

THE PACIFIC PEARL

The Pacific Park B4 / 18 6thAve
Ground-Up Multifamily Development



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MSRED 20'

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EXECUTIVE SUMMARY

This deal book is from KAGE Capital Partner LLC. to introduce the development and investment strategies of The Pacific Pearl (B4/ 18 6th Ave), which situated on the east of the Barclays Center and the west end of the Pacific Park project administrated by the Empire State Development Corporation. The concept is proposing a **43 floors residential building with retail component and a height of 551 feet.**

With approximately **52,000 SF of creative and sport retail, 761,878 SF of residences,** and a **street enhancement program** catering to heighten perfect life experience of our residents, this is a unique development opportunity which will create a distinct architectural identity at Brooklyn's crossroads, anchoring Pacific Park to its surrounding neighborhoods. The residence features **1,035 extraordinarily-designed units which 30% of them are affordable units,** allowing this development to benefit from the **421-A Tax Abatement.** The JV partnership with Greenland USA provides an exciting opportunity for our company to build such groundbreaking development with foreseeably great return.

The project is expected to commence construction in June 2019 and will be delivered in August 2021 with a **total development budget of \$716,482,140,** including a land fee with ESD as **acquisition cost of \$194,745,462.** The project is able to secure a construction **loan amount of \$488 million.** To syndicate the rest of the capital structure, the JV that KAGE is sponsoring is now seeking a **LP equity investment of \$205,395,322** in exchange of a 10% share in the partnership. This project will activate the entire Pacific Park area and push Brooklyn to the top of the chart within New York City. With the unprecedented positioning and enthroned location, it is convincing to project a **deal-level levered IRR of 11.28% and equity multiple of 1.38x** if sold at stabilization. With strong market fundamentals and ongoing livelihood of the neighborhood, the Pacific Pearl can reach its highest potential and become the pearl of Brooklyn.

INVESTMENT HIGHLIGHTS

1,035 meticulously-designed residential units

30% Affordable Units

11.28% Deal-level Levered IRR

1.38x Equity Multiple

Perfectly located at the transit center of Brooklyn

Next to Brooklyn's most active commercial crossroads

Neighborhood Enhancement Program

PROJECT OVERVIEW



DEVELOPMENT CONCEPT

Iconic Residential Centric

70 % market rate units out of 1,035 meticulously-designed units. High standard interior finishes and luxury amenity package enable to project to crown the luxury rental market in the area. What's more, the iconic architecture, designed by Pritzker Price winner Toyo Ito, will become the sparkling pearl that shine in the city of Brooklyn.



Affordable Housing

30%, which makes out of 311 units in different unit types will be destined toward affordable housing following NYCHDC guideline. 70 affordable units are for residents with income of 60% AMI and 241 will be available for those with income of 130% AMI. The 30% affordable component grants a steady income for the project with a potentially lower vacancy rate. This component will qualify the project for 421 A abatement and become part of the risk-resistance strategies.



Sport and Creative Retail

Situating right next to Barclays Center, which is the base of NBA league Brooklyn Net, the 51,826 sq.ft of retail space within this building can benefit greatly from the traffic and fans coming for the game and shows every week. Three retail spaces will seek tenants such as experiential sport retailer, interactive sport venue, sport-oriented community center and sport themed food and beverage catering to fans and visitors before and after they visit Barclays Center



Enliven Public Streetscape

Creating green and pleasant public streetscape surrounding the project to remedy the noise and physical barrier of the Atlantic Avenue, also to attract more traffic from the main entrance of Barclays center.



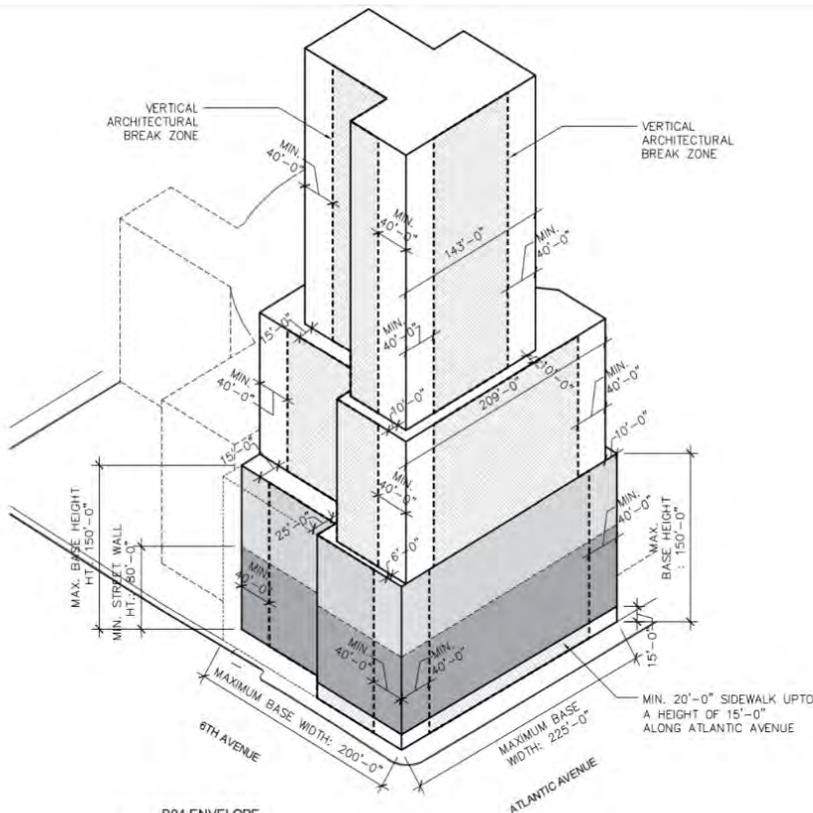
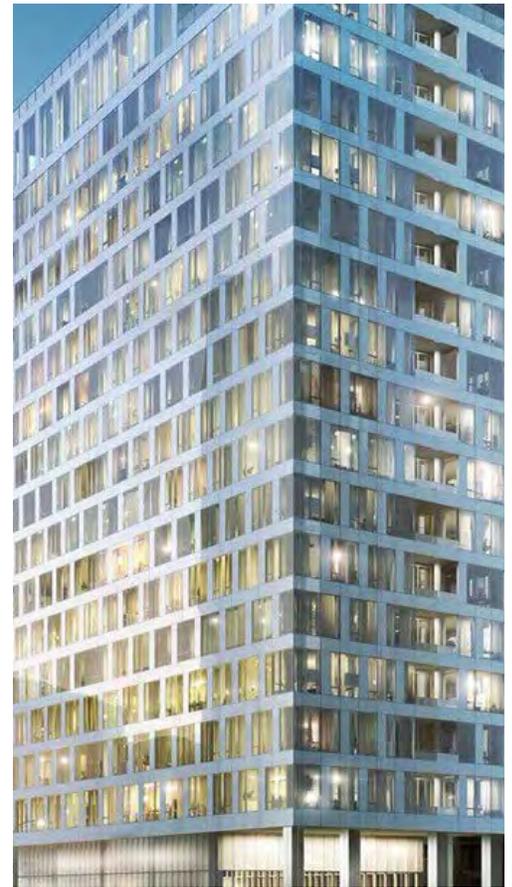
Connecting Old and New Neighborhood

This is a unique opportunity to connect the south of the site surrounding Chamber St., where it has become a trendy and hip historic neighborhood, with Downtown Brooklyn, where is the modern hub of Brooklyn. It will provide a chance to activate the Pacific Park area and lead to more investment opportunities nearby.

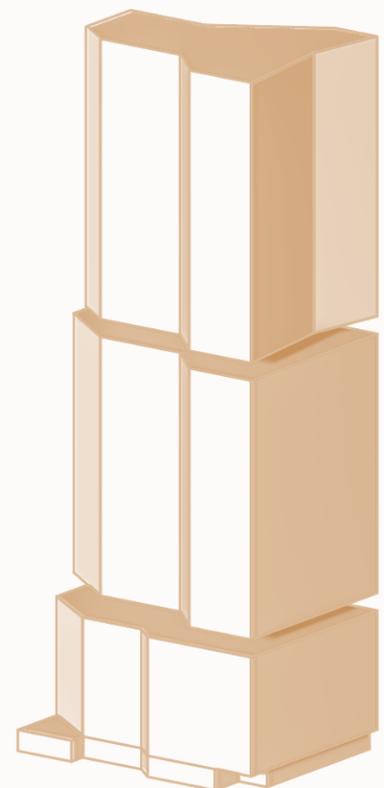
DESIGN

Designed by Japanese award-winning architect Toyo Ito, the form and the design of the building strictly follows the design guideline regulated by the ESD. The design also will respond to some obstacles for the success of this investment such as the height of the Barclays Center is affecting about 6 residential floors. The shape of the building also addresses and maximizes the area that direct sunlight can hit. On all the south-facing, the shape concave in order to create more wall area.

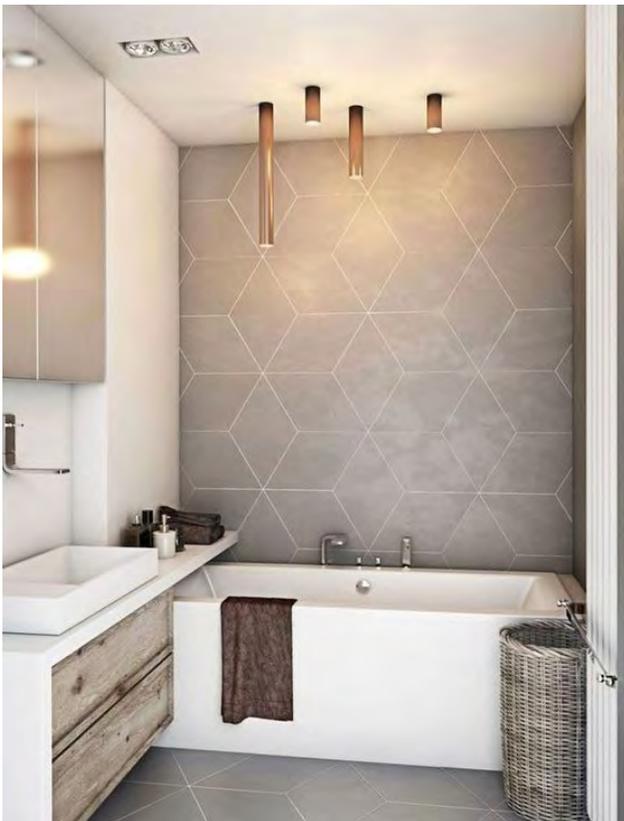
Using his signature white panel and glass façade, the design of this gorgeous residential tower creates a sense of transparency and crystal feeling that stand out distinctively in Brooklyn’s crossroads. It also forms a strong contrast with the brick mass of Barclays Center, enabling the project to blend in perfectly into the existing urban context.



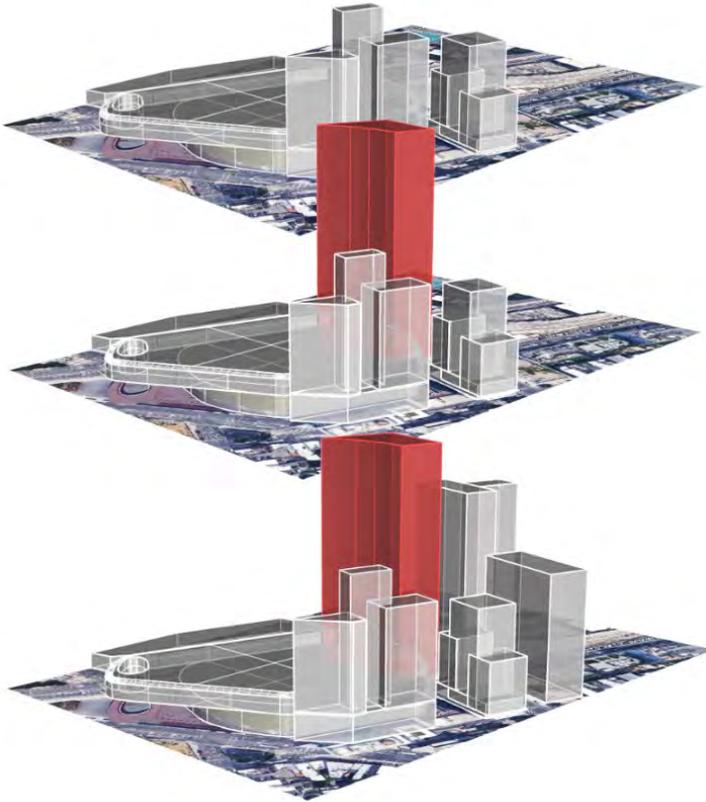
2 B04 ENVELOPE ISOMETRIC VIEW



DESIGN



EXISTING CONTEXT



The design of the development refers closely with the built environment.

The form and design follow the emphasize on maximizing sunlight and reducing view burdens from nearby buildings. The built environment is closely analyzed in three different stages, before building the project, after building the project and the completion of the rest of Pacific Park.

We strive to provide a product that is carefully considering the views and built environments. Adapting the building height of B5: 397 feet and the building height of B3: 322 feet tall, 4 different tiers of floor are designed to create the best views and light exposure for the residents.



PROGRAM

After carefully studying the market demand, the unit mix of this development reflects the strategy that it focuses on couples and young professionals. Responding to that, the 1-Bedroom units take up around 50% of the unit mix.

We have also noticed that there is a high ratio of family with children in this area. Meanwhile we saw a lack of supply catering to family with children and the trend of communal living, thus there is a uniquely-designed portion of 3-bedroom units.

<i>UNIT MIX</i>	<i>Square Footage</i>	<i># of Unit</i>
Studio	360	200
1-Bedroom	550	550
2-Bedroom	700	225
3-Bedroom	920	60

<i>UNIT MIX</i>	<i>Market</i>	<i>Affordable</i>
Studio	140	60
1-Bedroom	385	165
2-Bedroom	157	68
3-Bedroom	42	18
1035	724	311

Total Gross Floor Area	804,778
Basement Area	24,000
Total Gross Retail Area	51,826
Total Gross Residential Area	761,878
Efficiency	77%
Residential Rentable SF	586,646



BUILDING MASSING

Floor Number	Floor Height	Residential	Retail	Mechanical	Total
43	13	13,082			16,990
42	13	13,082			16,990
41	13	13,082			16,990
40	13	13,082			16,990
39	13	13,082			16,990
38	13	13,082			16,990
37	13	13,082			16,990
36	13	13,082			16,990
35	13	13,082			16,990
34	13	13,082			16,990
33	13	13,082			16,990
32	13	13,082			16,990
31	13	13,082			16,990
30	13	13,082			16,990
29	13	13,082			16,990
28	13	13,082			16,990
27	13	13,082			16,990
26	12	13,082			16,990
25	12	13,082			16,990
24	13	14,828			19,257
23	13	14,828			19,257
22	13	14,828			19,257
21	13	14,828			19,257
20	13	14,828			19,257
19	13	14,828			19,257
18	13	14,828			19,257
17	13	14,828			19,257
16	13	14,828			19,257
15	13	14,828			19,257
14	13	14,828			19,257
13	13	14,828			19,257
12	13	14,828			19,257
11	13	14,828			19,257
10	13	14,828			19,257
9	13	14,828			19,257
8	12	16,806			21,826
7	12	16,806			21,826
6	12	16,806			21,826
5	12	16,806			21,826
4	12	16,806			21,826
3	12	16,806			21,826
2	13		21,826		21,826
1	13		18,000	3,074	21,074
B			12,000	12,000	24,000
Total	551	586,646	51,826	15,074	828,778

AMENITIES

DOORMAN

MAIL SERVICE

GYM

BIKE ROOM

LOUNGE ROOM

SKY BAR

BALCONY COURTYARD

SPA

CHEF'S KITCHEN

RESIDENT STORAGE

DOG WASH STATION

YOGA STUDIO

CHILDREN PLAY ROOMS

HOME SERVICES



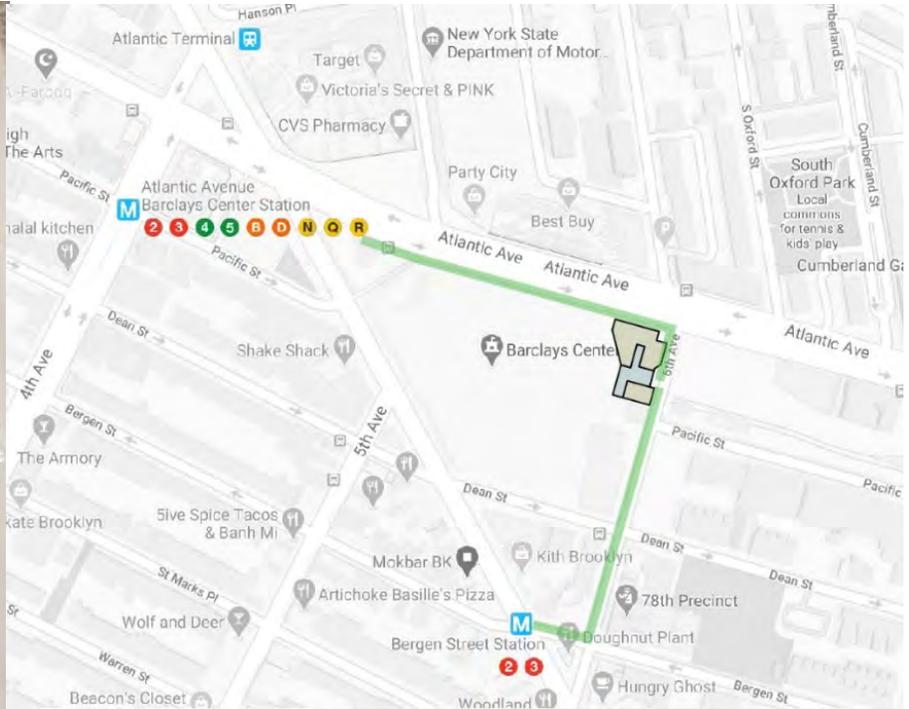
GROUND FLOOR PLAN



SURROUNDING STREETScape

To remedy the noise and physical barrier of the Atlantic Avenue. We believe that a neighborhood enhancement program will give our residents a safer and more pleasant neighborhood experience, whether they're walking to the public transits or experiencing the surrounding retails.

This also help us to attract the busy traffic from the Barclays Center to our retail tenants since the entrance of the Barclays Center is the opposite of our site.



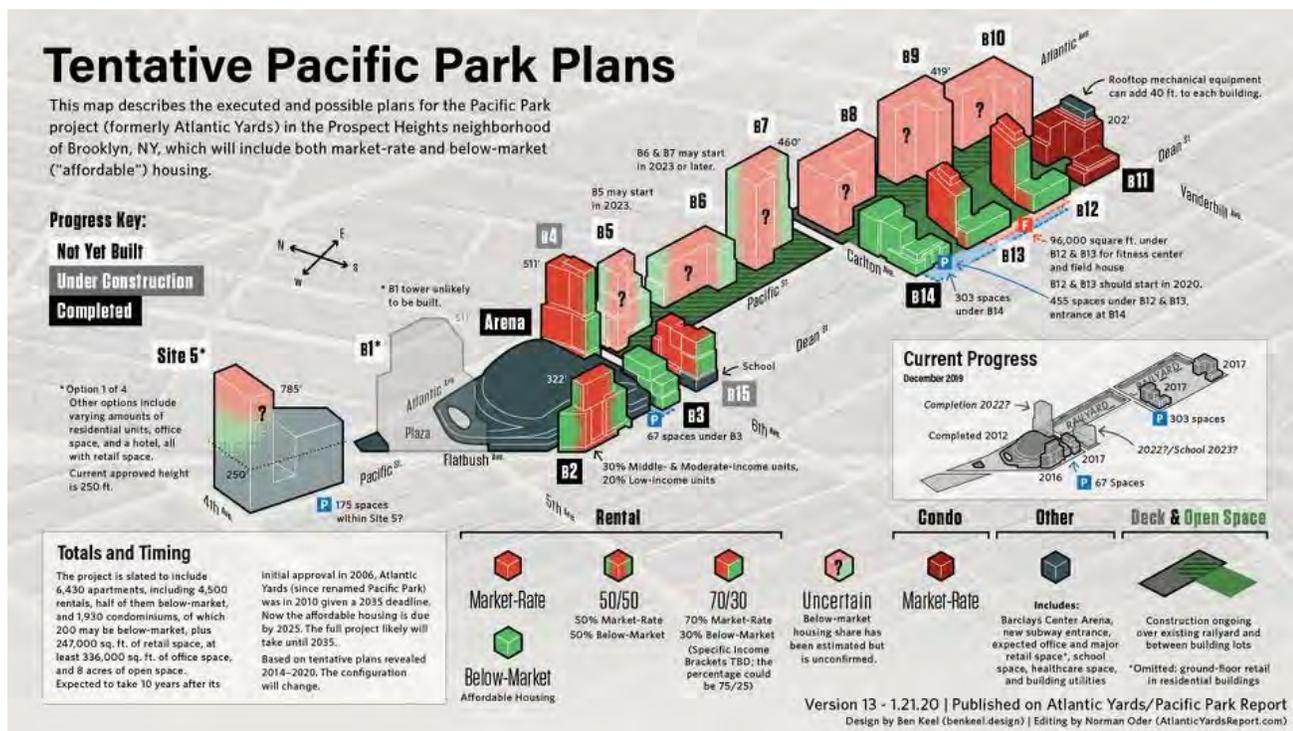
FEASIBILITY ANALYSIS



THE PACIFIC PARK PROJECT

The Pacific Park (formerly Atlantic Yards) Project is a 22-acre, \$4.9 billion project, that consists of the Barclays Arena; the development of a reconfigured and improved LIRR train yard and subway facility upgrades; the development of 16 buildings for residential and commercial uses, including up to 6,430 apartments, of which 2,250 will be affordable to low, moderate and middle income households; and the creation of eight acres of publicly accessible open space.

The development of B4 would simultaneously takes advantages of both community-driven and environmental-friendly masterplan of the east Pacific Park and the commercial and entertainment hub on the west.



GROUND LEASE

Based on the ESD's Atlantic Yards Project contract, development ground lease converts to fee at substantial completion. The city's online database cites a transaction valued at **\$194,745,462**.

421-A Tax EXEMPTION PROGRAM

The site also falls into the 421-A Tax exemption program incentivized by NYC Department of Housing Preservation and Development. It allows residential development to receive tax abatement, eligible for a 35-year benefit, in exchange of portion of affordable housing component. Different options on affordability could enable the development to qualify for extra government subsidies including Low-income Housing Tax Credit and 4% Tax-Exempt Bond financing. **The project committed to OPTION F.**

Option E

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

Option F

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

Option G

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

ZONING ANALYSIS

The site falls under development lease with ESD thus the entire Pacific Park project is supervised and enforced by NYS. NYS state zoning authority overrules and exempts this site from NYC zoning regulations.

<u>Permitted Uses</u>	1. Residential, 2. Retail (which term shall include eating and drinking establishments), Arena support, health clubs, community facility, bicycle parking, garage, and personal service uses.
<u>Lot Coverage</u>	100%, Above the height of the Arena, Buildings 1, through 4 shall be separated by not less than 60 feet, exclusive of permitted obstructions and architectural elements that do not contain any occupiable space.
<u>Maximum Total Floor Area</u>	The maximum gross above grade floor area is 824, 629 square feet
<u>Maximum Height</u>	511 feet
<u>Maximum Base Height</u>	150 feet
<u>Minimum Street Wall Height</u>	80 feet
<u>Change of Uses</u>	Permitted if approved by ESD after rounds of consideration and assessments.

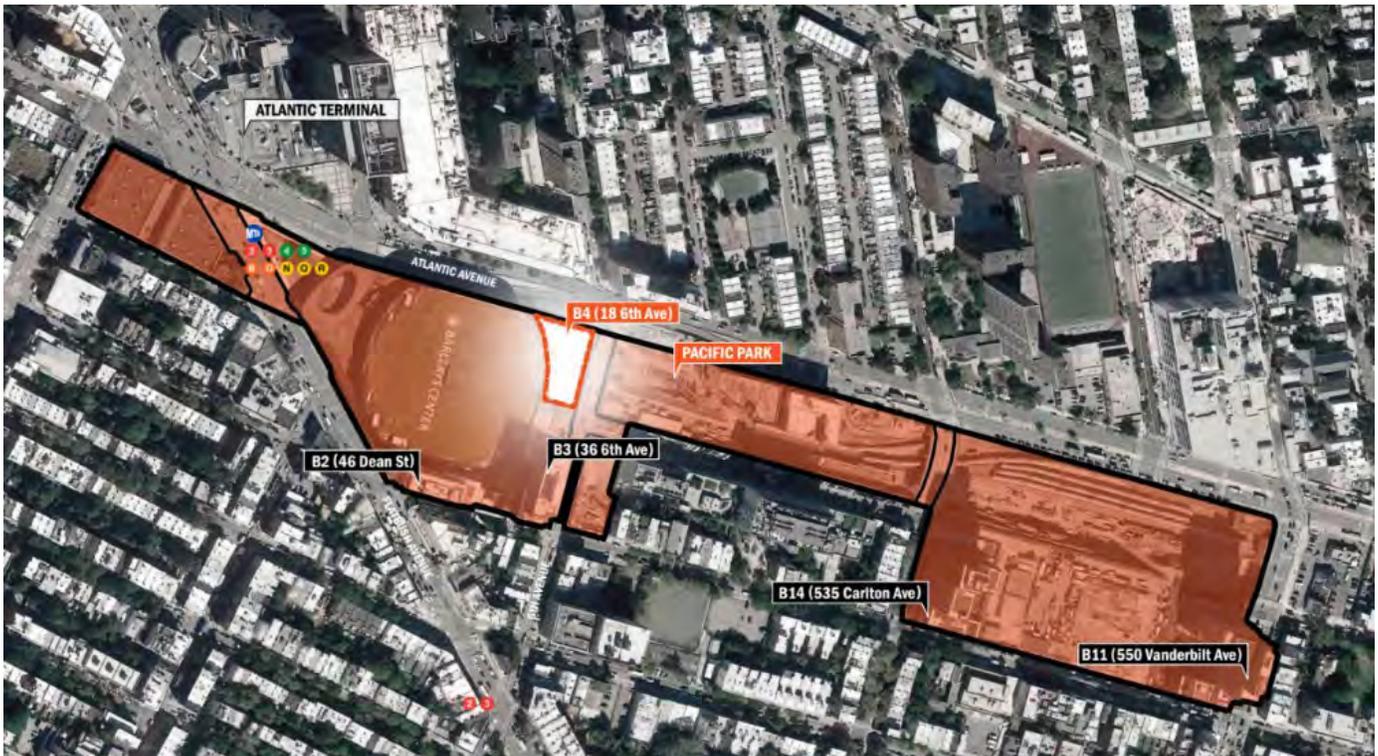
MARKET ANALYSIS



SITE LOCATION

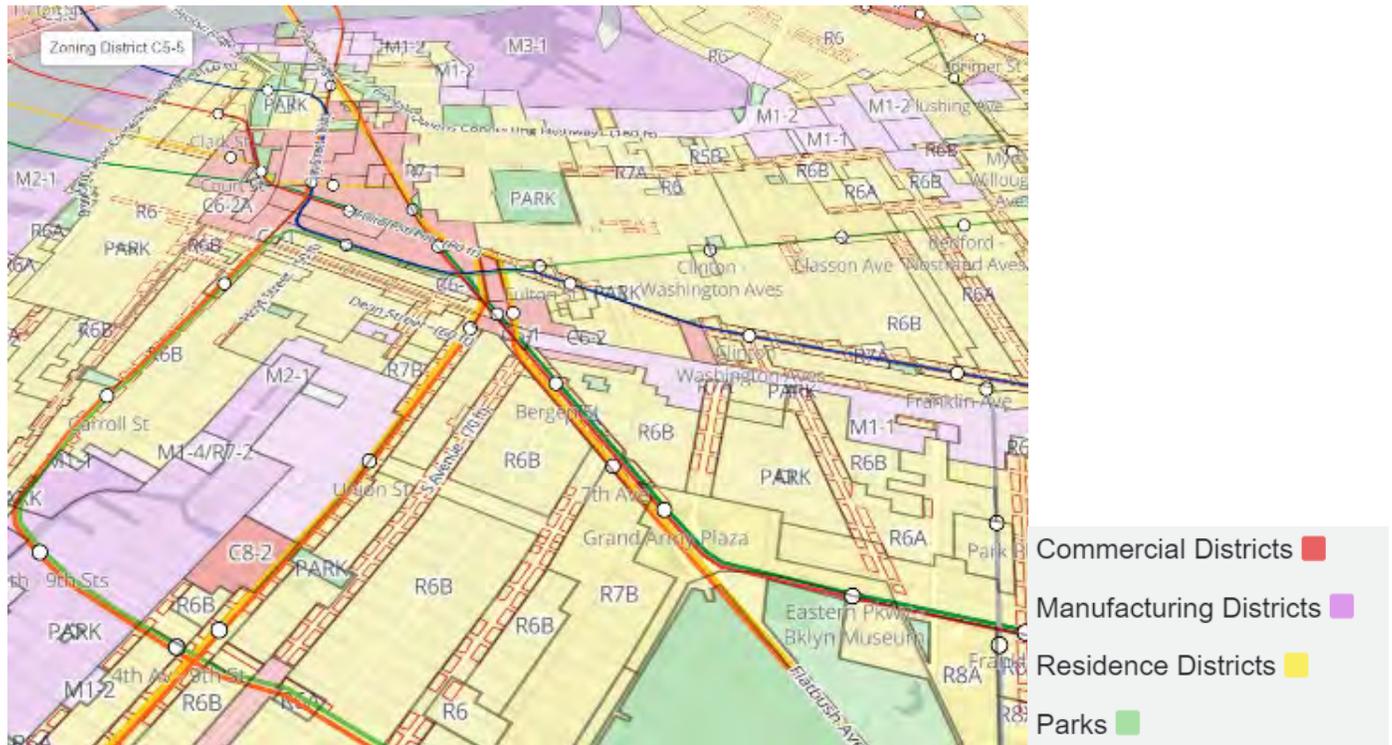


The site under consideration for development is the B4 parcel (Block 1118; lot 4&7) on the Arena Block of the Pacific Park (formerly Atlantic Yards) Project, administered by the Empire State Development Corporation (ESD). It consists of a 31,906 sf lot with 183 ft width on Atlantic Avenue and 200 ft depth along the 6th Avenue. The curved edge around Barclay's Center is around 230 ft long. The south of the lot is 100ft long along the Barclay's Center's service entrance.



The location of this development is acting as a gateway for the Pacific Park for the rest of Brooklyn and Manhattan. The development is technically located inside the Prospect Height submarket under the Brooklyn market. It provides a unique opportunity to development a statement piece and an iconic asset that activates the rest of the Pacific Park. Benefiting from the traffic from the Barclays' Center and intricate crossroads, the Pacific Pearl will attract and service tenants from all over New York City.

SURROUNDING USES



RESIDENTIAL – COMMERCIAL MIXED NEIGHBORHOOD

The surrounding of the site is heavily commercial and residential oriented. Only manufacturing district that is currently used is the Atlantic Rail Yards, which will soon to be covered and redeveloped into mix-ed uses neighborhood. That being said, sitting on the edge of the commercial hubs and surrounded by exciting mixed-use projects, this development is enjoying its benefits from the convenience but also an escape from heavily trafficked commercial zone like downtown Brooklyn.

GREEN SPACE

Walking distance to Fort Greene Park and Prospect Park are extraordinary additions to the relax and convenient Brooklyn lifestyle.

ABUNDENT RETAIL

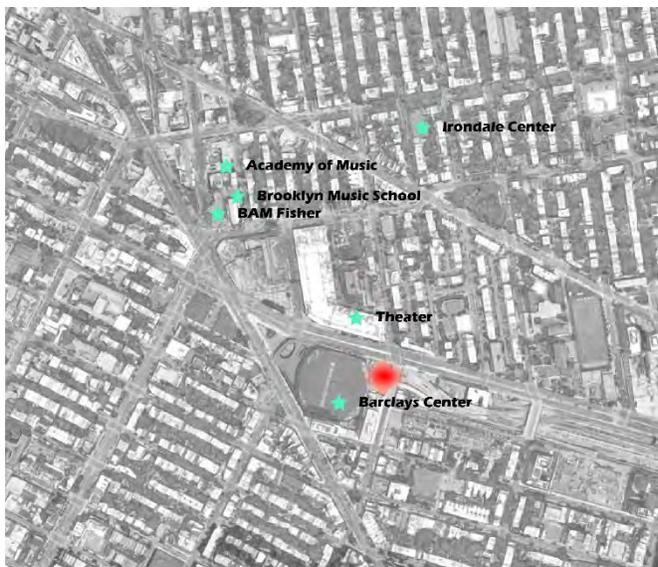
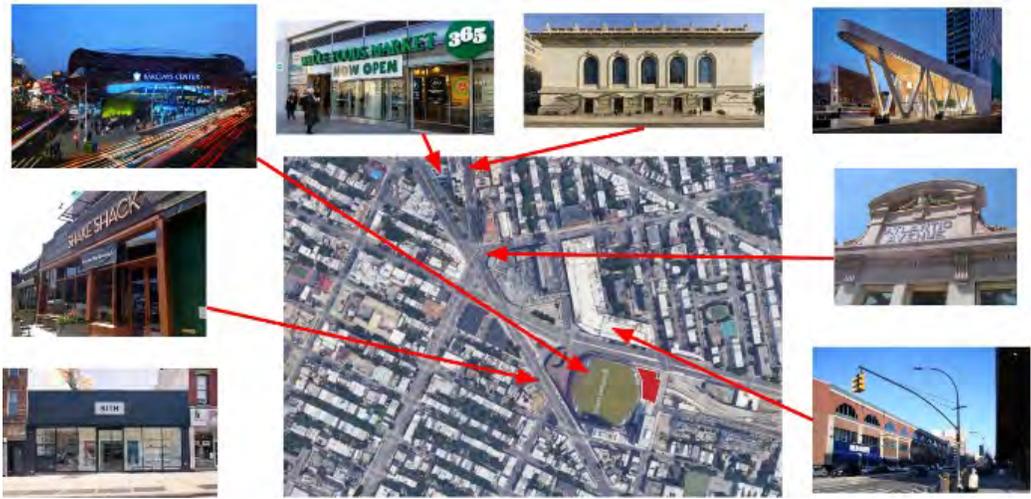
Since it is near the most vibrant and important commercial hub of Brooklyn, the retail component of this development gains its credibility and market from the already established surrounding retailers. Being a street away from two large-scale street malls, and walking distance to diverse tiers of popular and trendy retailers, it has a lot of confidence in its success in retail.

TRANSIT

Public transportation around the site is superb. Within several minutes of walk, residents are able to access Long Island Railway from Atlantic Terminal; **4,5,B,D,N,Q,R,W** train from **Barclays Center**; **2 and 3** train from **Bergen St**; **C** train from **Lafayette Avenue Station** and even **G** train from **Fulton St Station**. This marvelous advantage allows this project to be accessible from every single business hubs of New York City. Whether they work at FiDi, Long Island City, Midtown or Hudson Yard, there's a train they can take within few minutes of walk.



URBAN AMENITIES



NEIGHBORHOOD DEMOGRAPHICS

<i>Area</i>	Median Household Income	Population in 2019	Average Annual Growth Rate	Married	Family with Children
<i>Brooklyn</i>	\$ 50,640	2,606,852	3.10%	37.6%	28.1%
<i>Fort Greene</i>	\$ 65,545	33,593	7.68%	26.8%	22.0%
<i>Boerum Hill</i>	\$ 114,773	11,969	1.21%	40.1%	19.7%
<i>Prospect Height</i>	\$ 91,279	17,098	1.51%	31.2%	19.4%
<i>Park Slope</i>	\$ 116,613	61,564	0.20%	45.1%	27.3%

Higher household income than NYC average

Growing population

Increasing proportion of young family

Lot of young married couples with kids

Young population dominates

Though located within the Prospect Park submarket, the site is also next to Clinton Hill, Fort Greene, Boerum Hill and Park Slope submarkets. Brooklyn market has an unemployment rate of 3.9%, which symbolizing a healthy basic spending power. Median household income in these neighborhoods outweighs the Brooklyn's average. In Prospect Height the median household income is \$41,000 higher than the average, which resulting in 80% premium.

Population in 2019, Brooklyn borough reaches 2.6million with an average annual growth rate of 3.1%. This shows there is still continuing growth in demand and people are still looking to move to Brooklyn. Though the growth rate in Prospect Heights seems relatively lower, it could result in a short of demand and affordable units.

Married couples and family with children in the area is about 31% and 20%. Given these data, this development will emphasize on catering the need of the market and increasing the studio and 1 Bedroom units' ratios.

MARKET VACANCY

RESIDENTIAL

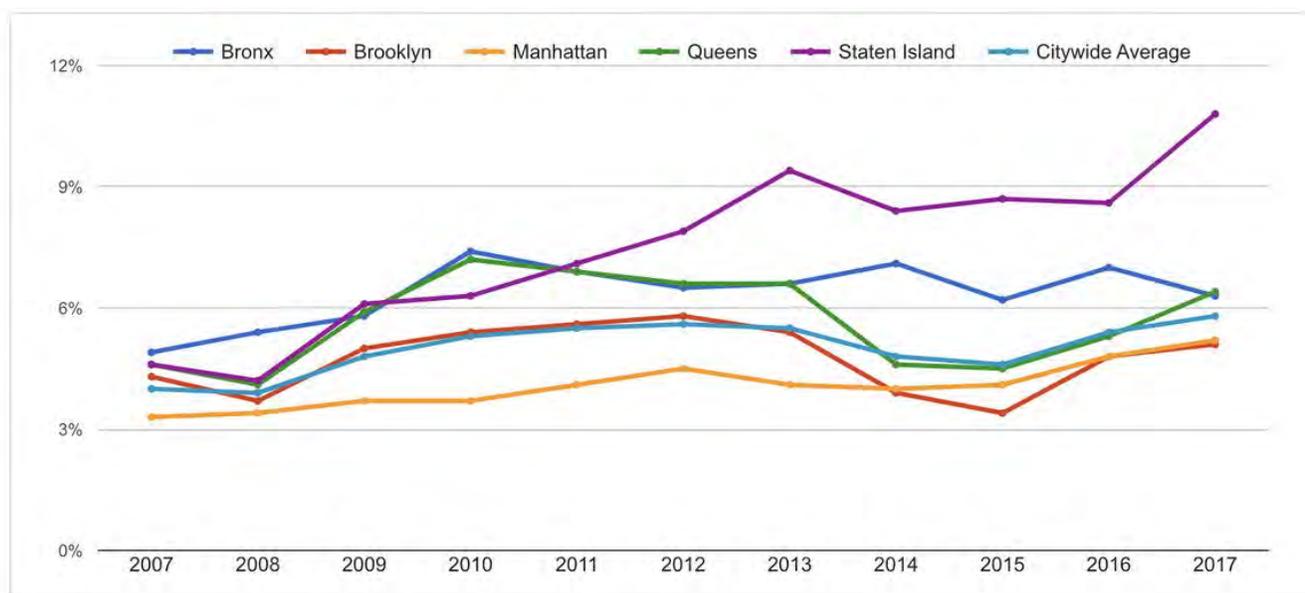
The 2019 New York City multifamily market report from Marcus & Millichap stated that New York City apartments continue to benefit from some of the strongest demand dynamics in the country. The vacancy rate of Brooklyn metropolitan area is low at 2.00%, a 10-basis point increase from 2018. Tiny increase in vacancy could result from the abundant supplies in Brooklyn market that were coming online in 2019.

With the affordable housing portion which is nearly 100% occupancy, a **6% overall vacancy rate**, being risk resistant and conservative, can be underwritten into this development and should have remained low throughout holding period within destructive economic interruption.

RETAIL

Connecting Fulton St and Flatbush Ave, the two most important retail hubs in Brooklyn, this project has great potential in its retail component despite the recent weak performance of the retail sector. Retail vacancy has been going up since 2008 and the most recent report from the Real Deal stating that the average vacancy rate in Brooklyn borough is 5.1 percent.

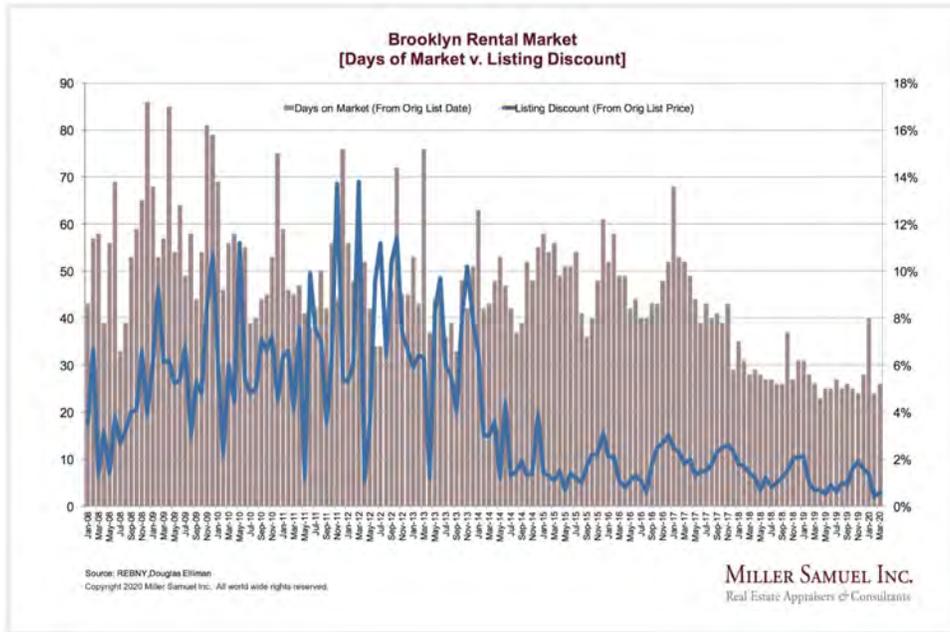
Thus, with the project of continuing declining retail activity, a **10% retail vacancy rate** is underwritten into the financial analysis.



Source: Office of the Comptroller from Department of Finance RPIE filings.

ABSORPTION RATE/ LEASE UP

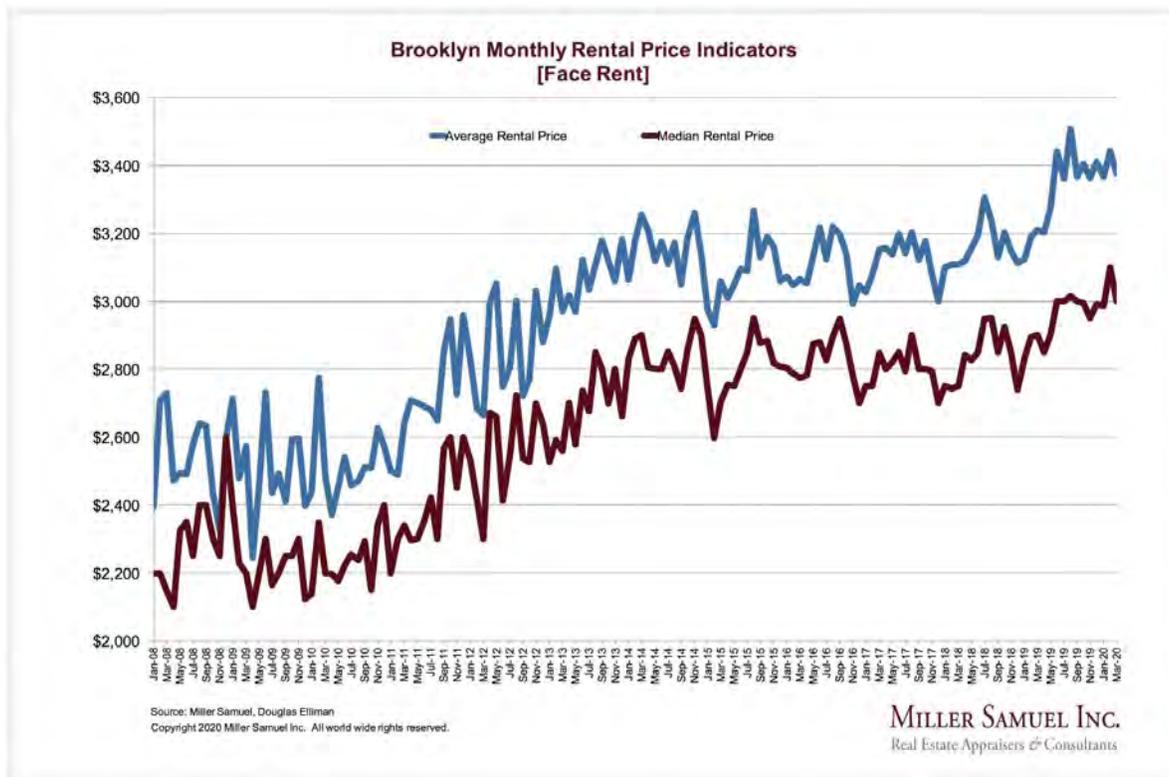
From the Miller Elliman's NYC rental report we can conclude that the residential rental market in Brooklyn is still very hot right now. With the market inventory keeps shrinking and demand keeps growing, it only takes 4 days to rent out a unit. The supply in Brooklyn gets absorbed really fast given the fact that there aren't that many supplies coming up on the construction pipeline.



The listing inventory and new leases in Brooklyn multifamily market has been decreasing, showing a strong supply need and rapid absorption of new supply. The average days on market has been around 28 days, with over 1,000 units, which 300 of them are affordable, a **10 month lease up period** can be easily justified into the financial analysis.



RENT ANALYSIS



RESIDENTIAL

The average rent in Brooklyn in 2019 is \$2,695, up 3.5% year-over-year. The healthy growth in rent price establishes a strong performing of the proposed project. 1-bedroom unit and 2-bedroom unit see the highest rent growths out of all unit types: in the Miller Elliman rental report, the average 1-bedroom rent in February grows 6.2% compared to 2019. We see a higher growth in larger units since many more new tenants prefer the community living lifestyle. **A 3% annual growth** in rent is underwritten into the financial pro forma projection of this project.

RETAIL

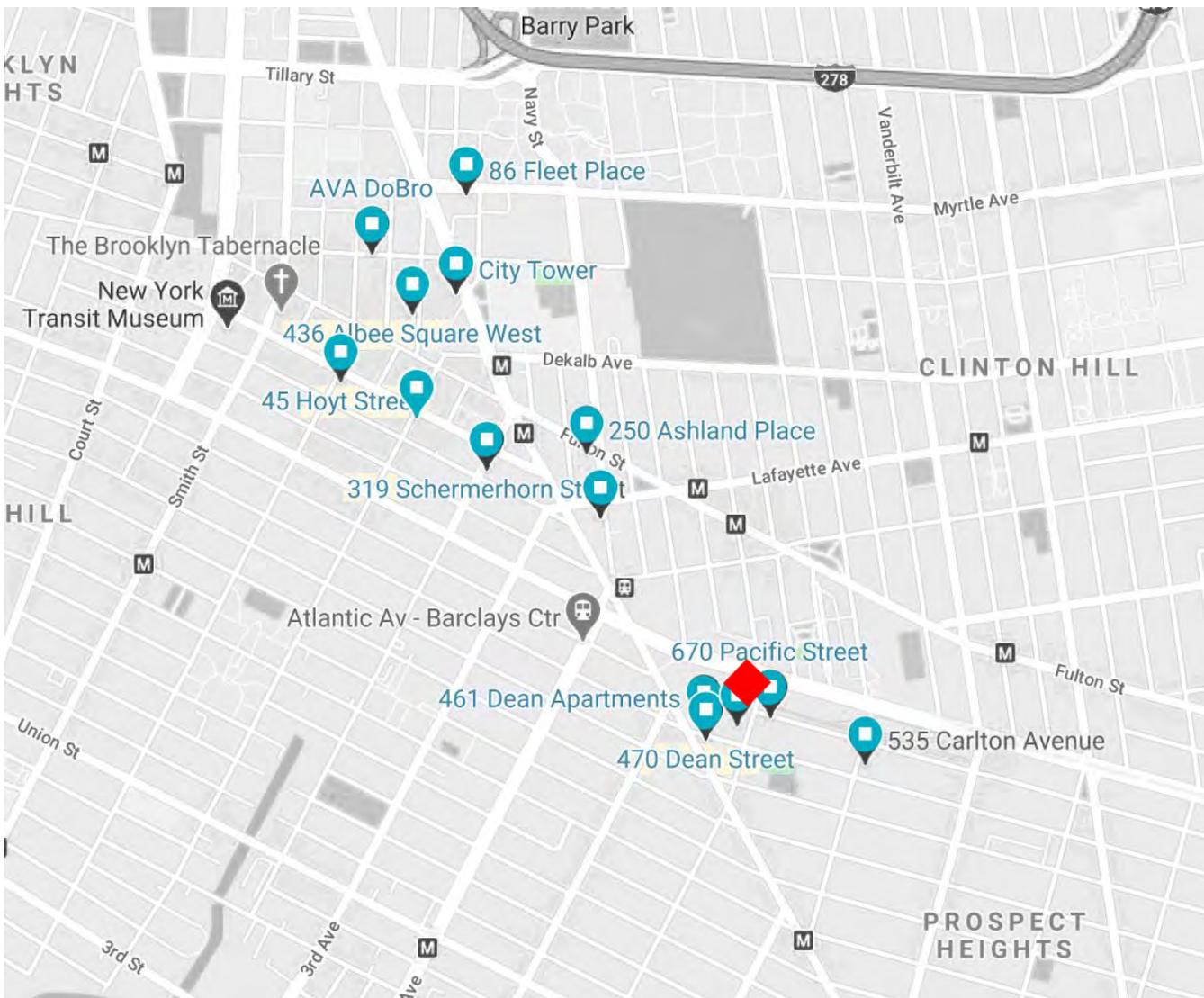
In 2019, Average asking rents for ground floor retail space decreased in 12 of the 17 Brooklyn corridors analyzed by the REBNY compared to 2018. In downtown Brooklyn’s Fulton Street, where the commercial district that this project is adjacent to, the average asking rents rose to \$237 psf, a 1% increase year-over-year. Being slightly off the circulation of downtown Brooklyn commercial corridor, the ground floor retail space in this development still has the potential to reach \$180 psf with a 1% increase annually.

RENT COMPS

Prospect Park - Market Rent Comparable

Data source: Zillow

Location	Bedroom	Size	Rent	Rent/SF	Condition
461 Dean Street	1b1b	578	\$3,365.00	\$ 5.82	new/lux
470 Dean St # 4107, Brooklyn	1b1b	652	\$3,650.00	\$ 5.60	new/lux
38 6th Ave APT 1907, Brooklyn	1b1b	684	\$2,663.00	\$ 3.89	construction
585 Carlton Ave # 2, Brooklyn	1b1b	900	\$3,999.00	\$ 4.44	old/good
688 Washington Ave # 3F	1b1b	700	\$2,650.00	\$ 3.79	old/good
195 Sterling Pl APT 4, Brooklyn	1b1b	950	\$3,200.00	\$ 3.37	old/OK
34 Plaza St E # 3, Brooklyn	2b1b	1000	\$4,000.00	\$ 4.00	old/good
603 Vanderbilt Ave APT 3B	2b1b	700	\$3,350.00	\$ 4.79	old/OK
352 Saint Johns Pl # 8	2b1b	908	\$2,745.00	\$ 3.02	old/OK
583 Bergen St # 2, Brooklyn	2b1b	800	\$4,000.00	\$ 5.00	old/good
461 Dean Street	2b2b	1086	\$5,344.00	\$ 4.92	new/lux
583 Bergen St # 2, Brooklyn	2b2b	800	\$4,000.00	\$ 5.00	old/good
550 Vanderbilt Ave	2b2b	970	\$5,100.00	\$ 5.26	new/lux
630 Washington Ave APT 5G, Brooklyn	2b2b	1457	\$5,400.00	\$ 3.71	old/good
353 Prospect Pl APT 1R, Brooklyn	3b2b	1187	\$5,687.00	\$ 4.79	new/good
461 Dean Street	studio	441	\$2,800.00	\$ 6.35	new/lux



RENT INPUTS

AFFORDABLE

Unit Size	30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI	130% AMI	165% AMI
Studio	\$375	\$535	\$696	\$856	\$1,016	\$1,176	\$1,385	\$1,545	\$1,705	\$1,866	\$2,026	\$2,587
One-bedroom	\$481	\$681	\$881	\$1,081	\$1,281	\$1,481	\$1,742	\$1,942	\$2,142	\$2,342	\$2,542	\$3,243
Two-bedroom	\$588	\$828	\$1,069	\$1,309	\$1,549	\$1,789	\$2,102	\$2,342	\$2,582	\$2,823	\$3,063	\$3,904
Three-bedroom	\$672	\$949	\$1,227	\$1,504	\$1,782	\$2,059	\$2,420	\$2,698	\$2,975	\$2,823	\$3,530	\$4,501

MARKET RATE

Income Assumptions

RESIDENTIAL

UNIT MIX	Market	60% Affordable	130% Affordable	UNIT MIX RENT	Market	60% Affordable	130% Affordable
Studio	140	10	50	Studio	\$2,800	\$1,056	\$2,363
1-Bedroom	385	35	130	1-Bedroom	\$3,250	\$1,128	\$2,529
2-Bedroom	157	20	48	2-Bedroom	\$3,950	\$1,347	\$3,028
3-Bedroom	42	5	13	3-Bedroom	\$4,500	\$1,550	\$3,491
Sub Total	724	70	241	Sub Total	\$14,500	\$5,082	\$11,412
Total	1,035			Total	\$30,993		

TOTAL RENT	Market	60% Affordable	130% Affordable
Studio	\$392,000	\$10,564	\$118,171
1-Bedroom	\$1,251,250	\$39,493	\$328,746
2-Bedroom	\$620,150	\$26,949	\$145,343
3-Bedroom	\$189,000	\$7,748	\$45,389
Sub Total	\$2,452,400	\$84,753	\$637,649
Total	\$3,174,802		

Blended Rent \$3,067.44 per unit

RETAIL

RETAIL

*REBNY Report winter 2019

Corridor	Winter 20	Summer 19	Winter 19	%Change
Downtown Brooklyn				
Fulton St	296	237	262	13%
Court St	157	160	166	-5%
Prospect Height				
Flatbush Ave	120	138	125	-4%

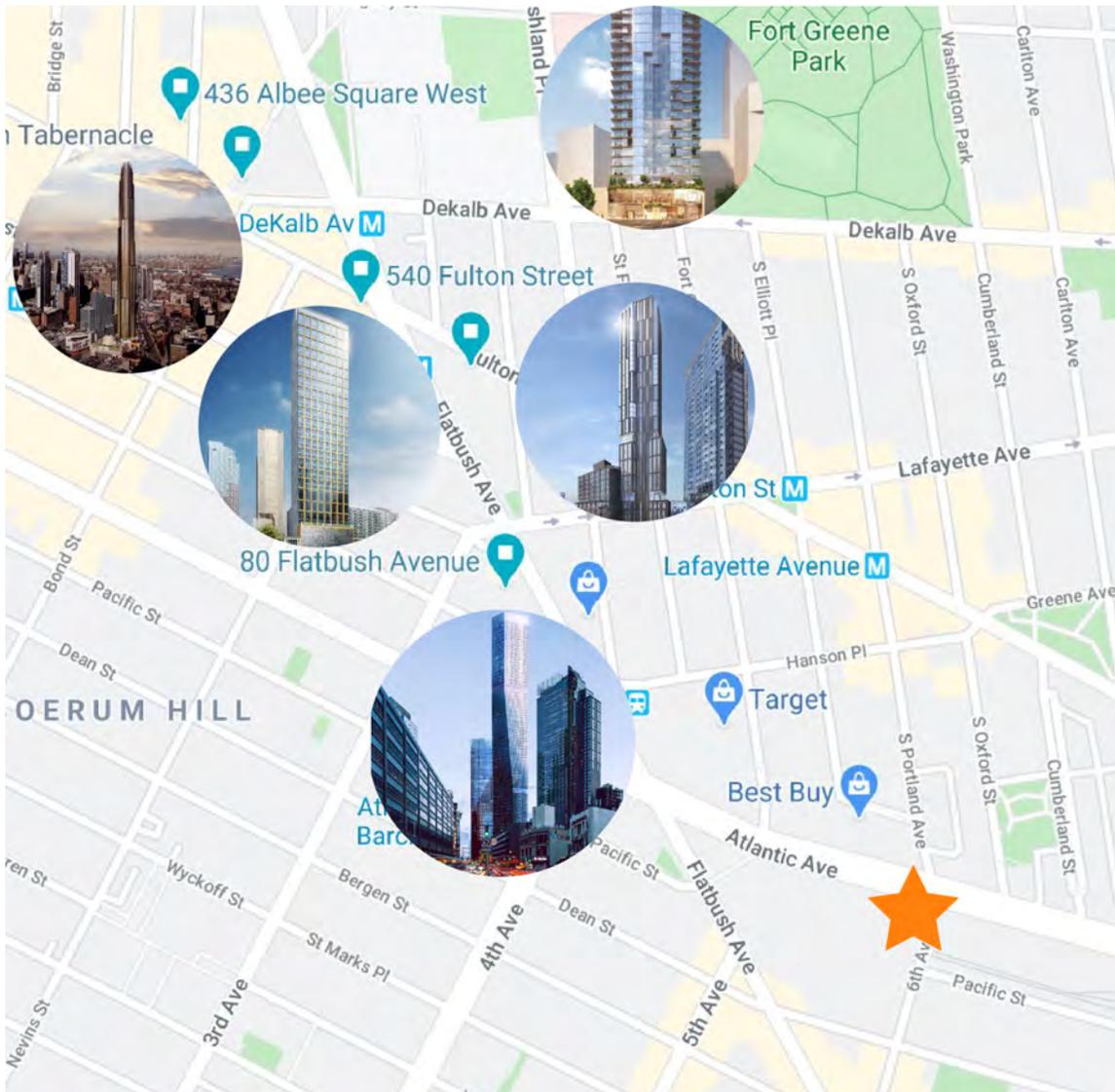
Retail Rent Assumption \$155 psf

Annual \$6,185,433
Monthly \$515,453

PIPELINE

UPCOMING PIPELINE		
Development	# of Unit	Highlight
80 Flatbush Ave	900	All electric
9 Dealk Ave	500	Tallest in BK
570 Fulton St	139	Mix-used
540 Fulton St	400	finishing soon

Brooklyn is one of the most wanted neighborhoods in the United States. The competition of this development will be challenging. There are 5-10 similar products coming out of ground each year. However, situating in such an unreplaceable location with the unit-type that mix affordability and luxurious lifestyle, it is very excited to say that the development of the B4 will be one of the most competitive among the pipeline of the neighborhood.



PARTNERSHIP



FINANCIAL ANALYSIS



ACQUISITION AND DEVELOPMENT

Property Summary

Project Name	The Pacific Pearl (Pacific Park B4)	
Address	18 6th Ave, Brooklyn, NY	
Lot Area		31,906
Total Building Floor Area		828,778
Building Efficiency		77%
<i>Residential RFA</i>	93.6%	586,646
<i>Retail RFA</i>	6.4%	39,906
Total Rentable Area		626,552
Total # of Unit		1,035
<i>Market Rate</i>	70.0%	724
<i>Affordable</i>	30.0%	311
PreConstruction Start Date		6/1/2019

Development Budget

Land Cost:		\$194,745,462
Acquisition Date		6/1/2019
Closing cost	2%	\$3,894,909
Construction Cost:		
Residential Portion	\$450	\$349,196,362
Commercial Portion	\$300	\$15,835,826
Urban Surrounding Renovation		\$1,000,000
Contingency	3%of hard cost	\$10,950,966
Total Hard Cost	\$455	\$376,983,153
Total Soft Cost	20%of hard cost	\$75,396,631
Total Construction Cost	546	\$452,379,783
Total Development Cost w/no IR	\$786	\$651,020,155
Interest Reserve	\$60	\$49,547,403
Operating Reserve /Lease Up	\$19	\$15,914,582
Total Development Budget	\$865	\$716,482,140

CAPITAL STRUCTURE



FINANCING

Senior Loan Metrics

LTC	75%
Loan Amount	\$488,265,116
Loan Term (Months)	36
Loan Type	IO
Interest Rate	7%

Sources and Uses

Sources			Uses		
Senior Loan	68.1%	\$488,265,116	Development Cost	90.9%	\$651,020,155
Equity LP	28.7%	\$205,395,322	Interest Reserve	6.9%	\$49,547,403
Equity GP	3.2%	\$22,821,702	Operating Reserve	2.2%	\$15,914,582
Total	100.0%	\$716,482,140	Total	100%	\$716,482,140

Refinance Option

Stablized Valuation		\$751,115,837
Max LTV	75%	\$563,336,877
Min DSCR	1.25	\$405,622,570
Min PMT		\$25,692,304
Min Debt Yield	8%	\$401,442,254

Permanent Loan Sizing

Amortization	25	300
Interest Rate		4%
Loan Type		Fixed-rate
Annual Interest Payment		(\$25,427,521)
Repayment at Year 8		(\$349,674,735)
Exit Year		Year 8

STABILIZED PRO FORMA

DCF Pro Forma (Sale at Stabilization)						
		Stage:	Pre Construction	Construction	Con & Lease Up	Stabilization
		Year:	0	1	2	3
		Date:	6/1/2019	6/30/2020	6/30/2021	6/30/2022
		Stabilized Year				1
Land Cost			(\$194,745,462)			
Closing Cost	2%		(\$3,894,909)			
Hard Cost				(\$207,340,734)	(\$145,407,788)	(\$24,234,631)
Soft Cost			(\$37,698,315)	(\$17,399,222)	(\$17,399,222)	(\$2,899,870)
Residential Income						\$17,461,410
Retail Income						\$2,834,990
Total Potential Income						\$20,296,401
Residential Vacancy						\$0
Retail Vacancy						\$0
Effective Gross Income						\$20,296,401
Operating Expense						(\$3,676,711)
Management Fee	3%					(\$608,892)
NOI (Operating)						\$16,010,797
Leasing Commission	3%					(\$480,324)
Extra CapEx Reserve	2%					(\$320,216)
NOI (Property)						\$15,210,258
Reversionary Sale						\$802,884,509
Sale Costs	3%					(\$24,086,535)
Unlevered Cash Flow			(\$236,338,687)	(\$224,739,957)	(\$162,807,010)	\$766,873,729
<i>Yield on Cost</i>						<i>123%</i>
Unlevered IRR		10.08%				
Equity Multiple		1.23				
Loan Proceeds			\$73,583,648	\$224,739,957	\$162,807,010	\$27,134,502
Interest Payment						(\$16,010,797)
Repayment						(\$553,727,102)
Levered Cash Flow			(\$162,755,039)	\$0	\$0	\$224,270,332
<i>Cash on Cash</i>				<i>0%</i>	<i>0%</i>	<i>138%</i>
Levered IRR		11.28%				
Equity Multiple		1.38				

EXIT STRATEGY & RETURN

OPTION A – SALE AT STABILIZATION

Renture Analysis(Sale @ Stabilization)	
Deal-Level / Borrower Unlevered IRR	10.08%
Deal-Level / Borrower Unlevered CFx	1.23x
Nominal Profit	\$142,988,076
Stabilized Yield on Cost	4.89%
Deal-Level / Borrower Levered IRR	11.28%
Deal-Level / Borrower Levered CFx	1.38x
Nominal Profit	\$61,515,293

OPTION B – REFINANCE AND SALE AT YEAR 8

Renture Analysis(Sale @ Year 8)	
Deal-Level / Borrower Unlevered IRR	8.07%
Deal-Level / Borrower Unlevered CFx	1.69x
Nominal Profit	\$676,886,501
Stabilized Yield on Cost	4.80%
Deal-Level / Borrower Levered IRR	10.30%
Deal-Level / Borrower Levered CFx	1.90x
Nominal Profit	\$446,459,982
Stabilized Cash on Cash	1.92%

NEXT BUYER

- *Institutional Pension Fund*
- *Risk-resistant Private Equity*
- *Foreign Private Equity*
- *Investment Management Firm*

SENSITIVITY ANALYSIS

Deal Levered IRR Sensitivity

		<u>Vacancy Rate</u>					
		4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
<u>Exit Cap Rate</u>	11.28%	46.12%	44.96%	43.79%	42.60%	41.38%	40.15%
	3.00%	29.81%	28.55%	27.27%	25.96%	24.63%	23.26%
	3.50%	21.97%	20.64%	19.28%	17.89%	16.46%	15.00%
	3.75%	14.17%	12.74%	11.28%	9.78%	8.23%	6.64%
	4.00%	6.27%	4.72%	3.12%	1.47%	-0.24%	-2.01%
	4.25%	-1.90%	-3.62%	-5.41%	-7.27%	-9.21%	-11.23%
	4.50%	-10.57%	-12.55%	-14.62%	-16.79%	-19.09%	-21.52%
	4.75%						

Deal Levered Equity Multiple Sensitivity

		<u>Vacancy Rate</u>					
		4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
<u>Exit Cap Rate</u>	1.38x	3.12x	3.05x	2.97x	2.90x	2.83x	2.75x
	3.00%	2.19x	2.12x	2.06x	2.00x	1.94x	1.87x
	3.50%	1.81x	1.76x	1.70x	1.64x	1.58x	1.52x
	3.75%	1.49x	1.43x	1.38x	1.32x	1.27x	1.21x
	4.00%	1.20x	1.15x	1.10x	1.04x	0.99x	0.94x
	4.25%	0.94x	0.90x	0.85x	0.80x	0.75x	0.70x
	4.50%	0.72x	0.67x	0.62x	0.58x	0.53x	0.48x
	4.75%						

LP IRR Sensitivity (with a ultimate hurdle of 18% IRR)

		<u>Vacancy Rate</u>					
		4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
<u>Exit Cap Rate</u>	11.09%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
	3.00%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
	3.50%	18.00%	18.00%	18.00%	18.00%	18.00%	18.00%
	3.75%	18.00%	18.00%	17.52%	16.45%	15.36%	14.24%
	4.00%	13.56%	12.34%	11.09%	9.78%	8.23%	6.64%
	4.25%	6.27%	4.72%	3.12%	1.47%	-0.24%	-2.01%
	4.50%	-1.90%	-3.62%	-5.41%	-7.27%	-9.21%	-11.23%
	4.75%	-10.57%	-12.55%	-14.62%	-16.79%	-19.09%	-21.52%

Deal Levered IRR Sensitivity

		<u>Vacancy Rate</u>					
		4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
<u>Senior Loan Interest Rate</u>	11.28%	17.02%	15.66%	14.27%	12.85%	11.39%	9.89%
	5.50%	16.09%	14.72%	13.30%	11.86%	10.37%	8.84%
	6.00%	15.14%	13.74%	12.31%	10.83%	9.32%	7.76%
	6.50%	14.17%	12.74%	11.28%	9.78%	8.23%	6.64%
	7.00%	13.16%	11.71%	10.22%	8.69%	7.11%	5.49%
	7.50%	12.12%	10.65%	9.13%	7.56%	5.95%	4.29%
	8.00%	11.06%	9.55%	8.00%	6.40%	4.75%	3.05%
	8.50%						

LP IRR Sensitivity

		<u>Vacancy Rate</u>					
		4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
<u>Senior Loan Interest Rate</u>	11.09%	15.79%	14.75%	13.65%	12.43%	11.18%	9.89%
	5.50%	15.08%	14.03%	12.82%	11.58%	10.31%	8.84%
	6.00%	14.36%	13.20%	11.97%	10.71%	9.32%	7.76%
	6.50%	13.56%	12.34%	11.09%	9.78%	8.23%	6.64%
	7.00%	12.70%	11.46%	10.19%	8.69%	7.11%	5.49%
	7.50%	11.81%	10.55%	9.13%	7.56%	5.95%	4.29%
	8.00%	10.90%	9.55%	8.00%	6.40%	4.75%	3.05%
	8.50%						

JV RETURN

OPTION A

Waterfall Summary (Sale @ Stabilization)

LP Levered IRR	11.09%
LP Equity Multiple	1.37x
LP Nominal Profit	\$54,331,908
GP Levered IRR	12.96%
GP Equity Multiple	1.44x
GP Nominal Profit	\$7,183,385

OPTION B

Waterfall Summary (Sale @ Year 8)

LP Levered IRR	9.74%
LP Equity Multiple	1.84x
LP Nominal Profit	\$237,428,583
GP Levered IRR	14.64%
GP Equity Multiple	2.47x
GP Nominal Profit	\$46,276,360

PROJECT DELIVERY



DELIVERY SCHEDULE

Stage:	PRE.CON		CONSTRUCTION																	
Month:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
Year:	0	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2	2	2
Date:		6/30/2019	7/31/2019	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	11/30/2020	
LAND ACQUISITION	█																			
CONSTRUCTION LOAN CLOSE	█																			
PREDEVELOPMENT	█																			
CONSTRUCTION	█		█																█	
RETAIL MARKETING PERIOD	█		█																█	
RESIDENTIAL MARKETING PERIOD	█		█																█	

Stage:	CONSTRUCTION									LEASE UP PERIOD							STABILIZED		
Month:	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37
Year:	2	2	2	2	2	2	3	3	3	3	3	3	3	3	3	3	3	3	4
Date:	12/31/2020	1/31/2021	2/28/2021	3/31/2021	4/30/2021	5/31/2021	6/30/2021	7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021	12/31/2021	1/31/2022	2/28/2022	3/31/2022	4/30/2022	5/31/2022	6/30/2022
CONSTRUCTION	█																		
RETAIL MARKETING PERIOD	█																		
RESIDENTIAL MARKETING PERIOD	█																		
RETAIL TENANT FILL OUT	█									█									
RETAIL TCO	█									█									
RESIDENTIAL TCO	█									█									
RESIDENTIAL LEASE-UP	█									█									
SALE OR REFINANCE	█									█									

RISKS & MITIGANTS



RISK - LOW YIELD**MITIGANT:**

10% of Affordable is matched to 60% AMI, it could have all boosted up to 130% AMI rent, which would increase the levered IRR by 200 basic points. Besides, an 11.09% IRR should be in line with the investment appetite given the current environment. For such trophy and iconic asset, it'll attract interests from good amount of next buyers.

RISK – Uncertainty of 421A Tax Abatement**MITIGANT:**

The risk of alternation of 421 A Tax abatement might exist, however, the sponsor of the project is utilizing its resources and actively engaging with the administration and community. Have the tax abatement in place before the completion of construction should be very likely.

RISK – Far from the maturity of the Atlantic Yard completion**MITIGANT:**

The future community context was already considered within the design and decision-making process. Though this project is on the early stage of the Pacific Park proposal, it takes the entire Pacific Park planning into account and make sure it has a long-lasting impact on the neighborhood.

RISK - Upcoming pipeline**MITIGANT:**

The pressure facing from surrounding comps and upcoming pipeline is legitimate. The building management team and project marketing team will work on emphasizing this incredibly located and designed asset. We are confident that with the location and amenities that it includes, this project will be very competitive in Brooklyn rental market. What's more, new inventory in the area is being absorbed fast and it's positive that this building will be the same.

RISK - Surrounding construction, barrier and noise**MITIGANT:**

The neighborhood enhancement program is exactly designed to mitigate the current nearby environment of this project. To remedy the noise and physical barrier of the Atlantic Avenue, we are creating a green and artistic street enhancement program in order to achieve a safer and more pleasant neighborhood experience, whether they're walking to the public transits or experiencing the surrounding retails.

RISK – Community Pushback**MITIGANT:**

Though because the site is under regulated by ESD, the project might still experience some community pushback in terms of not providing enough affordable units. To address this, we have 10% of total units that are designated to households that make 60% of AMI.

RISK – Lack of sun exposure for lower floor unit on the north**MITIGANT:**

With a public arena like Barclays Center being right next to this development. There are some units that might have limited sun exposure. To address this issue, we hired a Japanese architect who is specialized in using glass façade and playing with light and shadow. Not only are we maximizing the window area, we also consulted material specialist to maximize energy efficiency of the building.

APPENDIXS



Appendix #1 The Elliman Report: JAN 2020 Manhattan, Brooklyn & Queens Rentals

Brooklyn Rental Market by Size		JAN-20	%Δ (mo)	DEC-19	%Δ (yr)	JAN-19
Studio -	Average Rental Price	\$2,688	-5.1%	\$2,831	8.3%	\$2,481
	Rental Price per Sq Ft	\$56.93	-12.5%	\$65.05	7.6%	\$52.89
	Median Rental Price	\$2,552	-5.3%	\$2,695	2.1%	\$2,500
	Number of New Leases	159	27.2%	125	14.4%	139
1-Bedroom -	Average Rental Price	\$2,921	2.3%	\$2,856	3.5%	\$2,822
	Rental Price per Sq Ft	\$49.74	6.0%	\$46.92	4.7%	\$47.52
	Median Rental Price	\$2,850	1.8%	\$2,800	1.8%	\$2,800
	Number of New Leases	416	34.6%	309	-16.0%	495
2-Bedroom -	Average Rental Price	\$3,679	1.8%	\$3,614	10.9%	\$3,316
	Rental Price per Sq Ft	\$47.89	5.6%	\$45.35	9.5%	\$43.72
	Median Rental Price	\$3,270	0.6%	\$3,250	9.0%	\$3,000
	Number of New Leases	351	36.6%	257	-5.4%	371
3+ Bedroom -	Average Rental Price	\$4,739	-5.3%	\$5,005	10.6%	\$4,285
	Rental Price per Sq Ft	\$41.60	-14.9%	\$48.91	14.2%	\$36.42
	Median Rental Price	\$3,875	-3.1%	\$3,997	4.7%	\$3,700
	Number of New Leases	134	11.7%	120	-7.6%	145

Appendix #2 HDC's guideline on rent of affordable housing based on AMI

Unit Size	30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	90% AMI	100% AMI	110% AMI	120% AMI	130% AMI	165% AMI
Studio	\$375	\$535	\$696	\$856	\$1,016	\$1,176	\$1,385	\$1,545	\$1,705	\$1,866	\$2,026	\$2,587
One-bedroom	\$481	\$681	\$881	\$1,081	\$1,281	\$1,481	\$1,742	\$1,942	\$2,142	\$2,342	\$2,542	\$3,243
Two-bedroom	\$588	\$828	\$1,069	\$1,309	\$1,549	\$1,789	\$2,102	\$2,342	\$2,582	\$2,823	\$3,063	\$3,904
Three-bedroom	\$672	\$949	\$1,227	\$1,504	\$1,782	\$2,059	\$2,420	\$2,698	\$2,975	\$2,823	\$3,530	\$4,501

Appendix #3 421-A tax abatement options and guideline

Option E

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

Option F

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

Option G

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

Approval, denial or termination of these tax exemption benefits cannot be based upon compliance with the minimum average hourly wage requirements for construction workers. Furthermore, a project labor agreement satisfies the requirements, and eligible multiple dwellings with at least 50% of their units affordable to and restricted to occupancy by persons or families at or below 125% of Area Median Income, are exempt. The New York City Comptroller is the enforcement agency for the minimum average hourly wage requirements for construction workers.

**THANK
YOU
FOR
YOUR
CONSIDERA
TION**

BEST REGARDS,
KJ JIAHENG KUANG
KAGE PARTNET. LLC

