of 17,000 or 1.6 percent.

- The number of owner units, occupied and vacant, was 1,046,000, up by 14,000 between 2005 and 2008.

RENT CONTROL AND STABILIZATION

The New York State Rent Control and Stabilization statutes create a condition where the forces of supply and demand are not solely responsible for the actions that take place in the market. The effects of rent control and stabilization on the residential market in New York City make it one of the most intricate in the nation. The laws apply to dwellings in buildings with six or more rental apartment units, or unsold yet occupied rental units in converted buildings. The laws restrict the increases allowed in residential rents. Rent control statutes (which apply to a particular tenant) and rent stabilization statutes (which apply to a particular apartment) typically are more common in pre-war apartment buildings.

Rent control is being phased out through vacancy de-control. Thus, if a rent controlled unit is vacated the landlord is allowed to charge "whatever the market will bear." From that point onward, the unit is subject to rent stabilization increases. Through a program known by its original section number, J-51, within the Real Property Tax Law, landlords are permitted by law to increase the rent of a below market rent stabilized apartment following the renovation of the unit after the tenant vacates. Allowable renovations include but are not limited to new kitchen appliances, counters, etc. and bathroom sinks, tubs, toilets and tiling, upgraded electrical wiring and air conditioning units. The rate of rental increase is based on 1/40th of the renovation cost. The renovation cost is subject to approval by the DHCR and is further limited to an itemized list of allowable costs for each item claimed. Another part of the 421-a program allows for increases in stabilized rents based on Major Capitol Improvements or MCI's. These relate to building wide improvements such as new windows, roofs, intercoms, elevators, brickwork etc. As with individual renovations these building wide renovations are subject to approval and an itemized cost schedule.

Overall, the Rent Regulation Reform Act of 1997 changed the following items pertaining to rent guidelines in New York City.

- Extended the Rent Stabilization Laws until June 15, 2003. (It has subsequently been extended through 2011).
- Provided a new formula for computing vacancy allowance.
- Reduced the "succession" rights so an apartment can only be "passed down" for one generation.
- Requires tenants to pay rent into escrow accounts during certain Housing Court disputes.
- Broadens "luxury decontrol" to households earning more than $175,000 (instead of $250,000) in two consecutive years with rents of $2,000 or more.

The new regulations enhance the owner's position by permitting faster adjustments in rent to market levels, income during dispute mediation, limiting leasehold interest through succession and allows for quicker demolition of older buildings. As noted, the new laws were passed on June 19, 1997 and will expire in six years. The guidelines establish increases in rent that can be charged for a vacant apartment and for a lease that is renewed by the same tenant. The following table reflects the increases in rent permitted since 1990:

RGB ALLOWABLE RENT INCREASES

RGB Order Number	For Leases Starting Between	1 Year	2 year
#32	10/1/00 - 9/30/01	4.00%	6.00%
#33	10/1/01 - 9/30/02	2.00%	4.00%
#34	10/1/02 - 9/30/03	4.50%	7.50%
#35	10/1/03 - 9/30/04	3.50%	6.50%
#36	10/1/04 - 9/30/05	3.00%	6.00%
#37	10/1/05 - 9/30/06 *(see note 1)*	2.75%	5.50%
	10/1/05 - 9/30/06 *(see note 2)*	2.25%	4.50%
#38	10/1/06 - 9/30/07 *(see note 1)*	4.25%	7.25%
	10/1/06 - 9/30/07 *(see note 2)*	3.75%	6.75%
#39	10/1/07 - 9/30/08	3.00%	5.75%
#40	10/1/2008-9/30/09	4.50%	8.50%
#41	10/1/2009-9/30/2010	3.00%	6.00%

Note 1: Heat is provided or required to be provided by owner at **no charge** to the tenant.

Note 2: Heat is neither provided nor required to be provided by the owner.

Source: NYC Rent Guidelines Board

The current permitted increases allow for a 4.5% increase in rents for tenants renewing their lease for a one-year period and 8.5% for a two-year renewal, both of which represent increases from the previous year figures. The higher allowable increase figures in 2003/2004 were established to offset significant increases real estate taxes and operating expenses. As of June 23, 2009 order # 41 has been approved, which states; beginning October 1, 2009, permitted increases will allow for a 3% increase in rents for tenants renewing their lease for a one-year period and 6% for a two-year renewal, both of which will represent decreases from the previous year figures.

Vacancy Allowance

The most striking part of the Rent Regulation Reform Act is the computation of a "Vacancy Allowance" which states that if an apartment is leased for more than $500 per month for a two-year term, the landlord will be entitled to a "Vacancy Allowance" upon tenant rollover. The allowance is based on what the market will bear, up to a maximum of 20% for a two-year lease. In addition, if the same apartment is leased for a one-year term, the maximum Vacancy Allowance is 20% less the difference between the two and one-year rent increase. Under current rent guidelines, the one-year increase would be 17.00% [20% - (6.0% - 3.0%)]. The new vacancy allowance has enhanced residential ownership by allowing faster increases in rent, which has had a significant impact on residential property values.

Vacancy Decontrol

Apartments with monthly rents in excess of $2,000 per month were decontrolled in 1997 under two scenarios. Firstly, a rent stabilized unit which becomes vacant and could be offered at a legal regulated rent of $2,000 or more per month is no longer subject to rent regulation. The second scenario represents occupied units, which must meet two criteria in order to become deregulated. In conjunction with the $2,000 per month rent threshold, the decontrol of a stabilized unit is also based on the annual income of the occupant. In other words, if a tenant's average annual income for the two years preceding the lease renewal date is in excess of $175,000, the apartment unit may be deregulated and a new market-oriented rent can be established. *Both criteria must be met* in order for the unit to become deregulated.

NEW YORK CITY RENTAL RESIDENTIAL MARKET

REIS REPORTS

REIS, Inc. is an econometric forecasting group, which publishes market information on various markets throughout the country. The data they compile is based on surveys conducted with building owners and property managers. It is important to note that the survey includes all classes (A, B & C) of multi-family residential buildings. In addition, the survey is only a representative sample of buildings whose management or owners were willing to participate. As such the inventory reflected in the survey is not representative of the overall size of the marketplace.

New York City Residential Market

The 1Q 2010 survey for New York City is shown on the following table:

NEW YORK APARTMENT MARKET 1Q2010

Year	Quarter	Inventory (SF/Units)	Completions	Conversions	Vac %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent $	Asking Rent % Chg
1990	Year	100,048	2,624	N/A	2.3	2,341	97,707	2,426	$1,109	6.0
1991	Year	102,089	2,041	N/A	2.8	2,813	99,276	1,569	$1,134	2.3
1992	Year	103,538	1,449	N/A	1.5	1,508	102,030	2,754	$1,164	2.6
1993	Year	105,061	1,523	N/A	1.4	1,457	103,604	1,574	$1,184	1.7
1994	Year	106,738	1,677	N/A	1.7	1,857	104,881	1,277	$1,254	5.9
1995	Year	108,852	2,032	N/A	1.1	1,235	107,617	2,736	$1,300	3.7
1996	Year	111,294	2,341	N/A	1.3	1,436	109,858	2,241	$1,388	6.8
1997	Year	117,125	3,308	N/A	1.3	1,522	115,603	5,745	$1,561	12.5
1998	Year	123,869	5,398	N/A	1.5	1,810	122,059	6,456	$1,723	10.4
1999	Year	130,008	6,139	N/A	2.0	2,630	127,378	5,319	$1,914	11.1
2000	Year	133,491	3,483	N/A	1.3	1,734	131,757	4,379	$2,174	13.6
2001	Year	139,031	5,540	N/A	2.9	3,986	135,045	3,288	$2,219	2.1
2002	Year	142,061	3,030	N/A	3.9	5,566	136,495	1,450	$2,170	-2.2
2003	Year	145,955	4,360	-466	4.0	5,863	140,092	3,597	$2,202	1.5
2004	Year	148,316	2,515	-154	3.3	4,921	143,395	3,303	$2,324	5.5
2005	1	148,316	0	0	3.3	4,954	143,362	-33	$2,335	0.5
2005	2	149,053	882	-145	3.0	4,536	144,517	1,155	$2,354	0.8
2005	3	150,457	1,918	-514	2.9	4,382	146,075	1,558	$2,415	2.6
2005	4	150,135	1,082	-1,404	2.9	4,279	145,856	-219	$2,439	1.0
2005	Year	150,135	3,882	-2,063	2.9	4,279	145,856	2,461	$2,439	4.9
2006	1	150,065	196	-266	2.8	4,139	145,926	70	$2,469	1.2
2006	2	150,070	500	-495	2.9	4,353	145,717	-209	$2,511	1.7
2006	3	150,332	262	0	2.5	3,753	146,579	862	$2,573	2.5
2006	4	149,519	721	-1,534	2.2	3,343	146,176	-403	$2,629	2.2
2006	Year	149,519	1,679	-2,295	2.2	3,343	146,176	320	$2,629	7.8
2007	1	149,854	612	-277	2.6	3,833	146,021	-155	$2,654	1.0
2007	2	150,301	447	0	2.4	3,636	146,665	644	$2,710	2.1
2007	3	150,193	334	-442	2.2	3,354	146,839	174	$2,810	3.7
2007	4	151,623	1,430	0	2.1	3,244	148,379	1,540	$2,856	1.6
2007	Year	151,623	2,823	-719	2.1	3,244	148,379	2,203	$2,856	8.6
2008	1	152,727	1,104	0	2.3	3,491	149,236	857	$2,877	0.7
2008	2	153,143	328	88	2.3	3,547	149,596	360	$2,912	1.2
2008	3	153,441	425	-127	2.1	3,275	150,166	570	$2,935	0.8
2008	4	153,945	240	264	2.3	3,545	150,400	234	$2,884	-1.7
2008	Year	153,945	2,097	225	2.3	3,545	150,400	2,021	$2,884	1.0
2009	1	154,184	239	0	3.4	5,207	148,977	-1,423	$2,831	-1.8
2009	2	155,111	927	0	3.2	4,957	150,154	1,177	$2,780	-1.8
2009	3	155,165	54	0	2.9	4,491	150,674	520	$2,773	-0.3
2009	4	155,540	375	0	2.9	4,452	151,088	414	$2,737	-1.3
2009	Year	155,540	1,595	0	2.9	4,452	151,088	688	$2,737	-5.1
2010	1	156,457	1,105	-188	2.8	4,449	152,008	920	$2,754	0.6
(Forecast)										
2010	Year	*162,561*	*7,209*	*N/A*	*3.9*	*6,267*	*156,294*	*5,206*	*$2,765*	*1.0*
2011	Year	*164,199*	*1,638*	*N/A*	*3.5*	*5,761*	*158,438*	*2,144*	*$2,814*	*1.8*
2012	Year	*165,236*	*1,037*	*N/A*	*2.9*	*4,846*	*160,390*	*1,952*	*$2,888*	*2.6*
2013	Year	*166,794*	*1,558*	*N/A*	*2.7*	*4,520*	*162,274*	*1,884*	*$2,988*	*3.5*
2014	Year	*169,464*	*2,670*	*N/A*	*2.9*	*4,877*	*164,587*	*2,313*	*$3,111*	*4.1*

Source: REIS, compiled by CBRE

As previously mentioned, this survey is only a representative sample of buildings whose management or owners were willing to participate. The inventory measured is not representative of the overall size of the market, but of its trends. Also, the survey does not distinguish among the prices of studio, one-, two-, and three-bedroom apartments. As of the first quarter of 2010, the vacancy rate in the overall New York City market was approximately 2.8%. This figure has decreased 17% since 1Q2009. REIS anticipates that the overall vacancy rate for the New York City residential marketplace will increase in the near term future in the vicinity of 3.9% through 2010. Average asking rental rates have declined approximately 2.7% over the last year. REIS forecasts rent to slightly increase over the next year and are predicting an increase in rental rates going forward.

The overall New York City residential marketplace is broken down into nine different submarkets as tracked by REIS Reports. As shown in the map below the subject is located in the submarket designated by REIS as Kings County.

REIS NEW YORK APARTMENT SUBMARKET

Submarkets

1. West Village/Downtown
2. Stuyvesant/Turtle Bay
3. Midtown West
4. Upper East Side
5. Upper West Side
6. Morningside Heights/Washington Heights
7. Kings County
8. Queens County
9. Bronx County

Source: Reis

The following tables present a summary of the various sub-markets.

REIS

New York Apartment 1Q 2010 Submarket Snapshot

Submarket	Inventory (Buildings)	Inventory (SF/Units)	Asking Rent $	Vac %	Free Rent (mos)	Expenses % (Apartment)
W Village/Downtown	108	21,334	$3,787	3.6	0.3	52.1
Stuyvesant	82	22,654	$3,464	3.0	0.4	55.4
Midtown West	92	20,017	$3,438	3.7	0.4	52.1
Upper East Side	63	16,302	$3,495	2.4	0.3	53.1
Upper West Side	64	14,839	$3,959	3.4	0.4	52.7
Morningside Hts	65	6,980	$2,070	4.2	0.8	54.9
Kings County	150	20,242	$1,389	2.5	0.4	56.6
Queens County	96	21,832	$1,401	1.8	0.5	55.4
Bronx County	78	12,257	$1,134	1.4	0.3	56.2

Source: REIS, compiled by CBRE

The subject property is located within the Kings County submarket as defined by REIS.

Kings County Apartment Market

Within the Kings County submarket REIS Reports tracks 150 properties, with a total of 20,242 units, which results in an average complex size of 134 units for the submarket. Of the submarkets within NYC tracked by REIS Reports, the subject's Kings County submarket has the fourth lowest vacancy rate at 2.5%. In addition, rents in this marketplace are the second lowest with a current average asking rental rate of $1,389per month. A historical and projected summary of the Kings County submarket is presented on the following table:

REIS

New York Apartment 1Q 2010 SubTrend Futures

Year	Quarter	Inventory (SF/Units)	Completions	Conversions	Vac %	Vacant Stock	Occupied Stock	Net Absorption	Asking Rent $	Asking Rent % Chg
1995	Year	17,477	371	n/a	1.8	315	17,162	364	$730	4.0
1996	Year	17,844	367	n/a	1.6	286	17,558	396	$766	4.9
1997	Year	18,216	372	n/a	1.7	310	17,906	348	$773	0.9
1998	Year	18,808	592	n/a	1.5	282	18,526	620	$804	4.0
1999	Year	18,936	128	n/a	2.3	436	18,500	-26	$874	8.7
2000	Year	19,122	186	n/a	1.5	287	18,835	335	$959	9.7
2001	Year	19,122	0	n/a	1.7	325	18,797	-38	$1,039	8.3
2002	Year	19,122	0	n/a	2.9	555	18,567	-230	$1,066	2.6
2003	Year	19,122	0	0	3.4	650	18,472	-95	$1,110	4.1
2004	Year	19,122	0	0	2.7	516	18,606	134	$1,131	1.9
2005	1	19,122	0	0	3.3	631	18,491	-115	$1,124	-0.6
2005	2	19,378	256	0	3.5	678	18,700	209	$1,145	1.9
2005	3	19,378	0	0	3.0	581	18,797	97	$1,164	1.7
2005	4	19,378	0	0	3.3	639	18,739	-58	$1,168	0.3
2005	Year	19,378	256	0	3.3	639	18,739	133	$1,168	3.3
2006	1	19,428	50	0	3.4	661	18,767	28	$1,182	1.2
2006	2	19,428	0	0	3.5	680	18,748	-19	$1,208	2.2
2006	3	19,428	0	0	2.9	563	18,865	117	$1,229	1.7
2006	4	19,428	0	0	2.5	486	18,942	77	$1,260	2.5
2006	Year	19,428	50	0	2.5	486	18,942	203	$1,260	7.9
2007	1	19,672	244	0	3.6	708	18,964	22	$1,284	1.9
2007	2	19,746	74	0	3.5	691	19,055	91	$1,316	2.5
2007	3	19,746	0	0	3.6	711	19,035	-20	$1,363	3.6
2007	4	19,746	0	0	3.2	632	19,114	79	$1,374	0.8
2007	Year	19,746	318	0	3.2	632	19,114	172	$1,374	9.0
2008	1	19,746	0	0	3.1	612	19,134	20	$1,372	-0.1
2008	2	19,834	0	88	2.3	456	19,378	244	$1,425	3.9
2008	3	19,866	32	0	2.1	417	19,449	71	$1,426	0.1
2008	4	19,866	0	0	1.8	358	19,508	59	$1,440	1.0
2008	Year	19,866	32	88	1.8	358	19,508	394	$1,440	4.8
2009	1	19,866	0	0	4.2	834	19,032	-476	$1,419	-1.5
2009	2	19,866	0	0	2.4	477	19,389	357	$1,411	-0.6
2009	3	19,920	54	0	2.2	438	19,482	93	$1,414	0.2
2009	4	20,295	375	0	2.4	487	19,808	326	$1,392	-1.6
2009	Year	20,295	429	0	2.4	487	19,808	300	$1,392	-3.3
2010	1	20,242	135	-188	2.5	506	19,736	-72	$1,389	-0.2
(Forecast)										
2010	Year	*21,767*	*1,660*	*n/a*	*4.3*	*936*	*20,831*	*1,023*	*$1,396*	0.3
2011	Year	*22,335*	*568*	*n/a*	*3.9*	*871*	*21,464*	*633*	*$1,421*	1.8
2012	Year	*22,454*	*119*	*n/a*	*3.1*	*696*	*21,758*	*294*	*$1,466*	3.2
2013	Year	*22,640*	*186*	*n/a*	*2.7*	*611*	*22,029*	*271*	*$1,516*	3.4
2014	Year	*23,005*	*365*	*n/a*	*3.4*	*782*	*22,223*	*194*	*$1,566*	3.3

Source: REIS, compiled by CBRE

As previously mentioned, this survey is only a representative sample of buildings whose management or owners were willing to participate. The inventory measured is not representative of the overall size of the market, but of its trends. Also, the survey does not distinguish among the prices of studio, one-, two-, and three-bedroom apartments.

The Kings County sub-market has historically enjoyed a relatively low vacancy rate, with generally moderate increases in the average asking rent. In 2001 the vacancy rate began to increase, however in 2003 the vacancy appeared to stabilize, with additional declines in vacancy throughout 2004. The market vacancy for the Kings County submarket was 2.5% for 1Q2010, a significant decrease from the first quarter 2009, which was 4.5%. REIS anticipates that average asking rents will increase for 2010 and 2011 with more significant increases occurring thereafter in 2012 and 2013.

RESIDENTIAL CONSTRUCTION

There are 5,067 units under construction in Brooklyn and 5,138 recently completed, according to REIS. There are also 4,762units that are currently in the planning phase. Given the sharp downturn in the residential market, the future of any development currently in the planning phases remains very uncertain. Also, it is probable that many of the condominium projects nearing completion in the short-term will be converted to rentals as developers struggle to sell their units. While the demand for new residential construction is lower than in recent years, new development still represents a minimal percentage of housing stock in the Brooklyn market. The following table provides the totals of recently completed projects, projects under construction, as well as proposed residential developments throughout Brooklyn.

The following table provides a complete listing of new construction within Brooklyn.

REIS

BROOKLYN NEW CONSTRUCTION 1Q2010

Property Name	Secondary Type	Street Address	Submarket	Completion Month	Completion Year	Size SF/Units	Status
1 NORTHSIDE PIERS	Condominiums	4 N 5TH ST @ KENT AVE	Kings County	09	2008	180	Complete
ATLANTIC COURT	Condominiums	74 SMITH ST @ ATLANTIC AVE	Kings County	03	2008	50	Complete
BE @ SCHERMERHORN	Condominiums	SCHERMERHORN ST @ HOYT ST/LIVINGSTO	Kings County	10	2009	246	Complete
BELLTEL LOFTS	Condominiums	365 BRIDGE ST @ WILLOUGHBY ST	Kings County	05	2008	259	Complete
NOVO	Condominiums	343 4TH AVE @ 3RD ST	Kings County	02	2008	113	Complete
PALMER'S DOCK	Subsidized/Low Income	164 KENT AVE @ N 5TH ST	Kings County	03	2008	113	Complete
RUGGED CROSS APARTMENTS	Subsidized/Low Income	12 PATCHEN AVE @ BROADWAY	Kings County	03	2008	50	Complete
	Condominiums	606 BERGEN ST	Kings County	02	2009	24	Complete
	Condominiums	410 4TH AVE @ 7TH ST	Kings County	07	2009	60	Complete
	Condominiums	255 FIRST ST @ 4TH AVE	Kings County	08	2008	32	Complete
	Condominiums	415 LEONARD ST	Kings County	02	2008	53	Complete
	Subsidized/Low Income	626 SUTTER AVE @ GRANVILLE PAYNE AVE	Kings County	02	2008	103	Complete
166 MONTAGUE	Condominiums	166 MONTAGUE ST @ CLINTON ST	Kings County	01	2010	24	Complete
ORO 306	Condominiums	306 GOLD ST @ TILLARY ST	Kings County	08	2008	303	Complete
125 N 10TH	Condominiums	125 N 10TH ST @ BEDFORD AVE	Kings County	06	2009	86	Complete
550 IRVING PLAZA LOFTS	Condominiums	342 ELDERT ST @ IRVING AVE	Kings County	09	2009	65	Complete
80 MET PH II	Condominiums	80 METROPOLITAN AVE @ N 1ST ST	Kings County	06	2008	50	Complete
ATLANTIC AVENUE APTS	Subsidized/Low Income	ATLANTIC AVE @ SUYDAM PL	Kings County	01	2008	150	Complete
BKLYN GOLD BLDG 1	Apartment	257 GOLD ST @ TILLARY ST	Kings County	11	2009	375	Complete
BKLYN GOLD BLDG 2	Apartment	277 GOLD ST @ TILLARY ST	Kings County	03	2010	135	Complete
BROOKLYN FORTE	Condominiums	230 ASHLAND PL @ FULTON ST	Kings County	03	2008	108	Complete
CLERMONT GREENE	Condominiums	181 CLERMONT AVE @ MYRTLE AVE	Kings County	04	2009	74	Complete
NFORTH	Condominiums	161 N 4TH ST @ DRIGGS AVE	Kings County	12	2008	37	Complete
NORTH GREENPOINT	Condominiums	149 HURON ST @ MANHATTAN AVE	Kings County	01	2009	30	Complete
NV-101 N, 5TH	Condominiums	101 N 5TH ST @ BERRY ST	Kings County	07	2009	40	Complete
OLIVE PARK	Condominiums	100 MASPETH AVE @ OLIVE ST	Kings County	08	2008	87	Complete
ONE BROOKLYN BRIDGE PARK	Condominiums	360 FURMAN ST @ JORALEMON ST	Kings County	03	2009	438	Complete
ONE PROSPECT PARK	Condominiums	1 GRAND ARMY PLAZA @ EASTERN PKEY	Kings County	12	2008	114	Complete
PARK SLOPE COURT	Condominiums	110 4TH AVE @ WARREN ST	Kings County	11	2009	49	Complete
PROSPECT PLAZA	Subsidized/Low Income	SARATOGA AVE @ PROSPECT PL	Kings County	06	2009	151	Complete
QUENTIN TERRACE	Condominiums	671 W 10TH ST @ QUENTIN RD/KINGS HW	Kings County	03	2008	32	Complete
SCHERMERHORN HOUSE	Subsidized/Low Income	60 SCHERMERHORN ST @ SMITH ST/HOYT S	Kings County	06	2009	216	Complete
SEVENBERRY	Condominiums	120 N 7TH ST @ BERRY ST	Kings County	04	2008	27	Complete
SOLEIL	Condominiums	275 S 1ST ST @ HAVEMEYER ST	Kings County	03	2008	20	Complete
THE ABSOLUTE	Condominiums	111 STEUBEN ST @ MYRTLE AVE	Kings County	04	2008	35	Complete
THE ARGYLE	Condominiums	251 7TH ST @ 4TH AVE	Kings County	12	2008	59	Complete
THE FACTORY LOFTS	Condominiums	66 N 1ST ST @ KENT AVE	Kings County	10	2008	21	Complete
THE IKON	Condominiums	50 BAYARD ST	Kings County	04	2008	58	Complete
THE ISABELLA	Condominiums	545 WASHINGTON AVE @ ATLANTIC AVE	Kings County	09	2008	63	Complete
THE JACKSONIA	Townhomes	137-145 JACKSON ST @ GRAHAM AVE	Kings County	07	2008	54	Complete
THE PAD	Condominiums	196-200 S 2ND ST @ DRIGGS AVE	Kings County	10	2008	30	Complete
THE RIALTO	Condominiums	150 N 5TH ST @ BEDFORD AVE	Kings County	04	2008	31	Complete
THE SATORI	Condominiums	340 BOND ST @ CARROLL ST	Kings County	04	2009	34	Complete
THE VENETIAN	Condominiums	431 AVENUE P @ E 2ND ST	Kings County	12	2008	33	Complete
THIRD AND BOND	Condominiums	103-115 3RD ST @ BOND ST	Kings County	10	2009	44	Complete
TOREN	Condominiums	150 MYRTLE AVE @ FLATBUSH AVE	Kings County	08	2009	240	Complete
	Condominiums	1600 BEVERLY RD @ E 16TH ST	Kings County	12	2008	38	Complete
	Apartment	METROPOLITAN AVE @ OLIVE ST/CATHERIN	Kings County	07	2008	32	Complete
	Condominiums	125 N 10TH ST @ BERRY ST	Kings County	05	2009	86	Complete
	Apartment	229 N 8TH ST @ ROEBLING ST	Kings County	08	2009	54	Complete
	Condominiums	72 BERRY ST @ N 10TH ST	Kings County	09	2009	26	Complete
	Condominiums	90 N 5TH ST @ BERRY ST	Kings County	09	2009	23	Complete
	Condominiums	1 POWERS ST @ HOPE ST	Kings County	12	2009	31	Complete
	Condominiums	1040 EAST NEW YORK AVE @ E 94TH ST	Kings County	07	2008	67	Complete
	Condominiums	500 4TH AVE @ 12TH ST	Kings County	11	2008	137	Complete
	Subsidized/Low Income	575 FIFTH AVE @ 16TH ST	Kings County	04	2010	48	Complete
ROSE PLAZA	Apartment	KENT AVE @ DIVISION AVE	Kings County			776	Planned
THE SPRING CREEK ESTATES	Subsidized/Low Income	STANLEY AVE @ PINE ST/CRESCENT ST	Kings County			40	Planned
CITY POINT	Subsidized/Low Income	ALBEE SQ @ FULTON ST	Kings County	03	2014	120	Planned
CONEY ISLAND COMMONS	Condominiums	SURF AVE @ W 30TH ST	Kings County			152	Planned
METROPOLITAN AVENUE APARTMENTS	Apartment	)2 METROPOLITAN AVE @ KEAP ST/RODNEY	Kings County			140	Planned
NAVY GREEN	Apartment	FLUSHING AVE @ 8TH AVE/VANDERBILT AVE	Kings County			455	Planned
PUBLIC PLACE	Subsidized/Low Income	SMITH ST @ 5TH ST	Kings County			774	Planned
UNNAMED TOWNHOME PROJECT	Townhomes	STANLEY AVE @ SCHENCH AVE	Kings County			200	Planned
	Apartment	DOCK ST @ WATER ST	Kings County			325	Planned
	Condominiums	205 WATER ST @ BRIDGE ST	Kings County			67	Planned
	Apartment	470 VANDERBILT AVE @ FULTON ST	Kings County			370	Planned
	Condominiums	111 KENT AVE @ N 8TH ST	Kings County			62	Planned
	Apartment	44 BERRY ST @ N 11TH ST	Kings County			42	Planned
	Condominiums	53 BROADWAY @ WYTHE AVE	Kings County			72	Planned
	Condominiums	85 FLATBUSH AVE @ LAFAYETTE AVE	Kings County			108	Planned
	Condominiums	9 WOODBINE ST @ BROADWAY	Kings County			72	Planned
	Condominiums	951 MADISON ST @ BROADWAY	Kings County			36	Planned
AVALON WILLOUGHBY WEST	Apartment	WILLOUGHBY ST @ BRIDGE ST/DUFFIELD ST	Kings County			861	Proposed
	Subsidized/Low Income	3-37 TEN EYCK ST @ LORIMER ST/LEONARD	Kings County			90	Proposed
COLUMBIA HICKS	Apartment	414 HICKS ST @ WARREN ST/BALTIC ST	Kings County	10	2010	159	Under Constr.
BERGEN STREET CONDOS	Condominiums	892 BERGEN ST @ FRANKLIN AVE	Kings County	05	2010	38	Under Constr.
DKLB	Apartment	80 DEKALB AVE @ ROCKWELL PL	Kings County	07	2010	365	Under Constr.
ONE HANSON PLACE	Condominiums	1 HANSON PL	Kings County			189	Under Constr.
THE EDGE PH I	Subsidized/Low Income	N 8TH ST @ KENT AVE	Kings County			346	Under Constr.
THE EDGE PH I	Condominiums	N 6TH ST @ KENT AVE	Kings County	06	2010	547	Under Constr.
	Apartment	307 ATLANTIC AVE @ SMITH ST	Kings County	07	2010	25	Under Constr.
KENT AVENUE APARTMENTS	Apartment	53 N 3RD ST @ KENT AVE	Kings County			112	Under Constr.
	Subsidized/Low Income	3015 BRIGHTON 6TH ST @ OCEANVIEW AVE	Kings County			38	Under Constr.
184 KENT AVE	Apartment	184 KENT AVE	Kings County	06	2010	339	Under Constr.
2 NORTHSIDE PIERS	Condominiums	164 KENT AVE @ N 5TH ST	Kings County	09	2010	270	Under Constr.
ATLANTIC TERRACE	Condominiums	669 ATLANTIC AVE	Kings County	10	2010	80	Under Constr.
AVALON FORT GREENE	Apartment	159 MYRTLE AVE @ GOLD ST/PRINCE ST	Kings County	03	2011	628	Under Constr.
PARK TOWER	Condominiums	LINCOLN RD @ OCEAN AVE	Kings County			80	Under Constr.
REV.DONALD J KENNA COURT	Subsidized/Low Income	9 & 21 COOK ST @ BROADWAY/VARET ST	Kings County			152	Under Constr.
ROCKWELL PLACE	Condominiums	96 ROCKWELL PL @ FULTON ST	Kings County			37	Under Constr.
THE ALBERO	Condominiums	144 N 8TH ST @ BEDFORD AVE	Kings County			41	Under Constr.
THE BROOKLYNER	Apartment	111 LAWRENCE ST @ HELEN KELLER PL	Kings County	06	2010	491	Under Constr.
THE OLIVER HOUSE	Condominiums	360 SMITH ST @ 2ND PL	Kings County			48	Under Constr.
THE PENCIL FACTORY CONDOS	Condominiums	122 WEST ST @ JAVA ST	Kings County			93	Under Constr.
THE SHELTON	Condominiums	755 LAFAYETTE AVE @ MARCUS GARVEY AVE	Kings County	08	2010	89	Under Constr.
THE WATERFALLS ON OCEAN	Condominiums	1138 OCEAN AVE @ FARRAGUT RD	Kings County	11	2010	67	Under Constr.
THE WATERFALLS ON OCEAN	Condominiums	1130 OCEAN AVE @ FARRAGUT RD	Kings County	10	2010	67	Under Constr.
UNNAMED APARTMENT PROJECT	Subsidized/Low Income	LIVONIA AVE @ JEROME ST	Kings County	04	2010	87	Under Constr.
VIRIDIAN	Condominiums	110 GREEN ST @ FRANKLIN ST	Kings County			130	Under Constr.
WAREHOUSE ELEVEN	Condominiums	214 N 11TH ST @ ROEBLING ST	Kings County			120	Under Constr.
ZAZZA WILLIAMSBURG	Apartment	424 BEDFORD AVE @ S 8TH ST	Kings County			66	Under Constr.
	Apartment	3692 BEDFORD AVE @ KINGS HWY	Kings County	05	2010	51	Under Constr.
	Condominiums	2758 OCEAN AVE @ AVE W	Kings County			27	Under Constr.
	Subsidized/Low Income	519-521 ST MARKS AVE @ FRANKLIN AVE	Kings County	01	2011	38	Under Constr.
	Condominiums	70 BERRY ST @ N 10TH ST	Kings County	10	2010	38	Under Constr.
	Apartment	34 BERRY ST @ N 12TH ST	Kings County	07	2010	142	Under Constr.
	Condominiums	313 GATES AVE @ BEDFORD AVE	Kings County			67	Under Constr.

Source: Compiled by CBRE

CBRE

Recent reports have indicated that the outlook for the New York housing market may actually be worse than current sales and inventory statistics suggest. Industry experts point to a growing mountain of so-called shadow inventory that is not reflected in the data. This includes units that are held by developers in soon-to-be completed buildings, as well as those kept off the market by banks and by individual owners who are waiting for conditions to improve before they tack up "For Sale" signs. In a report on Manhattan residential real estate this spring, Jonathan Miller, of Miller Samuel Inc., estimated that in addition to the 10,445 condominiums that showed up in unsold inventory, there were as many as 7,000 shadow units. This additional shadow inventory is expected to exert downward pressure on both the sales and rental market until it is absorbed.

MARKET OVERVIEW

Brooklyn has been transformed by the recent residential building boom in recent years. Thousands of new housing units have been added throughout the borough. The residential boom has created new demand for retail. The borough is often the first choice home for creative professionals and has a firmly established, thriving arts scene. Soaring home prices have brought a new affluence to the borough.

Despite its high population density and strong income demographics, Brooklyn has traditionally been underserved by retail. A widely reported study in 2006 by the Brooklyn Chamber of Commerce indicated that Brooklyn has just 10.8 square feet of retail space per capita. This is significantly less than the national average of 36.4 square feet per capita. By comparison, Manhattan has 52.2 square feet per capita.

National retailers have historically shied away from Brooklyn. Part of the reason for this is because of the lack of available space for larger stores. This has started to change in recent years with the opening of several large big box stores. Ikea opened a store in Red Hook in 2008. H&M is opening a new store in the Fulton Mall which is expected to open in 2010. Target's Brooklyn store has been reported to be its highest grossing store nationwide. The building boom has added significantly to the borough's supply of retail space and has created spaces large enough to attract interest from national retailers.

Despite the recent downturn in the residential market, Brooklyn continues to remain a desirable place to live, with sales prices and rents in the borough's better neighborhoods achieving levels once thought possible only in Manhattan. Brooklyn continues to attract high income households and retailers have begun to take notice of the new demographics in the borough. Barney's Co-op, Trader Joe's, Pier 1 Imports, and Crate & Barrel are among the retailers who have either recently opened stores in the borough or have been reported to be actively seeking space. According to Caroline Padro, director of leasing for Two Trees Management, "these stores are now coming to the outer boroughs because the retailers realize that the people who shop in Manhattan actually live in

Brooklyn. The demographics are changing and they realize there is a lot of money in Brooklyn, so now it makes 100 percent sense that they want to expand there."

The following discussion illustrates some general observations in the surrounding retail market.

Market Summary

Market statistics for the Brooklyn in its entirety and the Brooklyn South submarket are shown in the following table:

RETAIL MARKET STATISTICS		
Category	Brooklyn	South Brooklyn
Existing Supply (SF)	54,207,223	22,592,317
Existing Supply (No. Of Buildings)	7,689	3,272
Delivered Inventory (SF)	30,500	11,462
Under Construction (SF)	592,115	307,738
Average Occupancy	96.3%	95.5%
Average Rent PSF	$34.25	$37.620
Net Absorption	126,147	48,212
Source: Costar 2nd Qtr 2010		

Market Trends

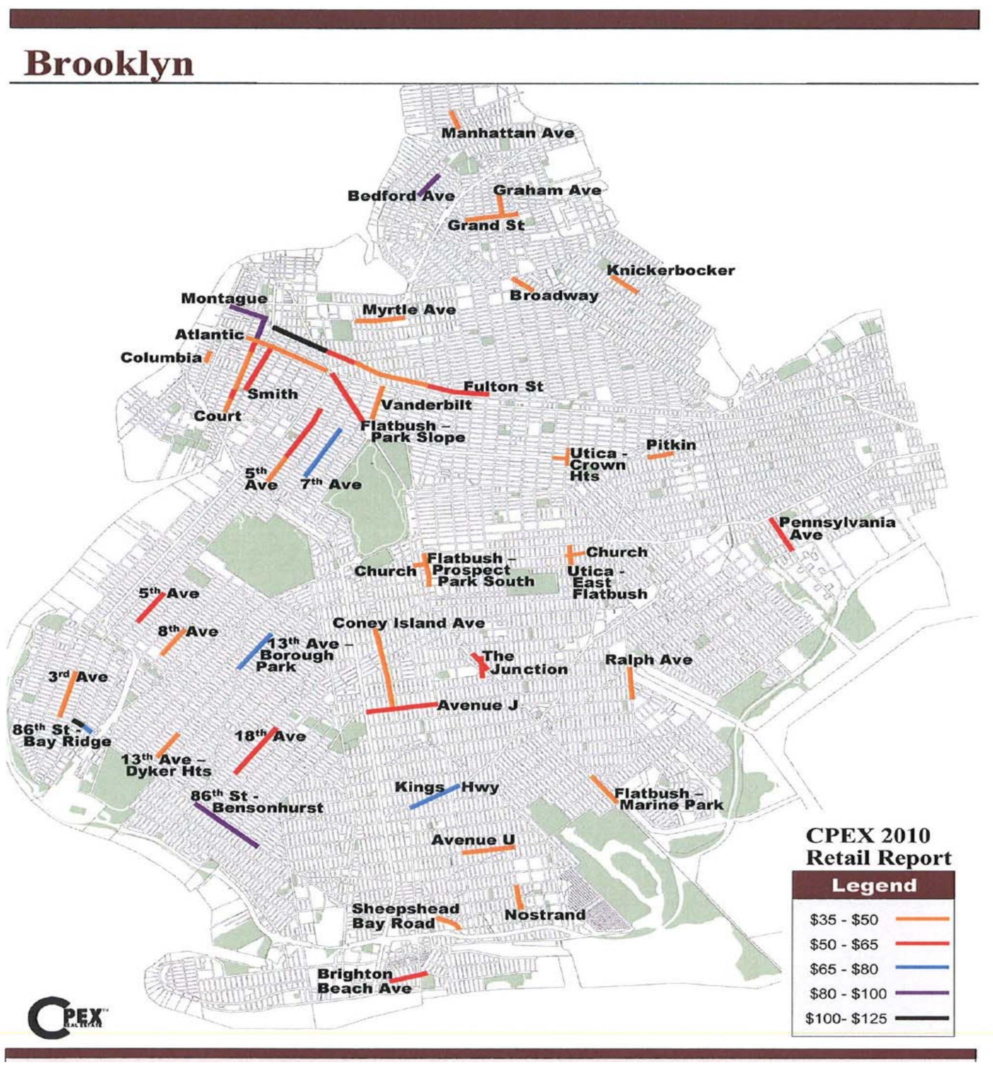
The table below presents the quarterly trends in rental rates and occupancy for the Brooklyn area and local submarket over the past two years:

RETAIL MARKET TRENDS				
	Brooklyn		South Brooklyn	
Date	Rent PSF	Occupancy	Rent PSF	Occupancy
3rd Qtr. 2008	$37.82	93.9%	$36.82	94.2%
4th Qtr. 2008	$37.24	95.0%	$37.84	94.5%
1st Qtr. 2009	$37.26	94.7%	$38.92	93.7%
2nd Qtr. 2009	$37.92	95.0%	$43.26	94.0%
3rd Qtr. 2009	$35.18	95.6%	$38.92	95.2%
4th Qtr. 2009	$34.66	96.0%	$37.84	95.5%
1st Qtr. 2010	$33.42	96.1%	$36.82	95.3%
2nd Qtr. 2010	$34.25	96.3%	$37.62	95.5%
Source: Costar 2nd Qtr 2010				

According to Costar, occupancy levels in Brooklyn have ranged from approximately 93.9% to 96.3% over the past two years, while the local submarket has performed moderately lower at 93.7% to 95.5%. It should be noted that the Brooklyn retail market is somewhat unique from typical suburban markets because the vast majority of the retail space is street retail and is not located in shopping centers. Smaller retail spaces are not always tracked by Costar. It has been widely reported that retail vacancies throughout the New York metropolitan region and Brooklyn rose substantially in 2009. The latest market reports have indicated that leasing appears to have picked up as retailers have begun to take advantage of opportunities to lease prime commercial spaces at prices significantly discounted from the peak prices of 2008. Asking rents have dropped dramatically throughout the city.

CPEX Real Estate Survey

CPEX Real Estate released a survey of retail rents on prime retail corridors throughout New York City in 2010. CPEX classifies the subject as part of the Flatbush/Park Slope retail corridor. According to CPEX, rents in the subject's corridor typically range from \$50 to \$65 per square foot. The top retail corridors in Brooklyn are Fulton Street in Downtown Brooklyn, Montague Street in Brooklyn Heights, Bedford Avenue in Williamsburg, and 86th Street in Bay Ridge and Bensonhurst.



CBRE

Brooklyn

Retail Corridors

Street	Start	End	$/SqFt
13th Ave (Borough Park)	44th St	49th St	$65-$80
13th Ave (Dyker Heights)	75th St	82nd St	$35-$50
18th Ave	61st St	Bay Ridge Pkwy	$50-$65
3rd Ave	75th St	86th St	$35-$50
5th Ave (Sunset Park)	54th St	50th St	$50-$65
5th Ave (Park Slope)	Lincoln Pl	16th St	$35-$65
7th Ave	9th St	Union St	$65-$80
86th St (Bay Ridge)	4th Ave	Fort Hamilton Pkwy	$65-$125
86th St (Bensonhurst)	19th Ave	23rd Ave	$80-$100
8th Ave	61st St	53rd St	$35-$50
Atlantic Ave	Clinton St	4th Ave	$35-$50
Ave J	Coney Island Ave	E. 15th St	$50-$65
Ave U	Ocean Ave	Haring St	$35-$50
Bedford Ave	North 8th St	Metropolitan Ave	$80-$100
Brighton Beach Ave	Brighton 4th St	Coney Island Ave	$50-$65
Broadway	Flushing Ave	Park St	$35-$50
Church Ave (East Flatbush)	49th St	53rd St	$35-$50
Church Ave (Prospect Park S)	Flatbush Ave	Ocean Ave	$35-$50
Columbia St	DeGraw St	President St	$35-$50
Coney Island Ave	Ave J	Cortelyou Rd	$35-$50
Court St	Montague St	4th Pl	$35-$100
Eastern Pkwy (Crown Heights)	Schenectady Ave	Utica Ave	$35-$50
Flatbush Ave (Prospect Park S)	Linden Boulevard	Tilden Ave	$35-$50
Flatbush Ave (Park Slope)	Atlantic Ave	8th Ave	$50-$65
Flatbush Ave (Marine Park)	Ave V	Ave S	$35-$50
Fulton St (Downtown Brooklyn)	Adams St	Marcy Ave	$35-$125
Graham Ave	Grand St	Skillman Ave	$35-$50
Grand St	Union St	Bushwick Ave	$35-$50
The Junction - Flatbush Ave	Foster Ave	Ave I	$50-$65
The Junction - Nostrand Ave	Farragut Rd	Ave I	$50-$65
Kings Highway	Coney Island Ave	E. 17th St	$65-$80
Knickerbocker Ave	Menahan St	DeKalb Ave	$35-$50
Manhattan Ave	Greenpoint Ave	Meserole Ave	$35-$50
Montague St	Court St	Hicks St	$80-$100
Myrtle Ave	Carlton St	Steuben St	$35-$50
Nostrand Ave	Ave X	Ave Z	$35-$50
Pennsylvania Ave	Linden Boulevard	Flatlands Ave	$50-$65
Pitkin Ave	Strauss St	Thatford Ave	$35-$50
Ralph Ave	Flatlands Ave	Ave K	$35-$50
Sheepshead Bay Rd	Ave Z	Voorhies Ave	$35-$50
Smith St	Atlantic Ave	Union St	$50-$65
Utica Ave (Crown Heights)	Union St	St. Johns Pl	$35-$50
Utica Ave (East Flatbush)	Linden Blvd	Snyder Ave	$35-$50
Vanderbilt Ave	Atlantic Ave	Sterling Pl	$35-$50

Demand Generators

The subject property is situated in reasonable proximity to Manhattan and contains a densely surrounding residential population .. High traffic counts near the Atlantic Terminal help the subject draw shopper from a wider area than just the population of the immediate area. Overall, we anticipate that demand for retail space in the area will remain relatively stable through the near term.

CONCLUSION

The problems in the capital markets have significantly depreciated US residential housing. Causing declines in both for-sales pricing and rental rates. Although market fundamentals in New York City have remained stronger than the US average for most of 2008, unprecedented turmoil in the financial markets beginning in September 2008 has led to a significant decline in the New York City for-sale housing market. This housing decline has lead to developers to re-think their strategy and market would be condominium units as rental properties, which has created increased inventory and decreasing rental rates. Brooklyn has a significant amount of supply both for condominiums turned rentals and new rental properties to absorb and it will probably take longer to recover than other New York City neighborhood. In the long term, given the depth of the market, New York City is expected to recover.

SITE ANALYSIS

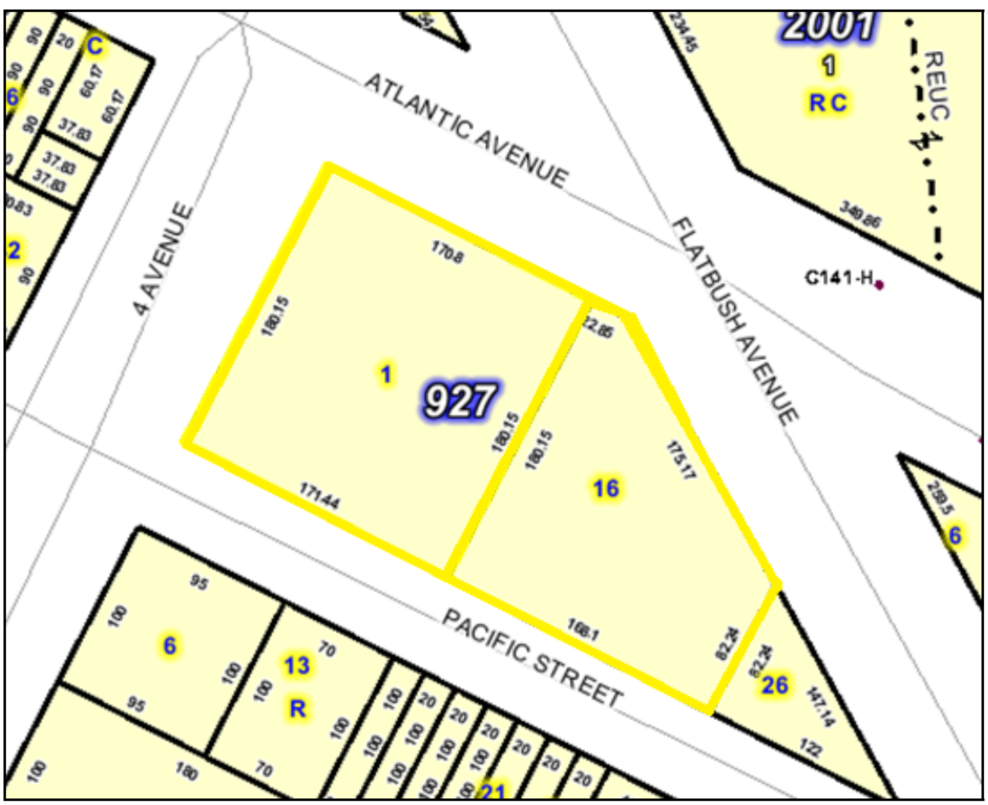
The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY

Physical Description		
Gross Site Area	1.24 Acres	53,933 Sq. Ft.
Primary Road Frontage	Atlantic Avenue	194 Feet
Secondary Road Frontage	Flatbush Avenue	175 Feet
Additional Road Frontage	Pacific Street	340 Feet
Additional Road Frontage	Fourth Avenue	180 Feet
Surplus / Excess Land Area	None	
Zoning District	C6-2	
Flood Map Panel No. & Date	360490211F	5-Sep-07
Flood Zone	Zone X	

Source: Various sources compiled by CBRE

The subject is situated on an entire block with exposure to 4 primary thoroughfares including Atlantic Avenue, Flatbush Avenue, Pacific Street and 4th Avenue in Brooklyn. The subject has two street addresses, 617 Pacific Street and 15 4th Avenue and it is legally identified as Block 927 Lots 1 & 16 by the New York City Department of Finance/Assessor's Office. A map illustrating the layout of the subject property is shown below:



LAND AREA

The site is considered adequate in terms of size and utility. There is no unusable, excess or surplus land area. Please refer to the Resource Verification table within the Scope of Work for the source of the land area size.

SHAPE AND FRONTAGE

The site is generally irregular in shape and has adequate frontage along four primary thoroughfares within the neighborhood.

INGRESS/EGRESS

Ingress and egress is available to the site via Pacific Street and Atlantic Avenue. Please refer to the prior site/plat exhibit for the layout of the streets that provide access to the subject.

TOPOGRAPHY AND DRAINAGE

The site is generally level and at street grade. The topography of the site is not seen as an impediment to the development of the property. During our inspection of the site, we observed no drainage problems and assume that none exist.

SOILS

A soils analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soils report, it is a specific assumption that the site has adequate soils to support the highest and best use.

EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions or restrictions impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a copy of the e current covenants, conditions and restrictions, if any, prior to making a business decision.

UTILITIES AND SERVICES

The site is within the jurisdiction of the City of New York and is provided all municipal services, including police, fire and refuse garbage collection. All utilities are available to the site in adequate quality and quantity to service the highest and best use.

FLOOD ZONE

According to flood hazard maps published by the Federal Emergency Management Agency (FEMA), the site is within Zone X, as indicated on Community Map Panel No. 360490211F. FEMA defines the flood zone(s) as follows:

> Zones C and X (unshaded) are flood insurance rate zones used for areas outside the 0.2-percent-annual-chance floodplain. No Base Flood Elevations (BFEs) or depths are shown in this zone, and insurance purchase is not required.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

North:	Retail Mall
South:	Low-rise residential
East:	Low-rise Residential with grade level retail
West:	Atlantic Yards development site

CONCLUSION

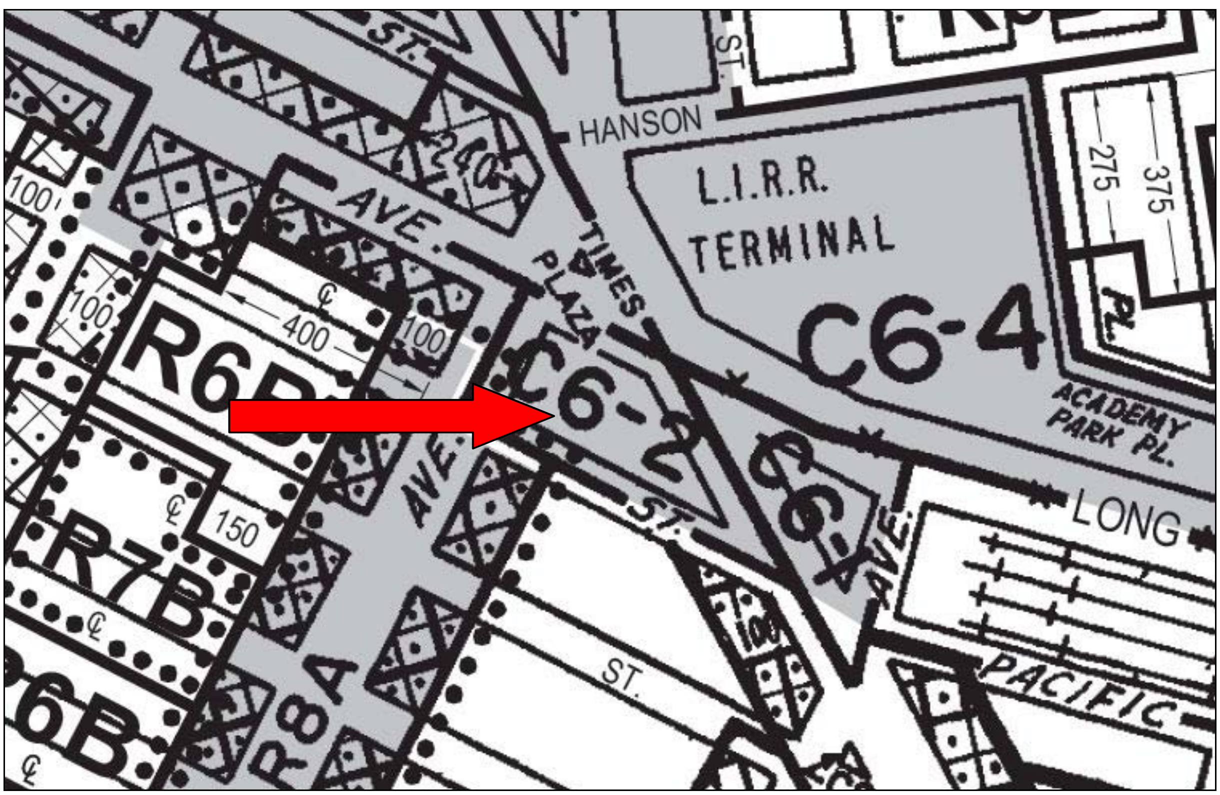
The site is well located and afforded good access and visibility from roadway frontage. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity to any of the sites. Overall, there are no known factors which are considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

ZONING

The subject property lies within C6-2 zoned area by the City of New York. The New York City Zoning Resolution regulates the use to which a property may be put as well as the density, bulk, height, and siting of any improvements to the property. Regulations are promulgated by the Department of City Planning and are subject to review by the Board of Standards and Appeals and by the Board of Estimate. The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	C6-2
Legally Conforming	Yes
Uses Permitted	Offices or commercial uses serving neighborhoods and community needs
Zoning Change	Not likely
Category	**Zoning Requirement**
Maximum FAR/Density	6.00 : 1
Subject's Actual FAR	0.88 : 1
Source: Planning & Zoning Dept.	

A zoning map is presented below:



The zoning resolution regulates improvement size through a floor-area-ratio system. The FAR is the gross square foot size of the improvement (less certain deductions) divided by the square foot area of the site. The higher the FAR, the denser the improvements. Excluded from the gross square foot area of a building are cellars, space used for mechanical equipment, space used for loading berths as long as that space does not exceed 200% of the minimum area required, and space devoted to off-street parking except if such spaces are located in a parking garage. In general, the resolution does not regulate height although it does mandate setbacks with height.

We calculate the current as-of-right FAR for the subject site as follows:

ZONING SUMMARY

Lot	Site Area		FAR		Buildable SF
1	30,780	X	6	=	184,680
16	23,153	X	6	=	138,918
Total	**53,933**				**323,598**

The site is situated within the C6-2 commercial district, which has an FAR of 6.0 for commercial uses. Based on the subject's 53,933 square foot of land area, the property has an as-of-right development envelope of 323,598 square feet of gross building area. The subject's gross building area of 47,280 square feet is within the as-of-right envelope and thus the subject property appears to be legally-conforming. For additional zoning information please contact the New York City Planning departments.

TAX AND ASSESSMENT DATA

The subject property is assessed and taxed by the City of New York on an ad valorem basis. Real property in New York State is not required to be assessed at 100% of market value, but all the ratables within a taxing jurisdiction must be assessed at a consistent percentage of market value. The state legislature exempted the City of New York from this requirement. As such, NYC is permitted to classify real property by type and to assess classifications at different fractions of their market values thus the legislature permitted the taxation burden to be shared inequitably among categories of properties in this area.

In New York City, reassessments occur annually, and local authorities phase in changes over a five-year period. During the phase-in, the annual assessed values are "transitional values". The full reassessed value is the "actual" or "target value". The first transitional value is the original assessed value plus 20% of the difference between the original and target values. The 20% increments are added to each prior year's transitional value until the full target value is reached in the fifth year. The tax liability is typically based on the lower of the “actual” and “transitional” assessment. The subject property is identified as Block 927 Lots 1 & 16 by the City of New York and its current and historical transitional and actual assessments are as follows.

AD VALOREM TAX INFORMATION (PC Richard & Sons)

Block 927 Lot 1	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012 (future)	2012/2013* (future)
Actual Assessment						
Land	$720,000	$720,000	$720,000	$720,000	$720,000	$720,000
Building	$1,080,000	$1,130,000	$1,030,500	$1,174,500	$1,363,950	$1,363,950
Total	$1,800,000	$1,850,000	$1,750,500	$1,894,500	$2,083,950	$2,083,950
Transitional Assessment						
Land	$68,000	$678,000	$678,000	$699,000	$720,000	$720,000
Building	$1,415,200	$899,800	$974,500	$1,056,100	$1,155,790	$1,212,580
Total	$1,483,200	$1,577,800	$1,652,500	$1,755,100	$1,875,790	$1,932,580
General Tax Rate * (per $100 A.V.)	$10.059	$10.612	$10.426	$10.312	$10.152	$10.254
Property Taxes	**$149,195**	**$167,436**	**$172,290**	**$180,986**	**$190,430**	**$198,157**

* Tentative 2012/2013 assessment. Tax Rate assumed to increase by 1% over 2011/2012 rate.

Source: Assessor's Office

AD VALOREM TAX INFORMATION (Modell's)						
Block 927 Lot 16	**2007/2008**	**2008/2009**	**2009/2010**	**2010/2011**	**2011/2012 (future)**	**2012/2013* (future)**
Actual Assessment						
Land	$549,000	$549,000	$549,000	$549,000	$549,000	$833,400
Building	$1,071,000	$1,255,500	$1,183,500	$1,174,500	$1,290,600	$1,312,650
Total	$1,620,000	$1,804,500	$1,732,500	$1,723,500	$1,839,600	$2,146,050
Transitional Assessment						
Land	$563,400	$549,000	$549,000	$549,000	$549,000	$605,880
Building	$593,700	$790,800	$975,300	$1,157,100	$1,195,020	$1,243,350
Total	$1,157,100	$1,339,800	$1,524,300	$1,706,100	$1,744,020	$1,849,230
General Tax Rate * (per $100 A.V.)	$10.059	$10.612	$10.426	$10.312	$10.152	$10.254
Property Taxes	**$116,393**	**$142,180**	**$158,924**	**$175,933**	**$177,053**	**$189,611**

* Tentative 2012/2013 assessment. Tax Rate assumed to increase by 1% over 2011/2012 rate.

Source: Assessor's Office

Tax payments are current according to the New York City department of Finance records.

FUTURE TAX INCREASES

The New York City Council sets the annual tax rate for each property class based on the total amount of ratables and budget needs. The rate is typically established in June and takes effect on July 1st, however at times the rate is established or changed in the middle of the tax year, resulting 1st half and 2nd half rates. Below is a history summary of tax rates for the City of New York:

NYC TAX RATES	Tax Class 1		Tax Class 2		Tax Class 3		Tax Class 4	
YEAR	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
11/12 Blended 1st/2nd half	$18.202	4.83%	$13.433	0.60%	$12.473	-1.25%	$10.152	-1.55%
11/12 - 2nd half	$19.040	9.65%	$13.513	1.20%	$12.315	-2.50%	$9.992	-3.10%
11/12 - 1st half	$17.364	0.00%	$13.353	0.00%	$12.631	0.00%	$10.312	0.00%
10/11	$17.364	1.62%	$13.353	0.85%	$12.631	-0.88%	$10.312	-1.09%
09/10	$17.088	1.79%	$13.241	1.44%	$12.743	1.32%	$10.426	-1.75%
08/09 - 2nd half	$16.787	7.57%	$13.053	7.53%	$12.577	7.51%	$10.612	7.52%
08/09 - 1st half	$15.605	1.11%	$12.139	1.77%	$11.698	1.05%	$9.870	-1.88%
07/08	$15.434	-4.24%	$11.928	-6.35%	$11.577	-3.58%	$10.059	-8.53%
06/07	$16.118	2.36%	$12.737	2.75%	$12.007	-2.45%	$10.997	-2.73%
05/06	$15.746	4.32%	$12.396	1.47%	$12.309	-1.94%	$11.306	-2.18%
04/05	$15.094	3.74%	$12.216	-3.20%	$12.553	1.09%	$11.558	1.11%
03/04	$14.550	2.75%	$12.620	0.82%	$12.418	-1.17%	$11.431	-1.29%
02/03 3rd/4th Qtr.	$14.160	18.63%	$12.517	18.49%	$12.565	18.46%	$11.580	18.45%
02/03 1st/2nd Qtr.	$11.936	2.82%	$10.564	-2.11%	$10.607	0.63%	$9.776	0.66%
01/02	$11.609	3.15%	$10.792	-0.51%	$10.541	0.01%	$9.712	-0.57%
00/01	$11.255	0.79%	$10.847	-0.04%	$10.540	12.15%	$9.768	-2.21%
99/00	$11.167	1.88%	$10.851	1.04%	$9.398	6.80%	$9.989	-2.41%
98/99	$10.961	1.03%	$10.739	-2.78%	$8.800	6.25%	$10.236	0.71%
97/98	$10.849	0.59%	$11.046	-0.09%	$8.282	5.64%	$10.164	-0.86%
96/97	$10.785	0.56%	$11.056	2.30%	$7.840	-1.04%	$10.252	-1.44%
95/96	$10.725	0.29%	$10.807	2.42%	$7.922	2.86%	$10.402	-1.94%
94/95	$10.694	-1.89%	$10.552	1.76%	$7.702	4.02%	$10.608	-1.08%
93/94	$10.900	0.11%	$10.369	4.63%	$7.404	-42.13%	$10.724	0.24%
92/93	$10.888	0.00%	$9.910	0.25%	$12.794	-2.21%	$10.698	0.63%
91/92	$10.888	9.76%	$9.885	7.12%	$13.083	-13.93%	$10.631	6.27%
90/91	$9.920	---	$9.228	---	$15.200	---	$10.004	---

Source: New York City Department of Finance   * RE Tax rates shown per $100 of A.V.

Rates for Class IV properties have typically followed a gradual declining pattern with increase years historically tied to recessionary periods for the City of New York. Going forward, we project that the Class IV rate will grow at a long term rate of 1% per annum.

CONCLUSION

The subject's assessment is reasonable in comparison to the tax comparables utilized within our analysis. Based on the previous discussion of the assessment and tax rates, the subject's projected fiscal year tax liability is estimated at $387,769 in the initial year of our analysis. A summary of our concluded future tax liability and assessment phase-in at the subject property is presented on the following tables:

R.E. TAXES - TRANSITIONAL ASSESSMENT PHASE-IN

Tax Yr.	Full Assmt.	Trans. Assmt.	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
2007 / 08	$1,800,000	$1,483,200	$63,900											
2008 / 09	$1,850,000	$1,577,800	$10,000	$10,000										
2009 / 10	$1,750,500	$1,652,500	($19,900)	($19,900)	($19,900)									
2010 / 11	$1,894,500	$1,755,100	$28,800	$28,800	$28,800	$28,800								
2011 / 12	$2,083,950	$1,875,790	$37,890	$37,890	$37,890	$37,890	$37,890							
2012 / 13	$2,083,950	$1,932,580		$0	$0	$0	$0	$0						
2013 / 14	$2,125,629	$1,987,706			$8,336	$8,336	$8,336	$8,336	$8,336					
2014 / 15	$2,168,142	$2,071,234				$8,503	$8,503	$8,503	$8,503	$8,503				
2015 / 16	$2,211,504	$2,134,635					$8,673	$8,673	$8,673	$8,673	$8,673			
2016 / 17	$2,255,734	$2,168,992						$8,846	$8,846	$8,846	$8,846	$8,846		
2017 / 18	$2,300,849	$2,212,372							$9,023	$9,023	$9,023	$9,023	$9,023	
2018 / 19	$2,346,866	$2,256,619								$9,203	$9,203	$9,203	$9,203	$9,203
2019 /20	$2,393,803	$2,301,752									$9,387	$9,387	$9,387	$9,387
2020 /21	$2,441,680	$2,347,787										$9,575	$9,575	$9,575
2021 /22	$2,490,513	$2,394,742											$9,767	$9,767
2022 /23	$2,540,323	$2,442,637												$9,962
Previous Transitional			$1,755,100	$1,875,790	$1,932,580	$1,987,706	$2,071,234	$2,134,635	$2,168,992	$2,212,372	$2,256,619	$2,301,752	$2,347,787	$2,394,742
Phase In			$120,690	$56,790	$55,126	$83,528	$63,401	$34,357	$43,380	$44,247	$45,132	$46,035	$46,956	$47,895
Current Trans. Assessment			$1,875,790	$1,932,580	$1,987,706	$2,071,234	$2,134,635	$2,168,992	$2,212,372	$2,256,619	$2,301,752	$2,347,787	$2,394,742	$2,442,637
Current Actual Assessment			$2,083,950	$2,083,950	$2,125,629	$2,168,142	$2,211,504	$2,255,734	$2,300,849	$2,346,866	$2,393,803	$2,441,680	$2,490,513	$2,540,323
Taxable (min of Actual & Trans.)			$1,875,790	$1,932,580	$1,987,706	$2,071,234	$2,134,635	$2,168,992	$2,212,372	$2,256,619	$2,301,752	$2,347,787	$2,394,742	$2,442,637
Tax Rate			10.152	10.254	10.356	10.460	10.564	10.670	10.777	10.884	10.993	11.103	11.214	11.326
Annual Tax Liability			**$190,430**	**$198,157**	**$205,848**	**$216,643**	**$225,507**	**$231,428**	**$238,417**	**$245,618**	**$253,035**	**$260,677**	**$268,549**	**$276,660**
Annual % Increase			---	4.06%	3.88%	5.24%	4.09%	2.63%	3.02%	3.02%	3.02%	3.02%	3.02%	3.02%

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R.E. TAXES - TRANSITIONAL ASSESSMENT PHASE-IN

Tax Yr.	Full Assmt.	Trans. Assmt.	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
2007 / 08	$1,620,000	$1,157,100	-$6,000											
2008 / 09	$1,804,500	$1,339,800	$36,900	$36,900										
2009 / 10	$1,732,500	$1,524,300	($14,400)	($14,400)	($14,400)									
2010 / 11	$1,723,500	$1,706,100	-$1,800	-$1,800	-$1,800	-$1,800								
2011 / 12	$1,839,600	$1,744,020	$23,220	$23,220	$23,220	$23,220	$23,220							
2012 / 13	$2,146,050	$1,849,230		$61,290	$61,290	$61,290	$61,290	$61,290						
2013 / 14	$2,188,971	$1,926,124			$8,584	$8,584	$8,584	$8,584	$8,584					
2014 / 15	$2,232,750	$2,026,174				$8,756	$8,756	$8,756	$8,756	$8,756				
2015 / 16	$2,277,405	$2,136,955					$8,931	$8,931	$8,931	$8,931	$8,931			
2016 / 17	$2,322,954	$2,233,626						$9,110	$9,110	$9,110	$9,110	$9,110		
2017 / 18	$2,369,413	$2,278,299							$9,292	$9,292	$9,292	$9,292	$9,292	
2018 / 19	$2,416,801	$2,323,865								$9,478	$9,478	$9,478	$9,478	$9,478
2019 /20	$2,465,137	$2,370,342									$9,667	$9,667	$9,667	$9,667
2020 /21	$2,514,440	$2,417,749										$9,861	$9,861	$9,861
2021 /22	$2,564,728	$2,466,104											$10,058	$10,058
2022 /23	$2,616,023	$2,515,426												$10,259
Previous Transitional			$1,706,100	$1,744,020	$1,849,230	$1,926,124	$2,026,174	$2,136,955	$2,233,626	$2,278,299	$2,323,865	$2,370,342	$2,417,749	$2,466,104
Phase In			$37,920	$105,210	$76,894	$100,050	$110,781	$96,671	$44,673	$45,566	$46,477	$47,407	$48,355	$49,322
Current Trans. Assessment			$1,744,020	$1,849,230	$1,926,124	$2,026,174	$2,136,955	$2,233,626	$2,278,299	$2,323,865	$2,370,342	$2,417,749	$2,466,104	$2,515,426
Current Actual Assessment			$1,839,600	$2,146,050	$2,188,971	$2,232,750	$2,277,405	$2,322,954	$2,369,413	$2,416,801	$2,465,137	$2,514,440	$2,564,728	$2,616,023
Taxable (min of Actual & Trans.)			$1,744,020	$1,849,230	$1,926,124	$2,026,174	$2,136,955	$2,233,626	$2,278,299	$2,323,865	$2,370,342	$2,417,749	$2,466,104	$2,515,426
Tax Rate			10.152	10.254	10.356	10.460	10.564	10.670	10.777	10.884	10.993	11.103	11.214	11.326
Annual Tax Liability			**$177,053**	**$189,611**	**$199,470**	**$211,930**	**$225,752**	**$238,325**	**$245,522**	**$252,937**	**$260,576**	**$268,445**	**$276,552**	**$284,904**
Annual % Increase			---	7.09%	5.20%	6.25%	6.52%	5.57%	3.02%	3.02%	3.02%	3.02%	3.02%	3.02%

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HIGHEST AND BEST USE

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legal permissibility;
- physical possibility;
- financial feasibility; and
- maximum profitability.

The highest and best use analysis of the subject is discussed on the following pages. This analysis incorporates the information presented in the Market Analysis section, as well as any unique characteristics of the subject described previously.

AS VACANT

Legal Permissibility

The legally permissible uses were discussed in the Site Analysis and Zoning Sections.

Physical Possibility

The subject is adequately served by utilities, has an adequate shape and size, sufficient access, etc., to be a separately developable site. The subject site would reasonably accept a site layout for any of the legally probable uses. There are no known physical reasons why the subject site would not support any legally probable development. The existence of the present development on the site provides additional evidence for the physical possibility of development.

Financial Feasibility

The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis of this report, the subject retail/office market is generally stabilized. The recent national economic recession and limited availability of capital led several proposed developments to delay construction. Increased vacancy rates, significantly lower rents, and higher cap rates deterred new development. However, the most recent data suggests that market conditions are improving and new developments (with pre-leasing) in selected retail/office submarkets are once again moving forward with construction plans. In the subject's neighborhood, speculative retail/office construction development is not considered feasible at this time.

Maximum Profitability

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land. In the case of the subject as if vacant, the analysis has indicated that a new commercial project would be most appropriate.

CONCLUSION: HIGHEST AND BEST USE AS VACANT

Based on the foregoing analysis, the highest and best use of the site, as vacant, would be to hold for future commercial development when economic conditions improve.

APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. Based on information contained in the Thirteenth Edition of The Appraisal of Real Estate, published in 2008, depending on a specific appraisal assignment, any of the following four methods may be used to determine the market value of the fee simple interest of land:

- Sales Comparison Approach;
- Income Capitalization Procedures;
- Allocation; and
- Extraction.

The following summaries of each method are paraphrased from the text.

The first is the sales comparison approach. This is a process of analyzing sales of similar, recently sold parcels in order to derive an indication of the most probable sales price (or value) of the property being appraised. The reliability of this approach is dependent upon (a) the availability of comparable sales data, (b) the verification of the sales data regarding size, price, terms of sale, etc., (c) the degree of comparability or extent of adjustment necessary for differences between the subject and the comparables, and (d) the absence of nontypical conditions affecting the sales price. This is the primary and most reliable method used to value land (if adequate data exists).

The income capitalization procedures include three methods: land residual technique, ground rent capitalization, and Subdivision Development Analysis. A discussion of each of these three techniques is presented in the following paragraphs.

> The land residual method may be used to estimate land value when sales data on similar parcels of vacant land are lacking. 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. The land residual technique can be used to estimate land value when: 1) building value is known or can be accurately estimated, 2) stabilized, annual net operating income to the property is known or estimable, and 3) both building and land capitalization rates can be extracted from the market. Building value can be estimated for new or proposed buildings that represent the highest and best use of the property and have not yet incurred physical deterioration or functional obsolescence.
>
> The subdivision development method is used to value land when subdivision and development represent the highest and best use of the appraised parcel. In this method, an appraiser determines the number and size of lots that can be created from the appraised land physically, legally, and economically. The value of the underlying land is then estimated through a discounted cash flow analysis with revenues based on the achievable sale price of the finished product and expenses based on all costs required to complete and sell the finished product.

> The ground rent capitalization procedure is predicated upon the assumption that ground rents can be capitalized at an appropriate rate to indicate the market value of a site. Ground rent is paid for the right to use and occupy the land according to the terms of the ground lease; it corresponds to the value of the landowner's interest in the land. Market-derived capitalization rates are used to convert ground rent into market value. This procedure is useful when an analysis of comparable sales of leased land indicates a range of rents and reasonable support for capitalization rates can be obtained.

The allocation method is typically used when sales are so rare that the value cannot be estimated by direct comparison. This method is based on the principle of balance and the related concept of contribution, which affirm that there is a normal or typical ratio of land value to property value for specific categories of real estate in specific locations. This ratio is generally more reliable when the subject property includes relatively new improvements. The allocation method does not produce conclusive value indications, but it can be used to establish land value when the number of vacant land sales is inadequate.

The extraction method is a variant of the allocation method in which land value is extracted from the sale price of an improved property by deducting the contribution of the improvements, which is estimated from their depreciated costs. The remaining value represents the value of the land. Value indications derived in this way are generally unpersuasive because the assessment ratios may be unreliable and the extraction method does not reflect market considerations.

METHODOLOGY APPLICABLE TO THE SUBJECT

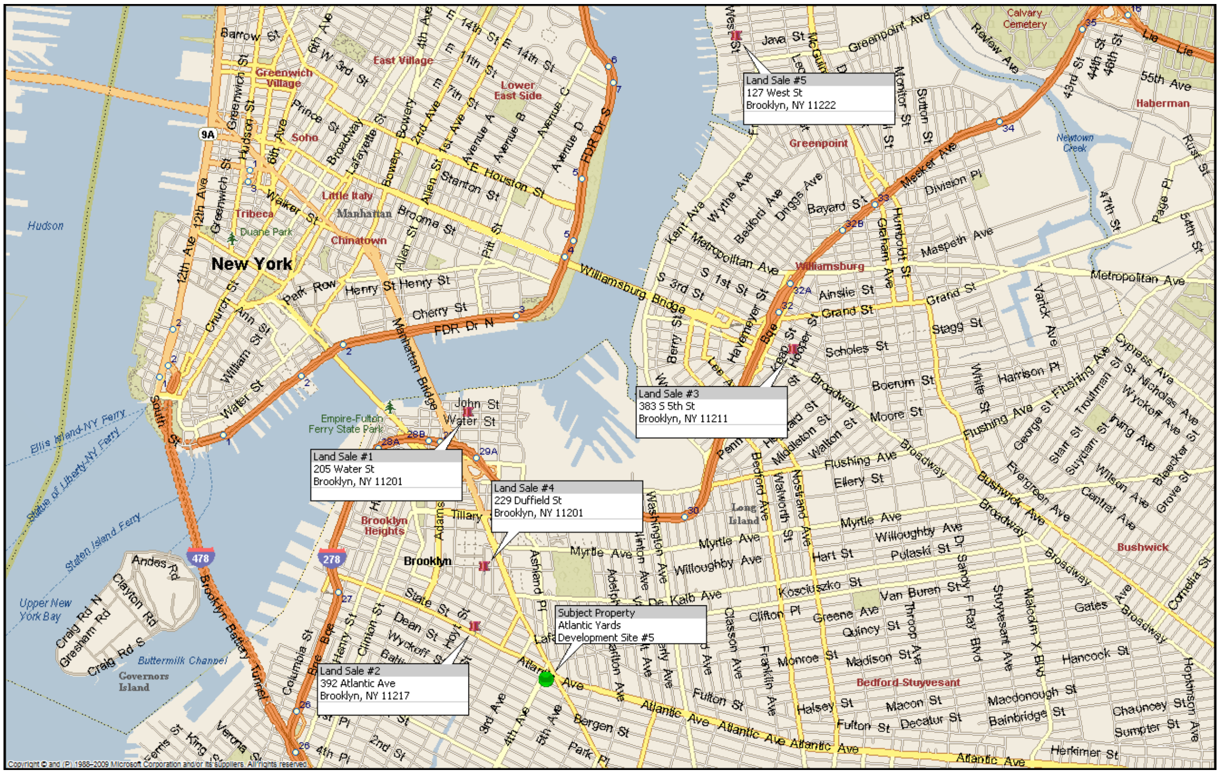
For the purposes of this analysis, we have utilized the sales comparison approach as this methodology is considered most applicable when valuing vacant land and comparable sales are available. The other methodologies are used primarily when comparable land sales data is non-existent. Therefore, these approaches have not been used.

We have utilized the Direct Capitalization technique of the Income Capitalization Approach to value the existing Modell's and PC Richard & Son's retail stores. The resulting values, along with our estimate for the buy-out costs associated with the Modell's lease and the client provided costs for the Subway related infrastructure have been deducted from the concluded fee simple land value in order to arrive at our Retrospective As Is Value for the additional development rights on Site 5.

LAND VALUE

The subject property consists of two parcels of land located at 15 4th Avenue and 617 Pacific Street. The parcels feature a total developable area of 323,598 square feet as discussed in the Zoning section of this report. It is important to note that the valuation contained herein is a retrospective value, with an effective date of March 3, 2010.

The following map and table summarize the comparable data used in the valuation of the subject site. A detailed description of each transaction is included in the addenda.



From our research of land sales within the local market and the surrounding areas of Brooklyn we were able to find a sufficient number of sales to estimate the value of the subject site. Details regarding the comparable land sales used in the analysis are summarized in the following page.

For comparative purposes, varying adjustments are made to the comparable sale prices for elements such as property rights, financing, conditions of sale, market conditions (time), and locational and physical characteristics. Percentage adjustments are used to compare the recorded sales to the site being appraised. Following are those considerations that are relevant to the subject. Property rights, financing, conditions of sale, and market conditions are adjusted prior to adjustments for location and physical characteristics

SUMMARY OF COMPARABLE LAND SALES										
No.	Location	Transaction Type	Transaction Date	Zoning	Proposed Use	Sale Price	Size (Acres)	Size (SF)	Maximum FAR (SF)	Price Per SF (FAR)
1	205 Water Street Brooklyn, NY	Sale	Dec-09	R8A, R7A	Mixed use/ Residential	$8,600,000	0.50	21,700	88,000	$97.73
2	392 Atlantic Ave Brooklyn, NY	Sale	Jul-09	R6A/C2-4	Mixed use/ Residential	$610,000	0.04	1,800	5,400	$112.96
3	383 S 5th Street Brooklyn, NY	Sale	Jul-09	R6	Residential	$2,750,000	0.26	11,507	27,962	$98.35
4	229 Duffield St Brooklyn, NY	Sale	Jun-09	C6-4.5	Hotel	$4,970,000	0.10	4,345	52,138	$95.32
5	127-141 West St Brooklyn, NY	Sale	Dec-08	R8-R6-C2-4	Residential	$84,015,000	2.36	103,000	420,240	$199.92

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Market Conditions

It should be noted the paragraph below is based on information contained in a land value appraisal report for an unrelated property that was prepared by CBRE in April 2010 and has been included to illustrate the investment sentiment as of the retrospective value date.

With the onset of the national economic recession and the intensifying of the credit crisis, there has been significantly reduced demand for land sites. This is primarily due to the lack of financing for new development, although the likelihood of increased vacancy and lowered expectations for revenue growth have contributed to the reduced demand. Additionally, based upon our conversations with brokers, property values, and more specifically, land values, are seen to be down anywhere from 20-60% in today's market. Importantly, the lack of financing, capital, equity and debt, along with the risk averse mindset in the marketplace, has further eroded value at the present time by limiting the number of potential buyers, and severely limiting those that are able to obtain financing and put up the required equity of somewhere between 40-50% in this market.

Hence, 2008 sales have received a downward adjustment for market conditions in varying degrees, depending upon their sales dates. This adjustment reflects the change in market conditions from the sale date of a comparable to the valuation date of the subject. Beginning in September 2007, credit markets began to experience a tightening as a result of concerns regarding the performance of subprime loans and the potential implications for the mortgage backed securities market. Over the past 24 months, and even more so since September 2008, which following the collapse of Lehman Brothers, was a major negative turning point in the economy, additional concerns have begun to surface. Volatility in the stock markets, the softening of the real estate market, and a shift in market fundamentals has caused banks to tighten lending standards due to liquidity concerns moving forward. Current credit conditions have had a negative impact on the commercial real estate market, as it has limited investors' abilities to secure financing for investment and development. A recession has been declared to have begun back in December 2007, and new development deals in particular have been all but eliminated. Therefore, while there have been limited land sales in 2008 and quite few in 2009, they required significant market condition adjustments. These market adjustments are based on conversations and research in the marketplace with brokers, appraisers, investors and participants in the market. The 2008 sales were adjusted downward to some degree based upon their dates of sale in comparison to the date of valuation given the above factors.

Land values have been adversely impacted by a combination of multiple issues. Declines in market rents and increasing vacancy and expenses have led to a decline in net operating incomes, while the tightening of underwriting standards and general market conditions has led to an increase in perceived risk, causing an increase in capitalization rates and required returns.

These changes, coupled with the increase in overall capitalization rates (approximately 100 to 150 basis points), have had tremendous consequences for property values, resulting in decreases of 30%-50%. As previously discussed, land values are based on a residual analysis based on the concepts of contribution (land, labor, capital, and coordination) and anticipation (net present value of a cash flow over a holding period). Thus, values for development sites have been negatively impacted not only by the deterioration in market metrics driving values for completed projects, but additionally by the inherent risk associated with developing properties from the ground up, which has been intensified by uncertainty with regard to future market conditions.

DISCUSSION/ANALYSIS OF LAND SALES

Land Sale One

This comparable represents a 21,700 square foot site at 205 Water Street in the DUMBO neighborhood of Brooklyn. A portion of the site is zoned R8A with a maximum FAR of 6.02 and the remainder is zoned R7A with a maximum FAR of 4.0. According to the listing broker, Carol Ann Flint of Besen & Associates, the maximum buildable area of the site is 88,000 square feet. The property sold in December 2009 for $8,600,000, or $97.73 per square foot of buildable area. The buyer of this development site, Toll Brothers, cleared the first phase of the public review process in March 2010 when Community Board 2 approved its plan for a tower with 67 market rate units and 86 underground parking spaces.

An upward adjustment is warranted for the smaller size of this property, as the economies of scale associated with larger development sites make larger sites more cost efficient for development. No adjustment is warranted for the shape of this property as compared to the subject. The subject has frontage along an entire block front directly across from the Atlantic Terminal Mall and thus warrants an upward adjustment. The comparable benefits from its DUMBO location along the East River, therefore a downward adjustment is warranted. Overall the subject property would likely achieve a slightly higher price per FAR as compared to this transaction.

Land Sale Two

This comparable represents the sale of 392 Atlantic Avenue, a 1,800 square foot site the is situated approximately 4 blocks west of the subject property. The site is zoned R6A with a C2-4 overlay which indicates a zoning FAR of 3.0 for 5,400 square feet of developable rights. The property sold in July 2009 for $610,000 or $112.96 per square foot. The site was vacant at the time of sale and subsequently the developer has improved the land with six residential units with grade level retail.

An upward adjustment is warranted for the smaller size of this property. No adjustment is warranted for the shape. The subject has frontage along an entire block front directly across from the Atlantic Terminal Mall and thus warrants an upward adjustment. No other adjustments are required as the comparable is located along Atlantic Avenue in the subject's neighborhood. Overall the subject property would likely achieve a higher price per FAR as compared to this transaction.

Land Sale Three

This comparable represents the sale of three lots located at 383 South 5th Street in the East Williamsburg neighborhood of Brooklyn. The 11,507 square foot site is zoned R6 and has a FAR of 2.43 for 27,962 square feet of developable rights. The property sold for $2,750,000 or $98.35 per buildable square foot in July 2009.

An upward adjustment is warranted for the smaller size of this property. No adjustment is warranted for the shape. The subject has frontage along an entire block front directly across from the Atlantic Terminal Mall and thus warrants an upward adjustment. No location adjustment is required as the comparable is located along Atlantic Avenue in the subject's neighborhood. A downward adjustment for zoning is warranted as this site has a higher density, yielding a larger developable site, than the subject property. Overall the subject property would likely achieve a slightly higher price per FAR as compared to this transaction.

Land Sale Four

This comparable represents the assemblage sale of 229 & 331 Duffield Street a 4,345 square foot site to the northwest of the subject. The lots were bought in June and September of 2009 respectively. We have analyzed the sale of both lots as one individual sale to reflect the developer's motivations at the time of sale. The comparable is zoned C6-4.5 which indicates a FAR of 12.0 for a total of 52,138 developable square feet. The comparable sold for $4,970,000 or $95.32 per developable square foot. The buyer, V3 Hotels, has subsequently built a 19-story, 128-room hotel. According to the developer's website, the project is still under construction.

An upward adjustment is warranted for the smaller size of this property. No adjustment is warranted for the shape. The subject has frontage along an entire block front directly across from the Atlantic Terminal Mall and thus warrants an upward adjustment. No locational adjustment is required as the comparable is located in the subject's neighborhood. Overall the subject property would likely achieve a slightly higher price per FAR as compared to this transaction.

Land Sale Five

This comparable represents the sale of 127 – 141 West Street, an entire square block located in the Greenpoint neighborhood of Brooklyn. The comparable has been rezoned from an M zone to a combination of R8/R6/C4-2, which allows for a maximum FAR of 4.08 or a total developable area of 420,240 square feet. At the time of sale the property was improved with a 103,000 SF industrial building. After applying demolition costs, the adjusted price per buildable square foot is $199.20.

According to the seller, the comparable was under contract for at least one year prior to close, thus, a significant downward adjustment is necessary for weakening market conditions since this property went under contract and closed. The comparable property is near identical to the subject with regard to size and shape, however it features direct water frontage, which is highly desirable for development and would require a downward adjustment. Overall, the subject property would likely achieve a lower price per FAR as compared to this transaction.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID						
Comparable Number	1	2	3	4	5	Subject
Transaction Type	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Dec-09	Jul-09	Jul-09	Jun-09	Dec-08	---
Zoning	R8A, R7A	R6A/C2-4	R6	C6-4.5	R8-R6-C2-4	C6-2
Actual Sale Price	$8,600,000	$610,000	$2,750,000	$4,970,000	$84,015,000	---
Size (Acres)	0.50	0.04	0.26	0.10	2.36	
Size (SF)	21,700	1,800	11,507	4,345	103,000	53,933
Allowable Bldg. Area (SF)	88,000	5,400	27,962	52,138	420,240	323,598
Price Per Bldg. Area	$97.73	$112.96	$98.35	$95.32	$199.92	
Property Rights Conveyed	0%	0%	0%	0%	0%	
Financing Terms	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	
Market Conditions (Time)	0%	0%	0%	0%	-30%	
Subtotal	$97.73	$112.96	$98.35	$95.32	$139.95	
Size	5%	5%	5%	5%	0%	
Shape	0%	0%	0%	0%	0%	
Frontage/Corner	5%	5%	5%	5%	-20%	
Location	-5%	0%	0%	0%	0%	
Highest & Best Use	0%	0%	0%	0%	0%	
Total Other Adjustments	5%	10%	10%	10%	-20%	
Value Indication for Subject	$102.61	$124.26	$108.18	$104.86	$111.96	

Compiled by CBRE

MARKET PARTICIPANTS

We have surveyed market participants including brokers from Massey Knackel and CBRE who are familiar with the subject's neighborhood. Participants acknowledge the market was still recovering in March 2010 and subsequently values have improved 15% to 25% since our date of value. A broker quoted the subject's value slightly north of $100 per square foot at that time.

CONCLUSION

The adjusted unit range is $102.61 to $124.26 per buildable square foot, with an average of approximately per $110.37 buildable square foot. The subject property is located in a desirable area across the street from the Atlantic Terminal Mall and benefits from its accessibility to the Atlantic Terminal. Based on the discussion of each transaction and our interviews with market participants, we have concluded to a market value that is in-line with the average of the adjusted range. Our value conclusion for the fee simple interest in the land underlying the subject property is as follows:

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LEASED FEE ANALYSIS – MODELL'S

As previously mentioned, in order to adjust the concluded fee simple value of the land to a value reflective of the excess development rights, the value of the Modell's property and the PC Richard & Sons store must be deducted, along with the Modell's lease buyout costs and the infrastructure costs provided.

This section of the report addresses the leased fee value of the existing Modell's store. The following table provides a summary of the leased fee lease terms:

LEASED FEE SUMMARY		
Lessee		Modell's NY II, Inc.
Size (SF)		16,980
Commence Date		6/15/2000
Expiration Date (Base Lease)		6/14/2020
Remaining Lease Term (Base Lease)		123 Months
No. & Term of Options		3 options @ 5 years
Expiration Date (Base + All Options)		6/14/2035
Remaining Lease Term (Base + All Options)		303 Months
Contract Rental Rate	Total $/Yr.	$/SF/Yr.
Years 1 to 8	$560,340	$33.00
Years 9 to 15 (current rent)	$644,391	$37.95
Years 16-20	$730,140	$43.00
Option Term (+12.5% increase ever 5 yrs.)	$815,040	$48.00
Expenses	Fixed reimbursement of $3.75+$0.80 psf.	
% Rent Clause:		None
Source: Lease		

The subject is currently leased to Modell's on a 20 year lease with three 5-year renewal options. The tenant reimburses $3.75 per square foot in real estate taxes and common area maintenance is maximized at $0.80 per square foot. Rent comparables have been surveyed and are contained in our analysis of the PC Richard & Son's store in the following section. Based on our review of these transactions, the contractual rent for the subject property (including reimbursements) is generally in-line with market terms (currently paying $42.50 with reimbursements vs. market of $35.00 + Op. Exp. + RE Taxes = $46.97). Although the current rent is slightly below market levels, with the $5.05 rent step in year 16, much of the differential is offset.

As discussed, we have utilized a direct capitalization to value this component of the subject property. We have modeled the direct capitalization based on the contractual rent presented above, a market oriented vacancy and collection loss figure of 5%, the real estate taxes presented in the tax analysis section of this report and market oriented insurance and management expenses. We have taken the resulting NOI and applied a market oriented capitalization rate of 7.25%. The rate was derived from our review of comparable transactions in the marketplace (in the vicinity of our March 3, 2010 date of value). A summary of the regional and national sales utilized in our rate selection are shown below:

SUMMARY OF COMPARABLE RETAIL SALES

No.	Name	Tenant	Transaction Type	Transaction Date	Year Built	GLA (SF)	Actual Sale Price	Price Per SF [1]	Occ.	NOI Per SF	OAR
1	18550 Dexter Ave Lake Elsinore, CA	LA Fitness	Sale	Jun-10	1997	45,460	$8,805,000	$193.69	100%	$16.46	8.50%
2	905 Playa Avenue Sand City, CA	Sports Authority (sold vacant)	Sale	May-10	1997	27,486	$4,450,000	$161.90	0%	$13.76	8.50%
3	12401 Twinbrook Parkway Rockville, MD	Guitar Center	Sale	Apr-10	1969	47,774	$5,250,000	$109.89	100%	$6.87	6.25%
4	10350 N. McCarran Blvd. Reno, NV	PetCo	Sale	Mar-10	2008	17,875	$4,525,000	$253.15	100%	$19.18	7.58%
5	1200 Lowes Drive Oneida, NY	Lowe's	Sale	Mar-10	2006	137,443	$8,225,000	$59.84	100%	$4.73	7.90%
6	7900 North 10th Street McAllen, TX	Kohl's	Sale	Mar-10	2005	88,866	$7,300,000	$82.15	100%	$6.78	8.25%
7	900 State Street Santa Babara, CA	Borders	Sale	Mar-10	n/a	38,014	$9,975,000	$262.40	100%	$17.92	6.83%
8	550 Barnes Drive San Marcos, TX	Academy Sports	Sale	Jan-10	2009	74,863	$7,700,000	$102.85	100%	$8.02	7.80%
9	839 Route 130 Hightstown, NJ	Wal*Mart	Sale	Dec-09	2005	148,832	$4,720,000	$31.71	100%	$2.38	7.50%
10	585 24 1/2 Road Grand Junction, CO	Best Buy	Sale	Dec-09	1992	30,701	$4,211,000	$137.16	100%	$10.84	7.90%
11	1103-1123 Myrtle Avenue Brooklyn, NY	Misc. Freestanding	Sale	Dec-09	1931/2006	24,000	$11,435,775	$476.49	100%	$36.88	7.74%
12	620 N Green Bay Road Waukegan, IL	Pep Boys	Sale	Oct-09	1998	22,146	$5,585,707	$252.22	100%	$18.92	7.50%
13	3111 Fostoria Way San Ramon, CA	Office Depot	Sale	Aug-09	1995	30,185	$6,777,450	$224.53	100%	$16.56	7.38%
14	2511 Lemay Ferry Rd. St. Louis, MO	Value City	Sale	Sep-09	1989	80,000	$3,220,000	$40.25	100%	$2.81	6.98%
15	650 N. University Drive Coral Springs, FL	Best Buy	Sale	Sep-09	1993/2007	52,550	$6,239,500	$118.73	100%	$9.15	7.71%
16	74-25 Grand Ave Maspeth, NY	Neighborhood/ Community Center	Sale	Apr-09	1997	99,986	$33,500,000	$335.05	100%	$25.46	7.60%
17	436-464 Nome Avenue State Island, NY	Un-anchored Retail Strip	Sale	Apr-09	1989	18,000	$6,335,000	$351.94	100%	$27.94	7.94%
18	8170 Old Carriage Court Shakopee, MN	Best Buy	Sale	Jan-09	2007	30,000	$7,703,000	$256.77	100%	$19.01	7.40%
19	156-17 73rd Avenue Flushing, NY	Misc. Freestanding	Sale	Nov-08	1981	7,016	$3,125,000	$445.41	100%	$32.07	7.20%

Compiled by CBRE

A summary of the direct capitalization for the leased fee interest in the Modell's store is presented on the following table:

DIRECT CAPITALIZATION SUMMARY - MODELL'S

		$/SF/Yr	Total
Income			
Base Rental Revenue		$37.95	$644,391
Expense Reimbursements		$4.55	77,259
Vacancy & Credit Loss	5.00%	($2.13)	(36,083)
Effective Gross Income		$40.38	$685,568
Expenses			
Real Estate Taxes		$10.36	$175,933
Property Insurance		$1.00	16,980
Management Fee	1.50%	$0.61	10,284
Operating Expenses		**$11.97**	**$203,197**
Operating Expense Ratio			29.64%
Net Operating Income		**$28.41**	**$482,371**
OAR			/ **7.25%**
Indicated Value - March 3, 2010			**$6,653,392**
Rounded			**$6,700,000**
Value Per SF			**$394.58**

Matrix Analysis	**Cap Rate**	**Value**
	7.00%	$6,891,000
	7.25%	$6,653,400
	7.50%	$6,431,600

Compiled by CBRE

FEE SIMPLE ANALYSIS (PC RICHARD)

As previously mentioned, in order to adjust the concluded fee simple value of the land to a value reflective of the excess development rights, the value of the PC Richard & Sons property and the previously concluded Modell's value must be deducted, along with the Modell's lease buyout costs and the infrastructure costs provided.

This section of the report addresses the fee simple value of the existing PC Richard & Sons store. The subject currently owner occupied by PC Richard and Sons. As there is no contractual rent for this space, we analyzed market rent comparables in order to determine an appropriate market rent for the space. A summary of the market rent comps is presented below:

SUMMARY OF COMPARABLE RETAIL RENTS

Comp No.	Address	Year Built	GLA (SF)	Tenant	Start Date	Term (Yrs)	Size (SF)	Rental Rent	Escalations
1	Sky View Center 40-28 College Point Blvd Flushing, NY	2010	800,000	Chuck E Cheese	Feb-10	20	17,883	$35.00	$5 psf step every 5 years
2	Atlantic Center Flatbush & Atlantic Avenue Brooklyn, NY	1996	399,000	Best Buy	Nov-09	10	46,000	$31.25	Flat
3	150 Clermont Avenue Brooklyn, NY	2006	N/A	Walgreens	Oct-09	n/a	8,600	$43.50	n/a
4	59 Junction Blvd Rego Park, NY	2010	277,000	Kohl's	Sep-09	20	135,720	$35.00	Flat
5	Gateway at the Bronx Terminal Market Bronx, NY	2009	460,000	Bed, Bath & Beyond	Aug-09	15	32,040	$36.00	10% every 5 years
6	College Point SC 136-03 20th Avenue College Point, NY	1998	320,826	PC Richard & Sons	Mar-09	10	32,786	$34.82	n/a

Compiled by CBRE

Comparables in the marketplace for freestanding retail spaces are generally signed with the tenant responsible for real estate taxes and operating expenses. The subject benefits from good access to mass transportation, but for our analysis of the neighborhood improvements from the the Atlantic Yards redevelopment have been excluded and thus there is less differential between the comparable locations and the subject. Based on the comparables listed above, we have concluded to a market oriented rental rate of $35 per square foot for the subject property as of our 2010 date of value.

PC RICHARD		
Size (SF)		30,300
Market Rental Rate	Total $/Yr.	$/SF/Yr.
Base Lease Term	$1,060,500	$35.00
Expenses		Paid by Lessee
Source: Lease		

We have utilized a direct capitalization to value this component of the subject property. We have modeled the direct capitalization based on the market rent presented above, a market oriented vacancy and collection loss figure of 5%, the real estate taxes presented in the tax analysis section of this report and market oriented insurance and management expenses. We have taken the resulting NOI and applied a market oriented capitalization rate of 7.25% (comparables listed in previous section). The rate was derived from our review of comparable transactions in the marketplace (in the vicinity of our March 3, 2010 date of value). A summary of the direct capitalization for the leased fee interest in the Modell's store is presented on the following table:

A direct capitalization approach is presented below:

FEE SIMPLE ANALYSIS

Income		$/SF/Yr	Total
Base Rental Revenue		$35.00	$1,060,500
Expense Reimbursements		7.58	229,671
Vacancy & Credit Loss	5.00%	(2.13)	(64,509)
Effective Gross Income		$40.45	1,225,662
Expenses			
Real Estate Taxes		$5.97	$180,986
Property Insurance		1.00	30,300
Management Fee	1.50%	0.61	18,385
Operating Expenses		**$7.58**	**$229,671**
Operating Expense Ratio			18.74%
Net Operating Income		**$32.87**	**$995,991**
OAR			/ **7.25%**
Indicated Value - March 3, 2010			**$13,737,813**
Rounded			**$13,700,000**
Value Per SF			**$452.15**
Matrix Analysis		**Cap Rate**	**Value**
		7.00%	$14,228,400
		7.25%	$13,737,800
		7.50%	$13,279,900

Compiled by CBRE

MODELL'S LEASE BUYOUT

At the request of the client we have estimate the costs to buy Modell's out of their leasehold position. The reader is cautioned that lease buy outs are complicated transactions, whereby the motivations of the tenant and landlord can have a significant impact on the resulting buy out figure. These transactions are often handled in arbitration forums and there is no true way to have a "market" estimate of what these costs will be. We have interviewed market participants that have handled these types of transactions before and they indicated that the negotiation typically focuses on the following points:

1) Any advantage between market rent and contractual rent is typically paid to the tenant.
2) Costs to move the tenant to the new premises are accounted for.
3) Costs to build out the new premises are accounted for.
4) Reimbursement of the tenants lost profit on sales for the period of time they are displaced through the time the new premises reached stabilized/comparable sale levels.
5) A fee to compensate the tenant and keep them from litigating the buy-out and thus stalling the development.

We have addressed the items listed above sequentially based on our review of market conditions, discussions with brokers/leasing agents.

1) The Modell's lease terms are summarized below. It should be noted that there is no material differential between the contractual rent and market rent and thus no buy out cost associated with this aspect of the lease.

LEASED FEE SUMMARY		
Lessee		Modell's NY II, Inc.
Size (SF)		16,980
Commence Date		6/15/2000
Expiration Date (Base Lease)		6/14/2020
Remaining Lease Term (Base Lease)		123 Months
No. & Term of Options		3 options @ 5 years
Expiration Date (Base + All Options)		6/14/2035
Remaining Lease Term (Base + All Options)		303 Months
Contract Rental Rate	Total $/Yr.	$/SF/Yr.
Years 1 to 8	$560,340	$33.00
Years 9 to 15 (current rent)	$644,391	$37.95
Years 16-20	$730,140	$43.00
15-year Option Term (+12.5% increase ever 5 yrs.)	$815,040	$48.00
Expenses	Fixed reimbursement of $3.75+$0.80 psf.	

Source: Lease

2) Costs to move the tenant to the new premises must be accounted for. This includes the costs for payroll to pack up the inventory and the costs for the tenants shipping company to relocate all of the merchandise to a new location. Broker's interviewed regarding this cost indicated a figure between $5 and $10 per square foot. We have utilized a figure of $7.50 per square foot and rounded the conclusion to $125,000.

3) Costs to build out the new premises are accounted for. Broker's interviewed regarding this cost indicated a figure in the range of $50 per square foot would be reasonable for a single level store typical of Modell's build-out. At $50 per square foot for 16,980 square feet, the total tenant building out would be roughly $850,000.

4) Reimbursement of the tenants lost profit on sales for the period of time they are displaced through the time the new premises reached stabilized/comparable sale levels. We have estimate that is would take roughly 2 months to relocate the premises and an additional 2 months to stabilize the operations. A review of Modell's sales figures from another top location indicate that they can achieve sale of $500 per square foot in the right location. Assuming that 15% of the sales revenue reaches the bottom line as profit (before corporate overhead and salaries), that would result in $418,685 in lost profit.

5) A fee to compensate the tenant and keep them from litigating the buy-out and thus stalling the development. This figure is highly subjective and can fluctuate depending on how badly the tenant wants to stay and/or what type of problems the tenant can cause the landlord by deciding to stay. Often this figure is tied to value of the remaining lease payments and this includes a component of the lease duration (through 2020 + options for 15 years) and quality of the space. Figures ranging between 5% and 15% of the lease value are reported to be reasonable buyout costs and we have selected 10%. The remaining lease payments included the option periods totals $21.27 million, with the corresponding 10% deduction at $2,127,085.

Applying the previous factors results in an estimate of the lease buy out costs as follows:

MODELL'S LEASE BUY OUT COSTS	
Relocation Costs - TI's ($50/SF)	$850,000
Moving Expenses	$125,000
Lost Profit on Sales	$418,685
Hold-out Cost (10% of Lease)	$2,127,085
Total Lease Buy Out Costs	$3,520,770
Rounded	**$3,500,000**

RECONCILIATION OF VALUE

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered somewhat comparable to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication.

The fee simple interest in the land is our concluded As-Is Retrospective value. We have utilized the Direct Capitalization technique of the Income Capitalization Approach to value the existing Modell's and PC Richard & Son's retail stores. The resulting values, along with our estimate for the buy-out costs associated with the Modell's lease and the client provided costs for the Subway related infrastructure have been deducted from the concluded fee simple land value in order to arrive at our Retrospective As Is Value for the Additional Development rights on Site 5.

Based on the foregoing, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is - Retrospective	Fee Simple Estate - Land	March 3, 2010	$35,600,000
Less: As Is - Retrospective	Fee Simple Estate - PC Richard	March 3, 2010	($13,700,000)
Less: As Is - Retrospective	Leased Fee Estate - Modell's	March 3, 2010	($6,700,000)
Less:	Modell's Lease Buyout Cost	March 3, 2010	($3,500,000)
Less:	Subway Cost	March 3, 2010	($10,900,000)
As Is - Retrospective - Development Rights	**Value Conclusion**	**March 3, 2010**	**$800,000**

Compiled by CBRE

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE, Inc. is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, Inc., however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. CBRE, Inc. professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE, Inc. by ownership or management; CBRE, Inc. inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE, Inc. was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE, Inc. reserves the right to amend the appraisal conclusions reported herein.
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 appraisers. CBRE, Inc. has no knowledge of the existence of such materials on or in the property. CBRE, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate 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.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE, Inc. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, CBRE, Inc. has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE, Inc. reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should

carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE, Inc. of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, CBRE, Inc. will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE, Inc. assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE, Inc. is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE, Inc. does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE, Inc.
12. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE, Inc. to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. This study may not be duplicated in whole or in part without the specific written consent of CBRE, Inc. nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE, Inc. reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE, Inc. which consent CBRE, Inc. reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE, Inc. shall have no accountability or responsibility to any such third party.
15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

18. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE, Inc. unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE, Inc. assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
19. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor CBRE, Inc. assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
20. CBRE, Inc. assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
21. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The *Americans with Disabilities Act* (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, CBRE, Inc. has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since CBRE, Inc. has no specific information relating to this issue, nor is CBRE, Inc. qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.
24. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Appraiser. Notwithstanding the foregoing, Appraiser shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Appraiser. Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.
25. As part of the client's requested scope of work, an estimate of insurable value is provided herein. CBRE, Inc. has followed traditional appraisal standards to develop a reasonable calculation based upon industry practices and industry accepted publications such as the Marshal Valuation Service handbook. The methodology employed is a derivation of the cost approach which is primarily used as an academic exercise to help support the market value estimate and therefore is not reliable for Insurable Value estimates. Actual construction costs and related estimates can vary greatly from this estimate.

    This analysis should not be relied upon to determine proper insurance coverage which can only be properly estimated by consultants considered experts in cost estimation and insurance underwriting. It is provided to aid the client/reader/user as part of their overall decision making process and no representations or warranties are made by CBRE, Inc. regarding the accuracy of this estimate and it is strongly recommend that other sources be utilized to develop any estimate of insurable value.

ADDENDA

ADDENDUM A

GLOSSARY OF TERMS

assessed value Assessed value applies in ad valorem taxation and refers to the value of a property according to the tax rolls. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base. †

cash equivalency The procedure in which the sale prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.

client The party or parties who engage an appraiser (by employment or contract) in a specific assignment. (USPAP)

contract rent The actual rental income specified in a lease. ‡

disposition value The most probable price which a specified interest in real property is likely to bring under all of the following conditions: 1) Consummation of a sale will occur within a limited future marketing period specified by the client; 2) The actual market conditions currently prevailing are those to which the appraised property interest is subject; 3) The buyer and seller is each acting prudently and knowledgeably; 4) The seller is under compulsion to sell; 5) The buyer is typically motivated; 6) Both parties are acting in what they consider their best interests; 7) An adequate marketing effort will be made in the limited time allowed for the completion of a sale; 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 9) 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.‡

effective rent The rental rate net of financial concessions such as periods of no rent during the lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. ‡

excess land In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. *See also* surplus land. ‡

extraordinary assumption 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 conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. *See also* hypothetical condition. ‡

fee simple estate 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. ‡

floor area ratio (FAR) The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called *building-to-land ratio*. ‡

full service lease A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense pass-throughs*.

going concern value Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value. †

gross building area (GBA) The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded. ‡

hypothetical condition That which is contrary to what exists but is supposed for the purpose of analysis. 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 about the integrity of data used in an analysis. *See also* extraordinary assumption. ‡

intended use The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment (USPAP).

intended user The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment (USPAP).

investment value Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value, that is, an appraiser. †

leased fee
See leased fee estate

leased fee estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.‡

leasehold
See leasehold estate

leasehold estate The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.‡

liquidation value The most probable price which a specified interest in real property is likely to bring under all of the following conditions: 1) Consummation of a sale will occur within a severely limited future marketing period specified by the client; 2) The actual market conditions currently prevailing are those to which the appraised property interest is subject; 3) The buyer is acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated; 6) The buyer is acting in what he or she considers his or her best interests; 7) A limited marketing effort and time will be allowed for the completion of a sale; 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 9) 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. ‡

market rent The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby: 1) lessee and lessor are typically motivated; 2) both parties are well informed or well advised, and acting in what they consider their best interests; 3) a reasonable time is allowed for exposure in the open market; 4) the rent payment is made in terms of cash in U.S. dollars and is expressed as an amount per time period consistent with the payment schedule of the lease contract; and 5) the rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction. ‡

market value Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means 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) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 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.§

marketing period The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. ‡

net lease Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease* all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

net rentable area (NRA) 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor. *

occupancy rate The relationship or ratio between the income received from the rented units in a property and the income that would be received if all the units were occupied.‡

prospective value opinion A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new us, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. ‡

reasonable exposure time The estimated length of time 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; a retrospective opinion based upon an analysis of past events assuming a competitive and open market. ††

rent
See
full service lease
net lease
market rent
contract, coupon, face, or nominal rent
effective rent

shell rent The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called plain vanilla finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes; mechanical systems, interior electric, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses. ‡

surplus land Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. *See also* excess land. ‡

usable area 1) The area actually used by individual tenants. 2) The Usable Area of an office building is computed by measuring to the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor. *

use value Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. †

value indication An opinion of value derived through application of the appraisal process. ‡

† *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, 2008.

‡ *The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010*.

§ Office of Comptroller of the Currency (OCC), 12 CFR Part 34, Subpart C – Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010), 122-123. This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value as well as the example referenced in the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

* 2000 BOMA Experience Exchange Report, Income/Expense Analysis for Office Buildings (Building Owners and Managers Association, 2000)

†† *Statement on Appraisal Standard No. 6*, Appraisal Standards Board of The Appraisal Foundation, September 16, 1993, revised June 15, 2004.

ADDENDUM B

LAND SALE DATA SHEETS

LAND SALE No. 1

205 Water Street

Location Data

Location:	**205 Water Street**
	Brooklyn, NY 11201
County:	**Kings**
Parcel No:	**Block 31, Lot 14, 114**
Atlas Ref:	

Physical Data

Type:	**Multi-Family**	
Land Area:	**Gross**	**Usable**
Acres:	**0.498**	**0.498**
Square Feet:	**21,702**	**21,700**
Topography:	**Level, At Street Grade**	
Shape:	**Rectangular**	
Utilities:		
Zoning:	**R8A, R7A**	
Allowable Bldg Area:	**88,000 SF**	
Floor Area Ratio:	**4.06**	
No. of units:	**0**	
Max FAR:	**4.25**	
Frontage:	**Water St - ;**	

Analysis

Use At Sale:	**vacant**
Proposed Use or Dev.	**67 market rate units + parking**
Price Per Acre:	**$17,262,144**
Price Per SF of Land:	**$396.31**
Price Per Unit:	**$0**
Price Per SF of Bldg:	**$97.73**

Flickr: dumbonyc

Financial Data

Transaction Type:	**Sale**
Date:	**12/2009**
Marketing Time:	**NA**
Grantor:	**205 Water Street LLC**
Grantee:	**Toll NY IV LP (Toll Brothers)**
Document No.:	
Sale Price:	**$8,600,000**
Financing:	**Not Available**
Cash Eq.Price:	**$8,600,000**
Onsite/Offsite Costs:	**$0**
Adj. Sale Price:	**$8,600,000**
Verification:	**Carol Flint- list broker 212-689-8488**

Comments

Toll Brothers cleared the first phase of the public review process in March 2010 when Community Board 2 approved its plan for a tower with 67 market rate units and 86 underground parking spaces. No affordable housing is required on this site.

A portion of the site is zoned R8A (max FAR of 6.02) and the remainder is zoned R7A (max FAR of 4.0). Total buildable area is based on broker's projections.

LAND SALE No. 2

392 Atlantic Ave

Location Data

Location:	**392 Atlantic Ave**
	Brooklyn, NY 11217
County:	**Kings**
Parcel No:	**00183-0030**
Atlas Ref:	

Physical Data

Type:	**Industrial**	
Land Area:	**Gross**	**Usable**
Acres:	**0.041**	
Square Feet:	**1,800**	
Topography:		
Shape:		
Utilities:		
Zoning:	**R6A**	
Allowable Bldg Area:	**5,400 SF**	
Floor Area Ratio:	**3.00**	
No. of units:		
Max FAR:	**3.00**	
Frontage:		

Analysis

Use At Sale:	**Industrial / Land**
Proposed Use or Dev.	**Redevelopment**
Price Per Acre:	
Price Per SF of Land:	
Price Per Unit:	
Price Per SF of Bldg:	**$112.96**

Financial Data

Transaction Type:	**Sale**
Date:	**8/2009**
Marketing Time:	**NA**
Grantor:	**Fairview Home Builders Inc**
Grantee:	**The Park Avenue Bank**
Document No.:	
Sale Price:	**$610,000**
Financing:	
Cash Eq.Price:	**$610,000**
Onsite/Offsite Costs:	
Adj. Sale Price:	**$610,000**
Verification:	**Public Record**

Comments

LAND SALE No. 3

383 South 5th Street

Location Data

Location:	**383 South 5th Street**	
	Brooklyn, NY 11211	
County:	**Kings**	
Parcel No:	**0241-0001**	
Atlas Ref:		

No image to display.

Physical Data

Type:	**Planned Development**	
Land Area:	**Gross**	**Usable**
Acres:	**0.264**	
Square Feet:	**11,495**	
Topography:	**Level, At Street Grade**	
Shape:	**Rectangular**	
Utilities:		
Zoning:	**R6**	
Allowable Bldg Area:	**27,937 SF**	
Floor Area Ratio:	**2.43**	
No. of units:		
Max FAR:	**2.00**	
Frontage:	**South 5th Street - ;**	

Analysis

Use At Sale:	**Commercial Land**
Proposed Use or Dev.	**Redevelopment**
Price Per Acre:	
Price Per SF of Land:	
Price Per Unit:	
Price Per SF of Bldg:	**$98.44**

Financial Data

Transaction Type:	**Sale**
Date:	**7/2009**
Marketing Time:	**NA**
Grantor:	**385 South 5th Realty LLC**
Grantee:	**BH South LLC**
Document No.:	
Sale Price:	**$2,750,000**
Financing:	
Cash Eq.Price:	**$2,750,000**
Onsite/Offsite Costs:	
Adj. Sale Price:	**$2,750,000**
Verification:	

Comments

LAND SALE No. 4

229 Duffield Street

Location Data

Location:	**229 Duffield Street**
	Brooklyn, NY 11201
County:	**Kings**
Parcel No:	**00146-0014**
Atlas Ref:	

No image to display.

Physical Data

Type:	**Retail/Commercial**	
Land Area:	**Gross**	**Usable**
Acres:	**0.100**	
Square Feet:	**4,343**	
Topography:	**Level, At Street Grade**	
Shape:	**Rectangular**	
Utilities:		
Zoning:	**C6-4.5**	
Allowable Bldg Area:	**86,548 SF**	
Floor Area Ratio:	**19.93**	
No. of units:		
Max FAR:	**12.00**	
Frontage:	**Duffield Street - ;**	

Analysis

Use At Sale:	**Land**
Proposed Use or Dev.	**Redevelopment Hotel**
Price Per Acre:	
Price Per SF of Land:	
Price Per Unit:	
Price Per SF of Bldg:	**$57.42**

Financial Data

Transaction Type:	**Sale**
Date:	**6/2009**
Marketing Time:	**NA**
Grantor:	**Car Park Systems**
Grantee:	**V3 Hotels**
Document No.:	
Sale Price:	**$4,970,000**
Financing:	
Cash Eq.Price:	**$4,970,000**
Onsite/Offsite Costs:	
Adj. Sale Price:	**$4,970,000**
Verification:	**Public Record**

Comments

Sale price includes the sale of 229 Duffield Street and 231 Duffield Street.

LAND SALE No. 5

127-141 West Street

Location Data

Location:	**127-141 West Street** **Brooklyn, NY 11222**
County:	**Kings**
Parcel No:	**02538-0001**
Atlas Ref:	

Physical Data

Type:	**Industrial**	
Land Area:	**Gross**	**Usable**
Acres:	**2.360**	**2.360**
Square Feet:	**102,802**	**102,802**
Topography:	**Level, At Street Grade**	
Shape:	**Rectangular**	
Utilities:		
Zoning:	**R8**	
Allowable Bldg Area:	**1,324,249 SF**	
Floor Area Ratio:	**12.88**	
No. of units:		
Max FAR:	**6.02**	
Frontage:	**West Street - ;India Street - ;Java Street - ;**	

Analysis

Use At Sale:	**Warehouse**
Proposed Use or Dev.	**Redevelopment Mix use**
Price Per Acre:	**$35,599,576**
Price Per SF of Land:	**$817.25**
Price Per Unit:	
Price Per SF of Bldg:	**$63.44**

Financial Data

Transaction Type:	**Sale**
Date:	**12/2008**
Marketing Time:	**NA**
Grantor:	**West Street Partners**
Grantee:	**Stanford Strenger**
Document No.:	
Sale Price:	**$83,500,000**
Financing:	
Cash Eq.Price:	**$83,500,000**
Onsite/Offsite Costs:	**$515,000**
Adj. Sale Price:	**$84,015,000**
Verification:	

Comments

5 Dollars per sq. ft of demolition for existing 103,000 sq ft structure added to sale price.

ADDENDUM C

LEGAL DESCRIPTION

SCHEDULE A
DESCRIPTION

Lot 1

ALL that certain plot, piece or parcel of land, situate, lying and being in the Borough Brooklyn, County of Kings, City and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of Pacific Street distant 290.1 feet westerly from the southwesterly side line of Flatbush Avenue;

THENCE westerly along said side of Pacific Street, 171.44 feet to the easterly side of 4th Avenue;

THENCE northerly along said side of 4th Avenue, 180.15 feet to the southerly side of Atlantic Avenue;

THENCE easterly along said side of Atlantic Avenue, 170.80 feet;

THENCE south 31 degrees 45 minutes 00 seconds west, 180.15 feet to the point of BEGINNING.

Lot 16

All that certain plot piece or parcel of land situate, lying and being in the Borough of Brooklyn, County of Kings, City and State of New York, bounded and described as follows:

BEGINNING at the intersection of the northerly side of Pacific Street with the southwesterly side of Flatbush Avenue;

RUNNING THENCE along the northerly side of Pacific Street North 58 degrees 15 minutes 00 seconds west 290.1 feet to a point;

THENCE north 31 degrees 45 minutes 00 seconds east 180.15 feet to the southerly side of Atlantic Avenue;

THENCE along the southerly side of Atlantic Avenue south 58 degrees 15 minutes 00 seconds east 22.85 feet to the southwesterly line of Flatbush Avenue;

THENCE along the southwesterly side of Flatbush Avenue south 24 degrees 16 minutes 00 seconds east 322.31 feet to the point or place of BEGINNING.

END OF SCHEDULE A

ADDENDUM D

PRÉCIS METRO REPORT - ECONOMY.COM, INC.

NEW YORK

EMPLOYMENT GROWTH RANK

2011-2013	2011-2016
97	156
2nd quintile	2nd quintile

Best=1, Worst=392

VITALITY

RELATIVE	RANK
97%	190
U.S.=100%	Best=1 Worst=384

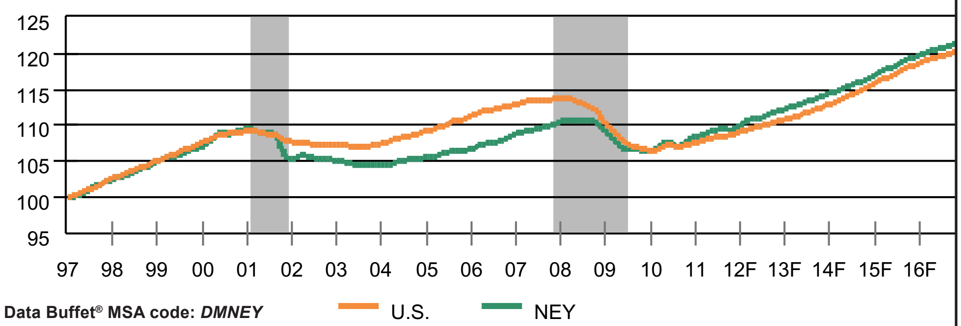
RELATIVE COSTS

LIVING	BUSINESS
128%	151%

U.S.=100%

LIFE CYCLE PHASE Mature

RELATIVE EMPLOYMENT PERFORMANCE (1997=100)



Data Buffet® MSA code: *DMNEY*

2005	2006	2007	2008	2009	2010	2011	INDICATORS	2012	2013	2014	2015	2016
638.9	670.0	681.5	682.2	657.3	693.7	716.8	**Gross metro product (C$B)**	732.6	753.9	783.0	814.6	840.3
5.3	*4.9*	*1.7*	*0.1*	*-3.6*	*5.5*	*3.3*	*% change*	*2.2*	*2.9*	*3.9*	*4.0*	*3.2*
5,071.9	5,140.3	5,231.7	5,276.3	5,115.4	5,128.0	5,213.3	**Total employment (000)**	5,310.7	5,410.4	5,520.3	5,653.5	5,765.0
1.1	*1.3*	*1.8*	*0.9*	*-3.0*	*0.2*	*1.7*	*% change*	*1.9*	*1.9*	*2.0*	*2.4*	*2.0*
5.3	4.8	4.7	5.4	9.0	9.3	8.8	**Unemployment rate**	8.7	7.4	7.0	5.6	4.9
6.8	9.8	7.7	3.2	-5.8	5.1	5.5	**Personal income growth**	5.3	5.6	6.1	6.4	5.6
11,344.8	11,319.8	11,345.7	11,420.4	11,511.6	11,591.7	11,670.1	**Population (000)**	11,749.4	11,814.9	11,865.4	11,901.5	11,933.6
4,340	3,532	2,905	2,126	1,381	1,490	1,262	**Single-family permits**	1,633	1,800	3,846	4,937	4,884
37,219	36,366	38,402	37,636	8,078	8,514	11,193	**Multifamily permits**	23,928	37,622	37,101	38,432	38,296
503.7	518.1	537.5	493.4	434.5	450.3	441.9	**Existing-home price ($ ths)**	419.1	430.2	457.3	483.1	504.2
98,542	93,844	86,046	52,980	52,932	46,623	46,559	**Mortgage originations ($ mil)**	51,276	36,580	37,062	42,246	46,887
-205.3	-178.3	-116.1	-9.4	9.9	-2.0	-6.9	**Net migration (000)**	-9.8	-25.2	-41.7	-57.3	-62.4
58,292	11,410	15,793	20,363	26,901	28,914	26,305	**Personal bankruptcies**	20,149	20,476	21,912	19,545	19,508

STRENGTHS & WEAKNESSES

STRENGTHS

- Financial capital of the world.
- High per capita income and limited exposure to manufacturing.
- High level of international immigration.

WEAKNESSES

- High business costs, especially for energy.
- Very unaffordable housing and high tax burdens on residents.
- High income inequality.

CURRENT EMPLOYMENT TRENDS

% CHANGE YR AGO, 3-MO MA

	Aug 11	Dec 11	Apr 12
Total	2.0	1.4	1.7
Construction	1.2	2.6	-1.5
Manufacturing	-1.1	-0.7	-0.0
Trade	2.0	2.1	3.0
Trans/Utilities	2.2	0.2	-1.3
Information	1.0	0.2	0.9
Financial Activities	2.1	1.8	1.8
Prof & Business Svcs.	4.2	4.2	5.0
Edu & Health Svcs.	1.8	0.4	0.8
Leisure & Hospitality	5.8	3.3	3.1
Other Services	2.2	0.7	2.0
Government	-1.3	-1.1	-0.7

FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑ RISK-ADJUSTED RETURN, '11-16 **0.41%**

UPSIDE

- Europe's recession is mild, and NEY avoids a major slowdown in trade and tourism.
- State and city budgets stabilize and require no further public sector layoffs.

DOWNSIDE

- Wall Street layoffs are more severe and protracted than forecast.
- Financial regulatory reform severely limits the profitability of NEY's largest banks for years to come.

ANALYSIS

Recent Performance. New York City's jobs recovery is complete. Payroll employment reached a new peak in April, though private-sector employment had done so in January. NEY is one of only 30 metro areas to achieve this feat out of nearly 400. Roughly two-thirds of the metro division's industries are growing payrolls, including financial services, where layoffs on Wall Street are tapering off. The recovery appears to be favoring those who commute into the city from the suburbs of New Jersey and Connecticut over residents of the five boroughs. The unemployment rate, at 8.9%, is back above the national rate.

Both single- and multifamily building are off their recessionary lows, particularly multifamily, where strong demand has resulted in a shortage of rental units. Trade through the customs district has slowed, but is still higher compared with a year ago.

Wall Street. Financial services will muddle through the second quarter, but growth should return by the third quarter when investment banks complete layoffs. There have been a couple thousand job losses on Wall Street since the start of the year, but cuts are tapering off. Yet, while there has been no major layoff announcement in the past few months, employment data likely do not fully capture the layoffs to date. Many firms pay six months or more of severance to laid-off workers, who subsequently remain on payrolls during this time. Also, data through September 2011 from the Quarterly Census of Employment and Wages show that when the Bureau of Labor Statistics revises its monthly estimates of payroll employment next year, financial services will look much worse in late 2011 than it does now.

Delay. House prices in NEY will take longer to recover in light of the state attorneys' general settlement with large mortgage lenders. Those holding loans that are not backed by Fannie and Freddie will be required to attempt to write down principals. This will affect jumbo mortgages that are above the conforming loan limit. As a result, getting high-priced homes through the foreclosure process will take longer, lengthening the already-long foreclosure timeline in the state. Fortunately, higher-priced homes have retained their values better than those under the conforming loan limit of $625,000. At the end of 2006, one in three homes purchased in NEY was nonconforming; the national ratio was one in 20. Sturdier home values at the high end may help to mitigate some of the delay caused by the new regulation since fewer homeowners will be under water and less likely to foreclose.

Resilient. NEY's economy has been resilient to the European recession, but the region still represents one of the biggest threats facing the metro division given its relatively high exposure to EU exports, tourism and financial markets. The downturn in trade going to Europe has been small, and growth in leisure/hospitality employment coupled with data on hotel occupancy and room rates suggest little impact on tourism. Hotel occupancy rates are the highest since 2007 and average room rates are up 25% from their 2009 trough.

Payback from a record first quarter that was juiced by an extremely warm winter will cause job growth in New York City to slow in the second quarter. Thereafter, the metro division will add about 9,000 jobs per month until 2014 and 2015 when a firming national economy fuels another growth spurt. Longer term, a very highly educated labor force, concentration of finance and media, cultural amenities, and international linkages will work in NEY's favor and lead it to outperform other northeastern areas. However, high costs, including a lack of affordable housing, and slow population growth will constrain expansion. The metro division will perform in line with the nation over the extended forecast horizon.

Marisa Di Natale
May 2012

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Metropolitan Transportation Authority	66,240
New York City Health and Hospitals Corp.	36,964
JPMorgan Chase & Co.	24,927
Citigroup Inc.	24,442
North-Shore Long Island Jewish Health System	19,872
Continuum Health Partners Inc.	18,974
Mount Sinai Medical Center	18,386
NYU Langone Medical Center	15,705
Macy's Inc.	15,100
Columbia University	15,080
Monteflore Medical Center	14,828
New York University	14,341
City University of New York	13,090
Morgan Stanley	13,000
Consolidated Edison Inc.	12,348
New York-Presbyterian Healthcare System	12,217
Bank of America	12,000
Verizon Communications	11,100
Memorial Sloan-Kettering Cancer Center	10,929
Medisys Health Network Inc.	10,622

Source: Crain's New York Business - April 2011

PUBLIC

Federal	66,107
State	75,569
Local	612,489

2011

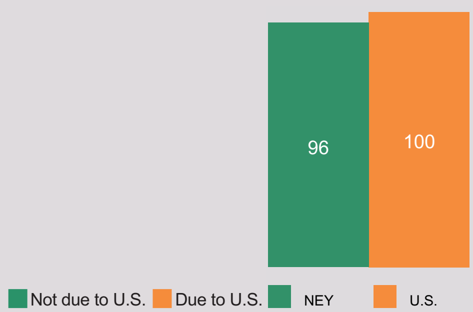
INDUSTRIAL DIVERSITY

Most Diverse (U.S.)

Least Diverse

EMPLOYMENT VOLATILITY

Due to U.S. fluctuations **Relative to U.S.**



COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	NEY	NY	U.S.	NEY	NY	U.S.
Mining	0.0%	0.1%	0.6%	nd	$38,287	$70,081
Construction	3.2%	3.5%	4.2%	$74,358	$64,523	$53,795
Manufacturing	3.1%	5.3%	8.9%	$84,715	$77,875	$73,041
Durable	*42.1%*	*59.3%*	*62.0%*	*nd*	*$80,133*	*$75,070*
Nondurable	*57.9%*	*40.7%*	*38.0%*	*nd*	*$74,727*	*$69,828*
Transportation/Utilities	3.4%	3.0%	3.7%	nd	$56,182	$60,610
Wholesale Trade	4.3%	3.8%	4.2%	$95,824	$83,563	$75,460
Retail Trade	9.2%	10.3%	11.1%	$41,599	$35,468	$31,162
Information	3.9%	2.9%	2.0%	$152,627	$136,958	$91,647
Financial Activities	10.4%	7.9%	5.8%	$133,198	$101,241	$46,508
Prof. and Bus. Services	15.4%	13.1%	13.2%	$102,408	$84,395	$60,384
Educ. and Health Services	19.6%	19.9%	15.1%	$53,034	$50,643	$49,569
Leisure and Hosp. Services	8.7%	8.8%	10.1%	$39,105	$31,792	$24,000
Other Services	4.2%	4.3%	4.1%	$39,938	$37,553	$33,510
Government	14.5%	17.1%	16.8%	$79,470	$75,703	$66,559

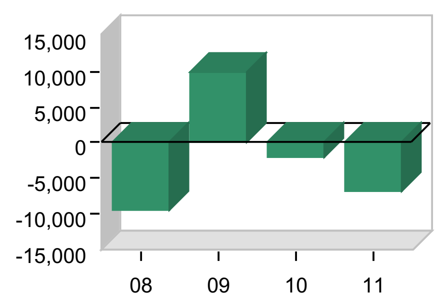
Sources: Percent of total employment — Moody's Analytics & BLS, 2011; Average annual earnings — BEA, 2010

MIGRATION FLOWS

INTO NEW YORK, NY	NUMBER OF MIGRANTS
Nassau, NY	20,370
Newark, NJ	17,990
Edison, NJ	10,042
Philadelphia, PA	5,752
Poughkeepsie, NY	5,215
Bridgeport, CT	4,474
Los Angeles, CA	4,437
Atlanta, GA	4,080
Orlando, FL	3,908
Washington, DC	3,707
Total In-migration	*189,457*

FROM NEW YORK, NY	
Nassau, NY	32,378
Newark, NJ	25,302
Edison, NJ	17,541
Poughkeepsie, NY	8,923
Bridgeport, CT	8,394
Philadelphia, PA	5,898
Washington, DC	5,490
Los Angeles, CA	5,121
Atlanta, GA	5,071
Orlando, FL	4,148
Total Out-migration	*255,815*
Net Migration	**-66,358**

NET MIGRATION, NEY



	2008	2009	2010	2011
Domestic	-90,089	-69,658	-78,585	-70,890
Foreign	80,648	79,588	76,652	64,002
Total	-9,442	9,929	-1,933	-6,888

Sources: IRS (top), 2010; Census Bureau, 2011

HOUSE PRICES

Source: FHFA, 1996Q1=100, NSA

MOODY'S RATING

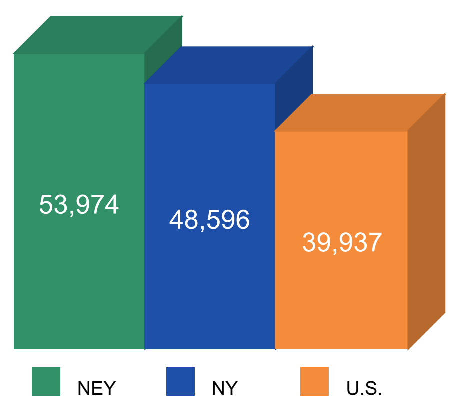
Aa2	CITY AS OF DEC 10, 2010

LEADING INDUSTRIES

NAICS	INDUSTRY	EMPLOYEES (000)
GVSL	State & Local Government	**688.1**
7225	Restaurants and Other Eating Places	**265.0**
6221	General Medical and Surgical Hospitals	**195.4**
6241	Individual and Family Services	**134.1**
5231	Sec. & Commod. Cont. Intermed. & Brokerage	**130.5**
6113	Colleges, Universities & Professional Schools	**105.2**
5511	Management of Companies and Enterprises	**103.9**
6216	Home Health Care Services	**103.3**
5411	Legal Services	**91.4**
5613	Employment Services	**91.0**
4451	Grocery Stores	**84.4**
6211	Offices of Physicians	**80.7**
5311	Lessors of Real Estate	**75.0**
4481	Clothing Stores	**74.9**
5221	Depository Credit Intermediation	**69.1**
	High-tech employment	**214.5**
	As % of total employment	**4.1**

Sources: BLS, Moody's Analytics, 2011

PER CAPITA INCOME



Source: Bureau of Economic Analysis, 2010

NEW YORK

NEY's financial services industry is on the mend, with financial activities payroll continuing to edge up in the first few months of 2012. Gains in portfolio and wealth management, real estate and traditional banking have so far been able to offset the loss of several thousand high-paying Wall Street jobs in investment banking and trading. The diversification of the economy over the past several decades has made the metro division less reliant on finance; other engines of job growth such as healthcare, professional services and high tech are now at the forefront of NEY's recovery.

One of NEY's engines of growth, high tech, is responsible for an outsize share of the jobs added since the labor market began its recovery more than two years ago. Though composing just 4% of total employment, high-tech has accounted for more than 5% of the jobs added since early 2010. Facebook, Google and Microsoft are opening and expanding engineering hubs in the city. These tech companies are being drawn to NEY to take advantage of its vast network of advertising and media companies, which are becoming increasingly important in social networking and web development.

About Moody's Analytics
Economic & Consumer Credit Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. Through its team of economists, Moody's Analytics is a leading independent provider of data, analysis, modeling and forecasts on national and regional economies, financial markets, and credit risk.

Moody's Analytics tracks and analyzes trends in consumer credit and spending, output and income, mortgage activity, population, central bank behavior, and prices. Our customized models, concise and timely reports, and one of the largest assembled financial, economic and demographic databases support firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. Our customers include multinational corporations, governments at all levels, central banks and financial regulators, retailers, mutual funds, financial institutions, utilities, residential and commercial real estate firms, insurance companies, and professional investors.

Our web and print periodicals and special publications cover every U.S. state and metropolitan area; countries throughout Europe, Asia and the Americas; and the world's major cities, plus the U.S. housing market and other industries. From our offices in the U.S., the United Kingdom, and Australia, we provide up-to-the-minute reporting and analysis on the world's major economies.

Moody's Analytics added Economy.com to its portfolio in 2005. Its economics and consumer credit analytics arm is based in West Chester PA, a suburb of Philadelphia, with offices in London and Sydney. More information is available at www.economy.com.

ADDENDUM E

REQUIRED CLIENT INFORMATION

VALUATION & ADVISORY SERVICES

CBRE
CB RICHARD ELLIS

CB Richard Ellis, Inc.
One Penn Plaza, Suite 1835
New York, New York 10119

Michael R. Pecorino, MAI,FRICS,CRE
Senior Managing Director

June 1, 2011
(revised)

Winthrop Hoyt
Atlantic Yards Development Company, LLC
c/o Forest City Ratner Companies, LLC
One MetroTech Center
Brooklyn, NY 11201

11-047NY-0714

RE: Appraisal Agreement
Atlantic Yards – Site 5
Brooklyn, New York

Dear Mr. Hoyt:

We are pleased to submit this proposal and our Terms and Conditions for the appraisal of the referenced real estate. We understand that we are preparing our appraisal on behalf of both, Atlantic Yards Development Company, LLC (AYDC) and The New York City Economic Development Corporation (EDC).

PROPOSAL SPECIFICATIONS	
Purpose:	To estimate the Appraised Value as per Sections 3a, 3b and 3c of an Atlantic Yards – City Participation Agreement dated December 23, 2009, between AYDC and The City of New York.
Premise:	To value Site 5 Development Rights of the Atlantic Yards .
Rights Appraised:	Fee Simple and Leasehold Analysis of a portion of the site.
Intended Use:	Establish development rights value for sale to AYDC
Intended User:	AYDC and The City of New York
Report Type	Self Contained Report
Report Fee:	$15,000
Additional Fee:	Hourly rates pertain to all consultations, preparation and analysis in connection with any process related to discussions or negotiation with AYDC, EDC or their representatives before or after report delivery. Hourly rates do not pertain to data gathering, research, analysis or preparation of the report. $375 per hour for Mark Godfrey $500 per hour for Michael Pecorino
Due Date:	Draft report within 3- 4 weeks from the date the contract is executed and returned.
Payment Terms:	Per Section 3 of Terms and Conditions Hourly Fees to be billed monthly
Report Copies:	PDF Draft copy, two final copies and 1 CD of final report
Start Date:	The appraisal process will start upon receipt of your signed agreement, and property specific data.
Acceptance Date:	Date of Execution

STANDARD SCOPE OF WORK

The scope of work identified for this assignment includes the following steps:

Extent to Which the Property is Identified

CBRE will collect the relevant physical characteristics about the subject via a physical identification and inspection of both the interior and exterior of the subject property. The physical property will be legally identified through its postal address, assessor's records, the provided legal description and the provided title report.

Extent to Which the Property is Inspected

CBRE will conduct a physical inspection of the subject property, as well as its surrounding environs on the effective date of appraisal.

Type and Extent of the Data Researched

CBRE will physically inspect the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process. This knowledge will be expanded through interviews with regional and/or local market participants, available published data and other various resources. CBRE will also conduct regional and/or local research with respect to applicable tax data, zoning requirements, flood zone status, demographics, and comparable listing, sale and rental information.

Type and Extent of Analysis Applied

CBRE will analyze the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. We will include Sales Comparison Approach and Residual approach, if needed. CBRE will then correlate and reconcile the results into a reasonable and defensible value conclusion, and estimate a reasonable exposure time and marketing time associated with the value estimate presented.

The attached Terms and Conditions and Specific Property Data Request are deemed a part of this agreement as though set forth in full herein.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

Michael R. Pecorino

As Agent For:
CB RICHARD ELLIS, INC.
VALUATION & ADVISORY SERVICES

Michael R. Pecorino, MAI,FRICS,CRE
Senior Managing Director
Phone: (212) 207-6102
Fax: (212) 207-6069
E-mail: Michael.pecorino@cbre.com

AGREED AND ACCEPTED

FOR: ATLANTIC YARDS DEVELOPMENT COMPANY, LLC

By:

Signature	6/13/11 Date
DAVID BERLINER Name	SENIOR VICE PRESIDENT/SECRETARY Title
Phone Number	Fax Number
E-Mail Address	

CBRE
CB RICHARD ELLIS

TERMS AND CONDITIONS

1. These Terms and Conditions, between CB Richard Ellis, Inc.-Appraisal Services (Appraiser) and the Client for whom the referenced appraisal service will be performed, shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state of the CB Richard Ellis, Inc. office shown on the Agreement.
2. Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the appraisal fee is not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the appraisal report.
3. Final payment is due and payable within thirty (30) days of your receipt of our invoice. If a draft report is requested, the fee is considered earned upon delivery of our draft report.
4. If we are requested to give court testimony, an additional fee will be charged on an hourly basis at our then-prevailing hourly rate. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.
5. In the event Client requests additional services beyond the purpose stated in the Agreement, Client agrees to pay an additional charge for such services, plus reimbursement of expenses, whether or not the completed report has been delivered to Client at the time of the request.
6. It is understood that the Client has the right to cancel this assignment at any time prior to delivery of the completed report. In such event, the Client is obligated only for the pro rated share of the fee based upon the work completed and expenses incurred, with a minimum charge of $500.
7. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately by written notice to Client upon the occurrence of the fraud or willful misconduct of Client, its employees or agents.
8. Additional copies of the appraisal reports are available at a cost of $250 per original color copy and $100 per photocopy (black and white), plus shipping cost of $30 per report.
9. In the event Client fails to make payments and Appraiser is required to institute legal action against Client relating to the Agreement, Appraiser shall be entitled to recover reasonable attorney's fees and costs from Client.
10. Appraiser assumes that there are no major or significant items that would require the expertise of a professional building contractor or engineer. If such items need to be considered in Appraiser's studies, such services are to be provided by others at a cost which is not a part of the fee proposal.
11. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of Appraiser executing this Agreement is located. The arbitrator(s) shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar type damages. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party its expenses, including the costs of arbitration proceeding, and reasonable attorney's fees.
12. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Appraiser. This assignment shall be deemed concluded and the services hereunder completed upon delivery to Client of the appraisal report discussed herein.
13. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to the best of the Appraiser's knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to Appraiser by Client.
14. Appraiser shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the property analyzed.
15. Client shall provide Appraiser with such materials with respect to the Assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the real property to be analyzed and hereby grants permission for entry, unless discussed in advance to the contrary.
16. The data gathered in the course of the Assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential

information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.

17. Unless specifically noted in the appraisal, we will not be taking into consideration the possibility of the existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof. Further, Appraiser understands that there is no major or significant deferred maintenance in the property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of this fee proposal.

18. Each party shall indemnify and hold the other fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by the other party as a result of the negligence or intentional acts or omissions of the indemnifying party (including any failure to perform any duty imposed by law), and for which recovery is sought against the indemnifying party by any third party; however, such obligation to defend and indemnify shall not apply if the claim or cause of action is based upon or arises in any way out of an act, failure to act or representation of the indemnifying party. Client shall indemnify and hold the Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party.

19. <u>LIMITATION OF LIABILITY.</u> EXCEPT FOR THE HOLD HARMLESS PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER. EXCEPT FOR THE HOLD HARMLESS PROVISION ABOVE, IN NO EVENT WHATSOEVER SHALL EITHER PARTY'S TOTAL LIABILITY TO THE OTHER FOR DIRECT DAMAGES UNDER THE AGREEMENT OR ANY OTHER DAMAGES WHATSOEVER EXCEED IN THE AGGREGATE THE SUM OF TEN THOUSAND DOLLARS ($10,000.00).

20. Please note that Appraiser's consent to allow the appraisal report or portions of the report, to become part of or be referenced in, any offering or other material intended for the review of others, or to be submitted to others, will be at Appraiser's reasonable discretion and, if given, will be on condition that Appraiser will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Appraiser, by a party satisfactory to Appraiser. Appraiser does consent to Client submission of the complete final report to rating agencies, loan participants or your auditors without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

McGuire, John @ New York

From: Godfrey, Mark @ New York City
Sent: Monday, April 02, 2012 4:32 PM
To: Tarabokija, Kimberly @ New York; McGuire, John @ New York
Cc: Pecorino, Michael @ New York City; Jacobson, Helene @ New York City
Subject: FW: confidentiality agreement

This is for prior job #11-047NY-0714, which was moved to 12-047NY-0410…official instruction to proceed from our client.

Mark T. Godfrey | Vice President
CBRE | Valuation & Advisory Services
One Penn Plaza | Suite 1835 | New York, NY 10119
T 212 715 5719 | F 212 207 6169 | C 516 978 1520
mark.godfrey@cbre.com | www.cbre.com/

From: Hoyt, Winthrop [mailto:whoyt@[redacted]
Sent: Monday, April 02, 2012 4:26 PM
To: Godfrey, Mark @ New York City
Cc: Lester, James
Subject: RE: confidentiality agreement

Mark:

Please consider this email as authorization to proceed under our contract of June of 2011.

The "as-of" date for the appraisal should be March 3, 2010 (the applicable Title Vesting Date from the appraisal instructions below is March 4, 2010). We believe that the city's air rights being appraised approximate 308,000 zsf (the difference between the 1 FAR as-built and the zoning FAR of 6.02).

Please see attached for the city's approved deductions to value – there are $10.9MM in extraordinary development costs, plus the costs of condemning the PC Richards fee and the Modell's leasehold and fee. I am attaching a summary of the Modell's lease – let me know if you need the entire document.

As a reminder, the appraisal instructions relevant to this property are below:

1. the fair market value of each City Property [in this case, Site 5] shall be determined on a "stand alone" basis;
2. zoning and other conditions existing as of the day before the applicable Title Vesting Date, including any encumbrances, physical conditions or other considerations that reasonably could bear upon the fair market value of the City Properties shall be considered;
3. the impact that the Project or the uses described in the MGPP could have on the applicable value shall not be considered; and
4. the [appraisal] shall be subject to review by each of the City and AYDC before completion.

Let me know what other information you need to get started.

Best,
Winthrop Hoyt

From: Godfrey, Mark @ New York City [mailto:Mark.Godfrey@cbre.com]
Sent: Monday, March 26, 2012 2:19 PM

QUALIFICATIONS OF

HELENE JACOBSON, MAI
Managing Director

CBRE, Inc.
One Penn Plaza, Suite 1835
New York, New York 10119
(212) 207-6106

EDUCATION

Master of Science in Real Estate: Valuation and Analysis, New York University	New York, NY
Bachelor of Business Administration - Finance, George Washington University	Washington, D.C.

Appraisal Institute Course work at NYU Masters Program fulfills all requirements for Appraisal Institute courses.

Standards of Professional Practice A & B.

LICENSES/CERTIFICATIONS

Certified Real Estate General Appraiser: State of New York State (#46000026005)
Certified Real Estate General Appraiser: State of New Jersey (RG 01924)
General Appraiser: Pennsylvania (GA-001790-R)
Certified General Real Estate Appraiser: Connecticut (RCG.0001334)

PROFESSIONAL

Appraisal Institute

Designated Member (MAI), Certificate No. 11050

EMPLOYMENT EXPERIENCE

20 years of Real Estate appraisal and Consulting experience throughout the Northeast region.

1992 - Present	CBRE, Inc.	New York, New York
1989-1991	Office of Thrift Supervision	Bowie, Maryland

Assignments include full and partial interest appraisals of office buildings, commercial lofts, malls, shopping centers, apartments, cooperatives, condominiums, townhouses, industrial facilities, residential and office market studies, portfolio valuations and multi-property assignments.

QUALIFICATIONS OF

MARK T. GODFREY
VICE PRESIDENT

CBRE, INC.

VALUATION & ADVISORY SERVICES

One Penn Plaza, Suite 1835
New York, NY 10119
(212) 715 5719

PROFESSIONAL

Associate Member of the Appraisal Institute (membership #400010)

Certified Real Estate General Appraiser: State of New York State (#46000041668)
Certified General Real Estate Appraiser: State of Connecticut (#RCG.0001332)

EDUCATION

Bachelor of Business Administration, Specialization in Accounting
Hofstra University, Hempstead, New York, 1995

Certificate in the Appraisal of Investment Properties
New York University SCPS, New York, New York, Spring 2002

Completed all required coursework and examinations to qualify for MAI designation
Appraisal Institute & NYU, New York, NY

EMPLOYMENT EXPERIENCE

1998-present	CBRE, Inc. Vice President	New York, NY
1995-1997	CBRE, Inc. Regional Director of Research	New York, NY

Engaged in the appraisal and consultation of commercial real estate throughout the Northeastern United States. Assignments include full and partial interest appraisals of investment grade office buildings, data centers, hotels, high-rise residential buildings, condominium conversions, garden apartment complexes, industrial buildings, headquarters facilities, laboratory facilities, regional malls, community retail facilities, automobile dealerships, self-storage facilities, stand-alone retail properties and golf courses.

To: Hoyt, Winthrop
Subject: RE: confidentiality agreement

Winthrop – You were going to forward over our authorization to proceed and the dates/language/excluded costs, etc. for us to get started.

Thanks,
Mark

Mark T. Godfrey | Vice President
CBRE | Valuation & Advisory Services
One Penn Plaza | Suite 1835 | New York, NY 10119
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mark.godfrey@cbre.com | www.cbre.com/

From: Hoyt, Winthrop [mailto:whoyt@[redacted]
Sent: Tuesday, July 12, 2011 12:49 PM
To: Godfrey, Mark @ New York City
Subject: confidentiality agreement

Mark:

Here's the CA we discussed on the phone yesterday. Take a look at it, and if there are no issues please sign and return it.

Thanks –
Winthrop

Winthrop Hoyt
Forest City Ratner Companies
One MetroTech Center
Brooklyn, NY 11201
[redacted]
(718) 923-8718 (f)
whoyt@[redacted]

ADDENDUM F

QUALIFICATIONS