

**From:** Douglas Larson  
**Sent:** Friday, October 26, 2012 7:50 PM  
**To:** Tina Schultheis  
**Subject:** FW: 40 Wall Street 12-12002-902516  
**Attachments:** 40 Wall Street Appraisal.pdf

This appraisal was delivered to the client. Please send invoice and book.

There were Zenta charges.

C&W File ID: 12-12002-902516

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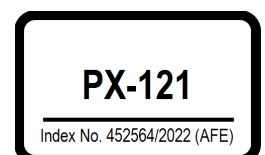
**From:** Douglas Larson  
**Sent:** Friday, October 26, 2012 3:26 PM  
**To:** 'sandro.collura@capitalone.com'  
**Cc:** Michael Papagianopoulos; Andrew Ventura  
**Subject:** 40 Wall Street

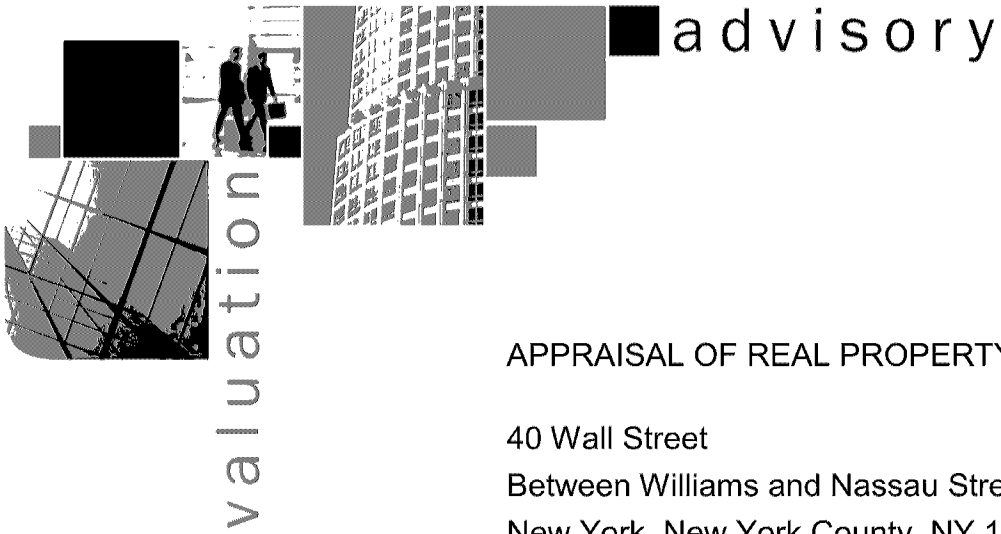
Attached, please find the appraisal which will also be uploaded to RIMS.

Thanks

**Douglas H. Larson**  
Executive Director  
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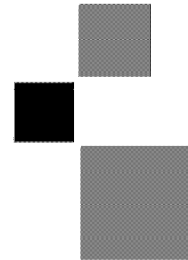


APPRAISAL OF REAL PROPERTY

40 Wall Street  
Between Williams and Nassau Streets  
New York, New York County, NY 10006

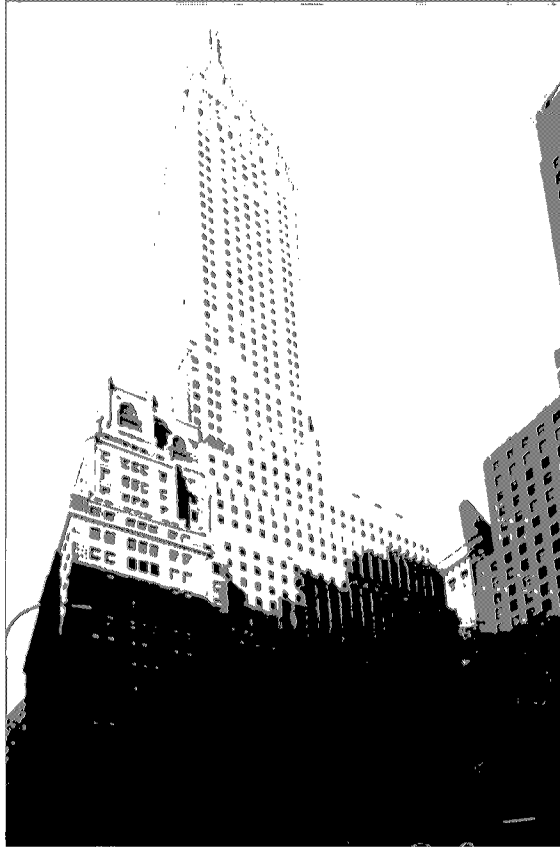
IN A SELF-CONTAINED APPRAISAL REPORT  
As of November 1, 2012

Prepared For:  
Capital One Bank  
404 Fifth Avenue, 4th Floor  
New York, New York 10018



Prepared By:  
Cushman & Wakefield, Inc.  
Valuation & Advisory  
1290 Avenue of the Americas  
New York, NY 10104  
C&W File ID: 12-12002-902516  
CONFIDENTIAL





**40 Wall Street**  
Between Williams and Nassau Streets  
New York, New York County, NY 10006



CUSHMAN & WAKEFIELD, INC.  
1290 AVENUE OF THE AMERICAS  
NEW YORK, NY 10104

October 25, 2012

Mr. Sandro Collura  
**Capital One Bank**  
404 Fifth Avenue, 4th Floor  
New York, New York 10018'

Re: Appraisal of Real Property  
In a Self-Contained Report

**40 Wall Street**  
Between Williams and Nassau Streets  
New York, New York County, NY 10006

C&W File ID: 12-12002-902516

Dear Mr. Collura:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in a self-contained report dated October 25, 2012. The effective date of value is November 1, 2012.

This report was prepared for Capital One Bank and is intended only for its specified use. It may be distributed to the client's attorneys, accountants, advisors, investors, lenders, potential mortgage participants and rating agencies. It may not be distributed to or relied upon by other persons or entities without written permission of Cushman & Wakefield, Inc.

This appraisal report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation and in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. In addition, the appraisal was written in conformance with the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation (FDIC) in compliance with Title XI of FIRREA.

## **MARKET VALUE AS IS**

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the market value of the **leasehold estate** of the referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, "As-Is" on November 1, 2012, is:

**TWO HUNDRED MILLION DOLLARS**

**\$200,000,000**



## **PROSPECTIVE MARKET VALUE**

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the prospective market value of the **leasehold estate** of the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, on November 1, 2015, will be:

**TWO HUNDRED FORTY MILLION DOLLARS**

**\$240,000,000**

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

## **EXTRAORDINARY ASSUMPTIONS**

This appraisal does not employ any extraordinary assumptions. For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

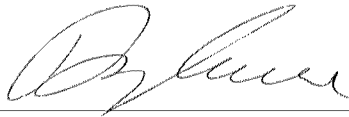
## **HYPOTHETICAL CONDITIONS**

This appraisal does not employ any hypothetical conditions. For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

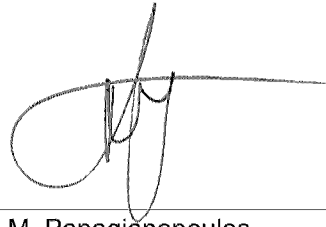
Respectfully submitted,

**CUSHMAN & WAKEFIELD, INC.**



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## SUMMARY OF SALIENT FACTS

### GENERAL INFORMATION

Common Property Name:	40 Wall Street
Location:	Between Williams and Nassau Streets New York, New York County, NY 10006
Property Description:	<p>The subject property is located on the north side of Wall Street throughblock to Pine Street between Nassau and William Streets in the Financial East office submarket of Downtown Manhattan.</p> <p>40 Wall Street is a pre-war 63-story Class A multi-tenant office property built in 1929 (renovated in 1995) containing 1,177,605 square feet of net rentable area (1,061,266 square feet of gross building area) on a 34,360 square foot parcel of land.</p> <p>The subject property was remeasured by the owners based on a 27.00 percent loss factor, which is consistent in the market. It has been our experience that rentable areas of buildings in New York City exceed the gross buildings areas by factors ranging from 15 to 25 percent per floor which translates to loss factors of 22 to 28 percent per floor based upon REBNY measurements and 26 to 32 percent per floor based upon typical architects' carpetable measurement. These examples assume a full floor tenant. The loss factors are greater for partial floor tenancies.</p> <p>Based on the rent roll, the current net rentable area is 1,164,667 square feet, while the future remeasured net rentable area is 1,177,605 square feet once the leases that is not remeasured expire. As these leases expire, tenants will be paying rent based on their remeasured area, which is standard in the market.</p> <p>It should be noted that throughout this appraisal we have analyzed the subject property based on the remeasured net rentable area of 1,177,605 square feet. The comparable sales and comparable rentals in this appraisal were also analyzed based on their remeasured net rentable areas.</p>
Assessor's Parcel Number:	Lot 2 in Block 43
Interest Appraised:	Leasehold Estate
Dates of Value:	November 1, 2012 "As Is" November 1, 2015 "Prospective Market Value"

Date of Inspection:	October 19, 2012
Ownership:	<i>Ground Lessor</i> Nautilus Real Estate Inc. and Scandic Wall Limited Partnership <i>Ground Lessee</i> 40 Wall Street LLC c/o The Trump Organization
Occupancy:	The property is currently 81.65 percent leased to 54 office tenants and three retail tenants. There are 19 vacant office spaces within the property totaling 170,347± square feet. In addition, there are six vacant retail spaces on the ground floor and second floor totaling 31,561± square feet and six vacant storage spaces in the basement totaling 14,148± square feet available for lease.
Current Property Taxes	
2012/2013 Property Assessment:	\$60,577,200
2012/2013 Property Taxes:	\$6,211,295
Highest and Best Use	
If Vacant:	Multi tenant office building development.
As Improved:	As it is currently developed.
<b>SITE &amp; IMPROVEMENTS</b>	
Zoning:	C5-5 Restricted Central Commercial District
Land Area:	34,360 square feet
Number of Stories:	63 (There is no 13 <sup>th</sup> floor.)
Year Built:	1929
Type of Construction:	Structural steel and concrete with aluminum and glass curtain wall facade.
Gross Building Area:	1,061,266 square feet (Per Assessor)
Net Rentable Area:	1,164,667 square feet (Per Rent Roll/Leases) 1,177,605 square feet (Remeasured)

**VALUE INDICATORS****SALES COMPARISON APPROACH:**

Indicated Value "As Is":	\$210,000,000 (As of November 1, 2012)
Per Square Foot (NRA):	\$178.33
Indicated Prospective Market Value:	\$240,000,000 (As of November 1, 2015)
Per Square Foot (NRA):	\$203.80

**INCOME CAPITALIZATION APPROACH****DISCOUNTED CASH FLOW**

Projection Period:	14 years
Holding Period:	13 years
Start Dates:	November 1, 2012 "As Is" November 1, 2015 "Prospective Market Value"

## Classification – Office Leases

Major Office Tenants: Greater than 20,000 square feet

Minor Office Tenants: Less than 20,000 square feet

Market Rental Rate-Office (Year 1):	<u>Floors</u>	<u>Rent</u>
	Floors 3-22	\$32.00/sf
	Floors 23-33	\$34.00/sf
	Floors 34-49	\$40.00/sf
	Floors 50-63	\$44.00/sf
Market Rental Rate-Retail (Year 1):	<u>Space</u>	<u>Rent</u>
	Wall Street Small	\$150.00/sf
	Wall Street Large	\$65.00/sf
	Pine Street	\$60.00/sf
	Second Floor	\$35.00/sf
	Lobby	\$40.00/sf
	Basement	\$10.00/sf
Market Rental Rate-Storage (Year 1):	\$10.00/sf	
Rent Increase Profile:	For 10 and 15-year leases, 60-month step-ups of 10% are assumed.	
Growth in Market Rental Rate:	3.00%	

Expense and Tax Pass Throughs:	Gross leases – tenant pays pro-rata share of real estate taxes, operating cost increases over a lease base year.
Expense Growth Rate:	3.00%
Consumer Price Index:	3.00%
Free Rent – New Leases	
Major Office Tenants:	12 months
Minor Office Tenants:	10 months
Retail Tenants:	6 months
Storage Tenants:	6 months
Free Rent – Renewing Leases	
Major Office Tenants:	6 months
Minor Office Tenants:	5 months
Retail Tenants:	3 months
Storage Tenants:	3 months
Typical Lease Term	
Major Office Tenants:	15 years
Minor Office Tenants:	10 years
Retail Tenants:	10 years
Storage Tenants:	10 years
Renewal Probability:	65.00%
Tenant Improvement – New Leases	
Major Office Tenants:	\$50.00 per square foot
Minor Office Tenants:	\$45.00 per square foot
Retail Tenants:	None
Storage Tenants:	None
Tenant Improvement – Renewing Leases	
Major Office Tenants:	\$25.00 per square foot
Minor Office Tenants:	\$22.50 per square foot
Retail Tenants:	None
Storage Tenants:	None

## Leasing Commissions With Override

10-Year Lease: 40.00% of first year's base rent including override  
(paid in year one per market standard)

15-Year Lease: 52.50% of first year's base rent including override  
(paid in year one per market standard)

Leasing commissions vary depend upon the length of the lease: 5 percent for year 1; 4 percent for year 2; 3.5 percent for years 3 through 5; 2.5 percent for years 6 through 10; 2 percent for years 11 through 20. This schedule results in the above percentages of the first year's base rent (excluding an override).

Opinion of Vacancy Between Tenants: 8 months (Downtime between leases is prior to renewal probability of 60%; effective vacancy is 3 months.)

Vacancy and Credit Loss: 5.00% (average; applied to all tenants)

Terminal Capitalization Rate: 6.00% (applied to reversion year net operating income)

Transaction Costs in Reversion Sale: 4.00% (includes brokerage, legal fees and estimated transfer taxes)

Discount Rate: 8.00% (see Discount Rate Analysis)

Date of Market Value "As Is": November 1, 2012

Indicated Value "As Is": \$200,000,000 (As of November 1, 2012)

Implicit First year Capitalization Rate: 4.22%

Date of "Prospective Market Value": November 1, 2015

Indicated "Prospective Market Value": \$240,000,000 (As of November 1, 2015)

Implicit First year Capitalization Rate: 7.13%

**DIRECT CAPITALIZATION**

Net Operating Income: \$17,121,926 (As of November 1, 2015)

Capitalization Rate: 7.00%

Reconciled "Upon Stabilized Occupancy": \$245,000,000 (As of November 1, 2015)

**RECONCILED VALUE**

Indicated Value "As Is": \$200,000,000 (As of November 1, 2012)

Per Square Foot (NRA): \$169.84

Indicated "Prospective Market Value": \$240,000,000 (As of November 1, 2015)

Per Square Foot (NRA): \$203.80

**FINAL VALUE CONCLUSION**

Market Value "As Is" Leasehold Estate:	\$200,000,000 (As of November 1, 2012)
Per Square Foot (NRA):	\$169.84
Implied Capitalization Rate:	4.22%
"Prospective Market Value" Leasehold Estate:	\$240,000,000 (As of November 1, 2015)
Per Square Foot (NRA):	\$203.80
Implied Capitalization Rate:	7.13%
Exposure Time:	6 months
Marketing Time:	6 months

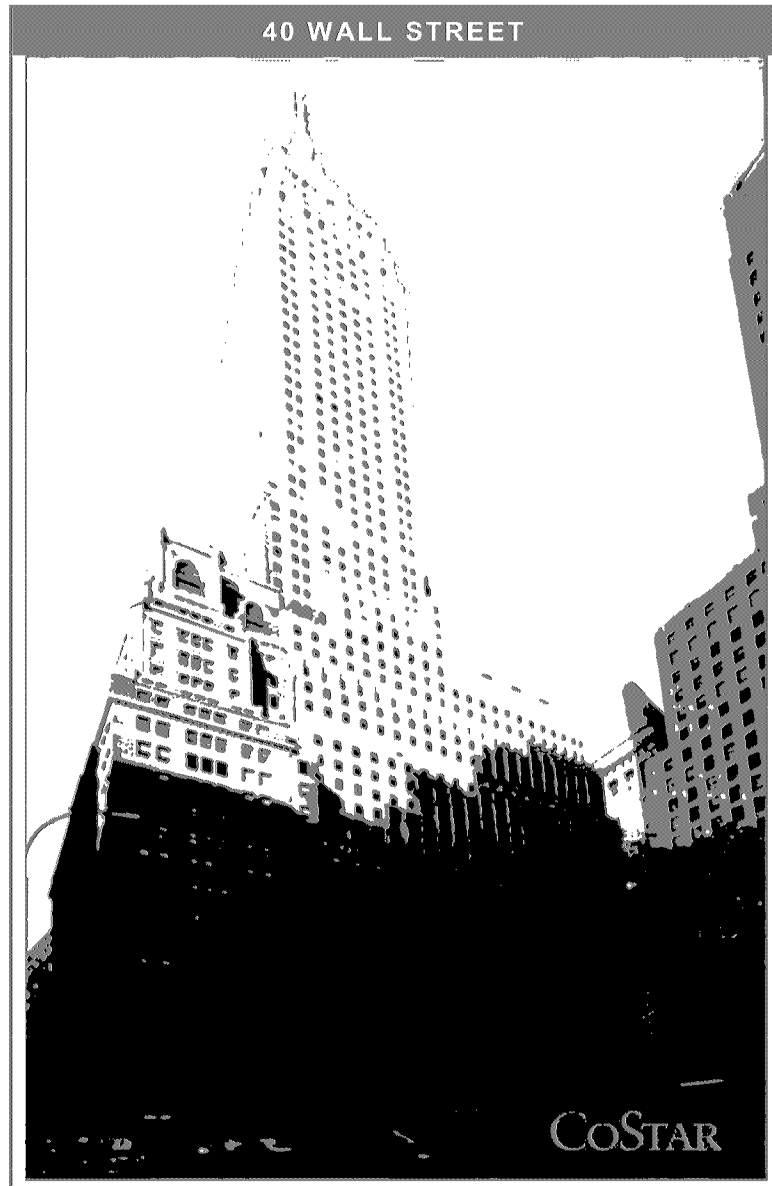
**EXTRAORDINARY ASSUMPTIONS**

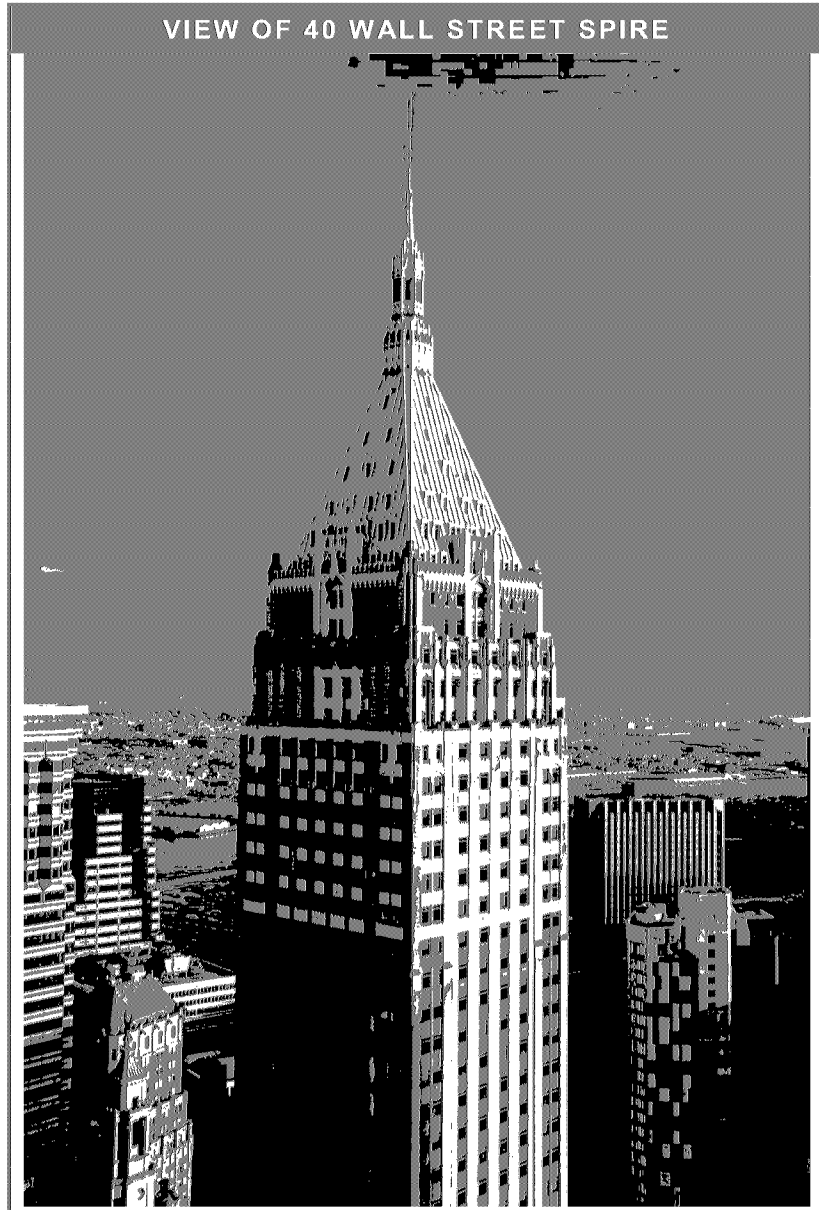
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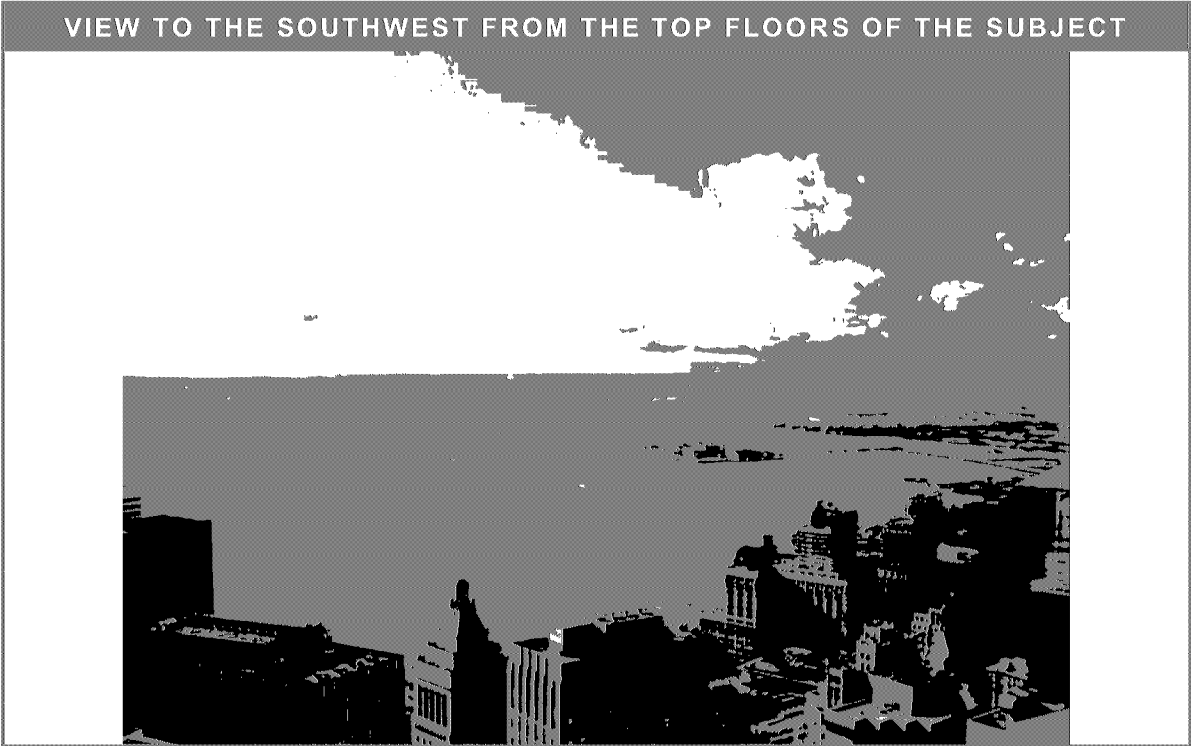
**HYPOTHETICAL CONDITIONS**

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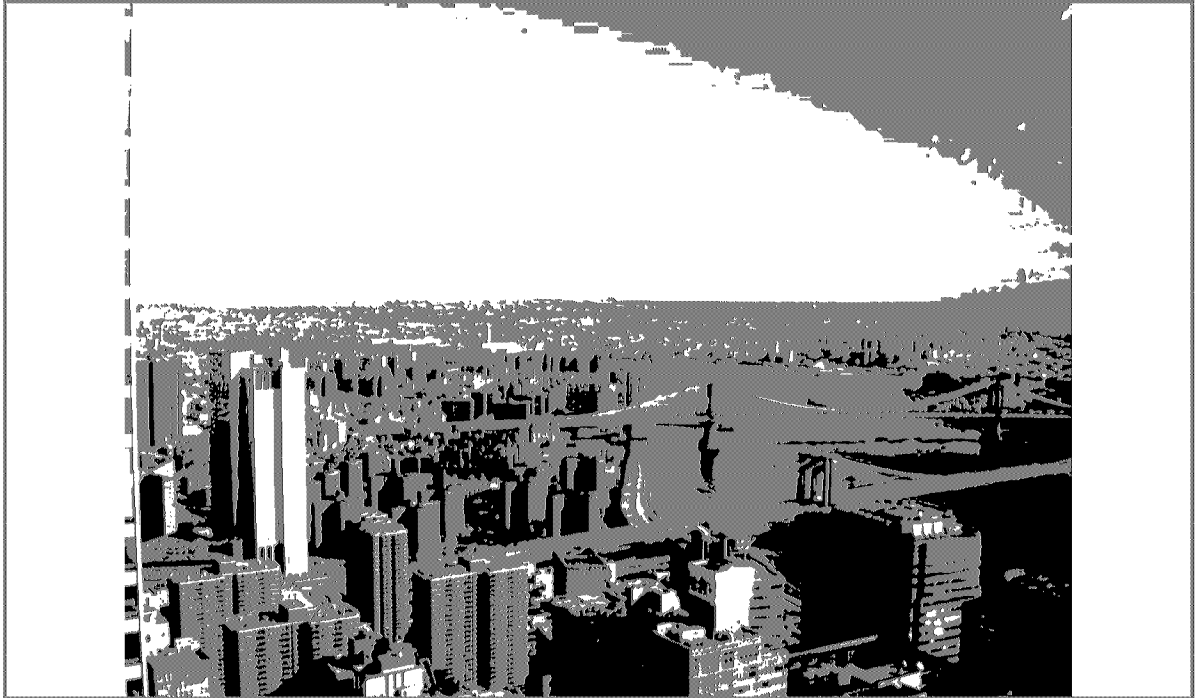








VIEW TO THE EAST FROM THE TOP OF THE SUBJECT



TYPICAL STREET VIEW



VIEW OF WALL STREET LOOKING WEST; THE SUBJECT IS ON THE RIGHT



VIEW OF WALL STREET LOOKING EAST; THE SUBJECT IS ON THE LEFT



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## INTRODUCTION

### SCOPE OF WORK

This appraisal, presented in a self-contained report, is intended to comply with the reporting requirements outlined under the USPAP for a self-contained appraisal report. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

In the process of preparing this appraisal, we:

- Inspected the exterior and interior of the building and site improvements with a representative of ownership.
- Interviewed a representative of ownership, Jeff McConney of The Trump Organization; the exclusive leasing representative, Richard Feldman of WPG, Inc.; and several leasing and investment sales brokers and market research analysts including Franklin Speyer, Joshua Kuriloff, Tara Stacom, Robert Lowe, Robert Gallucci, Alex Chudnoff, Peter Berti, Robert Thuss, Louis D'Avanzo, James Downey, Gene Spiegelman and Helen Hwang of Cushman & Wakefield, Inc.
- Reviewed a detailed history of income and expense and a budget forecast for 2012 including the budget for planned capital expenditures and repairs.
- Conducted market research of occupancies, asking rents, concessions and operating expenses at competing buildings, which involved interviews with on-site managers and a review of our own data base from previous appraisal files.
- Prepared an opinion of stabilized income and expense (for capitalization purposes).
- Conducted market inquiries into recent sales of similar buildings to ascertain sales price per square foot, effective gross income multipliers and capitalization rates. This process involved telephone interviews with sellers, buyers and/or participating brokers.
- This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.
- The scope of this analysis, and the analysis contained herein, is reflective of "the type and extent of research and analyses in an assignment" (2012 USPAP).

## IDENTIFICATION OF PROPERTY

Common Property Name: 40 Wall Street

Location: Between Williams and Nassau Streets  
New York, New York County, NY 10006

The subject property is located on the north side of Wall Street throughblock to Pine Street between Nassau and William Streets in the Financial East office submarket of Downtown Manhattan.

Property Description: 40 Wall Street is a pre-war 63-story Class A multi-tenant office property built in 1929 (renovated in 1995) containing 1,177,605 square feet of net rentable area (1,061,266 square feet of gross building area) on a 34,360 square foot parcel of land.

The subject property was remeasured by the owners based on a 27.00 percent loss factor, which is consistent in the market. It has been our experience that rentable areas of buildings in New York City exceed the gross buildings areas by factors ranging from 15 to 25 percent per floor which translates to loss factors of 22 to 28 percent per floor based upon REBNY measurements and 26 to 32 percent per floor based upon typical architects' carpetable measurement. These examples assume a full floor tenant. The loss factors are greater for partial floor tenancies.

Based on the rent roll, the current net rentable area is 1,164,667 square feet, while the future remeasured net rentable area is 1,177,605 square feet once the leases that is not remeasured expire. As these leases expire, tenants will be paying rent based on their remeasured area, which is standard in the market.

It should be noted that throughout this appraisal we have analyzed the subject property based on the remeasured net rentable area of 1,177,605 square feet. The comparable sales and comparable rentals in this appraisal were also analyzed based on their remeasured net rentable areas.

Assessor's Parcel Number: Lot 2 in Block 43

Legal Description: We have not been provided with a metes and bounds legal description for the property. However, the property is identified on the tax maps of the City of New York as Lot 2 in Block 43.

## PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership: *Ground Lessor*  
Nautilus Real Estate Inc. and Scandic Wall Limited Partnership  
*Ground Lessee*  
40 Wall Street LLC c/o The Trump Organization



Sale History:	The subject property was acquired by 40 Wall Street LLC c/o The Trump Organization in 1995. There have been no transactions of the property within the past three years to the best of our knowledge.
Current Disposition:	To the best of our knowledge, the property is not under contract of sale nor is it being marketed for sale.

#### DATES OF INSPECTION AND VALUATION

Dates of Valuation:	November 1, 2012 "As Is" November 1, 2015 "Prospective Market Value"
Date of Inspection:	October 19, 2012
Property inspection was performed by:	Douglas H. Larson and Naoum M. Papagianopoulos made a personal inspection of the property that is the subject of this report. Robert S. Nardella, MAI, MRICS reviewed and approved the report but did not inspect the subject property.

#### INTENDED USE AND USERS OF THE APPRAISAL

Intended Use:	This appraisal is intended to provide an opinion of the market value of the leasehold interest in the property for loan underwriting and/or credit decisions. All other uses are unintended, unless specifically stated in the letter of transmittal.
Intended User:	This appraisal report was prepared for the exclusive use of Capital One Bank and/or affiliates. The intended function is for loan underwriting and/or credit decisions by Capital One Bank and/or participants. It may be distributed to the client's attorneys, accountants, advisors and investors. All other uses and users are unintended. It may be distributed to the client's attorneys, accountants, advisors and investors.

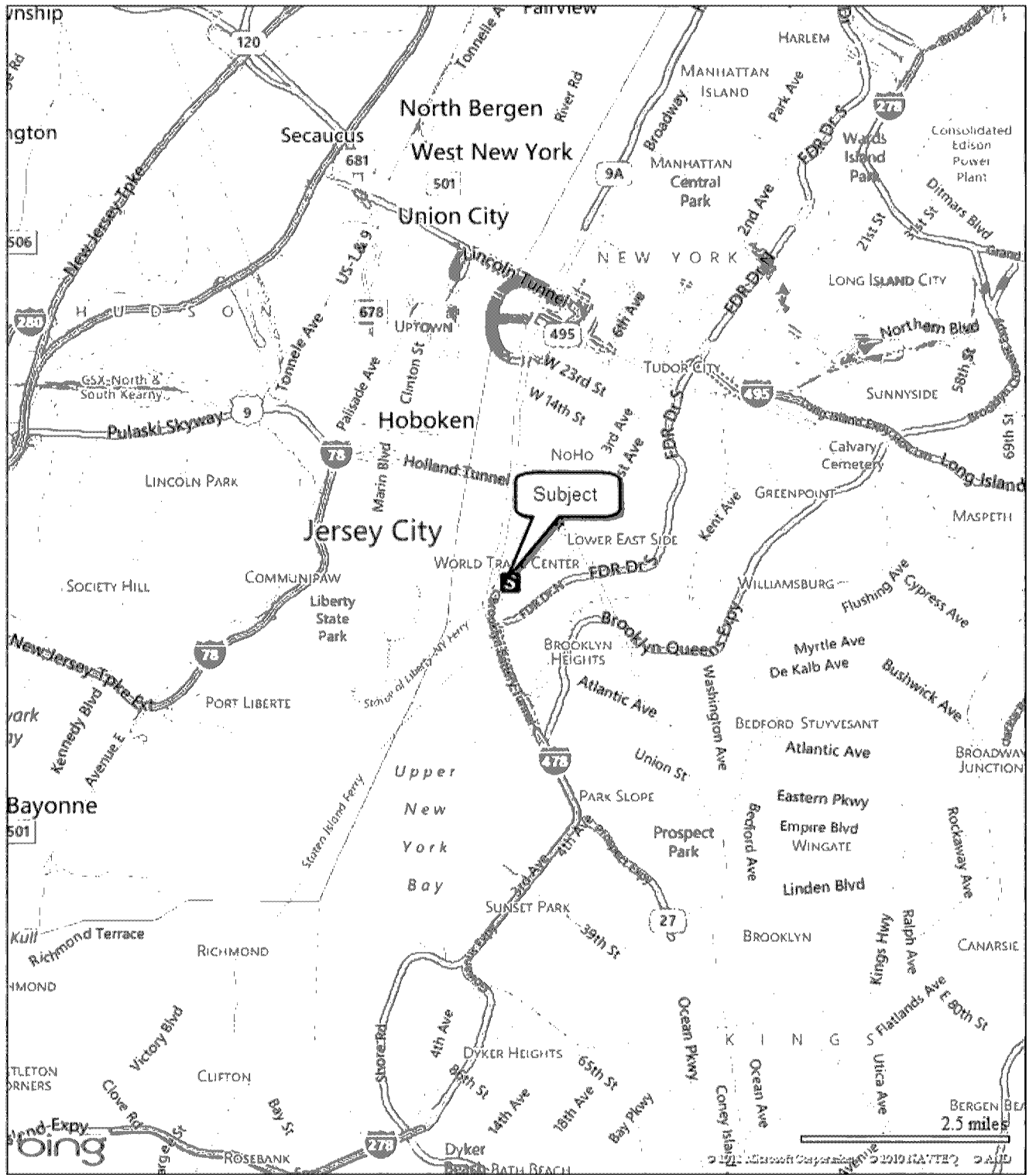
### EXTRAORDINARY ASSUMPTIONS

This appraisal does not employ any extraordinary assumptions.

### HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions.

# REGIONAL MAP



# NEW YORK REGIONAL MARKET ANALYSIS

## INTRODUCTION

### MARKET DEFINITION

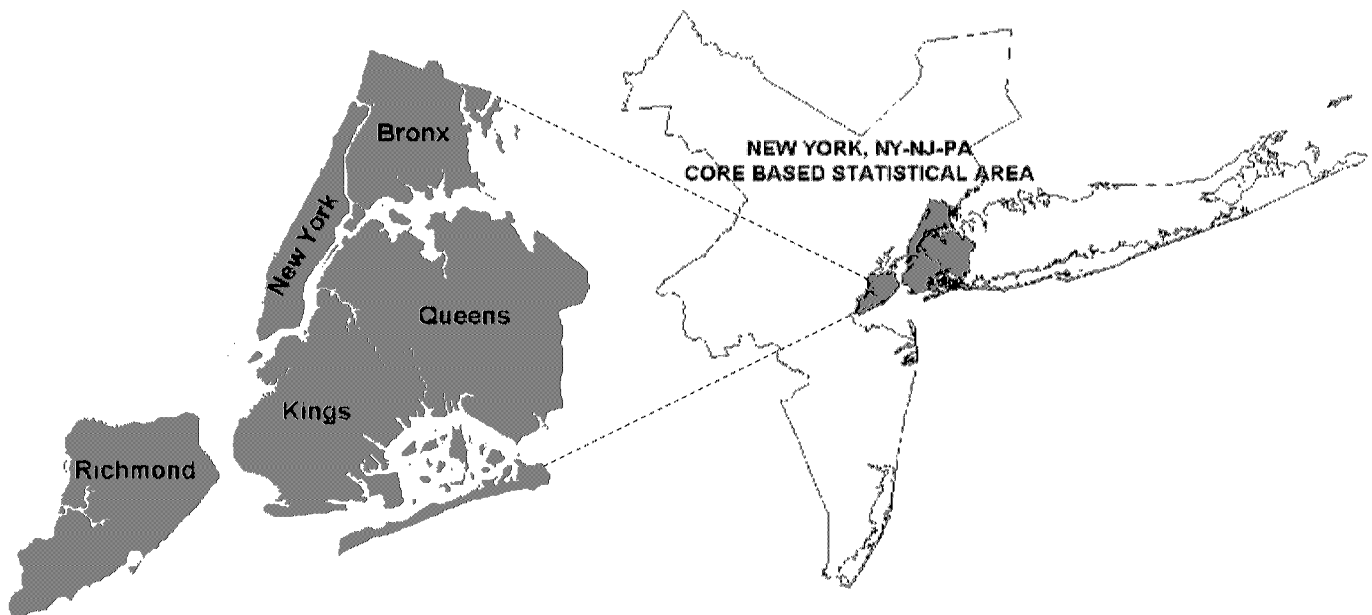
New York City consists of five counties at the mouth of the Hudson River in the southeast area of New York State. The borough of Manhattan, also referred to as New York County, forms the political, financial and cultural core of the City. It is the economic growth engine of the Greater New York Region. The City's other boroughs are Brooklyn, Queens, Staten Island, and the Bronx, otherwise known as Kings, Queens, Richmond, and Bronx counties. The area's vast mass transit infrastructure closely connects the five boroughs as well as the surrounding suburban areas, forming the Greater New York Region. This region covers 21 counties in the southeastern section of New York State, southwestern corner of Connecticut, and Central and Northern New Jersey.

The following are notable points about New York City:

- New York is heavily weighted in the services industries. This creates a large demand for office space within the market.
- The city is home to the two largest stock exchanges in the world, the New York Stock Exchange and the NASDAQ.
- New York is home to many large financial institutions, including: Citigroup, JP Morgan Chase, Barclay's and Bank of America.
- When looking at Fortune 500 companies, 30 are headquartered in New York City.

The following map highlights the Metropolitan Statistical Area (MSA) of New York, NY:

### NEW YORK CITY COUNTIES



Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

## CURRENT TRENDS

Recovery in New York City is complete with all of the jobs lost in recession regained. Only thirty metro-areas have been able to accomplish this out of four-hundred total. The city's payroll employment set a new record in April after private sector employment had done so in January. Hiring in the private sector remains robust, but weakness in the government sector had been holding overall employment back. The local government is still having financial issues and has continued to reduce employment, mostly through attrition. Wall Street has been shedding jobs in the beginning of the year but the industry is expected to return to growth by the third quarter. Despite this, New York City's recovery is still outpacing the rest of the country.

The city's tourism industry has been one of the biggest drivers of the recovery. According to NYC & Co., total visitors to the city rose to 50.5 million in 2011, a record high. Tourists spent \$32.0 billion at local businesses, which drove employment increases in hospitality and retail sectors. Broadway reported record numbers for the 2011-2012 season with \$1.1 billion in revenue. Performance like this is expected to continue as New York City draws in more tourists and their discretionary income.

Further considerations are as follows:

- The health of the tourism industry has created a building boom in the city. From 2012-2014, 6,200 hotel rooms will be added to the city's inventory. Bringing total active inventory to 96,000 rooms.
- More than one-quarter of the city's exports of manufactured goods go to the European Union (EU). Meaning a possible recession in the EU could drastically affect the metro-area's export industry. New York City is also at risk from the EU banking system. Many of the largest financial companies have headquarters in the city and hold large assets in the EU. If these underperform it could inflict more stress on the financial system in the city.
- New York is currently seeing a migration of its middle class out of the city. The cost of living within the city is around 30.0 percent higher than the national average, and has outpaced median household income growth, causing many middle class families to leave for more affordable areas.
- The city's population growth and household formation will underperform when compared to the country. This is not surprising given the high cost with entering the city.
- New York's GMP grew by 3.3 percent in 2011, almost twice the national average. The city's business services and tech industries have added to gains from tourism, leading to such an impressive gain. For 2012, growth will remain above the country with a forecasted rate of 2.4 percent.
- Annual revisions sent the unemployment rate up in January to 9.3 percent, well above the national average of 8.3 percent. As of April, the unemployment rate is 9.5 percent. While the city is seeing very strong employment growth, this has brought significant increase to the labor force with so many opportunities now available. Unemployment may remain high because of this but it does not paint an accurate picture of the labor market.

## DEMOGRAPHIC TRENDS

### DEMOGRAPHIC CHARACTERISTICS

New York is seeing its middle class disappear. The statistics provided below show the city is well above the national averages in household income at both the top and bottom of the spectrum. However, the city is clearly behind the country in the middle income brackets. This is evidence of the migration of the middle class out of the city and to more affordable living areas. Over the past several years there has been much talk about this subject and how this will affect the city. Currently, the cost of living in New York City is 30.0 percent higher than the rest of the country. For the middle class to return to the city, the local government will need to take steps to alleviate such high income requirements.

The city also has a gap in its education levels. There is a larger than usual percentage of the population with less than a high school education, as well as a higher percentage of citizens with college degrees.

Further considerations are as follows:

- New York has seen its median age decrease slightly recently to 36.0 years, lower than the national median of 37.0 years. This is another year in which the median age has decreased, possibly a result of the expanding tech industry.
- New York's average household income (\$71,216) is slightly higher than the country (\$67,303). When looking at median household income, the roles are reversed. Median income in New York is \$47,277, while the country's median household income is \$49,540.
- New York City leads the national average in residents with at least a Bachelor's Degree by 6.0 percentage points. The city does boast a large number of institutions of higher learning along with diverse industries that require such education. This makes New York City an attractive destination for many businesses.

The following chart compares the demographic characteristics of New York City with the demographic characteristics of the U.S.:

Demographic Characteristics New York City vs. United States 2012 Estimates		
Characteristic	New York City	U.S.
Median Age (years)	36.0	37.0
Average Annual Household Income	\$71,216	\$67,303
Median Annual Household Income	\$47,277	\$49,540
<i>Households by Annual Income Level:</i>		
<\$25,000	29.5%	23.8%
\$25,000 to \$49,999	22.8%	26.7%
\$50,000 to \$74,999	16.6%	19.5%
\$75,000 to \$99,999	10.7%	11.9%
\$100,000 plus	20.5%	18.2%
<i>Education Breakdown:</i>		
< High School	21.0%	14.9%
High School Graduate	24.9%	28.7%
College < Bachelor Degree	20.4%	28.5%
Bachelor Degree	19.9%	17.6%
Advanced Degree	13.9%	10.3%

Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

## POPULATION

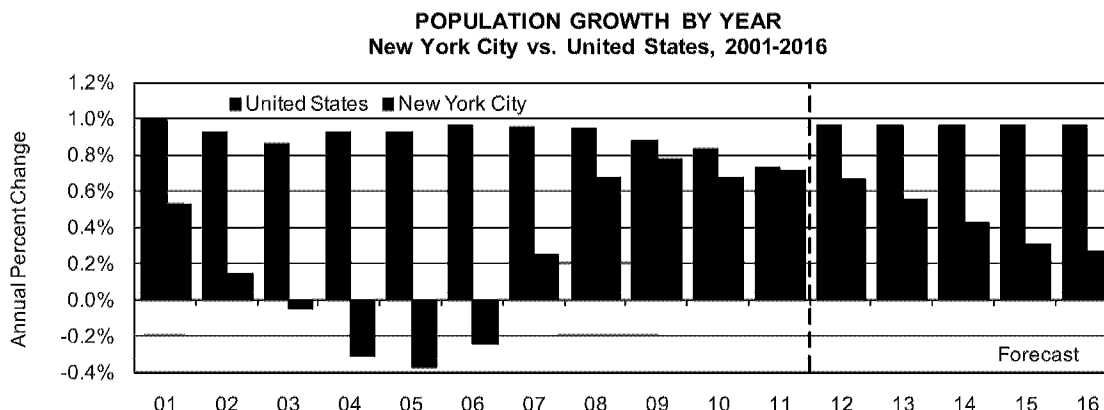
The population density in New York City will always prevent the city from growing at national averages. Currently, the population of New York City sits at 8.2 million. Expanding upon this is difficult considering how little buildable land there is. In recent years, a trend of redeveloping former industrial buildings and industrial parcels into high-rise or luxury residences has increased the potential population growth of the city. The recession halted many of these projects from moving forward, and the lack of financing for residential real estate development means housing inventory in the city will remain relatively flat, limiting population growth.

Further considerations are as follows:

- Between 2001 and 2011 New York averaged an annual population growth of 0.2 percent. The nation, during the same time frame, grew at an annual rate of 0.9 percent.

- Population growth for the next five years will continue to be low in New York. The average annual rate is forecasted at 0.3 percent, compared to the expected national annual growth rate of 0.8 percent. Population growth is often affected by employment growth, meaning the gains seen in the private sector are driving growth this year.

The following graph compares historical and projected population growth between New York City and the U.S. as a whole:



Source: Data Courtesy of Moody's Economy.com and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

The following table shows New York City's annualized population growth by county:

Annualized Population Growth by County New York City 2001-2016						
Population (000's)	2001	2011	Forecast 2012	Forecast 2016	Compound	Compound
					Annual Growth Rate 01-11	Annual Growth Rate 12-16
United States	284,969.0	311,591.9	314,609.5	326,956.5	0.9%	0.8%
<b>New York City</b>	<b>8,059.8</b>	<b>8,244.9</b>	<b>8,300.2</b>	<b>8,431.2</b>	<b>0.2%</b>	<b>0.3%</b>
Bronx County	1,346.6	1,392.0	1,401.2	1,423.4	0.3%	0.3%
Kings County	2,477.3	2,532.6	2,551.3	2,605.5	0.2%	0.4%
New York County	1,555.7	1,601.9	1,611.7	1,621.5	0.3%	0.1%
Queens County	2,231.3	2,247.8	2,262.1	2,300.3	0.1%	0.3%
Richmond County	449.0	470.5	473.9	480.5	0.5%	0.3%

Source: Data Courtesy of Moody's Economy.com, Cushman & Wakefield Valuation & Advisory

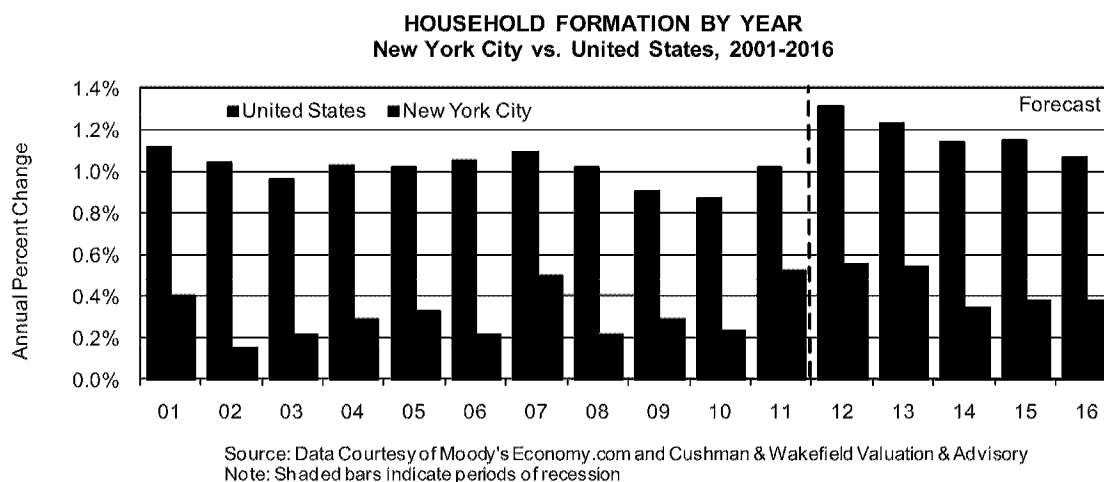
## HOUSEHOLDS

Much like population growth, New York City continually lags the country in household formation, and for many of the same reasons mentioned previously. There is not much buildable land and high construction costs keep residential inventory low. This will hinder the city's household growth for quite some time. According to Citi-Habitats, New York City has the tightest rental market with only 0.9 percent vacancy in May, also making it much harder to enter the city.

Further considerations are as follows:

- From 2001 to 2011 household formation grew at an annual rate of 0.3 percent, lower than the national average of 1.0 percent.
- Over the next five years the city's annual rate is expected to be 0.3 percent, while the national annual rate will rise to 0.9 percent.

The following graph compares historical and projected household formation growth between New York City and the U.S. as a whole:



## ECONOMIC TRENDS

### GROSS METRO PRODUCT

One of the city's biggest new growth drivers has been the tech industry. Giants like Google and Facebook have been expanding while smaller tech firms and startups are popping up in "Silicon Alley". The industry has actually been one of the biggest consumers of office space in the city this past year. Expansion will continue as Cornell University will build a \$2.0 billion high-tech graduate school on Roosevelt Island. It will take a little time before new jobs and businesses spring from this project but the industry will own a larger and larger share of the city's economic output. In fact, New York City's tech industry is leading the country in growth.

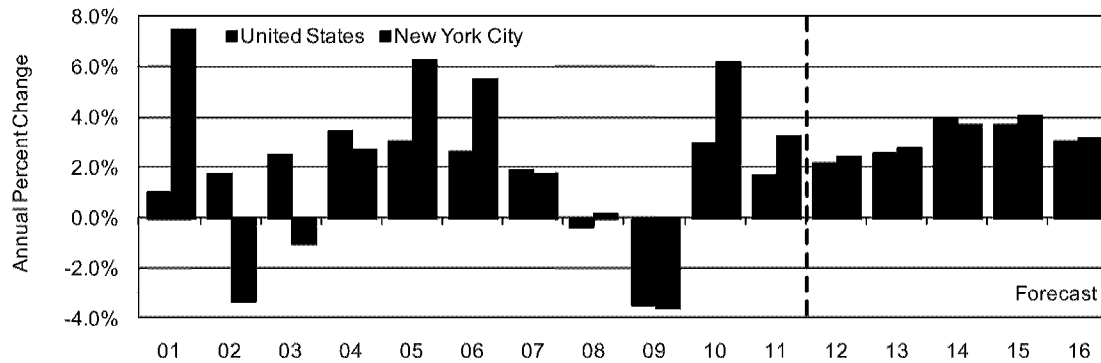
Another industry seeing large growth is the city's tourism industry. NYC & Co. estimates the industry contributes around 20.0 percent to total GMP annually. High tourism generates revenue for both leisure/hospitality and retail sectors. NYC & Co. reports New York City saw a record of 50.5 million visitors in 2011. This boom in the industry is why we see such expansion in related employment sectors, and will contribute more to GMP for the next several years. This is one of the main drivers of New York City's economic recovery.

Further considerations are as follows:

- Between 2001 and 2011, New York averaged 1.8 percent annual GMP growth, slightly higher than the national average of 1.6 percent. The expansion of the financial sector drove much of this growth.
- The city's GMP is expected to outperform the country for the next five years, averaging an annual rate of 2.9 percent and slightly higher than the national annual rate of 2.6 percent.

The following graph compares historical and projected GMP growth by year for New York City and U.S. as a whole:

**REAL GROSS PRODUCT GROWTH BY YEAR**  
New York City vs. United States, 2001-2016



Source: Data Courtesy of Moody's Economy.com and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

### EMPLOYMENT DISTRIBUTION

New York City is heavily weighted in office-using employment, 32.1 percent of employment compared to 24.4 percent for the national average. This is one reason the city has been able to expand economically at faster than average rates. It also isn't saddled by traditionally underperforming sectors like manufacturing.

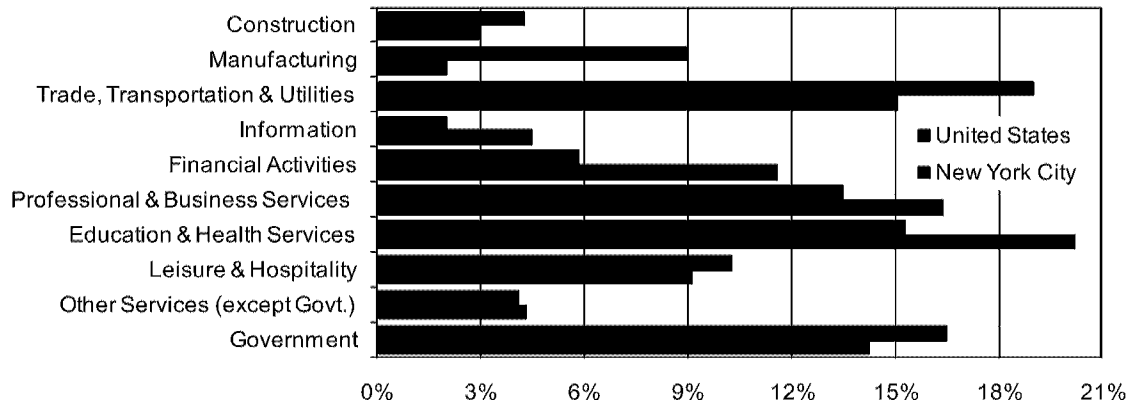
Further considerations are as follows:

- More New Yorkers are employed in education/health services than any other sector, comprising 20.2 percent of the workforce. The national average is currently at 15.3 percent.
- The sector with the lowest employment in the city is manufacturing, which accounts for 2.0 percent of the workforce. The sector accounts for 8.9 percent of the national workforce. This reflects how heavy the services industry is in the MSA.
- Employment in the financial activities sector is almost double the national average, 11.5 percent to 5.8 percent. New York City being the headquarters of many large financial institutions as well as Wall Street swells employment in this sector

The following graph compares non-farm employment sectors for New York City and the U.S. as a whole:



**EMPLOYMENT BY SECTOR**  
**New York City vs. United States**  
**2012 Estimates**



Source: Data Courtesy of Moody's Economy.com and Cushman & Wakefield Valuation & Advisory

## MAJOR EMPLOYERS

New York City's list of major employers is a diverse group of companies, many of which also appear on Fortune 500 lists. This is, for the most part, excellent for the local economy. The downside is that having so many global companies exposes the local economy to downturns in many regions across the world.

Further considerations are as follows:

- The largest employer of the city is the Metropolitan Transit Authority. The government-owned company rushes millions of passengers through New York City each day.
- As the financial capital of the world, it is not surprising to see two of the three largest employers in the market are financial services companies. JP Morgan Chase & Company is currently the third largest company in New York, followed by Citigroup.
- As previously stated, the education/health services sector is the largest in the city, so it is not surprising that much of the list is populated by employers in this sector. There are five hospitals and one university in the top ten.

The following table lists the New York City's largest private employers, and highlights the diversified nature of the regional employment concentration:

### Largest Employers New York City, NY

Company	No. of Employees	Business Type
Metropolitan Transportation Authority	66,240	Transportation
New York City Health and Hospitals Corp.	36,964	Healthcare
JP Morgan Chase & Company	24,927	Financial Services
Citigroup, Inc.	24,442	Financial Services
North-Shore Long Island Jewish Health System	19,872	Healthcare
Continuum Health Partners, Inc.	18,974	Healthcare
Mount Sinai Medical Center	18,386	Healthcare
NYU Langone Medical Center	15,705	Healthcare
Macy's, Inc.	15,100	Retail
Columbia University	15,080	Education

Source: Crain's New York Business, April 2011 & Cushman & Wakefield Valuation & Advisory

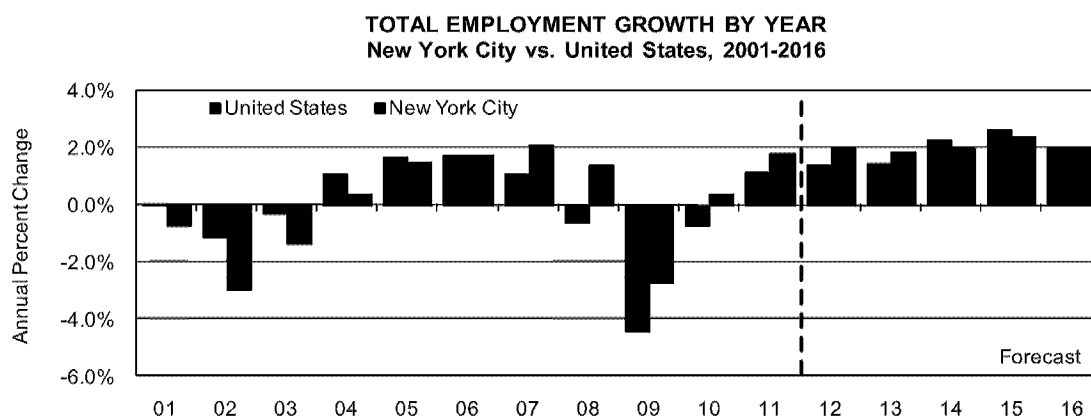
## EMPLOYMENT GROWTH

New York City has now reached a new peak in overall employment in April of 2012. Private sector employment had reached a new peak in January but the public sector has been shedding jobs. The sector is down 0.7 percent in April from a year prior. Despite this weakness, almost all employment sectors are showing year-to-year increases.

Further considerations are as follows:

- According to the latest numbers, New York is seeing the greatest growth in the professional/business services sector. In April 2012, the sector was up 5.0 percent from a year ago.
- Leisure/hospitality was the first employment sector to bounce back after the recession. While growth in the sector has slowed, it is still on the rise, up 3.1 percent from a year ago. The resurgence of this sector is mostly driven by the tourism the city is seeing.
- From 2001-2011, employment in New York grew by 0.2 percent annually. During the same time period the nation showed no average annual growth.
- The city is expected to remain in line with the country over the next five years, showing an average annual employment growth rate of 1.7 percent for each.

The following graph illustrates total non-farm employment growth per year for New York City, and the U.S.



Source: Data Courtesy of Moody's Economy.com and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

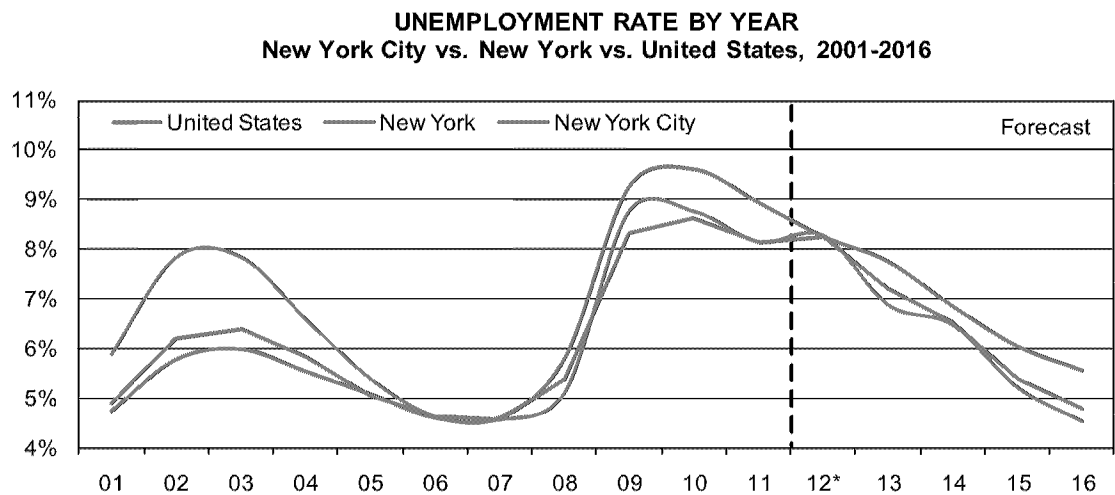
## UNEMPLOYMENT

By the end of April 2012, New York City's unemployment rate was 9.5 percent, according to the Bureau of Labor Statistics. The inflation of the unemployment rate the past few months is likely a result of workers returning to the labor force. Employment in the city has continued to grow despite some economic concerns during the last half of 2011. This will continue through 2012 and the unemployment rate will decrease as a result.

Further considerations are as follows:

- New York City's unemployment rate averaged 6.7 percent from 2001-2011, higher than the nation's 6.4 percent.
- Over the next five years, New York City's unemployment rate will average 6.3 percent compared to 6.9 percent for the country. The city's job sector will continue to improve greatly in the near future and this will pull the city ahead of the national average.

The following graph compares historical and projected unemployment levels for New York City, the state of New York, and the U.S. as a whole:



Source: Data Courtesy of Moody's Economy.com and Cushman & Wakefield Valuation & Advisory  
 Note: Shaded bars indicate periods of recession  
 \*First Quarter 2012

## CONCLUSION

New York City's economic progress is surprising, given such dire forecasts following the financial crisis. Many predicted a very gloomy local economy given the nature of the national recession. The chaos we saw in the financial system was to have horrible impacts in New York City because of its position in the financial world. Having such a diverse employment-base and highly skilled workers has given New York City an advantage in recovery. Local efforts to boost both the tech industry and tourism have been very successful to the economy now and will continue to do so for the future. The city is one of only thirty metro-areas that have recovered all of the jobs lost in recession and employment is reaching new peaks. This will continue despite weakness in the public sector and a recession in Europe.

Further considerations are as follows:

- Many people in the city will be watching the fallout of the European debt crisis. As mentioned earlier, what happens will have an impact upon the city's economy in both the exporting of manufactured goods and the financial system. EU members are working out deals to avoid a crisis but markets have been unstable so far in response. The city has not seen any effect of the crisis in employment or tourism numbers and should be resilient to a slowdown.
- The flight of the middle-class could severely change demographics within New York, as it would increase the income gap in the city's population. This out-migration will also weigh down population growth and household formation over the long-term.
- The financial problems of the state and city government have caused them to reduce employment. This will continue through 2012 as the budget gap forces further cuts in employment and services. Private sector employment will continue to grow and may gain steam if services industry employers become more confident in the national recovery's strength.
- New York City's GMP will grow slightly higher than the national rate and will outpace the national average over the long-term. Much of this national growth is in manufacturing output, which will lessen in the near future. The city's services-based economy will provide more stable growth for years to come.

# DOWNTOWN OFFICE MARKET ANALYSIS

## INTRODUCTION

### CURRENT TRENDS

Downtown continues to improve in 2012 despite lower leasing activity than a year ago. Renewals have become common and this has kept space on the market low. Since renewals are not counted into leasing activity those numbers don't paint the full picture of the market's health. Downtown will see steady improvement in 2012 on the back of strong employment growth in the city.

Employment in New York City has been growing rapidly the past two years with broad expansion across sectors. The city has added more than 50,000 jobs this year, 17,000 of which were in the professional/business services and financial sectors. These office-using sectors are important for both the city's economy and the Downtown office market. Office-using employment has not reached the previous peak set in 2001 but is well on its way.

Office-using employment is the main growth driver in New York City's office market and is primarily made up of the financial services, professional/business services and information sectors. In total, these industries account for roughly 29.5 percent of employment. New York City has regained all of the office-using jobs lost in recession and is headed toward the city's previous peak office employment total. Much of the city's success is attributable to the technology industry.

New York City's technology industry has expanded greatly in both employment and footprint in Manhattan. The information/media sector, which encompasses the tech industry, now occupies 16.4 percent of total space within Manhattan. Downtown has embarked on an effort to attract these tenants and has signed some major deals. These tenants have been some of the biggest drivers of the Midtown South market's improvement. More of these tenants will look Downtown as Midtown South's vacancy goes lower, bringing higher demand to the market.

Listed below are highlights in the Downtown office market for second quarter 2012:

- Overall vacancy (including all classes and types) ended the quarter down 0.3 percentage points from the first quarter. Overall vacancy is now down to 8.9 percent and is one of the lowest rates for a central business district (CBD) in the country.
- Construction of the World Trade Center site is the dominant story of Downtown. All phases of the project are underway and the office towers are seeing increased interest from tenants.
- Overall asking rents ended the second quarter down \$0.12 per square foot from the first quarter, ending at \$40.06 per square foot. Downtown's direct class A asking rents continue to rise as demand for space grows.
- Absorption, defined as the net gain in occupancy, remains positive through the first half of the year. Total absorption for the year so far is 587,573 square feet. This is one of the more encouraging trends in Downtown this year.
- As stated previously, leasing activity in Downtown is down compared to a year ago. It is also important to note that Downtown leased the most space in a decade last year so a decline is not surprising. There have been more renewals this year which are not counted towards leasing activity totals, which does explain some of the decline. Midtown South to the north is filling up quickly and tenants will likely have to look at Downtown for comparable space. This should bring with it higher activity.
- The Downtown market has been rebranding itself as a "media hub", to capitalize upon deals signed by New York Daily News, Newsweek, Conde Nast and others. Media and technology tenants have been the biggest movers this year and are a major reason the Midtown South market has improved so rapidly. As mentioned earlier, Midtown South is showing little vacancy and many tenants will need to expand their search to Downtown to find comparable space. This rebranding effort along with the growth of these tenants could bring further demand to Downtown.

- The European Debt Crisis continues to rattle markets here in the United States. European buyers have been major players in Manhattan commercial property and could be severely affected if this continues further. If another financial crisis takes place the fallout could spread to the Manhattan commercial leasing markets.

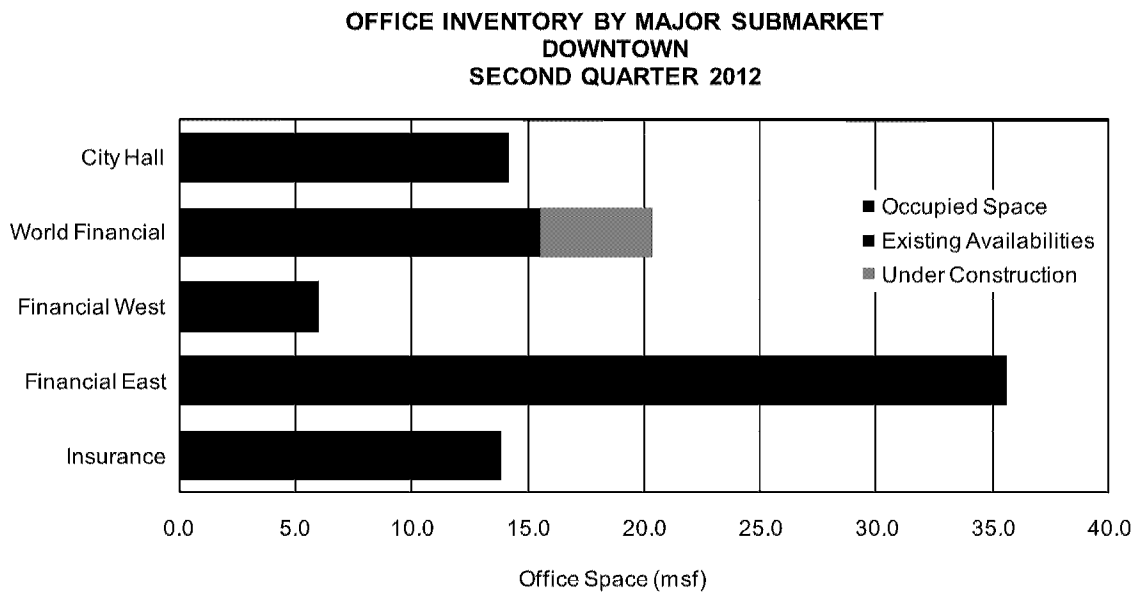
**MARKET CHARACTERISTICS**

Downtown’s office inventory of 85.3 million square feet is geographically segmented into five major submarkets: City Hall, World Financial, Financial East, Financial West and Insurance. Approximately 55.3 percent of Downtown is comprised of Class A product, the majority of which is located in the Financial East submarket.

The following are market characteristics of the Downtown’s submarkets:

- The City Hall submarket is located in the most northern section of the Downtown market, spanning from the east to west side of Manhattan, south of Canal Street and the Brooklyn Bridge. With 14.2 million square feet of office space, City Hall is dominated by 6.3 million square feet of Class A space. Landmark municipal buildings and courthouses, as well as City Hall, are all located in the center of the submarket.
- The World Financial submarket rests in the western portion of Downtown, bordering the Hudson River to the west, the Insurance submarket to the east, Financial West to its south and City Hall to its north. Of the 15.6 million square feet of space making up World Financial, 11.9 million square feet is primary class A space, heavily concentrated in the World Financial Center. All six planned buildings at the Center complex will contain more than 10 million square feet of commercial and retail space.
- The Financial West submarket, with 6.0 million square feet of office space, mostly Class B, is Downtown’s smallest submarket.
- Home to the neighborhood known as the Financial District, Financial East, with 35.6 million square feet of office space, is Downtown’s largest submarket. Home to many of the city’s financial institutions and their headquarters, Financial East is comprised of 64.7 percent Class A office space.
- The Insurance submarket is located on the eastern side of the Downtown market, south of City Hall and north of the Financial East submarkets. The 13.9 million square foot Insurance submarket is comprised of 41.0 percent Class B office space.

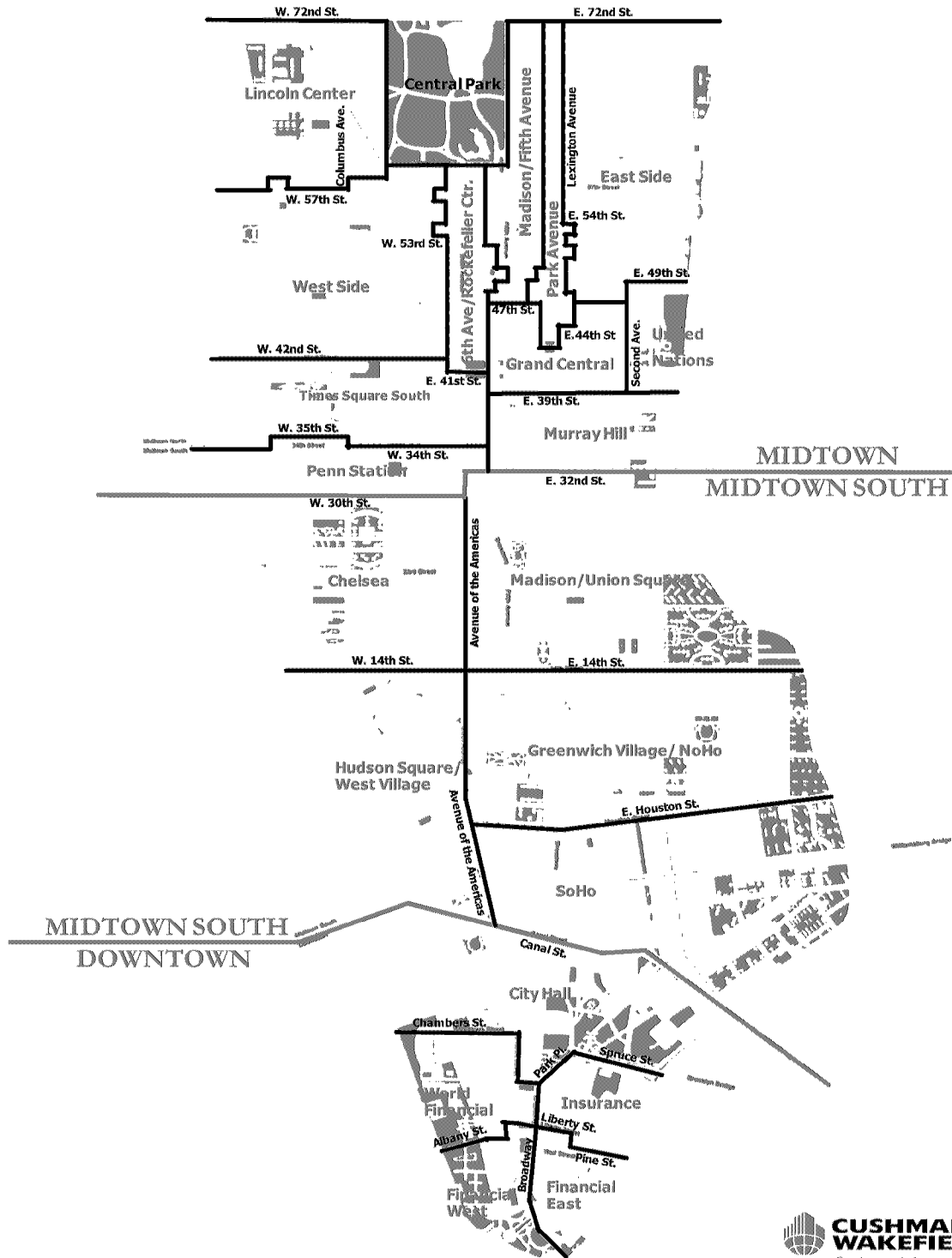
The following graph demonstrates the Downtown office market’s office submarket breakdown:



Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory



The following map of Manhattan provides approximate boundaries for each of the borough's major office markets:



## SUPPLY ANALYSIS

### VACANCY

Overall vacancy continues to fall this year as the second quarter ended 0.3 percentage points lower than the first quarter to 8.9 percent. While financial firms hold the biggest footprint in Downtown, the market has recently had success in luring media and technology tenants. Tenants in those industries have leased the highest amount of space this quarter, ahead of financial tenants. This is a necessary trend for the future of Downtown, as it is unclear whether financial tenants will be able to drive leasing activity as they used to.

Further considerations are as follows:

- Class A direct vacancy fell to 7.2 percent this quarter. This is down 0.7 percentage points from the previous quarter. Since the recession, much of the activity in Downtown has been in higher-quality class A space. Many tenants have been taking advantage of favorable prices and incentives on such space.
- The Financial East submarket's direct vacancy rate of 11.8 percent was again the highest in the market, but down 0.8 percentage points from the previous quarter. The addition of a large block of space at One State Street Plaza added 129,355 square feet to the statistical sample which did hold back the submarket's progress.

The following chart shows Downtown's submarket statistics for the second quarter:

Office Market Statistics by Submarket									
Downtown Manhattan									
Second Quarter 2012									
Market/Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Construction Completions	YTD Overall Absorption	Under Construction	Direct Wtd Avg Class B Asking Rent	Overall Wtd Avg Asking Rent	
CBD									
City Hall	14,186,204	2.2%	1.8%	0	428,629	0	\$36.02	\$35.61	
World Financial	15,570,956	4.7%	3.5%	0	-90,735	4,791,110	\$38.59	\$45.59	
Financial West	5,986,809	12.1%	11.4%	0	235,676	0	\$34.60	\$34.30	
Financial East	35,611,455	14.1%	11.8%	0	-82,019	0	\$35.26	\$41.22	
Insurance	13,897,097	5.9%	4.8%	0	96,022	0	\$34.24	\$34.56	
<b>DOWNTOWN CBD TOTAL</b>	<b>85,252,521</b>	<b>8.9%</b>	<b>7.5%</b>	<b>0</b>	<b>587,573</b>	<b>4,791,110</b>	<b>\$35.38</b>	<b>\$40.06</b>	

Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory

### CONSTRUCTION

In New York City, concern over the construction of megalithic office towers, such as the Manhattan West project has been raised. Building trends in recent years indicate developers of office properties are sacrificing aesthetics and quality-of-life to construct as big of towers as allowable, according to Bloomberg Architecture critic James Russell. Land is so valuable that every square foot is necessary to many developers. Concerns are that if buildings like these continue to be built, they could severely impact the quality-of-life of residents by limiting sunlight and fresh air to those at street level.

Proponents of this construction mention the need for New York City to keep pace with international cities like Shanghai, Singapore and Sao Paulo, as cities like these have been building state-of-the-art office towers at a much faster rate than New York City. According to the Real Estate Board of New York, almost 90.0 percent of existing Manhattan office space was built before 1970 and the average age for Downtown buildings is 75.1 years. Some fear that this will hurt the city's attractiveness to international corporate tenants and could restrain rent growth down the line.

The debate will only intensify as financing for these projects becomes available with improved economic conditions.

Below is a list of construction developments in the Downtown market:



- The Fulton Street Transit Center is located on the southeast corner of Fulton Street and Broadway, and will improve connections to six existing lower Manhattan subway stations. The project will also connect with the PATH service and the World Trade Center site.
- Construction in Downtown Manhattan is solely represented by the World Trade Center site. When completed, 10.6 million square feet of office space will be completed.

The following graph summarizes construction completions within the Downtown office market:



Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory

## WORLD TRADE CENTER

The major talking point in the Downtown market is of course the World Trade Center Site. The project is comprised of six LEED Gold Certified office buildings in total (one, two, three, four, five and seven) which, aside from One World Trade Center and Five World Trade Center, is being developed by Silverstein Properties. A memorial to the victims and families of 9/11, a 550,000 square foot retail concourse and a performing arts center, will also occupy the complex. The sustainability efforts of every part of the project make it the most environmentally conscious complex of its size in the world. The project, when completed, will be a symbol for the Downtown office market, New York City and the country as a whole.

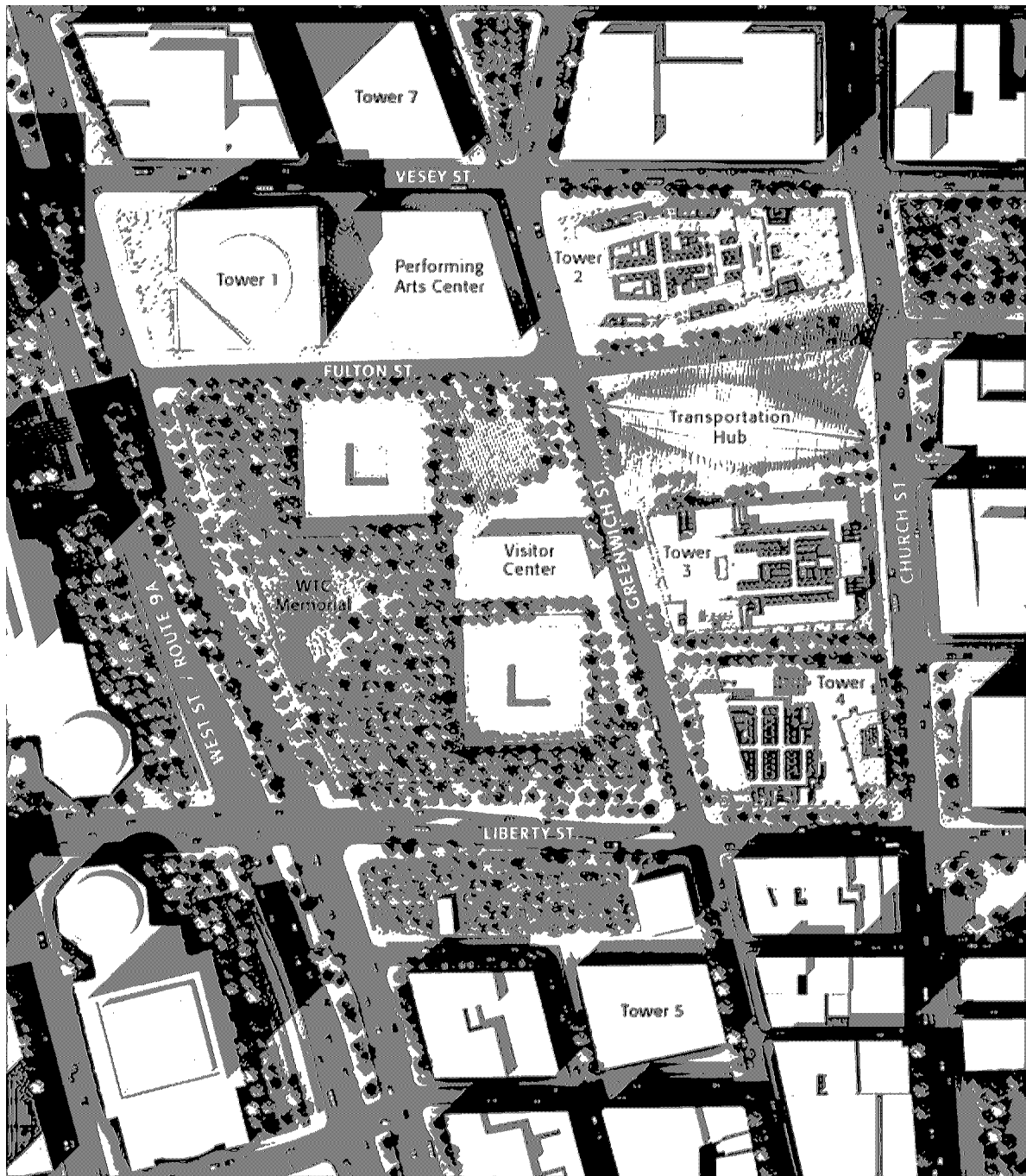
With vacancy rates dropping in the Downtown market this past quarter, concern with the amount of space the site will add to inventory is not as significant. When completed, the project would add 10.6 million square feet of space to the market's inventory. This excludes Seven World Trade Center, as it has been completed.

Further considerations as follow:

- Construction on the World Trade Center site's centerpiece, the 2.6 million square foot One World Trade Center, began in June 2006 and will be the tallest skyscraper in America once completed. One World Trade is going to take advantage of the latest green technology with renewable energy, interior day lighting, reuse of rainwater and recycled construction debris. The tower, developed by The Port Authority of New York and New Jersey has reached the 102nd story and is expected to finish in 2013. It is now the tallest building in Manhattan.

- With a crystalline design culminating in a diamond-shaped summit, Two World Trade Center (200 Greenwich Street) will be the second tallest tower of the World Trade Center site and the second tallest in New York City. In total, the building will contain 2.3 million square feet of preleased office space and 138,000 square feet of retail space. Construction has begun, with the foundation of the building taking shape. The podium is expected to finish by August 2012.
- Three World Trade Center (175 Greenwich Street) is an 80-story, 2.8 million square foot office building with a foundation currently under construction. The building will also house 133,000 square feet of retail and the curtain wall enclosure is scheduled to be completed by the summer of 2014. Recently, Silverstein has stated that if an anchor tenant isn't secured by the end of 2012 he may cap the building at seven stories and seek retail tenants. The cap could be removed at a later date if needed. Without 400,000 square feet preleased and \$300.0 million of financing secured the Port Authority will not guarantee the debt on the tower.
- Four World Trade Center (150 Greenwich Street) is the fourth tallest building of the World Trade Center site. The building has reached its cap of 72 stories and expected to complete in 2013. As of now, the 1.9 million square foot building is 45.7 percent preleased, with 140,000 square feet of retail space set to occupy the first five floors. A \$1.3 billion municipal bond deal may be sold soon to help finance the construction of the tower. The offering had originally been scheduled to sell in December 2010 but was delayed due to volatile pricing conditions.
- Five World Trade Center (130 Liberty Street) was previously the Deutsche Bank Building, which was irreparably damaged in the attacks of September 11th. Deconstruction of the building has been intermittent since 2006, with a fire in 2007 causing a delay in the project. As of January 2011, the structure has been deconstructed. The approved redevelopment plans call for a 40-story 1.3 million square foot office building to be developed by the Port Authority of New York and New Jersey. Construction has commenced with steel and concrete placement of the south bathtub.
- Seven World Trade Center (250 Greenwich Street) is the only office building of the World Trade Center site to have been completed. Construction of the building began in 2002 and completed in 2006. With the signing of MSCI the building is fully leased.
- The National September 11th Memorial & Museum broke ground in August 2006, and is located on the site of the former twin towers. A beautiful park with two manmade waterfalls at ground level, with the museum seventy feet below. The memorial is now open to the public and the museum will open at a later date.
- The retail portion of the World Trade Center is being developed by The Port Authority of New York and New Jersey with help from Silverstein Properties. The 550,000 square foot project will have hundreds of thousands of commuters and travelers passing through daily. The plans call for six levels of retail space, two of which will be below-grade space extending from the World Financial Center. Construction is expected to complete in 2014 and will be the focal point of the resurgent Downtown retail market.
- A new performing arts center will be located on the northwest corner of Fulton and Greenwich Streets. The 1,000 seat center will be solely occupied by Joyce Theater, a modern dance focused troupe. Construction has not begun because funding has not been secured and a temporary exit for the PATH train is on the site currently.
- The architecturally beautiful transportation hub in the World Trade Center Site is expected to accommodate 250,000 pedestrians a day. Designed by Santiago Calatrava, the winged structure is another work of art adorning the complex. The hub will include a multi-story transit hall and 200,000 square feet of high-end retail. A corridor will also connect the hub to the Fulton Street Transit Center. In total, commuters will have access to other transportation locations on and around the hub including the Hudson River Ferry, the PATH service, 13 subway lines and the proposed JFK rail link. This development is a joint effort between the Port Authority of New York and New Jersey and the Federal Transit Administration.

The following rendering is courtesy of Silverstein Properties:



## ASKING RENTS

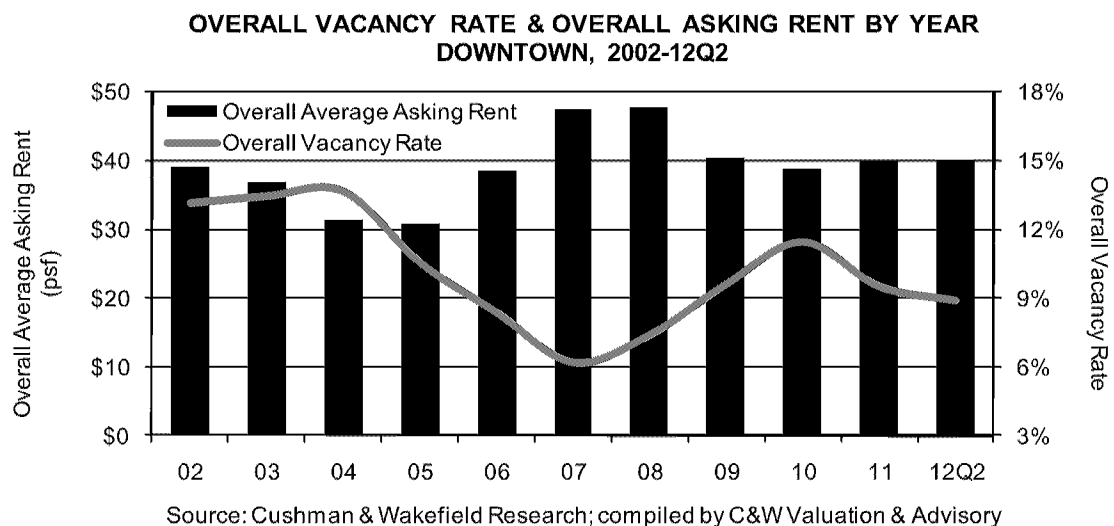
Historically, Downtown has had some of the highest asking rents in the nation. At the peak of the market in the third quarter of 2008, Downtown had the third highest overall asking rents at \$50.89 per square foot. This was behind only Midtown New York and Midtown South New York. As with most markets, the recession dropped asking rents to the level they were at the end of 2006.

Downtown's asking rents have remained relatively stable this year. Overall asking rents have fallen \$0.12 per square foot to end the quarter at \$40.06 per square foot. Overall asking rents should remain over \$40.00 per square foot this year with strong demand. It was feared that after the financial crisis the Downtown market would languish for several years as the financial tenants with the largest footprint in the area suffered during the fallout. As mentioned earlier, media and technology tenants have been the biggest dealmakers recently and have been the biggest drivers of Midtown South's improvement. As Midtown South's vacancy declines, tenants have expanded their search to both Midtown and Downtown. The overflow from Midtown South should add healthy demand.

Further considerations include:

- Downtown's class A direct asking rents raised this past quarter by \$0.13 per square foot to \$46.10 per square foot.
- The World Trade/World Financial submarket held the highest class A direct rents with \$58.84 per square foot. The submarket is home to several large high-quality buildings like the World Financial Center and World Trade Center, which command higher rents than many other Downtown buildings. The Financial West submarket is the only one not showing quarterly growth.

The following graph highlights the inverse relationship between the overall vacancy rate and overall asking rents in the Downtown office market since 2002:



## DEMAND ANALYSIS

### LEASING ACTIVITY

As stated previously, leasing activity is down from a year ago. Downtown had its best year in a decade in 2011 in terms of leasing activity so it is hard to compare. However, there have been many renewals this year and these do not count towards statistics. Morgan Stanley alone signed a 1.2 million square foot renewal in the second quarter. It is this sort of activity that has kept the market healthy this year. As tenants look to Downtown, with Midtown South filling up, demand for space will grow. Downtown will not match last year's totals but the market will continue to improve in 2012 because of greater demand.

The following points summarize Downtown's office leasing:

- The New York Film Academy signed the largest deal of the quarter, taking 73,321 square feet at 17 Battery Place South.
- Another education tenant, Kings College, signed the second largest deal of the second quarter at 52 Broadway for 51,750 square feet.
- The Financial East submarket has seen 45.2 percent of the total leased square feet in Downtown during the first half of the year. So far, 1.3 million square feet of space has been leased.

The following table highlights significant leasing transactions in Downtown for the second quarter:

Significant Office Market Lease Transactions Downtown Manhattan Second Quarter 2012			
Building Address	Submarket	Tenant	Size (sf)
17 Battery Place South	Financial West	New York Film Academy	73,321
52 Broadway	Financial East	Kings College	51,750
205 Hudson Street	City Hall	Tory Burch LLC	31,580

Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory

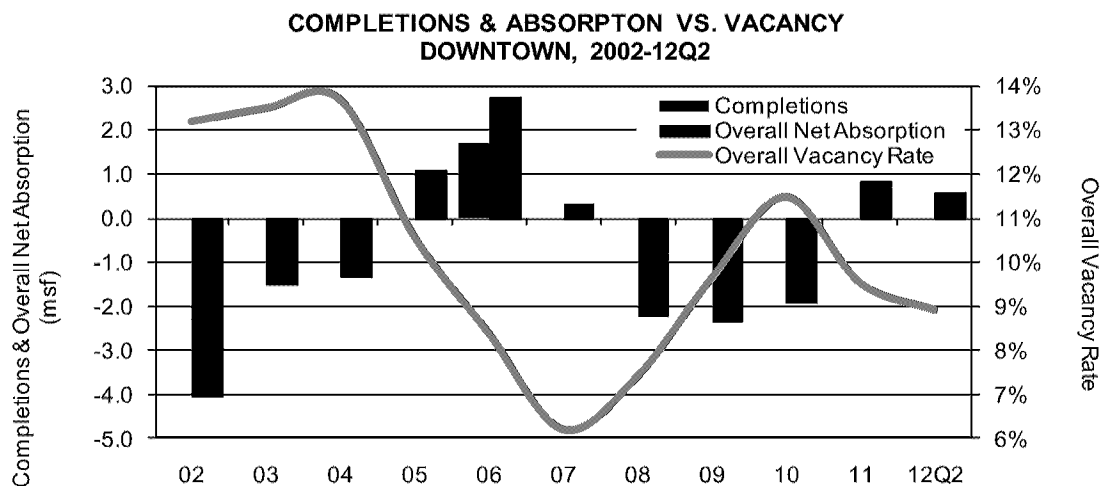
### NET ABSORPTION

The Downtown market continues to improve and the market’s net absorption is proof. Overall absorption has ended the first half of the year with an increase in occupied space of 587,573 square feet. The prevalence of renewals has kept the market in good shape and tenants are not letting go of space the way they had previously. This will keep occupied space on the rise, positively affecting the market’s statistics. It will take some time for the market to make it back to prerecession levels of occupied space but Downtown is on track to do so within a few years.

Further considerations are as follows:

- The Financial West submarket is leading all submarkets in gaining occupied space. Through the first half of the year, net absorption is 235,676 square feet.
- A slowdown in leasing activity for class A space seems to have also had an effect upon the class’ net absorption. As of the second quarter, net absorption for class A space is at negative 123,701 square feet.

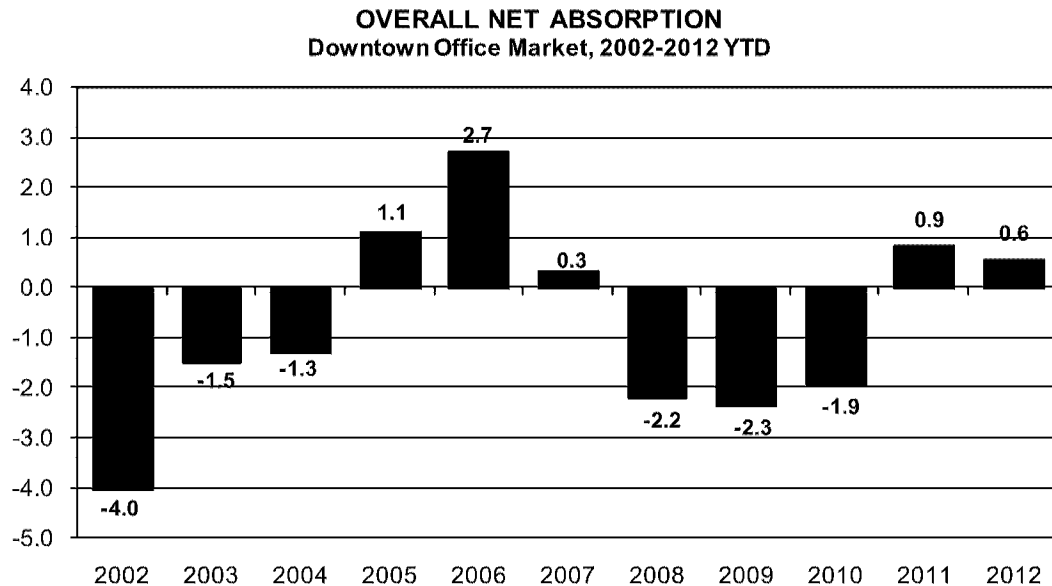
The following graph shows construction completions and absorption compared to overall vacancy rates since 2002:



Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory



The following graph shows the overall net absorption in Downtown since 2002:



Source: Cushman & Wakefield Research; compiled by C&W Valuation & Advisory

## DEMAND DRIVERS

Being the largest regional economy in the United States and one of the largest in the world, NYC is traditionally driven by the Finance, Insurance, and Real Estate (FIRE) sectors. Recently, the technology and media industries have become major occupiers of Manhattan office space. Other economic drivers are the arts and entertainment, retail, sciences and health care, journalism and publishing, and higher education industries. Businesses in NYC capitalize on the synergy created from the presence of more than 200,000 companies, the access to investment capital and consumers, and the City's attractive quality of life. Leading world companies with headquarters and regional offices in New York City include 30 Fortune 500 firms, the highest by far of any city in the U.S., making NYC the nation's headquarters capital.

Further considerations are as follows:

- The financial services industry alone makes up 12.5 percent of the New York City economy, and 15.8 percent of Manhattan's, with its highest concentration in the Downtown and Midtown markets. Downtown is home to the Financial District centered on Wall Street, making New York City, in many people's eyes, the financial capital of the world.
- New York City's economy has responded greatly since the recession. As of the second quarter, the city has added over 50,000 jobs in 2012.
- The pace of office-using employment growth has sparked an increase in demand for quality space. This has caused the rebound in the market, but it will take some time to return to prerecession levels.

## DEMAND FORECAST

Cushman & Wakefield's office market forecasts are derived using a regression model developed by our Research staff. The model is based on trends in historical occupancy and rental rate movements as well as factors such as employment growth, new construction and absorption tendencies.

Mathematical assumptions underlying our approach are as follows:

- Occupancy is a function of employment. For the historical portion of this analysis we use total nonfarm employment as defined by the U.S. Bureau of Labor Statistics (BLS), and utilizing North American Industry Classification System (NAICS) coding. For the forecast portion we use Moody's Economy.com's figures.
- Vacancy is a function of demand, available space and new supply (including both under construction and proposed projects).
- Rent is a function of overall and direct vacancy, taking into account both inflationary and deflationary tendencies, as well as current, historical, and anticipated trends.

This mathematical approach limits subjectivity and the forecasts are statistically estimated to have an approximate 90.0 percent accuracy level. Highlights of the demand analysis are as follows:

- Economic data suggests that office employment will grow over the next five years, peaking at 2.8 percent in both 2014 and 2015.
- Inventory will grow substantially over the next 5 years with new construction of 4.8 million square feet occurring in 2013 and 993,400 square feet in 2014.
- Demand in Downtown has grown and the market is now in an undersupply situation. This will remain despite One and Four World Trade Center entering the market in 2013.
- Vacancy is expected to decline in Downtown until construction completes on One and Four World Trade. That will push the vacancy rate up to 9.7 percent, but will decline again in subsequent years.

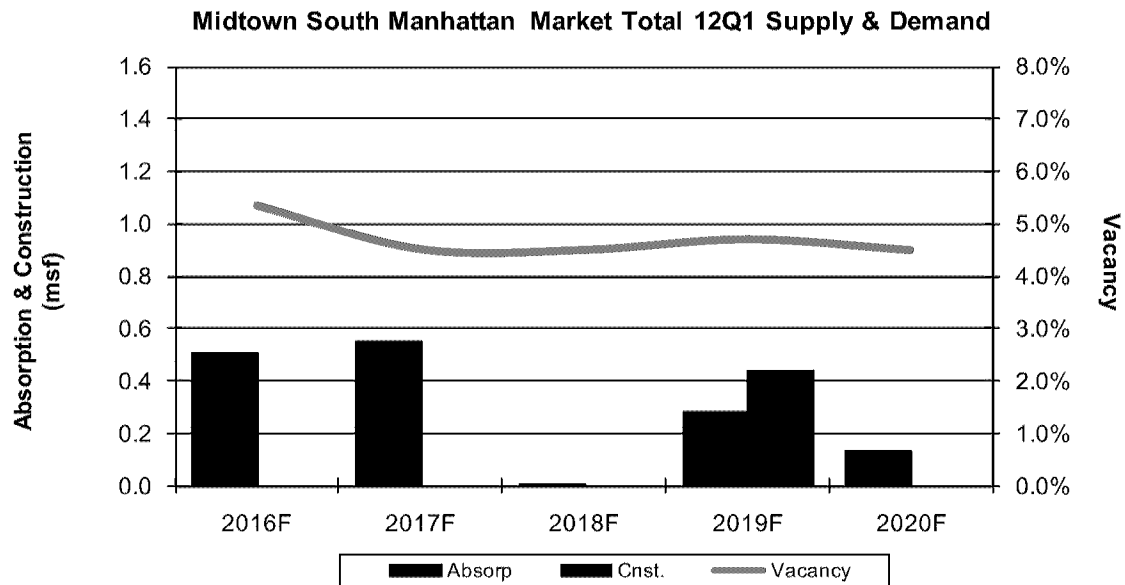
The following table and subsequent graph outline details of the demand analysis for the Downtown office market:

Office Market Demand Analysis Midtown South Manhattan 12Q1					
Item	2012	2013	2014	2015	2016
<b>EMPLOYMENT</b>					
Office-Occupying Employment	5,372,279	5,463,045	5,582,377	5,727,651	5,820,435
Office Employment Growth Rate	2.7%	1.7%	2.2%	2.6%	1.6%
Net New Office-Based Jobs	143,613	90,765	119,332	145,275	92,783
<b>SUPPLY</b>					
Year-end Inventory	64,943,975	64,943,975	64,943,975	65,385,155	65,385,155
New Construction	0	441,180	0	0	0
Occupied Space (Sq. Ft.)	61,467,198	62,016,952	62,027,363	62,314,774	62,450,303
Vacant/Available (Sq. Ft.)	3,476,777	2,927,023	2,916,612	3,070,381	2,934,852
Overall Vacancy Rate	5.4%	4.5%	4.5%	4.7%	4.5%
Forecast Net Absorption (Sq. Ft.)	507,972	549,754	10,411	287,410	135,530
SF Over (Under) Supply	(683,263)	(1,233,016)	(1,243,428)	(1,117,918)	(1,253,448)

Source: Data Courtesy of Moody's Economy.com, Cushman & Wakefield Research

Note: Over (Under) Supply is based on historical stabilized occupancy trends within the market.

Absorption is based on a proprietary regression model using historical occupancy, rental rate movements, employment growth, new construction and absorption tendencies.



## CONCLUSION

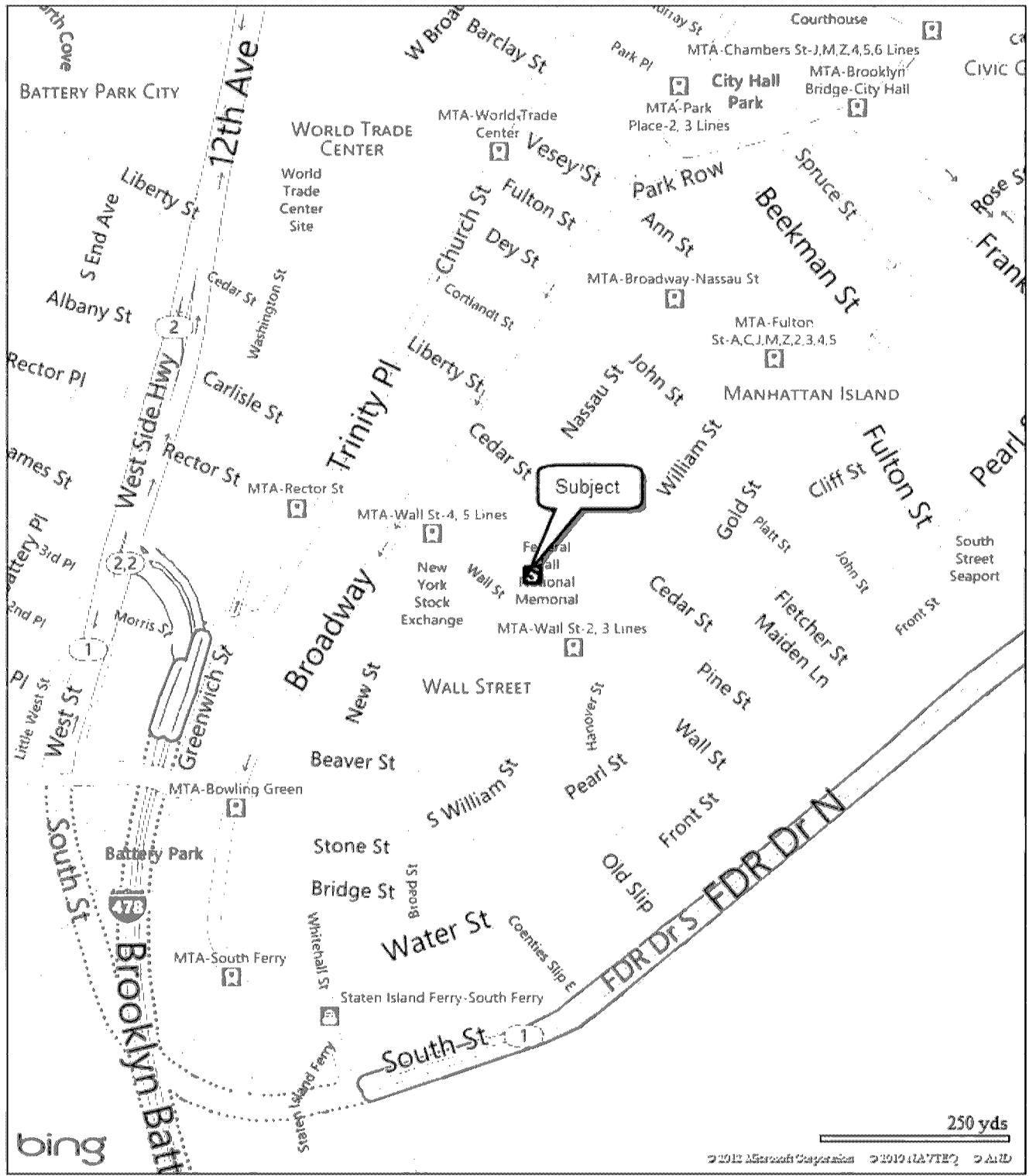
The Downtown market's recovery was solidified in 2011 with high leasing activity and asking rent growth. Projects like the World Trade Center site could help the market gain ground with such high-quality space entering the market. The expansion of technology and media business has been a major benefit to Downtown and its rebranding efforts. New, sustainable office space in the market will be attractive to these tenants and growing their footprint could provide balance to the market as hiring in the financial industry idles.

Final thoughts:

- Vacancy in Downtown should continue to trend downward in 2012 as market conditions improve, driven by office-using employment growth. Downtown will remain one of the CBDs with very low vacancy in the country.
- Asking rents may see minor increase in 2012 before growing more rapidly the following year. The World Trade Center will have an impact upon the high-end office market in Downtown and should raise overall rents when complete.
- Occupied space in Downtown continues to rise. Total absorption for the year so far is 587,573 square feet. As this continues, landlords will have more leverage in raising asking rents.
- Attracting media and technology tenants to Downtown continues to reap rewards. While leasing activity is down, there is still movement in the market. The future of Downtown as an office market may be dependent upon these tenants. Overflow from Midtown South should bring more activity to Downtown.



# LOCAL AREA MAP



## DISTRICT OVERVIEW

The subject property, 40 Wall Street, located within the Financial East sub district of Downtown Manhattan. This sub district is anchored by the New York Stock Exchange located on the southwest corner of Wall Street and Broad Street. Downtown Manhattan is comprised of five statistical areas tracked by Cushman & Wakefield and are delineated as follows:

- **City Hall:** Bound by the Brooklyn Bridge, Park Row, Vesey Street, Chambers Street, Hudson River, Canal Street and the East River.
- **World Financial:** Bound by Albany Street, Hudson River, Chambers Street, Church Street, Vesey Street, Broadway, Liberty Street and Greenwich Street.
- **Financial West:** Bound by Battery Park, Hudson River, Albany Street, Greenwich Street, Liberty Street and Broadway.
- **Financial East:** Bound by Battery Park, Broadway, Liberty Street, William Street, Pine Street and the East River.
- **Insurance:** Bound by Pine Street, William Street, Liberty Street, Broadway, Park Row and the Brooklyn Bridge.

The following chart summarizes the Downtown Class A and B office market as of second quarter 2012:

DOWNTOWN NEW YORK OFFICE MARKET Class A Space Second Quarter 2012						
	City Hall	World Trade/World	Financial West	Financial East	Insurance	Market Summary
Number of Buildings	7	7	2	21	9	46
Inventory (sf)	6,298,488	11,902,802	663,315	23,074,388	5,202,929	47,141,922
Total Space Available	69,394	354,303	84,732	3,433,353	294,363	4,236,145
Direct Space Available	13,637	268,362	55,337	2,906,086	172,942	3,416,364
Direct Vacancy Rate	0.2%	2.3%	8.3%	12.6%	3.3%	7.2%
Total Vacancy Rate	1.1%	3.0%	12.8%	14.9%	5.7%	9.0%
Direct Rental Rate	\$42.00	\$58.84	\$35.91	\$45.63	\$37.82	\$46.10
YTD Leasing Activity	63,446	357,730	20,651	840,614	114,828	1,397,269

DOWNTOWN NEW YORK OFFICE MARKET Class B Space Second Quarter 2012						
	City Hall	World Trade/World	Financial West	Financial East	Insurance	Market Summary
Number of Buildings	8	4	9	26	10	57
Inventory (sf)	3,192,893	3,618,654	3,962,787	11,271,101	5,712,767	27,758,202
Total Space Available	76,568	375,365	558,413	1,353,105	359,315	2,722,766
Direct Space Available	76,568	274,791	549,751	1,069,282	332,912	2,303,304
Direct Vacancy Rate	2.4%	7.6%	13.9%	9.5%	5.8%	8.3%
Total Vacancy Rate	2.4%	10.4%	14.1%	12.0%	6.3%	9.8%
Direct Rental Rate	\$36.02	\$38.59	\$34.60	\$35.26	\$34.24	\$35.38
YTD Leasing Activity	86,039	55,947	134,107	383,655	115,022	774,770

The Downtown vacancy rates, as of the second quarter 2012, tend to vary from district to district. For Class A space, the direct vacancy rates are 0.2 percent for the City Hall sub district, 2.3 percent for the World Financial sub district, 8.3 percent for the Financial West sub district, 12.6 percent for the Financial East sub district and 3.3 percent for the Insurance sub district. This compares to the average Downtown direct vacancy rate of 7.2 percent for Class A space. When sublease space is included, the average vacancy rate for Downtown Class A space increases to 9.0 percent. For Class B space, the direct vacancy rates are 2.4 percent for the City Hall sub district, 7.6 percent for the World Financial sub district, 13.9 percent for the Financial West sub district, 9.5 percent for the Financial East sub district and 5.8 percent for the Insurance sub district. This compares to the average Downtown direct vacancy rate of 8.3 percent for Class B space. When sublease space is included, the average vacancy rate for Downtown Class B space increases to 9.8 percent.

### FINANCIAL EAST OFFICE SUBDISTRICT

As we mentioned earlier the subject is located within the Financial East office submarket. Following is a snapshot of the submarket as of the second quarter 2012.

FINANCIAL EAST SUBDISTRICT OFFICE STATISTICAL AREA FIGURES				
Quarter	Inventory	Overall Vacancy	YTD Leasing Activity	Direct Wtd. Avg Class A Gross Rental Rate psf/yr
2nd Quarter 2012	35,611,455	14.10%	1,270,538	\$45.63
1st Quarter 2012	35,611,455	14.00%	551,599	\$45.41
2nd Quarter 2011	35,642,055	13.10%	988,829	\$43.88

- **Rents:** Overall asking rents increased from \$40.07 per square feet (psf) in Q2 2011 to \$41.22 psf currently and is 6.2% higher than the 10-year average of \$38.82 psf. Class A overall asking rents continued to steadily increase and reached \$44.96 psf, \$1.94 psf higher than last quarter. Class B overall rental rates remained flat this quarter at \$34.99 psf.
- **Vacancy Rates:** Financial East's overall vacancy rate at 14.1% increased by one full percentage point from Q2 2011, the highest vacancy rate in the past year. There are a total of six blocks of available space each greater than 100,000 square feet (sf) in the submarket. Although direct available space increased 6.2% from last quarter, sublease available space jumped nearly 69.0%, driving the overall vacancy rate higher. Despite the increase of class A sublease space, the class A direct vacancy at 12.6% is at its lowest level since Q3 2010 due to high leasing velocity of direct space in class A buildings.
- **Leasing Activity:** Year-to-date leasing activity registered almost 1.3 million square feet (msf), the highest mid-year leasing level in nearly ten years and also 28.5% higher than total leasing in the first half of 2011. Class A leasing represents 66.2% of all leasing activity. The largest Q2 2012 transaction was Morgan Stanley's 1,180,000-sf renewal and expansion at One New York Plaza. Other significant leases were Fitch, Inc.'s 180,519-sf lease at 33 Whitehall Street and King's College's 45,290-sf lease at 52 Broadway.

The Financial East Sub district contains a large number of pre-war office buildings, many of which remain Class A buildings. Examples of large pre-war Class A buildings include 40 Wall Street (subject property). Pre-war buildings are frequently renovated and upgraded with new windows, new HVAC package units, new elevators and increased electrical capacity. These improvements combine with the architectural integrity of pre-war lobbies which frequently include brass elevator doors, marble floors and vaulted ceilings of intricate design. Examples of pre-war buildings which have undergone renovation include 100 Broadway located on the southeast corner of Pine Street.

Post-war office buildings include several large buildings constructed during the 1960/70 building boom and include larger buildings with large floor sizes built for major institutions. Some of the largest downtown buildings located in the Financial East District fall within this category:

- **Chase Plaza** – One and Two Chase Plaza are 35 and 60 story buildings containing 2.8 million square feet. The complex, located on Pine Street, is occupied by Chase Manhattan Bank and Milbank Tweed Hadley & McCloy.
- **55 Water Street** – Consists of 14 and 53 story towers containing 3.6 million square feet. The complex, located on Water Street, is occupied by Chase Manhattan Bank, Standard & Poor's, and Depository Trust Company.
- **One New York Plaza** – A 50 story tower containing 2.6 million square feet. The tower, located on Water Street, is occupied by Wachovia and Morgan Stanley.

Other large post-war buildings in this district include Two Broadway; Two New York Plaza a/k/a 125 Broad Street; Four New York Plaza and 60 Broad Street. Modern buildings constructed since 1980 are limited in number in Financial East. These would include Seven Hanover Square; Financial Square; 17 State Street, 33 Whitehall Street and 60 Wall Street.

Wall Street is the major east/west artery in this submarket beginning at Broadway and ending seven blocks east at South Street. Other major streets in this district include Broadway which is the north/south artery which forms the district's western border; Broad Street located two blocks east of Broadway which also runs north/south, and Water Street which begins at Battery Park and winds north into the Insurance District.

### COMPETITIVE BUILDING HIGHLIGHTS

Several office buildings within the Financial East subdistrict, as well as the surrounding Insurance, Financial West and World Financial sub districts, are considered to be competitive with the subject property. The chart on the **following pages** summarizes these 32 competitive buildings, excluding the subject. These office buildings are more indicative of the competition that would have a direct impact on the subject compared to the overall subdistrict previously examined. Although we have reported both direct and sublease space available within the buildings considered competitive with the subject property, it should be noted that sublease space is generally not considered a reliable occupancy indicator.

### COMPETITIVE BUILDINGS

Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Minimum Floor Size	Maximum Floor Size	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent	
									Low	High
1 <b>One World Financial Center</b> Bounded by Albany, Liberty, West Sts & South End Ave	1,461,365	1985	40	20,698	77,760	201,691	0	86.20%	\$50.00	\$59.00
2 <b>Two World Financial Center</b> Bounded by the Hudson River, West, Vesey & Liberty Streets	2,200,000	1987	44	1,769	145,802	0	45,143	100.00%	N/A	N/A
3 <b>Three World Financial Center</b> Bounded by Vesey Street & Westside Highway Merrill Lynch Tower	2,300,000	1985	51	24,000	73,453	88,192	0	96.17%	\$59.00	\$59.00
4 <b>Four World Financial Center</b> Bounded by Vesey Street, Westside Highway & North End Avenue Broad Financial Center	1,600,000	1986	34	15,600	91,345	0	0	100.00%	N/A	N/A
5 <b>33 Whitehall Street</b> B/w Bridge & Pearl Streets NY Information Technology Ctr.	395,000	1987	28	14,750	42,222	0	0	100.00%	N/A	N/A
6 <b>55 Broad Street</b> N/E/C Beaver Street	402,126	1967	30	8,000	24,707	29,369	26,278	92.70%	\$36.00	\$36.00
7 <b>85 Broad Street</b> Entire block bounded by Broad St., So. William St., Pearl St. & Coentir	1,170,000	1983	30	8,024	39,014	690,490	0	40.98%	\$43.00	\$48.00
8 <b>45 Broadway Atrium</b> B/w Morris Street & Exchange Alley The Equitable Building	368,315	1983	32	10,875	17,050	23,207	4,613	93.70%	\$35.00	\$35.00
9 <b>120 Broadway</b> Entire block bounded by Bway, Pine, Nassau & Cedar Sts.	1,916,700	1915	41	23,614	55,500	105,628	0	94.49%	\$34.00	\$40.00
10 <b>140 Broadway</b> Entire block bound by Cedar, Nassau & Liberty Streets	1,200,000	1967	51	14,556	45,500	139,279	24,711	88.39%	\$52.00	\$56.00
11 <b>One Chase Manhattan Plaza</b> Entire block bounded by Pine, Nassau, Liberty & William Sts.	1,898,158	1960	60	26,096	35,518	0	0	100.00%	N/A	N/A

Compiled by Cushman & Wakefield, Inc.

COMPETITIVE BUILDINGS (CONTINUED)										
Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Minimum Floor Size	Maximum Floor Size	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent Low High	
12 <b>Financial Square</b> Entire block bounded by Old Slip, Gouverneur Lane, Front & South Street	1,000,301	1987	36	17,866	39,450	265,511	0	73.46%	\$46.00	\$53.00
13 <b>7 Hanover Square</b> B/w Water & Pearl Streets	847,000	1983	27	32,000	38,069	0	34,551	100.00%	N/A	N/A
14 <b>180 Water Street</b> S/E/C of John Street	467,000	1970	23	20,000	21,500	0	0	100.00%	N/A	N/A
15 <b>One Liberty Plaza</b> Entire block bounded by Broadway, Church & Cortlandt Streets Federal Reserve Plaza	2,121,437	1972 2007	54	27,139	47,597	57,127	0	97.31%	\$51.00	\$55.00
16 <b>33 Maiden Lane</b> N/E/C of Nassau St. throughblock to John Street Continental Center	540,000	1984	27	21,000	24,047	96,215	0	82.18%	\$34.00	\$36.00
17 <b>180 Maiden Lane</b> Entire block bounded by Front, Pine & South Streets	982,089	1983 2000	41	22,459	34,802	27,786	0	97.17%	\$45.00	\$48.00
18 <b>One New York Plaza</b> Entire Block Bounded By Broad, South, Whitehall & Water Sts.	2,103,750	1968 1994	50	26,000	63,000	432,419	22,239	79.45%	\$50.00	\$55.00
19 <b>Two New York Plaza</b> N/W/C of South Street & FDR Drive	1,345,919	1970 2006	40	8,000	39,765	166,972	77,780	87.59%	\$39.00	\$39.00
20 <b>Four New York Plaza</b> N/E/C of Broad & Water Streets Wall Street Plaza	796,000	1968	23	37,980	49,570	49,528	0	93.78%	\$29.00	\$29.00
21 <b>88 Pine Street</b> Bound by Water Street, Front Street & Maiden Lane R.R. Donnelley & Sons Co. Bldg	624,000	1971	32	19,300	21,750	13,171	50,858	97.89%	\$41.00	\$42.00
22 <b>75 Park Place</b> Entire block bounded by Murray, Greenwich & West Broadway	520,000	1987	14	17,145	51,953	0	40,798	100.00%	N/A	N/A

Compiled by Cushman & Wakefield, Inc.

COMPETITIVE BUILDINGS (CONTINUED)										
Property (Cross Streets)	Office Area (NRA)	Year Built	Stories	Minimum Floor Size	Maximum Floor Size	Direct SF Available	Sublease SF Available	% Occupied (Direct)	Direct Asking Rent Low High	
23 <b>One State Street Plaza</b> B/w Pearl & Water Streets	747,000	1970	35	11,700	35,071	61,305	178,904	91.79%	\$39.00	\$52.00
24 <b>17 State Street</b> N/E/C of Pearl Street opposite Battery Park	525,900	1988	42	2,500	14,901	97,165	2,500	81.52%	\$50.00	\$50.00
25 <b>One Battery Park Plaza</b> Entire block bounded by State, Pearl, Bridge & Whitehall Sts Deutsche Bank Building	810,625	1969	35	15,640	25,700	0	0	100.00%	N/A	N/A
26 <b>60 Wall Street</b> B/w William & Pearl Sts. thurblock to Pine St.	1,587,849	1989	47	29,000	52,084	0	0	100.00%	N/A	N/A
27 <b>100 Wall Street</b> Northerly blockfront between Water & Front Streets	457,622	1968 1994	29	15,277	19,136	71,257	0	84.43%	\$36.00	\$41.00
28 <b>55 Water Street</b> Entire block bound by Old Slip, South St. & Jeanette Park	3,600,000	1972	53	11,892	94,000	326,936	25,479	90.92%	\$45.00	\$45.00
29 <b>77 Water Street</b> Entire Block bound by Gouverneur, Old Slip, & Front Sts	614,011	1970	26	14,849	25,310	0	4,845	100.00%	N/A	N/A
30 <b>160 Water Street</b> N/W/C Fletcher Street through to Pearl Street American International Bldg	484,000	1970	24	21,500	22,000	21,500	0	95.56%	\$29.50	\$29.50
31 <b>175 Water Street</b> Entire block bound by Burling Slip, Front & Fletcher Sts One Seaport Plaza	592,635	1983	30	18,482	20,721	0	0	100.00%	N/A	N/A
32 <b>199 Water Street</b> Entire block bound by Burling Slip & Fulton Street	933,310	1984	35	12,200	35,999	70,246	69,373	92.47%	\$46.00	\$46.00
<b>TOTAL</b>	<b>36,612,112</b>					<b>3,034,994</b>	<b>608,072</b>			
<b>AVERAGE</b>	<b>1,144,129</b>	<b>1979</b>	<b>36</b>	<b>17,810</b>	<b>44,509</b>	<b>94,844</b>	<b>19,002</b>	<b>91.71%</b>	<b>\$29.00</b>	<b>\$59.00</b>

Compiled by Cushman & Wakefield, Inc.

The buildings that are competitive with the subject contain a total net rentable area of 36,612,112 square feet. The average overall direct occupancy rate for these buildings is 91.71 percent, compared to 92.80 percent for Class A office space in the Downtown market as a whole. The minimum asking rent for the 32 buildings that are competitive with the subject is \$29.00 per square foot and the average maximum asking rent is \$59.00 per square foot.

### DIRECTLY COMPETITIVE BUILDINGS

Of the 32 buildings presented, eight are considered directly competitive with the subject in terms of building classification, asking rents, rentable office area, and current occupancy. The following chart summarizes the relevant occupancy statistics for the eight competitive buildings 120 Broadway, One Chase Manhattan Plaza, One New York Plaza, Two New York Plaza, 88 Pine Street, One State Street Plaza, 180 Maiden Lane, and 100 Wall Street.

DIRECTLY COMPETITIVE BUILDINGS								
Property (Cross Streets)	Office Area (NRA)	Direct	Sublease	%	%	Direct		
		Avail. SF	Avail SF	Occupied (Direct)	Occupied (Total)	Asking Rent Low	Asking Rent High	
1 120 Broadway	1,916,700	105,628	0	94.49%	94.49%	\$34.00	\$40.00	
2 One Chase Manhattan	1,898,158	0	0	100.00%	100.00%	N/A	N/A	
3 One New York Plaza	2,103,750	432,419	22,239	79.45%	78.39%	\$50.00	\$55.00	
4 Two New York Plaza	1,345,919	166,972	77,780	87.59%	81.82%	\$39.00	\$39.00	
5 88 Pine Street	624,000	13,171	50,858	97.89%	89.74%	\$41.00	\$42.00	
6 One State Street Plaza	747,000	61,305	178,904	91.79%	67.84%	\$39.00	\$52.00	
7 180 Maiden Lane	982,089	27,786	0	97.17%	97.17%	\$45.00	\$48.00	
8 100 Wall Street	457,622	71,257	0	84.43%	84.43%	\$36.00	\$41.00	
<b>TOTAL</b>	<b>10,075,238</b>	<b>878,538</b>	<b>329,781</b>					
<b>AVERAGE</b>	<b>1,259,405</b>	<b>109,817</b>	<b>41,223</b>	<b>91.28%</b>	<b>88.01%</b>	<b>\$34.00</b>	<b>\$55.00</b>	

*Compiled by Cushman & Wakefield, Inc.*

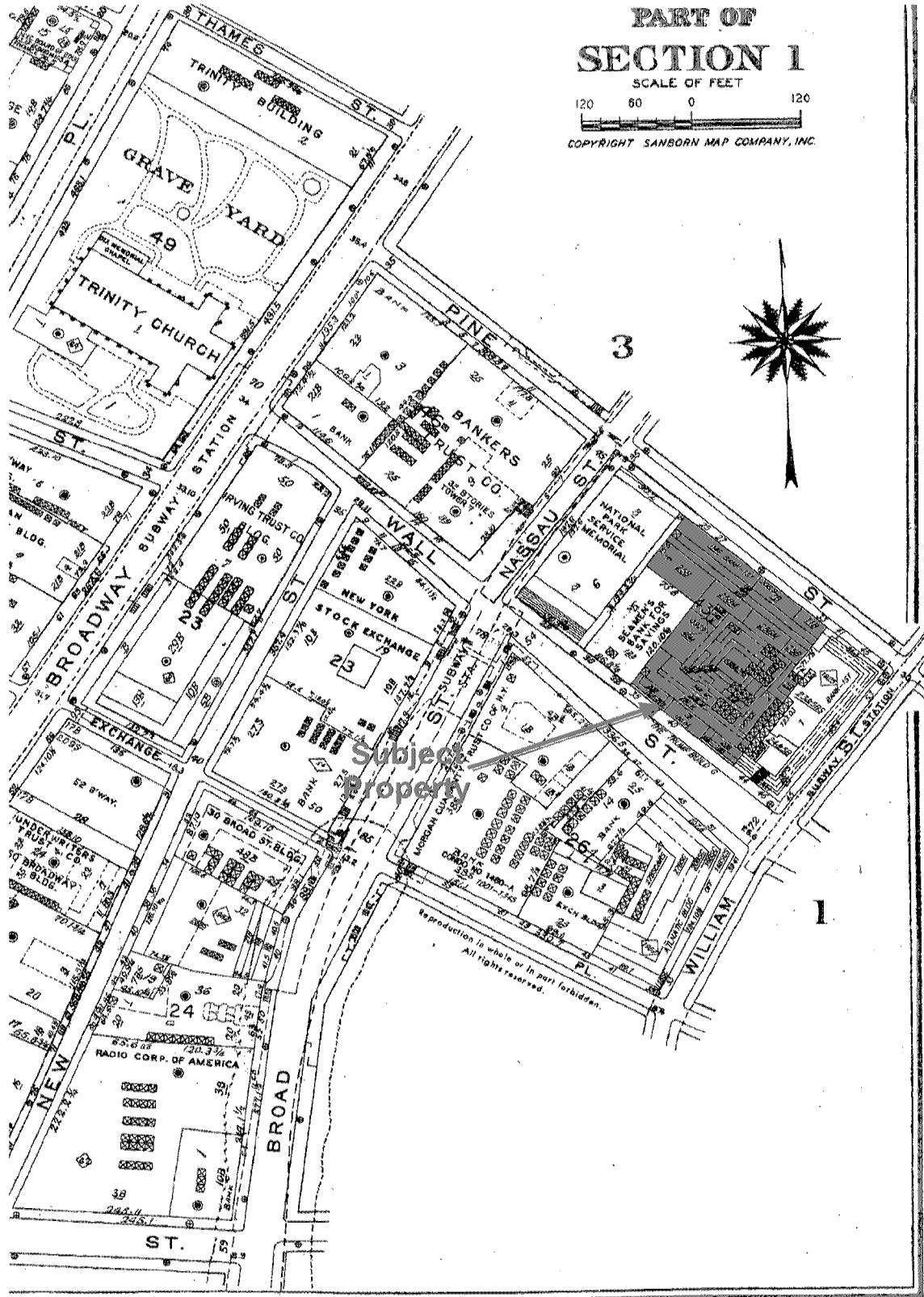
The average direct occupancy rate for these eight directly competitive buildings is 91.28 percent for direct space and 88.01 percent when including sublease space. Excluding One New York Plaza, which is in lease up, the average direct occupancy is 94.40 percent. This compares with an average direct occupancy rate of 91.71 percent for all of the buildings competitive with the subject and 92.80 percent for direct Class A space within the Downtown market.

### SUMMARY AND CONCLUSIONS

Of the 32 buildings competitive with the subject, eight buildings are considered directly competitive; 120 Broadway, One Chase Manhattan Plaza, One New York Plaza, Two New York Plaza, 88 Pine Street, One State Street Plaza, 180 Maiden Lane, and 100 Wall Street are directly competitive with the subject due to their similar age, size, quality, location, occupancy and asking rents. The buildings may have individual traits that vary from the subject but overall are very comparable. Based upon our analysis, it is our opinion that rents for 40 Wall Street should average in the mid \$30's per square foot and stabilize at an occupancy rate in the range of 90 percent.



# SANBORN MAP



## SITE DESCRIPTION

Location:	40 Wall Street Between Williams and Nassau Streets New York, New York County, NY 10006
	The subject property is located on the north side of Wall Street throughblock to Pine Street between Nassau and William Streets in the Financial East office submarket of Downtown Manhattan.
Shape:	Irregular
Topography:	The site slopes downward slightly from north to south and from east to west.
Land Area:	34,360 square feet
Frontage:	Approximately 150 feet 1 inch on Wall Street and approximately 203 feet 9 inches on Pine Street.
Visibility:	The subject property has good visibility.
Access:	Access is provided by Wall Street and Pine Street. Wall Street is a one-way, eastbound commercial thoroughfare that runs from Broadway to South Street and is closed to vehicular traffic. Pine Street is also a one-way, westbound commercial thoroughfare that runs cross-town from Broadway to Water Street.
Street Improvements:	Curbing, sidewalks and street lights.
Soil Conditions:	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing structure. We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities:	Following are the utility providers for the subject property:
Water:	City of New York
Sewer:	City of New York
Electricity:	Consolidated Edison
Gas:	Consolidated Edison
Telephone:	Verizon Communications
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Flood Zone:	The subject property is located in flood zone X.
Flood Zone Description:	Areas determined to be outside the 500 year flood plain.

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FEMA Map:	360497-0184F, dated September 5, 2007
Site Improvements:	The site is improved with a 63-story Class A office building with retail and storage space.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field
Overall Site Utility:	The subject site is functional for its current use.
Location Rating:	Good

## IMPROVEMENTS DESCRIPTION

The following description of improvements is based upon our physical inspection of the improvements along with our discussions with the building manager.

### GENERAL DESCRIPTION

Year Built:	1929 (Renovated in the late 1990s.)
Building Class:	Class A
Number of Buildings:	1
Number of Stories:	63
Gross Building Area:	1,061,266 square feet (Per Assessor)
Net Rentable Area:	1,164,667 square feet (Per Rent Roll/Leases) 1,177,605 square feet (Remeasured)
Loss Factor:	27.00 percent (Remeasured)

The owners remeasured the property based on a 27.00 percent loss factor. Rentable areas of buildings in New York City exceed the gross buildings areas by factors ranging from 15 to 25 percent per floor which translates to loss factors of 22 to 28 percent per floor based upon REBNY measurements and 26 to 32 percent per floor based upon typical architects' carpetable measurement. As leases expire, tenants will be paying rent based on their remeasured area.

Typical Floor Plate: The floor plates range from 3,591± to 38,828± square feet.

### CONSTRUCTION DETAIL

Basic Construction:	Structural steel and concrete with aluminum and glass curtain wall facade..
Foundation:	The foundation consists of reinforced concrete and steel piles at load bearing column locations and reinforced concrete slab-on-grade basement floors. The basement has concrete perimeter walls.
Framing:	Poured reinforced concrete foundation and concrete encased steel frame supporting reinforced concrete floor slabs.
Ceiling Height:	Generally, ceiling heights vary from 11' 0" to 14' 0", slab to slab with finished ceiling heights of 8' 6" to 9' 0" in the office area.
Floors:	Concrete poured. Each floor is bridged by structural steel floor beams. The stairwells, bathrooms, equipment rooms and elevator shafts are side core.
Exterior Walls:	The facades consist of limestone over concrete masonry unit with some areas of an exterior insulation finishing system.

- Roof Cover:** The roofs are a combination of a steep-sloped pinnacle roof structure covered with sheet copper and low-sloped setback roofs covered with single-ply, fully adhered EPDM membranes.
- Parapets are an extension of the facade. Base flashing consists of the roofing membrane extending along the roof side surface of the parapet and terminating under the aluminum counter flashing. Roof drainage is provided by domed strainers that lead to an interior drainage system that discharges storm water into the municipal system.
- Windows:** Operable double thermopane that tilt and turn.
- Pedestrian Doors:** Glass in aluminum frames.
- Loading Doors:** The freight entrance is located on the Pine Street side of the building

### **MECHANICAL DETAIL**

- Heating:** Low pressure steam purchased from Consolidated Edison. Steam is provided to the building by two eight inch high pressure steam mains. Low pressure steam is delivered to cast iron perimeter radiators on the 7<sup>th</sup> through 63<sup>rd</sup> floors. Heating for the 1<sup>st</sup> through 6<sup>th</sup> floors is provided by means of perimeter induction units.
- Cooling:** Cooling is provided by three water cooled chillers, which are centrifugal type manufactured by York. Two of the chillers are driven by steam turbines and one is electric drive. They utilized I32A refrigerant. Chilled water is delivered to cooling coils at air handlers on each floor. Heat rejection is provided by one three cell cooling tower located on the 25th floor setback roof. The cooling tower has a capacity of 3,000 tons and is approximately 50 years old. Chilled water is distributed by three circulating pumps manufactured by Weiman. Pumps are rated at 2,300 gpm and motors are rated at 100 hp. Condenser water is circulated by three pumps manufactured by Weinman. Pumps are rated at 3,000 gpm and motors are rated at 200hp. The interior spaces and corridors are provided with fresh air via fans located on each floor.
- Plumbing:** The plumbing system is assumed to be adequate for existing use and in compliance with local law and building codes. The plumbing system is typical of other office properties in the area with a combination of steel, copper and cast iron piping throughout the building. Adequate restrooms for men and women are located on each floor of the building.
- Electrical Service** Electricity is supplied underground to the site. A single 40,000 amp, 110/208 volt, 3 phase 4-wire service is provided. Circuit protection is provided by circuit breakers, distribution wiring is of copper conductors. Individual meters are located on each floor. Interior lighting consists of fluorescent fixtures.
- Emergency Power:** None

**Elevator Service:**

The building is equipped with 30 passenger elevators and 8 freight elevators. They are gearless traction type manufactured by Otis Elevator and are original to the building. Controllers are of the solid-state type. Elevators have a capacity of 2,500 lbs. The cab interiors are finished with carpeted floors, and bronze walls and ceilings. There two escalators connecting the lobby to the banking hall. The elevator service is summarized as follows:

No.	Bank	Type	Weight (lbs.)	Floors
7	A	Passenger	2,500	L-12
1	A	Freight	3,000	LL-12
6	B	Passenger	2,500	L, 12-22
1	B	Freight	3,000	2, 12-22
3	C1	Passenger	2,500	L, 38-55
1	C1	Freight	2,500	2, 38-54
4	C2	Passenger	2,500	L, 38-60
1	C2	Freight	3,000	2, 38-54
6	D	Passenger	2,500	L, 22-38
1	D	Freight	2,500	LL, 22-38
2	E	Passenger	2,500	60-63
1	E	Freight	3,000	60-67
2	X	Passenger	2,500	BB-4
2	Z	Freight	3,000	SB-6

**Fire Protection:**

The building is not fully sprinkled. The building contains a Class E fire alarm system which includes local fire wardens located on each floor, pull boxes, speakers, strobe lights and an "all call" public address system. There are eight separate fire stairs serving the facility. The command center for the fire alarm system is located in the lobby.

**Security:**

The building contains a 24-hour guard service and a closed circuit tv system. In addition, tenants in the building have an electronic key code entrance system to enter the building.

**INTERIOR DETAIL****Layout:**

The core of the building is located in the side of each floor. The building features functional floor plates.

Office spaces are located on the 2<sup>nd</sup> through 63<sup>rd</sup> floors. The building contains sub-basement, basement and mezzanine space. Additionally, there are several mechanical levels above the 63<sup>rd</sup> floor. The grade level contains the main lobby, retail space and the elevator landings. The mezzanine level, which is at grade on Pine Street, contains retail space and the building management office. The basement contains a retail unit, currently leased to a cafe as well as miscellaneous building space. The sub-basement and floors above the 63<sup>rd</sup> contain miscellaneous building and mechanical space.

Entrance/Lobby:	The main entrance consists of four glass and bronze revolving doors flanked by four sets of glass swing type doors. The main lobby on the ground floor is accessible from Wall Street and contains a concierge desk, tenant directories and elevator landings. Access to Sav Café Inc is located in the basement level is available from the main lobby. The main lobby is finished with marble floors and walls and a painted drywall ceiling. Escalators leading to the mezzanine level retail are located in the main lobby.
Floor Covering:	Floors throughout the office, corridor or lobby areas contain marble finish, terrazzo, resilient tile, ceramic tile, carpet or exposed hard wood.
Walls:	Painted plaster. Some office areas have some removable partitions and paneling.
Ceilings:	Ceilings are suspended acoustical tile, painted drywall or plaster.
Doors:	The majority of the office entrance doors off the corridors are painted hollow core metal doors.
Lighting:	The building contains a mixture of fluorescent and incandescent light fixtures.
Restrooms:	The building features restrooms for men and women on each tenant floor.

#### **SITE IMPROVEMENTS**

Parking:	None
Onsite Landscaping:	None
Other:	None
Condition:	Average

#### **PERSONAL PROPERTY**

Personal property was excluded from our valuation.

#### **SUMMARY**

Quality:	Average
Layout & Functional Plan:	Average
Property Rating:	After considering all of the physical characteristics of the subject, we have concluded that this property has an overall rating that is average when measured against other properties in this marketplace.
Actual Age:	83 years
Effective Age:	35 years (The building was renovated in 1996 and has been well maintained)
Expected Economic Life:	60 years
Remaining Economic Life:	25 years

**AMERICANS WITH DISABILITIES ACT**

The Americans With Disabilities Act (ADA) became effective January 26, 1992. We have not made, nor are we qualified by training to make, a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey and 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 Act. If so, this fact could have a negative effect upon the value of the property. Since we have not been provided with the results of a survey, we did not analyze the results of possible non-compliance.

**HAZARDOUS SUBSTANCES**

We are not aware of any potentially hazardous materials (such as formaldehyde foam insulation, radon-emitting materials, or other potentially hazardous materials) that may have been used in the construction of the improvements. However, we are not qualified to detect such materials and urge the client to employ an expert in the field to determine if such hazardous materials are thought to exist.

**DESIGN FEATURES AND FUNCTIONALITY**

The building is a pre war 63-story Class A office property with floor plates ranging from 3,591± to 38,828± square feet. The building has good appeal to prospective office tenants.

**PHYSICAL CONDITION**

We inspected the mechanical systems of the building. The appraisers, however, are not qualified to render an opinion as to the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical systems.



## REAL PROPERTY TAXES AND ASSESSMENTS

### CURRENT PROPERTY TAXES

The subject property is located in the taxing jurisdiction of City Of New York. The assessor's parcel identification number is Lot 2 in Block 43.

Assessments for the current and prior years are as follows:

<b>NEW YORK CITY ASSESSMENT AND TAX ANALYSIS</b>				
Assessor's Parcel Number:	Block 43, Lot 2			
Assessing Authority:	City of New York			
Current Tax Year:	2012/13		2011/12	
<b>ASSESSMENT INFORMATION</b>				
	Actual	Transitional	Actual	Transitional
Assessed Value				
Land Assessed Value	\$19,980,000	\$19,980,000	\$19,980,000	\$19,980,000
Improved Assessed Value	\$40,597,200	\$51,524,310	\$51,020,000	\$55,327,393
Total Assessed Value	\$60,577,200	\$71,504,310	\$71,000,000	\$75,307,393
<b>TAX LIABILITY</b>				
Taxable Assessment	\$60,577,200		\$71,000,000	
Tax Rate	10.254%		10.152%	
Total Property Taxes	\$6,211,295		\$7,207,920	
<i>(1) Tax rate estimated at 1% above the 2011/12 rate.</i>				

Real estate taxes in New York City are normally the product of the transitional assessed value times the tax rate, for the fiscal year July 1 through June 30 (payable July 1 and January 1). The transitional assessed value is based on a five-year phase-in of actual assessed value. If the actual assessed value is lower than the transitional assessed value for that year, the actual assessed value is multiplied by the tax rate to determine the tax.

In the case of the subject property, the actual assessed value is less than the transitional assessed value for 2012/2013. Our tax projection for the subject property, therefore, is based upon the 2011/12 and 2012/2013 actual assessments for calendar year 2011 as follows:

<b>2011 CALENDAR TAX PROJECTIONS</b>	
2012/13 Fiscal Taxes \$6,211,295 @ 50% =	\$3,105,648
2011/12 Fiscal Taxes \$7,207,920 @ 50% =	\$3,603,960
2012 Calendar Year Tax Liability =	\$6,709,608
2012 Calendar Year BID Taxes =	\$192,493
2012 Total Calendar Year Tax Liability =	\$6,902,101
Tax Liability per Square Foot GBA =	\$6.50

As can be seen from the previous summary of tax liability, the subject property's assessments decreased from 2011/2012 to 2012/2013. In an effort to evaluate the fairness of the subject's current assessed value and future prospects for a change in the assessment, we have;

- 1) compared the most recent assessments (land and building) to that of other similar properties,
- 2) compared the assessment to the market value estimate concluded in this report, and
- 3) considered the potential for future changes in the assessed value of the subject property.

In addition to the tax liability of the City of New York, the property is also subject to an assessment by the area's business improvement district. This special district assessment is based on a per square foot charge, rather than the assessed value of the building. In 2012, the special district assessment is \$192,493.

## TAX COMPARISONS

To determine if the taxes on the property are reasonable, we have examined the actual tax burdens of similar properties in the market. They are illustrated in the table below.

REAL ESTATE TAX COMPARABLES									
No.	Property Name & Location	Block	Lot	Building GBA	Year Built	Assessment	Assess/SF	Total Taxes	Taxes/SF
1	120 Broadway	47	1001-2	1,597,965	1915	\$110,310,308	\$69.03	\$11,310,689	\$7.08
2	One Chase Manhattan Plaza	44	1	2,239,000	1963	\$178,489,828	\$79.72	\$18,301,490	\$8.17
3	88 Pine Street	38	17	623,858	1973	\$48,388,050	\$77.56	\$4,961,478	\$7.95
4	One State Street Plaza	9	1	845,018	1969	\$88,560,000	\$104.80	\$9,080,517	\$10.75
5	180 Maiden Lane	37	23	1,079,361	1983	\$111,485,000	\$103.29	\$11,431,137	\$10.59
6	100 Wall Street	38	1	463,664	1969	\$38,844,000	\$83.78	\$3,982,877	\$8.59
STATISTICS									
Low:				463,664	1915	\$38,844,000	\$69.03	\$3,982,877	\$7.08
High:				2,239,000	1983	\$178,489,828	\$104.80	\$18,301,490	\$10.75
Average:				1,141,478	1962	96,012,864	\$86.36	9,844,698	\$8.86
G B A provided by Real Property Assessment Bureau									

Our survey of comparable office buildings, which contain retail and office space, indicates a wide range of taxes ranging from \$7.08 to \$10.75 per square foot of gross building area. The average tax of the comparable properties is \$8.86 per square foot. This compares with the subject's 2012/2013 fiscal tax liability of \$6,211,295 or \$5.85 per square foot of the assessor's gross building area of 1,061,266± square feet.

Although the subject's real estate taxes appears reasonable in light of the tax comparables, the assessor's estimate of market value is \$134,616,000 (which is the basis of the subject's assessed value), while the appraiser estimate of market value is \$200,000,000. Therefore, the subject property appears under-assessed in the initial years of the holding period in light of its location and level of income. Based upon the property's increasing net operating income over the next several years, we have assumed the prospective assessed value will stabilize at \$90,000,000 (taxes near \$9.00 per square foot) in 2016/2017, which will be phased-in over a 5-year period based upon the net operating income over the next several years.

## NEW YORK CITY ASSESSMENT PRACTICE

Based upon our discussions with officials at the New York City Department of Finance, the following guidelines serve to summarize New York City's assessment policy.

1. New York City is guided by the basic principles of ad valorem assessment. Consequently, within the same property classes, properties of similar value should experience approximately equal assessments and pay similar property taxes.
2. Assessments are primarily made for Class IV property by capitalizing net operating income at market level capitalization rates. When a property is sold, the sales price is recorded and the Assessor notes the sales price.
3. Upon sale, the Assessor will likely use the sale, along with other sales data, as indications of general price levels. If the recently sold property has an assessment that is comparable to other similar properties, the sale price is unlikely to cause a substantial reassessment.

As previously discussed, the transitional assessed value is based on a five-year phase-in of actual assessed value. Real estate taxes are determined by the lower of the actual assessed value or transitional assessed value which is multiplied by the tax rate to determine the tax. The current transitional assessed value for the subject property is \$60,577,200, which reflects the first year of a five year transitional assessment phase-in to the assessed value of \$90,000,000 as shown on the following chart.

PHASE-IN PERIOD	TAX YEAR	ASSESSED VALUE PHASE-IN
1	2012/13	\$60,577,200
2	2013/14	\$67,932,900
3	2014/15	\$75,288,600
4	2015/16	\$82,644,300
5	2016/17	\$90,000,000

Based on the subject's location, level of income and assessments from competing buildings, as well as the fact that the tax assessor has the ability to change the assessed property values each year, we believe that the subject property will receive large tax increases in the near term. We have assumed the assessed value will stabilize at \$90,000,000 (taxes near \$9.00 per square foot) based upon net operating income over the next several years, which will be phased-in over the remaining 5-year period. These increases, beginning in the 2012/2013-tax year, are reflected in the tax forecast at the end of this section.

## CONCLUSION OF FUTURE REAL ESTATE TAXES

The City administration has stated it requires tax increases to meet expected fiscal deficits. The tax rates in the last nine fiscal years are exhibited on the following chart.

YEAR	TAX RATE
2002/03	11.580
2003/04	11.431
2004/05	11.558
2005/06	11.306
2006/07	10.997
2007/08	10.059
2008/09	10.241
2009/10	10.426
2010/11	10.312
2011/12	10.152

We have assumed an increase in tax rates which will be phased in over a 5 year fiscal year period in our Discounted Cash Flow Analysis. In addition to increasing tax rates, in the Discounted Cash Flow Analysis (that follows in the Income Capitalization Approach), we have incorporated a modest reassessment provision based upon the local custom of annual revaluations. In our analysis, we have assumed that the tax rate will increase 1 percent annually starting fiscal year 2012/13. The actual and projected real estate taxes used for the first six calendar years are summarized on the following chart.

<b>CALENDAR YEAR TAXES</b>				
<b>YEAR</b>	<b>R.E. TAXES</b>	<b>B.I.D. TAXES</b>	<b>TOTAL</b>	<b>PSF</b>
2012	\$6,709,608	\$192,493	\$6,902,101	\$6.50
2013	\$6,623,232	\$198,268	\$6,821,500	\$6.43
2014	\$7,455,033	\$204,216	\$7,659,249	\$7.22
2015	\$8,302,809	\$210,342	\$8,513,151	\$8.02
2016	\$9,166,794	\$216,653	\$9,383,446	\$8.84
2015	\$9,746,912	\$223,152	\$9,970,064	\$9.39

## ZONING

Map 12b of the Zoning Resolution of the City of New York indicates that the subject property is zoned as follows:

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<b>ZONING DESIGNATION</b>	<b>C5-5 RESTRICTED CENTRAL COMMERCIAL DISTRICT</b>
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Definition

C5 Restricted Central Commercial Districts

These districts are designed to provide for office buildings and the great variety of large retail stores and related activities which occupy the prime retail frontage in the central business district, and which serve the entire metropolitan region. The district regulations also permit a few high-value custom manufacturing establishments which are generally associated with the predominant retail activities, and which depend on personal contacts with persons living all over the region. The district regulations are also designed to provide for continuous retail frontage.

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C5-5 bulk regulations are as follows:

**ZONING REGULATIONS**

**F.A.R.**

(times Lot Area)

Floor Area Ratio

Commercial Building	15
Community Facility	15
Residential Building	10

The property is within the LM-Special Lower Manhattan District. The "Special Lower Manhattan District" established in the Zoning Resolution is designed to promote and protect public health, safety, general welfare and amenity. These general goals include, among others, the following specific purposes:

- a) Encourage development of a 24-hour community through the conversion of older commercial buildings;
- b) Facilitate maximum design flexibility of buildings and enhance the distinctive skyline and streetscape of Lower Manhattan;
- c) Improve public use and enjoyment of the East River waterfront by creating a better physical and visual relationship between development along the East River and the waterfront area, public access areas and the adjoining upland community;
- d) Enhance the pedestrian environment by relieving sidewalk congestion and providing pedestrian amenities;
- e) Restore, preserve and assure the use of the South Street Seaport Subdistrict as an area of small historic and restored buildings, open to the waterfront and having a high proportion of public spaces and amenities, including a South Street Seaport Environmental Museum, with associated cultural, recreational and retail activities;

- f) Establish the Historic and Commercial Core to protect the existing character of this landmarked area by promoting development that is harmonious with the existing scale and street configuration; and
- g) Promote the most desirable use of the land and thus conserve and enhance the value of the land and buildings, and thereby protect the City's tax revenues.

The C5-5 designation permits a floor area ratio that governs building size of 15 times the lot area for commercial buildings. Our estimate of the maximum permitted zoning floor area for this site under the zoning code designation is as follows:

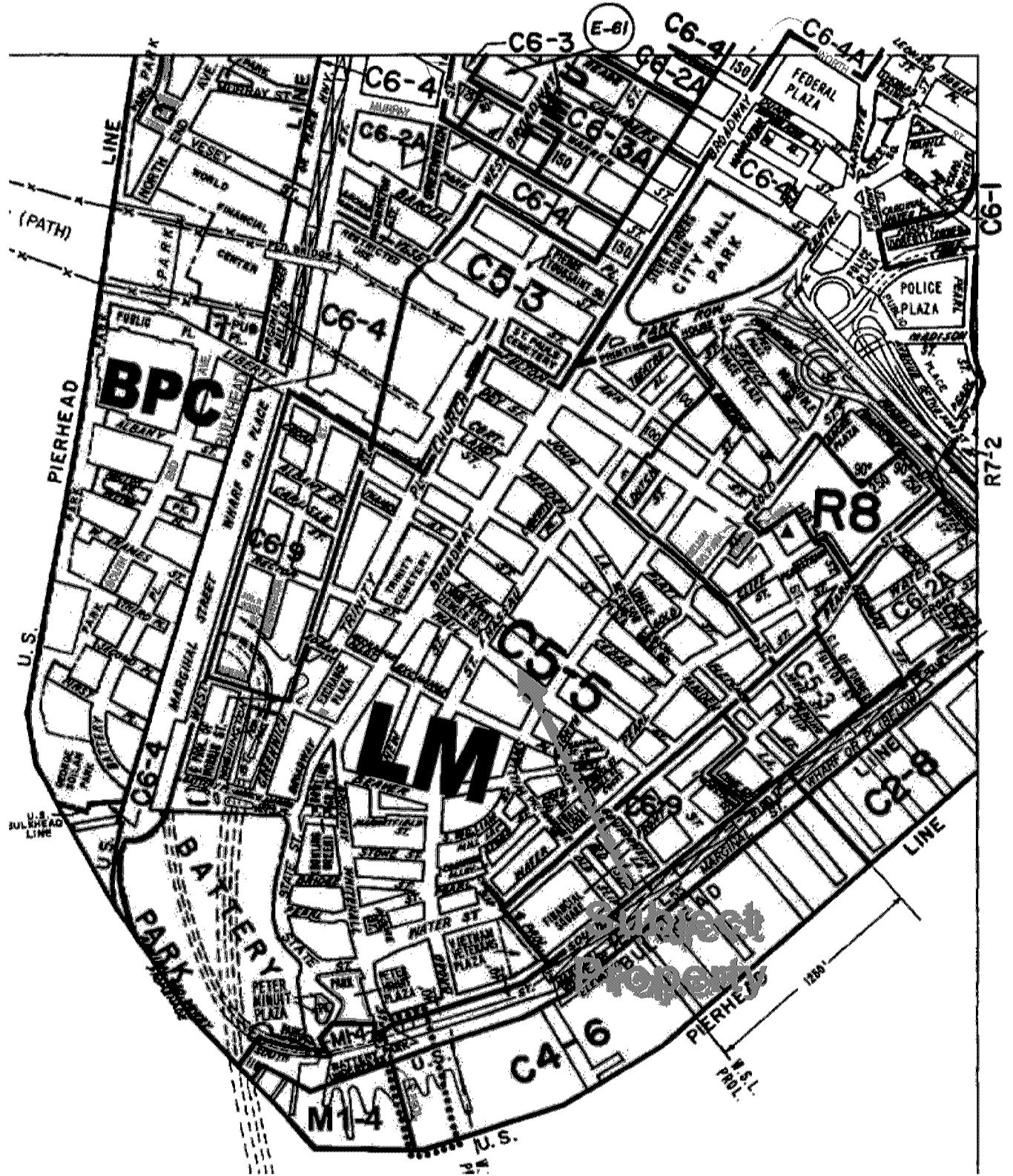
ZONING	LAND SF	FAR	MAXIMUM ZFA
C5-5	34,360± SF	@ 15 =	515,400± square feet

The subject site contains a zoning lot area of 34,360± square feet. The above grade gross building area of the subject property totals 1,061,266± square feet which appears to conform to the exceed the permitted zoning floor area as of right of 515,400± square feet.

We are not experts in the interpretation of complex zoning ordinances but the property appears to be a pre-existing, legal, non-complying use based on our review of public information. According to the Zoning Resolution of the City of New York, a pre-existing, legal, non-complying use occurs when a building that was legal when built, no longer complies with one or more of the present district bulk regulations. Non-compliance results when a building does not comply with any one of such bulk regulations. Alternatively, a non-conforming use is any use legal at its inception (whether a building or a tract of land), which no longer conforms to any one or more of the present use regulations of the district. Non-conformity results when a use does not conform to any one of such applicable use regulations. The property appears to be a pre-existing, legal, non-complying use based on this definition. The determination of compliance is beyond the scope of a real estate appraisal.

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

# ZONING MAP



## HIGHEST AND BEST USE

### HIGHEST AND BEST USE CRITERIA

*The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

To determine the highest and best use we have evaluated the subject site under two scenarios: as if vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above.

### HIGHEST AND BEST USE OF PROPERTY AS IF VACANT

#### LEGALLY PERMISSIBLE

The first test concerns permitted uses. According to our understanding of the zoning ordinance, noted earlier in this report, the site may legally be improved with structures that accommodate residential, office and general commercial uses. The land upon which the property was built is owned by the Port Authority of New York and New Jersey, which is not subject to the zoning laws of the City of New York. The site is surrounded by a mixture of residential, commercial, office, retail, hotel and uses. Mixed use developments, with retail at grade and office uses on the upper floors are consistent with the overall development of the area. We are not aware of any legal restrictions that limit the potential uses of the subject site.

#### PHYSICALLY POSSIBLE

The second test is what is physically possible. As discussed in the "Property Description," the site's size, soil, topography, etc. do not physically limit its use. The subject site is of adequate shape and size to accommodate almost all urban uses. The subject site contains 34,360 square feet of land on the north side of Wall Street throughblock to Pine Street between Nassau and William Streets. The size and configuration of the site are felt to provide a suitable land use and/or development potential for a large variety of possible and standard central business district-oriented land uses. Access and exposure are felt to be excellent for residential, office, commercial, retail and hotel uses. Municipal utilities would adequately provide for nearly all uses. Street improvements are also adequate. The size of the subject's portion of the site is large enough to attract established developers active in the market. Therefore, the physical characteristics of the subject site provide for a wide range of potential land uses.

#### FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

For a use to be seriously considered, it must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible.

Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Determining the value of a property upon completion of new construction requires an in-depth analysis of the condition of the local market, the location of the subject property, the proposed use of the property, its tenancy, level of pre-leasing, an estimate for absorbing vacant space, leasing costs, operating expenses, market vacancy and rental rates.



Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use. Determining which use is maximally productive is often straightforward, but can be quite complicated. Detailed analyses of values, costs, and returns will need to be conducted for the various uses being put to this final test.

We have considered possible land uses which would be financially feasible and which would produce the highest net return including residential, office, commercial, retail and hotel related uses. Several features of the subject property indicate that a mixed-use development with retail at grade and office uses on the upper floors is the highest and best use of the site. The subject is located within close proximity to prime Class A office buildings.

## **CONCLUSION**

We have considered the legal issues related to zoning and legal restrictions. We have analyzed the physical characteristics of the site to determine what legal uses would be possible and have considered the financial feasibility of these uses to determine the use that is maximally productive.

Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as if vacant is multi tenant office building development.

## **HIGHEST AND BEST USE OF PROPERTY AS IMPROVED**

*The Dictionary of Real Estate Appraisal* defines highest and best use of the property as improved as:

The use that should be made of a property as it exists. An existing improvement should be renovated or retained "as is" so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

## **CONCLUSION**

The property is being utilized within the context of its highest and best use. The subject property is considered a pre-war, Class A office building. It is our opinion that the highest and best use of the property is for its continued use as a commercial office building as it is currently developed.

## VALUATION PROCESS

### METHODOLOGY

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We have considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We have considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

#### COST APPROACH

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

#### SALES COMPARISON APPROACH

The Sales Comparison Approach uses sales of comparable properties, adjusted for differences, to estimate a value for the subject property. This approach typically uses a unit of comparison such as price per square foot of building area or effective gross income multiplier. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; (d) the absence of non-typical conditions affecting the sales price.

#### INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach first determines the income-producing capacity of a property by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

The reliability of the Income Capitalization Approach depends upon whether investors actively purchase the subject property type for income potential, as well as the quality and quantity of available income and expense data from comparable investments.

## SUMMARY

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

Analyzing each approach to value used in the appraisal concludes the valuation process. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

## GROUND LEASE AND LAND VALUATION

40 Wall Street is subject to a ground lease. The ground lease has been summarized and analyzed as follows:

### GROUND LEASE SUMMARY

Landlord:	Nautilus Real Estate Inc. and Scandic Wall Limited Partnership		
Tenant:	40 Wall Street LLC c/o The Trump Organization		
Property:	40 Wall Street, New York, New York		
Lease Index:	Ground Lease dated November 30, 1995. Lease 1st Modification dated May 1, 1997 Lease 2nd Modification dated November 24, 1998 Lease 3rd Modification dated July 29, 2002 Lease 4th Modification dated December 31, 2007		
Date of Lease:	November 30, 1995		
Term:	67.6 months 4 <sup>th</sup> Lease modification & Sec: 26 Pg: 53.		
Lease Commencement Date:	November 30, 1995		
Rent Commencement Date:	November 30, 1995		
Fixed Expiration Date:	April 30, 2059. Sec:1 Pg: 2 Lease doc		
Fixed Rent:	Begin	End	Annual Rent
	11/30/1995	11/29/1997	\$1,500,000.00
	11/30/1997	11/29/1998	\$750,000.00
	11/30/1998	11/29/1999	\$650,000.00
	01/01/2008	12/31/2012	\$1,500,000.00
	01/01/2013	12/31/2017	\$1,650,000.00
	01/01/2018	12/31/2019	\$1,815,000.00
	01/01/2020	12/31/2022	\$2,315,000.00
	01/01/2023	12/31/2027	\$2,546,500.00
	01/01/2028	12/31/2032	\$2,801,150.00

4th Lease Modification Pg: 2.

	Base Rent for Revaluation Period: Greater of (a) 6.0% the then value of the land considered as vacant and unimproved but with the right to construct a 900,000 SF Bldg for (x) office purposes and (y) ground floor retail space or other retail space in the Bldg which existed after 1/1/2028 or (b) 85.0% of the Then rental. 4th modification Pg: 4.
Rent Adjustment:	Landlord may require Valuation of the land as of 1/1/2033 and each 25 years thereafter. Land is to be valued as vacant and unimproved but w/ right to construct a 900,000 SF building thereon. Rent becomes greater of (a) 6% of Value or (b) 85% of rent for the prior year. 4th modification Sec: 2.05 Pg: 4.
Renewal Option:	Tenant has right to exercise two renewal options to be exercised for a period of sixty seven and one half years (67 and ½) to commence on May 1, 2059 to October 31, 2126 and 2 <sup>nd</sup> option commencing on November 1, 2126 to April 30, 2194. Sec: 26 pg: 53
Insurance:	Tenant shall maintain its own cost and expense all risk insurance, liability for bodily injury and death, personal injury and property damage, rent or business interruption insurance and such other insurance as required by Landlord. Sec: 5. Pg: 9&10.
Use:	For any Lawful purposes. Sec: 11.01. Pg: 20.
Alterations and Improvements:	Only demolition of building requires Landlord's consent. All alterations are subject to typical restrictions but do not require Landlord's consent. Sec: 9.01 Pg: 17
Repairs:	Tenant is responsible for all repairs and maintenance of the premises. Sec: 7 Pg: 14
Taxes & Imposition:	Tenant shall pay for all Taxes and other charges. Sec: 3.01 Pg: 5.
Purchase Option:	If Landlord elects to sell its interest in property, Tenant has the right of first offer to purchase the fee interest at all the cash price offered by accepting Landlord's notice within 30 days after getting the offer by Landlord. Sec: 23.04 Pg: 49.
Default:	Monetary Default: 20 days after written notice. Non Monetary Default: 60 days or more if default cannot be cured in 60 days. Sec: 19 Pg: 43
Estoppel:	Within Twenty (20) days prior notice with request from either parties. Sec: 20 Pg: 47
Mortgages, Assignment & Sublease:	Tenant has the absolute right w/o Landlord's consent to: (a) assign or transfer lease, Sec: 18.01. (b) mortgage the lease up to 85% of FMV. Sec 18.02 and (c) sublease all or part of the premises as an entirety for occupancy at least 50% of the premises and not for further subletting. Sec: 18.06 Pg: 30

Landlord shall upon Tenant request enter in to a Non Disturbance agreement with the Tenant and Sub tenant in form and substance who obtained such an agreement from the leasehold mortgage. Sec: 18.10 Pg: 41

Tenant shall not modify the terms of sublease having an unexpired term of 5 years or more or with rents at \$250,000 p.a. without the prior written consent of Landlord. Sec: 18.10 Pg: 41.

**Condemnation:**

If at any time during the term of this lease title to the whole or substantially all of the demised premises shall be taken by the exercising the right of condemnation or eminent domain. The proceeds of any award shall be paid as follows:

a) First, to each parties their respective reasonable cost of collection of the award, Second, to Landlord, the sum of \$12,000,000 which shall be increased by the same percentage increase in the net annual rent, Third, settlement to Leasehold mortgages in order of their seniority, Fourth, to Tenant to the extent that the then depreciated value of any improvements to the demised premises made by Tenant shall exceed the amount paid to the holders of Leasehold Mortgage.

b) If the value of the unexpired portion of Tenant's leasehold estate which value not have been separately determined in such proceeding such value will be fixed by agreement between Landlord & Tenant. Sec: 16.03 Pg: 27&28.

The ground lease payments currently total \$1,500,000 with subsequent set increases through 2032. In 2033 the lease payments are revalued to the greater of either; (a) 6.0% the then value of the land considered as vacant and unimproved but with the right to construct a 900,000 square foot office building; or, (b) 85.0% of the then lease payments. There are two renewal options that can be exercised for a period of sixty seven and one half years (67 and ½) to commence on May 1, 2059 to October 31, 2126 and 2<sup>nd</sup> option commencing on November 1, 2126 to April 30, 2194.

In order to estimate the value of the leasehold interest, we have estimated the property's land value assuming it is vacant, unimproved and unencumbered and available to be put to its highest and best use. We have estimated the property's land value assuming it is vacant, unimproved and unencumbered and available to be put to its highest and best use.

## **LAND VALUATION (SUBJECT TO REQUIREMENTS OF THE GROUND LEASE)**

We used the Sales Comparison Approach to develop an opinion of land value subject to requirements of the ground lease. In this method, we analyzed prices buyers have recently paid for similar sites in this area. In making comparisons, we adjusted the sale prices for differences between this site and the comparable sites. We present on the following pages a summary of pertinent details of sites recently sold that we compared to the site appraised.

Real estate developers make qualitative and quantitative judgments in the acquisition of a site with development potential such as the subject property. Subjectively, a developer considers the nature of surrounding land uses and proximity to complimentary services to a potential project. Objectively, the physical and functional attributes of the site, and the cost of preparing it for construction must be calculated. Lying between these two considerations are the many aesthetic and economic factors, which come to influence the final product.

The most widely used and market-oriented unit of comparison for development parcels such as the subject site is the sale price per square foot of developable area (FAR) as of right. This unit of comparison is the most accurate method of comparison, since it defines land parcels in terms of their maximum development potential as related to the site. This diminishes the impact of differences caused due to zoning and other factors affecting the utility of the parcel. By using the FAR method of comparison, some of the more abstract comparisons are eliminated. Most important, this method of comparison is also that which is most used by developers and investors for this type of property. All comparable sales were analyzed on this basis.

In our analysis, we compared the sales to the subject property based upon changes in market conditions since the date of sale, location of the real estate, physical and functional traits and the economic characteristics of the property. Percentage adjustments were made to account for differences between the subject and comparables for the following items: property rights conveyed, financing terms and conditions of sale, time (market conditions), location, zoning, configuration, size (MPBB), utility and other.

**Our analysis assumes the subject's site developable area (FAR) as of right is 900,000 as stipulated in the ground lease.**

## **DISCUSSION OF ADJUSTMENTS**

The sales we have used were the best available comparables to the subject property. The major points of comparison for this type of analysis include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The first adjustment made to the market data takes into account differences between the subject property and the comparable property sales with regard to the legal interest transferred. Advantageous financing terms or atypical conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market conditions are accounted for, creating a time adjusted price. Lastly, adjustments for location, physical traits and the economic characteristics of the market data are made in order to generate the final adjusted unit rate for the subject property.

We have made a downward adjustment to those comparables considered superior to the subject and an upward adjustment to those comparables considered inferior.

## **PROPERTY RIGHTS CONVEYED**

The property rights conveyed in a transaction typically have an impact on the sale price of a property. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. Since we are valuing the fee simple interest as reflected by each of the comparables, an adjustment for property rights is not required.

## FINANCIAL TERMS

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

## CONDITIONS OF SALE

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

## MARKET CONDITIONS

The sales that are included in this analysis occurred between January 2011 and April 2012. Beginning in September 2010, we have made a positive adjustment for the improving market conditions at a rate of 5.0 percent per annum.

## LOCATION

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. Location adjustments were intended to reflect differences with regard to the character of the avenue or street, proximity to transportation, desirability with regard to location (reputation of the surrounding buildings), and trends in future growth or decline. We have made a negative adjustment to those comparables considered superior in location versus the subject. Conversely, a positive adjustment was made to those comparables considered inferior.

## SIZE (ZONING FLOOR AREA)

The adjustment for size generally reflects the inverse relationship between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. This adjustment is based on the zoning floor area and not the physical site size. This comparison is common given the vertical nature and density of New York City. Positive adjustments are made to sites that yield a larger zoning floor area, and downward adjustments are made to sites that yield a smaller amount of zoning floor area. Each comparable was adjusted accordingly.

## ZONING

Many factors of zoning dictate the resultant use, density and design of a development. Density regulations are determined not only by Floor Area Ratios, but by height limitations, mandatory street wall setbacks, rear yard setbacks and requirements for retail continuity or pedestrian access. Wide streets in the Manhattan core, as well as corner locations, tend to improve utility for developers. The presence of subway stations, while very beneficial for locational attributes, also result in developers needing to be cognizant of subway tunnels that traverse across or along a site, as the protection of tunnels is an added cost of development.

The zoning adjustment also considers features, such as setback regulations, height restrictions, open space requirements, lot coverage requirements, and the potential use groups available for a particular site. The subject property is commercially zoned (C5-5) which permits a tower to be developed. As previously detailed, residential development is permissible in almost all commercially zoned land. Each comparable has been adjusted accordingly.

## UTILITY

The adjustment for utility is intended to reflect differences in a plot's development potential in regard to access,



frontage, and visibility. Mid-block sites and sites within areas with height limitations have inferior utility. Utility adjustments consider soil/sub-soil conditions to the extent known. The subject site has good frontage and visibility along Thames and Greenwich Streets. Given its overall physical characteristics and zoning, the subject site is considered adequate to accommodate most permitted development possibilities. We have considered all of these factors in our adjustment process and made adjustments as appropriate. Each comparable was adjusted accordingly.

#### **CONFIGURATION**

An adjustment for configuration was intended to reflect differences with regard to plots, which were more irregular in shape versus plots which were more square or rectangular. It also considers frontage to depth ratios and perimeter areas. Configuration affects the shape of the prospective building's floor plate and is an important factor for developers and investors. Given the size and shape of the of the subject site, it offers a developer a good level of flexibility in design features. Each comparable was adjusted accordingly.

#### **OTHER**

This category accounts for any other adjustments not previously discussed. After our analysis of the sales, a downward adjustment of 20 percent was made to all the land sales since the subject's ground lease specifies the site developable area (FAR) of 900,000 square feet.

#### **DISCUSSION OF COMPARABLE SALES**

On the following pages we present a summary of the land sales that we compared to the subject property and an adjustment grid.

**SUMMARY OF LAND SALES**

PROPERTY INFORMATION							TRANSACTION INFORMATION					
No.	Location	Size (sf)	Size (Acres)	Max FAR	Potential ZFA	Zoning	Grantor	Grantee	Sale Date	Sale Price	\$/ZFA	COMMENTS
1	133 Greenwich Street N/E/C Thames Street Financial District	9,998	0.23	13.13	131,276	C5-5	Greenwich Thames Realty	Greenwich Street Assocs	Apr-12	\$27,900,000	\$212.53	Sale of a vacant parcel located at the northeast corner of Thames and Greenwich Streets, across from the subject. Prior to the sale the ownership completed a zoning lot merger with an adjacent parcel (lot 10) permitting a higher density as the unused development rights are available to this property. The merged zoning lot contains a total of 131,276 square feet of zoning floor area. Hidrock's Realty (Grantee) partner in the deal is Robert Finvarb Cos. The JV partners have proposed to invest additional \$70 million to develop a 300 key, 28-story hotel, which is expected to be completed in 2015. The prior owner of the site, Greenwich Street Developers, LLC, filed for bankruptcy in September 2009. The contract grantor, Greenwich Thames Realty LLC, acquired the site from Greenwich Street Developers LLC through a court ordered auction that was held on August 20, 2010. The purchase price was \$19,600,000 (\$/ZFA) and the transaction closed in November 2010. There was reportedly only one other bidder, Equity Residential, that took part in the auction.
2	400 Park Avenue South B/w East 27th and 28th Streets Gramercy Park	19,275	0.44	15.00	417,544	C5-3	400 Park Ave South LLC c/o A&R Kaliman Realty LP	ET 400 PAS, LLC c/o Toll Brothers, Inc. & Equity Residential	Dec-11	\$134,000,000	\$320.92	Sale of a vacant development site located on the southwest corner of East 28th Street and Park Avenue South. The site was reportedly purchased by a joint venture consisting of Toll Brothers and Equity Residential. The proposed 40-story building will contain ground floor retail and a mix of rental units on the lower floors and condominium units on the upper floors. Equity Residential will own and operate the rental units while Toll Brothers will build and sell the condominiums. The maximum FAR for the site is 15, based on the C5-3 zoning. However, in July 2005, the seller purchased 128,419 square feet of development rights from the adjacent property located at 63 Madison Avenue. Adding this to the as-of-right Zoning Floor Area (ZFA) arrives at a total ZFA of 417,544 square feet.
3	11-15 Leonard Street B/w W. Broadway & Hudson Street Tribeca	5,752	0.13	6.02	34,627	C6-2A (TMU)	Leonard Street Associates LLC	Tribeca Development Partners LLC	Dec-11	\$10,145,000	\$292.98	Sale of a partially improved development parcel along Leonard Street between West Broadway and Hudson Street. The property was sold with two small commercial buildings totaling 5,752 square feet that were slated for development. The Grantor, developer Steven Schnall, has proposed plans to redevelop the site with a 7-story, plus 2-story penthouse, glass-encased residential building. However, in April 2012 the Landmarks Preservation Committee denied the most recent version of the plans based on several height and design issues. Schnall reportedly was reconfiguring the site and will reapply for the appropriate building permits. We have allocated \$145,000 in demolition costs, which equates to \$25 per square foot of gross building area.



**SUMMARY OF LAND SALES**

PROPERTY INFORMATION							TRANSACTION INFORMATION					
No.	Location	Size (sf)	Size (Acres)	Max FAR	Potential Building Area	Zoning	Grantor	Grantee	Sale Date	Sale Price	\$/ZFA	COMMENTS
4	50 Trinity Place S/WC Rector Street Financial District	3,885	0.09	18.61	72,306	C5-5 (LM)	McSam Hotel Group	Trinity NYC Hotel LLC (Khanudu Patel)	Jul-11	\$15,659,800	\$216.58	Sale of a vacant parcel on the southwest corner of Trinity Place and Rector Street. Prior to the sale the grantor acquired 15,936 square feet of additional development rights from the adjacent lot 21 in 2009. The site contains 3,885 square feet with a maximum zoning floor area as of right of 56,370 square feet. The total zoning floor area for the site is 72,306 square feet. The grantee intends to develop a 197-room hotel.
5	151-161 Maiden Lane N/E/C South Street Financial District,	11,404	0.26	15.00	171,060	C5-3/LM	LH Maiden Realty, LLC	Maiden Lane Development, LLC	Jan-11	\$41,167,784	\$240.66	Sale of an entire city block bound by Maiden Lane, South, Greenwich and Fletcher Streets. The grantor purchased a defaulted note (\$62.7 face value) from US Bancorp and negotiated a deed in lieu of foreclosure with the Grantee. The site is currently utilized as a parking lot. 161 Maiden Lane was previously improved with a 6-story building that was demolished prior to the sale. The site offers unobstructed views of the East River to the south and east.
STATISTICS												
Low		3,885	0.09	6.02	34,627				Jan-11	\$10,145,000	\$212.53	
High		19,275	0.44	18.61	417,544				Apr-12	\$134,000,000	\$320.92	
Average		10,063	0.23	13.55	165,363				Sep-11	\$45,774,517	\$256.73	

Compiled by Cushman & Wakefield, Inc.



**COMPARABLE LAND SALE No. 1**

This is the sale of a development site located at 133 Greenwich Street at the northeast corner of Thames Street in the Financial District neighborhood of Lower Manhattan, across from the subject site. Greenwich Street Associates purchased the site from Greenwich Thames Realty in April 2012 for \$27,900,000. The irregular shaped site is commercially zoned (C5-5) and contains 9,998 square feet. Prior to the sale the seller completed a zoning lot merger with an adjacent parcel (Lot 10) permitting a higher density as the unused development rights were transferred to the site. The merged zoning lot permits a maximum zoning floor area of 131,276 square feet of zoning floor area. The buyer has proposed to develop a \$70,000,000, 28-story hotel containing 300 keys which is expected to be completed in 2015. The prior owner of the site, Greenwich Street Developers, LLC, filed for bankruptcy in September 2009. The contract grantor, Greenwich Thames Realty LLC, acquired the site from Greenwich Street Developers LLC through a court ordered auction that was held on August 20, 2010. The purchase price was \$19,600,000 (\$149.30/ZFA) and the transaction closed in November 2010. There was reportedly only one other bidder, Equity Residential, that took part in the auction. Based on the maximum permitted zoning floor area, the sale price develops a unit price of \$212.53 per square foot of ZFA.

**COMPARABLE LAND SALE No. 2**

This is the sale of a development site located at 400 Park Avenue South between East 37<sup>th</sup> and 28<sup>th</sup> Streets in the Gramercy Park neighborhood of Manhattan. ET 400 PAS, LLC c/o Toll Brothers, Inc. and Equity Residential purchased the site from 400 Park Ave South LLC c/o A&R Kalimian Realty LP in December 2011 for \$134,000,000. The irregular shaped site was zoned commercial (C5-3) and contains 19,275 square feet. In July 2005, the seller purchased 128,419 square feet of development rights from the adjacent property located at 63 Madison Avenue. Therefore, the site permits a maximum zoning floor area of 417,544 square feet. The sale was reportedly purchased by a joint venture consisting of Toll Brothers and Equity Residential. The site is proposed to be improved with a 40-story building that will contain ground floor retail and a mix of rental units on the lower floors and condominium units on the upper floors. Equity Residential will own and operate the rental units while Toll Brothers will build and sell the condominiums. Based on the maximum permitted zoning floor area, the sale price develops a unit price of \$320.92 per square foot of ZFA.

**COMPARABLE LAND SALE No. 3**

This is the sale of a development site located at 11-15 Leonard Street between West Broadway and Hudson Street in the Tribeca neighborhood of Manhattan. Tribeca Development LLC purchased the site from Leonard Street Associates LLC in December 2011 for \$10,145,000, inclusive of demolition costs. The irregular shaped site was zoned commercial (C6-2A) and contains 5,752 square feet. The site was improved with a 1-story commercial building totaling 5,752 square feet, which is proposed to be razed. The grantor, developer Steven Schnall, has proposed to redevelop the site with a glass-encased, 7-story, plus 2-story penthouse residential building. However, in April 2012 the Landmarks Preservation Committee denied the most recent version of the development plans based on several height and design issues. Schnall reportedly was reconfiguring the proposed development and will reapply for the appropriate approvals. We have allocated \$145,000 in demolition costs, which equates to \$25 per square foot of gross building area. Based on the maximum permitted zoning floor area, the sale price develops a unit price of \$292.98 per square foot of ZFA.

**COMPARABLE LAND SALE No. 4**

This is the sale of a development site located at 50 Trinity Place at the southwest corner of Rector Street in the Financial District neighborhood of Lower Manhattan. Trinity NYC Hotel LLC (c/o Khanadu Patel) purchased the site from McSam Hotel in July 2011 for \$15,659,800. The irregular shaped site was zoned commercial (C5-5) and contains 3,885 square feet. Prior to the sale the grantor acquired 15,936 square feet of additional development rights from the adjacent Lot 21. Therefore, the site permits a maximum zoning floor area of 72,306 square feet. The grantee intends to develop a 197-key hotel. Based on the maximum permitted zoning floor area, the sale price develops a unit price of \$216.58 per square foot of ZFA.

## COMPARABLE LAND SALE NO. 5

This is the sale of a development site located at 151-161 Maiden Lane at the northwest corner South Street within the Financial District neighborhood of Lower Manhattan. Maiden Lane Development, LLC purchased the site from LH Maiden Realty, LLC in January 2011 for of \$41,167,784. The site comprises an entire city block bound by Maiden Lane, South, Greenwich and Fletcher Streets. The site was zoned commercial (C5-3) and contains 11,404 square feet. The site permits a maximum zoning floor area of 171,060 square feet. The grantor purchased a defaulted note (\$62.7 face value) from US Bancorp and negotiated a deed in lieu of foreclosure with the Grantee. The site is currently utilized as a parking lot. 161 Maiden Lane was previously improved with a 6-story building that was demolished prior to the sale. The site offers unobstructed views of the East River to the south and east. Based on the maximum permitted zoning floor area, the sale price develops a unit price of \$240.66 per square foot of ZFA.

## LISTINGS

We are familiar with one current listing in the immediate area. Eastern Consolidated is marketing a development site at 98-100 Greenwich Street. The site contains 4,537 square feet and is zoned C6-9 within the Lower Manhattan Special Purpose District. The site permits a total of 68,055 square feet of zoning floor area and is currently improved with a 5-story building containing 21,097 square feet of gross building area. The building is vacant with the exception of the two ground floor retail tenants. The site has an asking price of \$17,000,000. After estimating demolition costs of \$530,000 (\$25/SF), the asking price is adjusted to \$17,530,000 or \$257.59 per square foot of ZFA. Additionally, the former Sym's department store located at 42 Trinity Place is widely perceived to be a development site. Market participants believe this site will likely come to market in the near future.

## SUMMARY OF SALES

The uniqueness of the subject's location makes it difficult to locate direct comparables. The opportunity to acquire a ready-to-build prime development site is rare. However, market participants will only pay an amount to secure a location that is feasible based on the proposed development.

The five comparable sales exhibit a range in unadjusted unit prices from \$212.53 to \$320.92 per FAR. The sales occurred between January 2011 and April 2012. The sites involved both small and large development sites ranging in size from 34,627 to 417,544 square feet of FAR. All of the sales have been reported to be cash equivalent and arms-length transactions.

In making comparisons, we adjusted the sale prices for differences between this site and the comparable sites. Differences between the subject property and the comparable sales are adjusted to reflect property rights conveyed financing terms and conditions of sale, time (market conditions), location, size, zoning, configuration, utility and other. The following chart summarizes our adjustment process.

LAND SALE ADJUSTMENT GRID													
Economic Adjustments (Cumulative)							Property Characteristic Adjustments (Additive)						
No.	Price/ZFA & Date	Property Rights Conveyed	Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	PSF ZFA Subtotal	Location	Size (ZFA)	Zoning	Utility <sup>(2)</sup>	Configuration	Other	Adj. Price/ZFA
1	\$212.53 4/12	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 2.6%	\$218.00 2.6%	Similar 0.0%	Smaller -15.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Superior -20.0%	\$163.50 -25.0%
2	\$320.92 12/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 4.5%	\$335.40 4.5%	Superior -20.0%	Smaller -10.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Superior -20.0%	\$167.70 -50.0%
3	\$292.98 12/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 4.6%	\$306.44 4.6%	Superior -20.0%	Smaller -25.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Superior -20.0%	\$137.90 -55.0%
4	\$216.58 7/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 6.8%	\$231.21 6.8%	Inferior 5.0%	Smaller -25.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Superior -20.0%	\$161.84 -30.0%
5	\$240.66 1/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 9.4%	\$263.21 9.4%	Inferior 5.0%	Smaller -15.0%	Similar 0.0%	Similar 0.0%	Superior -10.0%	Superior -20.0%	\$157.93 -40.0%
STATISTICS													
	\$212.53	- Low										Low -	\$137.90
	\$320.92	- High										High -	\$167.70
	\$256.73	- Average										Average -	\$157.77

Compiled by Cushman & Wakefield, Inc.

**(1) Market Conditions Adjustment Footnote**

Refer to discussion of adjustments  
Date of Value (for adjustment calculations): 11/1/12

**(2) Utility Footnote**

Utility includes access, frontage and visibility.



### OPINION OF SITE VALUE (SUBJECT TO REQUIREMENTS OF THE GROUND LEASE)

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

As noted by the summary of comparables, the sales reflect a range in unadjusted price per square foot indicators from \$212.53 to \$320.92 per FAR. After adjustments, the land sales reflect a range from \$137.90 to \$167.70 per FAR. The average adjusted unit value is \$157.77 per FAR.

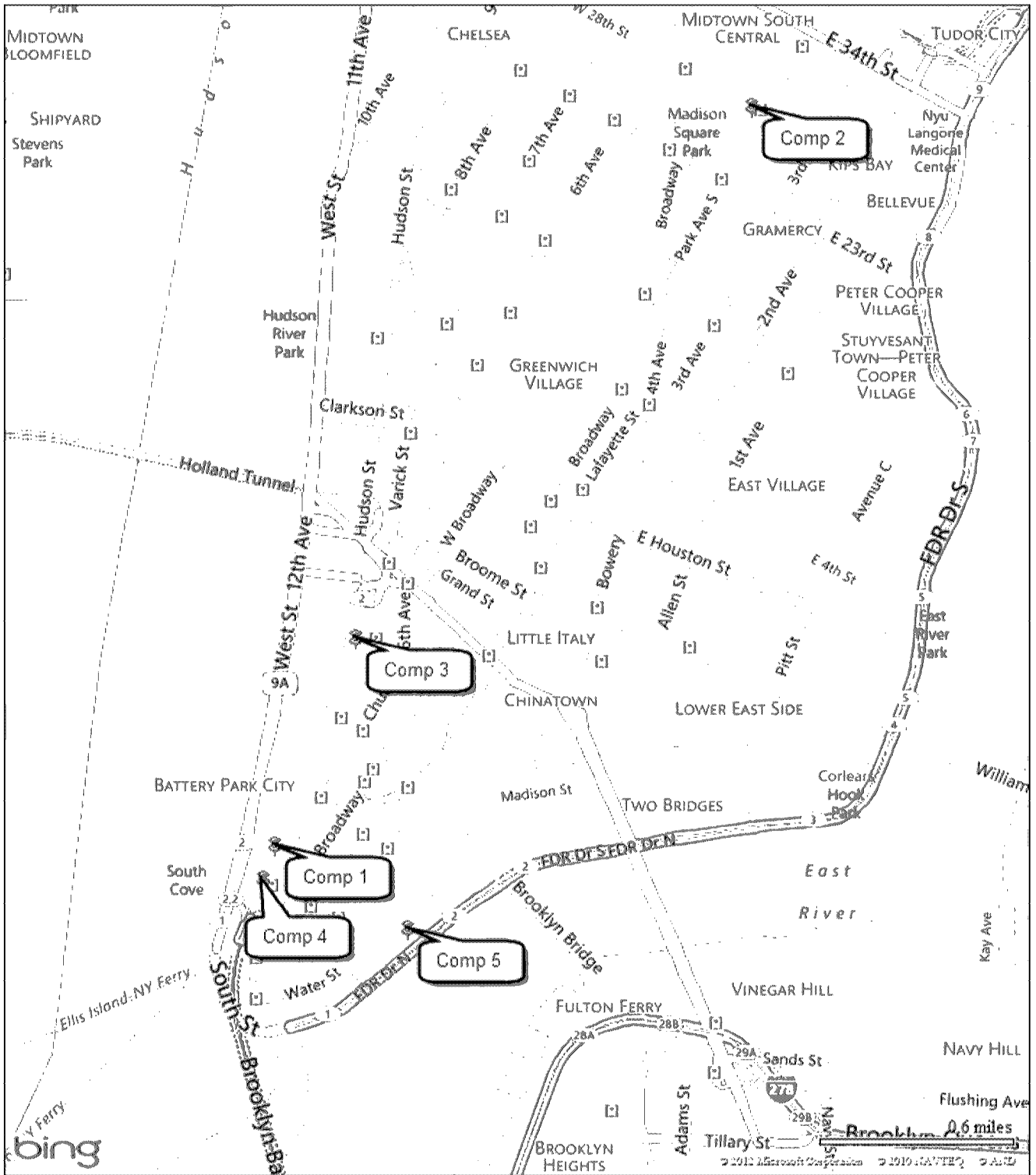
**Our analysis assumes the subject's site developable area (FAR) is 900,000 square feet as stipulated in the ground lease.**

After considering all of the available market data in comparison with the characteristics of the subject property, it is our opinion that the proper unit value to apply due to locational and physical similarities is \$150.00 per FAR based on a highest and best use. Therefore, our opinion of the **fee simple interest of the subject site subject to requirements of the ground lease** indicated by the Sales Comparison Approach is computed as follows:

LAND VALUATION CONCLUSION AS VACANT AND UNIMPROVED BASED ON THE RIGHT TO CONSTRUCT A 900,000 SQUARE FOOT BUILDING AS STIPULATED IN THE GROUND LEASE	
INDICATED VALUE	
Maximum FAR:	900,000
Indicated Value per FAR:	<u>X \$150.00</u>
Indicated Land Value:	\$135,000,000
Rounded Land Value:	\$135,000,000
Fee Simple Value per FAR:	\$150.00

The ground lease states that the Landlord may require valuation of the land as of January 1, 2033 and each 25 years thereafter. The land is to be valued as vacant and unimproved but with the right to construct a 900,000 square foot building thereon. Rent becomes greater of (a) 6% of Value or (b) 85% of rent for the prior year. Our analysis assumes the subject's site developable area (FAR) is 900,000 square feet as stipulated in the ground lease, which does not represent a market value of the land.

LAND SALES MAP





## PRESENT VALUE OF GROUND LEASE (AS OF NOVEMBER 1, 2012)

In order to determine the reasonableness of the subject's ground lease rent, we have researched the market for recent leased fee (ground lease) sales. The leased fee sales were primarily used to extract internal rates of return and overall capitalization rates. **Since ground rent is typically determined based on a factor of land value, the comparable leased fee sales do not provide a reliable indication of ground rent for the subject property.**

Based upon ground lease transactions included within the Addenda section of this report (Comparable Leased Fee Land Sales), a wide range of overall capitalization rates from 0.93 to 4.25 percent is indicated for long term leased fee ground leases where rental payments are fixed for extended periods of time. Internal rates of return of 6.00 to 7.00 percent are indicated from the sales. In our opinion, a discount rate of 6.50 percent is reasonable for the subject property.

The ground lease payments currently total \$1,500,000 with subsequent set increases through 2032. In 2033 the lease payments are revalued to the greater of either; (a) 6.0% the then value of the land considered as vacant and unimproved but with the right to construct a 900,000 square foot office building; or, (b) 85.0% of the then lease payments. There are two renewal options that can be exercised for a period of sixty seven and one half years (67 and ½) to commence on May 1, 2059 to October 31, 2126 and 2<sup>nd</sup> option commencing on November 1, 2126 to April 30, 2194. The complete analysis of ground rent payments over the remaining holding period may be found on the **following page**. The present value of these payments over the holding period may be summarized as follows:

VALUATION	
Discounted Value of the Cash Flow	\$95,438,823
Discounted Value of the Reversion	\$2,541,564
<b>Value of the Ground Lessor's Position (Leased Fee Interest) Rounded</b>	<b>\$100,000,000</b>
As of November 1, 2012	

The present value of both annual rent and reversionary value was based upon a 6.50 percent discount rate. The reversionary sale price was based upon the estimated land value (subject to requirements of the ground lease) grown at 3 percent over the remaining 115-year lease term, less a 4.00 percent cost of reversion. Therefore, it is our opinion that the value of the ground lessor's position in the subject property, as of November 1, 2012, was \$100,000,000.

**DISCOUNTED CASH FLOW ANALYSIS**  
BEGINNING NOVEMBER 1, 2012

REMAINING TERM	FISCAL DATE	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT FACTOR 6.50%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
1	01/01/12	2012	\$1,500,000		\$1,500,000	0.827849	\$ 1,241,774	1.27%	1.53%
2	01/01/13	2013	\$1,650,000		\$1,650,000	0.777923	\$ 1,282,583	1.31%	1.68%
3	01/01/14	2014	\$1,650,000		\$1,650,000	0.729881	\$ 1,204,303	1.23%	1.68%
4	01/01/15	2015	\$1,650,000		\$1,650,000	0.685334	\$ 1,130,801	1.15%	1.68%
5	01/01/16	2016	\$1,650,000		\$1,650,000	0.643506	\$ 1,061,785	1.08%	1.68%
6	01/01/17	2017	\$1,650,000		\$1,650,000	0.604231	\$ 996,981	1.02%	1.68%
7	01/01/18	2018	\$1,815,000		\$1,815,000	0.567353	\$ 1,029,746	1.05%	1.85%
8	01/01/19	2019	\$1,815,000		\$1,815,000	0.532726	\$ 966,898	0.99%	1.85%
9	01/01/20	2020	\$2,315,000		\$2,315,000	0.500212	\$ 1,157,991	1.18%	2.36%
10	01/01/21	2021	\$2,315,000		\$2,315,000	0.469683	\$ 1,087,316	1.11%	2.36%
11	01/01/22	2022	\$2,315,000		\$2,315,000	0.441017	\$ 1,020,954	1.04%	2.36%
12	01/01/23	2023	\$2,546,500		\$2,546,500	0.414100	\$ 1,054,506	1.08%	2.60%
13	01/01/24	2024	\$2,546,500		\$2,546,500	0.388827	\$ 990,147	1.01%	2.60%
14	01/01/25	2025	\$2,546,500		\$2,546,500	0.365095	\$ 929,715	0.95%	2.60%
15	01/01/26	2026	\$2,546,500		\$2,546,500	0.342813	\$ 872,972	0.89%	2.60%
16	01/01/27	2027	\$2,546,500		\$2,546,500	0.321890	\$ 819,692	0.84%	2.60%
17	01/01/28	2028	\$2,801,150		\$2,801,150	0.302244	\$ 846,630	0.86%	2.86%
18	01/01/29	2029	\$2,801,150		\$2,801,150	0.283797	\$ 794,958	0.81%	2.86%
19	01/01/30	2030	\$2,801,150		\$2,801,150	0.266476	\$ 746,439	0.76%	2.86%
20	01/01/31	2031	\$2,801,150		\$2,801,150	0.250212	\$ 700,882	0.72%	2.86%
21	01/01/32	2032	\$2,801,150		\$2,801,150	0.234941	\$ 658,105	0.67%	2.86%
22	01/01/33	2033	\$15,520,438		\$15,520,438	0.220602	\$ 3,423,839	3.49%	15.84%
23	01/01/34	2034	\$15,520,438		\$15,520,438	0.207138	\$ 3,214,873	3.28%	15.84%
24	01/01/35	2035	\$15,520,438		\$15,520,438	0.194496	\$ 3,018,660	3.08%	15.84%
25	01/01/36	2036	\$15,520,438		\$15,520,438	0.182625	\$ 2,834,422	2.89%	15.84%
26	01/01/37	2037	\$15,520,438		\$15,520,438	0.171479	\$ 2,661,429	2.72%	15.84%
27	01/01/38	2038	\$15,520,438		\$15,520,438	0.161013	\$ 2,498,995	2.55%	15.84%
28	01/01/39	2039	\$15,520,438		\$15,520,438	0.151186	\$ 2,346,474	2.39%	15.84%
29	01/01/40	2040	\$15,520,438		\$15,520,438	0.141959	\$ 2,203,262	2.25%	15.84%
30	01/01/41	2041	\$15,520,438		\$15,520,438	0.133295	\$ 2,068,791	2.11%	15.84%
31	01/01/42	2042	\$15,520,438		\$15,520,438	0.125159	\$ 1,942,526	1.98%	15.84%
32	01/01/43	2043	\$15,520,438		\$15,520,438	0.117520	\$ 1,823,968	1.86%	15.84%
33	01/01/44	2044	\$15,520,438		\$15,520,438	0.110348	\$ 1,712,646	1.75%	15.84%
34	01/01/45	2045	\$15,520,438		\$15,520,438	0.103613	\$ 1,608,119	1.64%	15.84%
35	01/01/46	2046	\$15,520,438		\$15,520,438	0.097289	\$ 1,509,971	1.54%	15.84%
36	01/01/47	2047	\$15,520,438		\$15,520,438	0.091351	\$ 1,417,813	1.45%	15.84%
37	01/01/48	2048	\$15,520,438		\$15,520,438	0.085776	\$ 1,331,280	1.36%	15.84%
38	01/01/49	2049	\$15,520,438		\$15,520,438	0.080541	\$ 1,250,028	1.28%	15.84%
39	01/01/50	2050	\$15,520,438		\$15,520,438	0.075625	\$ 1,173,735	1.20%	15.84%
40	01/01/51	2051	\$15,520,438		\$15,520,438	0.071010	\$ 1,102,099	1.12%	15.84%

ASSUMPTIONS	
Land Growth Rate	3.00%
2012 Value per FAR	\$ 150.00
LAND AREA	34,360
MPBB(FAR)	900,000
TOTAL LAND VALUE	\$ 135,000,000
ROUNDED,	\$ 135,000,000
2012 GROUND RENT	\$ 1,500,000

VALUATION		
Discount Rate	6.50%	
Cost of Sale at Reversion	4.00%	
Value of Cash Flow	\$ 95,438,823	97.41%
Value of the Reversion	\$ 2,541,564	2.59%
Total Value	\$ 97,980,387	100.00%
ESTIMATED MARKET VALUE	\$ 100,000,000	
Per Unit	\$ 111.11	
Overall Capitalization Rate (on NOI)	1.50%	

**DISCOUNTED CASH FLOW ANALYSIS**  
 BEGINNING NOVEMBER 1, 2012

REMAINING TERM	FISCAL DATE	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT FACTOR 6.50%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
41	01/01/52	2052	\$15,520,438		\$15,520,438	0.066676	\$ 1,034,834	1.06%	15.84%
42	01/01/53	2053	\$15,520,438		\$15,520,438	0.062606	\$ 971,675	0.99%	15.84%
43	01/01/54	2054	\$15,520,438		\$15,520,438	0.058785	\$ 912,371	0.93%	15.84%
44	01/01/55	2055	\$15,520,438		\$15,520,438	0.055197	\$ 856,687	0.87%	15.84%
45	01/01/56	2056	\$15,520,438		\$15,520,438	0.051828	\$ 804,401	0.82%	15.84%
46	01/01/57	2057	\$15,520,438		\$15,520,438	0.048665	\$ 755,306	0.77%	15.84%
47	01/01/58	2058	\$15,520,438		\$15,520,438	0.045695	\$ 709,207	0.72%	15.84%
48	01/01/59	2059	\$33,471,240		\$33,471,240	0.042906	\$ 1,436,122	1.47%	34.16%
49	01/01/60	2060	\$33,471,240		\$33,471,240	0.040287	\$ 1,348,472	1.38%	34.16%
50	01/01/61	2061	\$33,471,240		\$33,471,240	0.037829	\$ 1,286,171	1.29%	34.16%
51	01/01/62	2062	\$33,471,240		\$33,471,240	0.035520	\$ 1,188,893	1.21%	34.16%
52	01/01/63	2063	\$33,471,240		\$33,471,240	0.033352	\$ 1,116,331	1.14%	34.16%
53	01/01/64	2064	\$33,471,240		\$33,471,240	0.031316	\$ 1,048,198	1.07%	34.16%
54	01/01/65	2065	\$33,471,240		\$33,471,240	0.029405	\$ 984,224	1.00%	34.16%
55	01/01/66	2066	\$33,471,240		\$33,471,240	0.027610	\$ 924,154	0.94%	34.16%
56	01/01/67	2067	\$33,471,240		\$33,471,240	0.025925	\$ 867,750	0.89%	34.16%
57	01/01/68	2068	\$33,471,240		\$33,471,240	0.024343	\$ 814,789	0.83%	34.16%
58	01/01/69	2069	\$33,471,240		\$33,471,240	0.022857	\$ 765,060	0.78%	34.16%
59	01/01/70	2070	\$33,471,240		\$33,471,240	0.021462	\$ 718,386	0.73%	34.16%
60	01/01/71	2071	\$33,471,240		\$33,471,240	0.020152	\$ 674,522	0.69%	34.16%
61	01/01/72	2072	\$33,471,240		\$33,471,240	0.018922	\$ 633,354	0.65%	34.16%
62	01/01/73	2073	\$33,471,240		\$33,471,240	0.017767	\$ 594,699	0.61%	34.16%
63	01/01/74	2074	\$33,471,240		\$33,471,240	0.016683	\$ 558,402	0.57%	34.16%
64	01/01/75	2075	\$33,471,240		\$33,471,240	0.015665	\$ 524,322	0.54%	34.16%
65	01/01/76	2076	\$33,471,240		\$33,471,240	0.014709	\$ 492,321	0.50%	34.16%
66	01/01/77	2077	\$33,471,240		\$33,471,240	0.013811	\$ 462,273	0.47%	34.16%
67	01/01/78	2078	\$33,471,240		\$33,471,240	0.012968	\$ 434,059	0.44%	34.16%
68	01/01/79	2079	\$33,471,240		\$33,471,240	0.012177	\$ 407,567	0.42%	34.16%
69	01/01/80	2080	\$33,471,240		\$33,471,240	0.011433	\$ 382,692	0.39%	34.16%
70	01/01/81	2081	\$33,471,240		\$33,471,240	0.010736	\$ 359,335	0.37%	34.16%
71	01/01/82	2082	\$33,471,240		\$33,471,240	0.010080	\$ 337,404	0.34%	34.16%
72	01/01/83	2083	\$33,471,240		\$33,471,240	0.009465	\$ 316,811	0.32%	34.16%
73	01/01/84	2084	\$70,081,344		\$70,081,344	0.008887	\$ 622,848	0.64%	71.53%
74	01/01/85	2085	\$70,081,344		\$70,081,344	0.008345	\$ 584,833	0.60%	71.53%
75	01/01/86	2086	\$70,081,344		\$70,081,344	0.007836	\$ 549,139	0.56%	71.53%
76	01/01/87	2087	\$70,081,344		\$70,081,344	0.007358	\$ 515,624	0.53%	71.53%
77	01/01/88	2088	\$70,081,344		\$70,081,344	0.006908	\$ 484,154	0.49%	71.53%
78	01/01/89	2089	\$70,081,344		\$70,081,344	0.006487	\$ 454,605	0.46%	71.53%
79	01/01/90	2090	\$70,081,344		\$70,081,344	0.006091	\$ 426,859	0.44%	71.53%
80	01/01/91	2091	\$70,081,344		\$70,081,344	0.005719	\$ 400,806	0.41%	71.53%



**DISCOUNTED CASH FLOW ANALYSIS**  
BEGINNING NOVEMBER 1, 2012

REMAINING TERM	FISCAL DATE	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT FACTOR 6.50%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
81	01/01/92	2092	\$70,081,344		\$70,081,344	0.005370	\$ 376,344	0.38%	71.53%
82	01/01/93	2093	\$70,081,344		\$70,081,344	0.005042	\$ 353,375	0.36%	71.53%
83	01/01/94	2094	\$70,081,344		\$70,081,344	0.004735	\$ 331,807	0.34%	71.53%
84	01/01/95	2095	\$70,081,344		\$70,081,344	0.004446	\$ 311,556	0.32%	71.53%
85	01/01/96	2096	\$70,081,344		\$70,081,344	0.004174	\$ 292,541	0.30%	71.53%
86	01/01/97	2097	\$70,081,344		\$70,081,344	0.003920	\$ 274,686	0.28%	71.53%
87	01/01/98	2098	\$70,081,344		\$70,081,344	0.003680	\$ 257,921	0.26%	71.53%
88	01/01/99	2099	\$70,081,344		\$70,081,344	0.003456	\$ 242,180	0.25%	71.53%
89	01/01/00	2100	\$70,081,344		\$70,081,344	0.003245	\$ 227,399	0.23%	71.53%
90	01/01/01	2101	\$70,081,344		\$70,081,344	0.003047	\$ 213,520	0.22%	71.53%
91	01/01/02	2102	\$70,081,344		\$70,081,344	0.002861	\$ 200,488	0.20%	71.53%
92	01/01/03	2103	\$70,081,344		\$70,081,344	0.002686	\$ 188,252	0.19%	71.53%
93	01/01/04	2104	\$70,081,344		\$70,081,344	0.002522	\$ 176,762	0.18%	71.53%
94	01/01/05	2105	\$70,081,344		\$70,081,344	0.002368	\$ 165,974	0.17%	71.53%
95	01/01/06	2106	\$70,081,344		\$70,081,344	0.002224	\$ 155,844	0.16%	71.53%
96	01/01/07	2107	\$70,081,344		\$70,081,344	0.002088	\$ 146,333	0.15%	71.53%
97	01/01/08	2108	\$70,081,344		\$70,081,344	0.001961	\$ 137,401	0.14%	71.53%
98	01/01/09	2109	\$146,734,771		\$146,734,771	0.001841	\$ 270,130	0.28%	149.76%
99	01/01/10	2110	\$146,734,771		\$146,734,771	0.001729	\$ 253,643	0.26%	149.76%
100	01/01/11	2111	\$146,734,771		\$146,734,771	0.001623	\$ 238,162	0.24%	149.76%
101	01/01/12	2112	\$146,734,771		\$146,734,771	0.001524	\$ 223,627	0.23%	149.76%
102	01/01/13	2113	\$146,734,771		\$146,734,771	0.001431	\$ 209,978	0.21%	149.76%
103	01/01/14	2114	\$146,734,771		\$146,734,771	0.001344	\$ 197,162	0.20%	149.76%
104	01/01/15	2115	\$146,734,771		\$146,734,771	0.001262	\$ 185,129	0.19%	149.76%
105	01/01/16	2116	\$146,734,771		\$146,734,771	0.001185	\$ 173,830	0.18%	149.76%
106	01/01/17	2117	\$146,734,771		\$146,734,771	0.001112	\$ 163,221	0.17%	149.76%
107	01/01/18	2118	\$146,734,771		\$146,734,771	0.001044	\$ 153,259	0.16%	149.76%
108	01/01/19	2119	\$146,734,771		\$146,734,771	0.000981	\$ 143,905	0.15%	149.76%
109	01/01/20	2120	\$146,734,771		\$146,734,771	0.000921	\$ 135,122	0.14%	149.76%
110	01/01/21	2121	\$146,734,771		\$146,734,771	0.000865	\$ 126,875	0.13%	149.76%
111	01/01/22	2122	\$146,734,771		\$146,734,771	0.000812	\$ 119,132	0.12%	149.76%
112	01/01/23	2123	\$146,734,771		\$146,734,771	0.000762	\$ 111,861	0.11%	149.76%
113	01/01/24	2124	\$146,734,771		\$146,734,771	0.000716	\$ 105,034	0.11%	149.76%
114	01/01/25	2125	\$146,734,771		\$146,734,771	0.000672	\$ 98,623	0.10%	149.76%
115	01/01/26	2126	\$146,734,771	3880483513	\$4,027,218,285	0.000631	\$ 2,541,564	2.59%	4110.23%
							\$ 97,980,387	100.00%	84.85% Average



### PRESENT VALUE OF GROUND LEASE (AS OF NOVEMBER 1, 2015)

In order to estimate the prospective market value of the leasehold position, as of November 1, 2015, we have first to determine the prospective market value of the Leased Fee Interest, as of November 1, 2015. All of the variables are the same as the "As Is" scenario, except we have forecasted the 2015 market value of the land. The market value of land as of November 1, 2015, as stipulated in the ground lease, was based on the market value of land as of November 1, 2012 increased by 3 percent per annum to November 1, 2015 the prospective date of value. Therefore, it is our opinion that the value of market value of the land, as of November 1, 2015, will be \$150,000,000.

The ground lease payments in 2015 will be \$1,650,000 with subsequent set increases through 2032. In 2033 the lease payments are revalued to the greater of either; (a) 6.0% the then value of the land considered as vacant and unimproved but with the right to construct a 900,000 square foot office building; or, (b) 85.0% of the then lease payments. There are two renewal options that can be exercised for a period of sixty seven and one half years (67 and ½) to commence on May 1, 2059 to October 31, 2126 and 2<sup>nd</sup> option commencing on November 1, 2126 to April 30, 2194. The complete analysis of ground rent payments over the remaining holding period may be found on the **following page**. The present value of these payments over the holding period may be summarized as follows:

VALUATION	
Discounted Value of the Cash Flow	\$110,964,601
Discounted Value of the Reversion	\$3,070,081
<b>Value of the Ground Lessor's Position</b>	
<b>(Leased Fee Interest) Rounded</b>	<b>\$115,000,000</b>
As of November 1, 2015	

The present value of both annual rent and reversionary value was based upon a 6.50 percent discount rate. The reversionary sale price was based upon the estimated land value (subject to requirements of the ground lease) grown at 3 percent over the remaining 112-year lease term, less a 4.00 percent cost of reversion. Therefore, it is our opinion that the value of the ground lessor's position in the subject property, as of November 1, 2015, will be \$115,000,000.

**DISCOUNTED CASH FLOW ANALYSIS**  
BEGINNING NOVEMBER 1, 2015

REMAINING TERM	FISCAL DATE	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT FACTOR 6.50%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
1	01/01/15	2015	\$1,650,000		\$1,650,000	0.938967	\$ 1,549,296	1.36%	1.45%
2	01/01/16	2016	\$1,650,000		\$1,650,000	0.777323	\$ 1,282,583	1.12%	1.45%
3	01/01/17	2017	\$1,650,000		\$1,650,000	0.729881	\$ 1,204,303	1.06%	1.45%
4	01/01/18	2018	\$1,815,000		\$1,815,000	0.685334	\$ 1,243,881	1.09%	1.59%
5	01/01/19	2019	\$1,815,000		\$1,815,000	0.643506	\$ 1,167,964	1.02%	1.59%
6	01/01/20	2020	\$2,315,000		\$2,315,000	0.604231	\$ 1,398,795	1.23%	2.03%
7	01/01/21	2021	\$2,315,000		\$2,315,000	0.567353	\$ 1,313,423	1.15%	2.03%
8	01/01/22	2022	\$2,315,000		\$2,315,000	0.532726	\$ 1,233,261	1.08%	2.03%
9	01/01/23	2023	\$2,546,500		\$2,546,500	0.500212	\$ 1,273,790	1.12%	2.23%
10	01/01/24	2024	\$2,546,500		\$2,546,500	0.469683	\$ 1,196,047	1.05%	2.23%
11	01/01/25	2025	\$2,546,500		\$2,546,500	0.441017	\$ 1,123,049	0.98%	2.23%
12	01/01/26	2026	\$2,546,500		\$2,546,500	0.414100	\$ 1,054,506	0.92%	2.23%
13	01/01/27	2027	\$2,546,500		\$2,546,500	0.388827	\$ 990,147	0.87%	2.23%
14	01/01/28	2028	\$2,801,150		\$2,801,150	0.365095	\$ 1,022,687	0.90%	2.46%
15	01/01/29	2029	\$2,801,150		\$2,801,150	0.342813	\$ 960,269	0.84%	2.46%
16	01/01/30	2030	\$2,801,150		\$2,801,150	0.321890	\$ 901,661	0.79%	2.46%
17	01/01/31	2031	\$2,801,150		\$2,801,150	0.302244	\$ 846,630	0.74%	2.46%
18	01/01/32	2032	\$2,801,150		\$2,801,150	0.283797	\$ 794,958	0.70%	2.46%
19	01/01/33	2033	\$15,520,438		\$15,520,438	0.266476	\$ 4,135,825	3.63%	13.61%
20	01/01/34	2034	\$15,520,438		\$15,520,438	0.250212	\$ 3,883,404	3.41%	13.61%
21	01/01/35	2035	\$15,520,438		\$15,520,438	0.234941	\$ 3,646,389	3.20%	13.61%
22	01/01/36	2036	\$15,520,438		\$15,520,438	0.220602	\$ 3,423,839	3.00%	13.61%
23	01/01/37	2037	\$15,520,438		\$15,520,438	0.207138	\$ 3,214,873	2.82%	13.61%
24	01/01/38	2038	\$15,520,438		\$15,520,438	0.194496	\$ 3,018,660	2.65%	13.61%
25	01/01/39	2039	\$15,520,438		\$15,520,438	0.182625	\$ 2,834,422	2.49%	13.61%
26	01/01/40	2040	\$15,520,438		\$15,520,438	0.171479	\$ 2,661,429	2.33%	13.61%
27	01/01/41	2041	\$15,520,438		\$15,520,438	0.161013	\$ 2,498,995	2.19%	13.61%
28	01/01/42	2042	\$15,520,438		\$15,520,438	0.151186	\$ 2,346,474	2.06%	13.61%
29	01/01/43	2043	\$15,520,438		\$15,520,438	0.141959	\$ 2,203,262	1.93%	13.61%
30	01/01/44	2044	\$15,520,438		\$15,520,438	0.133295	\$ 2,068,791	1.81%	13.61%
31	01/01/45	2045	\$15,520,438		\$15,520,438	0.125159	\$ 1,942,526	1.70%	13.61%
32	01/01/46	2046	\$15,520,438		\$15,520,438	0.117520	\$ 1,823,968	1.60%	13.61%
33	01/01/47	2047	\$15,520,438		\$15,520,438	0.110348	\$ 1,712,646	1.50%	13.61%
34	01/01/48	2048	\$15,520,438		\$15,520,438	0.103613	\$ 1,608,119	1.41%	13.61%
35	01/01/49	2049	\$15,520,438		\$15,520,438	0.097289	\$ 1,509,971	1.32%	13.61%
36	01/01/50	2050	\$15,520,438		\$15,520,438	0.091351	\$ 1,417,813	1.24%	13.61%
37	01/01/51	2051	\$15,520,438		\$15,520,438	0.085776	\$ 1,331,280	1.17%	13.61%

ASSUMPTIONS	
Land Growth Rate	3.00%
2015 Value per FAR	\$ 150.00
LAND AREA	34,360
MPBB(FAR)	900,000
TOTAL LAND VALUE (2015)	\$ 147,518,145
ROUNDED,	\$ 150,000,000
2015 GROUND RENT	\$1,650,000

VALUATION		
Discount Rate	6.50%	
Cost of Sale at Reversion	4.00%	
Value of Cash Flow	\$ 110,964,601	97.31%
Value of the Reversion	\$ 3,070,081	2.69%
Total Value	\$ 114,034,683	100.00%
ESTIMATED MARKET VALUE	\$ 110,000,000	
Per Unit	\$ 122.22	
Overall Capitalization Rate (on NOI)	1.50%	



**DISCOUNTED CASH FLOW ANALYSIS**  
 BEGINNING NOVEMBER 1, 2015

REMAINING TERM	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT FACTOR 6.50%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
38	01/01/52	2052	\$15,520,438	\$15,520,438	0.080541	\$ 1,250,028	1.10%	13.61%
39	01/01/53	2053	\$15,520,438	\$15,520,438	0.075625	\$ 1,173,735	1.03%	13.61%
40	01/01/54	2054	\$15,520,438	\$15,520,438	0.071010	\$ 1,102,099	0.97%	13.61%
41	01/01/55	2055	\$15,520,438	\$15,520,438	0.066676	\$ 1,034,834	0.91%	13.61%
42	01/01/56	2056	\$15,520,438	\$15,520,438	0.062606	\$ 971,675	0.85%	13.61%
43	01/01/57	2057	\$15,520,438	\$15,520,438	0.058785	\$ 912,371	0.80%	13.61%
44	01/01/58	2058	\$15,520,438	\$15,520,438	0.055197	\$ 856,687	0.75%	13.61%
45	01/01/59	2059	\$33,471,240	\$33,471,240	0.051828	\$ 1,734,763	1.52%	29.35%
46	01/01/60	2060	\$33,471,240	\$33,471,240	0.048665	\$ 1,628,886	1.43%	29.35%
47	01/01/61	2061	\$33,471,240	\$33,471,240	0.045695	\$ 1,529,470	1.34%	29.35%
48	01/01/62	2062	\$33,471,240	\$33,471,240	0.042906	\$ 1,436,122	1.26%	29.35%
49	01/01/63	2063	\$33,471,240	\$33,471,240	0.040287	\$ 1,348,472	1.18%	29.35%
50	01/01/64	2064	\$33,471,240	\$33,471,240	0.037829	\$ 1,266,171	1.11%	29.35%
51	01/01/65	2065	\$33,471,240	\$33,471,240	0.035520	\$ 1,188,893	1.04%	29.35%
52	01/01/66	2066	\$33,471,240	\$33,471,240	0.033352	\$ 1,116,331	0.98%	29.35%
53	01/01/67	2067	\$33,471,240	\$33,471,240	0.031316	\$ 1,048,198	0.92%	29.35%
54	01/01/68	2068	\$33,471,240	\$33,471,240	0.029405	\$ 984,224	0.86%	29.35%
55	01/01/69	2069	\$33,471,240	\$33,471,240	0.027610	\$ 924,154	0.81%	29.35%
56	01/01/70	2070	\$33,471,240	\$33,471,240	0.025925	\$ 867,750	0.76%	29.35%
57	01/01/71	2071	\$33,471,240	\$33,471,240	0.024343	\$ 814,789	0.71%	29.35%
58	01/01/72	2072	\$33,471,240	\$33,471,240	0.022857	\$ 765,060	0.67%	29.35%
59	01/01/73	2073	\$33,471,240	\$33,471,240	0.021462	\$ 718,366	0.63%	29.35%
60	01/01/74	2074	\$33,471,240	\$33,471,240	0.020152	\$ 674,522	0.59%	29.35%
61	01/01/75	2075	\$33,471,240	\$33,471,240	0.018922	\$ 633,354	0.56%	29.35%
62	01/01/76	2076	\$33,471,240	\$33,471,240	0.017767	\$ 594,699	0.52%	29.35%
63	01/01/77	2077	\$33,471,240	\$33,471,240	0.016683	\$ 558,402	0.49%	29.35%
64	01/01/78	2078	\$33,471,240	\$33,471,240	0.015665	\$ 524,322	0.46%	29.35%
65	01/01/79	2079	\$33,471,240	\$33,471,240	0.014709	\$ 492,321	0.43%	29.35%
66	01/01/80	2080	\$33,471,240	\$33,471,240	0.013811	\$ 462,273	0.41%	29.35%
67	01/01/81	2081	\$33,471,240	\$33,471,240	0.012968	\$ 434,059	0.38%	29.35%
68	01/01/82	2082	\$33,471,240	\$33,471,240	0.012177	\$ 407,567	0.36%	29.35%
69	01/01/83	2083	\$33,471,240	\$33,471,240	0.011433	\$ 382,692	0.34%	29.35%
70	01/01/84	2084	\$70,081,344	\$70,081,344	0.010736	\$ 752,369	0.66%	61.46%
71	01/01/85	2085	\$70,081,344	\$70,081,344	0.010080	\$ 706,449	0.62%	61.46%
72	01/01/86	2086	\$70,081,344	\$70,081,344	0.009465	\$ 663,333	0.58%	61.46%
73	01/01/87	2087	\$70,081,344	\$70,081,344	0.008887	\$ 622,848	0.55%	61.46%
74	01/01/88	2088	\$70,081,344	\$70,081,344	0.008345	\$ 584,833	0.51%	61.46%
75	01/01/89	2089	\$70,081,344	\$70,081,344	0.007836	\$ 549,139	0.48%	61.46%
76	01/01/90	2090	\$70,081,344	\$70,081,344	0.007358	\$ 515,624	0.45%	61.46%
77	01/01/91	2091	\$70,081,344	\$70,081,344	0.006908	\$ 484,154	0.42%	61.46%



**DISCOUNTED CASH FLOW ANALYSIS**  
 BEGINNING NOVEMBER 1, 2015

REMAINING TERM	DATE	FISCAL YEAR	BASE RENT	LAND VALUE (REVERSION)	NET CASH FLOW	DISCOUNT	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN	
						FACTOR 6.50%				
78	01/01/92	2092	\$70,081,344		\$70,081,344	0.006487	\$ 454,605	0.40%	61.46%	
79	01/01/93	2093	\$70,081,344		\$70,081,344	0.006091	\$ 426,859	0.37%	61.46%	
80	01/01/94	2094	\$70,081,344		\$70,081,344	0.005719	\$ 400,806	0.35%	61.46%	
81	01/01/95	2095	\$70,081,344		\$70,081,344	0.005370	\$ 376,344	0.33%	61.46%	
82	01/01/96	2096	\$70,081,344		\$70,081,344	0.005042	\$ 353,375	0.31%	61.46%	
83	01/01/97	2097	\$70,081,344		\$70,081,344	0.004735	\$ 331,807	0.29%	61.46%	
84	01/01/98	2098	\$70,081,344		\$70,081,344	0.004446	\$ 311,556	0.27%	61.46%	
85	01/01/99	2099	\$70,081,344		\$70,081,344	0.004174	\$ 292,541	0.26%	61.46%	
86	01/01/00	2100	\$70,081,344		\$70,081,344	0.003920	\$ 274,688	0.24%	61.46%	
87	01/01/01	2101	\$70,081,344		\$70,081,344	0.003680	\$ 257,921	0.23%	61.46%	
88	01/01/02	2102	\$70,081,344		\$70,081,344	0.003456	\$ 242,180	0.21%	61.46%	
89	01/01/03	2103	\$70,081,344		\$70,081,344	0.003245	\$ 227,399	0.20%	61.46%	
90	01/01/04	2104	\$70,081,344		\$70,081,344	0.003047	\$ 213,520	0.19%	61.46%	
91	01/01/05	2105	\$70,081,344		\$70,081,344	0.002861	\$ 200,488	0.18%	61.46%	
92	01/01/06	2106	\$70,081,344		\$70,081,344	0.002686	\$ 188,252	0.17%	61.46%	
93	01/01/07	2107	\$70,081,344		\$70,081,344	0.002522	\$ 176,762	0.16%	61.46%	
94	01/01/08	2108	\$70,081,344		\$70,081,344	0.002368	\$ 165,974	0.15%	61.46%	
95	01/01/09	2109	\$146,734,771		\$146,734,771	0.002224	\$ 326,303	0.29%	128.68%	
96	01/01/10	2110	\$146,734,771		\$146,734,771	0.002088	\$ 306,388	0.27%	128.68%	
97	01/01/11	2111	\$146,734,771		\$146,734,771	0.001961	\$ 287,688	0.25%	128.68%	
98	01/01/12	2112	\$146,734,771		\$146,734,771	0.001841	\$ 270,130	0.24%	128.68%	
99	01/01/13	2113	\$146,734,771		\$146,734,771	0.001729	\$ 253,643	0.22%	128.68%	
100	01/01/14	2114	\$146,734,771		\$146,734,771	0.001623	\$ 238,162	0.21%	128.68%	
101	01/01/15	2115	\$146,734,771		\$146,734,771	0.001524	\$ 223,627	0.20%	128.68%	
102	01/01/16	2116	\$146,734,771		\$146,734,771	0.001431	\$ 209,978	0.18%	128.68%	
103	01/01/17	2117	\$146,734,771		\$146,734,771	0.001344	\$ 197,162	0.17%	128.68%	
104	01/01/18	2118	\$146,734,771		\$146,734,771	0.001262	\$ 185,129	0.16%	128.68%	
105	01/01/19	2119	\$146,734,771		\$146,734,771	0.001185	\$ 173,830	0.15%	128.68%	
106	01/01/20	2120	\$146,734,771		\$146,734,771	0.001112	\$ 163,221	0.14%	128.68%	
107	01/01/21	2121	\$146,734,771		\$146,734,771	0.001044	\$ 153,259	0.13%	128.68%	
108	01/01/22	2122	\$146,734,771		\$146,734,771	0.000981	\$ 143,905	0.13%	128.68%	
109	01/01/23	2123	\$146,734,771		\$146,734,771	0.000921	\$ 135,122	0.12%	128.68%	
110	01/01/24	2124	\$146,734,771		\$146,734,771	0.000865	\$ 126,875	0.11%	128.68%	
111	01/01/25	2125	\$146,734,771		\$146,734,771	0.000812	\$ 119,132	0.10%	128.68%	
112	01/01/26	2126	\$146,734,771	\$3,880,483,513	\$4,027,218,285	0.000762	\$ 3,070,081	2.69%	3531.57%	
							\$ 114,034,683	100.00%	74.82%	Average





## SALES COMPARISON APPROACH

### METHODOLOGY

Using the Sales Comparison Approach, we developed an opinion of value by comparing the subject property to similar, recently sold properties in the surrounding or competing area. This approach relies on the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

1. Research recent, relevant property sales and current offerings in the competitive area;
2. Select and analyze properties that are similar to the subject property, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
3. Identify sales that include favorable financing and calculate the cash equivalent price;
4. Reduce the sale prices to a common unit of comparison such as price per square foot of net rentable area, effective gross income multiplier, or net income per square foot;
5. Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the subject property and
6. Interpret the adjusted sales data and draw a logical value conclusion.

The most widely used and market-oriented unit of comparison for properties such as the subject is the sales price per square foot of net rentable area. All comparable sales were analyzed on this basis. The following pages contain a summary of the improved properties that we compared to the subject property, a map showing their locations, and the adjustment process.

Due to the nature of the subject property and the level of detail available for the comparable data, we have elected to analyze the comparables through the application of:

- A traditional adjustment grid using percentage adjustments
- An effective gross income multiplier analysis

The most widely used and market-oriented unit of comparison for properties such as the subject is the sales price per square foot of net rentable area. All comparable sales were analyzed on this basis. The following pages contain a summary of the improved properties that we compared to the subject property, a map showing their locations, and the adjustment process.

We utilized the Sales Comparison Approach to arrive at a prospective value indication upon reaching stabilized occupancy for the subject property as of November 1, 2015, following the "burn-off" of rental concessions (free rent and work letter). We also utilized the Sales Comparison Approach to arrive at an "As Is" value indication, which was supportive of the subject's purchase price.

It should be noted that we have analyzed the subject property based on the remeasured net rentable area of 1,177,605 square feet. The comparable sales in this appraisal were also analyzed based on their remeasured net rentable areas.

On the following pages, we present a summary of the improved properties that we compared to the subject property, a map showing their locations, and an adjustment grid.

SUMMARY OF IMPROVED SALES														
Physical Data					Sale Data				Financial Data					
No.	Property Name Location	Land Area (SF)	Net Rentable Area (SF)	Year Built	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NO/SF	OAR	Occupancy at Sale		Financing
1	<b>180 Water Street</b> B/w Pearl & Water Streets Downtown, Manhattan	23,555	568,565	1971	24	Jun-12 <b>Contract</b>	180 Water Street Associates LLC Sales / c/o Mehlohn family / Midtown Equities & the Cayre family	\$164,000,000	\$288.45	\$16.66	5.78%	100%	9.15	Cash
Comments:		Sale of a modern 24-story Class A office property built in 1971 containing 568,565 rentable square feet. The property is being purchased from 180 Water Street Associates LLC Sales c/o Mehlohn family to 180 Water LLC c/o Midtown Equities & the Cayre family for a reported purchase price of \$163,500,000. The property was not listed on the open market. The buyer intends to create a ground lease and sell two positions, the leased fee estate in the ground lease and the leasehold estate in the ground lease. The ground rent is \$7,375,500 with subsequent increases over the 99 year lease term including renewal options. The prospective leased fee estate in the ground lease is currently under contract of sale from the Cayre family to Cabot Family Land Holdings for \$163,500,000. In addition, the prospective leasehold estate in the ground lease is under contract of sale from the Cayre family (ground lessor) to the Namdar Realty Group (ground lessee). The reported purchase price is \$26,000,000. The property is fully occupied by the City of New York under a lease agreement through June 2018 with one, 5-year renewal option at the greater of the last payable base rent or 95 percent of fair market rental value. 180 Water Street houses the Human Resources Administration division of the City of New York. The current contract rent is \$11,033,772 per annum increasing \$11,591,034 in 2013.												
2	<b>222 Broadway</b> B/w Fulton & Ann Streets Downtown, Manhattan	33,340	786,931	1961	31	Apr-12	Bank of America, N.A. / Beacon Capital & L&L Acquisitions	\$230,000,000	\$292.27	\$10.57	3.62%	79%	9.92	Cash
Comments:		Sale of a modern 31-story Class A minus office property built in 1961. The property was fully occupied by Bank of America, N.A, who sold the property to a partnership between Beacon Capital & L&L Acquisitions. Bank of America, N.A will lease back subject to a 10-year triple-net ("NNN") lease for 595,953 square feet or 76 percent of the property's rentable area. The net rent is \$15.25 per square foot for the office floors for the first five years, increasing to \$20.25 per square foot for the remainder of the lease term. The current overall capitalization rate increases to 5.5 percent by year three of the holding period.												
3	<b>4 New York Plaza</b> B/w Water & South Streets Downtown, Manhattan	54,023	1,121,753	1969	22	Apr-12	Harbor Group International, LLC / Edge Fund Advisors	\$270,000,000	\$240.69	\$10.19	4.23%	95%	8.62	Cash
Comments:		Sale of a modern 22-story Class A office property built in 1969. The property had been occupied by JPMorgan Chase Bank as back office space. JPMorgan Chase Bank sold the property to Harbor Group International, LLC in December 2009 and leased back the floor 3 and floors 8 through 22 at a gross rent of \$27.50 per square foot with subsequent increases for a 15-year lease with seven, 5-year renewal options at 90 percent of fair market rent. Daily News leased floors 6 and 7 in November 2010 and American Media Inc. leased floors 2 and 4 in January 2011. The property is currently 95 percent leased with one vacant space on floor 5. The property was previously sold by JPMorgan Chase Bank to Harbor Group International, LLC in December 2009 for \$107 million. The current overall capitalization rate is 4.23 percent and increases to 6.0 percent by year two of the holding period.												
4	<b>14 Wall Street</b> N/W/C Nassau Street Downtown, Manhattan	33,087	1,016,723	1912	37	Apr-12	Capstone Equities/ Roza 14W LLC c/o Alexander Rovt	\$303,000,000 <b>100% Interest</b>	\$298.02	\$13.08	4.39%	82%	11.37	Cash
Comments:		Sale of a landmarked Class A minus office building located on the westerly blockfront of Nassau Street between Wall and Pine Streets in the Financial East office submarket of Downtown Manhattan. A Russian investor, Roza 14W LLC c/o Alexander Rovt acquired a 95 percent interest in the property from a partnership with Capstone Equities and Carlyle Group at a purchase price that equals \$300 million based on 100 percent interest. The operating partner, Capstone Equities, will retain approximately a 5 percent interest and Carlyle Group will exit the partnership. The property is currently 82 percent leased, which will decrease to 74 percent with near term tenant expiration. The capital influx has also reduced its mortgage by \$75 million, to \$255 million. The current overall capitalization rate is 4.26 percent and increases to 6.0 percent by year three of the holding period.												



SUMMARY OF IMPROVED SALES (CONTINUED)														
No.	Property Name Location	Physical Data				Sale Data			Financial Data					
		Land Area (SF)	Net Rentable Area (SF)	Year Built	No. Stories	Sale Date	Grantor/ Grantee	Price	Price/NRA	NOI/SF	OAR	Occupancy at Sale	EGIM	Financing
5	<b>33 Maiden Lane</b> N/E/C Nassau Street New York, New York	25,586	624,124	1984	27	Jan-12	Investco / Federal Reserve Bank	\$207,500,000	\$332.47	\$15.75	4.74%	86%	9.64	Cash
Comments:		Sale of a Class A office building located on the easterly blockfront of Nassau Street between John Street and Maiden Lane. The property had previously been in contract with Vormado who intended to purchase the building. However, the Federal Reserve Bank, which is the largest tenant in the building, exercised rights in their lease agreement allowing it the option to match Vormado's offer for the building. The Federal Reserve Bank leases over 73 percent of the building. The Federal Reserve Bank lease expires in August 2023. Their current net rent is \$20.00 per square foot, increasing to \$22.75 per square foot in September 2013 and \$25.50 per square foot in September 2018.												
6	<b>195 Broadway</b> B/W Dey & Fulton Streets Downtown, Manhattan	36,775	1,047,287	1913/1985	29	Nov-11	GE Capital/ Beacon Capital	\$287,000,000 <b>100% Interest</b>	\$274.04	\$17.26	6.30%	86%	8.28	Cash
Comments:		Sale of a landmarked Class A office building to Beacon Capital, who acquired a 95 percent interest in the property from GE Capital at a purchase price that equals \$287 million based on 100 percent interest. In 2005, a joint venture of GE Asset Management and L&L Acquisitions acquired the majority interest in the property for \$270 million. L&L Acquisitions is retaining its minority interest, leasing and management of the property. Built in 3 phases from 1913 to 1924, and substantially renovated in the mid 1980's, the building was built as the headquarters for AT&T and is the site of the first transatlantic call, made to London. At the time of the sale, L&L Acquisitions had not received approval from the Landmarks Preservation Commission to add retail space to the lobby and renovate the building.												
7	<b>93 Worth Street</b> A/K/A 335 Broadway N/W/C of Broadway Downtown, Manhattan	12,422	165,000	1924	13	Oct-11	Worldwide Holdings, LLC / IGI-Izaki Group Investments	\$49,750,000	\$301.52	\$19.06	6.32%	86%	9.74	Cash
Comments:		Sale of a Class B office building located in the City Hall office submarket of Downtown Manhattan. Approximately 75 percent of the property is leased to the New York City Department of Mental Health who is scheduled to relocate to new facilities. The building was marketed for sale for potential condominium conversion. The building features a recently renovated lobby and elevators.												
8	<b>120 Broadway</b> B/w Pine & Cedar Streets Downtown, Manhattan	49,614	1,853,994	1915/2005	40	Jul-11	CalSTRS/ UBS Realty Investors Fund	\$525,000,000 <b>Leasehold 100% Interest</b>	\$283.17	\$19.09	6.74%	90%	6.91	Cash
Comments:		Sale of a landmarked class A minus office building to UBS Realty Investors Fund Trust, who acquired a 65 percent interest in the property from CalSTRS at a purchase price that equals \$525 million based on 100 percent interest. Over 25 percent of the property is leased to the New York City Department of Law. The building was extensively renovated between 1995 and 2005. In 2004, Calstrs acquired a majority interest for \$370 million. Silverstein Properties has a minority interest and the management of the property. The property is subject to a ground lease to 120 Broadway LLC c/o Estate of Sarah Koren that expires in July 31, 2018. There are 45 successive renewal option periods of 21 years each and one additional period of 12 years at \$850,000 per annum.												

STATISTICS														
<b>LOW</b>		12,422	165,000	1912					\$240.69	\$10.19	3.62%	79.10%		
<b>HIGH</b>		54,023	1,853,994	1984					\$332.47	\$19.09	6.74%	100.00%		
<b>MEAN</b>		33,550	898,047	1954					\$288.83	\$15.21	5.26%	87.99%		
<b>MEDIAN</b>		33,214	901,827	1965					\$290.36	\$16.20	5.26%	86.14%		



## PERCENTAGE ADJUSTMENT METHOD

### ADJUSTMENT PROCESS

The sales we have used were the best available comparables to the subject property. The major points of comparison for this type of analysis include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The first adjustment made to the market data takes into account differences between the subject property and the comparable property sales with regard to the legal interest transferred. Advantageous financing terms or atypical conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market conditions are accounted for, creating a time adjusted price. Lastly, adjustments for location, physical traits and the economic characteristics of the market data are made in order to generate the final adjusted unit rate for the subject property.

We have made a downward adjustment to those comparables considered superior to the subject and an upward adjustment to those comparables considered inferior.

### PROPERTY RIGHTS CONVEYED

The property rights conveyed in a transaction typically have an impact on the price that is paid. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. Each comparable was adjusted accordingly.

### FINANCIAL TERMS

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We have analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

### CONDITIONS OF SALE

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

### MARKET CONDITIONS

The sales that are included in this analysis occurred between July 2011 and June 2012 (Sale Nos. 1, 2 and 3 are under contract of sale). As of the fourth quarter of 2009, the market has leveled off as the confidence among investors has increased. As a result, no market condition adjustment was required through November 1, 2012, the effective date of this appraisal. We have made an upward adjustment of 3.00 percent per annum up to November 1, 2015, the date of stabilization.

**LOCATION**

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. Each comparable was adjusted accordingly.

**PHYSICAL TRAITS**

Each property has various physical traits that determine its appeal. These traits include size, age, condition, quality, parking ratio and utility. Each comparable was adjusted accordingly.

**ECONOMIC CHARACTERISTICS**

The economic characteristics of a property include its occupancy levels, operating expense ratios, tenant quality, and other items not covered under prior adjustments that would have an economic impact on the transaction. Each comparable was adjusted accordingly.

**OTHER**

This category accounts for any other adjustments not previously discussed. Based on our analysis of these sales, none required any additional adjustment.

**DISCUSSION OF COMPARABLE SALES**

In our analysis, we have compared the subject property to office properties in the subject's market area. These are discussed below.

**COMPARABLE SALE No. 1**

This sale is located at 180 Water Street at the northwest corner of Water Street and John Street. This modern 24-story Class A office property was built in 1971 and contains 568,565 rentable square feet. The property is under contract of sale from 180 Water Street Associates LLC Sales c/o Mehlohn family to 180 Water LLC c/o Midtown Equities & the Cayre family for a reported purchase price of \$164,000,000. The property was not listed on the open market. The buyer intends to create a ground lease and sell two positions, the leased fee estate in the ground lease and the leasehold estate in the ground lease. The ground rent is \$7,375,500 with subsequent increases over the 99 year lease term including renewal options. The prospective leased fee estate in the ground lease is currently under contract of sale from the Cayre family to Cabot Family Land Holdings for \$163,500,000. In addition, the prospective leasehold estate in the ground lease is under contract of sale from the Cayre family (ground lessor) to the Namdar Realty Group (ground lessee). The reported purchase price is \$26,000,000. The property is fully occupied by the City of New York under a lease agreement through June 2018 with one, 5-year renewal option at the greater of the last payable base rent or 95 percent of fair market rental value. 180 Water Street houses the Human Resources Administration division of the City of New York. The current contract rent is \$11,033,772 per annum increasing \$11,591,034 in 2013. The current overall capitalization rate is 5.78 percent. The sales price equates to \$288.45 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. No other adjustments were required. The adjusted price is \$286.23 per square foot.

### COMPARABLE SALE NO. 2

This sale is located at 222 Broadway on the easterly blockfront of Broadway between Fulton and Ann Streets. In April 2012, the Class A office building was sold to a partnership between Beacon Capital and L&L Acquisitions from Bank of America, N.A. for a reported purchase price of \$230 million. This 31-story Class A office property was built in 1961 and contains 786,931± square feet of rentable area. Bank of America, N.A. leased back 595,953 square feet or 76 percent of the property's rentable area under a 10-year triple-net ("NNN") lease. The net rent is \$15.25 per square foot for the office floors for the first five years increasing to \$20.25 per square foot for the remainder of the lease term. The current overall capitalization rate is 3.62 percent and increases to 5.5 percent by year three of the holding period. The sales price equates to \$292.27 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. No other adjustments were required. The adjusted price is \$306.85 per square foot.

### COMPARABLE SALE NO. 3

This sale is located at 4 New York Plaza on the northerly blockfront of Broad Street between Water and South Streets. In April 2012, the Class A office building sold to Edge Fund Advisors from the Harbor Group International, LLC for a reported purchase price of \$270 million. This 22-story building contains 1,121,753± square feet of rentable area. The property was fully occupied by JPMorgan Chase Bank as back office space. JPMorgan Chase Bank sold the property to Harbor Group International, LLC in December 2009 and leaseback floor 3 and floors 8 through 22 at a gross rent of \$27.50 per square foot with subsequent increases for a 15-year lease with seven, 5-year renewal options at 90 percent of fair market rent. Daily News leased floors 6 and 7 in November 2010 and American Media Inc. leased floors 2 and 4 in January 2011. The property is currently 95 percent leased with one vacant space on floor 5. The property was previously sold by JPMorgan Chase Bank to Harbor Group International, LLC in December 2009 for \$107 million. The current overall capitalization rate is 4.23 percent in year one and increases to 6.00 percent by year two. The sales price equates to \$240.69 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for age and condition. An upward adjustment was required for quality and appeal. No other adjustments were required. The adjusted price is \$292.59 per square foot.

### COMPARABLE SALE NO. 4

This sale is located at 14 Wall Street on the westerly blockfront of Nassau Street between Wall and Pine Streets in the Financial East office submarket of Downtown Manhattan. This landmarked Class A minus 37-story building contains 1,016,723± square feet of rentable area. A Russian investor, Roza 14W LLC c/o Alexander Rovt acquired a 95 percent interest in the property in April 2012 from a partnership with Capstone Equities and Carlyle Group at a purchase price that equals \$300 million based on 100 percent interest. The operating partner, Capstone Equities, will retain approximately a 5 percent interest and Carlyle Group will exit the partnership. The property is currently 82 percent leased, which will decrease to 74 percent with near term tenant lease expiration. The capital influx has also reduced its mortgage by \$75 million, to \$255 million. The current overall capitalization rate is 4.39 percent and increases to 6.0 percent by year three of the holding period. The sales price equates to \$298.02 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for age and condition. No other adjustments were required. The adjusted price is \$312.87 per square foot.

**COMPARABLE SALE NO. 5**

This sale is located at 33 Maiden Lane on the easterly blockfront of Nassau Street between John Street and Maiden Lane. In January 2012, this Class A office building was acquired by the Federal Reserve Bank for a reported purchase price of \$207,500,000. This 27-story building contains 624,124± square feet of rentable area. The property had previously been in contract with Vornado who intended to purchase the building. However, the Federal Reserve Bank, who is the largest tenant in the building, exercised rights in their lease agreement allowing it the option to match Vornado's offer for the building. The Federal Reserve Bank leases over 73 percent of the building. The Federal Reserve Bank lease expires in August 2023. Their current net rent is \$20.00 per square foot, increasing to \$22.75 per square foot in September 2013 and \$25.50 per square foot in September 2018. The balance of the office space is leased to IBM Corporation, Internal Revenue Service and Public Relations Society of America. The imputed overall capitalization rate is 4.74 percent in year one. The sales price equates to \$332.47 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. No other adjustments were required. The adjusted price is \$312.30 per square foot.

**COMPARABLE SALE NO. 6**

This sale is located at 195 Broadway between Dey and Fulton Streets. The landmarked Class A office building sold in November 2011 to Beacon Capital, who acquired a majority interest in the property from GE Capital at a purchase price that equals \$285 million based on 100 percent interest. This 29-story building contains 996,106 square feet of rentable area. In 2005, a joint venture of GE Asset Management and L&L Acquisitions acquired the majority interest of the property for \$270 million. L&L Acquisitions is retaining its minority interest, the leasing and the management of the property. Built in 3 phases from 1913 to 1924, and substantially renovated in the mid 1980's, the building was built as the headquarters for AT&T and is the site of the first transatlantic call, made to London. Currently, L&L Acquisitions had filed for permits to the Landmarks Preservation Commission to add retail space to the lobby and renovate the building. The current overall capitalization rate is 6.30 percent in year one. The sales price equates to \$274.04 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. An upward adjustment was required for other. No other adjustments were required. The adjusted price is \$333.13 per square foot.

**COMPARABLE SALE NO. 7**

This sale is located at 93 Worth Street a/k/a 335 Broadway at the northwest corner of Broadway. This property sold in October 2011 from Worldwide Holdings, LLC for a purchase price of \$50,000,000. This is a Class B office building located in the City Hall office submarket of Downtown Manhattan. This 13-story office building contains 165,000 square feet of net rentable area and was 86 percent leased at the time of sale. Approximately 75 percent of the property is leased to the New York City Department of Mental Health who is scheduled to relocate to new facilities. The building was marketed for sale for potential condominium conversion. The building features a recently renovated lobby and elevators. The current sales price equates to \$301.52 per square foot.

In comparison with the subject property, an upward adjustment was required for market conditions. A downward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. An upward adjustment was required for age and condition. An upward adjustment was required for quality and appeal. A downward adjustment was required for utility. No other adjustments were required. The adjusted price is \$299.89 per square foot.



### **COMPARABLE SALE NO. 8**

This sale is located at 120 Broadway Avenue between Pine and Cedar Streets in the Financial East submarket of Downtown Manhattan. This landmarked Class A minus office building sold in July 2011 to UBS Realty Investors Fund Trust, who is acquired a 65 percent interest in the property from CalSTRS at a purchase price that equals \$525 million based on 100 percent interest. Currently, over 25 percent of the property is leased to the New York City Department of Law. The building was extensively renovated between 1995 and 2005. In 2004, CalSTRS acquired a majority interest for \$370 million. Silverstein Properties has a minority interest and the management of the property. The property is subject to a ground lease to 120 Broadway LLC c/o Estate of Sarah Korein that expires in July 31, 2018. There are 45 successive renewal option periods of 21 years each and one additional period of 12 years at fixed ground rent of \$850,000 per annum. The current overall capitalization rate is 6.74 percent. The sales price equates to \$283.17 per square foot.

In comparison with the subject property, an upward adjustment was required for property rights conveyed. An upward adjustment was required for market conditions. An upward adjustment was required for size under the premise that smaller properties sell for more per square foot than larger properties. A downward adjustment was required for age and condition. A downward adjustment was required for quality and appeal. No other adjustments were required. The adjusted price is \$309.81 per square foot.

### **SUMMARY OF PERCENTAGE ADJUSTMENT METHOD**

As noted by the summary of comparables, the sales reflect a range of unadjusted price per square foot from \$240.69 to \$332.47 per square foot. The mean price per square foot exhibited by the comparables was calculated to be \$288.83 per square foot and the median price per square foot was \$290.36.

In making comparisons, we adjusted the sale prices for differences between this site and the comparable sites. Differences between the subject property and the comparable sales are adjusted to reflect property rights conveyed, financing terms and conditions of sale, time (market conditions), location, size, age/condition, quality, occupancy, economics, utility and other components. The following chart summarizes our adjustment process.

IMPROVED COMPARABLE SALE ADJUSTMENT GRID															
No.	\$/SqFt Date	ECONOMIC ADJUSTMENTS (CUMULATIVE)					PROPERTY CHARACTERISTIC ADJUSTMENTS (ADDITIVE)								Adj. \$/Sqft
		Property Rights Conveyed	Financing & Conditions of Sale	Exp. After Purchase	# Months/ Market Conditions *	Subtotal	Location	Size	Age & Condition	Quality & Appeal	Occupancy	Economics	Utility	Other	
1	\$288.45 6/12	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	41 10.3%	\$318.03 10.3%	Similar 0.0%	Smaller -10.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$286.23 -10.0%
2	\$292.27 4/12	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	43 10.5%	\$323.00 10.5%	Similar 0.0%	Smaller -5.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$306.85 -5.0%
3	\$240.69 4/12	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	43 10.5%	\$265.99 10.5%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	Inferior 5.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$292.59 10.0%
4	\$298.02 4/12	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	43 10.5%	\$329.34 10.5%	Similar 0.0%	Similar 0.0%	Superior -5.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$312.87 -5.0%
5	\$332.47 1/12	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	46 10.5%	\$367.41 10.5%	Similar 0.0%	Smaller -5.0%	Superior -5.0%	Superior -5.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$312.30 -15.0%
6	\$274.04 11/11	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	48 10.5%	\$302.85 10.5%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	\$333.13 10.0%
7	\$301.52 10/11	Lease Fee/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	49 10.5%	\$333.21 10.5%	Similar 0.0%	Smaller -15.0%	Inferior 10.0%	Inferior 5.0%	Similar 0.0%	Similar 0.0%	Superior -10.0%	Similar 0.0%	\$299.89 -10.0%
8	\$283.17 7/11	Leasehold 10.0%	Arms-Length 0.0%	None 0.0%	52 10.5%	\$344.23 21.6%	Similar 0.0%	Larger 5.0%	Superior -10.0%	Superior -5.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$309.81 -10.0%

**SUMMARY**

Price Range	Unadj. \$/SF	Adj. \$/SF
Low	\$240.69	\$286.23
High	\$332.47	\$333.13
Average	\$288.83	\$306.71

**Net Adjustment**

Low	-15.0%
High	10.0%
Average	-4.4%

**\*Market Conditions Adjustment**

Date of Value (for adjustment calculations): November 1, 2015

Annual Adjustment to November 1, 2015 3.00%  
Annual Adjustment to May 1, 2012 0.00%

**CONCLUSION**

Indicated Value per Square Foot NRA	\$300.00
Net Rentable Area in Square Feet	x 1,177,605
Indicated Value	\$353,281,500
Rounded	\$350,000,000
Per square foot	\$297.21



## ADJUSTMENT PROCESS

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

The comparable sale properties include buildings that are comparable in both location and physical characteristics. Prior to adjustments, the sales reflect a range in price \$240.69 to \$332.47 per square foot. After adjustments the comparable improved sales reflect unit prices ranging from \$286.23 to \$333.13 per square foot with an average adjusted price of \$306.71 per square foot.

The reported and derived overall capitalization rates range from 3.62 to 6.74 percent based on projected and/or actual net operating incomes. As displayed, the price per square foot indications vary due to variations in site location, exposure, improvement design, quality, condition and age as well as the image of the property, nature of tenancies, length of lease terms and, most importantly, the level and quality of the net income stream.

The most comparable sales to the subject property are those with good locations and income profiles. The subject property has a potential gross income profile in line with many of the comparables.

## SALES COMPARISON APPROACH CONCLUSION

Based on our analysis of these sales on a price per square foot basis, a reasonable adjusted value range for the subject property is \$286.23 to \$333.13 per square foot using the percentage adjustment method. The majority of the sales were adjusted for age and condition, quality and appeal or location. Therefore, the value indicated by the Sales Comparison Approach is at the middle to higher end of the range of adjusted sale prices per square foot indicated by the comparables at \$300.00 per square foot. Based on our analysis of competitive sales, we conclude that the prospective market value by the Sales Comparison Approach on November 1, 2015, will be:

SALES COMPARISON APPROACH CONCLUSION		
NET SF	\$/SF	INDICATED VALUE
1,177,605	\$300.00	\$353,281,500
Rounded:		\$350,000,000
Per Sq Ft:		\$297.21

The value of the leasehold interest of the property is estimated by deducting the value of the leased fee interest (ground lessor's position) from the value in fee simple interest. This estimate, explained within the Ground Lease and Land Valuation section of this report, of \$110,000,000 results in the following calculation:

<b>VALUATION</b>	
Market Value "Prospective" of the Fee Simple Interest	\$350,000,000
Less: Value of the Leased Fee Interest	<u>\$110,000,000</u>
<b>Value of the Leasehold Interest (Rounded)</b>	<b>\$240,000,000</b>

**Opinion of Value Indicated by the Sales Comparison Approach**  
**"Prospective Market Value" As of November 1, 2015**  
**\$240,000,000**

## MARKET VALUE “AS IS” CONCLUSION

The subject property is not stabilized, so we made deductions for lease-up costs. These include rent loss, expense carry, leasing commissions, free rent, and tenant improvements. Also inherent in the lease-up cost is a provision for entrepreneurial profit to reflect the risks of investing in a property with vacant space.

The lease-up cost associated with bringing the subject property to stabilized occupancy represents the difference between the values reflected in the “As Is” and “Prospective Value Upon Stabilization” Discounted Cash Flow models as presented in the Income Capitalization Approach section of the report. The “As Is” discounted cash flow reflected a value of \$200,000,000 and the “Prospective Value Upon Stabilization” discounted cash flow reflected a value of \$240,000,000. The difference between the two values is \$400,000,000, which represents the total lease-up cost.

The differential in the two cash flows indicates the total lease-up cost summarized below:

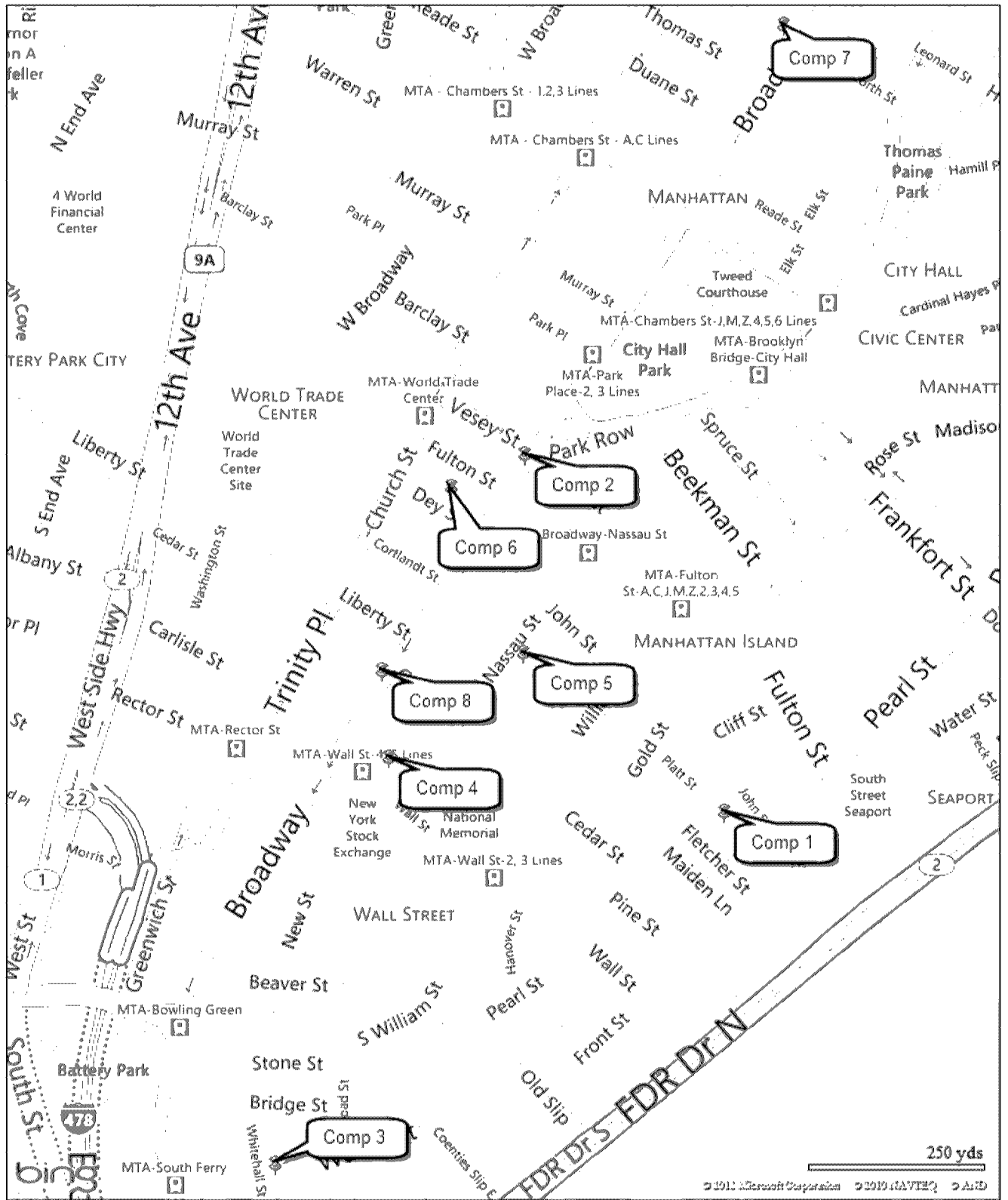
LEASE UP COST ADJUSTMENT	
Prospective Value Upon Stabilization (Cash Flow)	\$240,000,000
Less: Market Value As Is (Cash Flow)	<u>\$200,000,000</u>
Indicated Lease-Up Adjustment	\$40,000,000

Deducting the indicated lease-up adjustment from the Prospective Value Upon Stabilization results in the following As Is value estimate as of November 1, 2012, will be:

SALES COMPARISON APPROACH CONCLUSION	
NET SF	INDICATED VALUE
Indicated Value Per Square Foot (NRA)	\$300.00
Net Rentable Area (SF)	<u>X 1,177,605</u>
Indicated Value	\$353,281,500
Less: Value of the Leased Fee Interest	<u>\$100,000,000</u>
Value of the Leasehold Interest (Rounded)	\$253,281,500
Less: Lease Up Adjustment	<u>(\$40,000,000)</u>
Adjusted Value	\$213,281,500
Rounded:	\$210,000,000
Per Sq Ft:	\$178.83

**Opinion of Value Indicated by the Sales Comparison Approach**  
**“As Is” Market Value as of November 1, 2012**  
**\$210,000,000**

# SALE COMPARISON MAP



# INCOME CAPITALIZATION APPROACH

## METHODOLOGY

The Income Capitalization Approach is a method of converting the anticipated economic benefits of owning property into a value through the capitalization process. The principle of "anticipation" underlies this approach in that investors recognize the relationship between an asset's income and its value. In order to value the anticipated economic benefits of a particular property, potential income and expenses must be projected, and the most appropriate capitalization method must be selected.

The two most common methods of converting net income into value are Direct Capitalization and Discounted Cash Flow. In direct capitalization, net operating income is divided by an overall capitalization rate to indicate an opinion of market value. In the discounted cash flow method, anticipated future cash flows and a reversionary value are discounted to an opinion of net present value at a chosen yield rate (internal rate of return).

Based upon the above, the discounted cash flow method is appropriate in this assignment.

## POTENTIAL GROSS INCOME

Generally, Manhattan office tenants pay fixed gross rent on a rentable area basis, which is consistent with space measurement standards for buildings of similar vintage, plus any increases in operating expenses and real estate taxes above stipulated base year amounts. Tenant electric costs are either directly metered, sub metered or rent inclusion (charged as additional rent).

## MEASUREMENT

Space measurement standards in Manhattan office buildings vary from building to building. Typically, the usable area of each floor (gross area less core) is multiplied times an add-on factor to arrive at rentable area. The add-on factor varies from building to building and is influenced most by the strength or weakness of the leasing market. The ratio of rentable area to usable area is known as the loss factor.

There are three main units of measurement typically used in leasing and marketing Manhattan office space. These include gross area, rentable area and usable area. These units of measurement may be summarized as follows:

Gross Area:	Gross area is the actual square footage measured from the outside walls. An architect typically determines gross area.
Rentable Area:	Rentable area is an economic measurement made by the landlord, which is used to establish the area for each space in an office building for which the tenant will pay rent.
Usable Area:	Usable area is a measurement made by the landlord based upon standards recommended by the Real Estate Board of New York (REBNY). (Gross area excluding vertical penetrations such as stairwells, elevator shafts, elevator machines and risers, fire towers and courts including the nominal four inch enclosing walls but including elevator lobbies, restrooms and columns as usable square footage).
Carpetable Area:	Carpetable area is the actual area used by the tenant excluding elevator lobbies, restrooms and columns. The tenants' architect typically determines carpetable area.

Two other definitions are important and may be summarized as follows:

Loss Factor:	The ratio expressed as a percentage of Rentable Area to Usable Area ( $1 - \text{Usable/Rentable} = \text{Loss Factor } \%$ ) or Carpetable area ( $1 - \text{Carpetable/Rentable} = \text{Loss Factor } \%$ ).
Add-On Factor:	The multiple applied to the Usable or Carpetable square footage.

New York City is the only office market in the United States that employs this methodology. Manhattan tenants are very sophisticated and most are represented by both experienced real estate attorneys and leasing brokers who engage a number of professionals including architects and designers to measure a prospective space and negotiate with landlords over the terms of their lease contracts. These professionals are fully aware of the various measurements standards.

Landlords who use outdated measurements are at a distinct disadvantage when rental rates fall within a relatively tight range. It has been our experience that building measurements are typically adjusted upward in periods of increased demand, but typically do not decrease in periods of weak demand. Conversely, square foot rental rates increase and decrease with the strength or weakness of the market. Tenants are fully aware of the landlords' use of rentable square footage as a "pricing vehicle" or method of increasing rent so as to enable their property to successfully compete with other office buildings. Landlords, when measuring their building, typically employ architectural or design firms who produce space by space measurements which quantify the changes in square footage for each tenant. As leases expire, the remeasured square footage is applied and a new rent is negotiated.

Using very general measurements as an example, rentable areas of buildings in New York City exceed the gross building areas by factors ranging from 15 to 25 percent per floor which translates to loss factors of 22 to 28 percent per floor based upon REBNY measurements and 26 to 32 percent per floor based upon typical architects' carpetable measurement. These examples assume a full floor tenant. The loss factors are greater for partial floor tenancies. Based on our conversations with brokers active in the market, the REBNY loss factor of the subject property of about 27.00 percent is consistent in the market.

Based on the rent roll, the current net rentable area is 1,164,667 square feet, while the future remeasured net rentable area is 1,177,605 square feet once the leases that are not remeasured expire. As these leases expire, tenants will be paying rent based on their remeasured area, which is standard in the market.

## OCCUPANCY STATUS

The property, 40 Wall Street, is currently 81.65 percent leased to 54 office tenants and three retail tenants. There are 19 vacant office spaces within the property totaling 170,347± square feet. In addition, there are six vacant retail spaces on the ground floor and second floor totaling 31,561± square feet and six vacant storage spaces in the basement totaling 14,148± square feet available for lease.

The property includes 1,350± square feet of building management space; 34,570± square feet of storage space in the basement and upper floors; 57,336± square feet of retail space on the ground floor, basement and second floor; and 1,084,349± square feet of above grade office space. The building's ongoing remeasurement will result in a total of 1,177,605± rentable square feet which occurs once the leases that are not remeasured expire.

A breakdown of average contract rents per space type is as follows:



<b>OCCUPANCY STATUS</b>						
<b>Tenant Type</b>	<b>Total Square Footage</b>	<b>Leased Square Footage</b>	<b>Percent Leased</b>	<b>Vacant Square Footage</b>	<b>Percent Vacant</b>	<b>Average Rent/SF</b>
Office Space	1,084,349	914,002	77.62%	170,347	14.47%	\$29.20
Retail Space	57,336	25,775	2.19%	31,561	2.68%	\$59.71
Storage Space	34,570	20,423	1.73%	14,147	1.20%	\$44.78
Management Office	1,350	1,350	0.11%	-	0.00%	
<b>Total</b>	<b>1,177,605</b>	<b>961,550</b>	<b>81.65%</b>	<b>216,055</b>	<b>18.35%</b>	

\*Remeasured target square footage.

The following table contains a summary of rent roll per space type.

## RENT ROLL REPORT

SUITE	TENANT	AREA / SF	REMEASURED AREA / SF	BEGIN DATE	END DATE
<b>Storage / Other Tenants</b>					
1	Bsmt To-Be-Leased	804	804	Feb-13	Jan-23
2	Bsmt To-Be-Leased	2,640	2,640	Feb-13	Jan-23
3	Bsmt To-Be-Leased	1,683	1,683	Feb-13	Jan-23
4	Bsmt To-Be-Leased	2,640	2,640	Feb-13	Jan-23
5	Bsmt To-Be-Leased	1,683	1,683	Feb-13	Jan-23
6	Bsmt Jaskim Inc.	240	240	Jan-10	Jul-20
7	2501 The Judge Group Inc.	4,269	4,800	May-08	May-18
8	2502 Oracle America Inc.	6,166	6,944	Apr-08	Mar-13
9	2503 Emag Solutions LLC	4,417	4,417	Dec-10	Nov-12
10	2504 Metro PCS NYLLC	689	175	Sep-08	Dec-30
11	2505 To-Be-Leased	4,698	4,698	Nov-13	Oct-23
12	2506 Cogent Communications	1	1	Mar-01	Dec-30
13	2507 Sprint National Lease Mgmt	194	194	Feb-01	Dec-30
14	2508 Cypress Communications	200	200	Mar-97	Dec-30
15	2509 MCI World Com Lease Admin.	150	150	Mar-97	Dec-30
16	2510 Time Warner Axs of NYC	125	125	Apr-97	Dec-30
17	2511 XO Communication Services	175	175	Nov-99	Dec-30
18	2512 AT & T Gre Lease Admin.	175	175	Feb-00	Dec-30
19	2513 Yipes Enterprises Services	217	217	Sep-03	Dec-30
20	2514 RCN Business Solutions	83	83	Apr-03	Dec-30
21	2515 DAE Woo	2,527	2,527	Jan-10	Dec-30
22	2516 North American Mobile	1	1	Nov-10	Dec-30
<b>Retail Tenants</b>					
23	Bsmt SAV Cafe Inc.	1,900	1,900	Apr-97	Nov-12
24	Grade Kenjo 40 Wall St Inc.	600	565	Feb-98	Aug-13
25	Grade Duane Reade	5,273	5,273	Jun-10	Jan-32
26	Grade Duane Reade	18,037	18,037	Jun-10	Jan-32
27	Grade To-Be-Leased	14,500	14,500	Feb-13	Jan-23
28	Grade To-Be-Leased	4,923	4,923	Feb-13	Jan-23
29	Grade To-Be-Leased	791	791	May-13	Apr-23
30	Grade To-Be-Leased	850	850	May-13	Apr-23
31	202 To-Be-Leased	9,447	9,447	May-13	Apr-23
32	203 To-Be-Leased	1,050	1,050	May-13	Apr-23
<b>Major Office Tenants ( &gt;20,000 Square Feet)</b>					
33	301 Country-Wide Insurance	10,510	10,510	Mar-11	Aug-21
34	302 To-Be-Leased	22,646	22,646	May-13	Apr-28
35	401 To-Be-Leased	28,153	28,153	Aug-13	Jul-28
36	403 Haks Engineering & Land	10,675	10,675	Dec-10	Dec-20
37	501 GDS Publishing	20,240	20,240	Sep-09	Sep-16
38	600 The Harry Fox Agency Inc	36,921	36,921	Jun-12	May-26
39	700 Continental Casualty Company	35,336	37,217	Jun-98	Mar-14
40	800 Continental Casualty Company	33,036	35,168	Jun-98	Mar-14
41	900 Continental Casualty Company	33,476	35,050	Jun-98	Mar-14
42	1000 Continental Casualty Company	33,449	35,050	Jun-98	Mar-14
43	1100 Haks Engineering & Land	34,975	34,975	Jun-10	Dec-20
44	1200 Continental Casualty > Country-Wide Insurance	30,515	31,942	Jun-98	Mar-14
45	1300 Country-Wide Insurance	33,244	33,244	Mar-11	Aug-21
46	1400 Country-Wide Insurance	32,645	32,645	Mar-11	Aug-21
47	1603 XO Communication Services	20,586	20,586	Mar-10	Mar-22
48	1800 Weidlinger Associates	32,875	32,875	Nov-11	Jan-33
49	1900 Weidlinger Associates	28,207	28,207	Nov-11	Jan-33
50	2000 Huron Consulting Services	28,812	28,812	Sep-11	Jul-22

## RENT ROLL REPORT (CONTINUED)

SUITE	TENANT	AREA / SF	REMEASURED AREA / SF	BEGIN DATE	END DATE
<b>Minor Office Tenants (&lt;20,000 Square Feet)</b>					
51	2100 Duane Reade	27,250	27,250	Sep-12	Feb-28
52	2200 Duane Reade	27,250	27,250	Sep-12	Feb-28
53	2400 The Global Alliance	28,427	28,427	Dec-07	Dec-17
54	2800 Office Space Solutions Inc.	14,515	14,515	Aug-06	May-17
55	2900 Office Space Solutions Inc.	13,143	13,544	Aug-06	May-17
56	201 Management Office	1,350	1,350	Oct-08	Dec-30
57	402 To-Be-Leased	274	274	Nov-13	Oct-23
58	502 Star Alliance Trading Group	7,500	7,500	Sep-09	Dec-14
59	503 Xcitek Solutions	6,288	6,288	Jun-10	Oct-20
60	1501 IBIS World Inc.	16,209	16,209	Sep-11	Feb-22
61	1502 SS&C Technologies Holdings	12,066	12,066	Sep-11	Oct-22
62	1503 To-Be-Leased	3,947	3,947	Nov-13	Oct-23
63	1601 Core Staffing Services	5,845	5,845	May-10	Sep-17
64	1602 To-Be-Leased	5,772	5,772	Nov-13	Oct-23
65	1701 Coastal Trade Securities	4,706	4,706	Mar-12	Feb-17
66	1702 Topeka Capital Markets	2,059	2,059	Feb-11	Jun-21
67	1703 Jaskim Inc.	4,808	4,808	Dec-09	Jul-20
68	1704 John Carris Investment	12,797	12,797	Aug-11	Mar-22
69	1705 Topeka Capital Markets	4,905	4,905	Feb-11	Jun-21
70	1706 United Advisors	3,412	3,412	Jun-11	May-16
71	2301 To-Be-Leased	5,513	5,513	Nov-13	Oct-23
72	2302 Leslie E. Robertson	19,967	19,967	Nov-11	Feb-28
73	2600 Newman Myers Kreines Gross	15,354	15,354	Aug-12	Dec-22
74	2701 Zaremba Brownell & Brown	3,954	3,954	Feb-10	Jan-25
75	2702 Zaremba Brownell & Brown	2,106	2,106	Jul-11	Jan-25
76	2703 Bureau Van DIJK	7,987	7,987	Feb-11	Jun-18
77	2704 Tachlees International	1,377	1,377	Sep-12	Nov-17
78	3001 Clancy Finanacial Services	4,384	4,384	Feb-10	Feb-17
79	3002 Rosabianca & Associates	5,433	5,433	Nov-11	Feb-19
80	3003 Lane MC Viker LLC	3,728	3,728	Aug-11	Jun-17
81	3101 Mercer Capital Ltd	9,541	9,869	Jan-05	Apr-15
82	3102 Prodigy	3,616	3,616	Nov-11	Jan-22
83	3201 UBS Financial Services	2,682	3,198	Mar-99	Feb-14
84	3202 Rosen Greenberg Blaha LLP	3,450	4,593	Jan-10	Feb-15
85	3203 To-Be-Leased	5,759	5,759	Nov-13	Oct-23
86	3301 Murphy & O'Connell	2,525	1,743	Jan-06	Apr-14
87	3302 Freedom Holdings Group	4,144	4,144	Jun-12	Feb-15
88	3303 Rosensteel Law	3,689	3,689	Jan-12	Jun-17
89	3304 Frank Xu LLP	3,057	3,057	Oct-12	Sep-19
90	3400 ICF Consulting Group	12,562	12,562	Apr-11	Jan-22
91	3500 Solomon,Pearl,Blum	8,288	8,641	Sep-00	Jul-20
92	3601 Masscomm Inc.	5,554	5,554	Nov-12	Apr-23
93	3602 Halperin Battaglia Raicht, LLC	3,294	3,294	Jan-13	Mar-23
94	3700 Halperin Battaglia Raicht, LLC	8,840	8,840	Jan-13	Mar-23
95	3801 NYG Capital LLC	5,310	5,310	Jan-10	Sep-15
96	3802 Oakwood Asset Management LLC	2,086	2,086	Jan-10	Mar-15
97	3900 Euroclear Bank S.A.	8,313	8,841	Feb-08	Jul-18
98	4000 To-Be-Leased	9,317	9,317	Feb-14	Jan-24
99	4100 Hilton Hotels Corporation	8,878	9,277	Jul-03	Jun-13
100	4200 Direct Access Partners	9,372	9,372	Jan-10	Dec-19

## RENT ROLL REPORT (CONTINUED)

SUITE	TENANT	AREA / SF	REMEASURED AREA / SF	BEGIN DATE	END DATE	
<b>Minor Office Tenants (&lt;20,000 Square Feet) (Continued)</b>						
101	4301	Telstra Inc	5,125	5,125	Apr-10	Sep-20
102	4302	Direct Access Partners	4,247	4,247	Jan-10	Dec-19
103	4400	Telstra Inc	9,372	9,372	Apr-10	Sep-20
104	4500	Freedom Holdings Group	8,870	9,372	Mar-09	Feb-19
105	4600	RG Michals	9,372	9,372	Jun-11	Aug-21
106	4700	To-Be-Leased	9,372	9,372	Feb-14	Jan-24
107	4800	Brokerage Management Corp.	9,263	9,263	Jul-10	Jul-22
108	4900	Public Financial Management Inc	9,263	9,263	Jul-12	Dec-22
109	5000	American Precious Metal	9,248	9,248	Sep-11	Jul-22
110	5100	To-Be-Leased	9,248	9,248	Feb-14	Jan-24
111	5200	To-Be-Leased	9,248	9,248	May-14	Apr-24
112	5300	To-Be-Leased	9,248	9,248	May-14	Apr-24
113	5400	To-Be-Leased	9,248	9,248	May-14	Apr-24
114	5500	Cenegenics LLC	9,248	9,248	Nov-12	Oct-22
115	5600	To-Be-Leased	9,248	9,248	Aug-14	Jul-24
116	5700	To-Be-Leased	8,025	8,025	Aug-14	Jul-24
117	5800	Baytree Associates	8,227	8,227	May-97	Apr-15
118	5900	To-Be-Leased	7,900	7,900	Aug-14	Jul-24
119	6000	To-Be-Leased	6,191	6,191	Nov-14	Oct-24
120	6100	To-Be-Leased	6,243	6,243	Nov-14	Oct-24
121	6200	To-Be-Leased	4,995	4,995	Nov-14	Oct-24
122	6300	RCL Advisors	3,416	3,591	May-07	Apr-17
<b>Total</b>			<b>1,164,667</b>	<b>1,177,605</b>		

## LEASE STRUCTURE OF THE SUBJECT PROPERTY

The property is leased to 11 major office tenants (defined as tenant spaces greater than 20,000 square feet). The two largest office tenants in the property are Continental Casualty Company and Country-Wide Insurance. Continental Casualty Company leases 165,812± square on the 7<sup>th</sup> through 10<sup>th</sup> floors and 12<sup>th</sup> floor. Country-Wide Insurance leases 76,399± square on the 3<sup>rd</sup>, 13<sup>th</sup> and 14<sup>th</sup> floors. Together, the leases with Continental Casualty Company and Country-Wide Insurance represent over 20 percent of the property's total rentable area.

The remaining major office tenants in the building include Weidinger Associates (61,082± square feet) located on the 18<sup>th</sup> and 19<sup>th</sup> floors; Duane Reade (54,500± square feet) on the 21<sup>st</sup> and 22<sup>nd</sup> floors; Haks Engineering & Land (45,650± square feet) on the 4<sup>th</sup> and 11<sup>th</sup> floors; The Harry Fox Agency Inc. (36,921± square feet) on the 6<sup>th</sup> floor; Huron Consulting Services (28,812± square feet) on the 20<sup>th</sup> floor; The Global Alliance (28,427± square feet) on the 24<sup>th</sup> floor; Office Space Solutions Inc. (27,658± square feet) on the 28<sup>th</sup> and 29<sup>th</sup> floors; XO Communication Services (20,586± square feet) on the 16<sup>th</sup> floor; and GDS Publishing (20,240± square feet) on the 5<sup>th</sup> floor.

The 11 major office tenants previously mentioned represent nearly 50 percent of the property's total rentable area. Each of these firms are considered major office tenants in the building, a classification that necessitates a more generous concession package on rollover (free rent and tenant work letter), than that provided to minor office tenants in the property.

The balance of office space in the building is leased to 43 office tenants that lease smaller units of space. These spaces range from 1,377± to 19,967± square feet. These firms represent a mixture of industries including insurance, law, communication and financial services. These tenants have a typical mixture of credit quality ranging from fair to average within the context of their mostly unrated status. The minor office tenancies represent less than 30 percent of the property's total rentable area. These tenants are classified as minor office tenants for the purpose of calculating future concession packages on rollover (free rent and tenant work letter), which are less generous than major office tenants concession packages.

In addition to office space, the subject property is leased to three retail tenants that include Kenjo 40 Wall St Inc., Milk Street Café and Duane Reade. Kenjo 40 Wall St Inc. leases 600± square feet along Wall Street side of the building. Duane Reade leases 23,310± square feet with frontage along Pine Street. Sav Café Inc. leases 1,900± square feet in the basement of the building. In addition, there are six vacant retail spaces on the ground floor and second floor totaling 31,561± square feet available for lease. The retail space in the property prior to remeasurement totals 57,371± square feet. The tenant leases may be summarized as follows:

## LEASE SUMMARY REPORT

Tenant Name	Rentable	Rentable	% of Total NRA	Current	% of	Annual	Lease
	Area (SF) Rent Roll	Area (SF) Remeasured		Annual Base Rent	Annual Base Rent	Base Rent (SF)	
Continental Casualty Company	165,812	174,427	14.24%	\$5,305,979	18.43%	\$32.00	Mar-14
Country-Wide Insurance	76,399	76,399	6.56%	\$1,909,975	6.63%	\$25.00	Aug-21
Weidlinger Associates	61,082	61,082	5.24%	\$0	0.00%	\$0.00	Jan-33
Haks Engineering & Land	45,650	45,650	3.92%	\$1,260,743	4.38%	\$27.62	Dec-20
Duane Reade	54,500	54,500	4.68%	\$542,275	1.88%	\$9.95	Feb-28
The Harry Fox Agency Inc	36,921	36,921	3.17%	\$996,867	3.46%	\$27.00	Jan-00
Huron Consulting Services	28,812	28,812	2.47%	\$777,924	2.70%	\$27.00	Jul-22
The Global Alliance	28,427	28,427	2.44%	\$1,149,872	3.99%	\$40.45	Dec-17
Office Space Solutions Inc.	27,658	28,059	2.37%	\$940,372	3.27%	\$34.00	May-17
XO Communication Services	20,586	20,586	1.77%	\$617,580	2.14%	\$30.00	Mar-22
GDS Publishing	20,240	20,240	1.74%	\$647,680	2.25%	\$32.00	Sep-16
<b>Total Major Office Tenants (&gt;20,000 Square Feet)</b>	<b>566,087</b>	<b>575,103</b>	<b>48.61%</b>	<b>\$14,149,267</b>	<b>49.13%</b>	<b>\$24.99</b>	
Leslie E. Robertson	19,967	19,967	1.71%	\$539,109	1.87%	\$27.00	Feb-28
IBIS World Inc.	16,209	16,209	1.39%	\$543,002	1.89%	\$33.50	Feb-22
Newman Myers Kreines Gross	15,354	15,354	1.32%	\$429,912	1.49%	\$28.00	Dec-22
Telstra Inc	14,497	14,497	1.24%	\$536,389	1.86%	\$37.00	Sep-20
Direct Access Partners	13,619	13,619	1.17%	\$449,427	1.56%	\$33.00	Dec-19
Freedom Holdings Group	13,014	13,516	1.12%	\$741,798	2.58%	\$57.00	Feb-19
John Carris Investment	12,797	12,797	1.10%	\$422,301	1.47%	\$33.00	Mar-22
ICF Consulting Group	12,562	12,562	1.08%	\$427,108	1.48%	\$34.00	Jan-22
Halperin Battaglia Raicht, LLC	12,134	12,134	1.04%	\$467,159	1.62%	\$38.50	Mar-23
SS&C Technologies Holdings	12,066	12,066	1.04%	\$337,848	1.17%	\$28.00	Oct-22
Topeka Capital Markets	6,964	6,964	0.60%	\$480,503	1.67%	\$69.00	Jun-21
Mercer Capital Ltd	9,541	9,869	0.82%	\$324,394	1.13%	\$34.00	Apr-15
RG Michals	9,372	9,372	0.80%	\$310,494	1.08%	\$33.13	Aug-21
Brokerage Management Corp.	9,263	9,263	0.80%	\$370,520	1.29%	\$40.00	Jul-22
Public Financial Management Inc	9,263	9,263	0.80%	\$370,520	1.29%	\$40.00	Dec-22
American Precious Metal	9,248	9,248	0.79%	\$342,176	1.19%	\$37.00	Jul-22
Genegenics LLC	9,248	9,248	0.79%	\$314,617	1.09%	\$34.02	Oct-22
Hilton Hotels Corporation	8,878	9,277	0.76%	\$319,608	1.11%	\$36.00	Jun-13
Euroclear Bank S.A.	8,313	8,841	0.71%	\$473,841	1.65%	\$57.00	Jul-18
Solomon,Pearl,Blum	8,288	8,641	0.71%	\$265,216	0.92%	\$32.00	Jul-20
Baytree Associates	8,227	8,227	0.71%	\$382,062	1.33%	\$46.44	Apr-15
Bureau Van Dijk	7,987	7,987	0.69%	\$263,571	0.92%	\$33.00	Jun-18
Star Alliance Trading Group	7,500	7,500	0.64%	\$240,000	0.83%	\$32.00	Dec-14
Xcitek Solutions	6,288	6,288	0.54%	\$201,216	0.70%	\$32.00	Oct-20
Zaremba Brownell & Brown	6,060	6,060	0.52%	\$212,100	0.74%	\$35.00	Jan-25
Core Staffing Services	5,845	5,845	0.50%	\$187,040	0.65%	\$32.00	Sep-17
Masscomm Inc.	5,554	5,554	0.48%	\$183,282	0.64%	\$33.00	Apr-23
Rosabianca & Associates	5,433	5,433	0.47%	\$201,021	0.70%	\$37.00	Feb-19
NYG Capital LLC	5,310	5,310	0.46%	\$180,540	0.63%	\$34.00	Sep-15
Jaskim Inc.	4,808	4,808	0.41%	\$168,280	0.58%	\$35.00	Jul-20
Coastal Trade Securities	4,706	4,706	0.40%	\$141,180	0.49%	\$30.00	Feb-17
Clancy Finanacial Services	4,384	4,384	0.38%	\$149,056	0.52%	\$34.00	Feb-17
Lane MC Viker LLC	3,728	3,728	0.32%	\$128,616	0.45%	\$34.50	Jun-17
Rosensteel Law	3,689	3,689	0.32%	\$118,048	0.41%	\$32.00	Jun-17
Prodigy	3,616	3,616	0.31%	\$126,560	0.44%	\$35.00	Jan-22
Rosen Greenberg Blaha LLP	3,450	4,593	0.30%	\$144,900	0.50%	\$42.00	Feb-15
RCL Advisors	3,416	3,591	0.29%	\$184,464	0.64%	\$54.00	Apr-17
United Advisors	3,412	3,412	0.29%	\$114,302	0.40%	\$33.50	May-16
Frank Xu LLP	3,057	3,057	0.26%	\$106,995	0.37%	\$35.00	Sep-19
UBS Financial Services	2,682	3,198	0.23%	\$96,552	0.34%	\$36.00	Feb-14
Murphy & O'Connell	2,525	1,743	0.22%	\$68,276	0.24%	\$27.04	Apr-14
Oakwood Asset Management LLC	2,086	2,086	0.18%	\$68,838	0.24%	\$33.00	Mar-15
Tachlees International	1,377	1,377	0.12%	\$48,195	0.17%	\$35.00	Nov-17
<b>Total Minor Office Tenants (&lt;20,000 Square Feet)</b>	<b>335,737</b>	<b>338,899</b>	<b>28.83%</b>	<b>\$12,181,036</b>	<b>42.30%</b>	<b>\$36.28</b>	

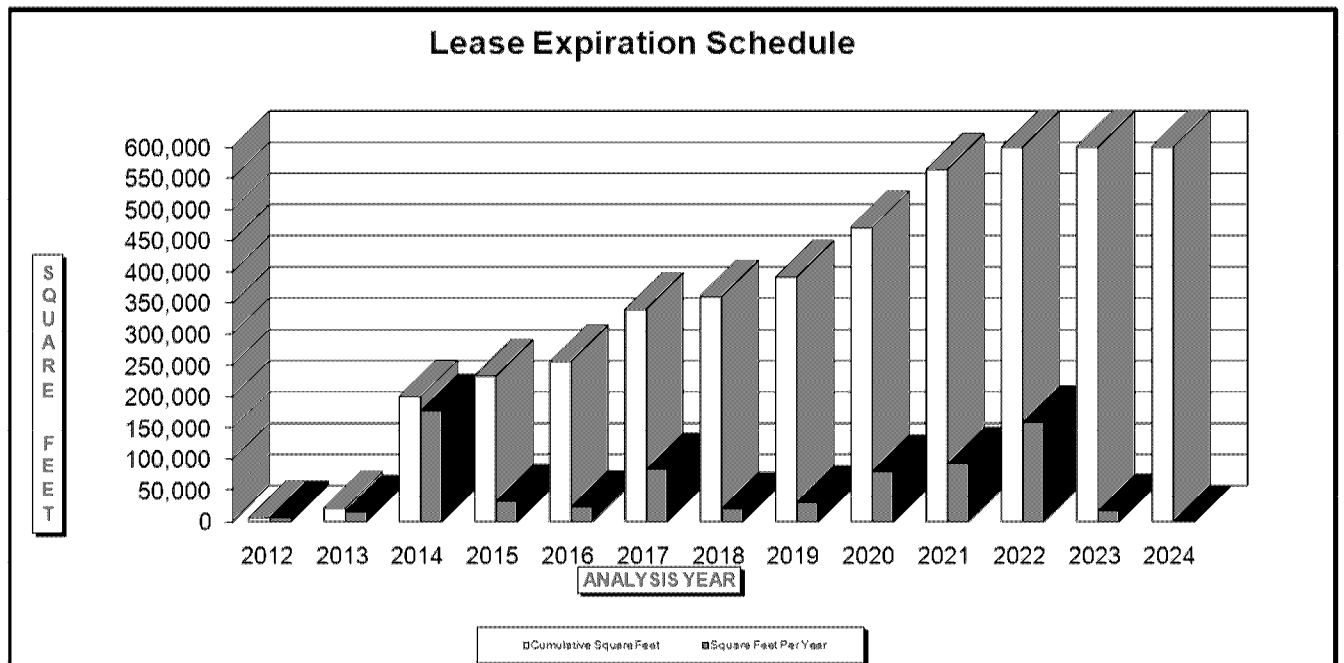
LEASE SUMMARY REPORT (CONTINUED)							
Tenant Name	Rentable Area (SF) Rent Roll	Rentable Area (SF) Remeasured	% of Total NRA	Current Annual Base Rent	% of Annual Base Rent	Annual Base Rent (SF)	Lease Expiration
Duane Reade	23,310	23,310	2.00%	\$1,424,940	4.95%	\$61.13	Jan-32
SAV Cafe Inc.	1,900	1,900	0.16%	\$12,008	0.04%	\$6.32	Nov-12
Kenjo 40 Wall St Inc.	600	565	0.05%	\$104,058	0.36%	\$173.43	Aug-13
<b>Total Retail Tenants</b>	<b>25,810</b>	<b>25,775</b>	<b>2.22%</b>	<b>\$1,541,006</b>	<b>5.35%</b>	<b>\$59.71</b>	
Oracle America Inc.	6,166	6,944	0.53%	\$332,964	1.16%	\$54.00	Mar-13
Emag Solutions LLC	4,417	4,417	0.38%	\$145,761	0.51%	\$33.00	Nov-12
The Judge Group Inc.	4,269	4,800	0.37%	\$230,526	0.80%	\$54.00	May-18
DAE Woo	2,527	2,527	0.22%	\$0	0.00%	\$0.00	Dec-30
Metro PCS NY LLC	689	175	0.06%	\$56,278	0.20%	\$81.68	Dec-30
Jaskim Inc.	240	240	0.02%	\$4,080	0.01%	\$17.00	Jul-20
Yipes Enterprises Services	217	217	0.02%	\$9,307	0.03%	\$42.89	Dec-30
Cypress Communications	200	200	0.02%	\$10,104	0.04%	\$50.52	Dec-30
Sprint National Lease Mgmt	194	194	0.02%	\$33,252	0.12%	\$171.40	Dec-30
XO Communication Services	175	175	0.02%	\$14,999	0.05%	\$85.71	Dec-30
AT & T Gre Lease Admin.	175	175	0.02%	\$14,999	0.05%	\$85.71	Dec-30
MCI World Com Lease Admin.	150	150	0.01%	\$9,000	0.03%	\$60.00	Dec-30
Time Warner Axs of NYC	125	125	0.01%	\$7,500	0.03%	\$60.00	Dec-30
RCN Business Solutions	83	83	0.01%	\$10,211	0.04%	\$123.02	Dec-30
<b>Total Storage / Other Tenants</b>	<b>19,627</b>	<b>20,422</b>	<b>1.69%</b>	<b>\$78,980</b>	<b>3.05%</b>	<b>\$44.78</b>	
North American Mobile	1	1	0.00%	\$28,367	0.10%	\$28,367.00	Dec-30
Cogent Communications	1	1	0.00%	\$18,616	0.06%	\$18,616	Dec-30
<b>Total Vacant Office</b>	<b>170,347</b>	<b>170,347</b>	<b>14.63%</b>				
<b>Total Vacant Retail</b>	<b>31,561</b>	<b>31,561</b>	<b>2.71%</b>				
<b>Total Vacant Storage</b>	<b>14,148</b>	<b>14,148</b>	<b>1.21%</b>				
<b>Total Management Space</b>	<b>1,350</b>	<b>1,350</b>	<b>0.12%</b>				
<b>Total Net Rentable Area</b>	<b>1,164,667</b>	<b>1,177,605</b>	<b>100.00%</b>	<b>\$28,797,272</b>	<b>100.00%</b>	<b>\$24.73</b>	

## LEASE EXPIRATIONS

The lease expiration schedule is an important investment consideration. As leases rollover, the landlord will be required to negotiate a renewal lease with the existing tenant, or to secure a new tenant for the space. Following is the projected lease expiration schedule for this property incorporating all projected lease expirations forecast during the analysis period

LEASE EXPIRATION SCHEDULE									
Year Expiration	Expiring Square Footage Per Rent Roll*	Expiring Square Footage Per Remeasurement	% of Square Footage	% of Total Rentable Area	Annual Base Rent On Expiration	Annual Base Rent/SF	% of Total Rent	Cumulative	Cumulative
2012	6,317	6,317	0.54%	6,317	0.54%	\$157,769	\$24.98	0.45%	0.45%
2013	15,644	16,786	1.34%	21,961	1.89%	\$756,630	\$48.37	2.15%	2.60%
2014	178,519	186,868	15.33%	200,480	17.21%	\$5,710,709	\$31.99	16.25%	18.85%
2015	32,758	34,229	2.81%	233,238	20.03%	\$1,347,292	\$41.13	3.83%	22.68%
2016	23,652	23,652	2.03%	256,890	22.06%	\$802,462	\$33.93	2.28%	24.96%
2017	83,230	83,806	7.15%	340,120	29.20%	\$3,241,680	\$38.95	9.22%	34.19%
2018	20,569	21,628	1.77%	360,689	30.97%	\$1,021,332	\$49.65	2.91%	37.09%
2019	30,979	31,481	2.66%	391,668	33.63%	\$1,363,684	\$44.02	3.88%	40.97%
2020	79,771	80,124	6.85%	471,439	40.48%	\$2,722,653	\$34.13	7.75%	48.72%
2021	92,735	92,735	7.96%	564,174	48.44%	\$3,060,253	\$33.00	8.71%	57.42%
2022	159,024	159,024	13.65%	723,198	62.09%	\$5,862,900	\$36.87	16.68%	74.10%
2023	17,688	17,688	1.52%	740,886	63.61%	\$709,059	\$40.09	2.02%	76.12%
2024	0	0	0.00%	740,886	63.61%	\$0	\$0.00	0.00%	76.12%
2025	6,060	6,060	0.52%	746,946	64.13%	\$248,460	\$41.00	0.71%	76.83%
2026	36,921	36,921	3.17%	783,867	67.30%	\$1,218,393	\$33.00	3.47%	80.29%
2027	0	0	0.00%	783,867	67.30%	\$0	\$0.00	0.00%	80.29%
2028	74,467	74,467	6.39%	858,334	73.70%	\$2,494,645	\$33.50	7.10%	87.39%
2029	0	0	0.00%	858,334	73.70%	\$0	\$0.00	0.00%	87.39%
2030	4,535	4,021	0.39%	862,869	74.09%	\$275,695	\$60.79	0.78%	88.17%
2031	0	0	0.00%	862,869	74.09%	\$0	\$0.00	0.00%	88.17%
2031+	84,392	84,392	7.25%	947,261	81.33%	\$4,156,769	\$49.26	11.83%	100.00%
Vacant	216,056	216,056	18.55%	1,163,317	99.88%	--	--	--	--
Bldg Mgmt	1,350	1,350	0.12%	1,164,667	100.00%	--	--	--	--
<b>Analysis Period CY 2012 - 2024 (13 years)</b>									
Totals	740,886	754,338	63.61%			\$26,756,423		76.12%	
Average	56,991	58,026	4.89%			\$2,068,186		5.86%	
<b>Entire Property CY 2012 - 2031 (21 years)</b>									
Totals	1,164,667	1,177,605	100.00%			\$35,150,384		100.00%	
Average	55,460	56,076	4.76%			\$1,673,828		4.76%	

\* Net rentable area prior to remeasurement target of 1,193,669 square feet.





The following table provides a synopsis of the lease expiration anticipated at this property during the analysis period.

<b>LEASE EXPIRATION ANALYSIS</b>		
Total NRA of Subject Property (SF)	1,164,667	100.00%
Year of Peak Expiration	3	
SF Expiring in Peak Year	178,519	15.33%
Five Year Cumulative Expirations (SF)	256,890	22.06%
Thirteen Year Cumulative Expirations (SF)	740,886	63.61%
<i>Compiled by Cushman &amp; Wakefield, Inc.</i>		

Based upon the subject's current lease expiration schedule, over 79 percent of the property's rentable area is represented by leases due to expire during the analysis period (through 2024). 3,785± square feet is due to expire through 2012.

The major rollover years in the analysis period occur in 2014 and 2022. In 2014, 178,519± square feet (15 percent) of the property's rentable area expires and in 2022, 159,024± square feet (14 percent) expires. Obviously, the largest lease expiration occurs in 2014 when the lease expires with Continental Casualty Company. The average rollover over the next thirteen years is 4.89 percent per year with most risk occurring in 2014

## **OPINION OF POTENTIAL GROSS INCOME**

We have developed an opinion of market rental rates by examining recent leases in the subject building and by investigating recent rental rates in the competitive buildings in the marketplace.

## **MARKET RENTAL RATE – OFFICE SPACE**

Leasing brokers have indicated that the Downtown office leasing market has improved, although at a lesser pace when compared to Midtown Manhattan. However, the leasing brokers expect the recovery will continue in 2012 because of positive job market numbers and a rising demand.

According to Cushman & Wakefield, Inc. Research Department, the overall vacancy rate remained flat in the second quarter at 8.9%, its lowest overall vacancy rate in three years. While direct available space declined 8.4% from last quarter, sublease available space increased 43.6% to 1.2 million square feet (msf.) The class A vacancy rate which has remained relatively stable over the past year at 9.0%, is almost three percentage points lower than the bottom of the market in 3Q10 when it registered 11.9%. At 14.1%, Financial East has the highest Downtown overall vacancy rate and City Hall has the lowest overall vacancy at 2.2%.

Total leasing through mid-year reached 2.8 msf, 35.4% lower than a year ago. Despite the decline in activity, new leasing activity has exceeded the 10-year quarterly average of 1.1 msf. With the exception of 4Q11, Downtown quarterly leasing has surpassed the 10-year average each quarter since 2011. Morgan Stanley's 1,180,000-sf renewal and expansion at One New York Plaza was the largest Downtown lease through the first half of the year. The second largest transaction was the 353,252-sf renewal of NYC Law Department at 100 Church Street followed by the City of New York's 207,812-sf renewal at 75 Park Place.

In addition, Overall asking rents continued to steadily increase and rose to \$40.06 per square foot (psf) at the end of the quarter, up from \$39.38 psf a year ago. Class A overall asking rent registered \$45.29 psf, the highest quarterly rental rate since 3Q09. The World Trade/World Financial submarket retained the highest class A overall asking rent at \$54.83 psf.

In our analysis of the comparable leases, we have considered seven lease attributes: rent concessions, time (market conditions), location, floor level, quality, size and condition. Percentage adjustments between the subject property and the comparable leases were made for each of these factors.

In estimating market rent for the subject property, we analyzed and examined several sources of market information. We analyzed the range in unadjusted and adjusted rents in actual recent leases from comparable buildings. We have also researched the asking rents for several comparable properties, which are summarized within the sub market analysis section of this report. As another source to determine market rent for the subject property, we reviewed the subject's existing leases. In addition to analyzing actual deals inside and outside the property, leasing brokers were interviewed in an effort to ascertain market rent in the marketplace today. Our analysis and conclusions are discussed within this report.

Market rent for the office space within the property has been estimated by analyzing **ten** comparable leases exhibited on the adjustment grid on the **subsequent chart**.

### ADJUSTMENTS TO THE COMPARABLES

Our adjustment for rent concessions considers the equivalency between the comparables for market standard free rent of twelve months and work letters of \$50.00 per square foot. The adjustment for rent concessions equivalency attempts to quantify (\$ per square foot) the differences between market free rent and work letter between the subject and the comparables. The differences between free rent and work letter (+/-) is divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. Although this methodology does not take into account amortization of rental increases over the lease term, we believe this is a simplistic approach to understanding the equivalency of concessions on beginning base rent. The rent concession equivalency adjustment calculation may be summarized as follows:

#### RENT CONCESSION ADJUSTMENT SUMMARY

##### FREE RENT ADJUSTMENT

Comparable Free Rent  
 Less: Market Standard  
 Equals: Over (Under) Standard  
 Divided by Comparable Monthly Lease Term  
 Times: Beginning Base Rent  
 Equals: Equivalency Adjustment

##### WORKLETTER ADJUSTMENT

Comparable Workletter  
 Less: Market Standard  
 Equals: Over (Under) Standard  
 Divided by Comparable Lease Term  
 Equals: Equivalency Adjustment

It should be noted that comparable office rentals and adjusted market rental range on the following chart are used to lend support to our estimate of market rent. We have attempted to make adjustments to the beginning year "face" rent per square foot of each comparable lease for rent concessions, time (market conditions), location, floor level, quality, size and location. A degree of subjectivity is involved in these adjustments, as insufficient market data were available to perform a paired sales analysis. However, the adjustments do illustrate our thought processes in comparing one lease transaction with another. We have attempted to analyze each aspect of the comparable leases including beginning year base rent, rental bumps, tenant improvements, free rent and adjusted beginning year base rent per square foot.

We present on the **following pages** a summary of pertinent details of leases in competitive buildings that we analyzed in estimating market rent for the subject property.

## COMPARABLE OFFICE RENTS AND ADJUSTMENTS

PROPERTY INFORMATION	SUBJECT	RENTAL 1	RENTAL 2	RENTAL 3	RENTAL 4	RENTAL 5
ADDRESS	40 Wall Street New York City	120 Broadway New York City	Two World Financial Center New York City	14 Wall Street New York City	80 Broad Street New York City	100 William Street New York City
YEAR BUILT	1930/96	1915	1987	1932	1931	1972
RENTABLE AREA (SF)	1,177,605	1,916,700	2,200,000	956,654	352,000	355,364
NO. STORIES	63	41	44	37	36	21
<b>LEASE INFORMATION</b>						
TENANT NAME		Strategies for Wealth	Sedgwick, Detert Moran & Arnold	Amerigroup Corp. of Virginia Beach	McGivney & Kluger P.C.	Motor Vehicle Accident Indemnification Corp
FLOOR(S) LEASED		Pt. 37th	Ent. 28th	Ent. 11th, Ent. 12th, Ent. 14th, Ent. 21st and Ent.	Ent. 23- Ent. 24th	Ent. 14th
LEASE DATE	November 2012	October 2012	August 2012	July 2012	July 2012	May 2012
TERM		18.00	11.00	10.00	10.00	16.00
LEASE TYPE	Gross	Gross	Gross	Gross	Gross	Gross
TENANT SIZE		45,304	43,734	165,029	22,992	22,298
RENT PER SF		\$34.00 Yr. 1 \$36.00 Yr. 5 \$42.00 Yr. 11 \$45.00 Yr. 15	\$56.00 Yr. 1 \$61.00 Yr. 6	\$31.00 Yr. 1 \$35.00 Yr. 4 \$39.00 Yr. 8	\$31.00 Yr. 1 \$33.00 Yr. 4 \$36.00 Yr. 7	\$35.00 Yr. 1 \$39.00 Yr. 6 \$43.00 Yr. 11
FREE RENT(MONTHS)	12	12	12	5	9	12
WORKLETTER (PSF)	\$50.00	\$75.00	\$60.00	\$65.00	\$60.00	\$65.00
<b>ADJUSTMENTS</b>						
RENT CONCESSIONS		(\$1.39)	(\$0.91)	\$0.31	(\$0.23)	(\$0.94)
EFFECTIVE ADJUSTED RENT PER SF		\$32.61	\$55.09	\$31.31	\$30.78	\$34.06
MONTHS FROM VALUE DATE TIME (MARKET CONDITIONS) TIME ADJUSTED RENT PER SF		1 0.0%	3 0.0%	4 0.0%	4 0.0%	6 0.0%
		\$32.61	\$55.09	\$31.31	\$30.78	\$34.06
LOCATION		0%	0%	0%	0%	0%
FLOOR		0%	0%	0%	0%	0%
QUALITY		0%	-30%	10%	10%	0%
SIZE		0%	0%	5%	0%	0%
CONDITION		0%	0%	0%	0%	0%
TOTAL ADJUSTMENT		0%	-30%	15%	10%	0%
INDICATED GROSS RENT PER SF		<b>\$32.61</b>	<b>\$38.56</b>	<b>\$36.00</b>	<b>\$33.85</b>	<b>\$34.06</b>

## COMPARABLE OFFICE RENTS AND ADJUSTMENTS

PROPERTY INFORMATION	SUBJECT	RENTAL 6	RENTAL 7	RENTAL 8	RENTAL 9	RENTAL 10
ADDRESS	40 Wall Street New York City	One New York Plaza New York City	61 Broadway New York City	100 Wall Street New York City	59 Maiden Lane New York City	One Liberty Plaza New York City
YEAR BUILT	1930/96	1968	1916	1968	1965	1972
RENTABLE AREA (SF)	1,177,605	2,103,750	548,155	457,622	1,043,007	2,121,437
NO. STORIES	63	50	33	29	44	54
<b>LEASE INFORMATION</b>						
TENANT NAME		Morgan Stanley	Research Foundation of SUNY	Informa USA, Inc	London Fischer LLP	Investment Technology Group
FLOOR(S) LEASED		Ent. 3rd -12th, 18th, 21st, 32nd, 35th-41st	Ent. 3rd	Pt. 9th	Ent. 39th - Ent. 40th	Ent. 4th - Ent. 6th
LEASE DATE	November 2012	April 2012	March 2012	March 2012	March 2012	March 2012
TERM		20.00	15.00	10.00	15.00	16.00
LEASE TYPE	Gross	Gross	Gross	Gross	Gross	Gross
TENANT SIZE		1,157,000	20,439	11,406	36,492	132,092
RENT PER SF		\$42.50 Yr. 1 \$47.50 Yr. 6 \$52.50 Yr. 11 \$57.50 Yr. 16	\$30.00 Yr. 1 \$34.00 Yr. 6 \$38.00 Yr. 11	\$35.00 Yr. 1 \$38.00 Yr. 6	\$37.00 Yr. 1 \$41.00 Yr. 6 \$45.00 Yr. 11	\$44.00 Yr. 1 \$49.00 Yr. 6 \$54.00 Yr. 11
FREE RENT(MONTHS)	12	10	9	6	0	12
WORKLETTER (PSF)	\$50.00	\$50.00	\$50.00	\$50.00	\$25.00	\$65.00
<b>ADJUSTMENTS</b>						
RENT CONCESSIONS		\$0.35	\$0.50	\$1.75	\$4.13	(\$0.94)
EFFECTIVE ADJUSTED RENT PER SF		\$42.85	\$30.50	\$36.75	\$41.13	\$43.06
MONTHS FROM VALUE DATE TIME (MARKET CONDITIONS)		7 0.0%	7 0.0%	7 0.0%	8 0.0%	8 0.0%
TIME ADJUSTED RENT PER SF		\$42.85	\$30.50	\$36.75	\$41.13	\$43.06
LOCATION		0%	0%	0%	0%	0%
FLOOR		0%	0%	0%	0%	0%
QUALITY		0%	10%	0%	0%	-10%
SIZE		15%	0%	-5%	0%	5%
CONDITION		0%	0%	0%	0%	0%
TOTAL ADJUSTMENT		15%	10%	-5%	0%	-5%
INDICATED GROSS RENT PER SF		\$49.28	\$33.55	\$34.91	\$41.13	\$40.91

The comparable office leases, as exhibited on the **previous pages**, range from \$30.00 to \$56.00 per square foot, gross, before adjustments and may be summarized as follows:

**RENTAL COMPARABLE NO. 1** involves a 45,304± square foot office lease within 120 Broadway located between Pine and Cedar Streets. This lease was signed in October 2012 for an 18-year term. The tenant leased part of the 37th floor. The initial base rent was \$34.00 per square foot, increasing to \$36.00 per square foot in year five, \$42.00 per square foot in year eleven, and \$45.00 per square foot in year fifteen. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$32.61 per square foot.

In comparison to the subject property, no other adjustments were required. The adjusted rent is \$32.61 per square foot.

**RENTAL COMPARABLE NO. 2** involves a 43,734± square foot office lease within Two World Financial Center located on the southeast corner of Vessey Place and North End Avenue. This lease was signed in August 2012 for an 11-year term. The tenant leased the entire 28th floor. The initial base rent was \$56.00 per square foot, increasing to \$61.00 per square foot in year six. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$55.09 per square foot.

In comparison to the subject property, a downward adjustment was required for quality. No other adjustments were required. The adjusted rent is \$38.56 per square foot.

**RENTAL COMPARABLE NO. 3** involves a 165,029± square foot office lease within 14 Wall Street located on the northwest corner of Nassau Street. This lease was signed in July 2012 for a 10-year term. The tenant leased the entire 11th, 12th, 14th, 21st and 22nd floors. The initial base rent was \$31.00 per square foot, increasing to \$35.00 per square foot in year four, and \$39.00 per square foot in year eight. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$31.31 per square foot.

In comparison to the subject property, an upward adjustment was required for quality. An upward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. No other adjustments were required. The adjusted rent is \$36.00 per square foot.

**RENTAL COMPARABLE NO. 4** involves a 22,992± square foot office lease within 80 Broad Street located on the northwest corner of Stone Street. This lease was signed in July 2012 for a 10-year term. The tenant leased the entire 23rd and 24th floor. The initial base rent was \$31.00 per square foot, increasing to \$33.00 per square foot in year four, and \$36.00 per square foot in year seven. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$30.78 per square foot.

In comparison to the subject property, an upward adjustment was required for quality. No other adjustments were required. The adjusted rent is \$33.85 per square foot.

**RENTAL COMPARABLE NO. 5** involves a 22,298± square foot office lease within 100 William Street located between John & Platt Streets. This lease was signed in May 2012 for a 16-year term. The tenant leased the entire 14th floor. The initial base rent was \$35.00 per square foot, increasing to \$39.00 per square foot in year six, and \$43.00 per square foot in year eleven. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$34.06 per square foot.

In comparison to the subject property, no other adjustments were required. The adjusted rent is \$34.06 per square foot.

**RENTAL COMPARABLE NO. 6** involves a 1,157,000± square foot office lease within One New York Plaza located on Broadway between Liberty and Cedar Streets. This lease was signed in April 2012 for a 20-year term. The tenant leased the entire 3rd through 12th, 18th, 21st, 32nd, and 35th through 41st floors. The initial base rent was \$42.50 per square foot, increasing to \$47.50 per square foot in year six, \$52.50 per square foot in year eleven, and \$57.50 per square foot in year sixteen. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$42.85 per square foot.

In comparison to the subject property, an upward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. No other adjustments were required. The adjusted rent is \$49.28 per square foot.

**RENTAL COMPARABLE NO. 7** involves a 20,439± square foot office lease within 61 Broadway located on the northwest corner of Exchange Alley. This lease was signed in March 2012 for a 15-year term. The tenant leased the entire 3rd floor. The initial base rent was \$30.00 per square foot, increasing to \$34.00 per square foot in year six, and \$38.00 per square foot in year eleven. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$30.50 per square foot.

In comparison to the subject property, an upward adjustment was required for quality. No other adjustments were required. The adjusted rent is \$33.55 per square foot.

**RENTAL COMPARABLE NO. 8** involves an 11,406± square foot office lease within 100 Wall Street located between Water & Front Streets. This lease was signed in March 2012 for a 10-year term. The tenant leased part of the 9th floor. The initial base rent was \$35.00 per square foot, increasing to \$38.00 per square foot in year six. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$36.75 per square foot.

In comparison to the subject property, a downward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. No other adjustments were required. The adjusted rent is \$34.91 per square foot.

**RENTAL COMPARABLE NO. 9** involves a 36,492± square foot office lease within 59 Maiden Lane located on the southwest corner of John Street. This lease was signed in March 2012 for a 15-year term. The tenant leased the entire 39th through 40th floors. The initial base rent was \$37.00 per square foot, increasing to \$41.00 per square foot in year six, and \$45.00 per square foot in year eleven. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$41.13 per square foot.

In comparison to the subject property, no other adjustments were required. The adjusted rent is \$41.13 per square foot.

**RENTAL COMPARABLE NO. 10** involves a 132,092± square foot office lease within One Liberty Plaza located on Broadway between Liberty and Cedar Streets. This lease was signed in March 2012 for a 16-year term. The tenant leased the entire 4th through 6th floors. The initial base rent was \$44.00 per square foot, increasing to \$49.00 per square foot in year six, and \$54.00 per square foot in year eleven. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$43.06 per square foot.

In comparison to the subject property, a downward adjustment was required for quality. An upward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. No other adjustments were required. The adjusted rent is \$40.91 per square foot.

After adjustment to the comparables, a range of \$32.61 to \$49.28 per square foot gross was revealed.

## OFFICE LEASES IN THE BUILDING

The following table contains a summary of the office leases negotiated in this building.

40 Wall Street OFFICE LEASES							
No.	Tenant	Floors	Area (SF)	Date	Date	Yr/Rent	Base Year/Concessions
1	Continental Casualty	Entire 7	35,336	Jun-98	Mar-14	\$29.97	Tax Base: 2001/02 Operating Base: Inc. Over \$7,603,084 Electric: NNN Management Fee: Inc. Over \$950,000 Free Rent: N/A Work letter: N/A
		Entire 8	33,036	Jun-98	Mar-14	\$32.06	Tax Base: 2001/02 Operating Base: Inc. Over \$7,603,084 Electric: NNN Management Fee: Inc. Over \$950,000 Free Rent: N/A Work letter: N/A
		Entire 9	33,476	Jun-98	Mar-14	\$31.64	Tax Base: 2001/02 Operating Base: Inc. Over \$7,603,084 Electric: NNN Management Fee: Inc. Over \$950,000 Free Rent: N/A Work letter: N/A
		Entire 10	33,449	Jun-98	Mar-14	\$31.66	Tax Base: 2001/02 Operating Base: Inc. Over \$7,603,084 Electric: NNN Management Fee: Inc. Over \$950,000 Free Rent: N/A Work letter: N/A
		Entire 12	30,515	Jun-98	Mar-14	\$35.05	Tax Base: 2001/02 Operating Base: Inc. Over \$7,603,084 Electric: NNN Management Fee: Inc. Over \$950,000 Free Rent: N/A Work letter: N/A
	Country-Wide Insurance (Future Lease)	Entire 12	31,942	Apr-14	Aug-21	(09/16) \$25.00 \$27.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
2	Country-Wide Insurance	Part 3	10,510	Mar-11	Aug-21	(10/14) \$25.00 (09/16) \$35.45 \$39.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
		Entire 13 Entire 14	33,244 32,645 65,889	Mar-11	Aug-21	(09/16) \$25.00 \$27.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 1998 Free Rent: N/A Work letter: N/A
3	Weidinger Associates	Entire 18 Entire 19	32,875 28,207 61,082	Nov-11	Jan-33	(02/13) \$0.00 (02/18) \$27.00 (02/23) \$30.00 (02/28) \$33.00 \$37.00	Tax Base: 2013 Operating Base: 2013 Electric: NNN Management Fee: 2012 Free Rent: 4 Mos. (90.04%) 1 Mo. (81.03%) Work letter: N/A
		Entire 21 Entire 22	27,250 27,250 54,500	Sep-12	Feb-28	(09/13) \$9.95 (03/17) \$26.50 (03/21) \$29.50 \$33.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 6 Mos. Work letter: N/A
		Part 4	10,675	Dec-10	Dec-20	(01/16) \$32.00 \$35.25	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A
		Entire 11	34,975	Jun-10	Dec-20	(12/13) \$26.28 (12/16) \$28.19 \$30.58	Tax Base: 2006/07 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2007 Free Rent: N/A Work letter: N/A
6	The Harry Fox Agency	Entire 6	36,921	Jun-12	May-26	(06/17) \$27.00 (06/22) \$30.00 \$33.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 12 Mos. Work letter: N/A
		Entire 20	28,812	Sep-11	Jul-22	(08/17) \$27.00 \$30.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
8	The Global Alliance	Entire 24	28,427	Dec-07	Dec-17	(01/14) \$40.45 \$41.69	Tax Base: 2007/08 Operating Base: 2008 Electric: NNN Management Fee: 2008 Free Rent: N/A Work letter: N/A
		Entire 28 Entire 29	14,515 13,143 27,658	Aug-06	May-17	(06/14) \$34.00 \$37.00	Tax Base: 2006/07 Operating Base: Inc. Over \$11,709,004 Electric: NNN Management Fee: Inc. Over \$1,180,839 Free Rent: N/A Work letter: N/A
10	XO Communication LLC	Part 16	20,586	Mar-10	Mar-22	(01/15) \$30.00 (01/18) \$33.00 \$36.00	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: 4 Mos. Work letter: N/A



40 Wall Street OFFICE LEASES (CONTD.)								
No.	Tenant	Floors	Area (SF)	Date	Date	Yr/Rent	Yr/Rent	Base Year/Concessions
11	GDS Publishing	Part 5	20,240	Sep-09	Sep-16	(04/13)	\$32.00 \$34.00	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A
12	Leslie E. Robertson	Part 23	19,967	Nov-11	Feb-28	(02/18) (02/23)	\$27.00 \$30.00 \$33.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
13	IBIS World Inc.	Part 15	16,209	Sep-11	Feb-22	(02/17)	\$33.50 \$36.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
14	Newman Myers Kreines	Entire 26	15,354	Aug-12	Dec-22	(01/18)	\$28.00 \$32.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 5 Mos. Work letter: N/A
15	Telstra Inc	Part 43 Entire 44	5,125 9,372 14,497	Apr-10	Sep-20	(10/15)	\$37.00 \$40.00	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A
16	Direct Access Partner	Entire 42 Part 43	9,372 4,247 13,619	Jan-10	Dec-19	(03/15)	\$33.00 \$36.00	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A
17	Freedom Holdings Group	Part 33	4,144	Jun-12	Feb-15		\$57.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A
		Entire 45	8,870	Mar-09	Feb-19	(03/15)	\$57.00 \$59.00	Tax Base: 2008/09 Operating Base: Inc. Over \$12,570,069 Electric: NNN Management Fee: Inc. Over \$1,402,781 Free Rent: N/A Work letter: N/A
18	John Carris Investment	Part 17	12,797	Aug-11	Mar-22	(04/17)	\$33.00 \$36.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 3 Mos. Work letter: N/A
19	ICF Consulting Group	Entire 34	12,562	Apr-11	Jan-22	(07/16)	\$34.00 \$37.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 6 Mos. Work letter: N/A
20	Halperin Battaglia	Part 36 Entire 37	3,294 8,840 12,134	Jan-13	Mar-23	(04/18)	\$38.50 \$41.50	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 3 Mos. Work letter: N/A
21	SS&C Technologies	Part 15	12,066	Sep-11	Oct-22	(10/17)	\$28.00 \$32.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 10 Mos. Work letter: N/A
22	Mercer Capital	Part 31	9,541	Jan-05	Apr-15		\$34.00	Tax Base: Inc. Over \$4,209,960 Operating Base: 2005 Electric: NNN Management Fee: 2005 Free Rent: N/A Work letter: N/A
23	RG Michals	Entire 46	9,372	Jun-11	Aug-21	(09/16)	\$33.13 \$35.96	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 4 Mos. Work letter: N/A
24	Brokerage Management	Entire 48	9,263	Jul-10	Jul-22	(07/17)	\$40.00 \$43.00	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: None Free Rent: N/A Work letter: N/A
25	Public Financial Management	Entire 49	9,263	Jul-12	Dec-22	(12/17)	\$40.00 \$42.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 5 Mos. Work letter: N/A
26	American Precious Metal	Entire 50	9,248	Sep-11	Jul-22	(08/15) (08/19)	\$37.00 \$40.00 \$43.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A





40 Wall Street OFFICE LEASES (CONTD.)									
No.	Tenant	Floors	Area (SF)	Date	Date	Yr/Rent		Base Year/Concessions	
27	Cenegenics LLC	Entire 55	9,248	Nov-12	Oct-22		\$34.02 (11/13) \$49.82 (11/14) \$50.77 (11/15) \$51.75 (11/16) \$52.75 (11/17) \$53.77 (11/18) \$54.81 (11/19) \$55.93 (11/20) \$56.94 (11/21) \$58.05	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 1 Mo. Work letter: N/A	
28	Hilton Hotels Corporation	Entire 41	8,878	Jul-03	Jun-13		\$36.00	Tax Base: 2002/03 Operating Base: 2003 Electric: NNN Management Fee: 2003 Free Rent: N/A Work letter: N/A	
29	Euroclear Bank S.A.	Entire 39	8,313	Feb-08	Jul-18	(08/14)	\$57.00 \$59.00	Tax Base: 2008/09 Operating Base: 2008 Electric: NNN Management Fee: 2008 Free Rent: N/A Work letter: N/A	
30	Solomon,Pearl,Blum	Entire 35	8,288	Sep-00	Jul-20	(09/15)	\$32.00 \$35.00	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: 6 Mos. Work letter: N/A	
31	Baytree Associates	Entire 58	8,227	May-97	Apr-15		\$46.44	Tax Base: 2007/08 Operating Base: 2007 Electric: NNN Management Fee: 1998 Free Rent: N/A Work letter: N/A	
32	Bureau Van Dijk	Part 27	7,987	Feb-11	Jun-18	(01/14)	\$33.00 \$36.00	Tax Base: 2010/11 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A	
33	Star Alliance Trading	Part 5	7,500	Sep-09	Dec-14		\$32.00	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A	
34	Topeka Capital Market	Part 17	2,059	Feb-11	Jun-21	(06/16)	\$111.61 \$121.75	Tax Base: 2010/11 Operating Base: 2011 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A	
		Part 17	4,905	Feb-11	Jun-21	(06/16)	\$46.85 \$51.11	Tax Base: 2010/11 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A	
35	Xcitek Solutions	Part 5	6,288	Jun-10	Oct-20	(11/16)	\$32.00 \$35.00	Tax Base: 2010/11 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: None Free Rent: N/A Work letter: N/A	
36	Zaremba Brownell	Part 27	3,954	Feb-10	Jan-25	(12/15) (12/20)	\$35.00 \$38.00 \$41.00	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A	
		Part 27	2,106	Jul-11	Jan-25	(05/17) (05/22)	\$35.00 \$38.00 \$41.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: N/A Work letter: N/A	
37	Core Staffing Service	Part 16	5,845	May-10	Sep-17	(12/13)	\$32.00 \$35.17	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A	
38	Masscomm Inc.	Part 36	5,554	Nov-12	Apr-23	(05/18)	\$33.00 \$37.00	Tax Base: 2012 Operating Base: 2012 Electric: NNN Management Fee: 2012 Free Rent: 5 Mos. Work letter: N/A	
39	Rosabianca & Associates	Part 30	5,433	Nov-11	Feb-19	(01/16)	\$37.00 \$40.92	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: None Management Fee: 2012 Free Rent: N/A Work letter: N/A	
40	NYG Capital LLC	Part 38	5,310	Jan-10	Sep-15		\$34.00	Tax Base: Inc. Over \$6,717,793 Operating Base: Inc. Over \$11,717,893 Electric: NNN Management Fee: 2010 Free Rent: N/A Work letter: N/A	



40 Wall Street OFFICE LEASES (CONTD.)									
No.	Tenant	Floors	Area (SF)	Date	Date	Yr/Rent		Base Year/Concessions	
41	Jaskim Inc.	Part 17	4,808	Dec-09	Jul-20	(09/15)	\$35.00 \$38.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	Inc. Over \$6,717,793 Inc. Over \$11,717,893 NNN None N/A N/A
42	Coastal Trade Securities	Part 17	4,706	Mar-12	Feb-17	(09/14)	\$30.00 \$33.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 2012 NNN 2012 N/A N/A
43	Clancy Finanacial Services	Part 30	4,384	Feb-10	Feb-17	(09/13)	\$34.00 \$38.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2009/10 Inc. Over \$11,717,893 NNN 2010 N/A N/A
44	Lane MC Viker LLC	Part 30	3,728	Aug-11	Jun-17	(08/14)	\$34.50 \$37.50	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 2012 NNN 2012 N/A N/A
45	Rosensteel Law	Part 33	3,689	Jan-12	Jun-17		\$32.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 2012 None 2012 N/A N/A
46	Prodigy	Part 31	3,616	Nov-11	Jan-22	(01/17)	\$35.00 \$39.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 None None None N/A N/A
47	Rosen Greenberg	Part 32	3,450	Jan-10	Feb-15	(01/13)	\$42.00 \$45.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2010/11 Inc. Over \$11,717,893 NNN 2010 N/A N/A
48	RCL Advisors	Entire 63	3,416	May-07	Apr-17	(01/14)	\$54.00 \$57.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	Inc. Over \$5,008,585 2007 NNN 2007 N/A N/A
49	United Advisors	Part 17	3,412	Jun-11	May-16		\$33.50	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 2012 NNN 2012 N/A N/A
50	Frank XU LLP	Part 33	3,057	Oct-12	Sep-19	(10/13) (10/14) (10/15) (10/16) (10/17) (10/18)	\$35.00 \$36.05 \$37.13 \$38.25 \$39.39 \$40.57 \$41.79	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 None \$3.25/SF None 2 Mos. N/A
51	UBS Financial Service	Part 32	2,682	Mar-99	Feb-14		\$36.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2004/05 2004 NNN None N/A N/A
52	Murphy & O'Connell	Part 33	2,525	Jan-06	Apr-14		\$27.04	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2008/09 2008 NNN 2008 N/A N/A
53	Oakwood Asset Management	Part 38	2,086	Jan-10	Mar-15		\$33.00	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	Inc. Over \$6,717,793 Inc. Over \$11,717,893 NNN 2010 N/A N/A
54	Tachlees International	Part 27	1,377	Sep-12	Nov-17	(12/13) (12/14) (12/15) (12/16)	\$35.00 \$35.88 \$36.77 \$37.69 \$38.63	Tax Base: Operating Base: Electric: Management Fee: Free Rent: Work letter:	2012 2012 NNN 2012 3 Mos. N/A



The subject property's office base rents average \$29.20 per square foot, gross. The adjusted comparable rentals range from \$32.61 to \$49.28 with an average of \$37.49 per square foot, gross. The most recent leases signed in the subject building, exhibited in the previous page chart, range from \$25.00 to \$54.00 per square foot, gross. The majority of the recent leases are at market. Overall, we believe the average rents in the subject property are below market.

## OFFICE MARKET RENTAL RATE CONCLUSION

Recent leases within Manhattan include concessions in the form of free rent and tenant work letter consistent with those offered within the subject property. In addition to analyzing actual leases inside and outside the property, leasing brokers were interviewed in an effort to ascertain competitive packages available in the marketplace today. Most brokers interviewed were of the opinion that 8 to 12 months free rent, inclusive of space build-out time, was available for most tenants. In addition, tenant work letters were felt to range from \$40.00 to \$50.00 per square foot. The range in concession packages varies by the size of the space leased. The larger the space, the more generous the concession package the tenant receives.

In consideration of occupied area, floor height, relative location and lease date, the comparable rental data provide fairly consistent evidence of rental rates averaging in the mid \$30's per square foot. This results in a range of market rent for 40 Wall Street of \$32 to \$44 per square foot for new leases which has been distributed by floor level as follows:

OFFICE MARKET RENT	
FLOORS	RENT/SF
3 to 22	\$32.00
23 to 33	\$34.00
34 to 49	\$40.00
50 to 63	\$44.00

The above estimated market rents assume the following concession package.

LARGE OFFICE TENANTS				
TITLE		FREE RENT	TENANT IMPROVEMENTS	
New Leases	Year 1	12 months	Year 1	\$50.00
	Thereafter	12 months	Thereafter	\$50.00
Renewing Leases	Year 1	6 months	Year 1	\$25.00
	Thereafter	6 months	Thereafter	\$25.00

SMALL OFFICE TENANTS				
TITLE		FREE RENT		TENANT IMPROVEMENTS
New Leases	Year 1	10 months	Year 1	\$45.00
	Thereafter	10 months	Thereafter	\$45.00
Renewing Leases	Year 1	5 months	Year 1	\$22.50
	Thereafter	5 months	Thereafter	\$22.50

The rent increase profile is as follows:

For 10 and 15-year leases, 60-month step-ups of 10% are assumed.

### OFFICE MARKET RENTAL GROWTH RATE

Based on our recent survey, buyers' expectations in the Downtown Manhattan real estate market anticipate rents to increase at CPI. These changes in market conditions result in C&W's leasing brokerage group in Downtown Manhattan to forecast the following rent growths.

RENT GROWTH
2012 – 0%
Thereafter – 3%

We have assumed a growth rate of 3 percent beginning in 2012.

### MARKET RENTAL RATE – RETAIL SPACE

The subject property is leased to three retail tenants that include Kenjo 40 Wall St Inc., Milk Street Café and Duane Reade. Kenjo 40 Wall St Inc. leases 600± square feet along Wall Street side of the building. Duane Reade leases 23,310± square feet with frontage along Pine Street. Sav Café Inc. leases 1,900± square feet in the basement of the building. In addition, there are six vacant retail spaces on the ground floor and second floor totaling 31,561± square feet available for lease. The retail space in the property prior to remeasurement totals 57,371± square feet. The tenant leases may be summarized as follows.

<b>RETAIL CONTRACT RENT SUMMARY</b>				
<b>Tenant</b>	<b>Rent Roll Area/SF</b>	<b>Remeasured Area/SF</b>	<b>Contract Rent</b>	<b>Contract Rent/SF</b>
<b><i>Pine Street Frontage</i></b>				
Duane Reade	5,273	5,273	\$322,338	\$61.13
Duane Reade	18,037	18,037	\$1,102,602	\$61.13
<b>Total</b>	<b>23,310</b>	<b>23,310</b>	<b>\$1,424,940</b>	<b>\$61.13</b>
<b><i>Wall Street Frontage</i></b>				
To-Be-Leased	14,500	14,500	\$0	\$0.00
Kenjo 40 Wall St Inc.	600	565	\$104,058	\$173.43
<b><i>Lobby</i></b>				
To-Be-Leased	4,923	4,923	--	--
To-Be-Leased	850	850	--	--
To-Be-Leased	791	791	--	--
<b><i>2nd Floor</i></b>				
To-Be-Leased	9,447	9,447	--	--
To-Be-Leased	1,050	1,050	--	--
<b><i>Basement</i></b>				
SAV Cafe Inc.	1,900	1,900	\$12,008	\$6.32
<b>Total</b>	<b>57,371</b>	<b>57,336</b>	<b>\$1,541,006</b>	<b>\$59.71</b>

Market rent for the retail space within the property has been estimated by analyzing **six** comparable leases exhibited on the charts on the following pages. In our analysis, we have considered six lease attributes: rent concessions, time (market conditions), location, quality, size and condition. Our adjustment for rent concessions considers differences in the comparables for market standard free rent period of six months with the space taken on an "as is" basis. Percentage adjustments between the subject property and the comparable leases were made for each of these factors.

Our adjustment for rent concessions considers the difference in the comparables for market standard free rent of six months and no tenant work letters. The adjustment for rent concessions attempts to quantify (\$ per square foot) the differences between market free rent and work letter between the subject and the comparables. The differences between free rent and work letter (+/-) is divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. Although this methodology does not take into account amortization of rental increases over the lease term, we believe this is a simplistic approach to understanding the affect of concessions on beginning base rent.

## COMPARABLE RETAIL RENTS AND ADJUSTMENTS

	SUBJECT	RENTAL 1		RENTAL 2		RENTAL 3	
ADDRESS	40 Wall Street B/w William & Nassau Sts. New York City	45 Wall Street S/E/C of William Street New York City		95 Wall Street S/E/C of Water St. New York City		65 Broadway B/w Rector & Exchange Al New York City	
<b>LEASE INFORMATION</b>							
TENANT NAME		Chase Bank		Bank of America		Variety Café	
FRONTAGE		Wall & William Street		Water Street		Broadway	
BEGINNING DATE	November 2012	August 2012		September 2011		September 2011	
TERM		10		10		10	
LEASE TYPE	Gross	Gross		Gross		Gross	
TENANT SIZE		8,400	Grade	2,200	Grade	7,500	Grade LL
RENT PER SF		\$115.00	1	\$135.00	1	\$75.00	1
		% Inc./Yr.	2-10	% Inc./Yr.	2-10	% Inc./Yr.	2-10
FREE RENT(MONTHS)	6	0		6		6	
WORKLETTER (PSF)	\$0.00	\$0.00		\$0.00		\$0.00	
<b>ADJUSTMENTS</b>							
RENT CONCESSIONS		\$5.75		\$0.00		\$0.00	
EFFECTIVE ADJUSTED RENT PER SF/GRADE LEVEL		\$120.75		\$135.00		\$75.00	
MONTHS FROM VALUE DATE		3		14		14	
TIME (MARKET CONDITIONS)		0.0%		0.0%		0.0%	
TIME ADJUSTED RENT PER SF		\$120.75		\$135.00		\$75.00	
LOCATION		0%		0%		0%	
QUALITY		-10%		-10%		0%	
SIZE		10%		0%		10%	
CORNER/FRONTAGE		-25%		-10%		0%	
TOTAL ADJUSTMENT		-25%		-20%		10%	
INDICATED RENT PER SF		<b>\$90.56</b>		<b>\$108.00</b>		<b>\$82.50</b>	

## COMPARABLE RETAIL RENTS AND ADJUSTMENTS

	SUBJECT	RENTAL 4		RENTAL 5		RENTAL 6	
ADDRESS	40 Wall Street B/w William & Nassau Sts. New York City	38 Broadway B/w Morris St & Exchange Al New York City		181 Broadway B/w Cortlandt & Dey Streets New York City		2 Gold Street B/w Pine & Platt Streets New York City	
<b>LEASE INFORMATION</b>							
TENANT NAME		Kosher Pizza		Pret A Manger		Potbelly's	
FRONTAGE		Broadway		Broadway		Gold Street	
BEGINNING DATE	November 2012	August 2011		March 2011		January 2011	
TERM		10		10		10	
LEASE TYPE	Gross	Gross		Gross		Gross	
TENANT SIZE		2,500	Grade	2,200	Grade	2,800	Grade
RENT PER SF		\$38.00	1	\$159.00	1	\$125.00	1
		% Inc./Yr.	2-10	% Inc./Yr.	2-10	% Inc./Yr.	2-10
FREE RENT(MONTHS)	6	6		6		6	
WORKLETTER (PSF)	\$0.00	\$0.00		\$0.00		\$0.00	
<b>ADJUSTMENTS</b>							
RENT CONCESSIONS		\$0.00		\$0.00		\$0.00	
EFFECTIVE ADJUSTED RENT PER SF/GRADE LEVEL		\$38.00		\$159.00		\$125.00	
MONTHS FROM VALUE DATE TIME (MARKET CONDITIONS)		15		20		22	
TIME ADJUSTED RENT PER SF		0.0%		0.0%		0.0%	
LOCATION		38.00		159.00		125.00	
QUALITY		0%		0%		0%	
SIZE		0%		0%		0%	
CORNER/FRONTAGE		25%		-10%		-10%	
TOTAL ADJUSTMENT		25%		-10%		-10%	
INDICATED RENT PER SF		<b>\$47.50</b>		<b>\$143.10</b>		<b>\$112.50</b>	

The comparable retail leases, exhibited on the **previous pages**, range from \$38.00 to \$159.00 per square foot before adjustments.

**RENTAL COMPARABLE NO. 1** involves an 8,400± square foot retail lease within 45 Wall Street located on the southeast corner of William Street. This lease was signed in August 2012 for a 10-year term. The initial base rent for the ground floor was \$115.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent for the ground floor is \$120.75 per square foot.

In comparison to the subject property, a downward adjustment was required for quality. An upward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. A downward adjustment was required for corner/frontage. No other adjustments were required. The adjusted rent is \$90.56 per square foot.

**RENTAL COMPARABLE NO. 2** involves a 2,200± square foot retail lease within 95 Wall Street located on the southeast corner of Water Street. This lease was signed in September 2011 for a 10-year term. The initial base rent for the ground floor was \$135.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent for the ground floor is \$135.00 per square foot.

In comparison to the subject property, a downward adjustment was required for quality. A downward adjustment was required for corner/frontage. No other adjustments were required. The adjusted rent is \$108.00 per square foot.

**RENTAL COMPARABLE NO. 3** involves a 7,500± square foot retail lease within 65 Broadway located between Rector and Exchange Alley. This lease was signed in September 2011 for a 10-year term. The initial base rent was \$75.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent for the ground floor is \$75.00 per square foot.

In comparison to the subject property, an upward adjustment was required for size under the premise that smaller tenant spaces lease for more per square foot than larger tenant spaces. No other adjustments were required. The adjusted rent is \$82.50 per square foot.

**RENTAL COMPARABLE NO. 4** involves a 2,500± square foot retail lease within 38 Broadway located between Morris Street and Exchange Alley. This lease was signed in August 2011 for a 10-year term. The initial base rent was \$38.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$38.00 per square foot.

In comparison to the subject property, an upward adjustment was required for corner/frontage. No other adjustments were required. The adjusted rent is \$47.50 per square foot.

**RENTAL COMPARABLE NO. 5** involves a 2,200± square foot retail lease within 181 Broadway located between Cortland and Dey Streets. This lease was signed in March 2011 for a 10-year term. The initial base rent was \$159.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent is \$159.00 per square foot.

In comparison to the subject property, a downward adjustment was required for corner/frontage. No other adjustments were required. The adjusted rent is \$143.10 per square foot.

**RENTAL COMPARABLE NO. 6** involves a 2,800± square foot retail lease within 2 Gold Street located between Pine and Platt Streets. This lease was signed in January 2011 for a 10-year term. The initial base rent was \$125.00 per square foot with subsequent increases. After adjusting for rent concessions (free rent and work letter), the equivalent rent for the ground floor is \$125.00 per square foot.



In comparison to the subject property, a downward adjustment was required for corner/frontage. No other adjustments were required. The adjusted rent is \$112.50 per square foot.

After adjustment to the comparables, a range of \$47.50 to \$143.10 per square foot gross was revealed.

## RETAIL LEASES IN THE BUILDING

The following table contains a summary of the retail leases negotiated in this building.

40 Wall Street RETAIL LEASES								
No.	Tenant	Floors	Area (SF)	Date	Date	Yr/Rent	Base Year/Concessions	
1	Duane Reade	Part Grade	5,273	Jun-10	Jan-32	\$61.13 {12/12} \$61.53 {01/17} \$67.25 {12/21} \$67.68 {01/22} \$73.97 {12/26} \$74.45 {01/27} \$81.37	Tax Base:	None
							Operating Base:	None
							Electric:	None
							Free Rent:	N/A
							Work letter:	N/A
		Part Grade	18,037	Jun-10	Jan-32	\$61.13 {12/12} \$61.53 {01/17} \$67.25 {12/21} \$67.68 {01/22} \$73.97 {12/26} \$74.45 {01/27} \$81.37	Tax Base:	2010/11
							Operating Base:	None
							Electric:	None
							Free Rent:	N/A
							Work letter:	N/A
2	SAV Cafe Inc.	Part Bsmt	1,900	Apr-97	Nov-12	\$6.32	Tax Base:	1997/98
							Operating Base:	None
							Electric:	NNN
							Free Rent:	N/A
							Work letter:	N/A
3	Kenjo 40 Wall St Inc.	Part Grade	600	Feb-98	Aug-13	\$173.43	Tax Base:	1997/98
							Operating Base:	None
							Electric:	NNN
							Free Rent:	N/A
							Work letter:	N/A

The lease with Duane Reade commenced in June 2010 for a 20 year term. The Duane space contains 23,310± square feet on the grade with frontage on Pine Street. Following a six month rent abatement Duane pays a starting contract rent of \$61.13 per square foot with subsequent increases. In our opinion the Duane Reade lease is market.

The remaining leases are with Kenjo 40 Wall St Inc. and Sav Café Inc. Kenjo 40 Wall St Inc. who pays currently \$173.43 per square foot, for 600± square feet on the grade with frontage on Wall Street. The Kenjo 40 Wall St Inc. is a 15 year lease which is at market. Sav Café Inc. leases 1,900± square feet in the basement on a month to month basis. Sav Café Inc. currently pays \$6.32 per square foot.

## RETAIL MARKET RENTAL RATE CONCLUSION

The retail leases within the subject range from \$61.13 to \$173.43 per square foot on the grade level. The adjusted comparable rentals range from \$47.50 to \$143.10 per square foot. The existing retail leases commenced between April 1997 and June 2010. Overall, we believe the average retail rents in the subject property are at market.

A summary of the market rents per space type is provided in the following table.

RETAIL MARKET RENT SUMMARY			
Tenant	Remeasured Area/SF	Market Rent/SF	Total Rent
<b>Pine Street Frontage</b>			
Duane Reade	5,273 @	\$60.00 =	\$316,380
Duane Reade	18,037 @	\$60.00 =	\$1,082,220
<b>Total</b>	<b>23,310 @</b>	<b>\$60.00 =</b>	<b>\$1,398,600</b>
<b>Wall Street Frontage</b>			
To-Be-Leased	14,500 @	\$65.00 =	\$942,500
Kenjo 40 Wall St Inc.	565 @	\$150.00 =	\$84,750
<b>Lobby</b>			
To-Be-Leased	4,923 @	\$40.00 =	\$196,920
To-Be-Leased	850 @	\$40.00 =	\$34,000
To-Be-Leased	791 @	\$40.00 =	\$31,640
<b>2nd Floor</b>			
To-Be-Leased	9,447 @	\$35.00 =	\$330,645
To-Be-Leased	1,050 @	\$35.00 =	\$36,750
<b>Basement</b>			
SAV Cafe Inc.	1,900 @	\$10.00 =	\$19,000
<b>Total</b>	<b>57,336 @</b>	<b>\$53.63</b>	<b>\$3,074,805</b>

In our judgment, considering the comparable retail rentals, existing leases at the subject property and our discussions with leasing brokers active in the marketplace, our estimated unit value is \$150 per square foot for small ground floor retail space and \$65 per square foot for large ground floor retail space along Wall Street. Market rent for the retail space along Pine Street is \$60 per square foot. Market rent for the second floor retail space is estimated at \$35 per square foot. Market rent for the lobby retail space is estimated at \$40 per square foot. Market rent for the basement retail space is estimated at \$10 per square foot. A summary of the market rents is provided in the following table.

RETAIL MARKET RENT	
TYPE SPACE	RENT/SF
Wall Street Frontage-Small	\$150.00/sf
Wall Street Frontage-Large	\$65.00/sf
Pine Street Frontage	\$60.00/sf
Second Floor	\$35.00/sf
Lobby	\$40.00/sf
Basement	\$10.00/sf

The above estimated market rents assume the following concession package.

RETAIL TENANTS		
	FREE RENT	TENANT IMPROVEMENTS
New Leases	6 months	None
Renewing Leases	3 months	None

The rent increase profile is as follows:

For 10-year leases, 60-month escalations of 10% are assumed.

## MARKET RENTAL RATE – STORAGE SPACE

40 Wall Street contains storage space in the basement and upper floors of the building. The property contains 34,570± square feet of storage space. There are six vacant storage spaces in the basement totaling 14,148± square feet available for lease. The balance of the storage space is leased to several of the office tenants. Competitive rates for storage space range from \$10.00 to \$15.00 per square foot. We have assigned a market rent to the storage space of \$10.00 per square foot gross in our cash flow projection.

STORAGE MARKET RENT	
TYPE SPACE	RENT/SF
Storage Space	\$10.00/sf

The above estimated market rents assume the following concession package.

STORAGE TENANTS		
	FREE RENT	TENANT IMPROVEMENTS
New Leases	6 months	None
Renewing Leases	3 month	None

The rent increase profile is as follows:

For 10 year leases, 60 month step ups of 10% are assumed.

## ASSUMPTIONS REGARDING EXISTING AND PROPOSED LEASES

### OVERVIEW

Our analysis specifically assumes that all of the existing and proposed tenants will remain in the property and continue paying rent under the terms of their lease. Information provided by management indicates that none of the major tenants are currently in default. The tenant base appears to be stable and management has indicated that large-scale defaults are not anticipated.

## LEASE TERMS

For future leasing, tenant sizes are divided into two categories, major office tenants (defined as tenant spaces greater than 20,000 square feet) and minor office tenants (defined as tenant spaces less than 20,000 square feet). Lease term, work letter and free rent vary based upon size. Typical office, retail and storage leases are fifteen years in duration. Major office tenants typically require longer terms, ranging from ten to fifteen years. We have assumed fifteen-year terms for major office tenants. We have assumed ten-year lease terms for minor office tenants. Retail tenants were assumed to have ten-year terms. Storage tenants were assumed to have ten-year terms.

## RENEWAL PROBABILITY

Regarding lease expirations, we have assumed a 65 percent probability of rollover (signing new lease) and 35 percent probability of turnover (allow the lease to expire and vacate the property) upon expiration of each primary lease term. These assumptions are based on retention rates quoted by owners and managers of competitive Manhattan office buildings.

## RENEWAL OPTIONS

When a tenant has a renewal option at a below market rent (i.e. a lease would typically state a right to renew at rents equal to 90 percent of "fair market rental value"), the projections assume the option is exercised. Furthermore, the leasing commissions and work letters are at the standard schedule for a renewal tenant.

## DOWNTIME

Vacancy between leases includes the period of actual downtime and the construction period to build out tenant spaces. Consistent with the current market, we have assumed downtime 8 months. Our downtime of 8 months is supported through discussions with leasing brokers as well as surveying actual downtime of vacant space in building comparable with the subject property. Vacancy between leases is weighted for a renewal probability of 65 percent for tenants, resulting in an effective downtime of 3 months.

## FREE RENT

Free rent, calculated from the time the new tenant takes occupancy, ranges from 8 to 12 months in the current market. We have assumed 12 months of free rent for new major office tenants and 10 months of free rent for new minor office tenants. We have assumed 6 months of free rent for new retail and storage tenants. Renewal tenants are provided with one-half (50 percent) of the new tenant rate.

## WORK LETTER

Leasing agents report that the building standard work letter for new tenants is equivalent to an actual cost of \$50.00 per square foot. Work letters quoted in the marketplace today range from \$40 to \$50 per square foot. We have assumed \$50.00 per square foot work letters for new major office tenants. We have assumed \$45.00 per square foot work letters for new minor office tenants. Renewal tenants are provided one-half 50 percent of a new tenant work letter.

## LEASING COMMISSIONS

Leasing commissions have been based upon the generally accepted standard schedule. The standard schedule quoted by Cushman & Wakefield, Inc. depends upon the length of the lease: 5 percent for year 1; 4 percent for year 2; 3.5 percent for years 3 through 5; 2.5 percent for years 6 through 10; 2 percent for years 11 through 20. This schedule results in the following percentages of the first year's base rent (excluding an override described below):

### LEASING COMMISSIONS

5-Year Lease:	19.5% or 3.90% per year
10-Year Lease:	32.0% or 3.20% per year
15-Year Lease:	42.0% or 2.80% per year
20-Year Lease:	52.0% or 2.60% per year

Leasing commissions are typically higher for new tenants than renewal tenants. A new tenant typically causes a full commission to be paid, whereas a renewing tenant typically results in a half commission. We have incorporated this standard assumption in our cash flow projection.

Many Manhattan office building owners employ exclusive leasing agents who receive a commission in addition to the commission payable to an outside broker. The subject property, given its size and leasing profile, is felt to be typical of a building whose ownership would employ an exclusive agent. We have, therefore, assumed a full commission on each lease assuming that 50 percent of all new leases would be originated by outside brokers; with the balance of the leases originated by the exclusive agent. Assuming a 50 percent override to the exclusive agent, each new lease would incur a commission expense of 125 percent of the standard rate (50 percent override times 50 percent outside brokers = 25 percent override) plus 100 percent full commission = 125 percent.

### REIMBURSABLE EXPENSES (ESCALATIONS)

Tenants are responsible for their pro-rata share of real estate taxes when taxes exceed those incurred during the first full year of their occupancy. This type of escalation is typically also applied to operating expenses in the majority of Manhattan office buildings. The majority of larger leases in the subject property include an operating expense escalation, which calculation may be summarized as follows:

#### OPERATING EXPENSE ESCALATION

Billing Year Operating Expenses  
 Less: Base Year Operating Expenses  
 Equals: Increase in Operating Expenses  
 Multiplied by: Tenant's Pro Rata Share

We have assumed that future leases in the subject property will be on a full service basis. Tenants will be responsible for a) real estate tax increases over a base tax year amount billed either monthly or semi-annually; b) operating expense escalation billed monthly; and c) tenant electric on a rent inclusion basis of \$3.00 per square foot billed monthly.

## ABSORPTION OF VACANT SPACE

There are 19 vacant office spaces within the property totaling 170,347± square feet. In addition, there are six vacant retail spaces on the ground floor and second floor totaling 31,561± square feet and six vacant storage spaces in the basement totaling 14,148± square feet available for lease. In our analysis, we have assumed that the vacant space will be leased by November 2014. The lease-up of this vacant space has an impact on the value of the property.

The recent performances of competitive properties are also a factor in forecasting an absorption rate, stabilized occupancy and the forecasted date of stabilized occupancy. We have previously discussed several office buildings that are competitive with the subject. Our conclusions, as cited within the Financial East sub district Analysis section of this report, were that eight office buildings are directly competitive with the subject property.

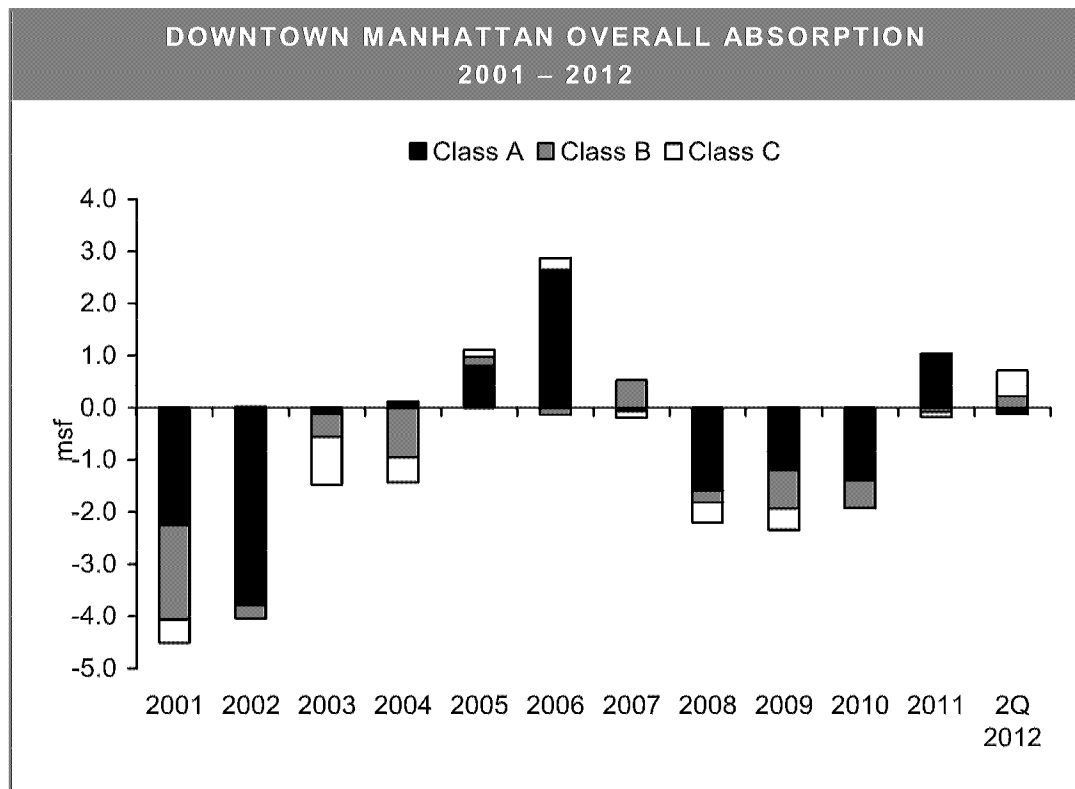
DIRECTLY COMPETITIVE BUILDINGS							
Property (Cross Streets)	Office Area (NRA)	Direct Avail. SF	Sublease Avail SF	% Occupied (Direct)	% Occupied (Total)	Direct Asking Rent	
						Low	High
1 120 Broadway	1,916,700	105,628	0	94.49%	94.49%	\$34.00	\$40.00
2 One Chase Manhattan	1,898,158	0	0	100.00%	100.00%	N/A	N/A
3 One New York Plaza	2,103,750	432,419	22,239	79.45%	78.39%	\$50.00	\$55.00
4 Two New York Plaza	1,345,919	166,972	77,780	87.59%	81.82%	\$39.00	\$39.00
5 88 Pine Street	624,000	13,171	50,858	97.89%	89.74%	\$41.00	\$42.00
6 One State Street Plaza	747,000	61,305	178,904	91.79%	67.84%	\$39.00	\$52.00
7 180 Maiden Lane	982,089	27,786	0	97.17%	97.17%	\$45.00	\$48.00
8 100 Wall Street	457,622	71,257	0	84.43%	84.43%	\$36.00	\$41.00
<b>TOTAL</b>	<b>10,075,238</b>	<b>878,538</b>	<b>329,781</b>				
<b>AVERAGE</b>	<b>1,259,405</b>	<b>109,817</b>	<b>41,223</b>	<b>91.28%</b>	<b>88.01%</b>	<b>\$34.00</b>	<b>\$55.00</b>

*Compiled by Cushman & Wakefield, Inc.*

In our judgment, the subject property is at least as appealing to tenants as these competitive properties and should maintain a stabilized occupancy averaging near 90 percent. This is consistent with the implied overall occupancy rate of the subject property over the holding period of 90.12 percent, which includes vacancy and collection loss and downtime between leases.

### **DOWNTOWN LEASING ACTIVITY**

Total leasing through mid-year reached 2.8 msf, 35.4% lower than a year ago. Despite the decline in activity, new leasing activity has exceeded the 10-year quarterly average of 1.1 msf. With the exception of 4Q11, Downtown quarterly leasing has surpassed the 10-year average each quarter since 2011. Morgan Stanley's 1,180,000-sf renewal and expansion at One New York Plaza was the largest Downtown lease through the first half of the year. The second largest transaction was the 353,252-sf renewal of NYC Law Department at 100 Church Street followed by the City of New York's 207,812-sf renewal at 75 Park Place.



**LEASE UP ASSUMPTIONS**

In our analysis, we have assumed that the 170,347± square feet of vacant space is leased over a 24 month absorption period from November 2012. This results in an absorption rate of 9,002± square feet per month or 27,007± square feet per quarter, which is generally consistent with opinions of absorption from real estate market participants. The subject property offers an excellent location on Wall Street and superior Downtown views from its 63-story tower, which are features considered to be very desirable by tenants. The following table summarizes our lease-up and absorption forecast.

## SUMMARY OF VACANT SPACE ABSORPTION

SPACE	SUITE	START OF LEASE	SQUARE FEET
Storage	Bsmt	Feb-13	804
Storage	Bsmt	Feb-13	2,640
Storage	Bsmt	Feb-13	1,683
Storage	Bsmt	Feb-13	2,640
Storage	Bsmt	Feb-13	1,683
Retail	Grade	Feb-13	14,500
Retail	Grade	Feb-13	4,923
Retail	Grade	May-13	791
Retail	Grade	May-13	850
Office	202	May-13	9,447
Office	203	May-13	1,050
Office	302	May-13	22,646
Office	401	Aug-13	28,153
Office	402	Nov-13	274
Office	1503	Nov-13	3,947
Office	1602	Nov-13	5,772
Office	2301	Nov-13	5,513
Office	2505	Nov-13	4,698
Office	3203	Nov-13	5,759
Office	4000	Feb-14	9,317
Office	4700	Feb-14	9,372
Office	5100	Feb-14	9,248
Office	5200	May-14	9,248
Office	5300	May-14	9,248
Office	5400	May-14	9,248
Office	5600	Aug-14	9,248
Office	5700	Aug-14	8,025
Office	5900	Aug-14	7,900
Office	6000	Nov-14	6,191
Office	6100	Nov-14	6,243
Office	6200	Nov-14	4,995
<b>Total</b>			<b>216,056</b>

**VACANCY AND COLLECTION LOSS**

Our cash flow projection assumes a tenant vacancy of 8 months upon lease expiration set against our probability of renewal estimated at 65.00 percent, in addition to a vacancy/global credit loss provision applied to the gross rental income. The vacancy/global loss provision is applied to all tenants. Our estimated vacancy/global credit loss provision applied to the gross rental income is estimated throughout the holding period at 5.00 percent for all tenants.



Based on the subject's weighted average downtime between leases, as well as the preceding absorption schedule for the subject property, the overall average occupancy rate of the subject property over the 13-year holding period is 95.12 percent. Including our overall vacancy/global credit loss allowance estimated at 5.00 percent for all tenants, the implied overall occupancy rate of the subject property over the holding period is 90.12 percent. This is near the actual historical occupancy levels of competing buildings over the last several years.

### **OPERATING EXPENSES**

We have analyzed the actual operating expenses for 2009, 2010 and 2011; and budgeted expenses for 2012 as provided by ownership. We forecasted the property's operating expenses after reviewing operating expenses of similar buildings and after consulting local building managers and agents, including Cushman & Wakefield property management personnel, etc. We also examined industry norms as reported by the **BOMA Experience Exchange Report** published by the Building Owners and Managers Association International, a nationally recognized publication.

On the **following pages** is the income and expense analysis for the property, which is based upon historical operating expense data supported by comparable expense data.

<b>REVENUE AND EXPENSE ANALYSIS</b>						
	<b>Actual CY 2009</b>		<b>Actual CY 2010</b>		<b>Actual CY 2011</b>	
	<b>Total</b>	<b>Per SF</b>	<b>Total</b>	<b>Per SF</b>	<b>Total</b>	<b>Per SF</b>
<b>POTENTIAL GROSS REVENUE</b>						
Base Rental Revenue	\$26,875,182	\$22.82	\$25,337,121	\$17.83	\$21,244,791	\$17.83
Base Rent Abatements	0	0.00	0	0.00	0	0.00
Real Estate Taxes	2,102,196	1.79	1,742,671	1.48	1,382,170	1.20
Operating Expenses	3,439,887	2.92	1,766,461	1.50	1,378,968	1.09
Tenant Electric	1,149,458	0.98	892,152	0.76	800,984	0.00
Sublease Profit	0	0.00	0	0.00	0	0.64
Other Income	1,080,624	0.92	306,313	0.21	579,443	0.21
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>\$34,647,347</b>	<b>\$29.42</b>	<b>\$30,044,718</b>	<b>\$20.98</b>	<b>\$25,386,356</b>	<b>\$20.98</b>
Vacancy and Collection Loss	0	0.00	0	0.00	0	0.00
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$34,647,347</b>	<b>\$29.42</b>	<b>\$30,044,718</b>	<b>\$20.98</b>	<b>\$25,386,356</b>	<b>\$20.98</b>
<b>OPERATING EXPENSES</b>						
Payroll and Cleaning	\$2,950,312	\$2.51	\$2,804,343	\$2.38	\$2,735,580	\$2.32
Security	842,724	0.72	797,086	0.68	855,361	0.73
Repairs and Maintenance	2,018,054	1.71	2,123,642	1.80	2,239,298	1.90
Utilities	2,557,775	2.17	2,210,160	1.88	2,186,060	1.86
Casualty, Liability and Terrorism Insurance	1,043,125	0.89	1,245,231	1.06	1,381,901	1.17
Management Fee	100,000	0.08	888,219	0.75	720,686	0.61
General and Administrative	314,957	0.27	415,333	0.35	499,635	0.42
Miscellaneous	101,462	0.09	104,096	0.09	110,679	0.09
<b>Sub Total</b>	<b>\$9,928,409</b>	<b>\$8.43</b>	<b>\$10,588,110</b>	<b>\$8.99</b>	<b>\$10,729,200</b>	<b>\$9.11</b>
Ground Rent	\$1,500,000	1.27	\$1,500,000	1.27	\$1,500,000	1.27
Real Estate Taxes	6,211,014	5.27	6,581,440	5.59	7,107,583	6.04
<b>TOTAL EXPENSES</b>	<b>\$17,639,423</b>	<b>\$14.98</b>	<b>\$18,669,550</b>	<b>\$15.85</b>	<b>\$19,336,783</b>	<b>\$16.42</b>
<b>NET OPERATING INCOME</b>	<b>\$17,007,924</b>	<b>\$14.44</b>	<b>\$11,375,168</b>	<b>\$9.66</b>	<b>\$6,049,573</b>	<b>\$5.14</b>
<b>CAPITAL EXPENDITURES</b>						
Tenant Improvements	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Leasing Commissions	0	0.00	0	0.00	0	0.00
Capital Improvements	0	0.00	0	0.00	0	0.00
Capital Reserves	0	0.00	0	0.00	0	0.00
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$0</b>	<b>\$0.00</b>	<b>\$0</b>	<b>\$0.00</b>	<b>\$0</b>	<b>\$0.00</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>\$17,007,924</b>	<b>\$14.44</b>	<b>\$11,375,168</b>	<b>\$9.66</b>	<b>\$6,049,573</b>	<b>\$5.14</b>
Net Rentable Area:	1,177,605 Square Feet					

REVENUE AND EXPENSE ANALYSIS (CONTINUED)						
	Budget CY 2012		Budget Comparison		C&W Forecast CY 2012	
	Total	Per SF	Total	PSF	Total	Per SF
<b>POTENTIAL GROSS REVENUE</b>						
Base Rental Revenue	\$24,888,898	\$17.83	\$6,604,967	\$5.61	\$31,493,865	\$26.74
Base Rent Abatements	0	0.00	(2,743,384)	(2.33)	(2,743,384)	(2.33)
Real Estate Taxes	1,329,302	1.20	(379,479)	(0.32)	949,823	0.81
Operating Expenses	1,641,127	1.09	(374,381)	(0.32)	1,266,746	1.08
Tenant Electric	941,450	0.00	(177,514)	(0.15)	763,936	0.65
Sublease Profit	0	0.64	224,299	0.19	224,299	0.19
Other Income	449,332	0.21	(197,172)	(0.17)	252,160	0.21
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>\$29,250,109</b>	<b>\$20.98</b>	<b>\$2,957,336</b>	<b>\$2.51</b>	<b>\$32,207,445</b>	<b>\$27.35</b>
Vacancy and Collection Loss	0	0.00	(1,610,372)	(1.37)	(1,610,372)	(1.37)
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$29,250,109</b>	<b>\$20.98</b>	<b>\$1,346,964</b>	<b>\$1.14</b>	<b>\$30,597,073</b>	<b>\$25.98</b>
<b>OPERATING EXPENSES</b>						
Payroll and Cleaning	\$3,611,934	\$3.07	\$0	\$0.00	\$3,611,934	\$3.07
Security	602,100	0.51	0	0.00	602,100	0.51
Repairs and Maintenance	5,112,628	4.34	0	0.00	5,112,628	4.34
Utilities	2,108,000	1.79	0	0.00	2,108,000	1.79
Casualty, Liability and Terrorism Insurance	1,287,639	1.09	0	0.00	1,287,639	1.09
Management Fee	720,686	0.61	(367,405)	(0.31)	353,282	0.30
General and Administrative	150,050	0.13	0	0.00	150,050	0.13
Miscellaneous	451,800	0.38	0	0.00	451,800	0.38
<b>Sub Total</b>	<b>\$14,044,837</b>	<b>\$11.93</b>	<b>(\$367,405)</b>	<b>(\$0.31)</b>	<b>\$13,677,433</b>	<b>\$11.61</b>
Ground Rent	\$1,500,000	1.27	0	0.00	\$1,500,000	1.27
Real Estate Taxes	7,174,817	6.09	(272,716)	(0.23)	6,902,101	5.86
<b>TOTAL EXPENSES</b>	<b>\$22,719,654</b>	<b>\$19.29</b>	<b>(\$640,121)</b>	<b>(\$0.54)</b>	<b>\$22,079,534</b>	<b>\$18.75</b>
<b>NET OPERATING INCOME</b>	<b>\$6,530,455</b>	<b>\$5.55</b>	<b>\$1,987,085</b>	<b>\$1.69</b>	<b>\$8,517,539</b>	<b>\$7.23</b>
<b>CAPITAL EXPENDITURES</b>						
Tenant Improvements	\$0	\$0.00	\$2,821,739	\$2.40	\$2,821,739	\$2.40
Leasing Commissions	1,578,016	1.34	109,433	0.09	1,687,449	1.43
Capital Improvements	1,722,000	1.46	0	0.00	1,722,000	1.46
Capital Reserves	0	0.00	117,761	0.10	117,761	0.10
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$3,300,016</b>	<b>\$2.80</b>	<b>\$3,048,933</b>	<b>\$2.59</b>	<b>\$6,348,949</b>	<b>\$5.39</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>\$3,230,439</b>	<b>\$2.74</b>	<b>(\$1,061,849)</b>	<b>(\$0.90)</b>	<b>\$2,168,590</b>	<b>\$1.84</b>
Net Rentable Area:	1,177,605 Square Feet					

## ANALYSIS OF EXPENSES

We analyzed each item of expense and developed an opinion of a level of expense we believe a typical investor in a property like this would consider reasonable. The forecast income and expenses are for calendar year 2012.

### OPERATING EXPENSE ANALYSIS

#### Payroll and Cleaning:

This expense includes wages and benefits covering employees of the building including union staffing and non-union salaries and benefits of the administrative personnel. This expense also includes contract cleaning costs and supplies along with window cleaning. This expense was \$2,950,312 in 2009, \$2,804,343 in 2010, and \$2,735,580 in 2011. The 2012 budget is \$3,611,934. The 2012 budget is considered to be reasonable based on our analysis of comparable buildings that reflect costs ranging from \$3.47 to \$4.60 per square foot. The upper end of this range reflects buildings that include the cost of other service contracts in this category. The subject property does not include other service contracts within this expense category. Our forecast of calendar year 2012 expense is \$3,611,934 or \$3.07 per square foot.

#### Security:

This expense includes costs related to service contracts related to security and life safety maintenance. This expense was \$842,724 in 2009, \$797,086 in 2010, and \$855,361 in 2011. The 2012 budget is \$602,100. The 2012 budget is considered to be reasonable based on an analysis of competitive buildings that reflect costs ranging from \$0.72 to \$1.69 per square foot. Our forecast of calendar year 2012 expense is \$602,100 or \$0.51 per square foot.

#### Repairs and Maintenance:

This expense is related to the actual expenses for on-going maintenance costs including engineering and preventative maintenance and elevator maintenance costs. This expense was \$2,018,054 in 2009, \$2,123,642 in 2010, and \$2,239,298 in 2011. The 2012 budget is \$5,112,628. Competitive buildings reflect costs ranging from \$0.54 to \$1.84 per square foot. The higher end of this range reflects buildings that include the cost of other service contracts in this category. The subject property does not include building service contracts within this expense category. Our forecast of calendar year 2012 expense is \$5,112,628 or \$4.34 per square foot.

**Utilities:**

This expense includes electric for tenant space and common areas, as well as the cost of Con Edison steam to heat the building and water charges and sewer rent. The majority of the tenant spaces are billed for electrical consumption on a rent inclusion or submetered basis. This expense was \$2,557,775 in 2009, \$2,210,160 in 2010, and \$2,186,060 in 2011. The 2012 budget is \$2,108,000, which we consider sufficient to provide electric to tenants in the building given Con Edison's recent increase in utility rates. Competitive buildings reflect costs ranging from \$1.73 to \$5.43 per square foot. Our forecast of calendar year 2012 expense is \$2,108,000 or \$1.79 per square foot.

**Casualty, Liability and Terrorism Insurance:**

The federal terrorism insurance law signed by President Bush has had a positive effect on insurance costs. The federal terrorism insurance act was reauthorized in 2007 and expires in 2014. Reductions in costs for terrorism coverage alone are expected to continue. Casualty & liability and terrorism insurance coverage has become more important for Manhattan office buildings over the past year. Blanket coverage is of much less value to owners than it was in prior years. In other words, the carriers are less inclined to reduce overall premiums under blanket policies. Terrorism Insurance coverage is available in limited quantities with limited exposure (not full value) given by the carriers. Terrorism rates are very high something in the range of 3 to 5 percent of "value", annually. 40 Wall Street is currently covered with a terrorism insurance policy.

The insurance expense for 40 Wall Street was \$1,043,125 in 2009, \$1,245,231 in 2010, and \$1,381,901 in 2011. The 2012 budget is \$1,287,639, which includes property policy, general liability and umbrella policy, fire and extended liability coverage, and terrorism coverage. Competitive buildings reflect costs ranging from \$0.19 to \$0.46 per square foot. Our forecast of calendar year 2012 expense is \$1,287,639 or \$1.09 per square foot which **includes terrorism insurance**.

**Management Fee:**

The property owners currently act as managing agent for the property. Management fees \$100,000 in 2009, \$888,219 in 2010, and \$720,686 in 2011. The 2012 budget is \$720,686. Upon sale of the building, we have applied a management fee consistent with rates quoted by Manhattan brokerage and management firms including Cushman & Wakefield, Inc., which typically charge based on building size rather than percentage of revenue.

It should be noted that management fees are typically provided at or near cost by Manhattan brokerage and management firms in an attempt to secure leasing and other business opportunities. In addition, Manhattan brokerage and management firms typically have economies of scale as a result of managing several buildings. In comparison, management fees of owner managed properties typically include profit centers. Our forecast of calendar year 2012 expense is \$353,282 or \$0.30 per square foot.

General and Administrative:

These costs include professional fees including general and administrative expenses related to operating an office building. This expense was \$314,957 in 2009, \$415,333 in 2010, and \$499,635 in 2011. The 2012 budget is \$150,050. Competitive buildings reflect costs ranging from \$0.25 to \$1.22 per square foot. Our forecast of calendar year 2012 expense is \$150,050 or \$0.13 per square foot.

Miscellaneous:

This expense includes costs not included elsewhere. This expense was \$101,462 in 2009, \$104,096 in 2010, and \$110,679 in 2011. The 2012 budget is \$451,800. Competitive buildings reflect costs ranging from \$0.01 to \$0.53 per square foot. Our forecast of calendar year 2012 expense is \$451,800 or \$0.38 per square foot.

Ground Rent:

The ground rent payments total \$1,500,000 or \$1.27 per square foot. This represents our forecast of 2012 calendar year ground rent payments, which have been discussed in detail under the Ground Lease and Land Valuation section of this report.

Real Estate and BID Taxes:

The calendar year 2012 real estate taxes including the ICIP tax exemption are projected to be \$6,902,101 or \$5.86 per square foot of rentable area (\$6.50 per square foot of the assessor's gross building area of 1,061,266± square feet). Included within the real estate tax projection are business improvement district (BID) taxes which are \$192,493. This represents our current forecast of real estate and BID taxes, which have been discussed in detail under the Real Property Taxes and Assessments section of this report.

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## TOTAL OPERATING EXPENSES

In our analysis of the subject property, the total operating expenses, excluding real estate taxes, estimated for calendar year 2012 are \$13,677,433 or \$11.61 per square foot of net rentable area excluding taxes. Our operating expenses estimated for the subject property are within the range of actual operating expenses of competing office buildings located in Manhattan as presented on the following chart.

COMPARABLE OFFICE BUILDING EXPENSE ANALYSIS						
Property Name Year Built Rentable Area	195 Broadway 1913/1924 1,047,287		100 Wall Street 1964/1994 520,157		222 Broadway 1961/2005-2009 786,931	
Source (Year)	Budget CY 2012		Budget CY 2012		Budget CY 2012	
	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF
<b>POTENTIAL GROSS REVENUE</b>						
Base Rental Revenue	\$33,354,118	\$31.85	\$16,914,635	\$32.52	\$12,545,267	\$15.94
Base Rent Abatements	(\$1,383,116)	(\$1.32)	(\$1,529,823)	(\$2.94)	(\$673,769)	(\$0.86)
Real Estate Taxes	\$348,435	\$0.33	\$215,123	\$0.41	\$454,023	\$0.58
Operating Expenses	\$870,336	\$0.83	\$109,427	\$0.21	\$10,774,345	\$13.69
Tenant Electric	\$1,770,900	\$1.69	\$1,317,443	\$2.53	\$103,397	\$0.13
Sublease Profit	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Other Income	<u>\$606,482</u>	<u>\$0.58</u>	<u>\$515,000</u>	<u>\$0.99</u>	<u>\$0</u>	<u>\$0.00</u>
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>\$35,567,155</b>	<b>\$33.96</b>	<b>\$17,541,805</b>	<b>\$33.72</b>	<b>\$23,203,263</b>	<b>\$29.49</b>
Vacancy and Collection Loss	<u>(\$1,067,015)</u>	<u>(\$1.02)</u>	<u>(\$159,579)</u>	<u>(\$0.31)</u>	<u>(\$13,643)</u>	<u>(\$0.02)</u>
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$34,500,140</b>	<b>\$32.94</b>	<b>\$17,382,226</b>	<b>\$33.42</b>	<b>\$23,189,620</b>	<b>\$29.47</b>
<b>OPERATING EXPENSES</b>						
Payroll and Cleaning	\$4,264,653	\$4.07	\$2,115,963	\$4.07	\$3,019,355	\$3.84
Security	\$911,140	\$0.87	\$435,417	\$0.84	\$759,973	\$0.97
Repairs and Maintenance	\$738,256	\$0.70	\$279,059	\$0.54	\$769,432	\$0.98
Utilities	\$4,132,662	\$3.95	\$2,627,279	\$5.05	\$3,894,093	\$4.95
Casualty, Liability and Terrorism Insurance	\$421,509	\$0.40	\$228,529	\$0.44	\$361,123	\$0.46
Management Fee	\$314,186	\$0.30	\$347,645	\$0.67	\$236,079	\$0.30
General and Administrative	\$360,616	\$0.34	\$179,563	\$0.35	\$963,983	\$1.22
Miscellaneous	<u>\$72,986</u>	<u>\$0.07</u>	<u>\$103,524</u>	<u>\$0.20</u>	<u>\$3,966</u>	<u>\$0.01</u>
<b>Subtotal</b>	<b>\$11,216,008</b>	<b>\$10.71</b>	<b>\$6,316,979</b>	<b>\$12.14</b>	<b>\$10,008,004</b>	<b>\$12.72</b>
Ground Rent	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Real Estate Taxes	\$5,176,940	\$4.94	\$3,330,450	\$6.40	\$4,727,714	\$6.01
<b>TOTAL EXPENSES</b>	<b><u>\$16,392,948</u></b>	<b><u>\$15.65</u></b>	<b><u>\$9,647,429</u></b>	<b><u>\$18.55</u></b>	<b><u>\$14,735,718</u></b>	<b><u>\$18.73</u></b>
<b>NET OPERATING INCOME</b>	<b>\$18,107,192</b>	<b>\$17.29</b>	<b>\$7,734,797</b>	<b>\$14.87</b>	<b>\$8,453,902</b>	<b>\$10.74</b>
<b>CAPITAL EXPENDITURES</b>						
Tenant Improvements	\$125,325	\$0.12	\$5,457,101	\$10.49	\$0	\$0.00
Leasing Commissions	\$189,866	\$0.18	\$2,991,902	\$5.75	\$938,949	\$1.19
Capital Improvements	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Capital Reserves	<u>\$314,186</u>	<u>\$0.30</u>	<u>\$0</u>	<u>\$0.00</u>	<u>\$78,693</u>	<u>\$0.10</u>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$629,377</b>	<b>\$0.60</b>	<b>\$8,449,003</b>	<b>\$16.24</b>	<b>\$1,017,642</b>	<b>\$1.29</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>\$17,477,815</b>	<b>\$16.69</b>	<b>(\$714,206)</b>	<b>(\$1.37)</b>	<b>\$7,436,260</b>	<b>\$9.45</b>

**COMPARABLE OFFICE BUILDING EXPENSE ANALYSIS (CONTINUED)**

Property Name Year Built Rentable Area  Source (Year)	33 Whitehall Street 1985 420,341		5 Hanover Square 1962 333,594		33 Maiden Lane 1984 624,124	
	Budget CY 2012		Budget CY 2012		Budget CY 2012	
	Annual Amount	Per SF	Annual Amount	Per SF	Annual Amount	Per SF
<b>POTENTIAL GROSS REVENUE</b>						
Base Rental Revenue	\$16,289,900	\$38.75	\$10,687,736	\$32.04	\$13,503,802	\$21.64
Base Rent Abatements	\$0	\$0.00	(\$944,856)	(\$2.83)	(\$840,714)	(\$1.35)
Real Estate Taxes	\$361,800	\$0.86	\$201,931	\$0.61	\$3,678,499	\$5.89
Operating Expenses	\$299,600	\$0.71	\$25,894	\$0.08	\$4,207,858	\$6.74
Tenant Electric	\$69,200	\$0.16	\$783,320	\$2.35	\$0	\$0.00
Sublease Profit	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Other Income	<u>\$851,400</u>	<u>\$2.03</u>	<u>\$95,133</u>	<u>\$0.29</u>	<u>\$1,075,445</u>	<u>\$1.72</u>
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>\$17,871,900</b>	<b>\$42.52</b>	<b>\$10,849,158</b>	<b>\$32.52</b>	<b>\$21,624,890</b>	<b>\$34.65</b>
Vacancy and Collection Loss	<u>\$0</u>	<u>\$0.00</u>	<u>\$0</u>	<u>\$0.00</u>	<u>(\$89,592)</u>	<u>(\$0.14)</u>
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$17,871,900</b>	<b>\$42.52</b>	<b>\$10,849,158</b>	<b>\$32.52</b>	<b>\$21,535,298</b>	<b>\$34.50</b>
<b>OPERATING EXPENSES</b>						
Payroll and Cleaning	\$1,931,900	\$4.60	\$1,419,117	\$4.25	\$2,164,946	\$3.47
Security	\$304,600	\$0.72	\$563,907	\$1.69	\$643,044	\$1.03
Repairs and Maintenance	\$652,900	\$1.55	\$342,534	\$1.03	\$1,145,382	\$1.84
Utilities	\$727,100	\$1.73	\$1,811,481	\$5.43	\$1,547,578	\$2.48
Casualty, Liability and Terrorism Insurance	\$177,500	\$0.42	\$127,308	\$0.38	\$117,545	\$0.19
Management Fee	\$399,300	\$0.95	\$317,645	\$0.95	\$187,237	\$0.30
General and Administrative	\$107,000	\$0.25	\$90,084	\$0.27	\$617,419	\$0.99
Miscellaneous	<u>\$220,700</u>	<u>\$0.53</u>	<u>\$24,658</u>	<u>\$0.07</u>	<u>\$91,225</u>	<u>\$0.15</u>
<b>Subtotal</b>	<b>\$4,521,000</b>	<b>\$10.76</b>	<b>\$4,696,734</b>	<b>\$14.08</b>	<b>\$6,514,376</b>	<b>\$10.44</b>
Ground Rent	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Real Estate Taxes	\$3,639,700	\$8.66	\$1,243,264	\$3.73	\$5,093,207	\$8.16
<b>TOTAL EXPENSES</b>	<b><u>\$8,160,700</u></b>	<b><u>\$19.41</u></b>	<b><u>\$5,939,998</u></b>	<b><u>\$17.81</u></b>	<b><u>\$11,607,583</u></b>	<b><u>\$18.60</u></b>
<b>NET OPERATING INCOME</b>	<b>\$9,711,200</b>	<b>\$23.10</b>	<b>\$4,909,160</b>	<b>\$14.72</b>	<b>\$9,927,715</b>	<b>\$15.91</b>
<b>CAPITAL EXPENDITURES</b>						
Tenant Improvements	\$1,377,700	\$3.28	\$2,009,423	\$6.02	\$3,729,380	\$5.98
Leasing Commissions	\$377,900	\$0.90	\$506,768	\$1.52	\$1,318,664	\$2.11
Capital Improvements	\$0	\$0.00	\$0	\$0.00	\$0	\$0.00
Capital Reserves	<u>\$0</u>	<u>\$0.00</u>	<u>\$0</u>	<u>\$0.00</u>	<u>\$62,412</u>	<u>\$0.10</u>
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$1,755,600</b>	<b>\$4.18</b>	<b>\$2,516,191</b>	<b>\$7.54</b>	<b>\$5,110,456</b>	<b>\$8.19</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>\$7,955,600</b>	<b>\$18.93</b>	<b>\$2,392,969</b>	<b>\$7.17</b>	<b>\$4,817,259</b>	<b>\$7.72</b>



COMPARABLE OFFICE BUILDING EXPENSE ANALYSIS (CONTINUED)						
Property Name Year Built Rentable Area  Source (Year)	40 Wall Street (Subject) 1930 1,177,605				Expense Comparables	
	Budget CY 2012		C&W Forecast CY 2012		Minimum	Maximum
	Annual Amount	Per SF	Annual Amount	Per SF	Per SF	Per SF
<b>POTENTIAL GROSS REVENUE</b>						
Base Rental Revenue	\$24,888,898	\$21.14	\$31,493,865	\$26.74	\$15.94	\$38.75
Base Rent Abatements	\$0	\$0.00	(\$2,743,384)	(\$2.33)	(\$2.94)	\$0.00
Real Estate Taxes	\$1,329,302	\$1.13	\$949,823	\$0.81	\$0.33	\$5.89
Operating Expenses	\$1,641,127	\$1.39	\$1,266,746	\$1.08	\$0.08	\$13.69
Tenant Electric	\$941,450	\$0.80	\$763,936	\$0.65	\$0.00	\$2.53
Sublease Profit	\$0	\$0.00	\$224,299	\$0.19	\$0.00	\$0.00
Other Income	\$449,332	\$0.38	\$252,160	\$0.21	\$0.00	\$2.03
<b>TOTAL POTENTIAL GROSS REVENUE</b>	<b>\$29,250,109</b>	<b>\$24.84</b>	<b>\$32,207,445</b>	<b>\$27.35</b>	<b>\$29.49</b>	<b>\$42.52</b>
Vacancy and Collection Loss	\$0	\$0.00	(\$1,610,372)	(\$1.37)	(\$1.02)	\$0.00
<b>EFFECTIVE GROSS REVENUE</b>	<b>\$29,250,109</b>	<b>\$24.84</b>	<b>\$30,597,073</b>	<b>\$25.98</b>	<b>\$29.47</b>	<b>\$42.52</b>
<b>OPERATING EXPENSES</b>						
Payroll and Cleaning	\$3,611,934	\$3.07	\$3,611,934	\$3.07	\$3.47	\$4.60
Security	\$602,100	\$0.51	\$602,100	\$0.51	\$0.72	\$1.69
Repairs and Maintenance	\$5,112,628	\$4.34	\$5,112,628	\$4.34	\$0.54	\$1.84
Utilities	\$2,108,000	\$1.79	\$2,108,000	\$1.79	\$1.73	\$5.43
Casualty, Liability and Terrorism Insurance	\$1,287,639	\$1.09	\$1,287,639	\$1.09	\$0.19	\$0.46
Management Fee	\$720,686	\$0.61	\$353,282	\$0.30	\$0.30	\$0.95
General and Administrative	\$150,050	\$0.13	\$150,050	\$0.13	\$0.25	\$1.22
Miscellaneous	\$451,800	\$0.38	\$451,800	\$0.38	\$0.01	\$0.53
<b>Subtotal</b>	<b>\$14,044,837</b>	<b>\$11.93</b>	<b>\$13,677,433</b>	<b>\$11.61</b>	<b>\$10.44</b>	<b>\$14.08</b>
Ground Rent	\$1,500,000	\$1.27	\$1,500,000	\$1.27	\$0.00	\$0.00
Real Estate Taxes	\$7,174,817	\$6.09	\$6,902,101	\$5.86	\$3.73	\$8.66
<b>TOTAL EXPENSES</b>	<b>\$22,719,654</b>	<b>\$19.29</b>	<b>\$22,079,534</b>	<b>\$18.75</b>	<b>\$15.65</b>	<b>\$19.41</b>
<b>NET OPERATING INCOME</b>	<b>\$6,530,455</b>	<b>\$5.55</b>	<b>\$8,517,539</b>	<b>\$7.23</b>	<b>\$10.74</b>	<b>\$23.10</b>
<b>CAPITAL EXPENDITURES</b>						
Tenant Improvements	\$0	\$0.00	\$2,821,739	\$2.40	\$0.00	\$10.49
Leasing Commissions	\$1,578,016	\$1.34	\$1,687,449	\$1.43	\$0.18	\$5.75
Capital Improvements	\$1,722,000	\$1.46	\$1,722,000	\$1.46	\$0.00	\$0.00
Capital Reserves	\$0	\$0.00	\$117,761	\$0.10	\$0.00	\$0.30
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$3,300,016</b>	<b>\$2.80</b>	<b>\$6,348,949</b>	<b>\$5.39</b>	<b>\$0.60</b>	<b>\$16.24</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>\$3,230,439</b>	<b>\$2.74</b>	<b>\$2,168,590</b>	<b>\$1.84</b>	<b>(\$1.37)</b>	<b>\$18.93</b>

The six expense comparables reflect a range of \$10.44 to \$14.08 per square foot. These buildings have varying degrees of similarity with the subject property in terms of age, size, tenancy and quality. In our judgment, a reconciled expense figure of \$11.61 per square foot is reasonable for the subject property considering its age, size and budgeted expense figures.

COMPARABLE OFFICE BUILDING OPERATING EXPENSES (EXCLUDING REAL ESTATE TAXES)				
NAME/ADDRESS	YEAR BUILT	NRA	YEAR SURVEYED	EXPENSES/ SF NRA
195 Broadway	1913/1924	1,047,287	Budget CY 2012	\$10.71
100 Wall Street	1964/1994	520,157	Budget CY 2012	\$12.14
222 Broadway	2009	786,931	Budget CY 2012	\$12.72
33 Whitehall Street	1985	420,341	Budget CY 2012	\$10.76
5 Hanover Square	1962	333,594	Budget CY 2012	\$14.08
33 Maiden Lane	1984	624,124	Budget CY 2012	\$10.44

### EXPENSE GROWTH RATE

Our cash flow projections assume that operating expenses and tenant improvement costs will grow at the rate of 3.00 percent per year during the holding period. Real estate tax rates were grown at approximately 6.00 percent for years 1 through 5. Thereafter, we increased real estate taxes at 3.00 percent per year.

### RESERVES FOR REPLACEMENTS

It is customary and prudent to deduct an annual sum from effective gross income to establish a reserve for replacing short-lived items throughout the building. These costs may include roof repair, HVAC upgrades and ADA compliance. Our calendar year 2012 projection of \$117,761 or \$0.10 per square foot of rentable area is a reasonable amount to cover the cost of capital expenditures over the course of the investment-holding period.

### DISCOUNTED CASH FLOW ANALYSIS

In the Discounted Cash Flow Method, we employed Argus for Windows software to model the income characteristics of the property and to make a variety of cash flow assumptions. We attempted to reflect the most likely investment assumptions of typical buyers and sellers in this particular market segment. The following table illustrates the assumptions used in the discounted cash flow analysis.

## DISCOUNTED CASH FLOW ASSUMPTIONS

**MODELING ASSUMPTIONS**

Years in Forecast:	14 years
Holding Period:	13 years
Start Dates:	November 1, 2012 "As Is" November 1, 2015 "Prospective Market Value"
Reversion Year:	FY 2026 (14th fiscal year)
Vacancy & Collection Loss:	5.00% (average; applied to all tenants)
Consumer Price Index (CPI):	3.00%
Expense Growth Rate:	3.00%
Rates of Return	
Discount Rate:	8.00% (see Discount Rate Analysis)
Terminal Cap Rate:	6.00% (applied to reversion year net operating income)
Reversionary Sales Cost:	4.00% (includes brokerage, legal fees and estimated transfer taxes)
Indicated "As Is" Value:	\$200,000,000
Indicated "Prospective" Value:	\$240,000,000

LEASING ASSUMPTIONS	LARGE OFFICE TENANTS	SMALL OFFICE TENANTS	RETAIL TENANTS	STORAGE TENANTS
Market Rent per Square Foot	Floors 2-22 \$32.00/sf; Floors 23-33 \$34.00/sf; Floors 34-49 \$40.00/sf; Floors 50-63 \$44.00/sf	Floors 2-22 \$32.00/sf; Floors 23-33 \$34.00/sf; Floors 34-49 \$40.00/sf; Floors 50-63 \$44.00/sf	\$150.00/sf (Small); \$65.00/sf (Large); \$60.00/sf (Pine Street); \$35.00/sf (Second Floor); \$10.00/sf (Basement)	\$10.00/sf/sf
Market Rent Growth Rate:	3.00%	3.00%	3.00%	3.00%
Lease Term (years):	15	10	10	10
Free Rent (months)				
New Leases:	12	10	6	6
Renewals:	6	5	3	3
Downtime Between Leases (months):	8	8	8	8
Downtime between leases is prior to renewal probability of 65.00%; effective vacancy is 3 months.				
Renewal Probability:	65.00%	65.00%	65.00%	65.00%
Capital Expenditures:				
Tenant Improvements (\$/SF)				
New Leases:	\$50.00	\$45.00	None	None
Renewals:	\$25.00	\$22.50	None	None
Leasing Commissions				
10 Year Leases:	40.00% of first year's base rent including 125% override (paid in year one)			
15 Year Leases:	52.50% of first year's base rent including 125% override (paid in year one)			
All Renewals:	Typically half of new tenant commission.			

#### RENT ESCALATIONS & EXPENSE RECOVERIES ASSUMPTIONS

Rent Steps and Escalations:	For 10 and 15-year leases, 60-month step-ups of 10% are assumed.
Expense Recoveries:	We have assumed that future leases in the subject property will be on a full service basis. Tenants will be responsible for a) real estate tax increases over a base tax year amount billed either monthly or semi-annually; b) operating expense escalation billed monthly; and c) tenant electric on a rent inclusion basis of \$3.00 per square foot billed monthly.

## CASH FLOW PROJECTION

On the following pages is our 14-year cash flow projection, which includes our 13-year holding period and 14-year reversionary year. The cash flow reflects the results of the **Argus for Windows** projection imported to **Microsoft Excel**. The cash flow exhibits a value matrix along with a matrix of rates of return over the projection period.

40 Wall Street Market Value "As Is" on November 1, 2012 Cash Flow Analysis														
	YEAR 1 FY 2013	YEAR 2 FY 2014	YEAR 3 FY 2015	YEAR 4 FY 2016	YEAR 5 FY 2017	YEAR 6 FY 2018	YEAR 7 FY 2019	YEAR 8 FY 2020	YEAR 9 FY 2021	YEAR 10 FY 2022	YEAR 11 FY 2023	YEAR 12 FY 2024	YEAR 13 FY 2025	YEAR 14 FY 2026
<b>POTENTIAL GROSS INCOME</b>														
Base Rental Revenue	\$31,493,865	\$36,188,538	\$40,038,759	\$40,623,557	\$41,022,303	\$41,859,484	\$42,762,863	\$43,376,582	\$43,363,836	\$45,306,199	\$47,641,407	\$49,030,366	\$51,153,489	\$52,248,770
Base Rent Abatements	(\$2,743,384)	(\$5,497,420)	(\$4,254,227)	(\$595,858)	(\$1,050,618)	(\$1,751,920)	(\$779,000)	(\$546,218)	(\$2,016,503)	(\$4,788,036)	(\$4,297,767)	(\$2,461,856)	(\$2,579,808)	(\$1,362,254)
<b>BASE RENTAL INCOME</b>	<b>\$28,750,481</b>	<b>\$30,691,118</b>	<b>\$35,784,532</b>	<b>\$40,027,699</b>	<b>\$39,971,685</b>	<b>\$40,107,564</b>	<b>\$41,983,863</b>	<b>\$42,830,364</b>	<b>\$41,347,332</b>	<b>\$40,518,163</b>	<b>\$43,343,640</b>	<b>\$46,568,510</b>	<b>\$48,573,681</b>	<b>\$50,886,516</b>
Real Estate Taxes	\$949,823	\$490,626	\$931,869	\$1,731,570	\$2,471,971	\$2,838,196	\$3,030,641	\$3,262,596	\$3,211,441	\$2,893,819	\$2,691,643	\$2,618,854	\$2,630,905	\$2,793,994
Operating Expenses	\$1,266,746	\$1,063,827	\$1,119,317	\$1,587,277	\$1,898,372	\$2,175,531	\$2,582,962	\$2,980,156	\$2,987,919	\$2,735,584	\$2,777,440	\$2,980,694	\$3,174,754	\$3,534,483
Tenant Electric	\$763,936	\$779,220	\$797,138	\$831,361	\$865,694	\$899,779	\$933,803	\$966,973	\$996,503	\$1,020,629	\$1,048,640	\$1,083,439	\$1,119,808	\$1,160,624
<b>TOTAL REIMBURSEMENT REVENUE</b>	<b>\$2,980,505</b>	<b>\$2,333,673</b>	<b>\$2,848,324</b>	<b>\$4,150,208</b>	<b>\$5,236,037</b>	<b>\$5,913,506</b>	<b>\$6,547,406</b>	<b>\$7,209,725</b>	<b>\$7,195,863</b>	<b>\$6,650,032</b>	<b>\$6,517,723</b>	<b>\$6,682,987</b>	<b>\$6,925,467</b>	<b>\$7,489,101</b>
Add: Other Income	\$252,160	\$259,725	\$267,517	\$275,542	\$283,808	\$292,323	\$301,092	\$310,125	\$319,429	\$329,011	\$338,882	\$349,048	\$359,520	\$370,305
Add: Sublease Profit	\$224,299	\$212,491	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>POTENTIAL GROSS INCOME</b>	<b>\$32,207,445</b>	<b>\$33,497,007</b>	<b>\$38,900,373</b>	<b>\$44,453,449</b>	<b>\$45,491,530</b>	<b>\$46,313,393</b>	<b>\$48,832,361</b>	<b>\$50,350,214</b>	<b>\$48,862,624</b>	<b>\$47,497,206</b>	<b>\$50,200,245</b>	<b>\$53,600,545</b>	<b>\$55,858,668</b>	<b>\$58,745,922</b>
Less: Vacancy & Collection Loss	(\$1,610,372)	(\$1,674,850)	(\$1,945,019)	(\$2,222,672)	(\$2,274,576)	(\$2,315,670)	(\$2,441,618)	(\$2,517,511)	(\$2,443,131)	(\$2,374,860)	(\$2,510,012)	(\$2,680,027)	(\$2,792,933)	(\$2,937,296)
<b>EFFECTIVE GROSS INCOME</b>	<b>\$30,597,073</b>	<b>\$31,822,157</b>	<b>\$36,955,354</b>	<b>\$42,230,777</b>	<b>\$43,216,954</b>	<b>\$43,997,723</b>	<b>\$46,390,743</b>	<b>\$47,832,703</b>	<b>\$46,419,493</b>	<b>\$45,122,346</b>	<b>\$47,690,233</b>	<b>\$50,920,518</b>	<b>\$53,065,735</b>	<b>\$55,808,626</b>
<b>OPERATING EXPENSES</b>														
Real Estate Taxes	\$6,902,101	\$6,821,500	\$7,659,249	\$8,513,151	\$9,383,447	\$9,970,064	\$10,269,166	\$10,577,241	\$10,894,558	\$11,221,395	\$11,558,036	\$11,904,778	\$12,261,921	\$12,629,779
Operating Expenses	\$13,677,432	\$14,087,755	\$14,510,389	\$14,945,700	\$15,394,072	\$15,855,894	\$16,331,569	\$16,821,518	\$17,326,162	\$17,845,949	\$18,381,324	\$18,932,766	\$19,500,748	\$20,085,770
Ground Rent	\$1,500,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,746,250	\$1,815,000	\$2,101,629	\$2,306,364	\$2,306,364	\$2,306,364	\$2,446,441	\$2,546,496
<b>TOTAL OPERATING EXPENSES</b>	<b>\$22,079,533</b>	<b>\$22,559,255</b>	<b>\$23,819,638</b>	<b>\$25,108,851</b>	<b>\$26,427,519</b>	<b>\$27,475,958</b>	<b>\$28,346,985</b>	<b>\$29,213,759</b>	<b>\$30,322,349</b>	<b>\$31,373,708</b>	<b>\$32,245,724</b>	<b>\$33,143,908</b>	<b>\$34,209,110</b>	<b>\$35,262,045</b>
<b>NET OPERATING INCOME</b>	<b>\$8,517,540</b>	<b>\$9,262,902</b>	<b>\$13,135,716</b>	<b>\$17,121,926</b>	<b>\$16,789,435</b>	<b>\$16,521,765</b>	<b>\$18,043,758</b>	<b>\$18,618,944</b>	<b>\$16,097,144</b>	<b>\$13,748,638</b>	<b>\$16,444,509</b>	<b>\$17,776,610</b>	<b>\$18,866,625</b>	<b>\$20,546,581</b>
<i>Per Square Foot</i>	\$7.23	\$7.87	\$11.15	\$14.54	\$14.26	\$14.03	\$15.32	\$15.81	\$13.87	\$11.88	\$13.12	\$15.10	\$16.01	\$17.45



**40 Wall Street  
Market Value "As Is" on November 1, 2012  
Cash Flow Analysis**

	YEAR 1 FY 2013	YEAR 2 FY 2014	YEAR 3 FY 2015	YEAR 4 FY 2016	YEAR 5 FY 2017	YEAR 6 FY 2018	YEAR 7 FY 2019	YEAR 8 FY 2020	YEAR 9 FY 2021	YEAR 10 FY 2022	YEAR 11 FY 2023	YEAR 12 FY 2024	YEAR 13 FY 2025	YEAR 14 FY 2026
<b>LEASING &amp; CAPITAL COSTS</b>														
Tenant Improvements	\$2,821,739	\$9,574,008	\$2,005,666	\$289,497	\$2,521,779	\$1,647,775	\$857,624	\$622,973	\$3,536,919	\$7,839,631	\$4,659,498	\$3,759,804	\$2,976,438	\$2,873,981
Leasing Commissions	\$1,687,449	\$3,520,838	\$689,765	\$94,286	\$890,462	\$592,701	\$292,584	\$214,065	\$1,205,863	\$2,694,041	\$2,271,567	\$1,371,515	\$1,055,947	\$1,009,256
Capital Improvements	\$1,722,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Reserves	\$117,761	\$121,293	\$124,932	\$128,680	\$132,540	\$136,517	\$140,612	\$144,831	\$149,175	\$153,651	\$158,260	\$163,008	\$167,898	\$172,935
<b>TOTAL LEASING &amp; CAPITAL COSTS</b>	<b>\$6,348,949</b>	<b>\$13,216,139</b>	<b>\$2,820,363</b>	<b>\$512,463</b>	<b>\$3,544,781</b>	<b>\$2,376,993</b>	<b>\$1,290,820</b>	<b>\$981,869</b>	<b>\$4,891,957</b>	<b>\$10,687,323</b>	<b>\$7,089,325</b>	<b>\$5,294,327</b>	<b>\$4,200,283</b>	<b>\$4,056,172</b>
<b>TOTAL CASH FLOW</b>	<b>\$2,168,591</b>	<b>(\$3,953,237)</b>	<b>\$10,315,353</b>	<b>\$16,609,463</b>	<b>\$13,244,654</b>	<b>\$14,144,772</b>	<b>\$16,752,938</b>	<b>\$17,637,075</b>	<b>\$11,205,187</b>	<b>\$3,061,315</b>	<b>\$8,355,184</b>	<b>\$12,482,283</b>	<b>\$14,656,342</b>	<b>\$16,490,409</b>
Annual Overall Capitalization Rate	4.26%	4.63%	6.57%	8.56%	8.39%	8.26%	9.02%	9.31%	8.05%	6.87%	7.72%	8.89%	9.43%	
Annual Cash on Cash Return	1.08%	-1.98%	5.16%	8.30%	6.62%	7.07%	8.38%	8.82%	9.60%	1.53%	4.18%	6.24%	7.33%	
<b>PROPERTY VALUATION MATRIX AND CASH FLOW SUMMARY (\$000's)</b>														
Net Cash Flow	\$2,169	(\$3,953)	\$10,315	\$16,609	\$13,245	\$14,145	\$16,753	\$17,637	\$11,205	\$3,061	\$8,355	\$12,482	\$14,656	
Residual Value	0	0	0	0	0	0	0	0	0	0	0	0	324,862	
<b>Total Cash Flow Proceeds</b>	<b>\$2,169</b>	<b>(\$3,953)</b>	<b>\$10,315</b>	<b>\$16,609</b>	<b>\$13,245</b>	<b>\$14,145</b>	<b>\$16,753</b>	<b>\$17,637</b>	<b>\$11,205</b>	<b>\$3,061</b>	<b>\$8,355</b>	<b>\$12,482</b>	<b>\$339,518</b>	

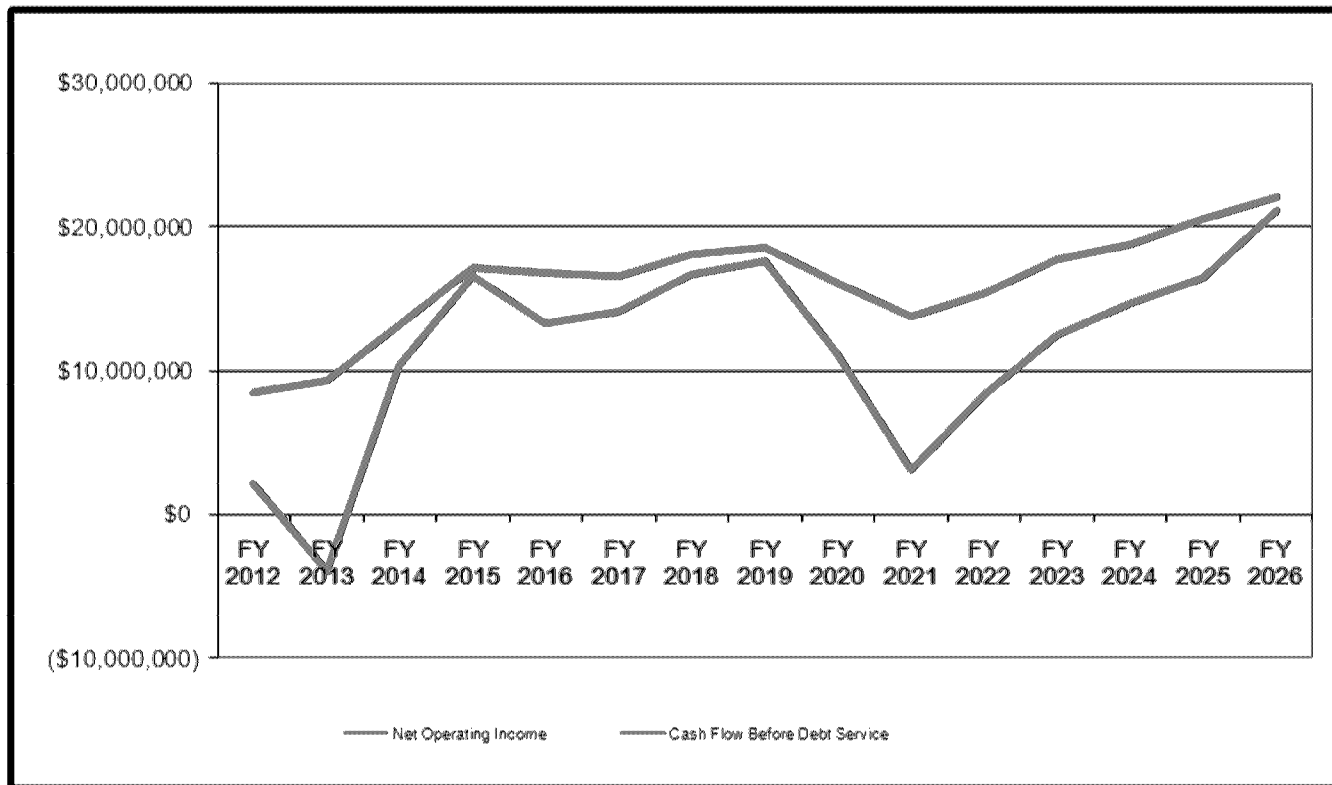
PRICING MATRIX - Sale/Yield Matrix (000's)					
IRR	Terminal Cap Rate				
	5.00%	5.50%	6.00%	6.50%	7.00%
<b>7.00%</b>	\$244,566 (\$208)	\$229,684 (\$195)	\$217,283 (\$185)	\$206,789 (\$176)	\$197,795 (\$168)
<b>7.50%</b>	\$232,339 (\$197)	\$218,332 (\$185)	\$206,660 (\$175)	\$196,783 (\$167)	\$188,317 (\$160)
<b>8.00%</b>	\$220,827 (\$188)	\$207,640 (\$176)	\$196,651 (\$167)	\$187,353 (\$159)	\$179,383 (\$152)
<b>8.50%</b>	\$209,985 (\$178)	\$197,567 (\$168)	\$187,218 (\$159)	\$178,462 (\$152)	\$170,956 (\$145)
<b>9.00%</b>	\$199,770 (\$170)	\$188,072 (\$160)	\$178,324 (\$151)	\$170,075 (\$144)	\$163,005 (\$138)

VALUATION ASSUMPTIONS	
Discount Rate:	8.00%
Terminal Cap Rate:	6.00%
Cost of Sale at Reversion	4.00%
Square Footage NRA (sf)	1,177,605
Holding Period	13 Years
Value of Cash Flow	77,200,190
Value of Reversion	119,451,105
<b>ESTIMATED MARKET VALUE</b>	<b>\$200,000,000</b>
Per Square Foot	\$169.84



The following graph depicts the forecasted change in both net income and net cash flow over the analysis period.



## OFFICE INVESTMENT MARKET

### OVERVIEW

#### LIQUIDITY INCREASES – DEBT MARKETS LEAD THE WAY

While the “great recession” of late 2007 through 2009 continues to have significant residual impact on both the underlying fundamentals of the leasing markets and the investment markets, the overall outlook for the office investment market has improved substantially over the past year.

The focus during 2009 and continuing into 2010 was on de-leveraging, as over-leveraged owners and lenders dealt with legacy loans that in many cases exceeded current values. The market stabilized somewhat in 2010, particularly during the second half of the year, and experienced greater positive momentum through the first half of 2011. A gradual economic recovery commenced in early 2010, and the real estate market began to benefit from the historically low interest rate environment and the anticipation of value and rent increases over the (relatively) near term. Most investment-grade REIT’s had access to capital in follow-on public offerings, liquidity in the CMBS market improved, and a broad range of lenders “re-engaged” in the commercial real estate market, although on more conservative terms than during the period from 2005 to 2007. During the second half of 2011, however, concerns about the economic recovery and a possible “double-dip” recession resulted in setbacks in the debt markets.

While significant concerns remain relating to the economic slowdown and debt crisis in Europe as of the early stages of 2012, the US economy is showing signs of continued recovery, offsetting some of the concerns of a double-dip recession which were prevalent during the latter portion of 2011.

### **CMBS MARKET**

The August, 2011 downgrade of the United States by S&P was preceded by a weakening in the CMBS component of the debt market. As noted above, the concerns about the strength of the economic recovery were exacerbated by the prolonged negotiations relating to increasing the debt ceiling, and the potential for government cutbacks to stall job growth had near-term negative impact on the securities market and the stock market. The outlook became more favorable during the last part of 2011 and January 2012.

The CMBS market did not recover to the degree anticipated during the first half of 2011, however. A review by Commercial Mortgage Alert (in early 2011) identified 25 firms that had begun to originate CMBS loans or were planning to do so in the near term. The projected 2011 commercial mortgage securitization originations for these 25 lenders was approximately \$68 billion versus \$7.9 billion during 2010. By comparison, there was approximately \$223 billion in commercial mortgage securitizations in the peak year of 2007. The aggressive expansion by lenders is one result of narrowing spreads for these offerings. Life Companies, banks, and debt funds "flooded" the market with debt at increasingly favorable terms during the first half of 2011, although underwriting standards remain more conservative and LTV ratios remain below 2005-2007 levels. Life Company originations totaled approximately \$55 billion in 2011, or more than the CMBS issuance. CMBS issuance in 2012 is expected to be in the range of \$40-\$45 billion, an increase of 33 percent to 50 percent above the 2011 level.



**CUSHMAN & WAKEFIELD SONNENBLICK GOLDMAN  
RECENT DEALS/CLOSINGS/QUOTES  
EQUITY TRANSACTIONS**

Recent Deals/Closings/Quotes - Debt						
Asset Type	Type of Financing	Type of Lender	Rate/Return	Loan-to-Value	Term	Amortization/Comments
Office	Floating	Bank	L + 250	65%	3 Years plus two 12-month ext.	IO
Office	Fixed	Bank	4.30%	70%	7 years	25 year
Office	Fixed	Bank	5.10%	70%	10 years	25 year
Office	Fixed	Life Company	T + 200	60%	15 years	30 year, 3 Years IO
Office	Floating	Bank	L + 235	65%	7 years	30 year, 3 Years IO
Office	Fixed	Bank	4.25%	75%	5 years	25 year
Office	Fixed	Bank	S + 230	65%	5 years	30 year, 2 Years IO
Office	Floating	Bank	L + 250	65%	5 years	IO, 0.75% fee

Recent Deals/Closings/Quotes - Equity						
Asset Type	Type of Financing	Type of Investor	Target Return	Equity Contribution Levels	Comments	
Office	Preferred Equity	REIT	8%	100%/0%	Up to 65% LTV	

Source: Cushman & Wakefield Sonnenblick Goldman Capital Markets Update

**SENIOR & SUBORDINATE LENDING SPREADS**

	Maximum Loan-to-Value	DSCR	Spreads
Fixed Rate - 5 Years	65-70%	1.30 - 1.50	T + 195 - 380
Fixed Rate - 10 Years	60-70%	1.30 - 1.50	T + 165 - 350
Floating Rate - 5 Years			
Core Asset	< 65%	1.30 - 1.50	L + 200 + 325
Value Add Asset	< 65%	1.25 - 1.40	L + 325 - 500
Mezzanine Moderate Leverage	65-80%	1.05 - 1.15	L + 700 + 900
Mezzanine High Leverage	75-90%		L + 1000 + 1400

Source: Cushman & Wakefield Sonnenblick Goldman Capital Markets Update

**BASE RATES**

	April 2, 2012	Two Weeks Prior	One Year Prior
<b>30 Day LIBOR</b>	0.24%	0.24%	0.24%
<b>U.S. TREASURY</b>			
5 Year	1.03%	1.20%	2.23%
10 Year	2.20%	2.39%	3.47%
<b>SWAPS</b>		<u>Current Swap Spreads</u>	
5 Year	1.27%	0.24%	
10 Year	2.28%	0.08%	

Source: Cushman & Wakefield Sonnenblick Goldman Capital Markets Update

**TEN-YEAR FIXED RATE RANGES BY ASSET CLASS**

	Maximum Loan-to-Value	Class A	Class B/C
Anchored Retail	60-70%	T + 270	T + 280
Strip Center	60-65%	T + 290	T + 305
Multi-Family (non-agency)	65-70%	T + 235	T + 240
Multi-Family (agency)	70-75%	T + 190	T + 195
Distribution/Warehouse	65-70%	T + 285	T + 300
R&D/Flex/Industrial	55-65%	T + 295	T + 310
Office	60-70%	T + 270	T + 290
Hotel	50-55%	T + 325	T + 350

Source: Cushman & Wakefield Sonnenblick Goldman Capital Markets Update

During July, 2011 however, one of the three main “legs” of the debt market, CMBS, exhibited significant signs of weakness. Increasing concerns over the strength of the economic recovery in the United States led to widening spreads and disappointing results for CMBS offerings in late third quarter 2011. A July 2011 \$1.5 billion Wells Fargo/RBS AAA-rated pool was priced at much higher than anticipated spreads. A JP Morgan CMBS offering was trading at spreads in the range of 50 basis points over the prior month. Goldman Sachs and Citi pulled their planned \$1.5 billion offering from the market after S&P failed to issue final ratings for the bonds, and Deutsche Bank and UBS have delayed their planned \$1.4 billion CMBS offering until September, hoping for better market conditions. In general, CMBS originators reduced their projections for the rest of 2011 leading with approximately \$40 billion in issuance. The life companies and banks continued to maintain their pace of lending, however. The outlook is more positive for 2012, however, with CMBS spreads tightening over the first month of the year. The \$1.1 billion Goldman/Citi pool closed during January, 2012 with much more favorable responses from investors. In addition, nearly \$2.7 billion of CMBS issuance were successfully marketed in early March, 2012, including a \$925 billion offering by Wells Fargo and RBS.

### **CURRENT DEBT RATES AND SPREADS**

The accompanying exhibit provides an overview of current and recent closed loan transactions and current quotes from a range of lenders. The data is compiled by Cushman & Wakefield/Sonnenblick Goldman. Fixed rates for 10-year loans for office assets are quoted at 270 basis point spreads over treasuries for Class A office properties, and 290 basis points over treasuries for Class B office assets, with maximum LTV's of 60 to 70 percent.

Based on the April 2, 2012, 10-year treasury rate of 2.20%, the indicated fixed rate interest rate is about 4.9% for Class A office and about 5.2% for Class B/C office. Despite the downgrade of the US by S&P, last year treasuries have actually strengthened. The concerns over the European economy and debt levels have led to a “flight-to-quality” in U.S. Treasuries, placing downward pressure on rates.

### **EQUITY FLOWS INCREASE**

The debt markets are a critical component to the overall investment market, as the availability of debt at favorable rates enables investors to gain significant positive leverage on their equity.

Numerous equity “vehicles” have been formed over the past two years, raising billions in capital for a wide variety of funds targeting real estate assets ranging from “core” to “opportunity” and “distressed” properties and debt. Capital has been raised, and continues to be raised from institutional investors, wealthy individuals, and foreign investors. Recent examples include a \$510 million equity fund raised by Madison International Realty targeting partial ownership interests in Class A properties and portfolios, and a current effort by Divcowest Properties to raise up to \$800 million in equity for value-add investments, targeting primarily office and light industrial assets. This fund will be a “co-investment” vehicle with targeted returns of 10 to 13 percent (equity), using leverage to increase buying capacity to over \$2 billion. DRA is in the process of raising \$850 million in equity (buying power with leverage expected to approach \$3 billion) targeting a 13% to 15% return by acquiring office, retail, multi-family and industrial properties at \$20 million or greater in primary and secondary US markets. Menlo Equities is currently in the process of raising \$150 million for a California office investment vehicle targeting a 14% return, with 20% of the total invested in ground-up office development. Normandy Real Estate raised a \$500 million value-added fund targeting 14% to 15% returns on distressed office assets. Normandy's previous fund resulted in several major, well-timed acquisitions including John Hancock Tower in Boston and 10 UCP in the Los Angeles area. Glenborough Realty is looking to raise \$100 million in equity (targeting \$275 million in acquisitions with leverage) for distressed (“opportunistic”) office buys. The targeted leveraged returns are 15% to 18%.

The accompanying chart provides an overview of real estate equity funds in the market during 2011 with criteria that includes office assets in US markets. The exhibit includes the equity raised by category of fund (Core, Value Add, Opportunity) differentiated by the corresponding risk profile which the fund targets. The targeted returns (equity returns) reflect the goals of the fund when the equity was raised, and the equity returns logically are impacted by the cost and availability of leverage. The chart shows only a selection of the funds, and the available equity totals about \$82 billion. With 65 percent LTV leverage, the buying power would total more than \$230 billion. Together with REITs, offshore investors, and local and regional buyers, these and other funds drive the “demand” side of the investment market. The availability of equity combined with the current favorable debt markets and low interest rates which enables buyers to leverage their buying power has created (to a degree) a capital-driven investment market which is buying in advance of a true recovery in the underlying commercial real estate fundamentals.

REAL ESTATE EQUITY FUNDS

Core Plus Funds				
Sponsor	Proj. Equity Size (\$Mill.)	Target Return (%)	Asset Type	Target Areas
Angelo, Gordon & Co.	\$580	10-12	Office, retail, industrial	North America
Brookfield Asset Management	\$1,000	10-13	Office	US
Colony Capital	\$500	10-13	Office, multifamily, retail, industrial	US
Paramount Group	\$1,000	11-12	Office	Large US cities
PCG Equity	\$500	10	Office, retail, industrial	US
PRP Real Estate Investors	\$400	11	Office	US
Thomas Properties	\$180	12+	Office	US
USAA Real Estate	\$325	10-12	Diverse	US
<b>Total:</b>	<b>\$4,465</b>	<b>Range: 10-13%</b>		

Opportunity Funds				
Sponsor	Proj. Equity Size (\$Mill.)	Target Return (%)	Asset Type	Target Areas
AEW Capital Management	\$424	16-18	Diverse	US
Beacon Capital Partners	\$2,500	15-17	Office	US, Europe
Blackstone Group	\$10,000	20	Office, hotel	Global
Brookdale Group	\$410	16-19	Office	US
Brookfield Asset Management	\$5,000	21	Office, retail	Global
Carlyle Realty Partners 6	\$1,500	20	Diverse	US
CB Richard Ellis Investors	\$600	16	Diverse	US
Fidelity Investments	\$875	18	Diverse	US
Harbert Real Estate Fund 4	\$250	15-18	Office, multifamily, industrial	US
Iron Point Partners	\$460	18	All	US
JP Morgan US Opportunistic Fund	\$750	18	Diverse	US
John Buck Co.	\$350	14-18	Office, multifamily	US
Murray Hill Properties	\$600	15-17	Office	New York
Northland Investment	\$100	16-18	Diverse	US
Parmenter Realty Partners	\$500	20	Office	Sunbelt
RXR Realty	\$275	16-19	Office	NY area
Spear Street Capital	\$600	18+	Office	US
Stockbridge Capital Partners	\$1,150	16	Office, retail, hotel	US
Walton Street Capital	\$2,000	20	Diverse	US, other
<b>Total:</b>	<b>\$28,344</b>	<b>Range: 14-21%</b>		

Value Add Funds				
Sponsor	Proj. Equity Size (\$Mill.)	Target Return (%)	Asset Type	Target Areas
Abacus Capital	\$250	13-15	All	US
AIC Ventures	\$100	15	Office, industrial	US
Brookfield Asset Management	\$282	13	Office, other	US, Canada
Capri Capital	\$538	15+	Diverse	US
Crocker Partners	\$400	13-16	Office	TX, Southeast
Divco West	\$800	10-13	Office, industrial	US
Douglas Emmett	\$549	12-14	Office	US
DRA Advisors	\$1,250	13-15	Retail, office, multifamily	US
Embarcadero Capital Partners	\$365	15	Office	West Coast
LaSalle Investment Income Growth Fund 5	\$729	15	Office, retail, industrial	US
LaSalle Investment Income Growth Fund 6	\$700	15	Office, retail, industrial	US
LBA Realty	\$750	15-16	Office, industrial	West
Legacy Partners	\$451	12-15	Office, industrial	West
Marcus Partners	\$250	15	Office, industrial	Eastern US
MayfieldGentry Realty	\$400	12-16	Office, multifamily, retail, industrial	US
Menlo Equities	\$150	14	Office	California
Meridian Group	\$300	15	Office	DC area
Meritage Properties	\$150	15	Office	Boston-DC
Normandy Real Estate Partners	\$300	14	Office	Northeast
Rockpoint Group	\$2,518	15+	Office, multifamily, retail	US, Eur., Asia
Rockwood Capital	\$984	15	Diverse	US
Rubenstein Partners	\$475	15	Office	East
TA Associates Realty	\$1,888	13+	Office, industrial, multifamily	US
Thompson Natl., Shangri-La Ind.	\$100	15+	Office, industrial	US
Tishman Speyer	\$1,500	13-15	Office	US
Transwestern Investment	\$440	15+	Office, retail, industrial	US
Urdang Capital Management	\$463	14	Office, multifamily, retail	East, West Coasts
Vornado Realty	\$800	12-16	Office, retail	New York, DC
<b>Total:</b>	<b>\$17,642</b>	<b>Range: 10-16%</b>		

	Proj. Equity Size (\$Mill.)	Target Return (%)
<b>GRAND TOTAL:</b>	<b>\$50,451</b>	<b>10-21%</b>

Source: Real Capital Analytics; compiled by Cushman & Wakefield Valuation & Advisory



The accompanying chart provides an overview of real estate equity funds in the market during 2011 with criteria that includes office assets in US markets. The exhibit includes the equity raised by category of fund (Core, Value Add, Opportunity) differentiated by the corresponding risk profile which the fund targets. The targeted returns (equity returns) reflect the goals of the fund when the equity was raised, and the equity returns logically are impacted by the cost and availability of leverage. The chart shows only a selection of the funds, and the available equity totals about \$82 billion. With 65 percent LTV leverage, the buying power would total more than \$230 billion. Together with REITs, offshore investors, and local and regional buyers, these and other funds drive the "demand" side of the investment market. The availability of equity combined with the current favorable debt markets and low interest rates which enables buyers to leverage their buying power has created (to a degree) a capital-driven investment market which is buying in advance of a true recovery in the underlying commercial real estate fundamentals.

### INVESTOR SURVEY TRENDS

Historic trends in real estate investment help us understand the current and future direction of the market. Investors' return requirements are a benchmark by which real estate assets are bought and sold.

The investment criteria derived from the improved property sales within the Sales Comparison Approach section of this report also lend support to national investor surveys of investment parameters. Following is a brief review of effective gross income multipliers, overall rates, forecasted holding periods, internal rates of return and terminal overall rates from several **Midtown and Downtown** Manhattan office building sales.

SALES ECONOMIC INDICATORS - DOWNTOWN MANHATTAN									
No.	Sales Date	Property Name	Price	Price/ NRA	EGIM	OAR	Forecast	IRR	Terminal OAR
1	Contract	180 Water Street	\$164,000,000	\$288	9.15	5.78%	10	8.00%	6.00%
2	Contract	222 Broadway	\$230,000,000	\$292	9.92	3.62%	13	7.50%	5.50%
3	Contract	4 New York Plaza	\$270,000,000	\$241	8.62	4.23%	11	8.00%	6.00%
4	Apr-12	14 Wall Street	\$303,000,000	\$298	11.37	4.39%	10	8.00%	5.50%
5	Jan-12	33 Maiden Lane	\$207,500,000	\$332	9.64	4.74%	10	8.00%	5.50%
6	Nov-11	195 Broadway	\$287,000,000	\$274	8.28	6.30%	10	9.00%	6.00%
7	Oct-11	93 Worth Street	\$49,750,000	\$302	9.74	6.32%	10	8.00%	6.00%
8	Jul-11	120 Broadway	\$525,000,000	\$283	6.91	6.74%	10	8.00%	6.00%

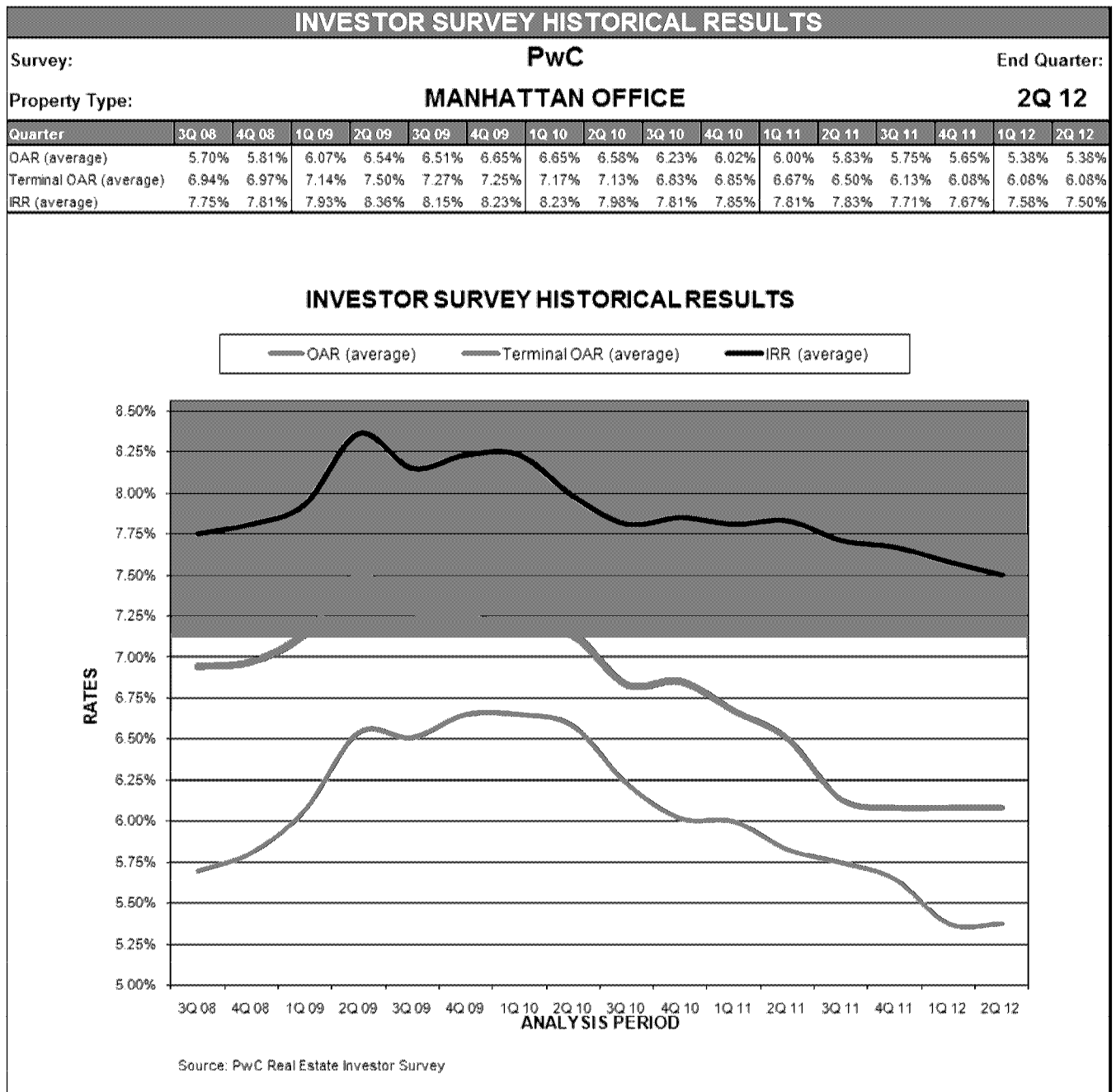
\* Compiled by Cushman & Wakefield Valuation & Advisory

SALES ECONOMIC INDICATORS - MIDTOWN MANHATTAN									
No.	Sales Date	Property Name	Price	Price/ NRA	EGIM	OAR	Forecast	IRR	Terminal OAR
1	Contract	575 Lexington Avenue	\$364,000,000	\$489	11.95	3.95%	10	8.50%	6.00%
2	Contract	645 Fifth Avenue	\$890,000,000	\$1,759	18.25	3.12%	10	6.50%	5.00%
3	Jan-12	10 East 53rd Street	\$252,500,000	\$650	12.91	4.01%	10	7.00%	5.00%
4	Nov-11	666 Fifth Avenue	\$1,115,000,000	\$766	13.40	3.23%	13	6.50%	5.00%
5	Oct-11	375 Park Avenue	\$1,200,000,000	\$1,411	13.90	4.50%	12	8.50%	5.50%
6	Sep-11	2 Grand Central Tower	\$400,000,000	\$600	13.66	3.59%	10	8.00%	5.50%
7	Sep-11	650 Madison Avenue	\$950,000,000	\$1,574	19.12	3.61%	10	7.00%	5.50%
8	Sep-11	Park Avenue Plaza	\$1,100,000,000	\$967	14.19	3.94%	10	7.50%	5.50%
9	Sep-11	200 Fifth Avenue	\$726,000,000	\$860	15.54	4.60%	10	8.00%	6.00%
10	Aug-11	299 Park Avenue	\$1,185,000,000	\$1,046	12.57	4.39%	10	8.00%	5.50%

\* Compiled by Cushman & Wakefield Valuation & Advisory

It should be noted that the internal rate of return and terminal overall capitalization rate information reflected in the above chart was extracted from cash flows prepared by Cushman & Wakefield, Inc. from appraisals they prepared of these properties. This information is not provided in publications, but is a technique which only Cushman & Wakefield, Inc. employs in their analysis of New York City office building sales from an appraisal standpoint. The Cushman & Wakefield, Inc. internal rate of return and terminal overall capitalization rate information are confirmed directly from the owners of the respective properties when the properties were appraised.

In addition, the following graph shows the historic trends for the subject's asset class spanning a period of four years as reported in the PricewaterhouseCoopers Real Estate Investor Survey. We note that the data in the PWC reflects "all cash" rates, which consider a blend of equity and debt. The return data also does not discriminate between asset categories (Class A, B, C), occupancy levels, age, or specific Manhattan submarket location.



As the chart illustrates, the return requirements cited by investors declined during the period from 2004 through 2006, moderating through 2007, and subsequently (2008 through third quarter 2009) showing an increasing trend as investment market conditions further weakened with the recession. Through year end 2011 and early 2012 however, investment market conditions have shown considerable improvement over 2009 data. The (average) IRR requirements for Manhattan office properties increased quarterly from first quarter 2008 through first quarter 2009, with the reported IRR's stabilizing/improving over the past nine quarters. IRR requirements (average) declined by 86 basis points from the recent peak of 8.36 percent (second quarter 2009) to the current level of 7.50 percent (second quarter 2012).

Not coincidentally, the 2008-2009 increase corresponds somewhat to the period following the Lehman Bros bankruptcy at the end of September, 2008. While the capital and debt markets were impacted significantly beginning in approximately mid-2007, the Lehman bankruptcy and subsequent "fallout" in the financial markets beginning fourth quarter 2008 brought most real estate investment to a virtual "standstill", as buyers could not obtain financing and there were no guidelines for underwriting risk.

In addition to IRR decreases, overall capitalization rates (OAR) for Manhattan Office have also decreased by 127 basis points from the peak of 6.65 percent during fourth quarter 2009 to 5.38 percent as of second quarter 2012. Terminal capitalization rates have declined from their high achieved during second quarter 2009 (7.50%) by 142 basis point range to its current level of 5.38 percent as of second quarter 2012.

### **TERMINAL CAPITALIZATION RATE SELECTION**

We based the estimate of property value at reversion on assumed resale at the end of Year 13, using our forecast of Year 14 net operating income. The reversion value was calculated by applying a capitalization rate of 6.00 percent to the fiscal year 2025 NOI and subtracting sales expenses of 4.00 percent. The net cash flows and the net reversion were discounted to net present value using a discount rate of 8.00 percent, the derivation of which is discussed below.

A terminal capitalization rate was used to estimate the market value of the property at the end of the assumed investment-holding period. We estimated an appropriate terminal rate based on indicated rates in today's market. PriceWaterhouseCoopers, Inc. periodically surveys national real estate investors to determine terminal capitalization rates considered acceptable by respondents.

DOWNTOWN MANHATTAN OFFICE BUILDING SALES TERMINAL CAPITALIZATION RATE SUMMARY		
No.	Property	Capitalization Rate
1	180 Water Street	6.00%
2	222 Broadway	5.50%
3	4 New York Plaza	6.00%
4	14 Wall Street	5.50%
5	33 Maiden Lane	5.50%
6	195 Broadway	6.00%
7	93 Worth Street	6.00%
8	120 Broadway	6.00%

STATISTICS	
Low	5.50%
High	6.00%
Median	6.00%
Average	5.81%

\* Compiled by Cushman & Wakefield Valuation & Advisory

MIDTOWN MANHATTAN OFFICE BUILDING SALES TERMINAL CAPITALIZATION RATE SUMMARY		
No.	Property	Capitalization Rate
1	575 Lexington Avenue	6.00%
2	645 Fifth Avenue	5.00%
3	10 East 53rd Street	5.00%
4	666 Fifth Avenue	5.00%
5	375 Park Avenue	5.50%
6	2 Grand Central Tower	5.50%
7	650 Madison Avenue	5.50%
8	Park Avenue Plaza	5.50%
9	200 Fifth Avenue	6.00%
10	299 Park Avenue	5.50%

STATISTICS	
Low	5.00%
High	6.00%
Median	5.50%
Average	5.45%

\* Compiled by Cushman & Wakefield Valuation & Advisory

In addition, PriceWaterhouseCoopers, Inc. periodically surveys national real estate investors to determine terminal capitalization rates considered acceptable by respondents.



TERMINAL CAPITALIZATION RATES (OAR <sub>term</sub> )			
Survey	Date	Range	Average
PwC	Second Quarter 2012	5.00% - 7.50%	6.08%
PwC - Refers to Manhattan Office market regardless of class or occupancy			

The terminal capitalization rates derived from the improved property sales range from 5.00 to 6.00 percent. Investors typically add 50 to 250 basis points to the “going-in” rate to arrive at a terminal capitalization rate, according to Cushman & Wakefield’s periodic investor surveys.

In consideration of the subject’s location, tenant profile, significant roll over during the analysis period and expected increase in Midtown Manhattan market rents, we have applied a 6.00 percent terminal capitalization rate in our analysis. This rate is supported by the comparable sales and the investor surveys previously cited.

### DISCOUNT RATE ANALYSIS

We estimated future cash flows, including property value at reversion, and discounted that income stream at an internal rate of return (yield rates) currently required by investors for similar-quality real property. The yield rate (internal rate of return or IRR) is the single rate that discounts all future equity benefits (cash flows and equity reversion) to an estimate of net present value.

The investment criteria derived from the improved property sales within the Sales Comparison Approach section of this report also lend support to national investor surveys of investment parameters.

DOWNTOWN MANHATTAN OFFICE BUILDING SALES DISCOUNT RATE (IRR) SUMMARY		
No.	Property	Discount Rate
1	180 Water Street	8.00%
2	222 Broadway	7.50%
3	4 New York Plaza	8.00%
4	14 Wall Street	8.00%
5	33 Maiden Lane	8.00%
6	195 Broadway	9.00%
7	93 Worth Street	8.00%
8	120 Broadway	8.00%

STATISTICS	
Low	7.50%
High	9.00%
Median	8.00%
Average	8.06%

\* Compiled by Cushman & Wakefield Valuation & Advisory

MIDTOWN MANHATTAN OFFICE BUILDING SALES DISCOUNT RATE (IRR) SUMMARY		
No.	Property	Discount Rate
1	575 Lexington Avenue	8.50%
2	645 Fifth Avenue	6.50%
3	10 East 53rd Street	7.00%
4	666 Fifth Avenue	6.50%
5	375 Park Avenue	8.50%
6	2 Grand Central Tower	8.00%
7	650 Madison Avenue	7.00%
8	Park Avenue Plaza	7.50%
9	200 Fifth Avenue	8.00%
10	299 Park Avenue	8.00%

STATISTICS	
Low	6.50%
High	8.50%
Median	7.75%
Average	7.55%

*\* Compiled by Cushman & Wakefield Valuation & Advisory*

The second quarter 2012 PriceWaterhouseCoopers, Inc. survey indicates that investors considered acceptable internal rates of return within the following range:

DISCOUNT RATES (IRR)			
Survey	Date	Range	Average
PwC	Second Quarter 2012	6.00% - 10.00%	7.50%
PwC - Refers to Manhattan Office market regardless of class or occupancy			

### SUMMARY OF DISCOUNT RATE SELECTION

Several sources of discount rate (internal rate of return) information were analyzed including Investor Survey data. The internal rates of return cited previously, by the PriceWaterhouseCoopers, Inc. survey, range from 6.00 to 10.00 percent. Manhattan office building sales reflect internal rates of return ranging from 6.50 to 9.00 percent.

In our selection of a discount rate for the subject property, we have examined mortgage rates available today. The interest rate for a 30-year fixed rate mortgage is currently below 5.00 percent. In addition, the current discount rate, or the interest rate charged by the Federal Reserve when banks borrow money of 0.75 percent is still near historic lows.

The subject consists of an excellent quality office building located in Midtown Manhattan. We estimated a discount rate at 8.00 percent would be appropriate for an asset of the subject's caliber, leasing profile, declining returns expected by investors in the current market in relation to other office properties, and location, given the rollover risk.

## "As Is" VERSUS "STABILIZED" VALUES

Our estimate of the appropriate discount rate for the market value analysis is the same as the discount rate assuming stabilized occupancy. The "As Is" value of the property assumes that a buyer will require a greater return on his or her investment given the speculative nature of leasing office space in an improving, yet still competitive market. The "Upon Reaching Stabilized Occupancy" value analysis is less risky, under the assumption that the property has achieved optimum market occupancy. Although this relationship is generally true, the subject property is expected to achieve stabilization by November 1, 2015.

**We have not adjusted the discount rate and terminal capitalization rate within the "Prospective" market value discounted cash flow analysis. Due to the speculative nature of making an arbitrary adjustment for lower risk of stabilized occupancy in the future, we have taken a more conservative approach of using a current internal rate of return and terminal capitalization rate. Considering the significant upside upon reaching stabilized occupancy, we are hesitant to fully credit the upside as a stabilized building.**

Based upon the above, it is our opinion that an investor would require a discount rate in the range of 7.50 to 8.50 percent with a terminal capitalization rate ranging from 5.50 to 6.50 percent. Accordingly, we have discounted the projected future pre-tax cash flows to be received by an equity investor in the subject property to a present value from 7.50 to 8.50 percent at 50 basis point intervals. Discounting these cash flows, over the range of yields and terminal rates that are now being required by participants in the market, for this type of real estate, places additional perspective upon our analysis. A valuation matrix for the subject property is presented below.

VALUATION MATRIX			
40 Wall Street– Market Value "As Is" (\$000's)			
IRR	Terminal Capitalization Rates		
	5.50%	6.00%	6.50%
7.50%	\$218,300	\$206,600	\$196,700
8.00%	\$207,600	\$196,600	\$187,300
8.50%	\$197,500	\$187,100	\$178,400

The value of the subject property varies with the discount rates and range of terminal capitalization rates from approximately **\$178,400,000 to \$218,300,000**, as rounded. Given consideration to all of the characteristics of the subject property previously discussed, we feel that a prudent investor would require a yield, which falls near the mid-point of the market range outlined above for this property.

In view of the analysis presented, it is our opinion that the discounted cash flow analysis indicates a market value of **\$200,000,000**, as rounded, for the subject property. The indices of investment generated through this indication of value are presented as follows.

VALUATION PARAMETERS	
40 WALL STREET NEW YORK, NEW YORK	
Terminal Capitalization Rate	6.00%
Equity Yield	8.00%
Price/SF of NRA	\$169.84

## DISCOUNTED CASH FLOW ANALYSIS AND DCF SUMMARY TABLE

Based on the discount rate selected above, market value would be **\$200,000,000**, rounded. The reversionary sale contributes 60.74 percent to this value estimate. The 13 year discounted cash flow summary table is presented on the following page.

## 40 Wall Street

Between Nassau and William Streets  
New York City

Discounted Cash Flow Analysis  
Market Value "As Is" on November 1, 2012

FISCAL YEAR	NET CASH FLOW	DISCOUNT FACTOR @ 8.00%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	\$ 2,168,591	X	0.925926 = \$ 2,007,955	1.02%	1.10%
Two	\$ (3,953,237)	X	0.857339 = \$ (3,389,264)	-1.72%	-2.01%
Three	\$ 10,315,353	X	0.793832 = \$ 8,188,660	4.16%	5.25%
Four	\$ 16,609,463	X	0.735030 = \$ 12,208,451	6.21%	8.45%
Five	\$ 13,244,654	X	0.680583 = \$ 9,014,089	4.58%	6.74%
Six	\$ 14,144,772	X	0.630170 = \$ 8,913,606	4.53%	7.19%
Seven	\$ 16,752,938	X	0.583490 = \$ 9,775,178	4.97%	8.52%
Eight	\$ 17,637,075	X	0.540269 = \$ 9,528,763	4.85%	8.97%
Nine	\$ 11,205,187	X	0.500249 = \$ 5,605,383	2.85%	5.70%
Ten	\$ 3,061,315	X	0.463193 = \$ 1,417,981	0.72%	1.56%
Eleven	\$ 8,355,184	X	0.428883 = \$ 3,583,395	1.82%	4.25%
Twelve	\$ 12,482,283	X	0.397114 = \$ 4,956,886	2.52%	6.35%
Thirteen	\$ 14,656,342	X	0.367698 = \$ 5,389,107	2.74%	7.45%
<b>Total Present Value of Cash Flows</b>			\$ 77,200,190	39.26%	5.15% Average
<b>Reversion:</b>					
Fourteen	\$ 20,546,581	(1) /	6.00% = \$ 342,443,017		
	Less: Cost of Sale @	4.00%	\$ 13,697,721		
	Less: T.I. and Comm.		\$ 3,883,237		
	Net Reversion		\$ 324,862,059		
	X Discount Factor		<u>0.367698</u>		
<b>Total Present Value of Reversion</b>			\$ 119,451,105	60.74%	
<b>Total Present Value</b>			\$ 196,651,295	100.00%	
<b>ROUNDED:</b>			<b><u>\$ 200,000,000</u></b>		

Net Rentable Area (SF):	1,177,605
Per Square Foot of Net Rentable Area:	\$169.84
Implicit Going-in Capitalization Rate:	
Year One NOI ( 12 Months )	\$8,517,540
Going-In Cap Rate	4.26%
Compounded Annual Growth Rate	
Concluded to Reversion:	4.22%
Compounded Annual Growth Rate	
Net Cash Flow:	n/a

**Note: (1) Net Operating Income**

## PROSPECTIVE VALUE "UPON REACHING STABILIZED OCCUPANCY" AS OF NOVEMBER 1, 2015

The key assumption of this scenario, which is based upon the cash flow projection exhibited previously, is that the property will reach stabilized occupancy by November 1, 2015 following the lease up and "burn-off" of rental concessions (free rent and work letter). With the exception of the starting date, all other assumptions such as market rent, growth rate, rent concessions, vacancy between leases and credit loss remain the same as the "Upon Achieving Stabilization" scenario. We have included a 10-year cash flow projection reflecting the assumptions used in this scenario, which assume a calendar year analysis beginning November 1, 2015.

**We have not adjusted the discount rate and terminal capitalization rate within the "Prospective" market value discounted cash flow analysis. Due to the speculative nature of making an arbitrary adjustment for lower risk of stabilized occupancy in the future, we have taken a more conservative approach of using a current internal rate of return and terminal capitalization rate. Considering the significant upside upon reaching stabilized occupancy, we are hesitant to fully credit the upside as a stabilized building.**

Based upon the above, it is our opinion that an investor would require a discount rate in the range of 7.50 to 8.50 percent with a terminal capitalization rate ranging from 5.50 to 6.50 percent. Accordingly, we have discounted the projected future pre-tax cash flows to be received by an equity investor in the subject property to a present value from 7.50 to 8.50 percent at 50 basis point intervals. Discounting these cash flows, over the range of yields and terminal rates that are now being required by participants in the market, for this type of real estate, places additional perspective upon our analysis. A valuation matrix for the subject property is presented below.

VALUATION MATRIX			
40 Wall Street "Prospective Market Value" (\$000's)			
IRR	Terminal Capitalization Rates		
	5.50%	6.00%	6.50%
7.50%	\$262,700	\$248,200	\$235,900
8.00%	\$253,000	\$239,100	\$227,400
8.50%	\$243,800	\$230,600	\$219,400

The value of the subject property varies with the discount rates and range of terminal capitalization rates from approximately **\$219,400,000 to \$262,700,000**, as rounded. Given consideration to all of the characteristics of the subject property previously discussed, we feel that a prudent investor would require a yield, which falls near the mid-point of the market range outlined above for this property.

In view of the analysis presented, it is our opinion that the discounted cash flow analysis indicates a market value of **\$240,000,000**, as rounded, for the subject property. The indices of investment generated through this indication of value are presented as follows.

VALUATION PARAMETERS	
40 WALL STREET	
NEW YORK, NEW YORK	
Terminal Capitalization Rate	6.00%
Equity Yield	8.00%
Price/SF of NRA	\$203.80

## DISCOUNTED CASH FLOW ANALYSIS AND DCF SUMMARY TABLE

Based on the discount rate selected above, market value would be \$240,000,000, rounded. The reversionary sale contributes 62.92 percent to this value estimate. The 10-year discounted cash flow summary table is presented on the following page.

## 40 Wall Street

Between Nassau and William Streets  
New York City

Discounted Cash Flow Analysis  
Prospective Market Value on November 1, 2015

FISCAL YEAR	NET CASH FLOW	DISCOUNT FACTOR @ 8.00%	PRESENT VALUE OF CASH FLOWS	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
One	\$ 16,609,463	X	= \$ 15,379,132	6.43%	6.95%
Two	\$ 13,244,654	X	= \$ 11,355,156	4.75%	5.54%
Three	\$ 14,144,772	X	= \$ 11,228,576	4.70%	5.91%
Four	\$ 16,752,938	X	= \$ 12,313,910	5.15%	7.01%
Five	\$ 17,637,075	X	= \$ 12,003,497	5.02%	7.37%
Six	\$ 11,205,187	X	= \$ 7,061,169	2.95%	4.69%
Seven	\$ 3,061,315	X	= \$ 1,786,248	0.75%	1.28%
Eight	\$ 8,355,184	X	= \$ 4,514,046	1.89%	3.49%
Nine	\$ 12,482,283	X	= \$ 6,244,249	2.61%	5.22%
Ten	\$ 14,656,342	X	= \$ 6,788,722	2.84%	6.13%
<b>Total Present Value of Cash Flows</b>			\$ 88,674,705	37.08%	5.36% Average
<b>Reversion:</b>					
Eleven	\$ 20,546,581	(1) /	6.00% = \$ 342,443,017		
	Less: Cost of Sale @	4.00%	\$ 13,697,721		
	Less: T.J and Comm.		\$ 3,883,237		
	Net Reversion		\$ 324,862,059		
	X Discount Factor		<u>0.463193</u>		
<b>Total Present Value of Reversion</b>			\$ 150,473,990	<u>62.92%</u>	
<b>Total Present Value</b>			\$ 239,148,695	100.00%	
<b>ROUNDED:</b>			<b><u>\$ 240,000,000</u></b>		

Net Rentable Area (SF):	1,177,605
Per Square Foot of Net Rentable Area:	\$203.80
Implicit Going-in Capitalization Rate:	
Year One NOI ( 12 Months )	\$17,121,926
Going-in Cap Rate	7.13%
Compounded Annual Growth Rate	
Concluded to Reversion:	3.62%
Compounded Annual Growth Rate	
Net cash Flow:	n/a

**Note: (1) Net Operating Income**



### DIRECT CAPITALIZATION VALUATION METHOD (UPON ACHIEVING STABILIZED OCCUPANCY AS OF NOVEMBER 1, 2015)

In the direct capitalization method, we estimated market value by dividing stabilized net operating income by an overall rate derived from our analyses of market sales and computed by dividing the net operating income from a sold property by its sale price. The overall capitalization rates derived from the improved property sales are between 3.62 and 6.74 percent. The overall capitalization rates derived from the most applicable improved property sales are shown below.

DOWNTOWN MANHATTAN OFFICE BUILDING SALES OVERALL CAPITALIZATION RATE SUMMARY		
No.	Property	Capitalization Rate
1	180 Water Street	5.78%
2	222 Broadway	3.62%
3	4 New York Plaza	4.23%
4	14 Wall Street	4.39%
5	33 Maiden Lane	4.74%
6	195 Broadway	6.30%
7	93 Worth Street	6.32%
8	120 Broadway	6.74%

STATISTICS	
Low	3.62%
High	6.74%
Median	5.26%
Average	5.26%

*\* Compiled by Cushman & Wakefield Valuation & Advisory*

Additional support can be drawn from the second quarter 2012 PriceWaterhouseCoopers, Inc. overall capitalization rate survey:

CAPITALIZATION RATES			
Survey	Date	Range	Average
PwC	Second Quarter 2012	4.00% - 8.00%	5.38%
PwC - Refers to Manhattan Office market regardless of class or occupancy			

In the context of the direct capitalization method, a going-in rate of 7.00 percent is considered reasonable, compensating the typical buyer for the risk inherent in investing in this building. We have applied the direct capitalization a summary of the direct capitalization method is shown below.

## INDICATED VALUE BASED ON DIRECT CAPITALIZATION OF NOI

Direct Capitalization Method			
<b>NET OPERATING INCOME</b>		<b>\$17,121,926</b>	<b>\$14.54</b>
<b>Sensitivity Analysis OAR Spread</b>	<b>0.50%</b>	<b>Value</b>	<b>\$/SF NRA</b>
Based on Low-Range	6.50%	\$263,414,246	\$223.69
Based on Most Probable Range	7.00%	\$244,598,943	\$207.71
Based on High-Range	7.50%	\$228,292,347	\$193.86
<b>Reconciled Value</b>		<b>\$244,598,943</b>	<b>\$207.71</b>
<b>Rounded</b>		<b>\$245,000,000</b>	<b>\$208.05</b>

The year one going-in capitalization rate indicated in the discounted cash flow analysis, upon achieving stabilized occupancy in November 1, 2015, is 7.13 percent. This is in line with going-in capitalization rates indicated by the improved sales and the most recent Investor Survey. We have placed most weight on the discounted cash flow analysis with support drawn from the conclusion by direct capitalization.

## RECONCILIATION WITHIN INCOME CAPITALIZATION APPROACH

## SUMMARY OF INCOME CAPITALIZATION METHODS

Value Indicated by the Discounted Cash Flow Method:	\$240,000,000
Value Indicated by the Direct Capitalization Method:	\$245,000,000

We have placed most reliance on the Discounted Cash Flow Analysis Method. This method best reflects the income potential of the property. Therefore, our opinion of market value via the Income Capitalization Approach is as follows.

## INCOME CAPITALIZATION CONCLUSION

Value Conclusion (Stabilized as of November 1, 2015):	\$240,000,000
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## RECONCILIATION AND FINAL VALUE OPINION

### VALUATION METHODOLOGY REVIEW AND RECONCILIATION

This appraisal employs the Sales Comparison Approach and the Income Capitalization Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that the Sales Comparison Approach and the Income Capitalization Approach would be considered meaningful and applicable in developing a credible value conclusion. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not utilized the Cost Approach to develop an opinion of market value.

The approaches indicated the following:

METHODOLOGY	
Sales Comparison Approach	
As Is Value as of November 1, 2012:	\$210,000,000
Prospective Market Value as of November 1, 2015:	\$240,000,000
Income Capitalization Approach	
As Is Value as of November 1, 2012:	\$200,000,000
Prospective Market Value as of November 1, 2015:	\$240,000,000

The Sales Comparison Approach requires application of methods from the Income Capitalization Approach in order to make adjustments for differences in effective gross or net income that have influenced the sale price. Consideration of market data is also required for the Income Capitalization Approach in the selection of market rent and in the application of capitalization rates and discount rates, and estimation of income and expenses. Consequently, it is our opinion that purchasers and sellers intuitively consider components of the Sales Comparison Approach and the Income Capitalization Approach in the process of negotiating an acceptable price for a particular property.

It is the Income Capitalization Approach, however, that is logically considered the most appropriate technique for estimating the value of income-producing property. Not only does this approach represent the most direct and accurate simulation of market behavior, it is the method explicitly employed by buyers and sellers in acquisition and disposition decisions. We have, therefore used an approach based primarily on projected income and expense as the foundation for our valuation of the subject property.

### MARKET VALUE AS IS

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the market value of the **leasehold estate** of the referenced property, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, and definitions, "As-Is" on November 1, 2012, is:

**TWO HUNDRED MILLION DOLLARS**

**\$200,000,000**

## PROSPECTIVE MARKET VALUE

Based on the agreed to Scope of Work, and as outlined in the report, we have developed an opinion that the prospective market value of the **leasehold estate** of the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, on November 1, 2015, will be:

**TWO HUNDRED FORTY MILLION DOLLARS**

**\$240,000,000**

## EXPOSURE TIME

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately six (6) months. This assumes an active and professional marketing plan would have been employed by the current owner.

## MARKETING TIME

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within six (6) months.

## ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

## CERTIFICATION OF APPRAISAL

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

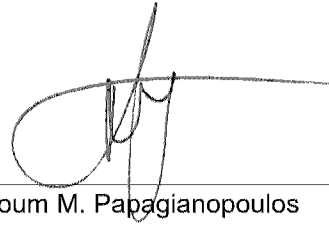
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Douglas H. Larson and Naoum M. Papagianopoulos did make a personal inspection of the property that is the subject of this report. Robert S. Nardella, MAI, MRICS did not make a personal inspection of the property that is the subject of this report.
- We have performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- The service(s) include(s) a previous appraisal, two times within the prior three-year period immediately preceding the acceptance of the assignment.
- The following individuals provided significant real property assistance in preparing this appraisal: Andrew Ventura.
- As of the date of this report, Robert S. Nardella, MAI, MRICS has completed the continuing education program of the Appraisal Institute.
- As of the date of this report, Douglas H. Larson, Robert S. Nardella, MAI, MRICS, and Naoum M. Papagianopoulos, have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

- Our analyses, opinions, or conclusions were developed and this report has been prepared in conformity with the requirements of the State of New York for State-certified appraisers.



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## GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, as well as other sources.

### AS IS MARKET VALUE

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

### CASH EQUIVALENCY

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

### EXPOSURE TIME

1. The time a property remains on the market. 2. 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 estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

### EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: 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..

### HYPOTHETICAL CONDITIONS

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are 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.

### INSURABLE VALUE

A type of value for insurance purposes.

### 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.

### 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.

### LEASED FEE INTEREST

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

### MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

### MARKET VALUE

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a) Buyer and seller are typically motivated;
- b) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c) A reasonable time is allowed for exposure in the open market;
- d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

- e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### **MARKETING TIME**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

### **PROSPECTIVE OPINION OF VALUE**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

### **PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY**

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

### **SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS**

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

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<sup>1</sup> "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

# ADDENDA CONTENTS

ADDENDUM A:	ENGAGEMENT LETTER
ADDENDUM B:	INSURABLE VALUE
ADDENDUM C:	COMPARABLE LEASED FEE LAND SALES
ADDENDUM D:	COMPARABLE IMPROVED SALES
ADDENDUM E:	APPRAISER'S CERTIFICATIONS
ADDENDUM F:	QUALIFICATION OF THE APPRAISERS

# ADDENDUM A: ENGAGEMENT LETTER



Date: 9/27/2012

Appraisal Order #: 12-001959-01

Robert S Nardella  
Cushman & Wakefield  
1290 Avenue of the Americas  
New York, NY 10104

Dear Robert S Nardella,

This letter will serve as Capital One's engagement of your services with regard to the following property. The specifics of the engagement including the agreed upon fee and delivery date are listed below. The reports must be addressed to the Capital One Job Manager and an electronic copy of the report and invoice MUST be uploaded to the Award record on RIMSCentral <http://www.rimscentral.com>. Please reference on the invoice an invoice number, invoice date, your Tax ID #, the Capital One Order #, and a Property Reference. Any questions pertaining to this assignment should be addressed with the Capital One contact in RETECHS.

Fee: PER BID AWARD

Due Date: 10/25/2012

Property Location: 40 Wall Street, New York, NY 10006  
Property Type: Office - Office Building-High-Rise

Intended Use: Use - Loan Underwriting  
Description: The intended use of this appraisal is for loan underwriting and-or credit decisions by Capital One Bank and-or participants

Intended User: User - Capital One Bank  
Description: The intended users of this report is Capital One Bank and-or affiliates

Approaches to Value: Approach - ALL  
Description: All applicable approaches

Other Requirements: DCF analysis required for this assignment. Please upload ARGUS run to RIMS along with appraisal upon completion.

A New York State Certified General Appraiser must inspect the subject property and sign the report.

The addressee of the engagement letter must review and sign the appraisal report. If that is not the case, then when returning your bid, please indicate who the signatory of the report will be.

Capital One Bank requires that a final electronic copy of the appraisal report and invoice to be uploaded to RIMS project file no later than the due date. Once the report is reviewed and accepted, the Bank's appraisal reviewer will contact the appraiser to advise on where to ship the two (2) final hard copies of report. Please do not forward hard copies until permission to do so is granted.

The vendor is required to identify and ESTIMATE THE INSURABLE REPLACEMENT COST OF every building on the appraised site. The FEMA definition of a building is a structure with two or more outside rigid walls and a fully secured roof that is permanently affixed; or a manufactured home (mobile home) that is affixed to a permanent foundation. It is permissible to conclude that a building has no contributory value but that structure still must be identified and a statement as to the non-contributory value made.

The fee quote must consider and/or incorporate the completion/population of a Data Collection Excel Spreadsheet that is accessible as a reference document in RIMS. Please upload the document as an Excel file and be sure the file is saved in a 97 - 2003 format!!!! Please DO NOT upload the Data Collection form in a pdf format. The population of this form



is mandatory and it is advisable to download the form from RIMS under the Reference Documents to ensure you are getting the most updated version (updated 12/2/2010) of the document as this form may be revised from time to time.

Report Type: Self-Contained  
Format: Narrative  
Appraisal Premise: Market Value - As-Is - Lease Hold  
Prospective Market Value - Upon Stabilization - Lease Hold  
Insurable Replacement Cost Estimate - Insurable Cost - -----

Property Contact: Steve Lafiosca  
Phone: 212-715-7203  
Fax/Email:

Capital One Job Manager: Sandro Collura  
404 Fifth Avenue, 4th Floor  
New York, NY 10018  
Phone: 212-273-3524  
Email: sandro.collura@capitalone.com

An appraisal service must comply with the Comptroller of Currency appraisal standards as delineated by ruling 12 U.S.C. 93 a and Title XI of FIRREA dated 1989. Failure to comply with any of the above requirements may result in rejections of the appraisal. In addition, payment of the fee is subject to a review of the appraisal for compliance with the above mentioned requirements. Should you experience any delays in the performance of this appraisal, please notify us in writing via email no less than seven days prior to the due date.

As confirmation of your acceptance of this assignment under the terms specified in this letter, please return a signed copy of this engagement letter to us and include a copy in the addenda to the report. Signing of this engagement letter indicates that an appraisal report will comply with the most current USPAP and all guidelines specified. Evaluations must comply with the OCC's requirements for same. Also, by signing this letter you understand that Capital One is the client and that you are prohibited from appraising or performing an evaluation relative to this property for the next six months without the express written permission of the undersigned. Such permission will not be unreasonably withheld.

Capital One Bank will not accept limiting conditions which attempt to restrict potential damages to the fee collected for an assignment or suggest that the Bank should indemnify the vendor for a loss or claim stemming from their assignment. Any such limiting condition must be removed from the vendors Contingent and Limiting Conditions.

If upon review, the appraisal report or evaluation is deemed unacceptable by Capital One for non-compliance issues, and requested changes and/or additions are not properly made, Capital One may elect to refuse payment of the appraiser's invoice.

**Capital One Appraisal Requirements**

- 1) If a direct sales comparison approach is utilized for land and improved valuation, the subject and comparables should be arranged on an adjustment grid. A matched paired analysis is the preferred method to estimate the amount of adjustments in the sales comparison approach. If a matched paired analysis is not applicable, provide explanation and support for all adjustments.
- 2) For all significant multi-tenant income producing property appraisals, a discounted cash flow analysis should be prepared. Any elimination of this technique should be fully supported.
- 3) If applicable, perform a direct capitalization analysis using a capitalization rate that is adequately supported by market evidence. If Ellwood or Akerson techniques are used, clear market support must be provided for the projected change in property value and for the applicability of the technique.

**Market Value Definition**

"Market Value" is defined by the United States Treasury Department, Comptroller of the Currency 12 CFR part 34, ° 34.42 (f) as,

"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."

**FIRREA Appraisal Standards**

**MINIMUM STANDARDS.** For federally related transactions, all appraisals shall, at a minimum:

- (1) Comply with the Uniform Standards of Professional Appraisal Practice ("USPAP");
- (2) Be sufficiently informative to support the institution's lending decision;
- (3) Analyze and report deductions and discounts, when appropriate;
- (4) State a Market Value estimate, as defined by this appraisal regulation;
- (5) Be performed by State licensed or certified appraiser.

The following items should be included in every report:

- Signed copy of engagement letter
- Copy of appropriate state certifications in addenda
- Properly completed invoice

Sincerely,

Sandro Collura

Accepted:

9/28/12

Date:

**RIMS Customer:** Capital One**Project #:** 12-001959-01-1**Award Information**

Date Awarded: 9/27/2012  
 Canceled: No  
 Fee: \$10,000.00  
 Property Contact(s): Steve Lafiosca, 212-715-7203  
 Owner of Record:  
 Award Comments: After the review is completed, we will advise you where to send the hard copy reports.

Directly Awarded: No  
 Delivery Date: 10/25/2012

Job Attachments:  
 There are currently no job attachments

**Bid Information**

Proposed Fee: \$10,000.00  
 Signatory Information:  
 Prior Services: Have you performed or provided any services regarding the subject property within the prior three years, as an appraiser or in any other capacity? If Yes, please provide details in the Comments field.  
 Yes  
 Bid Comments: we have appraised this proeprty before for Capital One Bank.

Proposed Delivery Date: 10/25/2012  
 Office Location: Midtown

**RFP Information**

Purpose Of Request: Other  
 Response Deadline: 9/27/2012  
 Desired Delivery Date: 10/25/2012

RFP Contact: Sandro Collura  
 Contact Phone: 212-273-3524

ADDRESSEES:	First name	Last name	Company	Address
	Sandro	Collura	Capital One Bank/RETECHS	404 Fifth Avenue 4th Floor New York, NY 10018
<i>Total Addressees: 1</i>				

DISTRIBUTION:	Number Of Copies	First Name	Last Name	Company	Address
	2	Sandro	Collura	Capital One Bank/RETECHS	404 Fifth Avenue 4th Floor New York, NY 10018
<i>Total # Hard Copies: 2</i>					

**SCOPE OF SERVICES:** **Intended Use** Use - Loan Underwriting  
 The intended use of this appraisal is for loan underwriting and-or credit decisions by Capital One Bank and-or participants

**Intended User** User - Capital One Bank  
 The intended users of this report is Capital One Bank and-or affiliates

**Approaches to Value** Approach - ALL  
 All applicable approaches

**Other Requirements** DCF analysis required for this assignment. Please upload ARGUS run to RIMS along with appraisal upon completion.

A New York State Certified General Appraiser must inspect the subject property and sign the report.

The addressee of the engagement letter must review and sign the appraisal report. If that is not the case, then when returning your bid, please indicate who the signatory of the report will be.

Capital One Bank requires that a final electronic copy of the appraisal report and invoice to be uploaded to RIMS project file no later than the due date. Once the report is reviewed and accepted, the Bank's appraisal reviewer will contact the appraiser to advise on where to ship the two (2) final hard copies of report. Please do not forward hard copies until permission to



do so is granted.

The vendor is required to identify and ESTIMATE THE INSURABLE REPLACEMENT COST OF every building on the appraised site. The FEMA definition of a building is a structure with two or more outside rigid walls and a fully secured roof that is permanently affixed: or a manufactured home (mobile home) that is affixed to a permanent foundation. It is permissible to conclude that a building has no contributory value but that structure still must be identified and a statement as to the non-contributory value made.

The fee quote must consider and/or incorporate the completion/population of a Data Collection Excel Spreadsheet that is accessible as a reference document in RIMS. Please upload the document as an Excel file and be sure the file is saved in a 97 - 2003 format!!!! Please DO NOT upload the Data Collection form in a pdf format. The population of this form is mandatory and it is advisable to download the form from RIMS under the Reference Documents to ensure you are getting the most updated version (updated 12/2/2010) of the document as this form may be revised from time to time.

Report Type: Self-Contained  
Report Format: Narrative

VALUATION SCENARIOS:	Valuation Premise	Premise Qualifier	Property Interest
	Market Value	As-Is	Lease Hold
	Prospective Market Value	Upon Stabilization	Lease Hold
	Insurable Replacement Cost Estimate	Insurable Cost	-----

RFP Comments: Requesting the "as is" and "upon stabilization" value of the subject property's leasehold interest.

All required information to complete assignment should be requested from property contact. All three approaches are to be considered. Please include the approaches based on applicability to the property type being valued.

DCF analysis required for this assignment. Please upload ARGUS run to RIMS along with appraisal upon completion.

A New York State Certified General Appraiser must inspect the subject property and sign the report.

The addressee of the engagement letter must review and sign the appraisal report. If that is not the case, then when returning your bid, please indicate who the signatory of the report will be.

Capital One Bank requires that a final electronic copy of the appraisal report and invoice to be uploaded to RIMS project file no later than the due date. Once the report is reviewed and accepted, the Bank's appraisal reviewer will contact the appraiser to advise on where to ship the two (2) final hard copies of report. Please do not forward hard copies until permission to do so is granted.

The vendor is required to identify and ESTIMATE THE INSURABLE REPLACEMENT COST OF every building on the appraised site. The FEMA definition of a building is a structure with two or more outside rigid walls and a fully secured roof that is permanently affixed: or a manufactured home (mobile home) that is affixed to a permanent foundation. It is permissible to conclude that a building has no contributory value but that structure still must be identified and a statement as to the non-contributory value made.

Please ensure two things on the Data Collection Sheet. First, do not cell reference in the sheet. Please DO NOT include other tabs that you would otherwise use for your appraisal and reference the cells in the Data Collection Sheet. In other words, all entries must be hard keyed entries with no references. Secondly, please DO NOT upload the file in a PDF version. The RFP instructions below ask that the Data Collection Sheets be uploaded in an excel file format.

The fee quote must consider and/or incorporate the completion/population of a Data Collection Excel Spreadsheet that is accessible as a reference document in RIMS. Please upload the document as an Excel file and be sure the file is saved in a 97 - 2003 format!!!! Please DO NOT upload the Data Collection form in a pdf format. The population of this form is mandatory and it is advisable to download the form from RIMS under the Reference Documents to ensure you are getting the most updated version (updated 12/2/2010) of the document as this form may be revised from time to time.

#### Property Information

Project Name: 40 Wall Street  
Property Description / Construction Type: Class A office building - 63 stories Lot 2 - Block 43  
Property Type: HG1 - Office - Office Building-High-Rise - An office building 25 stories or taller.

Address: 40 Wall Street, New York, NY 10006  
County: Manhattan Borough  
Improvement Size (Primary): 1,175,607SF  
Land Size: 34,360SF  
Occupancy: 85%  
Number Of Buildings: 1  
Number Of Stories: 63  
Property Status: Existing  
Property Tenancy: Multi Tenant Investor  
Ground Lease?: Yes  
Listed for Sale?: No  
Proposed Renovation?: No  
Pending/Recent Sale?: No

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# ADDENDUM B: INSURABLE VALUE

At the Client's request, we have provided an insurable value estimate. The estimate is based on figures derived from the Marshall and Swift (M&S) Commercial Cost Explorer and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.

Insurable Value is directly related to the portion of the real estate that is covered under the asset's insurance policy. We have based this opinion on the building's Replacement Cost New (RCN) which has no direct correlation with its actual market value.

We developed an opinion of RCN using the Calculator Method developed by Marshall & Swift tempered by our experience with similar property types in the City.

The RCN is the total construction cost of a new building with the same specifications and utility as the building being appraised, but built using modern technology, materials, standards and design. For insurance purposes, RCN includes all direct costs necessary to construct the building improvements. Items that are not considered include land value, site improvements, indirect costs, depreciation and entrepreneurial profit. To develop an opinion of insurable value, exclusions for below-grade foundations and architectural fees must be deducted from RCN.

Our estimate of insurable value is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. **As such, we strongly recommend that the Client obtains estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.**

Please refer to the following chart for opinion of insurable value, which includes exclusions for below-grade foundations and architectural fees deducted from replacement cost new.

<b>INSURABLE VALUE</b>			
<b>BASIC ASSUMPTIONS &amp; REPLACEMENT COST PARAMETERS</b>			
<b>Insurable Value Type:</b>	<b>Insurable Value As Is</b>		
<b>Replacement Cost New Source:</b>	Marshall Valuation Service		
<b>Improvement Type:</b>	Office	<b>Section:</b>	15
<b>Improvement Class:</b>	A	<b>Page:</b>	17
<b>Improvement Quality:</b>	Excellent	<b>Date:</b>	Nov-11
<b>REPLACEMENT COST ANALYSIS</b>			
<b>Replacement Cost New (RCN)</b>	<b>GBA (SF)</b>	<b>\$/GBA</b>	<b>Sub-Total</b>
Building Improvements			
Base Cost	1,061,266	\$243.01	\$257,898,251
HVAC		\$17.35	\$18,412,965
Sprinklers		\$2.50	\$2,653,165
Subtotal		\$262.86	\$278,964,381
Multipliers			
Current Cost		1.030	
Local Area		1.430	
Perimeter		1.100	
Building Height		1.267	
Congestion/Complex		1.200	
Product of Multipliers			x 2.463
<b>Adjusted Replacement Cost New (RCN)</b>			<b>\$687,183,246    \$647.51</b>
<b>INSURABLE VALUE SUMMARY</b>			
Less: Insurance Exclusions			
Foundations Below Grade		-5.00%	
Piping Below Grade (Negligible)		0.00%	
Architect Fees		-5.00%	
Total Insurance Exclusion Adjustment		-10.00%	(\$68,718,325)
<b>Insurable Value</b>			<b>\$618,464,922</b>
<b>Rounded</b>			<b>\$620,000,000    \$584.21</b>
<i>Compiled by Cushman &amp; Wakefield, Inc.</i>			

# ADDENDUM C: COMPARABLE LEASED FEE LAND SALES

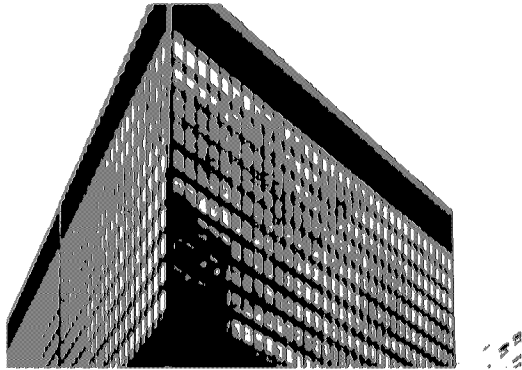
**COMPARABLE LEASED FEE INTEREST LAND SALES**

	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
ADDRESS	1372 Broadway New York City	292 Madison Avenue New York City	425 Park Avenue New York City	600 Fifth Avenue New York City	635 Madison Avenue New York City
GRANTOR	Bldg Management Co.	S.L. Green	Goelet Family	Dutch Reformed Church	Leo 635 Llc
GRANTEE	Allegiance Investment Advisors Llc	Marciano Investment Group, Inc.	Tlaa-Cref	Tishman Speyer	L&L Holding Company
LOT SIZE (SF)	29,000	9,600	27,950	26,359	9,087
ZONING	C6-6	C5-3 / C5-2.5	C5-3	C5-3 / C5-2.5	C5-3
MPBB(FAR)	435,000	144,000	419,250	287,374	136,305
FLOOR AREA RATIO	15.0	15.0	15.0	15.0 / 12.0	15.0
SALES PRICE	\$151,000,000	\$85,000,000	\$315,000,000	\$165,000,000	\$110,000,000
SALE DATE	Mar-12	Oct-11	May-11	Feb-11	Jul-07
PROPERTY RIGHTS	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
GROUND RENT	\$6,417,500	\$3,150,000	\$11,118,997	\$3,200,000	\$1,026,250
EXPIRATION DATE	2111	Mar-77	2090	Dec-21	Apr-51
NEXT RESET DATE & TERMS	2022 Greater of 10 Yrs compounded of 1% or CPI	-- --	Aug-15 --	-- Three, Options @ 8.0% Fmv As Vacant	May-09 2 Options @ 5% Land
PRICE PER FAR	\$347.13	\$590.28	\$751.34	\$574.16	\$807.01
INTERNAL RATE OF RETURN	6.75%	7.00%	6.50%	6.00%	6.00%
CAPITALIZATION RATE	4.25%	3.71%	3.53%	1.94%	0.93%

# ADDENDUM D: COMPARABLE IMPROVED SALES



180 Water Street  
 Between Pearl & Water Streets  
 New York NY 10038  
 MSA: New York  
 New York (Manhattan) County



Property Type: Office  
 Property Subtype: Office Building - High Rise  
 ID: 227320  
 APN: N/A

### PROPERTY INFORMATION

Site Area (Acres):	0.54	Number of Buildings:	1
Site Area (SqFt):	23,555	Number of Stories:	24
Gross Bldg Area:	568,565	Class:	A
Net Bldg Area:	568,565	Number of Parking Spaces:	N/A
Year Built:	1971	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	Multi-Tenant
Quality:	N/A		
Condition:	N/A		

### SALE INFORMATION

Sale Status:	In-Contract	OAR:	5.78%
Transaction Date:	4/2012	NOI:	\$9,479,200
Sale Price:	\$164,000,000	NOI per SqFt:	\$16.67
Price per SqFt:	\$288.45	Occupancy:	100.00%
Value Interest:	N/A	Expense Ratio:	N/A
Grantor:	180 Water Street Associates LLC Sales	EGIM:	9.15
Grantee:	Midtown Equities & the Cayre family	Buying Entity:	Investor
Condition of Sale:	N/A		

### VERIFICATION COMMENTS

Public records.

### COMMENTS

Sale of a modern 24-story Class A office property built in 1971 containing 568,565 rentable square feet. The property is being purchased from 180 Water Street Associates LLC Sales c/o Mehlohn family to 180 Water LLC c/o Midtown Equities & the Cayre family for a reported purchase price of \$163,500,000. The property was not listed on the open market. The buyer intends to create a ground lease and sell two positions, the leased fee estate in the ground lease and the leasehold estate in the ground lease. The ground rent is \$7,375,500 with subsequent increases over the 99 year lease term including renewal options. The prospective leased fee estate in the ground lease is currently under contract of sale from the Cayre family to Cabot Family Land Holdings for \$163,500,000. In addition, the prospective leasehold estate in the ground lease is under contract of sale from the Cayre family (ground lessor) to the Namdar Realty Group (ground lessee). The reported purchase price is \$26,000,000. The property is fully occupied by the City of New York under a lease agreement through June 2018 with one, 5-year renewal option at the greater of the last payable base rent or 95 percent of fair market rental value. 180 Water Street serves as the Human Resources Administration division of the City of New York. The current contract rent is \$11,033,772 per annum increasing \$11,591,034 in 2013. The current overall capitalization rate is 5.78 percent.



222 Broadway  
 New York NY 10038  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - Insurance

Property Type: Office  
 Property Subtype: Mixed Use - Office/Retail  
 ID: 219743  
 APN: N/A

### PROPERTY INFORMATION

Site Area (Acres):	0.77	Number of Buildings:	1
Site Area (SqFt):	33,340	Number of Stories:	31
Gross Bldg Area:	786,931	Class:	B
Net Bldg Area:	786,931	Number of Parking Spaces:	N/A
Year Built:	1961	Parking Ratio:	N/A
Last Renovation:	2009	Tenancy Type:	N/A
Quality:	Good		
Condition:	Good		

### SALE INFORMATION

Sale Status:	In-Contract	OAR:	3.62%
Transaction Date:	4/2012	NOI:	\$8,318,134
Sale Price:	\$230,000,000	NOI per SqFt:	\$10.57
Price per SqFt:	\$292.27	Occupancy:	79.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Bank of America, N.A.	EGIM:	9.92
Grantee:	Beacon Capital & L&L Acquisitions	Buying Entity:	Investor
Condition of Sale:	N/A		

### VERIFICATION COMMENTS

Beacon Capital

### COMMENTS

Sale of a modern 31-story Class A office property built in 1961. The property was fully occupied by Bank of America, N.A, who sold the property to a partnership between Beacon Capital & L&L Acquisitions. Bank of America, N.A will leased-back subject to a 10-year triple-net ("NNN") lease for 595,953 square feet or 76 percent of the property's rentable area. The net rent is \$15.25 per square foot for the office floors for the first five years increasing to \$20.25 per square foot for the remainder of the lease term. The current overall capitalization rate is 3.62 percent and increases to 5.5 percent by year three of the holding period.



4 New York Plaza  
 New York NY 10004  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - Financial East

Property Type: Office  
 Property Subtype: Office Building - High Rise  
 ID: 217203  
 APN: N/A

### PROPERTY INFORMATION

Site Area (Acres):	1.24	Number of Buildings:	1
Site Area (SqFt):	54,023	Number of Stories:	22
Gross Bldg Area:	1,016,406	Class:	A
Net Bldg Area:	1,121,753	Number of Parking Spaces:	N/A
Year Built:	1969	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	N/A
Quality:	Good		
Condition:	Good		

### SALE INFORMATION

Sale Status:	In-Contract	OAR:	4.23%
Transaction Date:	4/2012	NOI:	\$11,425,401
Sale Price:	\$270,000,000	NOI per SqFt:	\$10.19
Price per SqFt:	\$240.69	Occupancy:	95.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Harbor Group International, LLC	EGIM:	8.62
Grantee:	Edge Fund Advisors	Buying Entity:	Investor
Condition of Sale:	N/A		

### VERIFICATION COMMENTS

Edge Fund Advisors

### COMMENTS

Sale of a modern 22-story Class A office property built in 1969. The property was fully occupied by JPMorgan Chase Bank as back office space. JPMorgan Chase Bank sold the property to Harbor Group International, LLC in December 2009 and leased-back the floor 3 and floors 8 through 22 at a gross rent of \$27.50 per square foot with subsequent increases for a 15-year lease with seven, 5-year renewal options at 90 percent of fair market rent. Daily News leased floors 6 and 7 in November 2010 and American Media Inc. leased floors 2 and 4 in January 2011. The property is currently 95 percent leased with one vacant space on floor 5. The property was previously sold by JPMorgan Chase Bank to Harbor Group International, LLC in December 2009 for \$107 million. The current overall capitalization rate increases to 6.0 percent by year two.

**Former Banker's Trust building**

14 Wall Street  
 New York NY 10005  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - Financial East

Property Type: Office  
 Property Subtype: Office Building - High Rise  
 ID: 219744  
 APN: N/A

**PROPERTY INFORMATION**

Site Area (Acres):	0.76	Number of Buildings:	1
Site Area (SqFt):	33,087	Number of Stories:	37
Gross Bldg Area:	1,016,723	Class:	A
Net Bldg Area:	1,016,723	Number of Parking Spaces:	N/A
Year Built:	1912	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	N/A
Quality:	Excellent		
Condition:	Excellent		

**SALE INFORMATION**

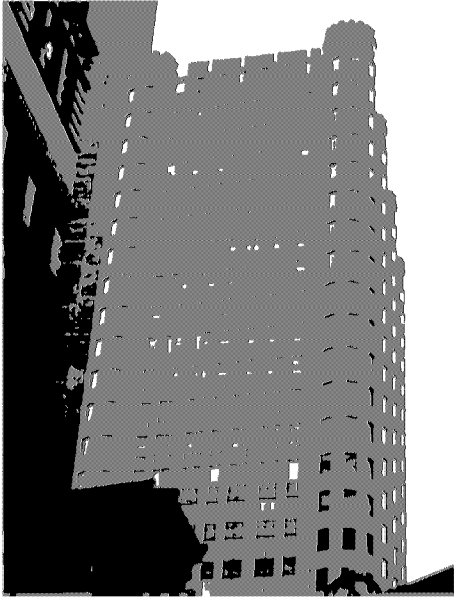
Sale Status:	N/A	OAR:	4.39%
Transaction Date:	4/2012	NOI:	\$13,300,000
Sale Price:	\$303,000,000	NOI per SqFt:	\$13.08
Price per SqFt:	\$298.02	Occupancy:	82.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Roza 14W LLC c/o Alexander Rovt	EGIM:	11.37
Grantee:	Capstone Equities	Buying Entity:	Investor
Condition of Sale:	N/A		

**VERIFICATION COMMENTS**

N/A

**COMMENTS**

Sale of landmarked Class A minus office building located on the westerly blockfront of Nassau Street between Wall and Pine Streets in the Financial East office submarket of Downtown Manhattan. A Russian investor, Roza 14W LLC c/o Alexander Rovt acquired 95 percent interest in the property from a partnership with Capstone Equities and Carlyle Group at a purchase price that equals \$300 million based on 100 percent interest. The operating partner, Capstone Equities, will retain approximately a 5 percent interest and Carlyle Group will exit the partnership. The property is currently 82 percent leased, which will decrease to 74 percent with near term tenant expiration. The capital influx has also reduced its mortgage by \$75 million, to \$255 million. The current overall capitalization rate is 4.39 percent and increases to 6.0 percent by year three of the holding period.



33 Maiden Lane  
 N/E/C Nassau Street  
 New York NY 10038  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - Insurance

Property Type: Office  
 Property Subtype: Office Building - High Rise  
 ID: 213420  
 APN: N/A

### PROPERTY INFORMATION

Site Area (Acres):	0.59	Number of Buildings:	1
Site Area (SqFt):	25,586	Number of Stories:	27
Gross Bldg Area:	624,124	Class:	A
Net Bldg Area:	624,124	Number of Parking Spaces:	N/A
Year Built:	1984	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	Multi-Tenant
Quality:	N/A		
Condition:	N/A		

### SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	4.74%
Transaction Date:	1/2012	NOI:	\$9,828,678
Sale Price:	\$207,500,000	NOI per SqFt:	\$15.75
Price per SqFt:	\$332.47	Occupancy:	86.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Investco	EGIM:	9.64
Grantee:	Federal Reserve Bank	Buying Entity:	Owner-User
Condition of Sale:	N/A		

### VERIFICATION COMMENTS

Verified by Public Records.

### COMMENTS

Sale of a Class A office building located on the easterly blockfront of Nassau Street between John Street and Maiden Lane. The property had previously been in contract with Vornado who intended to purchase the building. However, the Federal Reserve Bank who is the largest tenant in the building exercised rights in their lease agreement allowing it the option to match Vornado's offer for the building. The Federal Reserve Bank leases over 73 percent of the building. The Federal Reserve Bank lease expires in August 2023. Their current net rent is \$20.00 per square foot, increasing to \$22.75 per square foot in September 2013 and \$25.50 per square foot in September 2018.

**AT&T Building**

195 Broadway  
 Between Dey & Fulton Streets  
 New York NY 10007  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - World Financial

Property Type: Office  
 Property Subtype: Mixed Use - Office/Retail  
 ID: 200738  
 APN: Block: 80 Lot: 1  
 Ground Lease: Yes

**PROPERTY INFORMATION**

Site Area (Acres):	0.84	Number of Buildings:	1
Site Area (SqFt):	36,775	Number of Stories:	29
Gross Bldg Area:	1,047,287	Class:	A
Net Bldg Area:	1,047,287	Number of Parking Spaces:	N/A
Year Built:	1913	Parking Ratio:	N/A
Last Renovation:	1985	Tenancy Type:	Multi-Tenant
Quality:	Good		
Condition:	Good		

**SALE INFORMATION**

Sale Status:	Recorded Sale	OAR:	6.30%
Transaction Date:	11/2011	NOI:	\$18,081,000
Sale Price:	\$287,000,000	NOI per SqFt:	\$17.26
Price per SqFt:	\$274.04	Occupancy:	86.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	GE Capital	EGIM:	8.28
Grantee:	Beacon Capital	Buying Entity:	Investor
Condition of Sale:	N/A		

**VERIFICATION COMMENTS**

L&L Acquisitions

**COMMENTS**

Sale of landmarked Class A office building to Beacon Capital, who acquired 95 percent interest in the property from GE Capital at a purchase price that equals \$287 million based on 100 percent interest. In 2005, a joint venture of GE Asset Management and L&L Acquisitions acquired the property for a majority interest for \$270 million. L&L Acquisitions is retaining its minority interest, leasing and management of the property. Built in 3 phases from 1913 to 1924, and substantially renovated in the mid 1980's, the building was built as the headquarters for AT&T and is the site of the first transatlantic call, made to London. At the time of the sale, L&L Acquisitions had not received approval from the Landmarks Preservation Commission to add retail space to the lobby and renovate the building.



**335 Broadway**  
 93 Worth Street  
 New York NY 10013  
 MSA: New York  
 New York (Manhattan) County  
 New York, Downtown - City Hall

Property Type: Office  
 Property Subtype: Office Building - Low Rise  
 ID: 195922  
 APN: N/A

#### PROPERTY INFORMATION

Site Area (Acres):	0.29	Number of Buildings:	1
Site Area (SqFt):	12,422	Number of Stories:	13
Gross Bldg Area:	165,000	Class:	B
Net Bldg Area:	165,000	Number of Parking Spaces:	N/A
Year Built:	1924	Parking Ratio:	N/A
Last Renovation:	N/A	Tenancy Type:	Multi-Tenant
Quality:	N/A		
Condition:	N/A		

#### SALE INFORMATION

Sale Status:	Recorded Sale	OAR:	6.32%
Transaction Date:	10/2011	NOI:	\$3,144,200
Sale Price:	\$49,750,000	NOI per SqFt:	\$19.06
Price per SqFt:	\$301.52	Occupancy:	86.00%
Value Interest:	Leased Fee	Expense Ratio:	N/A
Grantor:	Worldwide Holdings, LLC	EGIM:	9.74
Grantee:	The Horizon Group	Buying Entity:	Investor
Condition of Sale:	N/A		

#### VERIFICATION COMMENTS

N/A

#### COMMENTS

Sale of a Class B office building located in the City Hall office submarket of Downtown Manhattan. Approximately 75 percent of the property is leased to New York City Department of Mental Health who is scheduled to relocate to new facilities. The prospective buyer, The Horizon Group, is exploring options to convert the property into residential condominiums. The building features a recently renovated lobby and elevators.

**The Equitable Building**

120 Broadway  
 Between Pine & Cedar Streets  
 New York NY 10005  
 MSA: New York  
 New York (Manhattan) County

Property Type: Office  
 Property Subtype: Mixed Use - Office/Retail  
 ID: 200742  
 APN: N/A

**PROPERTY INFORMATION**

Site Area (Acres):	1.14	Number of Buildings:	1
Site Area (SqFt):	49,614	Number of Stories:	40
Gross Bldg Area:	1,736,513	Class:	B
Net Bldg Area:	1,853,994	Number of Parking Spaces:	N/A
Year Built:	1915	Parking Ratio:	N/A
Last Renovation:	2005	Tenancy Type:	Multi-Tenant
Quality:	Good		
Condition:	Good		

**SALE INFORMATION**

Sale Status:	Recorded Sale	OAR:	6.74%
Transaction Date:	7/2011	NOI:	\$35,400,000
Sale Price:	\$525,000,000	NOI per SqFt:	\$19.09
Price per SqFt:	\$283.17	Occupancy:	90.00%
Value Interest:	Leasehold	Expense Ratio:	N/A
Grantor:	CalSTRS	EGIM:	6.91
Grantee:	UBS Realty Investors Fund	Buying Entity:	Investor
Condition of Sale:	N/A		

**VERIFICATION COMMENTS**

Silverstein Properties

**COMMENTS**

Sale of landmarked class A minus office building to UBS Realty Investors Fund Trust, who acquired a 65% interest in the property from CalSTRS at a purchase price that equals \$525 million based on 100% interest. Over 25% of the property is leased to New York City Department of Law. The building was extensively renovated between 1995 and 2005. In 2004, Calstrs acquired a majority interest for \$370 million. Silverstein Properties has a minority interest and the management of the property. The property is subject to ground lease to the Estate of Sarah Korein that expires in 2018. There are 45 successive renewal option periods of 21 years each and one additional period of 12 years at \$850,000 annually.



# ADDENDUM E: APPRAISER'S CERTIFICATIONS

UNIQUE ID NUMBER 46000039200	<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	<b>FOR OFFICE USE ONLY</b> <b>Control No.</b> 64427
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		<b>EFFECTIVE DATE</b> MO. DAY YR. 06 05 12
CARSON DOUGLAS S C/O CUSHMAN & WAKEFIELD INC 1290 AVENUE OF THE AMERICAS 9TH FL NEW YORK, NY 10104-6178		<b>EXPIRATION DATE</b> MO. DAY YR. 06 04 14
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused          its official seal to be hereunto affixed.</small> <b>CESAR A. PERALES</b> <b>SECRETARY OF STATE</b>		
DOS-1098 (Rev. 3/01)		

UNIQUE ID NUMBER 46000004620	<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	<b>FOR OFFICE USE ONLY</b> <b>Control No.</b> 57219
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		<b>EFFECTIVE DATE</b> MO. DAY YR. 12 08 10
NARDELLA ROBERT S C/O CUSHMAN & WAKEFIELD INC 1290 AVENUE OF THE AMERICAS 9TH FL NEW YORK, NY 10104		<b>EXPIRATION DATE</b> MO. DAY YR. 12 07 12
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
<small>In Witness Whereof, The Department of State has caused          its official seal to be hereunto affixed.</small> <b>RUTH NOEMI COLON</b> <b>ACTING SECRETARY OF STATE</b>		
DOS-1098 (Rev. 3/01)		

UNIQUE ID NUMBER <b>46000048506</b>	<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	<b>FOR OFFICE USE ONLY</b> <b>Control</b> <b>No. 62356</b>
<b>PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.</b>		<b>EFFECTIVE DATE</b> MO   DAY   YR. <b>11   05   11</b>
PAPAGIANOPOULOS NADUM M C/O CUSHMAN & WAKEFIELD 1290 AVENUE OF THE AMERICAS 9TH FL NEW YORK, NY 10104-6178		<b>EXPIRATION DATE</b> MO.   DAY   YR. <b>11   04   13</b>
<b>HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER</b>		
<small>In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.</small>		
<b>CESAR A. PERALES</b> <b>SECRETARY OF STATE</b>		
<small>DOS-1098 (Rev. 3/01)</small>		

# ADDENDUM F: QUALIFICATION OF THE APPRAISERS

## PROFESSIONAL QUALIFICATIONS

### **Douglas H. Larson**

Executive Director  
Valuation & Advisory

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Mr. Larson is actively involved in appraising various property types including office, industrial, and retail developments. Assignments include appraisal and advising services to institutional lenders and financiers, investment banking firms, brokerage, domestic/international investors and pension/insurance funds. Mr. Larson's experience also involves financial modeling and property valuation, loan review and due diligence of diverse assets. Appraisal and consulting assignments have been completed for mortgage loan purposes, arbitrations, allocations, estates, and assisting in the decision-making process in the acquisition, disposition and marketing of real estate.

#### **Experience**

Mr. Larson is an Executive Director with the New York Valuation & Advisory group of Cushman & Wakefield, Inc., an international, full-service real estate organization. He has wide experience on a variety of property types, including Class A office buildings, apartment buildings, shopping centers, regional malls, motels and hotels, manufacturing plants, warehouses and mixed-use projects from 1993 to present.

Arthur Anderson & Co., Phoenix, Arizona, preparing real property appraisals and portfolio analysis used in marketing, leasing and sale of complex assets for bulk sale, internal and annual loan review, acquisition and disposition. Performed marketability and feasibility studies, market analysis, and consulting on real estate within the western United States (1992 to 1993).

Bank One of Arizona, Phoenix, Arizona, preparing and reviewing real property appraisals for compliance of OCC standards and FIRREA guidelines (1990 to 1992).

#### **Appraisal Experience – New York City Office Buildings**

Extensive experience in the analysis and valuation of New York City office buildings and mixed-use properties and institutional office buildings. The primary market area of concentration is Manhattan where over 300 office buildings were appraised within the last five years. Notable office building assignments include the following:

- World Trade Center
- World Financial Center
- General Motors Building
- 745 Seventh Avenue (Barclays)
- Empire State Building
- 9 West 57th Street
- Rockefeller Center
- Chrysler Center
- Worldwide Plaza
- AOL/Time Warner
- Bloomberg Headquarters
- Citigroup Center

#### **Special Purpose Property Experience**

Diversified experience in the preparation of appraisals and market studies of, as well as consultation for, industry specific real estate including hospitals and medical centers:

- New York Presbyterian Hospital
- Hospital for Special Surgery
- Manhattan Eye, Ear and Throat Hospital
- St. Luke's Hospital



**Consulting and Arbitration Experience**

Varied commercial real estate experience in New York City for the past 17 years. Notable recent assignments included:

Consultant to the Port Authority of New York and New Jersey in selecting their alternatives for disposition of the World Trade Center, a seven building office and retail complex in lower Manhattan.

Conducted all aspects of financial analysis of commercial real estate, including benefits and costs of property ownership, as well as asset and property management reorganization; accomplished privatization over a five-year period, resulting in the sale of the leasehold interest in the World Trade Center, at the time the largest office complex in the world.

**Education**

Arizona State University, Tempe, Arizona  
Bachelor of Science  
Double Majors in Economics & Sociology

**Appraisal Education**

Successfully completed all New York State required appraisal courses and satisfied all educational requirements as set forth by the Appraisal Institute.

**Memberships, Licenses and Professional Affiliations**

- Associate Member of the Appraisal Institute – Metropolitan New York Chapter
- Mr. Larson is a duly Certified General Real Estate Appraiser, # 46000039300, expiring 06/04/12, according to the Department of State of the State of New York.

## PROFESSIONAL QUALIFICATIONS

### Naoum M. Papagianopoulos

Director

Valuation & Advisory

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#### Background

Naoum M. Papagianopoulos is an appraiser and real estate analyst with the Valuation & Advisory Group of Cushman & Wakefield, Inc. He joined Cushman & Wakefield's Valuation & Advisory Group in March of 2005. Prior to joining the Valuation & Advisory Group, Mr. Papagianopoulos was Cushman & Wakefield's financial analyst for budgeting and planning.

#### Experience

Appraisal assignments have included office buildings, retail properties, hospital and medical office space, mixed-use properties, industrial properties, residential condominium and apartment properties, air rights, vacant land, portfolios, feasibility studies, and market studies. Primary concentration is centered on existing and proposed office and retail use properties in New York City.

#### Appraisal Experience – New York City Office Buildings

Extensive experience in the analysis and valuation of New York City office buildings and mixed-use properties and institutional office buildings. The primary market area of concentration is Manhattan where over 300 office buildings were appraised within the last five years. Notable office building assignments include the following:

- World Trade Center
- World Financial Center
- General Motors Building
- 745 Seventh Avenue (Barclays)
- Empire State Building
- 9 West 57th Street
- Rockefeller Center
- Chrysler Center
- Worldwide Plaza
- 667 Madison Avenue
- 60 Wall Street
- MetLife Building

#### Special Purpose Property Experience

Diversified experience in the preparation of appraisals and market studies of, as well as consultation for, industry specific real estate including hospitals and medical centers:

- New York Presbyterian Hospital
- Hospital for Special Surgery
- Manhattan Eye, Ear and Throat Hospital
- St. Luke's Hospital

#### Education

Baruch College, New York, NY

Zicklin School of Business

Masters of Business Administration, June 1999

Major in Finance

American College of Thessalonica

Bachelor of Arts, June 1996

Major in Business Administration



**Appraisal Education**

Successfully completed all New York State required appraisal courses and satisfied all educational requirements as set forth by the Appraisal Institute.

**Memberships, Licenses, and Professional Affiliations**

- State of New York Certified General Real Estate Appraiser, License #46000048506
- Associate Member of the Appraisal Institute – Metropolitan New York Chapter



## PROFESSIONAL QUALIFICATIONS

### **Robert S. Nardella, MAI, MRICS**

Senior Managing Director  
Valuation & Advisory

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#### **Background**

Robert S. Nardella is a Senior Managing Director of Cushman & Wakefield, Inc., working within the Valuation & Advisory Group. Mr. Nardella joined Cushman & Wakefield, Inc. in February 1987 while still attending college. He graduated from Pace University's Lubin School of Business, Class of 1987, with a Bachelor of Business Administration in Finance, and earned a Masters in Real Estate from New York University in 1997.

In March of 1993, Mr. Nardella was named Associate Director of Cushman & Wakefield, Inc. He was further promoted to Director in December 1994 and to Senior Director in September 2006. Mr. Nardella has received the Excellence in Quality Service Award for the Valuation Advisory division in the New York region, and was named Quality Control Manager for the New York region in 2004. Other appointments include National Account Manager of several key Cushman & Wakefield relationships, as well as service on the Career Development Committee. In January 2007, Mr. Nardella was appointed Operations Manager of the New York office within Valuation & Advisory, and was named Managing Director in June 2008. In January 2010, Mr. Nardella was named Senior Managing Director and Regional Manager for New York and New Jersey V&A operations.

#### **Real Estate Experience**

Since joining Cushman & Wakefield, Inc., Mr. Nardella has performed appraisal, feasibility and consulting assignments involving vacant land, developable air rights, office buildings, proposed and existing regional malls, shopping centers, industrial and residential complexes, condominiums, and investment properties throughout 25 states.

#### **Education**

Pace University - Bachelor of Science, Finance – June 1987  
New York University – Masters in Real Estate – January 1997

#### **Appraisal Education**

Mr. Nardella has successfully completed all courses and requirements to qualify for the MAI designation, and has currently completed the requirements under the continuing education program of the Appraisal Institute.

#### **Memberships, Licenses and Professional Affiliations**

- Designated Member of the Appraisal Institute (MAI designation achieved 1997)
- Member, Royal Institute of Chartered Surveyors (MRICS)
- State of New York Certified General Real Estate Appraiser, License No. 46000004620
- State of New Jersey Certified General Real Estate Appraiser, License No. 42RG00230800



