



PACIFIC TOWER BROOKLYN, NY

DEAN LASH | LASH DEVELOPMENTS

CAPSTONE DEAL BOOK

APRIL 22, 2020

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EXECUTIVE SUMMARY

Executive Summary

- LASH DEVELOPMENTS is pleased to present the opportunity to invest in an exciting mixed-use project located at 18 Sixth Avenue adjacent to the Barclays Center in the Prospect Heights neighborhood of Brooklyn, NY
- The investment strategy is to acquire a 32,000 SF vacant lot and construct a 31-story, 780,000 GSF mixed-use project
 - Residential (81%): 585,000 GSF comprising 831 units (75%/25% market/affordable split)
 - Office (16%): 117,000 GSF targeting technology, media, and telecom (“TMT”) and co-working tenants
 - Retail (3%): 20,000 GSF targeting an experiential sports bar and coffee shop
- The residential component will be 80% studio and 1-bedroom units, catering the project to young professionals looking to enjoy the benefits of Brooklyn-living in a true live/work/play neighborhood while staying readily accessible to Manhattan. The project will feature a competitive amenity package, upper-tier finishes, and is in proximity to a host of commercial, institutional, and recreational uses including Prospect Park, positioning it as a highly desirable offering
- The office component will look to capitalize on the burgeoning TMT office sector in Brooklyn and absence of ‘Manhattan-quality’ office space; design elements will be catered to these tenants by offering large contiguous floor plates, column-free interiors, floor-to-ceiling glass, and 13’ ceiling heights. Located at the nexus of one of the largest transportation hubs in New York and within the broader 22-acre Pacific Park development which will bring a wave of new residents to the immediate area, an office component is a natural complement to the project and area
- The retail component will leverage the project’s unique positioning adjacent to the Barclays Center with 183 feet of frontage along Atlantic Avenue and provide an upscale experiential sports bar catering to the Brooklyn sports scene and leveraging foot traffic from the Barclays Center, as well as an ancillary coffee shop further activating Atlantic Ave
- Total project budget of \$553 MM which will be capitalized 70%/30% debt/equity and is expected to be delivered by May 2023 (36 months construction period) followed by a 28-month lease-up period to stabilization
- Primary exit strategy will be a sale immediately upon stabilization in year 6 to an institutional pension fund, asset management firm, or core private equity fund; fallback scenario is a permanent refinancing and 15-year hold period
- LASH DEVELOPMENTS is seeking an LP investment of \$149 MM in exchange for a 90% share in the partnership

SOURCES		
	Total	% of Total
GP Equity	\$16,601,541	3.0%
LP Equity	\$149,413,866	27.0%
Total Equity	\$166,015,406	30.0%
Construction Loan	\$387,369,282	70.0%
Total Sources	\$553,384,688	100.0%

USES			
	\$GSF	Total	% of Total
Land Costs	\$200	\$156,000,000	28.2%
Hard Costs	\$375	\$292,125,000	52.8%
Soft Costs	\$75	\$58,425,000	10.6%
TI/LC Costs	\$7	\$5,462,829	1.0%
Contingency	\$19	\$14,606,250	2.6%
Financing Costs	\$34	\$26,765,609	4.8%
Total Uses	\$710	\$553,384,688	100.0%

STABILIZED METRICS		
	Yield on Cost	Cash on Cash
PROJECT LEVEL	5.8%	3.9%

SUMMARY OF RETURNS (STABILIZE & SELL)			
	IRR	EM	Profit (\$MM)
PROJECT LEVEL			
Unlevered	6.7%	1.29x	\$154.3
Levered	10.4%	1.64x	\$106.0
LP EQUITY	10.0%	1.60x	\$90.2

SUMMARY OF RETURNS (REFI & HOLD)			
	IRR	EM	Profit (\$MM)
PROJECT LEVEL			
Unlevered	7.0%	2.16x	\$609.6
Levered	10.6%	3.50x	\$414.2
LP EQUITY	10.1%	3.29x	\$342.6

Investment Highlights

Located on the Nexus of one of New York's Largest Transportation Hubs

- Immediate access to Atlantic Avenue Subway Station (B,D,N,Q,R,2,3,4,5), Atlantic Terminal (LIRR service), and multiple bus stations, providing residents, office tenants, and retail customers with unparalleled public transportation access to and from the project; its location provides ease of accessibility to Manhattan (3 subway stops; 15 minutes) and surrounding Brooklyn neighborhoods

Proximity to the Barclays Center and Neighboring Pacific Park Developments

- Adjacent to the Barclays Center (19,000 visitors per event) providing a premium retail opportunity, and situated within the broader Pacific Park 22-acre development which will deliver additional residential, health care, education, retail, and public park uses to the immediate area over the next 5-10 years, further contributing to the neighborhoods live/work/play attributes and overall desirability

Fortress Multi-Family Rental Fundamentals in Brooklyn

- The Brooklyn multi-family residential rental market continues to be supported by strong underlying fundamentals including accessible public transportation, rapid population growth, rising cost of homeownership, and access to greenspace, all of which have contributed to positive momentum on rental rates, vacancies, and absorption metrics

Strategic Positioning Within the Burgeoning Brooklyn Tech Triangle

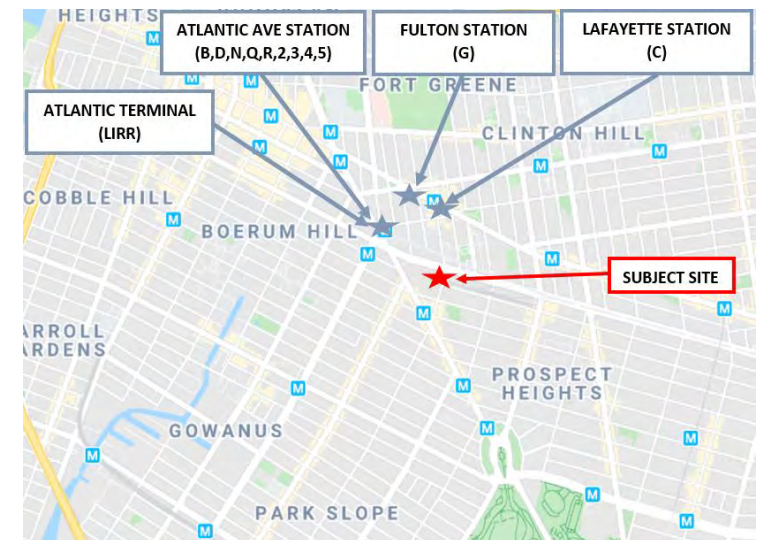
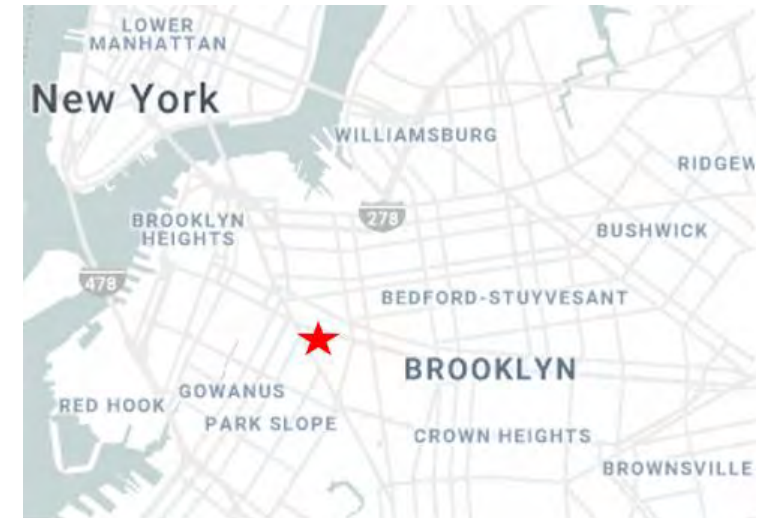
- Project is located within and designed to cater to the flourishing Brooklyn TMT office sector which is primed as the engine of Brooklyn's economic and employment growth over the coming years and which continues to expand its footprint throughout the borough

Full-Scope Building Amenity Packages

- Tenants will have access to a full floor (residential) or half-floor (office) of amenity and exterior terrace space with unimpeded views above the Barclays Center facing Manhattan, positioning the project as a competitive and fulsome offering focused on maximizing tenant experience

Attractive Deal Metrics and Risk-Adjusted Returns

- Solid project-level returns at 10.4% IRR and 5.8% yield on cost, commensurate with the risk profile of the project



SITE AND NEIGHBORHOOD OVERVIEW

Site Overview



SITE SPECIFICATIONS	
Address	18 Sixth Avenue, Brooklyn, NY 11217
Neighborhood	Prospect Heights / Atlantic Avenue
Block / Lot	1118 / 4
Lot Size (Acres)	0.71
Lot Size (SF)	32,000
Current Use	Vacant Lot
Current Owner	Empire State Development
Ownership	Development lease converting into fee simple ownership on project completion

Site Overview



Public Transportation

SUBWAY SERVICE

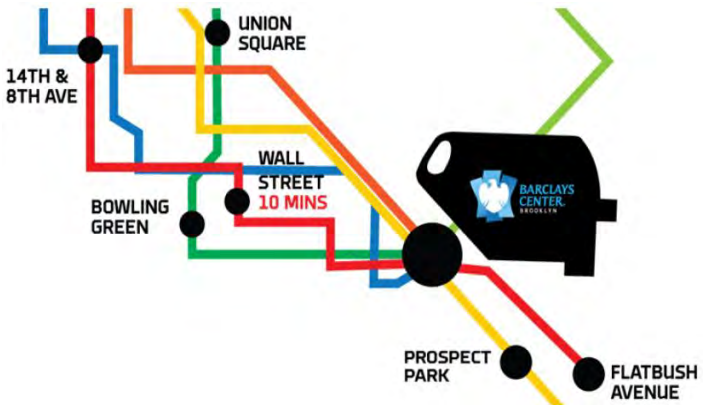


BUS SERVICE

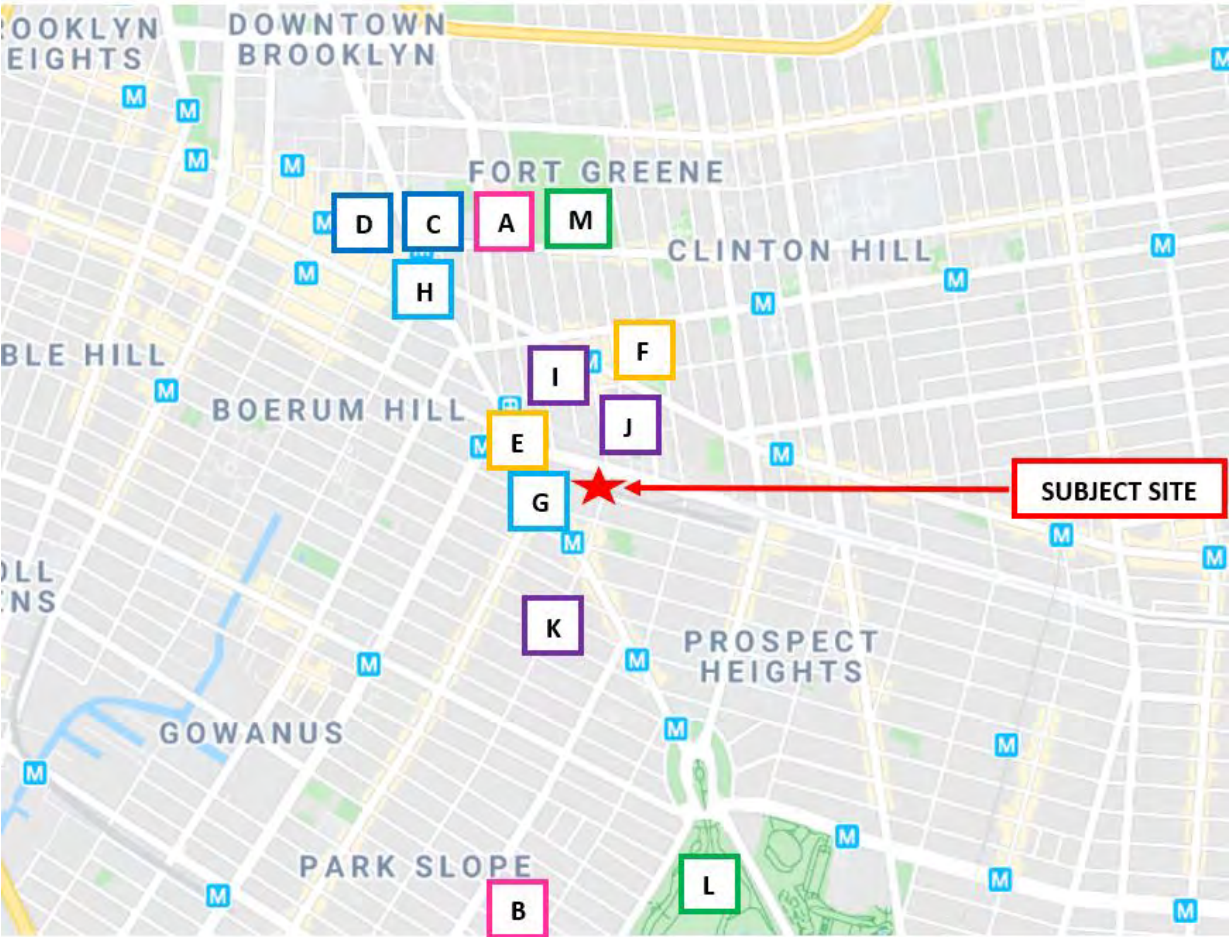


11 BUS LINES STOP NEAR THE SITE:
 B25, B26, B38, B41, B45, B52, B63, B67, B69, B103

LIRR SERVICE



Surrounding Amenities



MEDICAL

- A: Brooklyn Hospital Center
- B: NY Presbyterian Brooklyn Hospital

EDUCATION

- C: Long Island University,
- D: ADA College, SUNY Empire State College, State University of NY

PUBLIC TRANSIT

- E: Atlantic Avenue Subway Station (B,D,N,Q,R,2,3,4,5), Atlantic Terminal
- F: Lafayette Subway Station (C,A), Fulton Street Subway Station (G)

ENTERTAINMENT

- G: Barclays Center
- H: City Point BKLN Mall

GROCERY

- I: Whole Foods Market
- J: Stop & Shop Grocery Store
- K: Key Foods Supermarket

PARK

- L: Prospect Park
- M: Fort Greene Park

Neighborhood Demographic Highlights

PROSPECT HEIGHTS

Growing population: Expected to increase 43% from 23,000 to 33,000+ over the next 10 years

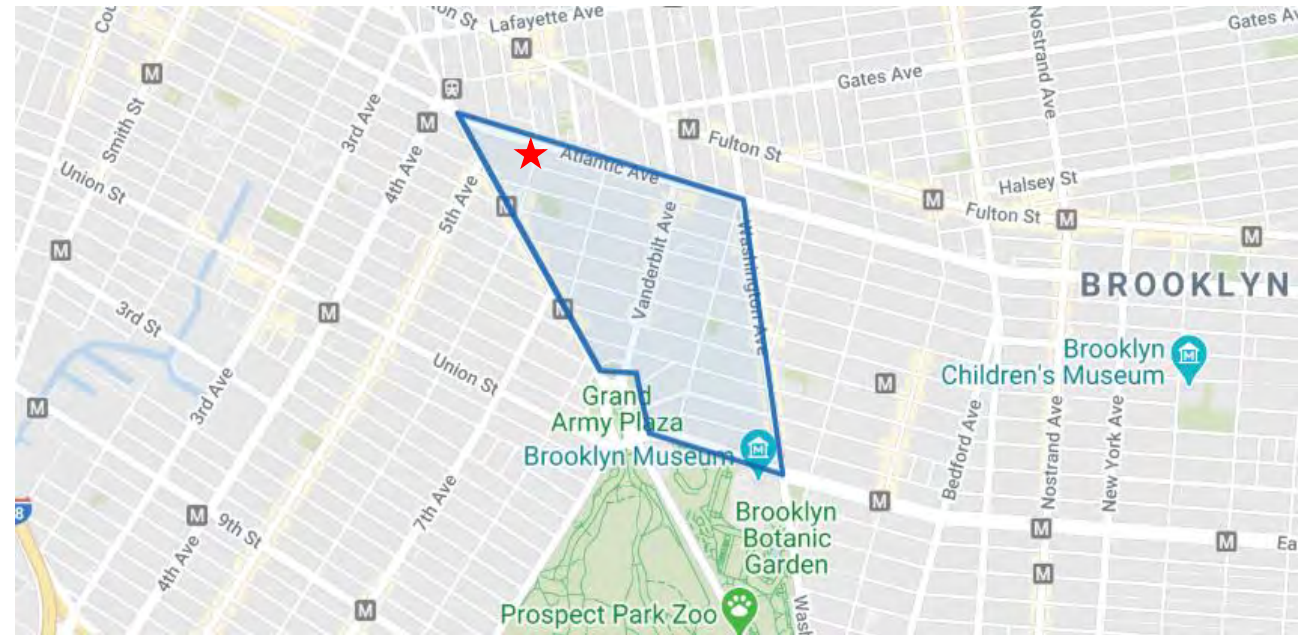
Young demographic: Largest segment aged 25-34 (25%); newer buildings feature mostly 1-bedroom and smaller units; concurrent reduction in households with children

Rapid gentrification: Indicators suggest area continues to rapidly gentrify, as seen via education, poverty, crime, and employment stats; median household income is approximately \$110,000

Diverse demographic: largest demographics are Caucasian (54%), African American (21%), and Hispanic (10%)

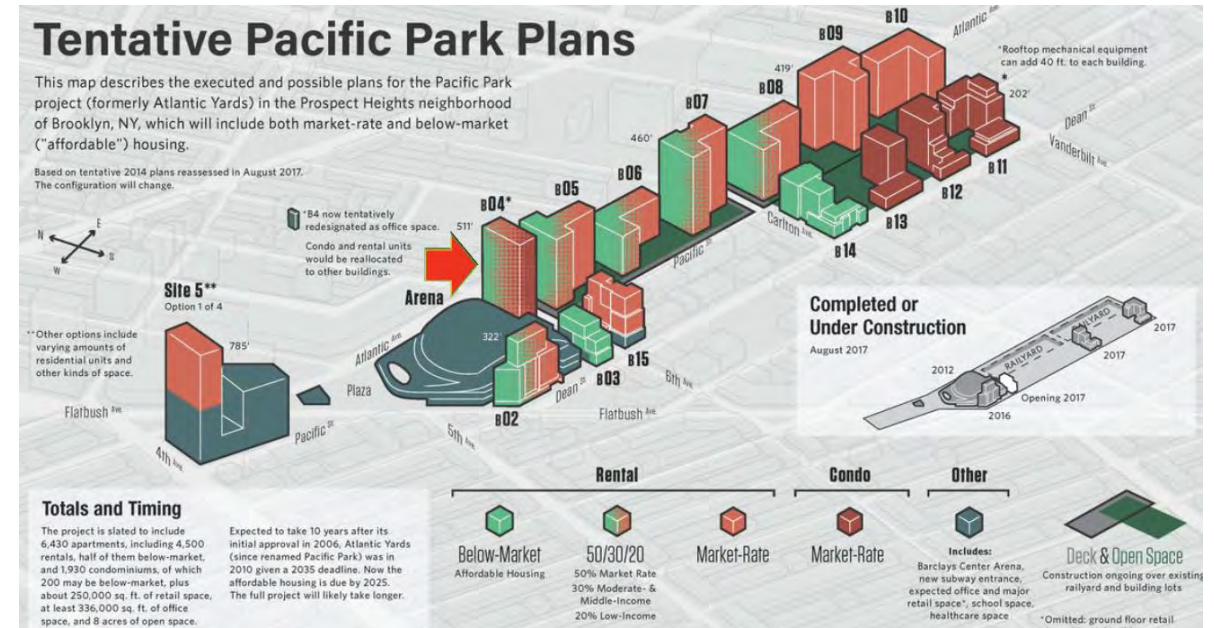
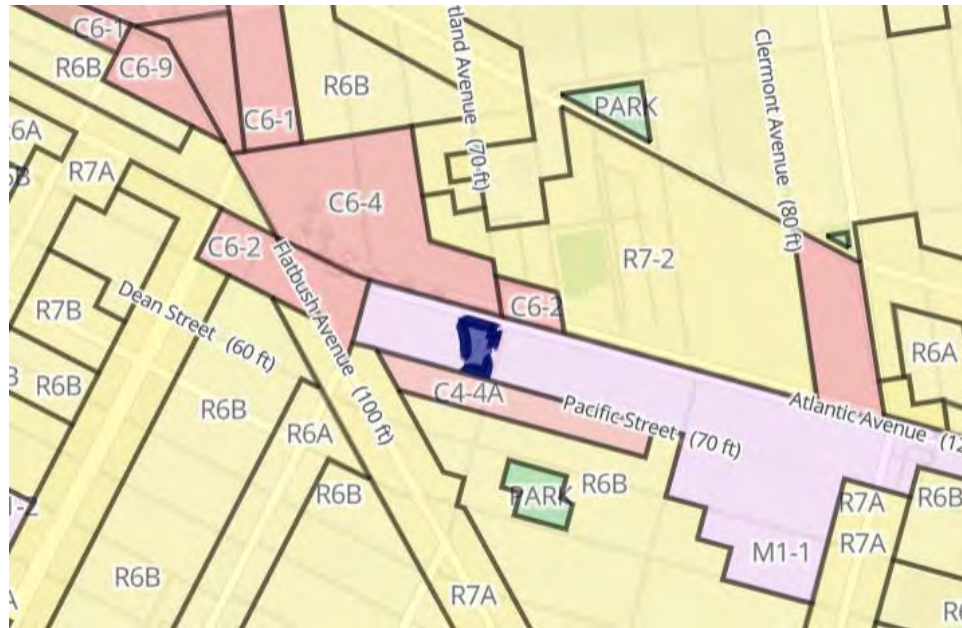
Well-educated: 38% of people have a masters' degree or higher, and 34% having a bachelors' degree

Reliance on public transit: 84% of the neighborhood uses public transit to get to work (over cars); average travel time of roughly 42 minutes suggests jobs in Manhattan



INDICATOR	2000	2010	2018
Households with Children Under 18 Years Old	38.2%	30.7%	26.7%
Poverty Rate	28.2%	25.9%	19.0%
Unemployment Rate	14.67%	10.09%	5.46%
Car-Free Commute (% Of Commuters)	78.8%	86.8%	84.2%
Mean Travel Time To Work (Minutes)	45.0	39.4	41.8
Serious Crime Rate (Per 1,000 Residents)	-	14.0	11.2

Surrounding Zoning



SURROUNDING AREAS

- **C6 (FAR: 6.0x – 15.0x):** High-bulk commercial areas that require central locations
- **R6 (FAR: 0.78x – 2.43x):** Traditional row housing which preserve the harmonious streetscape of medium-density neighborhoods of 4-story buildings developed during the 19th century
- **R7 (FAR: 0.87x – 3.44x):** Medium-density apartment house districts that encourage lower apartment buildings on smaller lots and, on larger lots, taller buildings with less lot coverage

PACIFIC PARK

- Subject site (B4) is part of the broader Pacific Park 22-acre development (17 towers)
- NY state zoning authority overrules and exempts site from NYC zoning regulations
- Bulk of planned uses are residential (combination of affordable rental, market rental, and condo) expected to deliver over 6,000 units by 2032
- Additional uses are the Barclays Center, 336,000 sf of office space, 250,000 sf of retail space, a school, healthcare space, as well as 8 acres of open space

Zoning Strategy

	(A) CURRENT APPROVED	(B) LASH DEV PROPOSED	DELTA (B) - (A)
ZONING			
Lot Area	32,000	32,000	-
Residential ZFA	780,000	581,000	(199,000)
<i>Residential FAR</i>	24.38x	18.16x	(6.22x)
Office ZFA	-	112,000	112,000
<i>Office FAR</i>	-	3.50x	3.50x
Retail ZFA	50,000	20,000	(30,000)
<i>Retail FAR</i>	1.56x	0.63x	(0.94x)
Total ZFA	830,000	713,000	(117,000)
Total FAR	25.94x	22.28x	(3.66x)

MASSING

Building Height (ft)	500	400	(100)
Setbacks	None	Floor 2 Floor 6	

(1) ZFA = GFA excl. mechanical space, terrace, bike storage, and cellar

GENERAL

- Subject site is excluded from New York zoning regulations
- Requested zoning and massing variances position the project better both aesthetically and financially, and are ultimately more conservative than currently approved zoning

MASSING

- Slightly smaller and shorter building is more contextually consistent with the remainder of the immediate area
- Setbacks provide a more visually appealing structure and provide activation potential for building amenities

ZONING

- Slightly reduced residential component; based on projected residential unit count (831), any additional residential RSF would impair tenant experience
- Introduction of office component provides opportunity for local employment and diversification from surrounding residential
- Office space also provides a buffer physical barrier between the sports bar and residential components, mitigating noise issues in the evening
- More than 1 floor of retail deemed impractical and economically unjustified

PROJECT OVERVIEW

Development Concept

The development concept and programming aims to capitalize on the strong residential rental market in Prospect Heights and surrounding neighborhoods, as well as the site's strategic positioning next to one of New York's largest transportation hubs, adjacent to the Barclays Center, and proximity to Brooklyn's flourishing technology office sector



RESIDENTIAL - RENTAL

- Floors 6-30, 469,000 RSF
- 831 units (75%/25% market/affordable)
- 50% studio, 30% 1-bdrm., 20% bdrm.
- Full floor (27,000 GSF) of amenity and terrace space with clear views of Manhattan



OFFICE - TMT/CO-WORKING

- Floors 2-5, 117,000 RSF
- Large, contiguous floor plates (27,000 GSF)
- Floor-to-ceiling glass, 13' ceiling heights
- 18,500 GSF of amenity and terrace space with clear views of Manhattan



RETAIL - EXPERIENTIAL F&B

- 19,000 RSF upscale sports bar
- 40' ceilings and large screens
- 183' frontage on Atlantic Ave
- 1,000 RSF ancillary coffee shop activating Atlantic Avenue streetscape

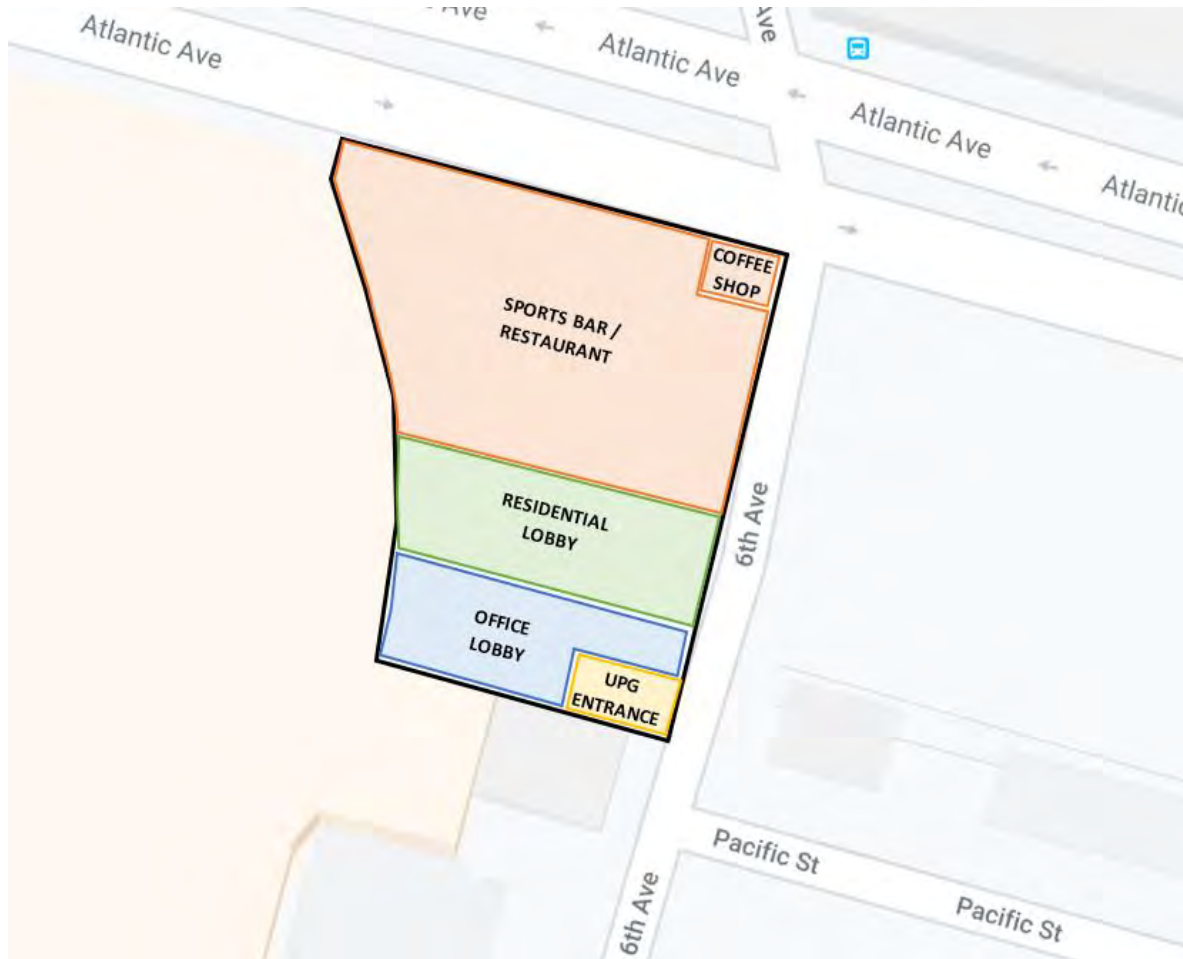
Programming Overview

HIGHLIGHTS	
Total GSF	779,000
Total RSF	685,497
Residential RSF	469,200
Office RSF	116,507
Retail RSF	20,000
Amenity RSF	55,790
# of Floors	31
Building Height	400 ft
Res. Efficiency	85.0%
Office Efficiency	90.0%
Retail Efficiency	100.0%

	FLOOR	SLAB HEIGHT	CUMUL. HEIGHT	TOTAL GSF	EFFICIENCY	REBNY GROSS UP	TOTAL RSF	RSF (1)						
								RESI	OFFICE	RETAIL	AMENITY	PARKING		
Mechanical	31	11.5	399	23,000	-	-	-	-	-	-	-	-	-	-
Residential	30	11.5	388	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	29	11.5	376	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	28	11.5	365	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	27	11.5	353	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	26	11.5	342	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	25	11.5	330	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	24	11.5	319	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	23	11.5	307	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	22	11.5	296	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	21	11.5	284	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	20	11.5	273	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	19	11.5	261	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	18	11.5	250	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	17	11.5	238	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	16	11.5	227	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	15	11.5	215	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	14	11.5	204	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	13	11.5	192	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	12	11.5	181	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	11	11.5	169	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	10	11.5	158	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	9	11.5	146	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	8	11.5	135	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Residential	7	11.5	123	23,000	85.0%	-	19,550	19,550	-	-	-	-	-	-
Terrace	6	11.5	112	27,000	85.0%	-	22,950	-	-	-	-	22,950	-	-
Office	5	15.0	100	27,000	90.0%	27.0%	33,288	-	33,288	-	-	-	-	-
Office	4	15.0	85	27,000	90.0%	27.0%	33,288	-	33,288	-	-	-	-	-
Office	3	15.0	70	27,000	90.0%	27.0%	33,288	-	33,288	-	-	-	-	-
Terrace	2	15.0	55	32,000	90.0%	27.0%	39,452	-	16,644	-	22,808	-	-	-
Retail	1	40.0	40	32,000	93.8%	-	30,032	-	-	20,000	10,032	-	-	-
Parking	UG			32,000	75.0%	-	24,000	-	-	-	-	-	24,000	-
TOTAL			399	779,000	88.0%		685,497	469,200	116,507	20,000	55,790	24,000		

(1) Amenity RSF includes terrace

Site Plan



RESIDENTIAL / OFFICE

- Residential and office lobby entrances will be on the east side of the site fronting 6th Avenue
- 6th Avenue is the ideal entry point for the buildings from an accessibility perspective as taxi/ride-sharing services can arrive from Atlantic Avenue, Pacific Street, or 6th Avenue, and would be able to temporarily park without holding up traffic
- 6th Avenue is much quieter than Atlantic Avenue and will make a more pleasant tenant entry point and lobby with reduced congestion and noise
- Given the large residential floor plates (23,000 GSF), positioning the residential component in the middle provides a shorter walking distance to units as the elevator bank would be back-to-back with the office elevators

RETAIL

- Retail entrances will be on Atlantic Avenue along the 183 feet of frontage
- The coffee shop is positioned on the northeast corner to activate that corner and enhance the streetscape for the benefit of the broader retail component
- Activating Atlantic Avenue and tapping into the foot traffic of both the Barclays Center to the west (19,000 visitors per event) and residential community to the east from the various Pacific Park residential projects is crucial to the success of the retail portion of the development

Programming: Residential

SPECS

- 24 floors of residential (831 units / 469,000 RSF) and a full floor (23,000 RSF) of amenity space

TARGET TENANTS

- Residential strategy premised on the project location above one of the largest transportation hubs of New York
- Targeted tenants are young professionals aged between 24-35 who are working in Manhattan (Midtown, Wall Street, Union Square) or in Downtown Brooklyn
- The tenant base desires easy access to Manhattan and surrounding Brooklyn neighborhoods while also enjoying the unique benefits of living in a true live/work/play neighborhood, including convenient access to Prospect Park
- These individuals are seeking a pricing discount and slightly larger units from traditional Manhattan product and a variety of building amenities

UNIT MIX

- Unit split: 50% studios, 30% 1-bedrooms, 20% 2-bedrooms; rationale was to cater units to the target market and maximize highest rent PSF without oversaturating the market for one specific unit type
- 75%/25% market-rate/affordable-rate unit split is in line with comps and allows us to leverage the 421A tax exemption; affordability tiers are 10% of units at 40% of AMI, 10% at 60% of AMI, and 5% at 130% of AMI
- Studios are at 450 sf, 1-bedrooms at 650 sf, and 2-bedrooms at 1,000 sf, which are on average 20% larger than typical Manhattan units; square footages are geared for the targeted tenants who do not spend the bulk of their time in-suite and commensurate with the fulsome building amenity package

PRICING

MARKET RATE UNITS				
Unit Type	Count	SF	Rent PSF	Monthly Rent
Studio	391	450	\$77.00	\$2,888
1 Bedroom	162	650	\$69.00	\$3,738
2 Bedroom	70	1,000	\$66.00	\$5,500

AFFORDABLE UNITS (1)				
Unit Type	Count	SF	Rent PSF	Monthly Rent
Studio	130	450	\$25.64	\$962
1 Bedroom	55	650	\$22.40	\$1,213
2 Bedroom	23	1,000	\$18.03	\$1,502

(1) Affordable figures reflect blended affordability tiers

- Market pricing based on comps analysis; affordability pricing based on AMI tiers
- Rent growth assumptions: market units (3.5%), affordable units (1.0%)
- 1-month free rent concession applied to market-rate units to expedite lease-up

AMENITIES

- Full floor of amenities (Floor 6), which will include a fitness/yoga/cycling center, resident lounge, business center, and exterior terrace with BBQ settings with views over the Barclays Center towards the Manhattan skyline
- Selected amenities based on the market analysis are essential to competing with local product but also provide the highest return on cost for inclusion
- Ceiling heights are designed at 9.5 feet to make units feel larger than actual square footages as 80% of suites are studio or 1-bedrooms
- Limited parking (80 stalls / ~10% ratio) reflecting that tenants rely on public transit

Design Concepts: Residential

INTERIOR

- 9.5' ceiling heights
- Open floor plans
- Smooth finished ceilings
- Unimpeded views NW facing Manhattan
- Engineered hardwood flooring
- Quartz countertops
- Stainless steel appliances
- In-suite laundry

EXTERIOR

- Reinforced concrete superstructure
- Oversized windows
- Glass and terra cotta curtain wall
- 4,000 SF terrace facing Manhattan



Design Concepts: Residential

AMENITY PACKAGE

- Fitness center
- Yoga and cycling studio
- Resident lounge
- Business center
- Bicycle storage
- Full-time concierge



SAMPLE UNIT LAYOUTS

- Studio
- 1-bedroom



Programming: Office

SPECS

- 4 floors (floor 2-5) of contiguous 117,000 RSF Class A office space and 23,000 RSF of shared office amenity space

TARGET TENANTS

- Office space will be modeled to cater to TMT and co-working tenants which are the primary drivers for Brooklyn's economic and employment growth and have dominated the recent leasing environment by volume and total square footage
- Employers look for office space that is highly accessible for their employees; the transportation nexus and rapidly growing number of residential units in the immediate area satisfies this
- TMT and co-working tenants have specific space needs; key features will include floor-to-ceiling glass, column-free interior space, 13' exposed ceilings, and large contiguous floor plate availability (up to 27,000 sf)
- While these features will command a cost premium relative to traditional office space, market research dictates these design elements are essential to attracting the targeted tenants and obtaining a premium on rents
- Expectation is leasing will be one tenant per floor, with flexibility to adjust based on interest during pre-leasing period
- Estimate top 2 office floors (60% of RSF) will be pre-leased, with balance leased during 12-month period post-delivery

PRICING

Unit	RSF	Rent PSF	Step	Term	TI	Free	LC
Floor 5	33,288	\$55.00	2.50%	10.0	\$27.5	6.0	24%
Floor 4	33,288	\$55.00	2.50%	10.0	\$27.5	6.0	24%
Floor 3	33,288	\$55.00	2.50%	10.0	\$27.5	6.0	24%
Floor 2	16,644	\$55.00	2.50%	10.0	\$27.5	6.0	24%

- Pricing is positioned at the upper tier range of the comp set as the product provided will be 'Manhattan-quality' and superior to existing inventory on the market in Brooklyn
- Competitive capital package (TI, LC, Free Rent) slightly above market to support lease-up

AMENITIES / OTHER

- Office tenants will have access to an exclusive 23,000 RSF amenity space shared between the 4 office floors and an exterior terrace with unimpeded views over the Barclays Center towards Manhattan
- Amenity space will include a tenant lounge, bar, fitness center, change rooms with showers
- Shared amenity space between the office tenants will promote collaboration and innovation among tenants in similar fields
- Office space provides a buffer physical barrier between the sports bar and residential component, mitigating noise issues in the evening

Design Concepts: Office

- Large contiguous floor plates (up to 27,000 SF)
- Floor-to-ceiling glass
- 13' ceiling heights
- Column-free interior space
- Exposed ceilings
- Half floor of amenities space (13,500 SF)
- 5,000 SF exterior terrace
- LED lighting



Programming: Retail

SPECS

- 20,000 RSF of premium retail space at grade with 183 ft of frontage on Atlantic Avenue adjacent to the Barclays Center

SPORTS BAR

- Thesis of the retail strategy is to leverage the site proximity to the Barclays Center and provide an experiential F&B retail offering with a focus on the Brooklyn sports culture
- Market analysis concluded a shortage of upscale sports bar offerings within proximity to the Barclays Center, which houses 19,000 people multiple nights per week
- The concept of the sports bar/restaurant is to provide a setting for attendees of sporting events with an upscale destination for dinner and drinks before or after the event
- While attendees of Barclays Center events are the primary revenue driver, this venue would also serve residents from the incoming wave of new residential inventory in the immediate area from Pacific Park (6,000+ residents over the next 5-10 years)
- Proximity of various hotels within 0.5 miles to the subject site (EVEN Hotel, Holiday Inn, Fairfield Inn, Gowanus Inn, NU Hotel, Hilton Brooklyn) provides an additional customer base

COFFEE SHOP

- A coffee shop on the northeast corner of the development is the second targeted retail use, which would cater to the local neighborhood and contribute to the activation of Atlantic Avenue
- Concept will be supported by the robust coffee culture in Brooklyn and density of surrounding residential developments
- Target tenants include Joe & The Juice, Joe's Coffee, Blue Bottle Coffee

PRICING

Unit	RSF	Rent PSF	Step	Term	TI	Free	LC
Sports Bar	19,000	\$50.00	2.50%	15.0	\$25.0	3.0	24%
Coffee Shop	1,000	\$75.00	2.50%	10.0	\$0.0	0.0	24%

FEATURES

- 40 ft ceiling heights serve the purpose of providing a unique sports bar experience and clearing the height of the Barclays Center so that the first floor of office space has unimpeded views above the stadium
- 183 ft frontage along traffic-heavy Atlantic Avenue provides a unique marketing opportunity for prospective retailers

Design Concepts: Retail

SPORTS BAR



COFFEE SHOP



MARKET ANALYSIS

Residential

- The Brooklyn residential rental market remains very strong and continues to see robust momentum with consistent annual rent growth and concessions remain in appropriate ranges
- Emphasis on live/work/play product; high desirability for transit-oriented buildings with competitive amenity packages
- Strong transportation infrastructure in-place and rapidly expanding neighborhood commercial and entertainment offerings
- Condo market over-supplied (sales price PSF flat over the past 4 years) but rental market remains attractive due to ownership affordability crisis
- 333 Schermerhorn (750 units) opened in July 2017 and was fully leased in approximately one year (~50 units/month)

BROOKLYN RENTAL MARKET

	Jan-17	Y-O-Y Change	Jan-18	Y-O-Y Change	Jan-19	Y-O-Y Change	Jan-20
Average Rental Price	\$3,027	2.4%	\$3,099	0.8%	\$3,125	7.7%	\$3,367
Rental Price PSF	\$46.70	(12.3%)	\$40.95	6.9%	\$43.79	8.4%	\$47.47
Days on Market	68	(48.5%)	35	(11.4%)	31	29.0%	40
Listing Inventory	2,459	(21.4%)	1,933	(2.3%)	1,889	(22.9%)	1,456
Free Rent	1.6	(6.3%)	1.5	6.7%	1.6	-	1.6
<u>Studio</u>							
Average Rental Price	\$2,335	3.2%	\$2,410	2.9%	\$2,481	8.3%	\$2,688
<u>1 Bedroom</u>							
Average Rental Price	\$2,719	(3.2%)	\$2,631	7.3%	\$2,822	3.5%	\$2,921
<u>2 Bedroom</u>							
Average Rental Price	\$3,315	(0.2%)	\$3,307	0.3%	\$3,316	10.9%	\$3,679
<u>3 Bedroom</u>							
Average Rental Price	\$4,072	13.2%	\$4,608	(7.0%)	\$4,285	10.6%	\$4,739

AFFORDABILITY ANALYSIS

DOWNTOWN BROOKLYN

Median Household Income	\$125,000
Monthly Equivalent	\$10,417
Rent % of Income	40.0%
Max. Monthly Rent	\$4,167

PROSPECT HEIGHTS

Median Household Income	\$110,000
Monthly Equivalent	\$9,167
Rent % of Income	40.0%
Max. Monthly Rent	\$3,667

Average DB & PH	\$3,917
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Residential Comps

RESIDENTIAL COMP SET

475 Clermont



333 Schermerhorn



461 Dean



	Clinton Hill / Fort Greene	Boerum Hill	Prospect Heights
Submarket	Clinton Hill / Fort Greene	Boerum Hill	Prospect Heights
Year Built	2019	2017	2016
Stories	12	55	33
Total Units	363	750	363
Affordable Units	73	150	181
Affordable % of Total	20%	20%	50%
Developer	RXR Realty	Steiner NYC	Forest City Ratner
Architect	Aufgang Architects	Dattner Architects	SHoP Architects
Type	Rental	Rental	Rental
Rooftop Terrace	X	-	X
Podium Terrace	-	X	-
Swimming Pool	-	X	-
Fitness Center	X	X	X
Yoga Studio	X	X	X
Resident Lounge / Library	X	X	X
Game Room	X	X	X
Children's Playroom	X	X	X
Pet Room	X	-	-
Dog Park	-	X	-
Bicycle Storage	X	X	X
Outdoor Movie Screen	X	X	-
In-Suite Laundry	X	X	X
Floor to Ceiling Windows	X	X	X
Private Terraces	X	-	-

475 Clermont

Unit Type	Count	Total Rent	Mthly Avg	Est. SF	Rent PSF
studio	12	\$36,295	\$3,025	450	\$80.66
1 bed	23	\$84,507	\$3,674	650	\$67.83
2 beds	15	\$84,391	\$5,626	1,050	\$64.30
Total/Wtd Avg	50	\$205,193	\$4,104	722	\$68.21

333 Schermerhorn

Unit Type	Count	Total Rent	Mthly Avg	Est. SF	Rent PSF
studio	19	\$54,619	\$2,875	450	\$76.66
1 bed	22	\$81,993	\$3,727	650	\$68.81
2 beds	9	\$51,464	\$5,718	1,050	\$65.35
Total/Wtd Avg	50	\$188,076	\$3,762	646	\$69.87

461 Dean

Unit Type	Count	Total Rent	Mthly Avg	Est. SF	Rent PSF
studio	11	\$29,587	\$2,690	450	\$71.73
1 bed	18	\$61,509	\$3,417	650	\$63.09
2 beds	21	\$109,488	\$5,214	1,050	\$59.59
Total/Wtd Avg	50	\$200,584	\$4,012	774	\$62.20

Comp Set Total

Unit Type	Count	Total Rent	Mthly Avg	Est. SF	Rent PSF
studio	42	\$120,501	\$2,869	450	\$76.51
1 bed	63	\$228,009	\$3,619	650	\$66.82
2 beds	45	\$245,343	\$5,452	1,050	\$62.31
Total/Wtd Avg	150	\$593,853	\$3,959	714	\$66.54

(1) StreetEasy data from the last 50 leases signed at the respective buildings

Office Market

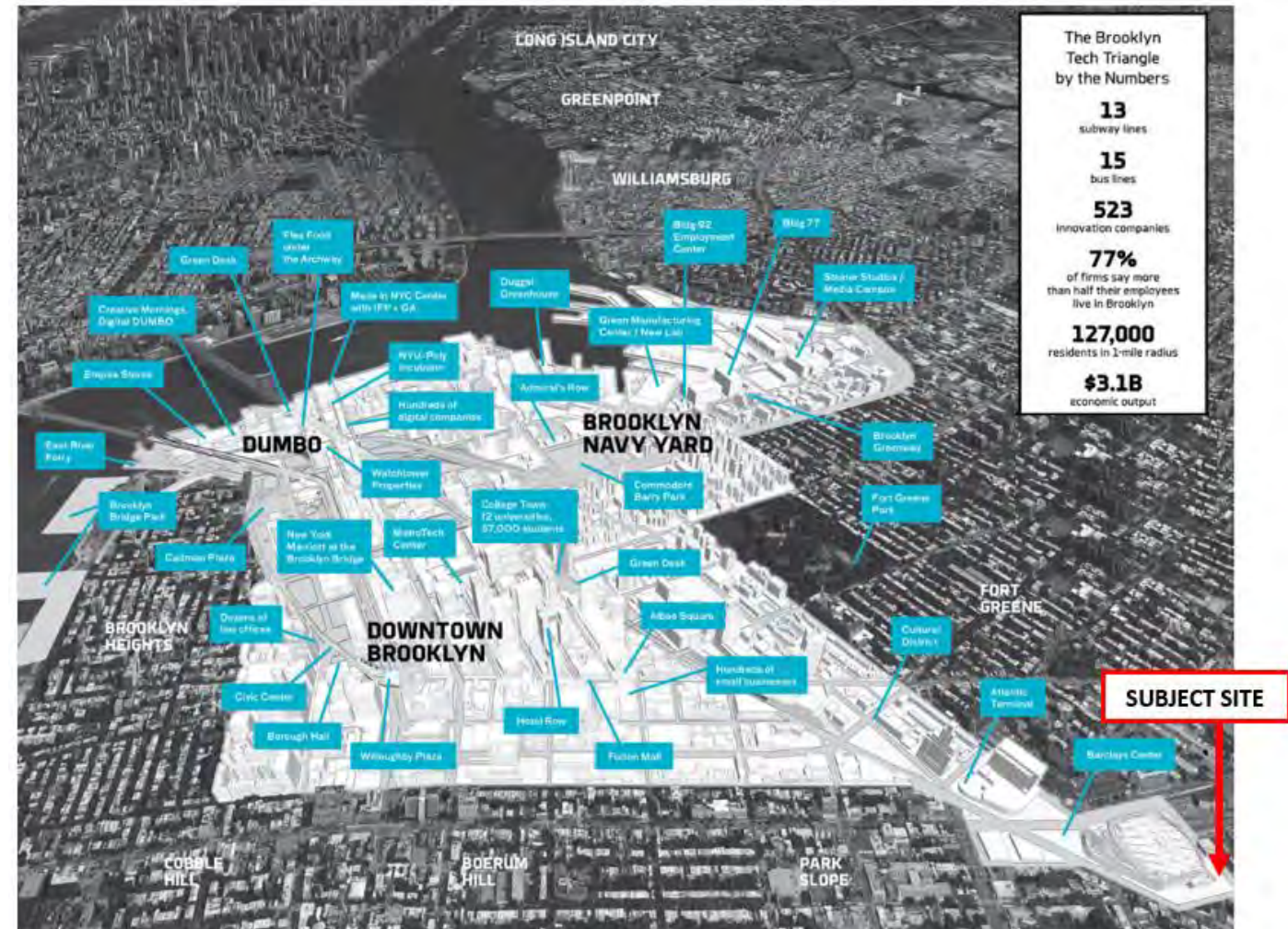
- The Brooklyn office market is unique in that the 'Class A' product has traditionally consisted of adaptive re-use projects converting formerly industrial space for office use; this has been supplemented with new office developments emerging in recent years
- Asking rents are currently at historical highs in both the Downtown Brooklyn submarket and broader Brooklyn market overall
- Vacancy rates have gradually compressed as large amounts of supply brought onto the market over the past number of years continues to get absorbed
- There is approximately 1.8 million SF of office development pipeline in Downtown Brooklyn, which is commensurate with the projected population, economic, and employment growth expected to be driven by the area

BROOKLYN OFFICE MARKET TRENDS			
	2018 Q3	Y-O-Y Change	2019 Q3
<u>Vacancy</u>			
Brooklyn/LIC Total	22.4%	(55.4%)	10.0%
Atlantic Avenue Corridor	11.2%	(97.3%)	0.3%
Downtown Brooklyn	11.4%	(42.1%)	6.6%
<u>Asking Rent</u>			
Brooklyn/LIC Total	\$47.43	9.1%	\$51.73
Atlantic Avenue Corridor	\$43.03	(8.5%)	\$39.36
Downtown Brooklyn	\$59.72	(2.9%)	\$57.97

ATLANTIC AVENUE AND DOWNTOWN BROOKLYN OFFICE MARKET SUMMARY (Q3 2019)					
	Current Inventory	Under Construction	Overall Vacancy	Total Net Absorption	Asking Rent Gross \$ PSF
<u>CLASS A</u>					
Atlantic Avenue Corridor	-	-	-	-	-
Downtown Brooklyn	9,029,448	1,783,771	4.8%	(623,771)	\$60.90
Subtotal - Class A	9,029,448	1,783,771	4.8%	(623,771)	\$60.90
<u>CLASS B</u>					
Atlantic Avenue Corridor	1,250,071	-	0.3%	(479)	\$39.36
Downtown Brooklyn	5,140,036	-	9.7%	(55,805)	\$46.49
Subtotal - Class B	6,390,107	-	7.9%	(56,284)	\$45.10

Office - Brooklyn Tech Sector

- The Brooklyn Tech Triangle (Dumbo, Downtown, Navy Yard) is a burgeoning sector for tech activity outside of Manhattan
- TMT tenants have specific working space requirements, and as a result, the Brooklyn Tech Triangle Strategic Plan was created in 2012 to provide a framework to accommodate this growth
- Subject site located on the southeast corner of the tech triangle but has the advantage of immediate public transportation access along the Atlantic Avenue corridor
- The bulk of the new jobs and GDP growth from the tech sector has been in the Dumbo region, mainly because that is where the appropriate inventory has been built, namely via adaptive re-use projects, with limited ground-up Class A development
- Brooklyn Tech Triangle innovation economy is projected to create over 53,000 jobs in the Tech Triangle by 2025
- Average innovation sector wage (~\$68,000) is ~18% higher than Brooklyn average salaries across all other sectors
- Several TMT companies have moved their offices from Manhattan to Brooklyn given the relative discount of rental rates, while continuing to be located alongside public transit
- Continued growth of this sector is contingent on their being adequate facilities to provide working accommodation



Office - Brooklyn Co-Working Sector

- Fundamentally Brooklyn is renowned for its creativity and entrepreneurial environment which is reflected through the co-working scene
- The co-working sector continues to expand and diversify throughout the borough with the number of co-working spaces doubling from approximately 20 in 2016 to more than 50 spaces currently
- Ongoing institutionalization of the sector where co-working spaces are beginning to specialize and target specific industries to promote collaboration among tenants
- For example, AGTechX opened in Williamsburg which is a specialized co-working space for entrepreneurs in the food/agriculture space and has been highly successful
- There are continually new entrants into the Brooklyn co-working scene including most recently SOHO WORKS, which has leased nearly 100,000 SF of space in 2019

SOHO
WORKS

COWORKERS

SPACES.

wework

Regus



Office Comps

- Analysis focused on leases greater than 7,500 SF since 2018 in Brooklyn given the scale of the office component of the project
- TMT and co-working sectors have been dominant in the Brooklyn office segment by leased volume and square footage

BROOKLYN OFFICE LEASES > 7,500 SF (2018-2020)		
Industry	Count	SF
Education	4	796,335
Co-Working	5	407,447
TMT	11	203,083
Health/Medical	5	166,543
Government	5	165,779
Fashion	2	94,901
Total / Wtd. Avg.	32	1,834,088

TMT - BROOKLYN MAJOR LEASES (2018-2020)						
Property	Date	SF	Rent PSF	Term (Yrs)	Tenant	Industry
175 Pearl Street	2019	43,000	\$58.00	10.0	TheLab	TMT
63 Flatbush Avenue	2018	28,694	\$36.00	10.0	Buck Advertisements	TMT
20 Jay Street	2018	22,527	\$40.00	7.0	Red Antler	TMT
58-83 Water Street	2018	21,706	\$43.00	3.0	Wasserman Media	TMT
41 Flatbush Avenue	2018	20,000	\$58.00	7.0	Blue State Digital	TMT
1 Metrotech Center	2018	19,350	\$52.00	10.0	UniWorld Group	TMT
20 Jay Street	2019	12,760	\$50.00	3.0	Overtime	TMT
41 Flatbush Avenue	2019	10,173	\$55.00	7.0	Energy Hub	TMT
81 Willoughby Street	2018	9,000	\$39.00	5.0	GoTenna	TMT
53 Bridge Street	2018	8,000	\$45.00	5.0	Datalot	TMT
1 Metrotech Center	2018	7,873	\$57.25	12.0	TATA American Intl	TMT
Total / Wtd. Avg.		203,083	\$48.68	7.7		

CO-WORKING - BROOKLYN MAJOR LEASES (2018-2020)						
Property	Date	SF	Rent PSF	Term (Yrs)	Tenant	Industry
1 Dock 72 Way	2019	222,000	N/A	N/A	WeWork	Co-Working
175 Pearl Street	2018	61,539	\$55.00	15.0	Spaces	Co-Working
10 Jay Street	2019	50,000	\$70.00	14.0	Soho Works	Co-Working
58-83 Water Street	2019	47,000	\$70.00	13.0	Soho Works	Co-Working
41 Flatbush Avenue	2018	26,908	\$50.50	15.0	Spaces	Co-Working
Total / Wtd. Avg.		407,447	\$62.19	14.2		

Retail - Sports Bar Analysis

- As shown to the right, at initial glance it appears that there are already a satisfactory amount of sports bar offerings near the Barclays Center
- However, in completing a deeper analysis of each of these establishments, the conclusion is these bars are generally small old-style pub-like product with limited seating capacity, low ceilings, and a sub-par TV viewing experience or no sports culture
- There are currently limited upscale sports bar offerings within proximity to the Barclays Center presenting a unique opportunity, particularly given the rapidly growing population of the immediate area
- The existing bars are typically very busy on nights where there is an event at the Barclays Center, reinforcing the current demand
- A summary of these bars/restaurants is provided, with the conclusion being that only 200 Fifth Pub, McMahon's Irish Pub, and the Montrose, which have a collective estimated seating capacity of <200 (vs. Barclays Center seating of 19,000), are considered direct competition



Bar Name	Estimated Seating Capacity	Televised Sports	Key Issues
Woodland	[Formerly 100]	Y	Closed in Jan 2020 due to liquor license removal
200 Fifth Pub	100	Y	-
McMahon's Irish Pub	50	Y	-
The Montrose	40	Y	-
Mullanes	20	Y	Small interior; only 5 relatively small TVs
40/40 Club	100	Y	In the Barclays Center
Applebee Grill + Bar	100	Y	Mainly restaurant; lower-end; second-story
Black Forest	50	N	No sports culture
The Armory	20	N	Small interior
Fourth Avenue Pub	50	N	Small interior; highlight is outdoor garden
Wolf and Deer	20	N	Small interior
Hollow Nickel	20	N	Small interior
Sweet Polly	20	N	Cocktail bar
Bleachers	20	N	Limited seating available
North Pole Pub	20	N	Limited seating available
Total	630		

Retail Comps

- Lease terms for retail are highly contingent on the location and frontage of the specific spaces; notwithstanding, data has been included for benchmarking purposes
- A summary of leases within a 0.35 km radius area shown to the right from 2018 - 2020 to provide an idea of what typical lease terms are in the immediate area; as these are generally smaller spaces, they are relevant comps for the coffee shop component
- To provide comparables for the sports bar component which is projected to be 19,000 SF, additional data has been included by expanding the radius to all of Brooklyn and only including leases greater than 10,000 SF

COMPARABLE DOWNTOWN BROOKLYN / ATLANTIC CORRIDOR RETAIL LEASES (2018-2020)					
Address	Tenant	Date	SF	Rent PSF	Term (Yrs)
300 Schermerhorn Street	Grand Canyon	2019	4,000	\$66.00	10.0
487 Atlantic Avenue	Eastville Comedy Club	2018	1,750	\$75.00	10.0
55 5th Avenue	Sweetwaters	2018	1,390	\$80.00	10.0
107 3rd Avenue	KSJSK	2019	1,160	\$59.67	10.0
711 Fulton Street	Fulton Classic Cleaner	2018	1,100	\$65.45	10.0
497 Atlantic Avenue	Absonnian Kind of Soul	2019	900	\$85.00	10.0
422 Atlantic Avenue	Clinton SkinCare	2019	830	\$57.83	5.0
258 Bergen Street	Mala Yoga	2019	450	\$67.00	5.0
76 5th Avenue	Kung Fu Tea	2019	450	\$98.67	10.0
Total / Wtd. Avg.			12,030	\$70.38	9.5

RETAIL LEASES > 10,000 SF BROOKLYN (2018-2020)					
Address	Tenant	Date	SF	Rent PSF	Term (Yrs)
117 Front Street	Equinox	2018	20,000	\$40.00	N/A
66 Front Street	Dumbo Market	2018	16,000	\$44.00	20.0
80 Pearl Street	Dumbo Market	2018	13,173	\$100.00	N/A
633 Marcy Avenue	Fresh Market	2019	12,421	\$35.00	30.0
53-83 Water Street	Cecconi's	2018	10,279	\$140.00	N/A
397 Bridge Street	Alma Health	2019	10,000	\$50.00	10.0
Total / Wtd. Avg.			81,873	\$63.45	

FINANCIAL ANALYSIS

Scenario Analysis

STABILIZE & SELL

DEAL SUMMARY	
Hold Period	5.4 Years
Terminal NOI	\$30.0 MM
Exit Cap Rate	4.50%
Terminal Value	\$666.1 MM
IRR	10.4%
EM	1.64x

- Primary strategy is a 5.4-year total investment period where the project is sold immediately post stabilization in month 65
- Preference to exit in the shorter time horizon where there is more visibility to market conditions, surrounding development activity, and capitalizing on current market trends and momentum in Brooklyn
- Terminal cap rate of 4.50% reflecting the comps analysis as well as current and anticipated market conditions

REFI & HOLD

DEAL SUMMARY	
Hold Period	15.0 Years
Terminal NOI	\$40.6 MM
Exit Cap Rate	5.00%
Terminal Value	\$812.3 MM
IRR	10.6%
EM	3.50x

- Fallback strategy is a 15-year total investment period where the project is refinanced with permanent debt at stabilization in month 65 and sold approximately 10-years thereafter
- This strategy would be exercised if there were to be insufficient liquidity in the market upon project stabilization
- Terminal cap rate of 5.00% (50 bps expansion) reflecting higher uncertainty of future market conditions associated with the longer time horizon of this strategy

Key Underwriting Assumptions

PURCHASE PRICE

- \$150 MM

TOTAL DEVELOPMENT BUDGET

- \$553 MM

CONSTRUCTION FINANCING

- 70% LTC (\$387 MM) / L + 3.50% / 1.00% Lender Fee / Equity In First

EQUITY

- \$166 MM (90%/10% LP/GP Split)

SEMI-PERM LOAN CONVERSION

- Dollar for Dollar Conversion at Construction Completion; L + 2.50%

PERM LOAN REFINANCING

- \$427 MM / 3.50% Fixed Rate / 1.00% Lender Fee / 2.80% MRT / 30-Year Amort
- Sizing: LTV (70.0%), DSCR (1.25x), DY (7.00%)

DISTRIBUTION WATERFALL

- Distributions pari-passu up to a preferred return of 8%
- GP receives 20% promote over the preferred return
- GP receives 30% promote over an 10% hurdle

SCHEDULE

- 12 Months Pre-Development Period / 24 Months Construction Period

RESIDENTIAL

- 28 Months Lease-Up (30 Units/Month); Concessions = 1 Month Free
- 75/25 Market/Affordable (Affordable: 10% @ 40% AMI and 60% AMI, 5% @ 130% AMI)
- Affordability Program: 421A 35-Year Tax Abatement Program
- Market: 50% studio (\$77.00 PSF), 30% 1-bdrm (\$69.00 PSF), 20% 2-bdrm (\$66.00 PSF)
- Annual Growth: 3.5% Market Units / 1.0% Affordable Units / Vacancy: 3.00%

OFFICE

- 60% Pre-Leased (2 Floors) / 12 Months Lease-Up
- Lease Terms: \$55.00 PSF / 10-Year Term / 2.50% Annual Step Up
- Capital: TI = 50% of Y1 Rent / LC = 24% of Y1 Rent / Free Rent = 6 Months

RETAIL

- 100% Pre-Leased
- Lease Terms (Sports Bar): \$50.00 PSF / 15-Year Term / 2.50% Annual Step Up
- Capital: TI = 50% of Y1 Rent / LC = 24% of Y1 Rent / Free Rent = 3 Months

OPERATING EXPENSES

- RE Taxes: \$539,748 fixed (Residential) + 27% of Commercial EGI
- Operating Expenses: 10% of EGI + 3% Management Fee

VALUATION

- Exit Cap Rate: 4.50% (Sell at Stabilization Scenario) / 5.00% (Refi & Hold Scenario)

Development Budget

DEVELOPMENT BUDGET (CONSOLIDATED)

	Total	\$PGSF	\$PRSF	% of TDC
Land Costs	\$156,000,000	\$200	\$228	28.2%
Hard Costs	\$310,410,188	\$398	\$453	56.1%
Soft Costs	\$60,208,890	\$77	\$88	10.9%
Financing Costs	\$26,765,609	\$34	\$39	4.8%
Total Budget	\$553,384,688	\$710	\$807	100.0%

DEVELOPMENT BUDGET (DETAILED)

	Total	\$PGSF	\$PRSF	% of TDC
Purchase Price	\$150,000,000	\$193	\$219	27.1%
Closing Costs	\$6,000,000	\$8	\$9	1.1%
Total Land Costs	\$156,000,000	\$200	\$228	28.2%
Substructure	\$17,527,500	\$23	\$26	3.2%
Shell	\$78,873,750	\$101	\$115	14.3%
Interiors	\$67,188,750	\$86	\$98	12.1%
Services	\$81,795,000	\$105	\$119	14.8%
Equipment & Furnishings	\$11,685,000	\$15	\$17	2.1%
General Conditions	\$26,291,250	\$34	\$38	4.8%
Development Fee	\$8,763,750	\$11	\$13	1.6%
Tenant TI Costs	\$3,678,938	\$5	\$5	0.7%
Contingency	\$14,606,250	\$19	\$21	2.6%
Total Hard Costs	\$310,410,188	\$398	\$453	56.1%
Professional Fees	\$22,722,302	\$29	\$33	4.1%
Permits and Expediting	\$1,704,173	\$2	\$2	0.3%
Insurance	\$11,361,151	\$15	\$17	2.1%
Property Taxes (3 Years)	\$1,619,244	\$2	\$2	0.3%
Project Manager Fee	\$7,952,806	\$10	\$12	1.4%
Other Soft Costs	\$13,065,324	\$17	\$19	2.4%
Tenant LC Costs	\$1,783,890	\$2	\$3	0.3%
Total Soft Costs	\$60,208,890	\$77	\$88	10.9%
Development Budget (Unlevered)	\$526,619,079	\$676	\$768	95.2%
Financing Fees	\$3,846,765	\$5	\$6	0.7%
Interest Reserve	\$22,918,844	\$29	\$33	4.1%
Total Financing Costs	\$26,765,609	\$34	\$39	4.8%
Total Development Budget	\$553,384,688	\$710	\$807	100.0%

Capitalization

SOURCES

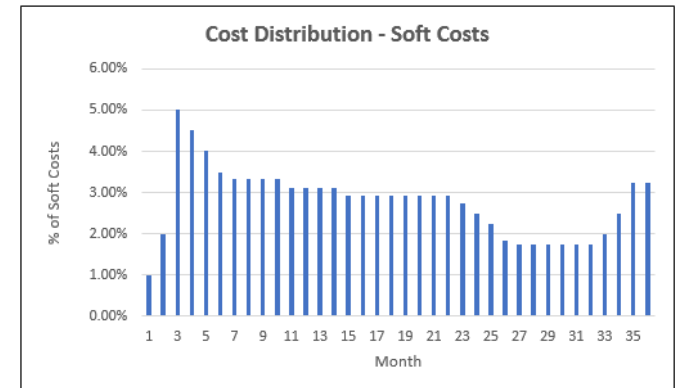
	Total	% of Total
GP Equity	\$16,601,541	3.0%
LP Equity	\$149,413,866	27.0%
Total Equity	\$166,015,406	30.0%
Construction Loan	\$387,369,282	70.0%
Total Sources	\$553,384,688	100.0%

USES

	\$GSF	Total	% of Total
Land Costs	\$200	\$156,000,000	28.2%
Hard Costs	\$375	\$292,125,000	52.8%
Soft Costs	\$75	\$58,425,000	10.6%
TI/LC Costs	\$7	\$5,462,829	1.0%
Contingency	\$19	\$14,606,250	2.6%
Financing Costs	\$34	\$26,765,609	4.8%
Total Uses	\$710	\$553,384,688	100.0%

Development Costs Timeline

Date Year	TOTAL	30-Apr-21 1	30-Apr-22 2	30-Apr-23 3	30-Apr-24 4
Development Budget					
Land Acquisition	150,000,000	150,000,000	-	-	-
Closing Costs	6,000,000	6,000,000	-	-	-
Hard Costs	292,125,000	-	146,062,500	146,062,500	-
Contingency	14,606,250	-	7,303,125	7,303,125	-
Soft Costs	58,425,000	23,126,563	20,351,375	14,947,063	-
TI Costs	3,678,938	-	-	2,305,822	1,373,116
LC Costs	1,783,890	-	-	1,124,795	659,096
Total Budget Pre Reserve	526,619,079	179,126,563	173,717,000	171,743,304	2,032,212
Financing Fees	3,846,765	3,846,765	-	-	-
Interest Reserve	22,918,844	262,863	3,484,244	11,982,139	7,189,598
Total Development Budget	553,384,688	183,236,191	177,201,244	183,725,443	9,221,810
<i>% of Development Costs</i>		33.1%	32.0%	33.2%	1.7%
<i>Cumulative % of Development Costs</i>		33.1%	65.1%	98.3%	100.0%



Underwriting (Stabilize & Sell)

Date	30-Apr-21	30-Apr-22	30-Apr-23	30-Apr-24	30-Apr-25	30-Apr-26
Year	1	2	3	4	5	6
Operations						
PGI - Residential	-	-	-	28,149,234	29,066,573	30,015,339
PGI - Office	-	-	-	4,882,192	6,529,932	6,693,180
PGI - Retail	-	-	-	1,025,000	1,050,625	1,076,891
PGI - Parking	-	-	-	144,000	148,320	152,770
PGI	-	-	-	34,200,426	36,795,449	37,938,179
Residential Vacancy	-	-	-	(23,500,268)	(11,678,805)	(1,663,256)
Commercial Free Rent	-	-	-	(3,136,301)	(305,137)	-
EGI	-	-	-	7,563,856	24,811,507	36,274,923
Operating Expenses	-	-	-	(756,386)	(2,481,151)	(3,627,492)
RE Taxes	-	-	-	(1,242,909)	(2,504,111)	(2,637,667)
Management Fee	-	-	-	(226,916)	(744,345)	(1,088,248)
NOI	-	-	-	5,337,646	19,081,900	28,921,516
Capital Reserve	-	-	-	(186,818)	(667,866)	(1,012,253)
CF Before Debt Service	-	-	-	5,150,828	18,414,033	27,909,263
Debt Service	-	-	-	(4,303,819)	(12,089,957)	(5,186,665)
CF After Debt Service	-	-	-	847,009	6,324,076	22,722,598
Cash Flow Summary (1)						
Total Development Costs	(183,236,191)	(177,201,244)	(183,725,443)	(9,221,810)	-	-
Construction Loan	17,220,784	177,201,244	183,725,443	9,221,810	-	-
CF After Debt Service	-	-	-	847,009	6,324,076	6,063,324
Net Sales Proceeds	-	-	-	-	-	646,153,333
Loan Repayment	-	-	-	-	-	(387,369,282)
Levered CF	(166,015,406)	-	-	847,009	6,324,076	264,847,376

(1) Property sold at month 65; only 5 months of operating income are recorded in the Year 6 cash flow summary

Returns

SUMMARY OF RETURNS

Scenario	Stabilize & Sell	Refi & Hold
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DEAL METRICS

Stabilized Yield on Cost	5.8%	5.8%
Stabilized Cash on Cash	3.9%	3.9%
% of Return from Property CF	5.1%	30.7%
% of Return from Property Sale	94.9%	69.3%

PROJECT LEVEL RETURNS - UNLEVERED

Nominal Profit	\$154,349,104	\$609,585,432
NPV	\$2,975,594	\$28,221,835
IRR	6.7%	7.0%
EM	1.29x	2.16x

PROJECT LEVEL RETURNS - LEVERED

Nominal Profit	\$106,003,055	\$414,220,248
IRR	10.4%	10.6%
EM	1.64x	3.50x

LP EQUITY RETURNS

LP Nominal Profit	\$90,230,587	\$342,621,729
LP IRR	10.0%	10.1%
LP EM	1.60x	3.29x

Annual Return and Credit Metrics (Refi & Hold)

Date	30-Apr-24	30-Apr-25	30-Apr-26	30-Apr-27	30-Apr-28	30-Apr-29	30-Apr-30	30-Apr-31	30-Apr-32	30-Apr-33	30-Apr-34	30-Apr-35
Development Year	4	5	6	7	8	9	10	11	12	13	14	15
Operations Year	1	2	3	4	5	6	7	8	9	10	11	12

RETURN METRICS

Yield on Cost	1.0%	3.6%	5.5%	5.8%	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.5%
Cash on Cash	0.5%	3.8%	4.4%	3.9%	4.5%	5.0%	5.6%	6.3%	6.9%	7.6%	5.2%	9.0%

CREDIT METRICS

Debt Service Coverage	1.20x	1.52x	1.36x	1.28x	1.32x	1.36x	1.41x	1.45x	1.50x	1.55x	1.37x	1.65x
Debt Yield	1.4%	4.9%	6.9%	7.4%	7.8%	8.2%	8.7%	9.2%	9.8%	10.4%	11.0%	11.8%

LEASE UP	REFI	HARVEST							Sale
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Sensitivity (Stabilize & Sell)

SCENARIO A - STABILIZE & SELL

		Studio Market Rent					
		10.4% / 1.6x	\$67.00	\$72.00	\$77.00	\$82.00	\$87.00
1-Bdrm Market Rent	\$59.00		5.2% / 1.3x	7.0% / 1.4x	8.6% / 1.5x	10.1% / 1.6x	11.6% / 1.7x
	\$64.00		6.3% / 1.4x	7.9% / 1.5x	9.5% / 1.6x	11.0% / 1.7x	12.5% / 1.8x
	\$69.00		7.3% / 1.4x	8.9% / 1.5x	10.4% / 1.6x	11.9% / 1.7x	13.3% / 1.9x
	\$74.00		8.3% / 1.5x	9.8% / 1.6x	11.3% / 1.7x	12.7% / 1.8x	14.1% / 1.9x
	\$79.00		9.2% / 1.6x	10.7% / 1.7x	12.2% / 1.8x	13.5% / 1.9x	14.9% / 2.0x

		Land Acquisition Price					
		10.4% / 1.6x	\$130,000,000	\$140,000,000	\$150,000,000	\$160,000,000	\$170,000,000
Base Hard Costs PSF	\$325		17.9% / 2.3x	16.7% / 2.2x	15.5% / 2.0x	14.3% / 1.9x	13.2% / 1.9x
	\$350		15.3% / 2.0x	14.1% / 1.9x	13.0% / 1.8x	11.8% / 1.7x	10.7% / 1.7x
	\$375		12.7% / 1.8x	11.6% / 1.7x	10.4% / 1.6x	9.3% / 1.6x	8.1% / 1.5x
	\$400		10.2% / 1.6x	9.0% / 1.5x	7.9% / 1.5x	6.8% / 1.4x	5.6% / 1.3x
	\$425		7.7% / 1.4x	6.5% / 1.4x	5.4% / 1.3x	4.2% / 1.2x	3.0% / 1.2x

		Construction Loan LTC					
		10.4% / 1.6x	55.0%	60.0%	65.0%	70.0%	75.0%
Exit Cap Rate	4.00%		13.5% / 1.8x	14.2% / 1.9x	15.1% / 2.0x	16.3% / 2.1x	18.2% / 2.3x
	4.25%		11.1% / 1.6x	11.7% / 1.7x	12.3% / 1.8x	13.4% / 1.9x	14.8% / 2.0x
	4.50%		8.8% / 1.5x	9.2% / 1.5x	9.7% / 1.6x	10.4% / 1.6x	11.5% / 1.7x
	4.75%		6.5% / 1.3x	6.8% / 1.4x	7.1% / 1.4x	7.5% / 1.4x	8.1% / 1.5x
	5.00%		4.4% / 1.2x	4.4% / 1.2x	4.5% / 1.2x	4.6% / 1.2x	4.7% / 1.3x

Sensitivity (Refi & Hold)

SCENARIO B - REFI & HOLD

		Studio Market Rent					
		10.6% / 3.5x	\$67.00	\$72.00	\$77.00	\$82.00	\$87.00
1-Bdrm Market Rent	\$59.00	8.5% / 2.9x	9.2% / 3.1x	9.8% / 3.3x	10.5% / 3.5x	11.1% / 3.6x	
	\$64.00	8.9% / 3.1x	9.6% / 3.2x	10.2% / 3.4x	10.8% / 3.6x	11.5% / 3.7x	
	\$69.00	9.3% / 3.2x	10.0% / 3.3x	10.6% / 3.5x	11.2% / 3.7x	11.8% / 3.8x	
	\$74.00	9.7% / 3.3x	10.3% / 3.4x	11.0% / 3.6x	11.6% / 3.8x	12.2% / 3.9x	
	\$79.00	10.1% / 3.4x	10.7% / 3.5x	11.3% / 3.7x	12.0% / 3.9x	12.6% / 4.0x	

		Land Acquisition Price					
		10.6% / 3.5x	\$130,000,000	\$140,000,000	\$150,000,000	\$160,000,000	\$170,000,000
Base Hard Costs PSF	\$325	14.0% / 4.4x	13.4% / 4.2x	12.9% / 4.1x	12.3% / 3.9x	11.8% / 3.8x	
	\$350	12.8% / 4.1x	12.2% / 3.9x	11.7% / 3.8x	11.2% / 3.6x	10.7% / 3.5x	
	\$375	11.6% / 3.7x	11.1% / 3.6x	10.6% / 3.5x	10.1% / 3.4x	9.7% / 3.3x	
	\$400	10.5% / 3.5x	10.0% / 3.3x	9.6% / 3.2x	9.1% / 3.1x	8.7% / 3.0x	
	\$425	9.5% / 3.2x	9.0% / 3.1x	8.6% / 2.9x	8.2% / 2.8x	7.8% / 2.6x	

		Construction Loan LTC					
		10.6% / 3.5x	55.0%	60.0%	65.0%	70.0%	75.0%
Exit Cap Rate	4.50%	10.8% / 3.1x	11.0% / 3.3x	11.3% / 3.6x	11.7% / 4.0x	12.2% / 4.5x	
	4.75%	10.3% / 2.9x	10.5% / 3.1x	10.8% / 3.4x	11.1% / 3.7x	11.6% / 4.2x	
	5.00%	9.8% / 2.7x	10.0% / 2.9x	10.2% / 3.2x	10.6% / 3.5x	11.0% / 3.9x	
	5.25%	9.3% / 2.6x	9.5% / 2.8x	9.7% / 3.0x	10.1% / 3.3x	10.5% / 3.6x	
	5.50%	8.8% / 2.5x	9.0% / 2.6x	9.2% / 2.8x	9.5% / 3.1x	9.9% / 3.4x	

PROJECT MANAGEMENT AND DELIVERY

Construction Timeline

Year	2020			2021				2022				2023				2024				2025			
	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	
Land Acquisition	■																						
Construction Loan Close	■																						
Predevelopment / Design / Rezoning	■	■	■	■																			
Construction				■	■	■	■	■	■	■	■	■	■	■									
Commercial Marketing Period								■	■	■	■	■	■	■	■								
Residential Marketing Period										■	■	■	■	■	■	■	■	■	■	■	■	■	■
Commercial Tenant Fit Out															■	■	■	■	■	■			
Commercial TCO																							■
Residential TCO																							■
Conversion to Semi Perm Loan																							■
Commercial Lease-Up																							■
Residential Lease-Up																							■
Exit / Sale																							■
TOTAL	PREDEVELOPMENT			CONSTRUCTION								OPERATIONS											

Schedule and Budget Control

FAVORABLE SITE CONDITIONS AND ACCESSIBILITY

- The site has favorable topographical and accessibility features considering its flat terrain, corner parcel with significant frontage along wide streets with traffic allowable in both directions, and close access to major arterials; these conditions will contribute to reduced variability on costs and timeline

SATISFACTORY PRECONSTRUCTION PERIOD

- 12-month preconstruction period provides an appropriate runway to finalize schematic design, design documents, and construction documents, providing the foundation for project delivery and a clear design, timetable, and schedule to follow

ASSESSMENT OF CONTRACTOR QUALIFICATIONS

- RFP bidding process will be relayed to a minimum of 5 reputable contractors with experience delivering large-scale, complex mixed-use projects; contractors will be required to submit contractor qualification statements; competitive bid pricing will be a priority, but qualifications will be equally valued given the scope/scale of the project

RIGOROUS BID LEVELLING

- Contractor bids including team compositions and sub-disciplines will be analyzed and compared line-by-line to ensure we have a balanced view of the project and identify any consistent challenges across the bids to determine if they can be mitigated

GUARANTEED MAXIMUM PRICE (“GMP”) CONTRACT

- GMP contract will be procured from the general contractor to reduce variability on project costs and align interests among parties as cost overruns would be the general contractor responsibility assuming normal circumstances

TIMING OF PROJECT MANAGEMENT FEES

- Project management fees will be tied to major milestones, with at least 50% of total fees to be held back until TCO of the respective commercial and residential components; this will ensure that contractors are incentivized to finish the job

EARLY PROJECT BUYOUT AND MATERIALS PROCUREMENT

- Contractors will buy out high-demand trades as early as possible where materials or contracts are at risk of price escalation; surrounding and pipeline developments will be monitored to help determine this; given the size of the project, economies of scale can be achieved on the purchase of materials and will be exercised where possible

CRITICAL PATH SCHEDULE

- General contractor will be responsible for maintaining and updating a critical path schedule which will assist in time management and help identify and prioritize bottleneck processes which are holding up other components from moving forwards

BUILDING INFORMATION MODELING (“BIM”)

- Selected contractor will utilize BIM software throughout the project to streamline manual work and maximize efficiency on architecture, engineering and construction

SIZEABLE CONTINGENCY

- Contingency amount equal to 5% of hard costs totaling \$15 MM has been built-in to the budget to account for any unanticipated costs or overruns experienced

WEEKLY STAKEHOLDER MEETINGS

- Communication amongst the key stakeholders will be crucial to timely delivery of the project; weekly meetings or calls will be held where clear action will be documented and agreed on; minutes will be recorded and distributed within 24 hours with a summary of action items and responsible parties

EXIT STRATEGY

Exit Strategy

- In both underwriting scenarios, the expected exit is via sale to either a medium-large institutional pension fund, asset management firm, or core private equity fund backed by institutional capital, all of whom have been active participants in the Brooklyn multi-family and commercial market in recent years
- The estimated institutional quality and location of the asset, together with the size of the transaction, provides enough 'move-the-needle' factor to make this a compelling investment opportunity for each the noted potential purchasers
- Brooklyn continues to be a very desirable market supported by strong fundamentals including transportation infrastructure, rapid population growth, convenient access to parks and entertainment offerings, and expanding commercial amenities
- Increasing level of liquidity for multi-residential rental and well-located office product in Brooklyn, particularly given the continued pricing compression and bulk of new supply in the Manhattan market
- Listed below are a subset of active recent purchasers in the Brooklyn market on large-scale multi-family and office acquisitions














Comparable Transactions

MULTI-FAMILY COMPS										
Property	Date	Submarket	Built/Reno	SF	Units	Price (\$MM)	\$/Unit	\$/SF	Cap Rate	Purchaser
2 North 6th Place	Jul-18	Williamsburg	2018	-	554	530.0	956,679	-	3.6%	BPF Bouwinvest
333 Schermerhorn	Mar-19	Boerum Hill	2017	-	750	408.0	544,000	-	-	JP Morgan
The Greenpoint	Sep-19	Greenpoint	2018	-	382	350.0	916,230	-	-	STRS Ohio
461 Dean	Mar-18	Prospect Heights	2016	-	363	152.0	418,733	-	4.5%	Principal Global Investors
250N10	Jan-20	Williamsburg	2012	-	234	137.8	588,675	-	5.0%	TF Cornerstone, Trinity Place
Leonard Pointe	Feb-19	Williamsburg	2015	-	188	132.1	702,394	-	-	UDR
The Frederick	Jun-19	Crown Heights	2017	-	193	117.0	606,218	-	-	Image Capital, Harbor Group
Multi-Family - Total / Wtd. Avg.					2,664	1,826.8	685,736			

OFFICE COMPS										
Property	Date	Submarket	Built/Reno	SF	Units	Price (\$MM)	\$/Unit	\$/SF	Cap Rate	Purchaser
Twelve Metrotech Center	Dec-18	Downtown	2002	1,100,000	-	423.3	-	385	-	Brookfield AM
Empire Stores	Dec-18	Dumbo	1900 / 2018	443,316	-	416.0	-	938	-	Midtown Equities
One MetroTech Center	Dec-18	Downtown	1991 / 2004	933,011	-	359.0	-	385	-	Brookfield AM
One Pierrepont Plaza	Dec-18	Downtown	1988	725,991	-	268.3	-	370	-	Brookfield AM
Fifteen MetroTech Center	Dec-18	Downtown	2003	649,492	-	249.9	-	385	-	Brookfield AM
Two MetroTech	Dec-18	Downtown	1989	511,920	-	197.0	-	385	-	Brookfield AM
Nine Metrotech Center	Dec-18	Downtown	2003	316,942	-	122.0	-	385	-	Brookfield AM
Maynard Building	Aug-19	Downtown	1946	161,138	-	95.0	-	590	-	Rabsky Group
Eleven MetroTech Center	Dec-18	Downtown	1995	216,000	-	83.1	-	385	-	Brookfield AM
998 Dean Street	Jun-19	Prospect Heights	1930 / 2014	155,000	-	56.0	-	361	-	LIVWRK, Meadow Partners
Office - Total / Wtd. Avg.				5,212,810		2,269		435		

RISKS AND MITIGANTS

Risks and Mitigants

INABILITY TO ACHIEVE ZONING VARIANCE

Mitigants:

- Overall reduction in GSF and building height contemplated reducing residential and retail in favor of office
- Project contemplates 831 residential units to the area (25% affordable) and any more units would impair the tenant experience
- Addition of office component provides opportunity for local employment and diversification from surrounding residential developments
- Model contemplates standard property tax payments on the project commercial component in addition to 421a abated tax for residential component

INABILITY TO LEASE RESIDENTIAL UNITS

Mitigants:

- True live/work/play neighborhood with convenient access to Manhattan and surrounding Brooklyn neighborhoods
- 25% of units are affordable-rate, and market-rate pricing is in-line with comps and at a pricing discount and size premium to comparable Manhattan product
- Fulsome amenity package enhancing tenant experience
- Concession packages during initial lease-up (1-month free rent)
- Model factors in 30 units/month lease-up vs. comps which have done 50 units/month
- Strong residential fundamentals in Brooklyn enhanced by ownership affordability crisis

INABILITY TO LEASE OFFICE SPACE

Mitigants:

- Highly accessible from a public transportation standpoint
- Competitive TI/LC/FR package providing incentives for tenants
- Best-in-class office design elements including large floor plates, high ceilings, and amenities
- Strong market momentum in the Brooklyn tech and co-working spaces
- Flexibility to target other sectors (i.e. healthcare) if necessary
- At \$55.00 PSF, the office space is marketed at a substantial discount to Class A office space in Manhattan

Risks and Mitigants

INABILITY TO LEASE RETAIL SPACE

Mitigants:

- Strong foot traffic in the immediate area driven by the Barclays Center
- 183 ft of frontage on Atlantic Avenue providing a compelling marketing opportunity
- 40 ft ceilings offering a unique and experiential retail space
- Competitive TI/LC/FR package for prospective tenants

LACK OF EXPECTED LEVERAGE AVAILABLE

Mitigants:

- Construction loan at below 70% LTC has been modeled in the sensitivity tables and the project remains feasible
- Mezzanine financing could be explored to bridge the gap on any shortage in leverage
- Predominately residential rental project (80%+ of GSF) which is a highly defensive asset class and preferred financing class for lenders

UNFORSEEN ENVIRONMENTAL CONTAMINATION

Mitigants:

- \$15 MM contingency built into the budget to account for any unanticipated costs
- Leverage existing environmental reports on surrounding sites to gain a clearer picture of the environmental status of the surrounding soil
- Lot has historically been vacant and is less likely to be contaminated
- Prospect Heights have fewer former industrial uses than surrounding neighborhoods also reducing likelihood of contamination

RISING INTEREST RATES

Mitigants:

- Expectation of prolonged low interest environment; if consensus changes, potential to explore entering an interest rate hedge for a portion of the construction loan
- Underwriting uses the current Chatham Financial forward LIBOR curve which models an increase in rates over the construction term
- Construction loan underwritten spread is L + 350 bps providing adequate cushion over expected spread achieved

APPENDIX