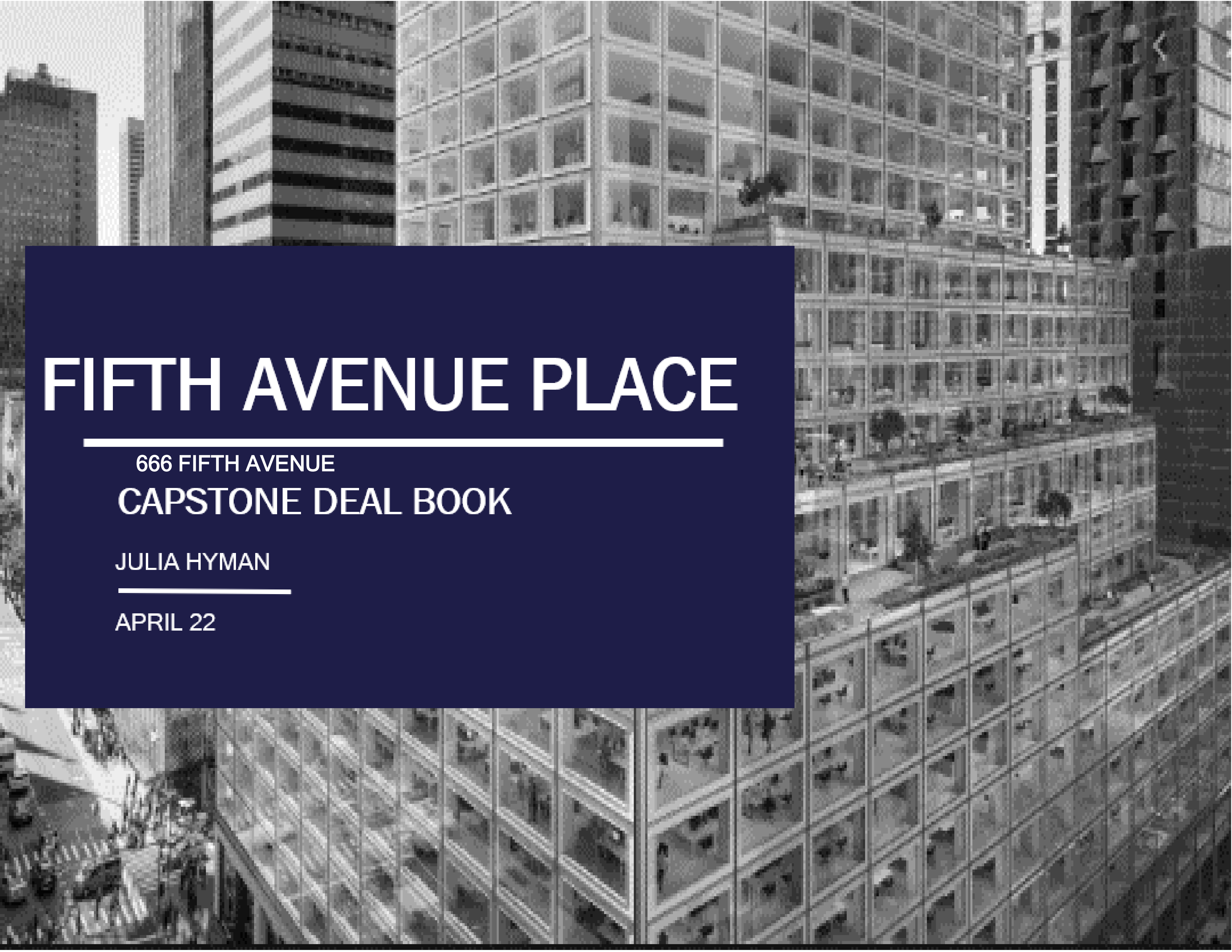


FIFTH AVENUE PLACE

666 FIFTH AVENUE

CAPSTONE DEAL BOOK

JULIA HYMAN

APRIL 22

TABLE OF CONTENTS

EXECUTIVE SUMMARY

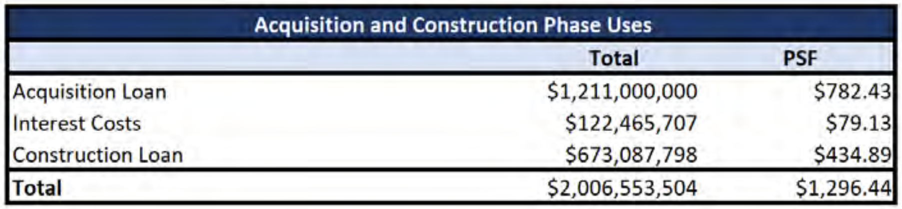
HYMAN DEVELOPMENT IS PLEASED TO PRESENT THE OPPORTUNITY TO INVEST

$703.7 million

TO ACT AS THE LP IN THE DEVELOPMENT OF FIFTH AVENUE PLACE, A 31-STORY OFFICE TOWER IN MIDTOWN MANHATTAN, IN EXCHANGE FOR A 90% SHARE OF THE PARTNERSHIP

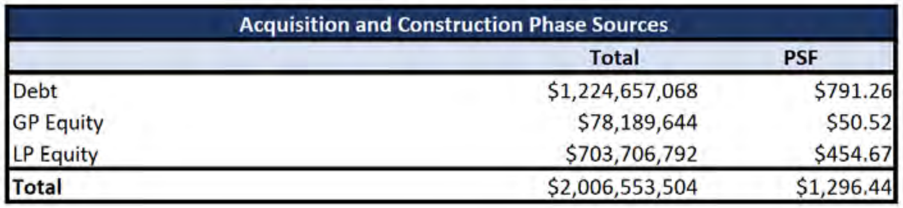
EXECUTIVE SUMMARY : FIFTH AVENUE PLACE

Hyman Development is pleased to present Fifth Avenue Place, built in 1957/ This property presents an opportunity to invest in a class A, mixed-use office tower in the heart of New York City. In a repositioning and renovation of Fifth Avenue Place, the development plan and design is a concept for a mixed-use office tower, with retail at the base. Located in the Plaza District, Fifth Avenue Place sits at the heart of the Manhattan office market, situated between Midtown and Midtown East. The 41-story, 1,246,882 RSF renovation project will include demolition of the floor plates and doubling a portion of the existing ceiling heights, improving the HVAC system in order to increase the existing ceiling heights. In addition, a variety of amenities will be implemented, including multiple outdoor terrace green spaces. Fifth Avenue Place will attract new talent within New York City and will appeal to young adults in the working world, particularly startup technology companies looking for new, innovative space. The retail will remain at the base of the building, as the space is eminently suitable for retail, based on extensive window frontage and high foot traffic.



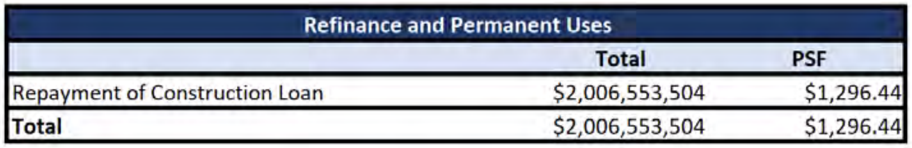
Acquisition and Construction Phase Uses

	Total	PSF
Acquisition Loan	$1,211,000,000	$782.43
Interest Costs	$122,465,707	$79.13
Construction Loan	$673,087,798	$434.89
Total	$2,006,553,504	$1,296.44



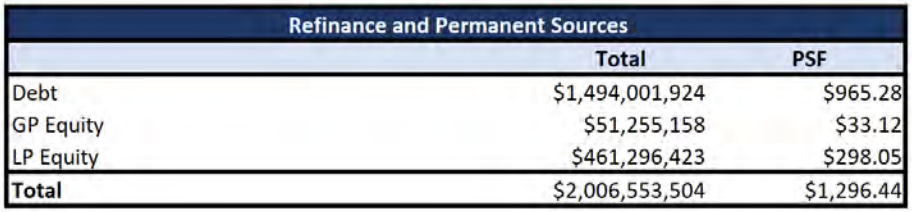
Acquisition and Construction Phase Sources

	Total	PSF
Debt	$1,224,657,068	$791.26
GP Equity	$78,189,644	$50.52
LP Equity	$703,706,792	$454.67
Total	$2,006,553,504	$1,296.44



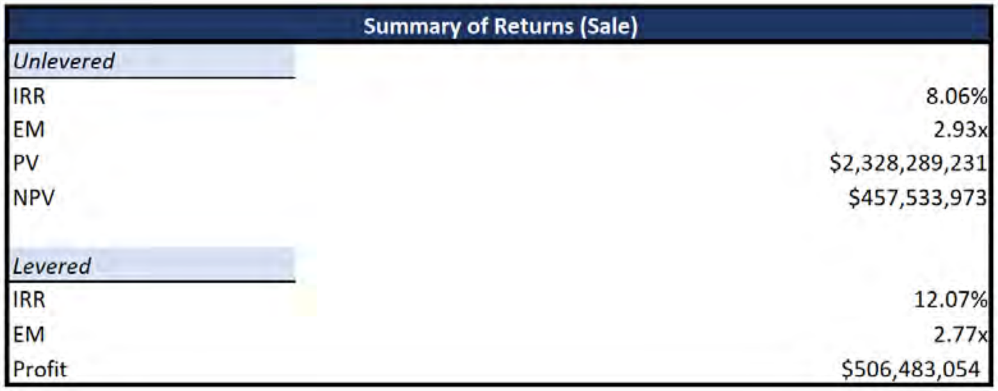
Refinance and Permanent Uses

	Total	PSF
Repayment of Construction Loan	$2,006,553,504	$1,296.44
Total	$2,006,553,504	$1,296.44



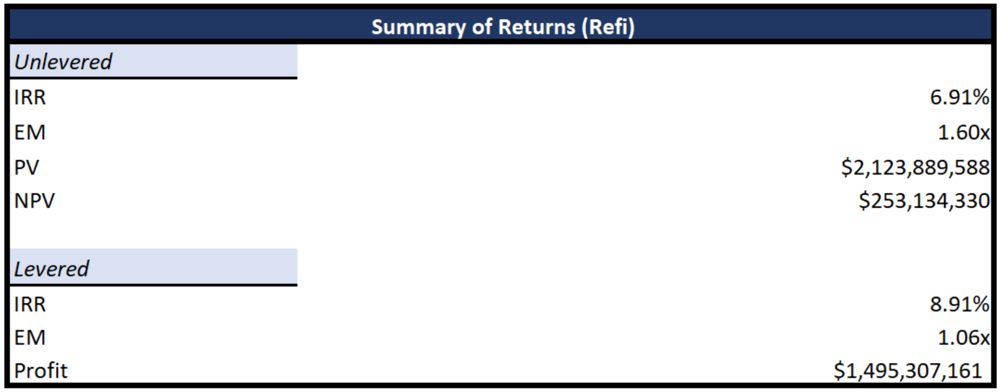
Refinance and Permanent Sources

	Total	PSF
Debt	$1,494,001,924	$965.28
GP Equity	$51,255,158	$33.12
LP Equity	$461,296,423	$298.05
Total	$2,006,553,504	$1,296.44



Summary of Returns (Sale)

Unlevered	
IRR	8.06%
EM	2.93x
PV	$2,328,289,231
NPV	$457,533,973
Levered	
IRR	12.07%
EM	2.77x
Profit	$506,483,054



Summary of Returns (Refi)

Unlevered	
IRR	6.91%
EM	1.60x
PV	$2,123,889,588
NPV	$253,134,330
Levered	
IRR	8.91%
EM	1.06x
Profit	$1,495,307,161

INVESTMENT HIGHLIGHTS

INVESTMENT HIGHLIGHTS

LAND ACQUISITION COST	$1,200,000,000
TOTAL DEVELOPMENT COSTS	$2,006,553,505
SALE PRICE (YEAR 5)	$2,657,327,332
SALE PRICE (YEAR 14)	$3,457,976,078
ACQUISITION & CONSTRUCTION LOAN LTC	$1,224,657,069
PERMANENT LOAN LTV	$1,494,001,924
LEVERED IRR AT STABILIZATION	12.07%
LEVERED EM AT STABILIZATION	2.77x

INVESTMENT HIGHLIGHTS

INVESTMENT IN THE HEART OF MIDTOWN MANHATTAN

Located between 52nd and 53rd Streets on Fifth Avenue in New York City, Fifth Avenue Place rests at the heart of the Manhattan office district.

CONVENIENT LOCATION WITH ACCESS TO MAJOR MODES OF TRANSPORTATION

Fifth Avenue Place sits atop an extremely accessible location. The E/M Fifth Avenue/53rd Street Subway stop is right below the building. Additionally, the building is just 0.2 miles, or a 5-minute walk from the heart of Rockefeller Center. It is just 0.4 miles, or a 10-minute walk from the Fifth Avenue/59th Street N, R, and W stop and 0.6 miles, or a 15-minute walk from the Lexington Avenue/ 59th Street 4, 5, and 6.

IN CLOSE PROXIMITY TO MANY ATTRACTIONS IN NEW YORK CITY

Not only is the building located in a prime location for office space, but it is also located around the corner from the Museum of Modern Art, Rockefeller Center, and Radio City Music Hall, allowing the location to attract business people and tourists alike. This will allow the retail portion of the building to remain successful.

ATTRACTIVE RISK-ADJUSTED RETURN

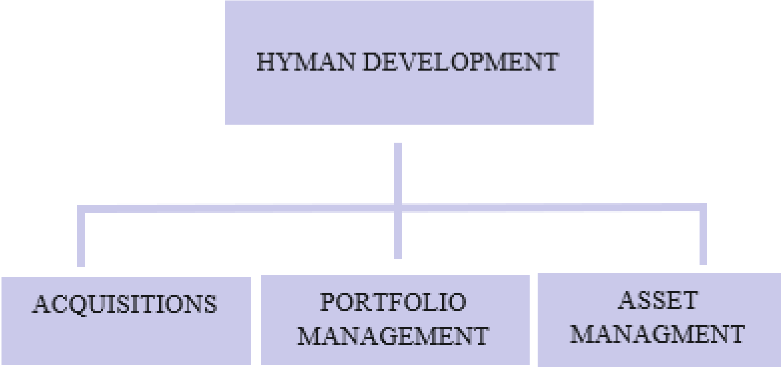
The proposed development project provides investors an attractive risk-adjusted return. The expected levered return assuming a sale of the property at Year 5 after stabilization is 12.07% with a 2.77x EM. The expected levered return assuming a refinance of the property at stabilization and a sale ten years following is 9.58% and a 1.06x EM.

DEVELOPER QUALIFICATIONS

DEVELOPER QUALIFICATIONS

Hyman Development, founded by Julia Hyman, is based in New York City. Hyman has extensive experience in both finance and real estate development, specializing in high-rise buildings and commercial space. Her background and leadership in the industry have allowed her to create a dynamic team, with experience in construction, architecture, real estate market analysis, zoning and marketing, among others. From inception to completion, Hyman leads her team through the entire development process, tightly managing and monitoring each stage.

Hyman Development manages a large portfolio of office properties across all boroughs of New York City. With an emphasis on team collaborative across all facets of building, Hyman Development has proven an industry leader in both the development of properties, and its management.

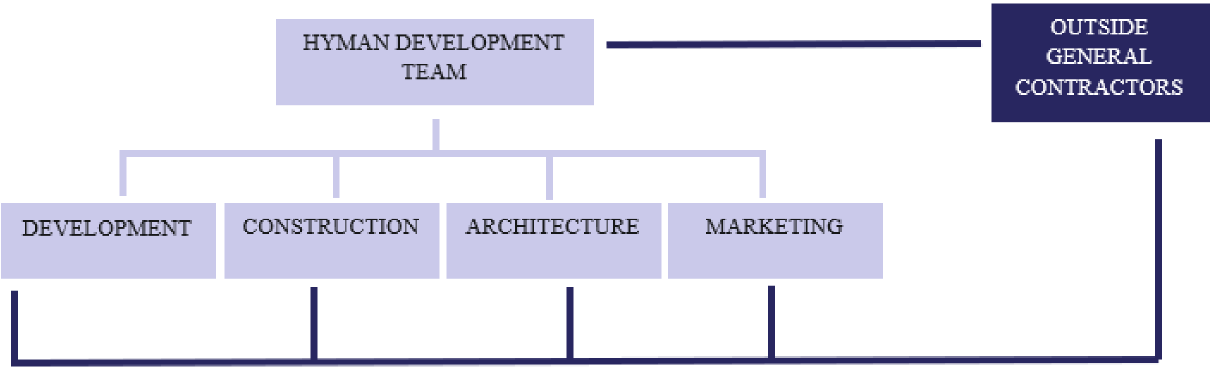


HYMAN DEVELOPMENT

ACQUISITIONS

PORTFOLIO MANAGEMENT

ASSET MANAGMENT



HYMAN DEVELOPMENT TEAM

OUTSIDE GENERAL CONTRACTORS

DEVELOPMENT

CONSTRUCTION

ARCHITECTURE

MARKETING

DEVELOPMENT CONCEPT AND DESIGN

DEVELOPMENT CONCEPT AND DESIGN

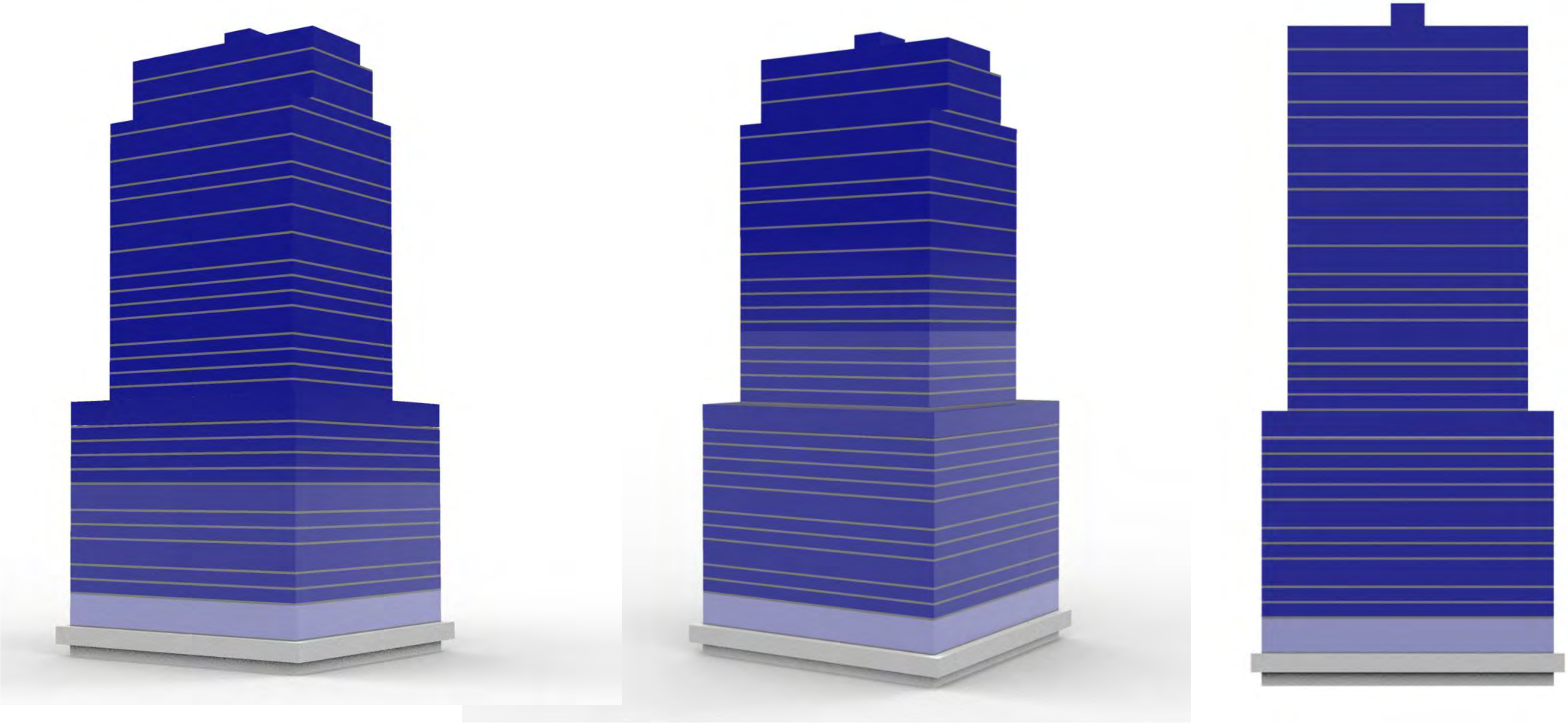
THE DEVELOPMENT CONCEPT CAPITALIZES ON THE STRENGTH OF THE MIDTOWN OFFICE MARKET, INTRODUCING TO IT A CLASS A OFFICE TOWER, ATTRACTING YOUNG ADULTS IN THE WORKING WORLD, PARTICULARLY STARTUP TECH COMPANIES WHO ARE LOOKING FOR NEW, INNOVATIVE SPACE.

The redevelopment plan will consist of a number of major renovations to the current structure. There are a variety of issues plaguing the current building. These issues include low floor-to-ceiling heights (with the current slab-to-slab heights being around 11’ 8.5”, and resulting floor-to-ceiling heights of 8’ 8”), excessive columns across the floors, and antiquated cladding to the exterior of the building. The last renovation to take place on the building occurred in 1999. However, the proposed renovations, outlined below, will prove to be difficult, as the building sits atop a subway station, posing serious construction risks and considerations.

The development plan will incorporate a variety of stages and goals. Firstly, the cladding and façade of the building must be replaced, so as to compete with new, sleeker office towers in the surrounding area. The current aluminum façade and lack of windows will be reclad with a glass curtain wall. By modernizing the façade, floor to ceiling windows will be incorporated to add more light and give a more updated appearance. Additionally, significant work will be done to the interior of the building. In order to allow the building to be competitive in the market, the HVAC system must be modernized, changing the circular air ducts, which take up a large portion of space between the bottom of the slab and the drop ceiling, to rectangular ducts. This will increase the ceiling heights and increase light and air in the floor plates. By reducing the mechanical space and creating floor to ceiling windows, the floor plates will feel much more spacious. Additionally, 11 floors in the building will be converted into floors with double-height ceilings. As a result, the 41-story office building will now become a 31-story office tower, as seen in the stacking diagram. The offices on the floors with double ceiling height (floors 4, 7, 12, 17, 18, 21, 22, 23, 25, 26 and 28) will become top of the market office spaces, with an unparalleled amount of light and air.

In renovating the existing building, amenity space will prove to be extremely important in attracting new tenants. Outdoor space and terraces will be constructed in addition to lounges throughout the building in space which is unable to be leased. There will be outdoor terrace space on floors 8, 20, and 23. Additionally, there will be amenity space on floor 16. This space will include a gym for tenants in the building and lounge, kitchen and meeting spaces. This will further differentiate the building from the surrounding towers when tenants are looking at a variety of options in the Midtown area.

PRESENTING: FIFTH AVENUE PLACE



PROPOSED DEVELOPMENT

PROJECT NAME: FIFTH AVENUE PLACE

SUBMARKET: THE PLAZA DISTRICT

PROPERTY TYPE: OFFICE

OFFICE RENTABLE SF: 1,250,814 SF

REPLACE CLADDING & FAÇADE

RENOVATE INTERIOR OFFICE FIT-OUT

INCREASE CEILING HEIGHTS

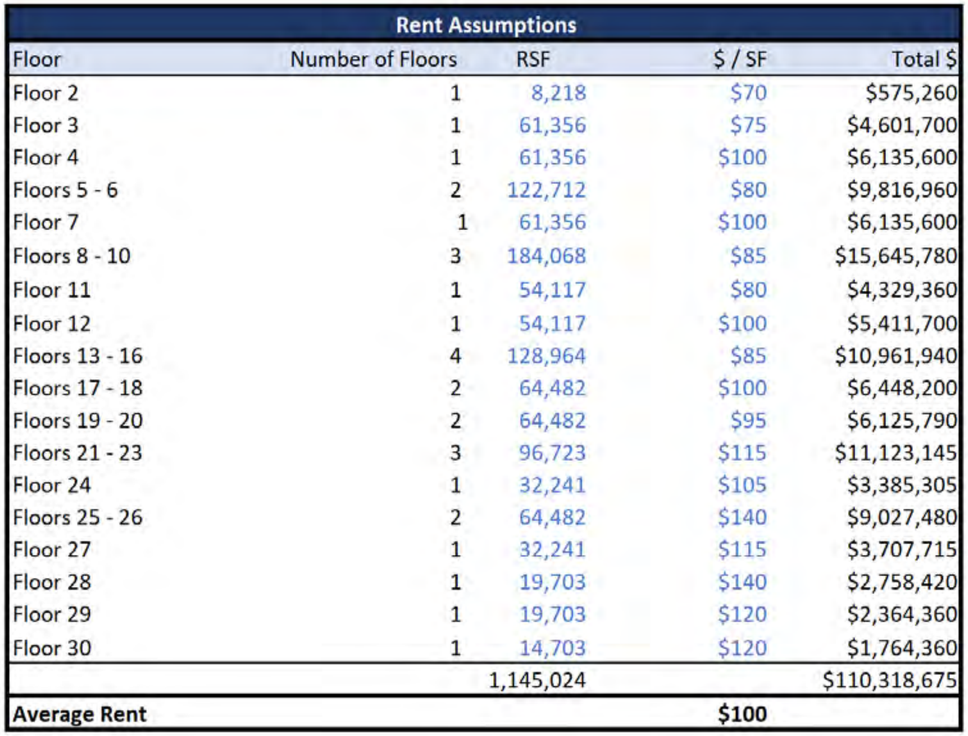
UPDATE HVAC SYSTEMS

REDUCE COLUMN COUNT

PROVIDE COMMON AREAS, AMMENITIES, AND OUTDOOR TERRACES

PROGRAMMING CONCEPT

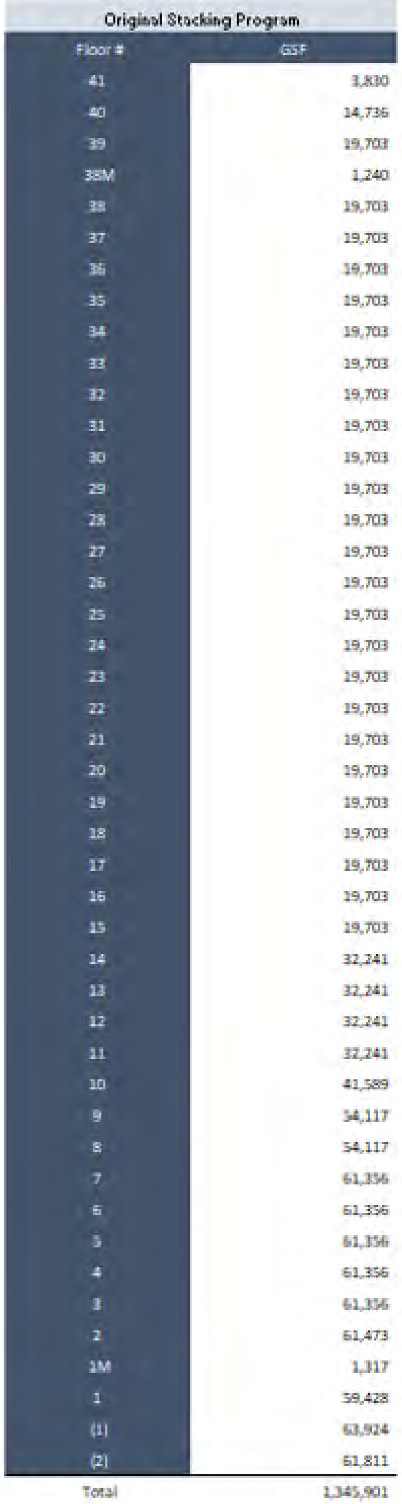
A premium will be charged for those floors with double ceiling heights (22' – 0").



Rent Assumptions

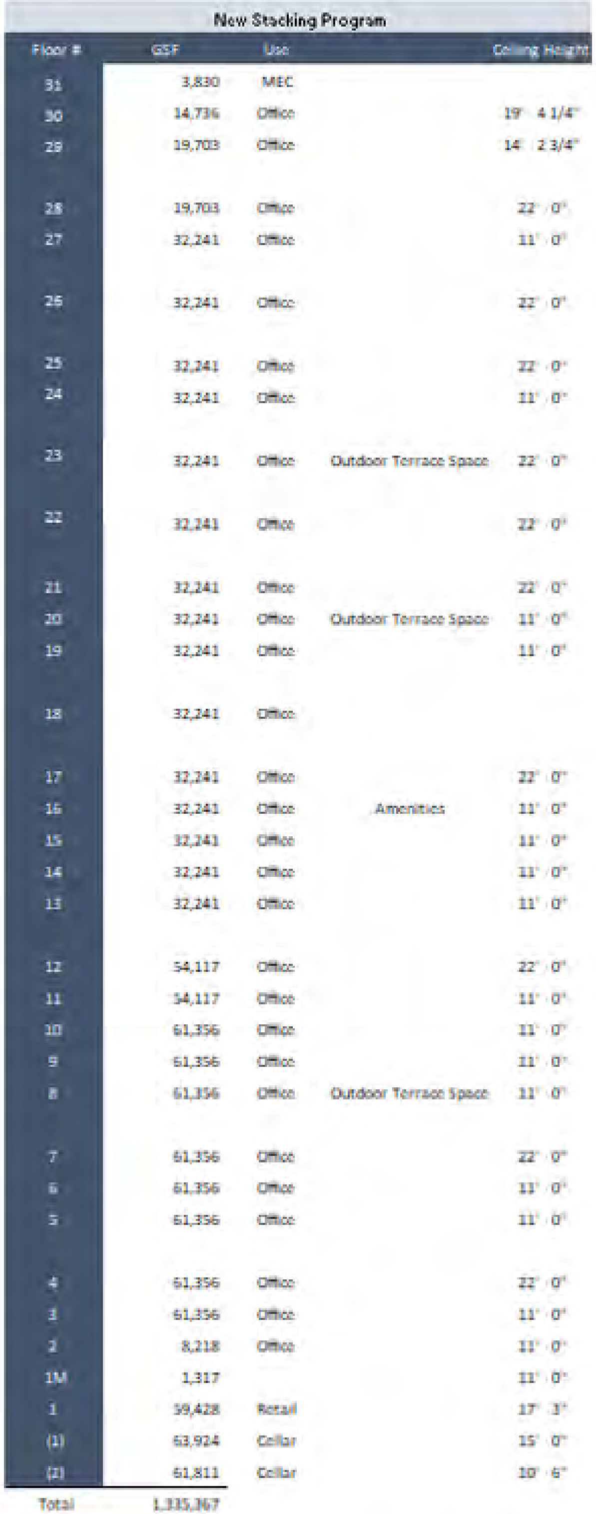
Floor	Number of Floors	RSF	$ / SF	Total $
Floor 2	1	8,218	$70	$575,260
Floor 3	1	61,356	$75	$4,601,700
Floor 4	1	61,356	$100	$6,135,600
Floors 5 - 6	2	122,712	$80	$9,816,960
Floor 7	1	61,356	$100	$6,135,600
Floors 8 - 10	3	184,068	$85	$15,645,780
Floor 11	1	54,117	$80	$4,329,360
Floor 12	1	54,117	$100	$5,411,700
Floors 13 - 16	4	128,964	$85	$10,961,940
Floors 17 - 18	2	64,482	$100	$6,448,200
Floors 19 - 20	2	64,482	$95	$6,125,790
Floors 21 - 23	3	96,723	$115	$11,123,145
Floor 24	1	32,241	$105	$3,385,305
Floors 25 - 26	2	64,482	$140	$9,027,480
Floor 27	1	32,241	$115	$3,707,715
Floor 28	1	19,703	$140	$2,758,420
Floor 29	1	19,703	$120	$2,364,360
Floor 30	1	14,703	$120	$1,764,360
		1,145,024		$110,318,675
Average Rent			**$100**	

STACKING PLAN



Original Stacking Program

Floor #	GSF
41	3,830
40	14,736
39	19,703
38M	1,240
38	19,703
37	19,703
36	19,703
35	19,703
34	19,703
33	19,703
32	19,703
31	19,703
30	19,703
29	19,703
28	19,703
27	19,703
26	19,703
25	19,703
24	19,703
23	19,703
22	19,703
21	19,703
20	19,703
19	19,703
18	19,703
17	19,703
16	19,703
15	19,703
14	32,241
13	32,241
12	32,241
11	32,241
10	41,589
9	54,117
8	54,117
7	61,356
6	61,356
5	61,356
4	61,356
3	61,356
2	61,473
1M	1,317
1	59,428
(1)	63,924
(2)	61,811
Total	1,345,901



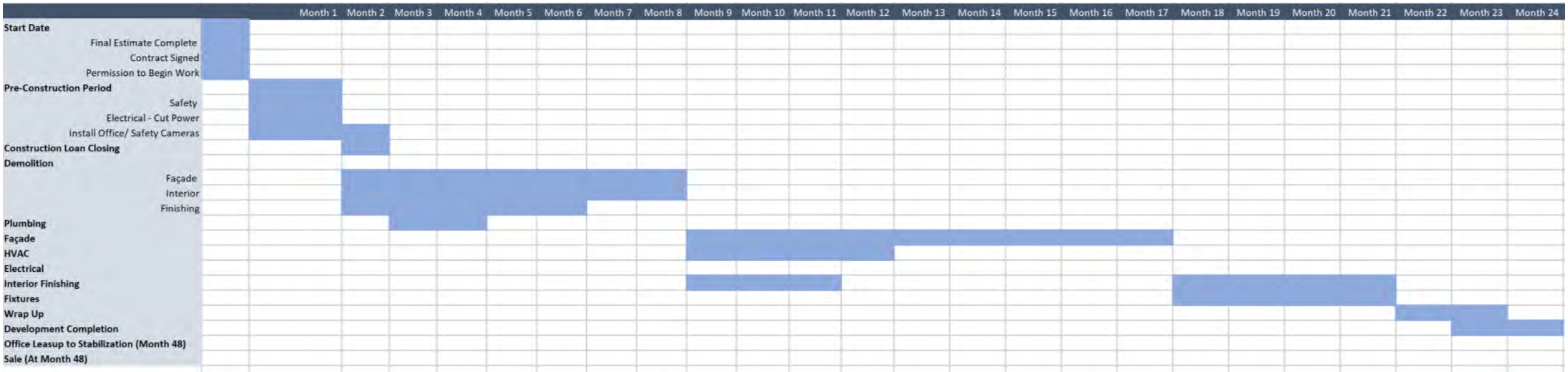
New Stacking Program

Floor #	GSF	Use		Ceiling Height
31	3,830	MEC		
30	14,736	Office		19' 4 1/4"
29	19,703	Office		14' 2 3/4"
28	19,703	Office		22' 0"
27	32,241	Office		11' 0"
26	32,241	Office		22' 0"
25	32,241	Office		22' 0"
24	32,241	Office		11' 0"
23	32,241	Office	Outdoor Terrace Space	22' 0"
22	32,241	Office		22' 0"
21	32,241	Office		22' 0"
20	32,241	Office	Outdoor Terrace Space	11' 0"
19	32,241	Office		11' 0"
18	32,241	Office		
17	32,241	Office		22' 0"
16	32,241	Office	Amenities	11' 0"
15	32,241	Office		11' 0"
14	32,241	Office		11' 0"
13	32,241	Office		11' 0"
12	54,117	Office		22' 0"
11	54,117	Office		11' 0"
10	61,356	Office		11' 0"
9	61,356	Office		11' 0"
8	61,356	Office	Outdoor Terrace Space	11' 0"
7	61,356	Office		22' 0"
6	61,356	Office		11' 0"
5	61,356	Office		11' 0"
4	61,356	Office		22' 0"
3	61,356	Office		11' 0"
2	8,218	Office		11' 0"
1M	1,317			11' 0"
1	59,428	Retail		17' 3"
(1)	63,924	Cellar		15' 0"
(2)	61,811	Cellar		10' 6"
Total	1,335,367			

DESIGN REFERENCES

EXTERIOR DESIGN REFERENCES

CONSTRUCTION TIMELINE



		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
Start Date	▨																								
Final Estimate Complete	▨																								
Contract Signed	▨																								
Permission to Begin Work	▨																								
Pre-Construction Period		▨																							
Safety		▨																							
Electrical - Cut Power		▨																							
Install Office/ Safety Cameras		▨	▨																						
Construction Loan Closing			▨																						
Demolition																									
Façade			▨	▨	▨	▨	▨	▨	▨																
Interior			▨	▨	▨	▨	▨	▨	▨																
Finishing			▨	▨	▨	▨	▨																		
Plumbing				▨	▨																				
Façade										▨	▨	▨	▨	▨	▨	▨	▨	▨							
HVAC										▨	▨	▨	▨												
Electrical																									
Interior Finishing										▨	▨	▨							▨	▨	▨	▨			
Fixtures																			▨	▨	▨	▨			
Wrap Up																							▨	▨	
Development Completion																								▨	▨
Office Leasup to Stabilization (Month 48)																									
Sale (At Month 48)																									

SITE AND NEIGHBORHOOD ANALYSIS

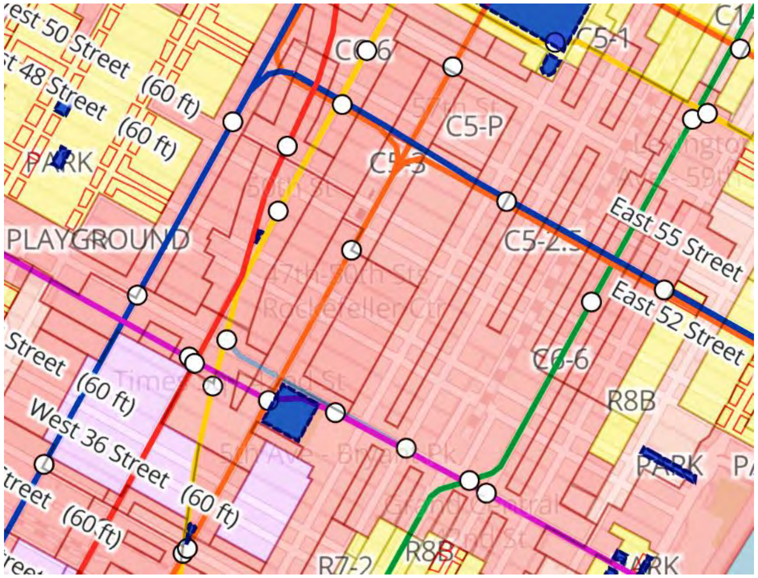
SITE AND NEIGHBORHOOD ANALYSIS

THE SITE

The proposed development plan is located on Lot 7502, on Block 1268 in Manhattan Borough 1. The site sits on Fifth Avenue, between 52nd and 53rd Street, as seen below. The property has a lot frontage of 200.83 ft, a lot area of 61,755 sq. ft. and a lot depth of 315 ft.

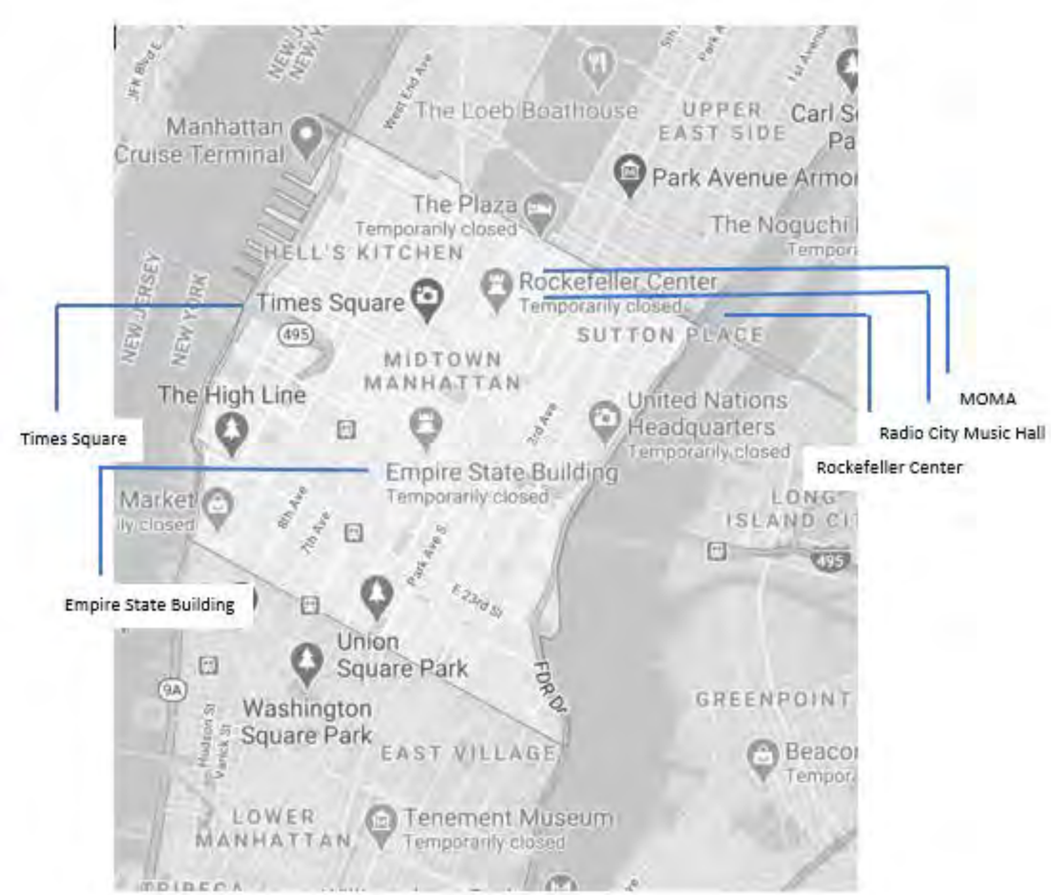
LAND USE ANALYSIS

The development project is located in Midtown Manhattan. The site is located in a heavily-concentrated C5, or commercial district. The land use is zoned for commercial and office buildings. C5 districts are central commercial districts with continuous retail frontage. Large office buildings, department stores and mixed-use buildings are typical C5 uses.



MIDTOWN NEIGHBORHOOD : PLAZA DISTRICT

NEIGHBORHOOD



The Midtown Manhattan area is marked by a variety of monumental sites, including Times Square, the Empire State Building, Radio City Music Hall, Rockefeller Center, the Museum of Modern Art, to name a few.

Many of New York City's office towers are also located in Midtown Manhattan. As a result, individuals tend to travel from other areas in and outside the city to the offices in Midtown.

As Fifth Avenue Place sets out to bring high-end, new Class A office space to the Midtown Market, many of the tenants which we hope to attract are traveling from the Upper East and Upper West Sides and the Flatiron District.

The Upper East Side is home to some of the City's most expensive real estate. The neighborhood has a variety of elite private schools, as well as many of the City's most elite public schools.

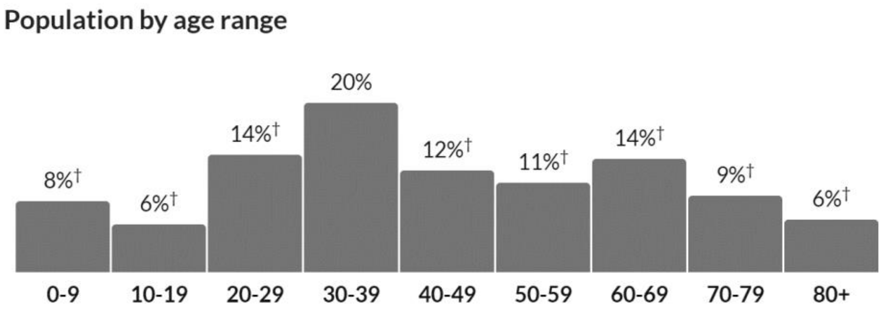
The Upper West side is known for its access to both Central Park and Riverside Park, which is attractive to many families. The building will attract the wealthier tenants looking for premier, state of the art office space from both the Upper East and Upper West Sides.

The Flatiron District is home to many young adults, as it possesses a variety of restaurants and is home to Madison Square Park. The real estate here has soared in price over the past few years. Fifth Avenue Place anticipates attracting these young businesspeople seeking new, Class A space (particularly those in the tech industry) from the Flatiron District.

DEMOGRAPHICS

As stated previously, the majority of those individuals working in the Midtown Manhattan area are traveling from other areas, particularly the Upper East, Upper West and Flatiron neighborhoods of Manhattan.

UPPER EAST SIDE DEMOGRAPHICS

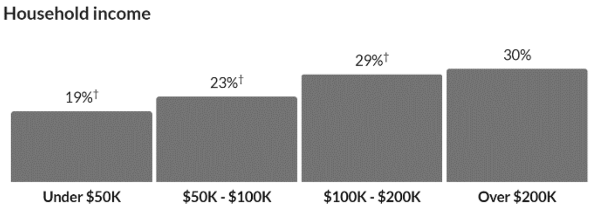


$121,698

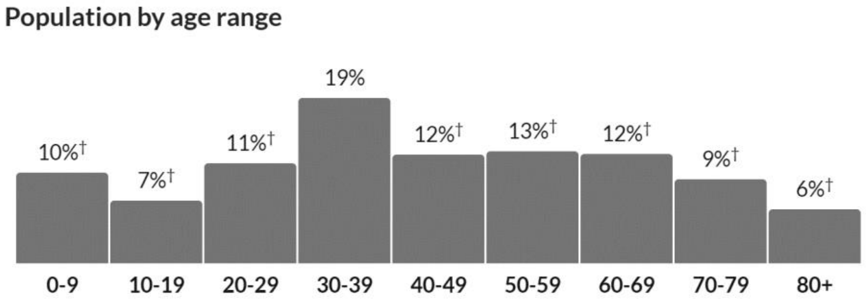
Median household income

more than 1.5 times the amount in New York: $67,844

about double the amount in United States: $61,937



UPPER WEST SIDE DEMOGRAPHICS

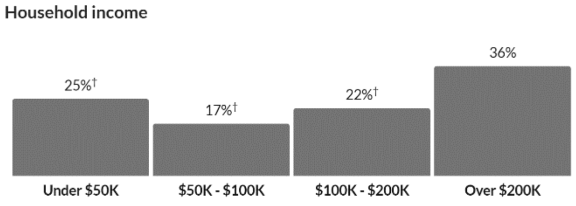


$121,822

Median household income

nearly double the amount in New York: $67,844

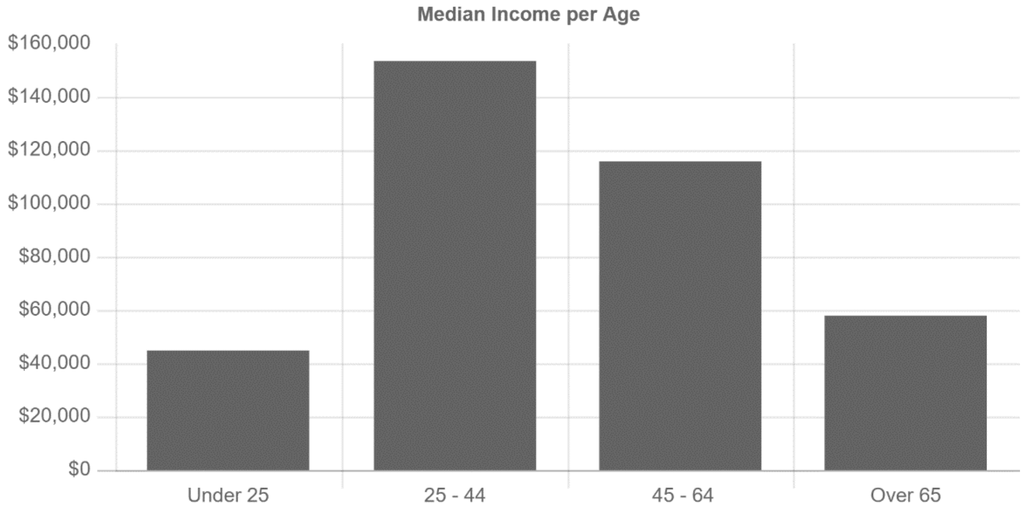
about double the amount in United States: $61,937



DEMOGRAPHICS

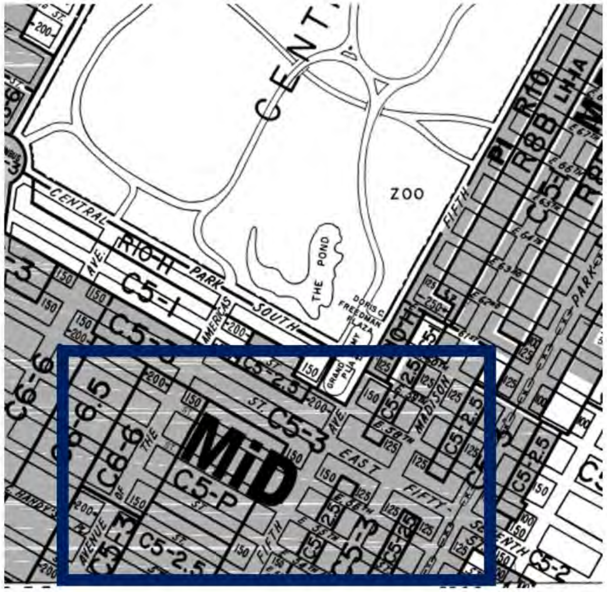
FLATIRON DISTRICT DEMOGRAPHICS

Average Household Income	$195,561.70
Median Household Income	$117,923.00
People below Poverty Level	1,378
People above Poverty Level	11,494



ZONING ANALYSIS

ZONING ANALYSIS



Fifth Avenue Place is located in the MID, or The Special Midtown District. The three goals of this district are growth, stabilization and preservation. The purpose of such a zoning district is to encourage the development further West and South in Manhattan. Additionally, there are special use restrictions in the Fifth Avenue Subdistrict, which reinforce the character of the area as a tourist and shopping destination.

C5	Restricted Commercial District					
	C5-1	C5-2	C5-3 C5-5	C5-4	C5-1A	C5-2A
Commercial FAR	4.0	10.0	15.0	10.0	4.0	10.0
Residential District Equivalent	R10	R10	R10	R10	R10A	
Required Accessory Parking PRC-B	None					
Permitted Sign Regulations (surface area)	3 X street frontage (200 sf total)	3 X street frontage (200 sf total)	3 X street frontage (200 sf total)	5 X street frontage (500 sf total)	3 X street frontage (200 sf total)	

C5 zoning districts with continuous retail frontage are intended for offices and retail establishments to serve the metropolitan region.

MARKET ANALYSIS

NEW YORK CITY OFFICE MARKET

As a result of a few major lease deals and steady job growth in Manhattan, approximately 43M SF of office leases were signed in Manhattan in 2019. This is the highest level of office leases signed since 2001 and nearly 3% higher than 2018. Leasing activity in Manhattan was approximately 15% higher than the five-year historical average.

Rising office rents were driven in large part by several large buildings opening. These buildings include 2.2M SF of office spaces larger than 100K SF with asking rents of at least $100 per SF. All of these large openings drove New York City's net absorption to negative 3.26M SF. This is only the second time in which Manhattan's absorption was negative in the past 10 years. The negative absorption is the result of extreme supply.

Those tenants in the financial services, insurance and real estate sectors took up 36% of leasing activity, followed closely by technology, advertising, media, and information services, taking up 32% of the market's leasing activity.

The Midtown Office market, however, is facing a "branding problem" and has lost several tenants as a result of this. Leasing volume has dropped 25% from 2018 in Midtown, reaching 15.85M SF of space, which is a six-year low. In the face of this, Midtown rents have still increased to reach approximately $85.80 per SF. Fifth Avenue Place will combat this issue by branding itself in a unique way, attracting tenants of many industries.

ECONOMIC ACTIVITY

Although the office market had a successful year in 2019 in New York City, there are concerns in regard to the sustainability of the market. Economic uncertainty and a new need for unique, efficient space leaves room for concern.

Rental prices both in New York City and in The United States have increased continuously over the past few years. The average U.S. office asking rent price has continuously increased since 2011, as seen in Appendix IV.

The City's economy grew 2.4% in Q4 2019, surpassing national economic growth and an increase from 1.6% in the third quarter. Additionally, job growth accelerated in Q4 2019, with the city adding 24,950 jobs. This was an increase of 2.2% on a seasonally adjusted annualized rate, the largest gain since Q4 2018. Unemployment also fell to a seasonally adjusted rate of 4.0% in Q4 2019, from 4.2% in Q3 2019. The unemployment rate declined in all five boroughs between Q4 2018 and Q4 2019. On a quarter-over-quarter basis, the number of employed New York City residents saw a marginal increase of 800 after it fell in the previous three quarters. Furthermore, a strong growth in wages and earnings was seen in 2019.

OFFICE MARKET COMPS

Although there are a variety of office towers to choose from in Midtown Manhattan, as evidenced in the table below, there are a few more noteworthy projects.

Address	Year Constructed	Rent PSF / Year
10 E 53rd Street	1971	$65
5 E 57th Street	1920	$80
14 E 55th Street	1915	$85
681 5th Avenue	1912	$90
630 5th Avenue	1934	$95
4 W 58th Street	1948	$100
745 5th Avenue	1929	$105
133 W 52nd Street	2009	$110
Average Rent		$91.25

425 Park Avenue South, developed by L&L Holding Company LLC and designed by Foster + Partners is a 41-story, 670,080 RSF redevelopment project. Additionally, 390 Madison Avenue, also developed by L&L Holding, is a redevelopment and modernization of an older office building in the center of the Midtown corridor. The re-massing of the current property has generated modern workspace and higher ceiling heights. Finally, Five Manhattan West, developed by Brookfield, is another successful office redevelopment property. Similar to that which was done to 390 Madison Avenue, an exterior redevelopment took place, inputting a glass façade to the exterior of the building, modernizing the space. 425 Park Avenue, 390 Madison Avenue, and 5 Manhattan West all command premium rents in the office market.

Based upon the premiums buildings such as these are able to command and the space we are bringing to the market, we believe that a blended rate of $100/ RSF is an appropriate price. Although this may seem high when looking at the chart of office market comps, we believe with the addition of outdoor terrace space, additional amenities, a modernization of the façade, and double ceiling heights, we will be able to target an unmet need in the market, thus commanding a higher premium.

FINANCIAL ANALYSIS AND CAPITAL STACK

ACQUISITION

The acquisition of this property is a purchase of the lot for $1.2 billion, with closing costs totaling $11 million, yielding a total acquisition price of $1,211,000,000.

USES

The total development budget before interest totals $1,884,087,982 The costs are comprised of the following:

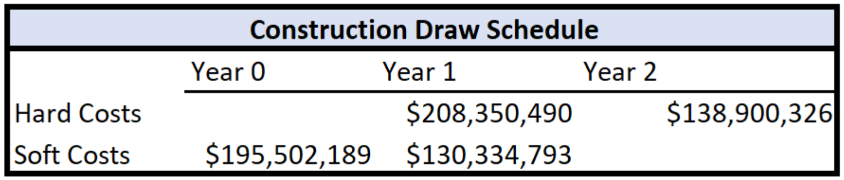
Soft Costs: $325,836,982
Hard Costs: $347,250,816
Acquisition Costs: $1,211,000,000

Soft costs are comprised of legal, marketing, design, leasing and operating costs. Hard costs are comprised of renovation costs, hard cost contingency, development fees, FF&E, and management fees.

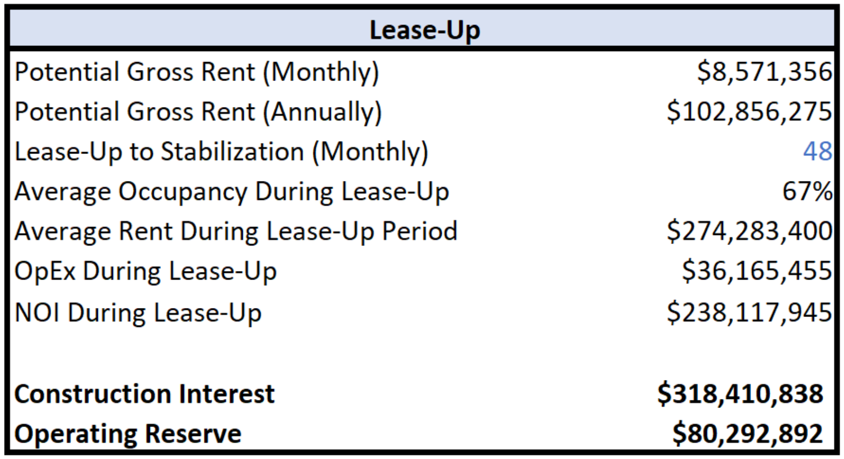
CONSTRUCTION BUDGET

Total Gross SF	1,547,737
Total Net SF	1,250,814

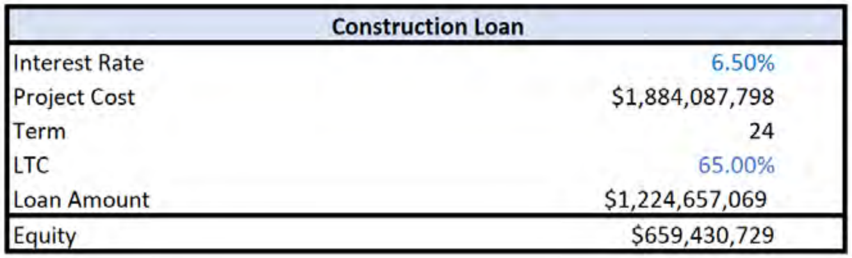
	$ per SF	Total	
Acquisition Cost	$892	$1,200,000,000	
Closing Costs	$8.17	$11,000,000	
Hard Costs			%
Renovation Costs	$250	$312,703,438	
Hard Cost Contingency	$12.50	$15,635,172	5%
Development Fee	$7.50	$9,381,103	3%
FF&E	$0.10	$150,000	
Management Fee	$7.50	$9,381,103	3%
Total Hard Costs	$224	$347,250,816	
Soft Costs			
Legal	$6.00	$7,504,883	
Marketing	$3.00	$3,752,441	
Design	$1.50	$1,876,221	
Leasing Costs	$100.00	$125,081,375	
Operating Costs	$150.00	$187,622,063	
Total Soft Costs	$211	$325,836,982	
TOTAL DEV BUDGET before int.	$1,217	$1,884,087,798	
Total Interest Carry		$122,465,707	
Total Development with Interest Reserve		$2,006,553,504	



Construction Draw Schedule			
	Year 0	Year 1	Year 2
Hard Costs		$208,350,490	$138,900,326
Soft Costs	$195,502,189	$130,334,793	

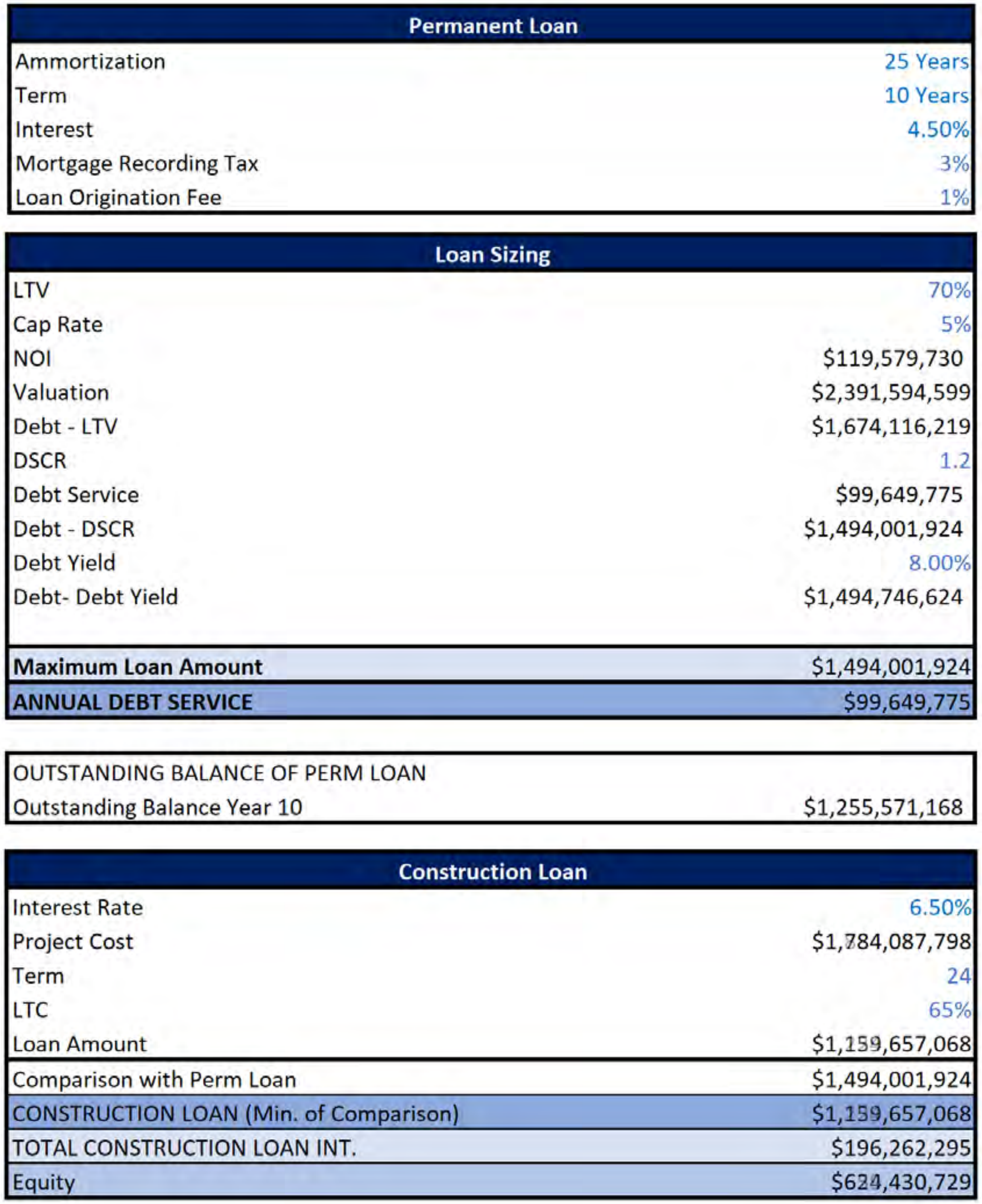


Lease-Up	
Potential Gross Rent (Monthly)	$8,571,356
Potential Gross Rent (Annually)	$102,856,275
Lease-Up to Stabilization (Monthly)	48
Average Occupancy During Lease-Up	67%
Average Rent During Lease-Up Period	$274,283,400
OpEx During Lease-Up	$36,165,455
NOI During Lease-Up	$238,117,945
Construction Interest	**$318,410,838**
Operating Reserve	**$80,292,892**



Construction Loan	
Interest Rate	6.50%
Project Cost	$1,884,087,798
Term	24
LTC	65.00%
Loan Amount	$1,224,657,069
Equity	$659,430,729

LOAN SIZING



Permanent Loan	
Ammortization	25 Years
Term	10 Years
Interest	4.50%
Mortgage Recording Tax	3%
Loan Origination Fee	1%

Loan Sizing	
LTV	70%
Cap Rate	5%
NOI	$119,579,730
Valuation	$2,391,594,599
Debt - LTV	$1,674,116,219
DSCR	1.2
Debt Service	$99,649,775
Debt - DSCR	$1,494,001,924
Debt Yield	8.00%
Debt- Debt Yield	$1,494,746,624
Maximum Loan Amount	$1,494,001,924
ANNUAL DEBT SERVICE	$99,649,775

OUTSTANDING BALANCE OF PERM LOAN	
Outstanding Balance Year 10	$1,255,571,168

Construction Loan	
Interest Rate	6.50%
Project Cost	$1,784,087,798
Term	24
LTC	65%
Loan Amount	$1,159,657,068
Comparison with Perm Loan	$1,494,001,924
CONSTRUCTION LOAN (Min. of Comparison)	$1,159,657,068
TOTAL CONSTRUCTION LOAN INT.	$196,262,295
Equity	$624,430,729

SUMMARY

Five Fifth Avenue presents a redevelopment opportunity, offering levered returns of 12.07% or 8.91% depending upon sale of the property or refinance, respectively (as seen in the annual Pro Forma in Appendix III).

ASSUMPTIONS

Some of the key assumptions in the modeling of the redevelopment of Five Fifth Avenue are as follows:

CONSTRUCTION

- Hard Cost Contingency assumed to be 5%
- Construction Period estimated to take two years
- 60% of soft costs to take place in Year 0 and 40% in Year 1
- 60% of hard costs to take place in Year 1 and 40% in Year 2
- Assumed a Lease-Up to Stabilization of 48 months and an average occupancy of 67% during lease-up

RENT

- Assumed a 3.00% rent growth
- Assumed a 95% stabilized occupancy in Year 5
- Assumed a 7% vacancy rate

SALE

- Assumed a 4.5% exit cap rate
- Assumed the exit year to be Year 5
- Assumed a sales cost of 2%

INVESTMENT PERFORMANCE METRICS

Unlevered (Sale at Stabilization)

- 8.06% IRR
- 2.93x Equity Multiple
- $2,657,327,332 Profit

Unlevered (Refi)

- 6.91% IRR
- 4.80x Equity Multiple
- $3,457,967,078 Profit

Levered (Sale at Stabilization)

- 12.07% IRR
- 2.77x Equity Multiple
- $506,483,054 Profit

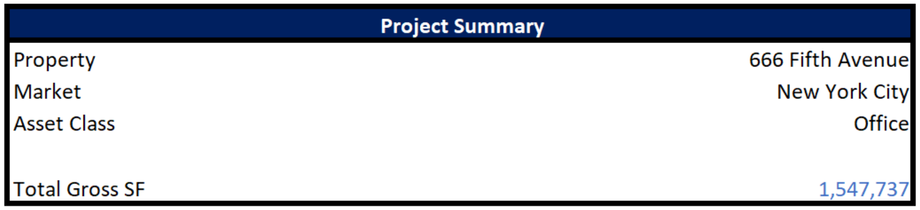
Levered (Refi)

- 8.91% IRR
- 1.06x Equity Multiple
- $1,495,307,161 Profit

CAPITAL STACK

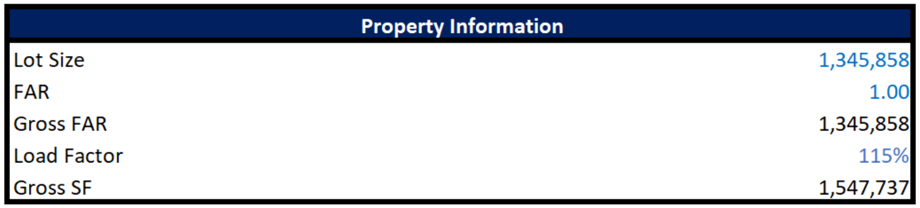
Acquisition / Construction Equity: $795,553,504 39% of TDC	Permanent Equity: $512,551,581
Acquisition / Construction Loan: $1,224,657,068 61% of TDC	Permanent Loan: $1,494,001,924

PROPERTY AND OPERATING ASSUMPTIONS



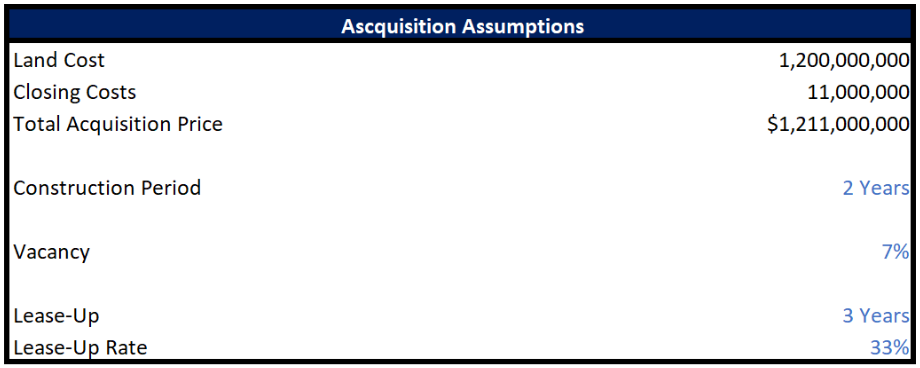
Project Summary

Property	666 Fifth Avenue
Market	New York City
Asset Class	Office
Total Gross SF	1,547,737



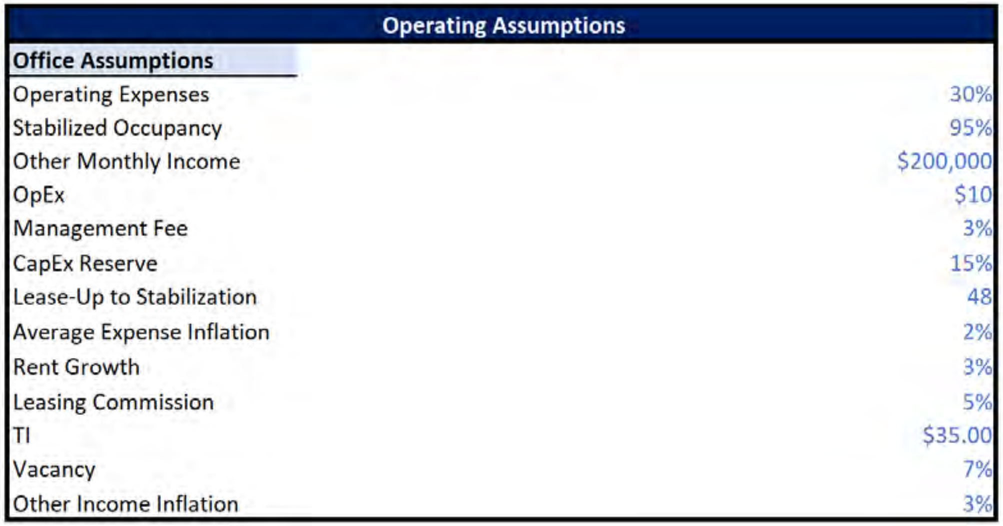
Property Information

Lot Size	1,345,858
FAR	1.00
Gross FAR	1,345,858
Load Factor	115%
Gross SF	1,547,737



Acsquisition Assumptions

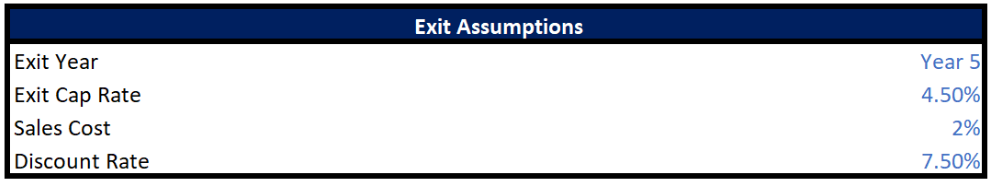
Land Cost	1,200,000,000
Closing Costs	11,000,000
Total Acquisition Price	$1,211,000,000
Construction Period	2 Years
Vacancy	7%
Lease-Up	3 Years
Lease-Up Rate	33%



Operating Assumptions

Office Assumptions

Operating Expenses	30%
Stabilized Occupancy	95%
Other Monthly Income	$200,000
OpEx	$10
Management Fee	3%
CapEx Reserve	15%
Lease-Up to Stabilization	48
Average Expense Inflation	2%
Rent Growth	3%
Leasing Commission	5%
TI	$35.00
Vacancy	7%
Other Income Inflation	3%

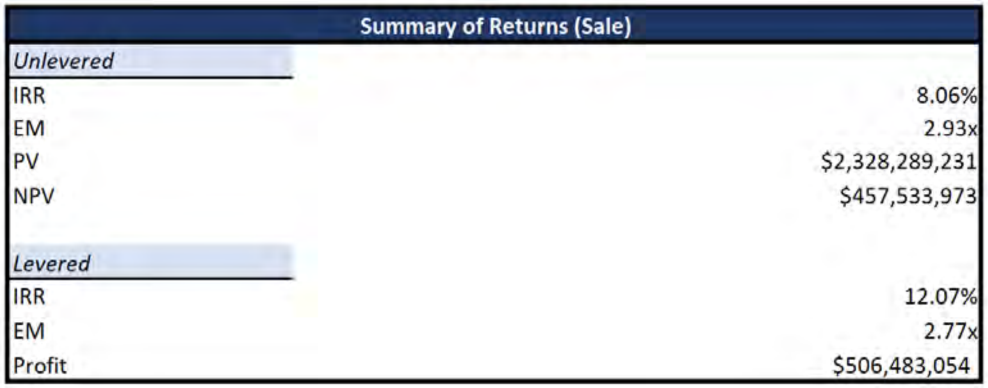


Exit Assumptions

Exit Year	Year 5
Exit Cap Rate	4.50%
Sales Cost	2%
Discount Rate	7.50%

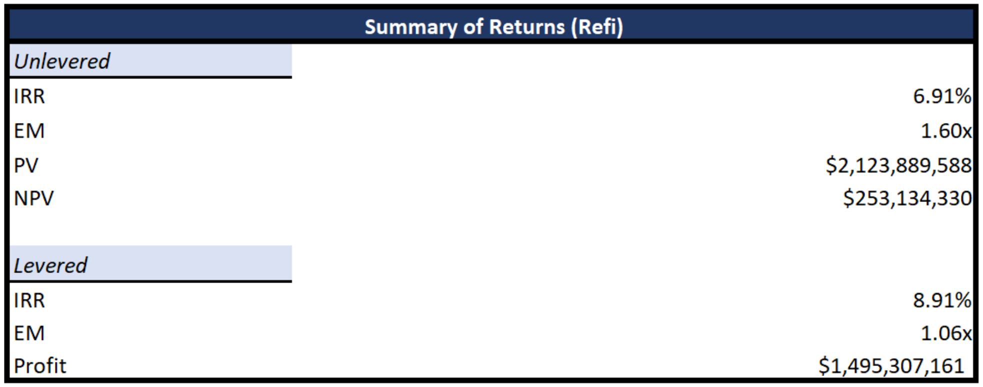
SALE vs. REFINANCE SUMMARY OF RETURNS

OPTION A: SALE



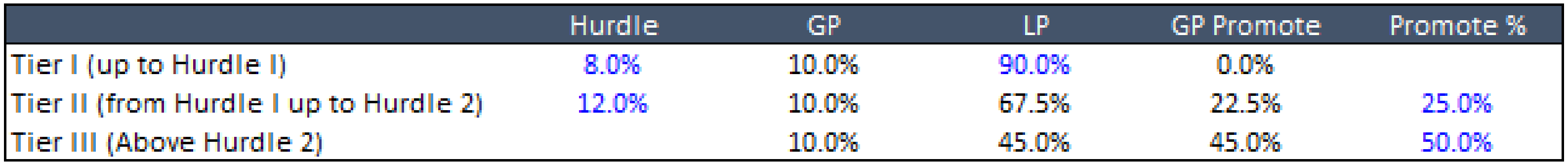
Summary of Returns (Sale)	
Unlevered	
IRR	8.06%
EM	2.93x
PV	$2,328,289,231
NPV	$457,533,973
Levered	
IRR	12.07%
EM	2.77x
Profit	$506,483,054

OPTION B: REFINANCE



Summary of Returns (Refi)	
Unlevered	
IRR	6.91%
EM	1.60x
PV	$2,123,889,588
NPV	$253,134,330
Levered	
IRR	8.91%
EM	1.06x
Profit	$1,495,307,161

DISTRIBUTION WATERFALL



	Hurdle	GP	LP	GP Promote	Promote %
Tier I (up to Hurdle I)	8.0%	10.0%	90.0%	0.0%	
Tier II (from Hurdle I up to Hurdle 2)	12.0%	10.0%	67.5%	22.5%	25.0%
Tier III (Above Hurdle 2)		10.0%	45.0%	45.0%	50.0%

RISKS AND MITIGANTS

RISKS

- Budget, timeline and returns of the project may not turn out to be that which was projected initially
- Risk of delay in the construction process and phases taking longer than anticipated
- Markets may not be what they are expected to be or there may be an unforeseen decline in the market and rental rates
- Immense office supply in the Midtown area and beyond, particularly being brought to the market by the Midtown East Rezoning plan

MITIGANTS

- Closely monitor each phase of the development process, ensuring budgets are being met
- Monitor the construction schedule
- The product being brought to the market must be able to be successful in the face of a downturn in the market – must be a product which is in high demand, regardless of the market conditions
- Fifth Avenue Place must be able to distinguish itself from the other buildings in the area

SENSITIVITY ANALYSIS

SENSITIVITY ANALYSIS (SALE)

Hard Costs

Exit Cap		$345,250,816	$346,250,816	$347,250,816	$348,250,816	$349,250,816
	3.50%	23.75%	23.72%	23.70%	23.68%	23.65%
	4.00%	17.78%	17.76%	17.73%	17.71%	17.68%
	4.50%	12.13%	12.10%	12.07%	12.05%	12.02%
	5.00%	6.61%	6.58%	6.55%	6.52%	6.49%
	5.50%	1.05%	1.02%	0.98%	0.95%	0.91%

Rent Growth

Exit Cap		2%	2.50%	3%	3.50%	4%
	3.50%	23.70%	23.70%	23.70%	23.70%	23.70%
	4.00%	17.73%	17.73%	17.73%	17.73%	17.73%
	4.50%	12.07%	12.07%	12.07%	12.07%	12.07%
	5.00%	6.55%	6.55%	6.55%	6.55%	6.55%
	5.50%	0.98%	0.98%	0.98%	0.98%	0.98%

Expense Inflation

Exit Cap		1.00%	1.50%	2.00%	2.50%	3.00%
	3.50%	23.70%	23.70%	23.70%	23.70%	23.70%
	4.00%	17.73%	17.73%	17.73%	17.73%	17.73%
	4.50%	12.07%	12.07%	12.07%	12.07%	12.07%
	5.00%	6.55%	6.55%	6.55%	6.55%	6.55%
	5.50%	0.98%	0.98%	0.98%	0.98%	0.98%

Vacancy

Rent Growth		5%	6%	7%	8%	9%
	2%	13.36%	12.72%	12.07%	11.41%	10.72%
	2.50%	13.36%	12.72%	12.07%	11.41%	10.72%
	3%	13.36%	12.72%	12.07%	11.41%	10.72%
	3.50%	13.36%	12.72%	12.07%	11.41%	10.72%
	4%	13.36%	12.72%	12.07%	11.41%	10.72%

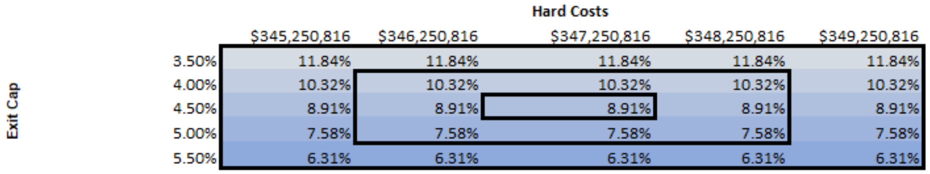
LTC

Exit Cap		55%	60%	65%	70%	75%
	3.50%	20.53%	22.00%	23.71%	25.85%	28.63%
	4.00%	15.43%	16.51%	17.74%	19.30%	21.36%
	4.50%	10.74%	11.39%	12.08%	12.98%	14.20%
	5.00%	6.32%	6.49%	6.56%	6.66%	6.79%
	5.50%	2.06%	1.68%	1.00%	0.07%	-1.30%

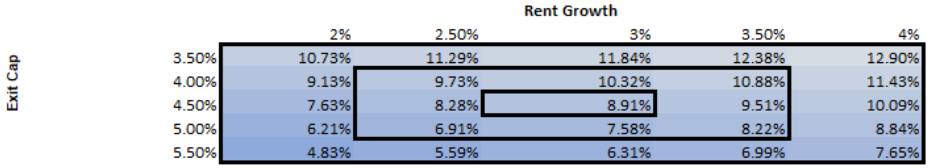
Hard Costs

Land Acquisitic		$345,250,816	$346,250,816	$347,250,816	$348,250,816	$349,250,816
	$1,011,000,000	17.87%	17.85%	17.82%	17.79%	17.76%
	$1,111,000,000	15.01%	14.97%	14.94%	14.91%	14.89%
	$1,211,000,000	12.14%	12.10%	12.07%	12.05%	12.02%
	$1,311,000,000	9.28%	9.24%	9.22%	9.19%	9.16%
	$1,411,000,000	6.41%	6.37%	6.35%	6.32%	6.29%

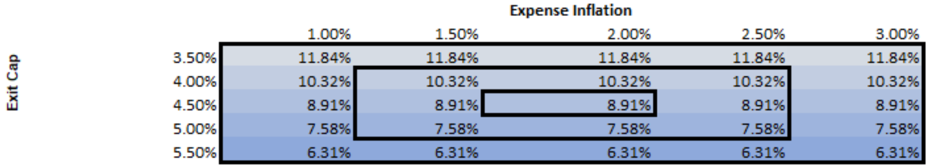
SENSITIVITY ANALYSIS (REFI)



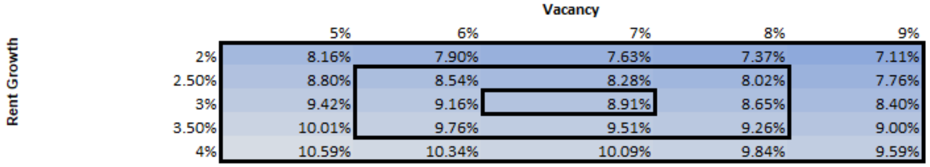
	Hard Costs				
Exit Cap	$345,250,816	$346,250,816	$347,250,816	$348,250,816	$349,250,816
3.50%	11.84%	11.84%	11.84%	11.84%	11.84%
4.00%	10.32%	10.32%	10.32%	10.32%	10.32%
4.50%	8.91%	8.91%	8.91%	8.91%	8.91%
5.00%	7.58%	7.58%	7.58%	7.58%	7.58%
5.50%	6.31%	6.31%	6.31%	6.31%	6.31%



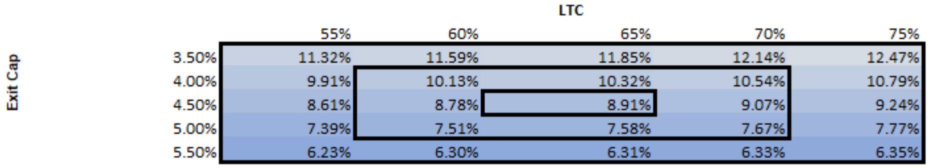
	Rent Growth				
Exit Cap	2%	2.50%	3%	3.50%	4%
3.50%	10.73%	11.29%	11.84%	12.38%	12.90%
4.00%	9.13%	9.73%	10.32%	10.88%	11.43%
4.50%	7.63%	8.28%	8.91%	9.51%	10.09%
5.00%	6.21%	6.91%	7.58%	8.22%	8.84%
5.50%	4.83%	5.59%	6.31%	6.99%	7.65%



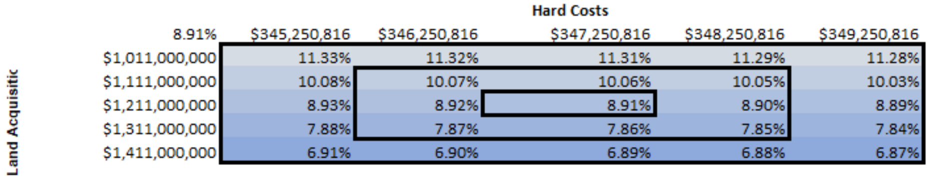
	Expense Inflation				
Exit Cap	1.00%	1.50%	2.00%	2.50%	3.00%
3.50%	11.84%	11.84%	11.84%	11.84%	11.84%
4.00%	10.32%	10.32%	10.32%	10.32%	10.32%
4.50%	8.91%	8.91%	8.91%	8.91%	8.91%
5.00%	7.58%	7.58%	7.58%	7.58%	7.58%
5.50%	6.31%	6.31%	6.31%	6.31%	6.31%



	Vacancy				
Rent Growth	5%	6%	7%	8%	9%
2%	8.16%	7.90%	7.63%	7.37%	7.11%
2.50%	8.80%	8.54%	8.28%	8.02%	7.76%
3%	9.42%	9.16%	8.91%	8.65%	8.40%
3.50%	10.01%	9.76%	9.51%	9.26%	9.00%
4%	10.59%	10.34%	10.09%	9.84%	9.59%



	LTC				
Exit Cap	55%	60%	65%	70%	75%
3.50%	11.32%	11.59%	11.85%	12.14%	12.47%
4.00%	9.91%	10.13%	10.32%	10.54%	10.79%
4.50%	8.61%	8.78%	8.91%	9.07%	9.24%
5.00%	7.39%	7.51%	7.58%	7.67%	7.77%
5.50%	6.23%	6.30%	6.31%	6.33%	6.35%

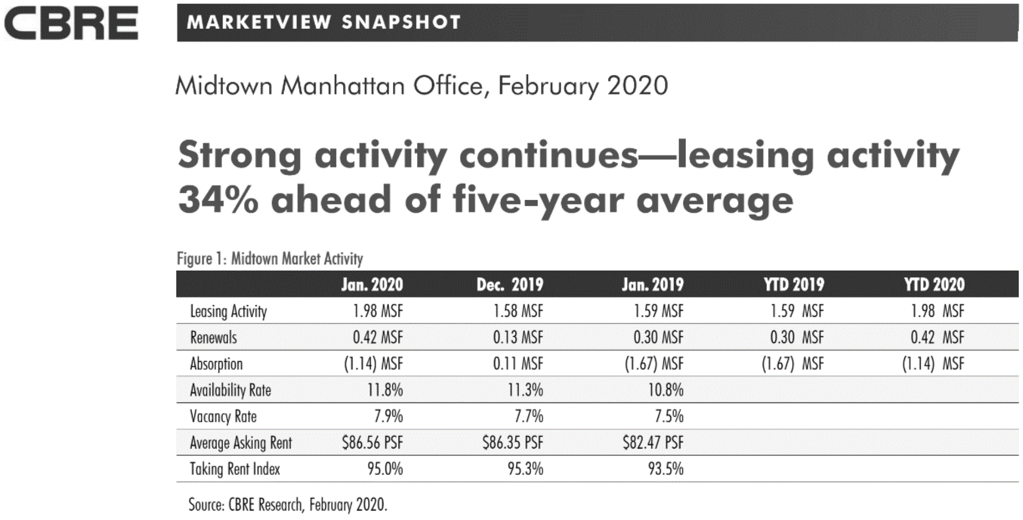


		Hard Costs				
Land Acquisitic	8.91%	$345,250,816	$346,250,816	$347,250,816	$348,250,816	$349,250,816
	$1,011,000,000	11.33%	11.32%	11.31%	11.29%	11.28%
	$1,111,000,000	10.08%	10.07%	10.06%	10.05%	10.03%
	$1,211,000,000	8.93%	8.92%	8.91%	8.90%	8.89%
	$1,311,000,000	7.88%	7.87%	7.86%	7.85%	7.84%
	$1,411,000,000	6.91%	6.90%	6.89%	6.88%	6.87%

APPENDIX

APPENDIX

APPENDIX I



CBRE **MARKETVIEW SNAPSHOT**

Midtown Manhattan Office, February 2020

Strong activity continues—leasing activity 34% ahead of five-year average

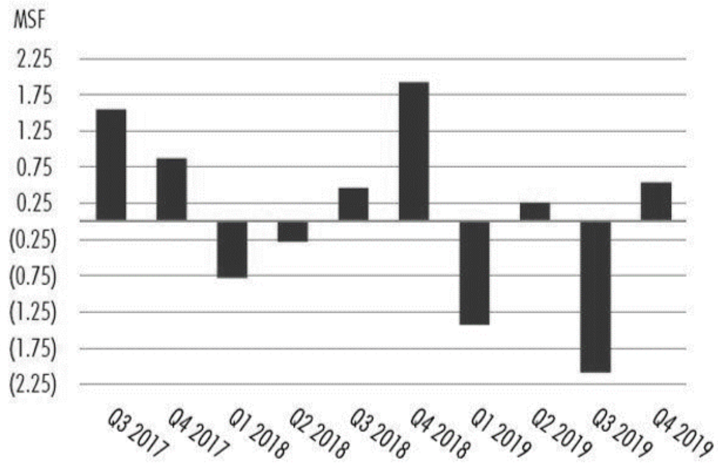
Figure 1: Midtown Market Activity

	Jan. 2020	Dec. 2019	Jan. 2019	YTD 2019	YTD 2020
Leasing Activity	1.98 MSF	1.58 MSF	1.59 MSF	1.59 MSF	1.98 MSF
Renewals	0.42 MSF	0.13 MSF	0.30 MSF	0.30 MSF	0.42 MSF
Absorption	(1.14) MSF	0.11 MSF	(1.67) MSF	(1.67) MSF	(1.14) MSF
Availability Rate	11.8%	11.3%	10.8%		
Vacancy Rate	7.9%	7.7%	7.5%		
Average Asking Rent	$86.56 PSF	$86.35 PSF	$82.47 PSF		
Taking Rent Index	95.0%	95.3%	93.5%		

Source: CBRE Research, February 2020.

APPENDIX II

Figure 4: Net Absorption | Quarterly



Source: CBRE Research, Q4 2019.

APPENDIX III

SALE AT STABILIZATION

Projected Cash Flow (Annual)	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Office Rent Revenue		0	0	$36,772,892	$73,545,783	$110,318,675	$147,091,567	$151,504,314	$156,049,443	$160,730,926	$165,552,854	$170,519,440	$175,635,023	$180,904,074	$186,331,196
Other Income				$2,400,000	$2,472,000	$2,546,160	$2,622,545	$2,701,221	$2,782,258	$2,865,726	$2,951,697	$3,040,248	$3,131,456	$3,225,399	$3,322,161
Potential Gross Income				$39,172,892	$76,017,783	$112,864,835	$149,714,111	$154,205,535	$158,831,701	$163,596,652	$168,504,551	$173,559,688	$178,766,479	$184,129,473	$189,653,357
Vacancy				($2,742,102)	($5,321,245)	($7,900,538)	($10,479,988)	($10,794,387)	($11,118,219)	($11,451,766)	($11,795,319)	($12,149,178)	($12,513,654)	($12,889,063)	($13,275,735)
Effective Gross Income				$36,430,789	$70,696,539	$104,964,297	$139,234,124	$143,411,147	$147,713,482	$152,144,886	$156,709,233	$161,410,510	$166,252,825	$171,240,410	$176,377,622
Operating Expenses				$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370
Management Fee				$1,092,924	$2,120,896	$3,148,929	$4,177,024	$4,302,334	$4,431,404	$4,564,347	$4,701,277	$4,842,315	$4,987,585	$5,137,212	$5,291,329
Total Operating Expenses				$16,570,294	$17,598,266	$18,626,299	$19,654,394	$19,779,704	$19,908,774	$20,041,717	$20,178,647	$20,319,685	$20,464,955	$20,614,582	$20,768,699
NOI (Operating)				$19,860,496	$53,098,272	$86,337,998	$119,579,730	$123,631,443	$127,804,707	$132,103,170	$136,530,586	$141,090,825	$145,787,870	$150,625,828	$155,608,924
Capital Expenditures															
CapEx Beginning Balance			$0	$0	$15,706,416	$36,398,499	$62,076,540	$92,740,841	$124,012,899	$155,910,947	$188,453,764	$221,660,694	$255,551,659	$290,147,181	$325,468,397
CapEx Reserves				$2,979,074	$7,964,741	$12,950,700	$17,936,959	$18,544,716	$19,170,706	$19,815,475	$20,479,588	$21,163,624	$21,868,181	$22,593,874	$23,341,339
Leasing Commissions				$1,821,539	$3,534,827	$5,248,215	$6,961,706	$7,170,557	$7,385,674	$7,607,244	$7,835,462	$8,070,525	$8,312,641	$8,562,020	$8,818,881
TI				$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342
CapEx Ending Balance			$0	$15,706,416	$36,398,499	$62,076,540	$92,740,841	$124,012,899	$155,910,947	$188,453,764	$221,660,694	$255,551,659	$290,147,181	$325,468,397	$361,537,077
NOI (Property) w/ CapEx Reserve				$16,881,421	$45,133,531	$73,387,298	$101,642,770	$105,086,727	$108,634,001	$112,287,694	$116,050,998	$119,927,201	$123,919,690	$128,031,953	$132,267,585
Cash Flow Before Debt Service	$0	$0	$0	$2,332,540	$28,871,363	$55,411,742	$81,953,723	$85,188,827	$88,520,985	$91,953,108	$95,488,195	$99,129,334	$102,879,707	$106,742,591	$110,721,362

Development Costs	($1,200,000,000)					
Reversionary Cap Rate	5%					
Hard Costs		($208,350,489)	($138,900,326)			
Soft Costs	($195,502,189)	($130,334,793)				
Sales Proceeds		$0	$0	$0	$0	$2,657,327,332
Sales Costs		$0	$0	$0	$0	($53,146,547)
Unlevered Cash Flow	($1,395,502,189)	($338,685,282)	($138,900,326)	$2,332,540	$28,871,363	$2,659,592,527

Unlevered IRR	**8.06%**
Profit	**$2,657,327,332**
PV	**$2,328,289,231**
NPV	**$457,533,973**
EM	**2.93x**

Equity	$659,430,729					
Loan Proceeds	$736,071,460	$338,685,282	$138,900,326	$0	$0	$0
Loan Interest Payment		($50,882,209)	($66,720,793)	($58,195,302)	($56,163,805)	($54,113,683)
Loan Repayment						($1,439,537,338)
Levered Cash Flow	($659,430,729)	$0	$0	$0	$0	$1,165,941,507
Cash-On-Cash		0.00%	0.00%	0.00%	0.00%	176.81%

Levered IRR	**12.07%**
Profit	**$506,510,778**
EM	**2.77x**

REFINANCE AT STABILIZATION

Projected Cash Flow (Annual)	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Office Rent Revenue		0	0	$36,772,892	$73,545,783	$110,318,675	$147,091,567	$151,504,314	$156,049,443	$160,730,926	$165,552,854	$170,519,440	$175,635,023	$180,904,074	$186,331,196	$191,921,132
Other Income				$2,400,000	$2,472,000	$2,546,160	$2,622,545	$2,701,221	$2,782,258	$2,865,726	$2,951,697	$3,040,248	$3,131,456	$3,225,399	$3,322,161	$3,421,826
Potential Gross Income				$39,172,892	$76,017,783	$112,864,835	$149,714,111	$154,205,535	$158,831,701	$163,596,652	$168,504,551	$173,559,688	$178,766,479	$184,129,473	$189,653,357	$195,342,958
Vacancy				($2,742,102)	($5,321,245)	($7,900,538)	($10,479,988)	($10,794,387)	($11,118,219)	($11,451,766)	($11,795,319)	($12,149,178)	($12,513,654)	($12,889,063)	($13,275,735)	($13,674,007)
Effective Gross Income				$36,430,789	$70,696,539	$104,964,297	$139,234,124	$143,411,147	$147,713,482	$152,144,886	$156,709,233	$161,410,510	$166,252,825	$171,240,410	$176,377,622	$181,668,951
Operating Expenses				$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370	$15,477,370
Management Fee				$1,092,924	$2,120,896	$3,148,929	$4,177,024	$4,302,334	$4,431,404	$4,564,347	$4,701,277	$4,842,315	$4,987,585	$5,137,212	$5,291,329	$5,450,069
Total Operating Expenses				$16,570,294	$17,598,266	$18,626,299	$19,654,394	$19,779,704	$19,908,774	$20,041,717	$20,178,647	$20,319,685	$20,464,955	$20,614,582	$20,768,699	$20,927,439
NOI (Operating)				$19,860,496	$53,098,272	$86,337,998	$119,579,730	$123,631,443	$127,804,707	$132,103,170	$136,530,586	$141,090,825	$145,787,870	$150,625,828	$155,608,924	$160,741,512
Capital Expenditures																
CapEx Beginning Balance			$0	$0	$15,706,416	$36,398,499	$62,076,540	$92,740,841	$124,012,899	$155,910,947	$188,453,764	$221,660,694	$255,551,659	$290,147,181	$325,468,397	$361,537,077
CapEx Reserves				$2,979,074	$7,964,741	$12,950,700	$17,936,959	$18,544,716	$19,170,706	$19,815,475	$20,479,588	$21,163,624	$21,868,181	$22,593,874	$23,341,339	$24,111,227
Leasing Commissions				$1,821,539	$3,534,827	$5,248,215	$6,961,706	$7,170,557	$7,385,674	$7,607,244	$7,835,462	$8,070,525	$8,312,641	$8,562,020	$8,818,881	$9,083,448
TI				$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342	$12,727,342
CapEx Ending Balance			$0	$15,706,416	$36,398,499	$62,076,540	$92,740,841	$124,012,899	$155,910,947	$188,453,764	$221,660,694	$255,551,659	$290,147,181	$325,468,397	$361,537,077	$398,375,646
NOI (Property) w/ CapEx Reserve				$16,881,421	$45,133,531	$73,387,298	$101,642,770	$105,086,727	$108,634,001	$112,287,694	$116,050,998	$119,927,201	$123,919,690	$128,031,953	$132,267,585	$136,630,285
Cash Flow Before Debt Service	$0	$0	$0	$2,332,540	$28,871,363	$55,411,742	$81,953,723	$85,188,827	$88,520,985	$91,953,108	$95,488,195	$99,129,334	$102,879,707	$106,742,591	$110,721,362	$114,819,496

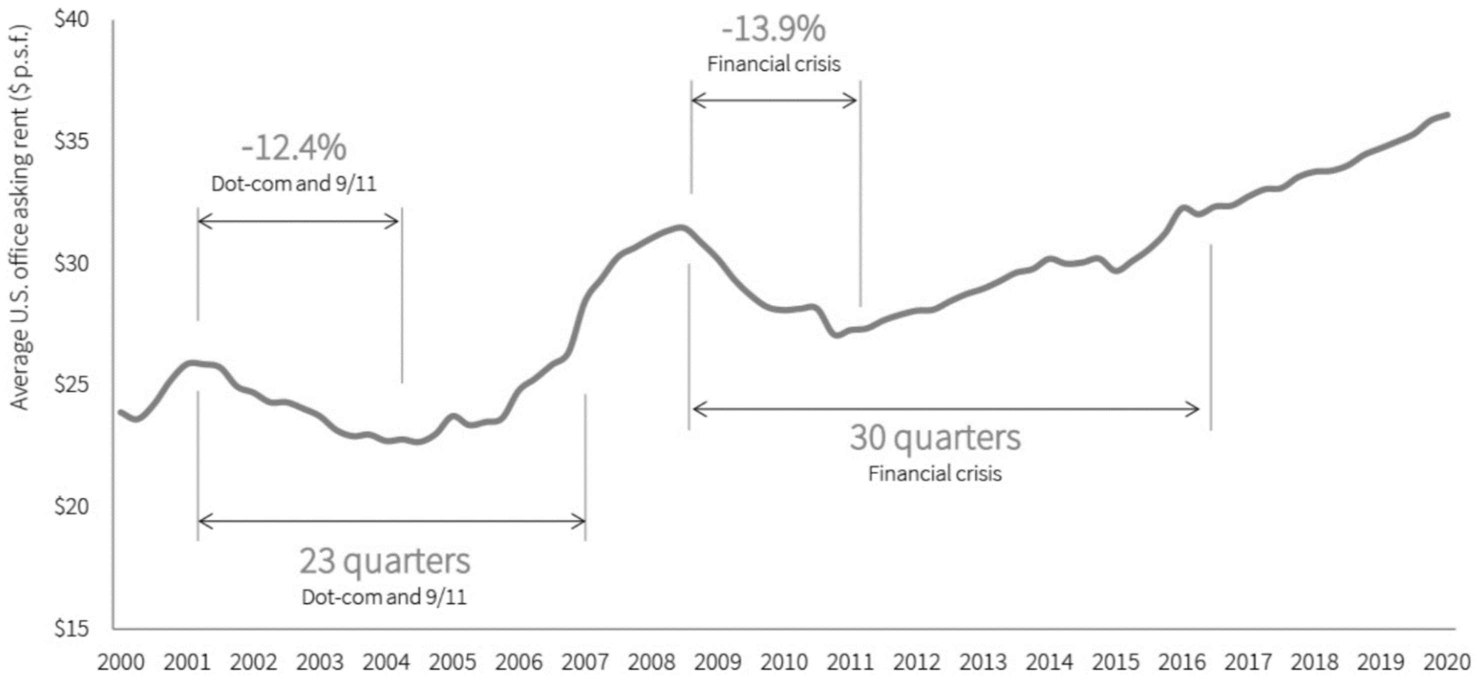
Development Costs	($1,200,000,000)														
Reversionary Cap Rate	5%														
Hard Costs		($208,350,490)	($138,900,326)												
Soft Costs	($195,502,189)	($130,334,793)													
Sales Proceeds		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,457,976,078
Sales Costs		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($69,159,522)
Unlevered Cash Flow	($1,395,502,189)	($338,685,282)	($138,900,326)	$2,332,540	$28,871,363	$55,411,742	$81,953,723	$85,188,827	$88,520,985	$91,953,108	$95,488,195	$99,129,334	$102,879,707	$106,742,591	$3,499,537,918

Unlevered IRR	**6.91%**
Profit	**$3,457,976,078**
PV	**$2,123,889,588**
NPV	**$253,134,330**
EM	**4.11x**

Equity	$659,430,729														
Loan Draws	$736,071,460	$338,685,282	$138,900,326	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Loan Interest Payment		($50,882,182)	($66,720,716)	($58,195,209)	($56,163,713)	($54,113,594)	$0	$0	$0	$0	$0	$0	$0	$0	
Loan Repayment						($1,439,537,365)	$0								
Permanent Loan Proceeds						$1,494,001,924									
Debt Service							($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)	($99,649,775)
Permanent Loan Repayment															($1,255,571,168)
Levered Cash Flow	($659,430,729)	$0	$0	$0	$0	$55,762,707	($17,696,052)	($14,460,947)	($11,128,789)	($7,696,667)	($4,161,580)	($520,441)	$3,229,932	$7,092,816	$2,144,316,975
		0.00%	0.00%	0.00%	0.00%	8.46%	-2.68%	-2.19%	-1.69%	-1.17%	-0.63%	-0.08%	0.49%	1.08%	325.18%

Levered IRR	**8.91%**
Profit	**$1,495,307,223**
EM	**1.06x**

APPENDIX IV



Since 2000, downturns have seen 13.2% average rent declines with 6.6 years to return to pre-recession levels