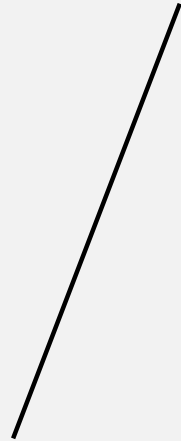


MORNINGSIDE
STUDIOS



38

Carlton
Avenue



CONTENTS

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A golden-hued photograph of the New York City skyline at sunset. The Manhattan Bridge is prominent in the foreground, arching over the water. The Empire State Building and other skyscrapers are visible in the background. The text "EXECUTIVE SUMMARY" is centered in the middle of the image.

EXECUTIVE SUMMARY

INVESTMENT OPPORTUNITY

\$3.8M

to participate as Limited Partner
in the development of
Morningside Studios

16.8% IRR

2.3x MOIC

Conservative underwriting
reflects attractive returns



INVESTMENT HIGHLIGHTS

- / Coveted neighborhood with significant upside potential
- / Unique offering underpinned by robust demand dynamics
- / Timeless architecture with flexible & functional spaces
- / Attractive returns with limited downside risks
- / Budding Sponsor with best-in-class real estate training

An aerial photograph of a construction site. A large yellow tower crane is the central focus, extending from the top left towards the bottom right. The ground is covered with various construction materials, including stacks of lumber, metal beams, and concrete blocks. A long, narrow structure with a yellow and green striped tarp is visible on the right side. The overall scene is busy and organized, typical of a large-scale construction project.

SITE + ZONING

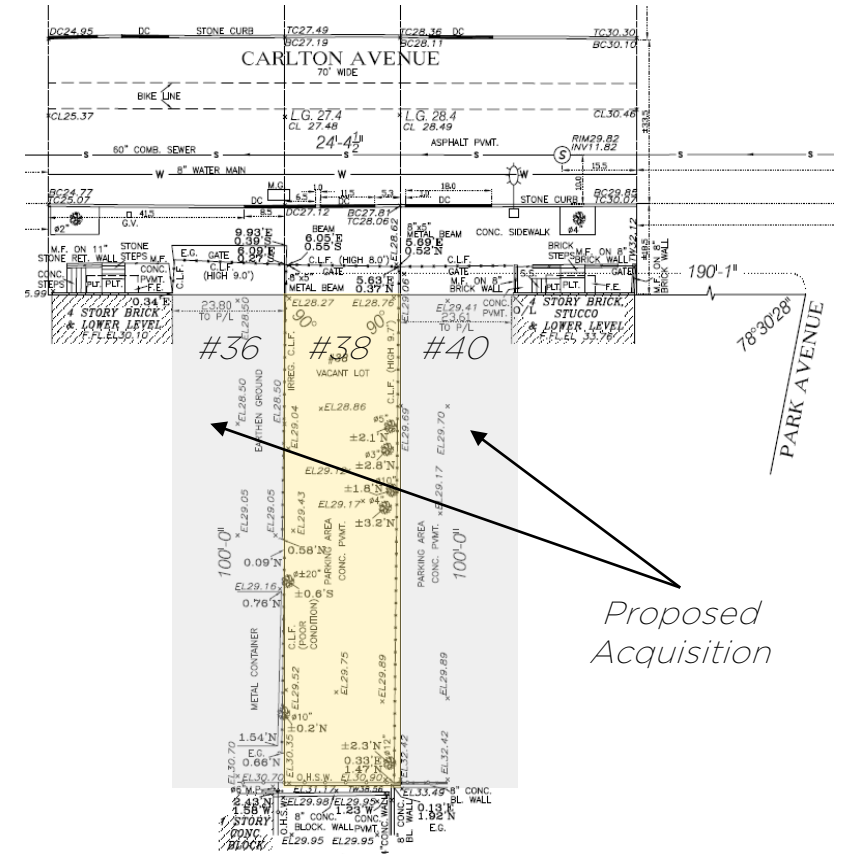
/ ZONING

Zoning District	M1-2
Lot Type	Interior
Size of Lot	#36: Lot 43 - 2,433 sq. ft. #38: Lot 44 - 2,433 sq. ft. #40: Lot 45 - 2,433 sq. ft.
Permitted Uses	Industrial / Commercial / Community Facilities
Max FAR	2.0
Yards	Min 20 ft. rear yard
Building Height	60 ft. or 4 Stories

The Site is categorized as Lot 43 + Lot 44 + Lot 45 along Carlton Ave. The Site is in a M1-2 zone which permits as-of-right industrial, commercial, and community facility uses.

Post amalgamation, the buildable FAR of 2.0 allows for approximately 14,598 sq. ft. of development. The envelope is defined by a sky exposure plane starting at the lesser of 4 stories and an 15 ft. setback.

There has been upzoning precedent. In 2009, L+M Development upzoned an entire block from M1-2 to R8 residential zoning with a C2-4 commercial overlay. Despite this precedent, the herein adopts an as-of-right construction. The time required for planning and going through the ULURP process is risky and could reduce the Project's overall returns.



Existing Site

Proposed Acquisition



/ SITE

#38 Carlton Ave is currently an unlicensed parking lot and is not fulfilling its highest and best use. Given the site's narrow frontage, we are of the view that acquiring the neighboring sites #36 and #40 would significantly enhance the attractiveness of the project.

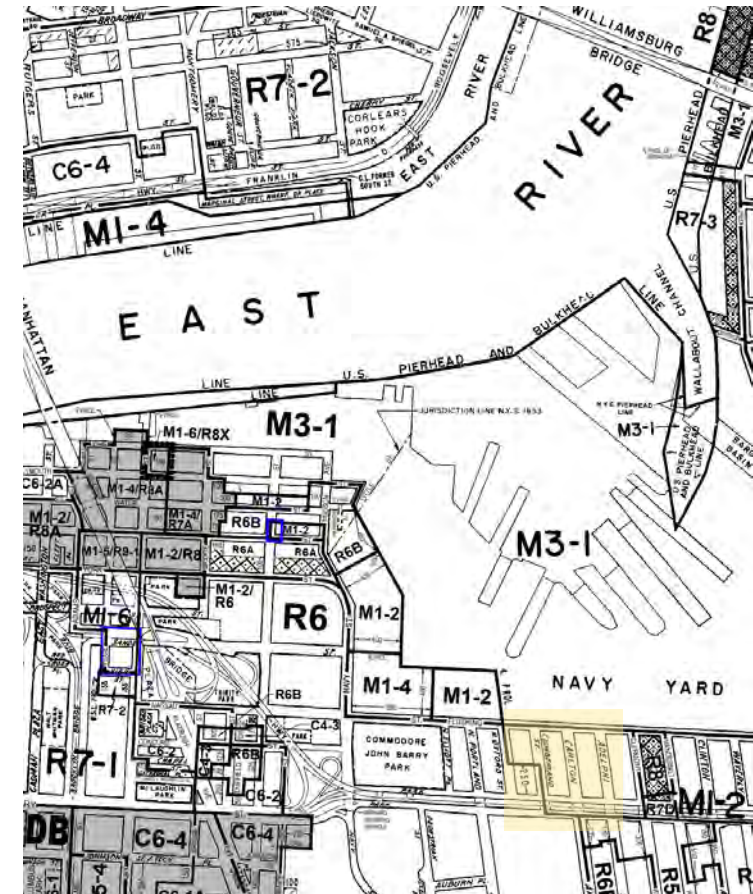
Initial discussions with the neighboring owners on acquiring their sites have been positive - sites #36 and #40 Carlton Ave are also unlicensed parking lots and the owners have faced dilemmas on the best way to utilize the site.

Having no existing encumbrances, the amalgamated site is prime for immediate development. Given the site's close proximity to Brooklyn Navy Yard and Downtown Brooklyn, it would be ideal to develop a boutique mixed-use development comprising elements of retail, office, and studios.

Neighboring sites are, as they have historically been, largely of industrial and multi-family uses. Current uses of #34 and #42 are walk-up multifamily apartments. This will complement the development of Morningside Studios.

Not only is its proximity to the Navy Yard a meaningful advantage for Studio / Office rentals, the presence of multi-family apartments boosts the demand for smaller retail offerings.

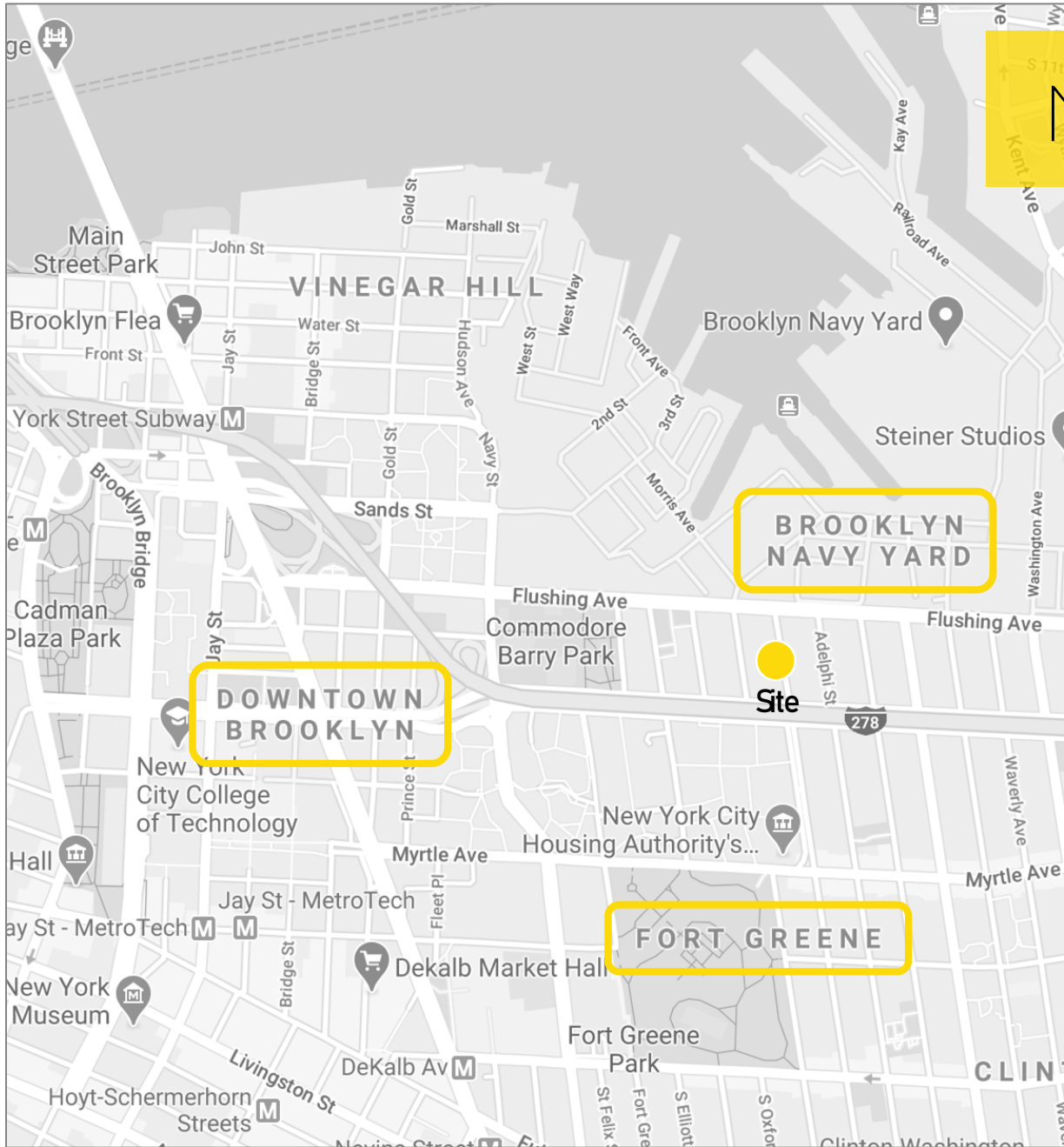
This is an attractive opportunity to capitalize on an underutilized site, and ride the imminent wave of growth for an up-and-coming neighborhood.



An aerial photograph of a city neighborhood, likely in New York City, featuring a large river (the Hudson River) and a dense urban landscape. The foreground shows industrial buildings with white roofs and brick structures, while the background features a dense skyline of skyscrapers. The word "NEIGHBORHOOD" is overlaid in the center in a thin, black, sans-serif font.

NEIGHBORHOOD

NEIGHBORHOOD



Brooklyn, New York's creative nexus, is known for its art, music and innovative entrepreneurs. It is also known for its tree-lined streets, world renowned restaurants and shopping. Brooklynites live and work in an urban oasis while having access to everything that makes New York the greatest city in the world.

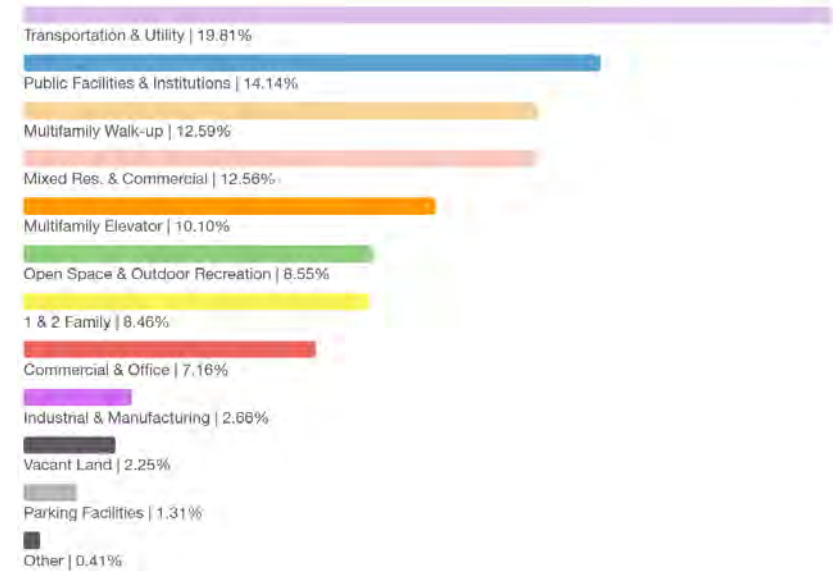
The Site sits within Brooklyn's Tech Triangle, made up of Downtown Brooklyn, DUMBO, and Brooklyn Navy Yard, is New York City's largest concentration of technology and creative activity outside of Manhattan.

The Site is well-located at the Northern perimeter of Fort Greene, an up and coming neighborhood which has gentrified considerably in the last couple of years.

The broader Fort Greene neighborhood bustles with a mix of casual eateries, hip bars and indie shops, many of which line DeKalb and Myrtle avenues. Locals and visitors throng the Brooklyn Flea's seasonal market, performances at the Brooklyn Academy of Music, and concerts and sports events at the nearby Barclays Center.

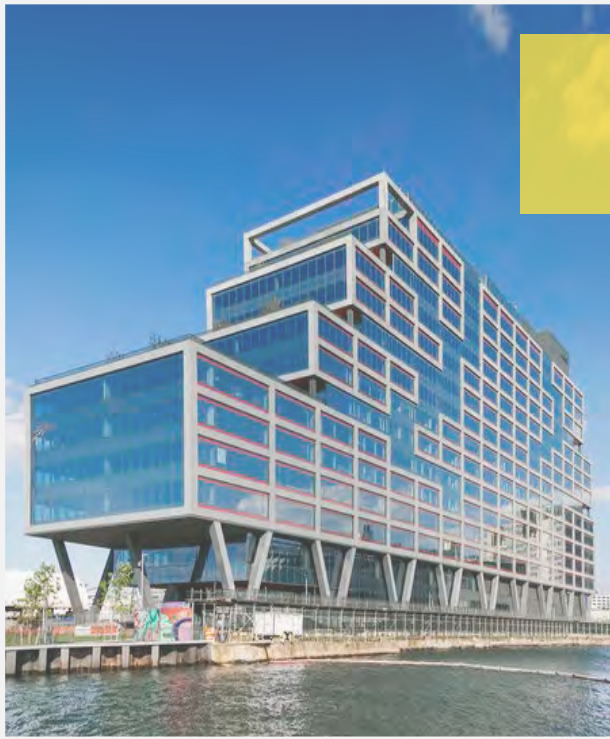
The Site is distinctly positioned to benefit from strong current market conditions in addition to anticipated future market conditions.

SURROUNDING



Bulk of the developments surrounding the Site are multi-family or mixed residential & commercial

Commercial & office facilities represent only 7% of the surrounding developments implying minimal supply pressures



NAVY YARD

Brooklyn Navy Yard (the Yard) is a mission-driven industrial park that is a nationally acclaimed model of the viability and positive impact of modern, urban industrial development. The Yard has evolved from the old hub of New York's shipbuilding industry to the new epicenter of the city's creative class—a place where technology, design, food, film and modern manufacturing come together to collaborate and innovate.

Building on the Yard's history as the economic heart of Brooklyn, the 300-acre waterfront asset offers a critical pathway to the middle class for many New Yorkers. The Yard is now home to over 400 businesses employing more than 10,000 people and generating over \$2 billion per year in economic impact for the city.

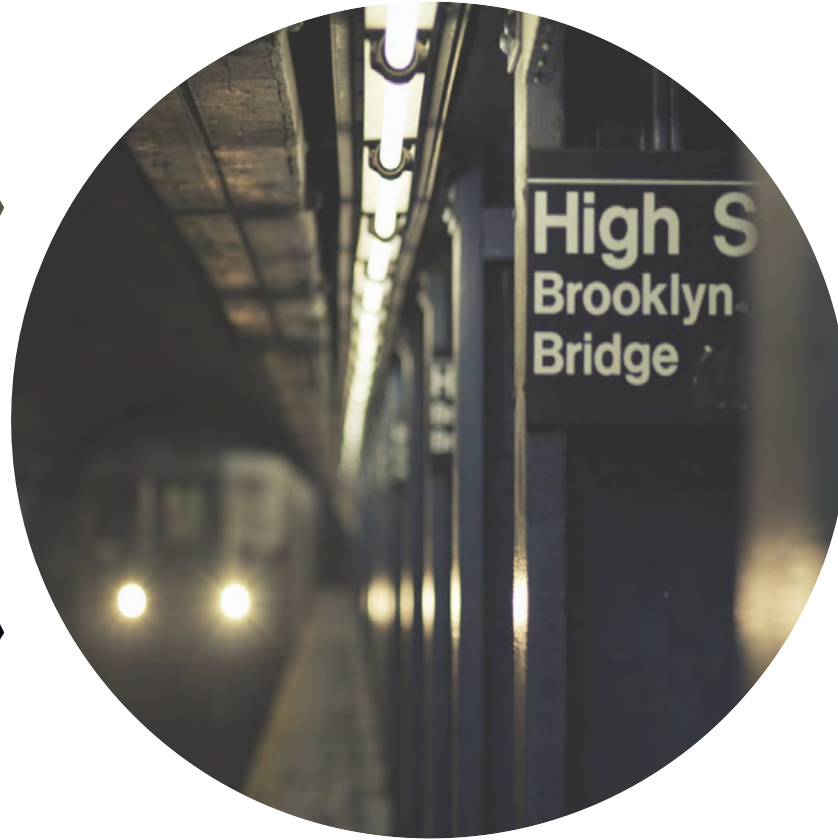
The Site is a 5 minutes walk to the Yard and is located adjacent to its Flushing Ave entrance. The Site leverages on the Yard's broader master plan which aims not only to become the largest vertical manufacturing space in the country, but also to integrate the 300-acre development with its surrounding neighborhoods.





/ BIKE

- Well-accessible via Carlton Ave, Flushing Ave, Park Ave
- Multiple Citi Bike stations are located within 3 - 5 minutes walk from the Site
- Bike-friendly development with bike racks for employees and visitors



/ SUBWAY

- Clinton Washington, Fulton Street, and DeKalb Ave stations are located within a 15 to 20 min walk - access to the B, D, N, Q, R, G
- BQX Connector (indicative stop located along Flushing Ave) slated to be completed in 2020



/ CAR + BUS

- Located adjacent to the Brooklyn Queens expressway
- Bus Lines B67, B48, B57, B62, B69 are available with stops located at close proximity to the Site

A photograph of a narrow street in Manhattan, flanked by tall brick buildings. In the distance, the Manhattan Bridge is visible, spanning across the street. The word "MARKET" is overlaid in the center of the image in a white, sans-serif font. The scene is captured in a warm, golden light, suggesting a late afternoon or early morning setting. The street is lined with parked cars, and there are street signs and fire escapes visible on the buildings.

MARKET

IDENTIFIED GAPS

Morningside Studios offers a differentiated product to the Navy Yard.

Within the Navy Yard / Fort Greene submarket, we have identified a lack of high quality boutique office and studio product. The majority of commercial spaces are utilized for industrial / low-yielding product. We believe that there is demand for a high quality commercial product that is differentiated in its value proposition:

	Morningside Studio	Brooklyn Navy Yard
Tenants	<ul style="list-style-type: none">o Exquisitely catered for architecture, fine art, photography, dance, and specifically creative industry tenants	<ul style="list-style-type: none">o Large variety of tenants across creative, fabrication, food production, wholesale trade industries
Experience	<ul style="list-style-type: none">o Unique, boutique experienceo Provides a quiet, productive atmosphere	<ul style="list-style-type: none">o Part of a larger industrial complexo Potential noise effluence from fabrication / production shops
Community	<ul style="list-style-type: none">o Intimate, close-knit community	<ul style="list-style-type: none">o Large / less-personal community
Architectural Design	<ul style="list-style-type: none">o Thoughtful, modern design, wood finishing within interiors, large glass windows allowing ample light for each studio offering	<ul style="list-style-type: none">o Industrial feel, less detailed finisheso Some units do not have access to ample light and air



DEMAND



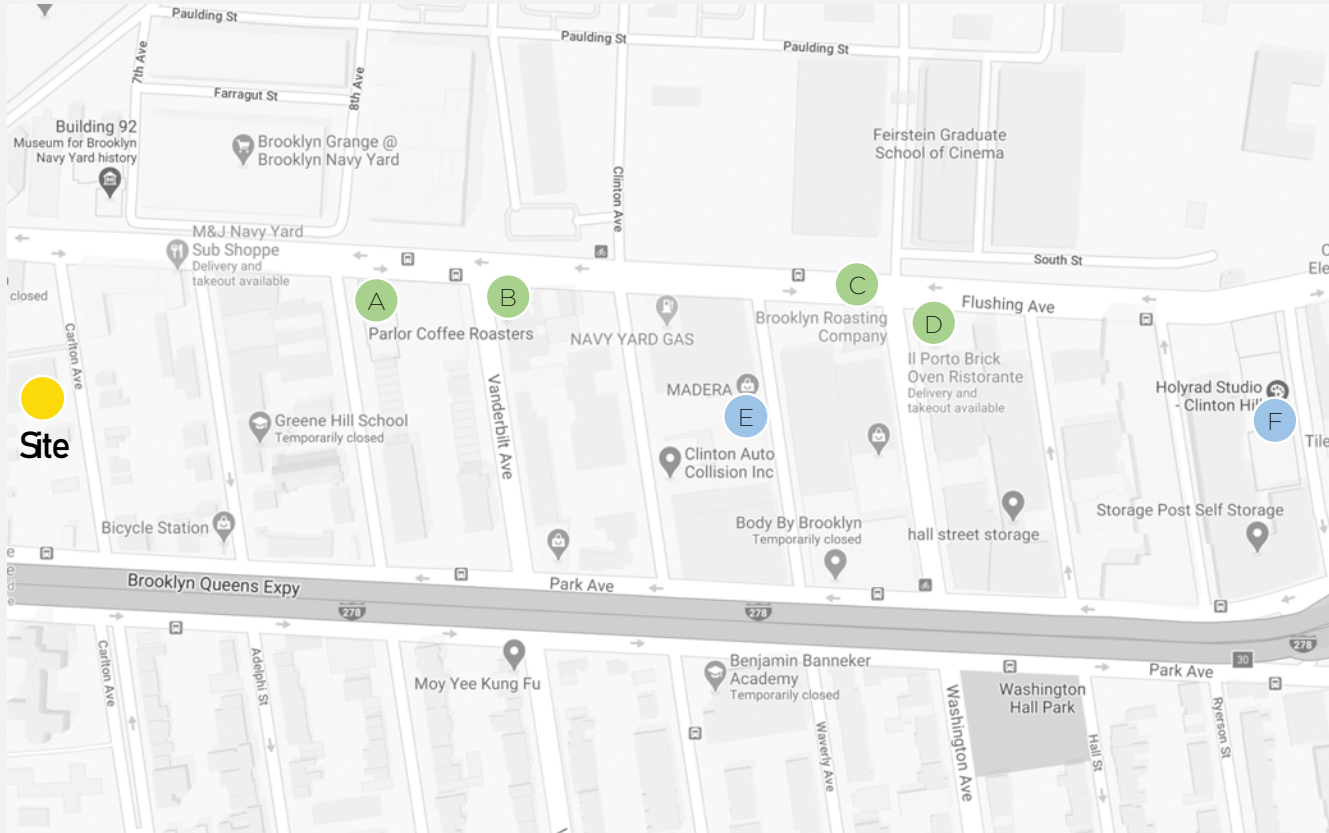
/ RETAIL

- Target: F&B Eateries, Photography & Light Industrial Suppliers
- Along Carlton Ave and within the vicinity of the Navy Yard, we noticed a lack of high quality F&B outlets. Most restaurants and eateries are located along the more densely populated Myrtle Ave
- Intrinsic retail demand would come from the Yard tenants, as well as surrounding office / multifamily residents
- Extrinsic demand would come from tourists / visitors who visit Brooklyn to explore its unique charm and creative precincts

/ STUDIO x OFFICE

- Target: Photography and Dance Studios, Art Galleries, Architecture Office
- Creating an ecosystem for businesses at the intersection of art and design
- Morningside Studios will offer a compelling alternative to locating within the Navy Yards:
 - o Comparable rental rates to the Yard yet offering a unique boutique experience
 - o Offers a more laid-back vibe to the Yard but yet close enough to reap from agglomeration benefits

SUPPLY



Existing supply within the vicinity is lackluster. Although there are a couple of stand-alone studios / F&B outlets, the overall area is still relatively industrial / residential-focused.

Retail

- A 66S Fusion Restaurant along Clermont Ave
- B Parlor Coffee Roasters along Vanderbilt Ave
- C Brooklyn Roasting Coffee along Washington Ave
- D Il Porto Brick Oven Ristorante along Washington Ave

Studio

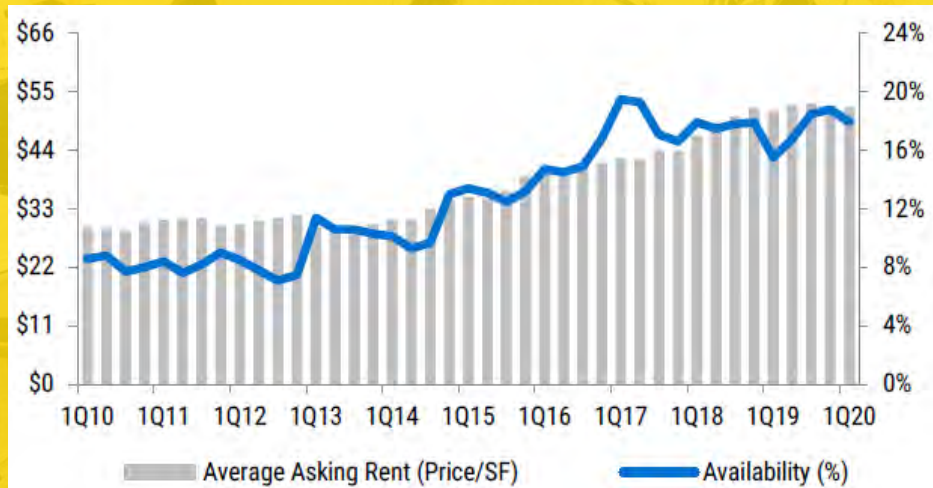
- E Photography studio located at Waverly Ave
- F Studio / commercial spaces available at Grand Street

OFFICE

Within Brooklyn's tech triangle (Downtown, Navy Yard, DUMBO), overall average asking rent remained steady from last quarter but held close to the historical high set for this market in the third quarter of 2019. Average asking rent is now \$52/sf

The tech triangle commands the highest asking rents in Brooklyn with the vast majority of availability concentrated in new or redeveloped buildings.

Average asking rents in the Navy Yard is up about \$5/sf y-o-y to \$61 demonstrating a positive uptrend.





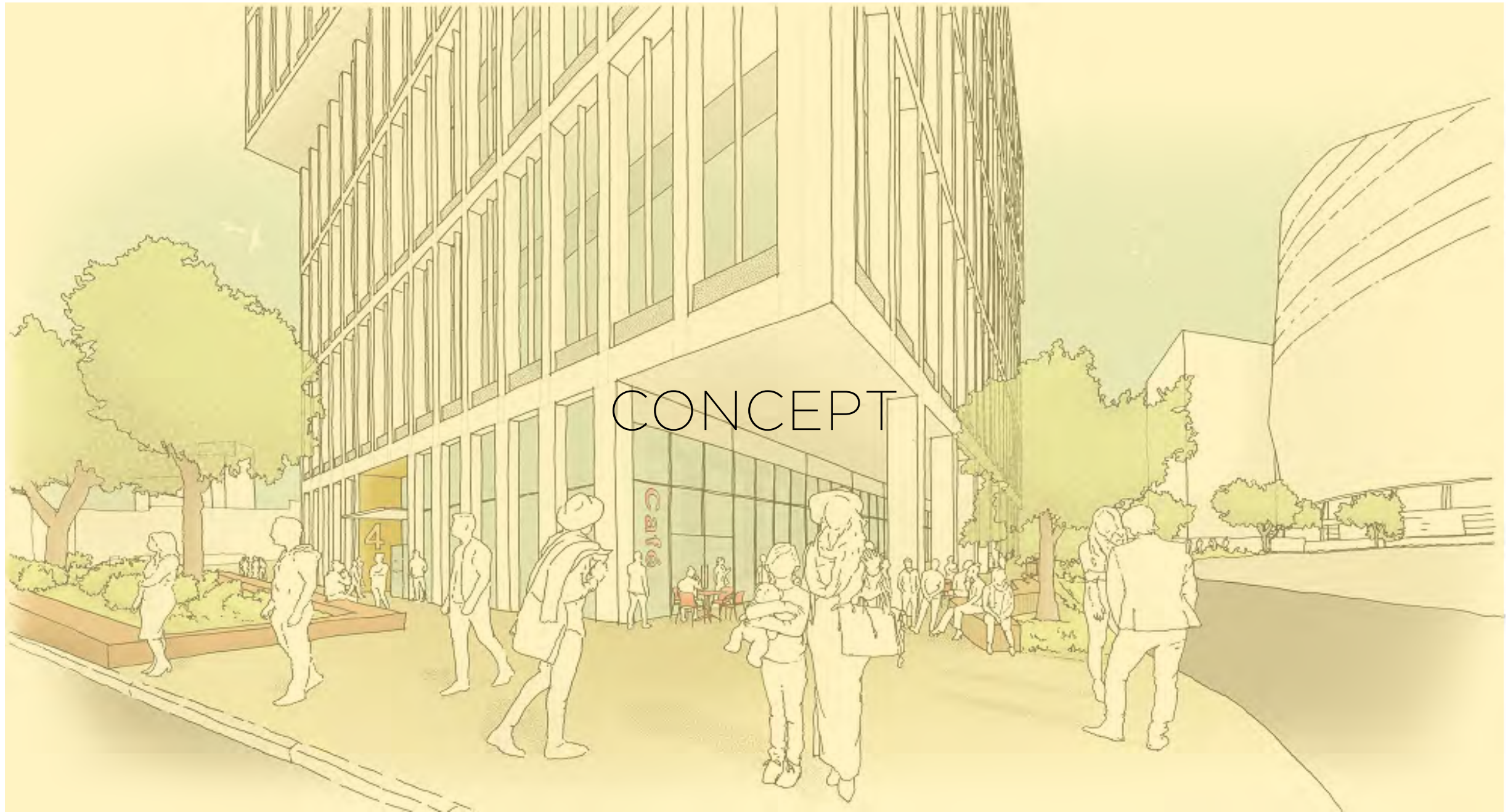
RETAIL

For retail rentals, rather than taking the average Fort Greene average, we identified similar retail offerings with the following characteristics:

- Ground-floor retail offerings of <2,500 sq. ft.
- Within close proximity to the Navy Yard
- Relatively higher in built quality



Address	70 Flushing Ave	162 Flushing Ave	643 Vanderbilt Ave
Leased Space	2,500 sq. ft.	1,420 sq. ft.	1,000 sq. ft.
Type	Retail	Retail	Retail
Asking Price (per month)	\$5.33 per sq. ft.	\$5.50 per sq. ft.	\$6.00 per sq. ft.



CONCEPT

CONCEPT

Curated spaces inspiring creativity

Morningside Studios is born out of an idea that is as simple as it is grand – *thoughtfully curated spaces inspire creativity*

Our Studios are designed to take you out of the ordinary, while still offering you the comfort of being in your element. There's always room to uncover new ground, and where you can be you.

Our versatile pockets of communal and rooftop spaces encourages unwinding and ensures that you've got everything you need to entertain and be entertained.



Sarugaku Commercial Complex | *Akihisa Hirata*

The complex is located in the Daikanyama area of Tokyo and features a number of commercial tenants.

The site's long and skinny profile forced architects to create multiple smaller volumes on the site instead of a single building.

The concept behind the design is that each small complex is representative of a mountain in the landscape. The common space in the center and in between the buildings hence becomes a valley.

This project provided inspiration with respect to creating meaningful community spaces within an small-scaled commercial setting. Thoughtful design and choice of material enabled each studio to maintain its privacy despite the “openness” of the overall development.





/ Large, glass paned windows

/ Enables for ample light to enter the indoor spaces

/ Sunken window profiles creating definition for each unit

/ Tree-lined sidewalks



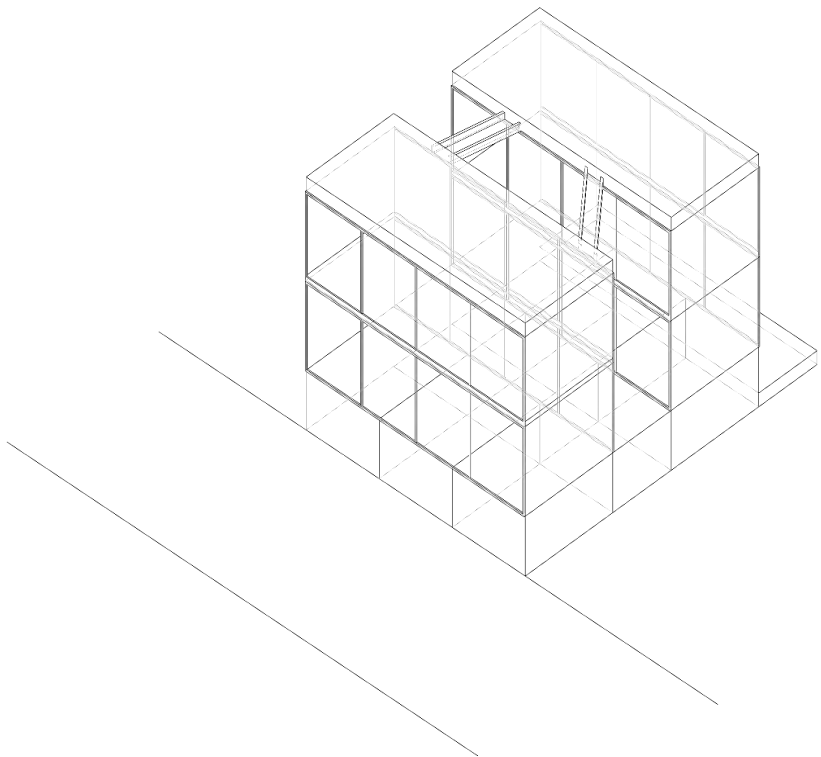
/ Well-appointed outdoor balcony

/ Abundance of plants to create relaxing environment

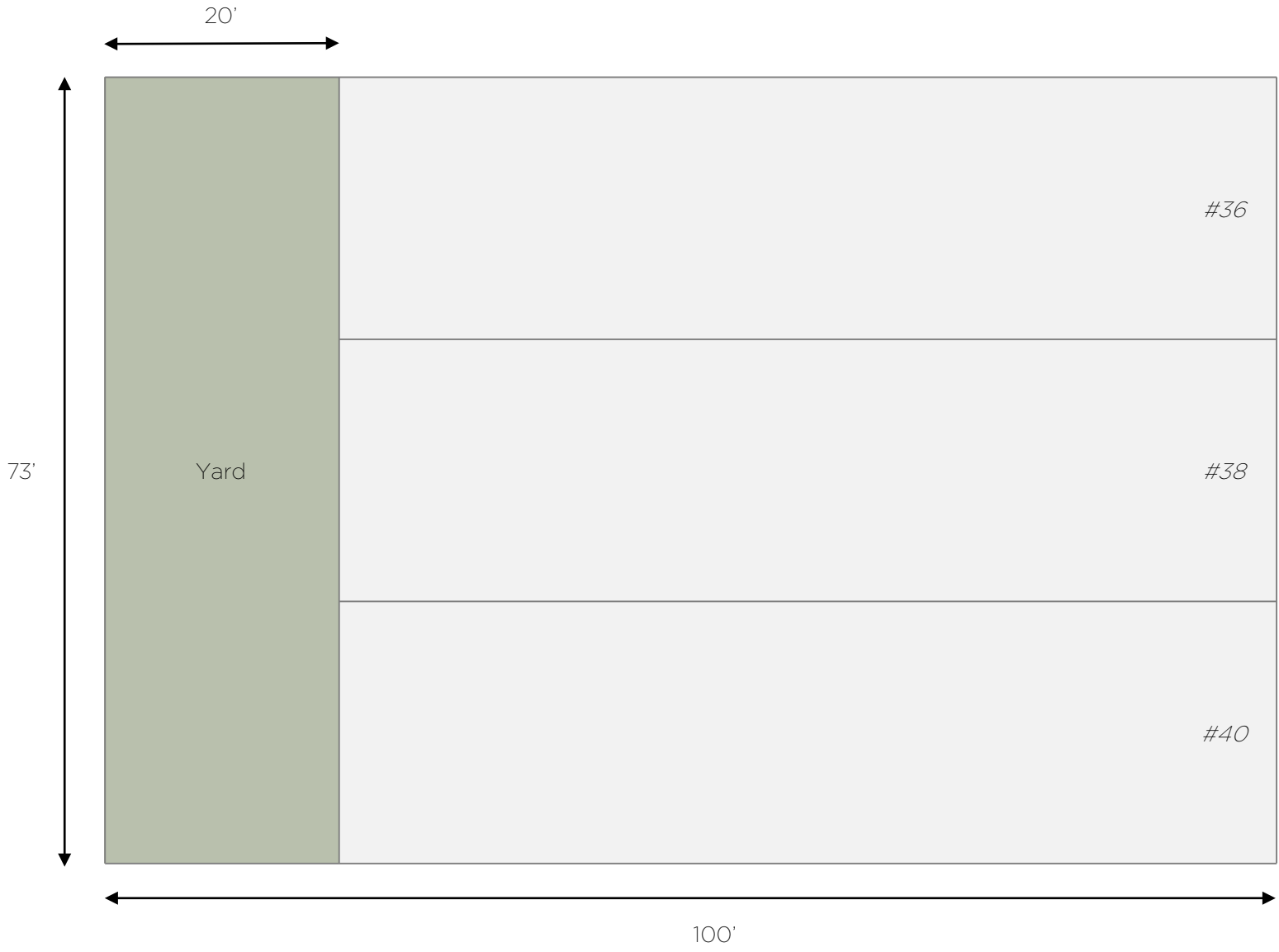
/ Thoughtfully selected furniture that encourages gatherings

INSPIRATION

CONCEPT

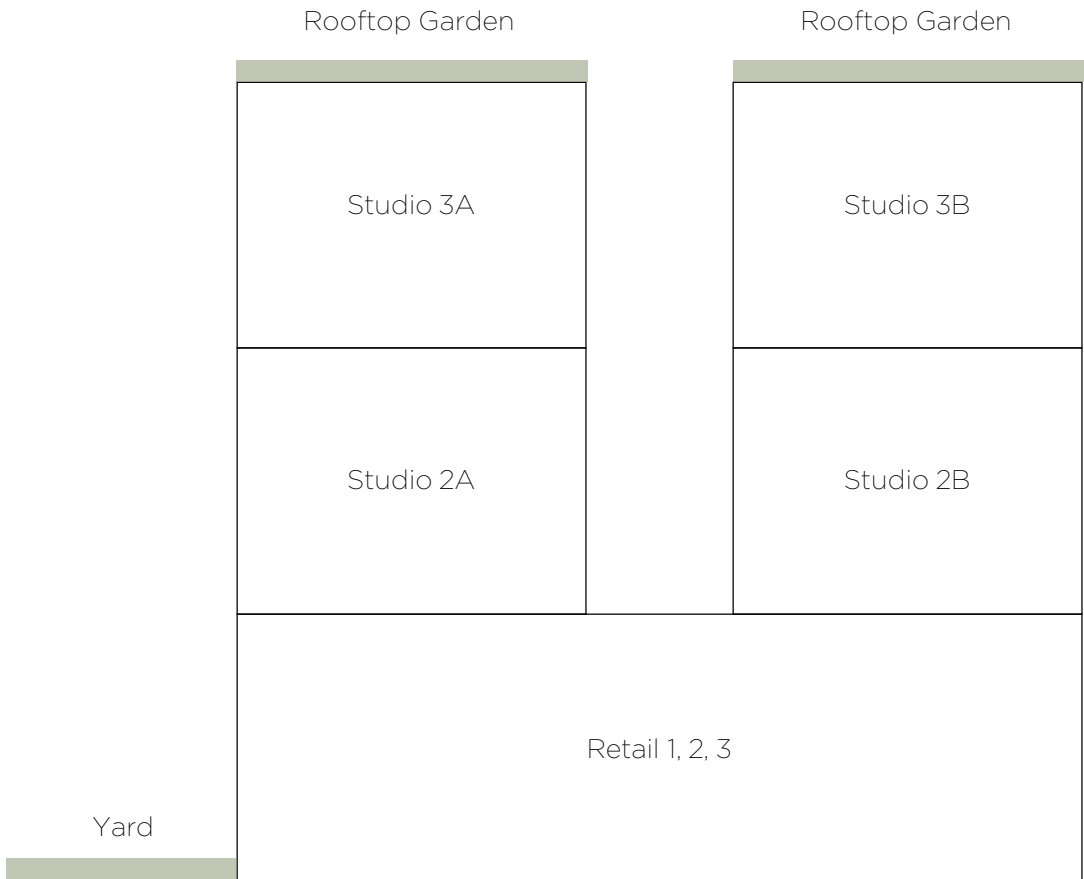


LAYOUT



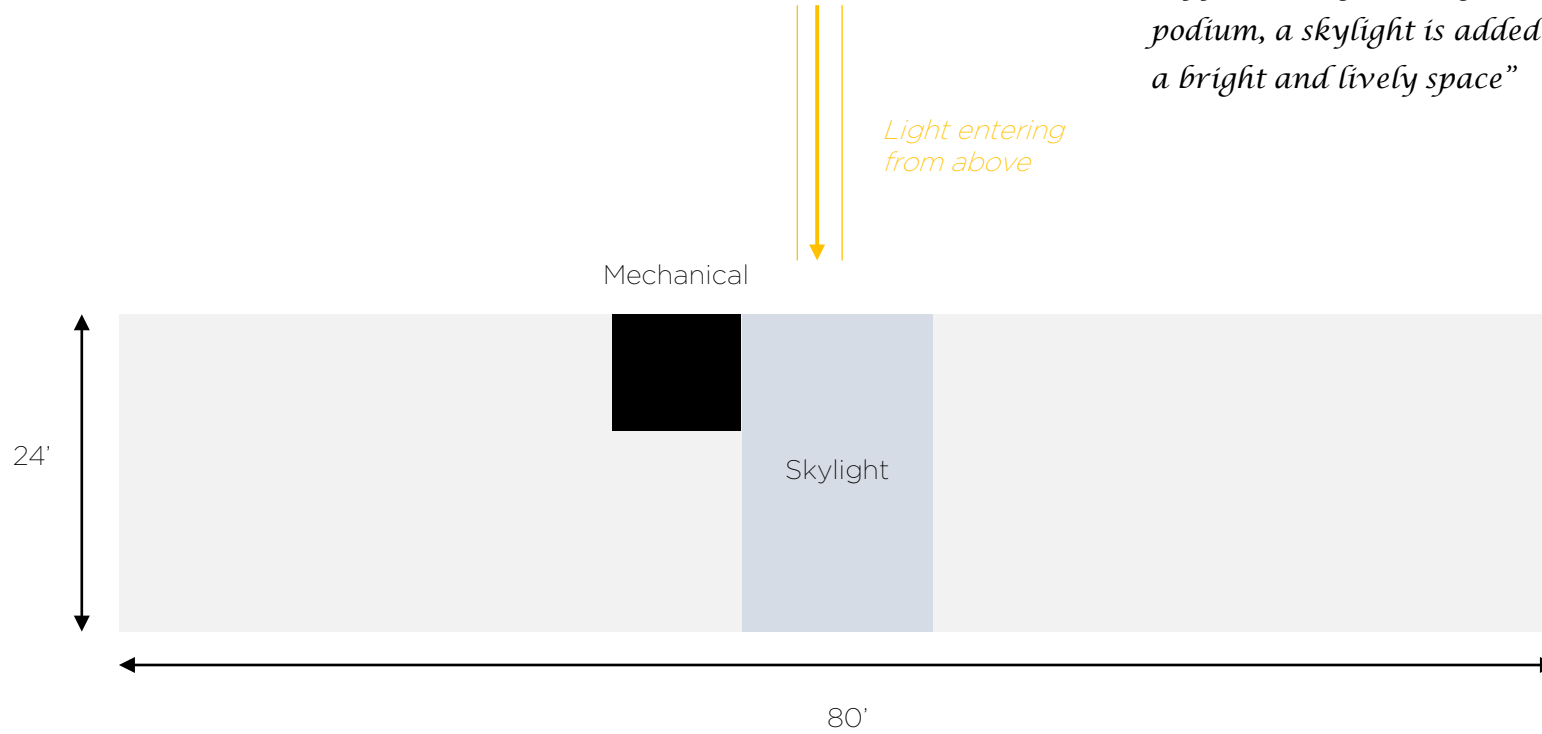
Carlton Ave

STACKING



Location	Uses	Dimension	Area
Retail 1	F&B	24' x 80'	1,920 sq. ft.
Retail 2	F&B	24' x 80'	1,920 sq. ft.
Retail 3	Photography Supplies	24' x 80'	1,920 sq. ft.
Studio 2A	Dance Studio	73' x 30'	2,190 sq. ft.
Studio 2B	Architecture Studio	73' x 30'	2,190 sq. ft.
Studio 3A	Art Gallery	73' x 30'	2,190 sq. ft.
Studio 3B	Photography Studio	73' x 30'	2,190 sq. ft.
Total BUA	-	-	14,519 sq. ft.

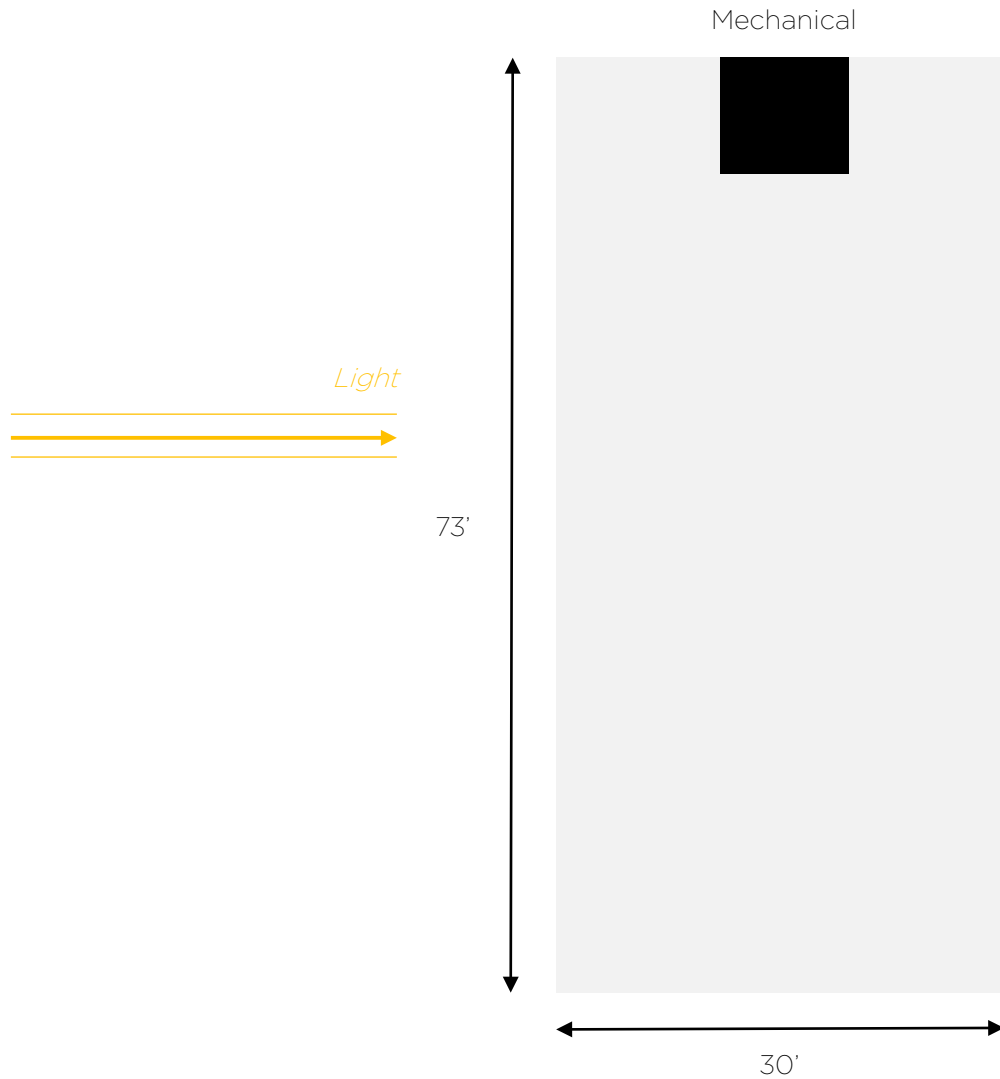
FLOORPLAN



RETAIL

“Appreciating the long narrow profile of the retail podium, a skylight is added in the middle to create a bright and lively space”

FLOORPLAN



STUDIO

“East-West facing of the development, coupled with a glass exterior enables for maximum natural light to flood the studio space”



Ian Tong

Ian Tong acquired #38 Carlton Ave in 2005 and is our partner for Morningside Studios.

A fashion and fine art photographer based in New York City, Ian has created a wide range of commissioned as well as personal work.

Ian will be occupying one of the 4 studios for his photography work.



/ TENANTS

We are currently in talks with a several potential tenants to occupy the remaining 3 studio units. They include:

- Dance Studio: currently based in Manhattan but would like to reduce rental cost
- Landscape Architecture Firm: currently based in the Navy Yard but feels that it is too crowded / noisy (lease expires in 6 months)
- Fashion Photography Studio: currently based in the Navy Yard but unit orientation does not receive sufficient light
- Contemporary Art Gallery: initial launch

A professional studio lighting setup. The scene is dominated by a large white backdrop. In the center, the word "FINANCIALS" is written in a clean, black, sans-serif font. The lighting is a mix of warm and cool tones. A large, bright, octagonal softbox hangs from the ceiling in the center. To the left, a large black umbrella is mounted on a stand. To the right, another large black umbrella is also on a stand, with a light fixture attached to it. Several other smaller lights and umbrellas are visible on the ceiling and on stands. The floor is a light-colored, possibly white, surface. In the foreground, there are some pieces of equipment, including what looks like a camera bag and some small containers. The overall atmosphere is that of a professional, well-equipped studio.

FINANCIALS

/ Project Timeline



/ Sources and Uses

Construction Sources	\$	%	Per GSF	Per RSF
Equity:				
General Partner	\$419,974	5.0%	\$25	\$29
Limited Partner	\$3,779,765	45.0%	\$225	\$260
Construction Loan	\$4,199,738	50.0%	\$250	\$289
Total Sources of Funds	\$8,399,477	100.0%	\$500	\$579

Construction Uses	\$	%	Per GSF	Per RSF
Acquisition	\$2,535,750	30.2%	\$151	\$175
Hard Costs	\$4,529,321	53.9%	\$270	\$312
Soft Costs	\$1,099,930	13.1%	\$66	\$76
Financing Costs	\$234,475	2.8%	\$14	\$16
Total Uses of Funds	\$8,399,477	100.0%	\$500	\$579

/ Budget

The development budget for Morningside Studios has been conservatively estimated at approximately \$8.4m which equates to ~\$500 per GSF

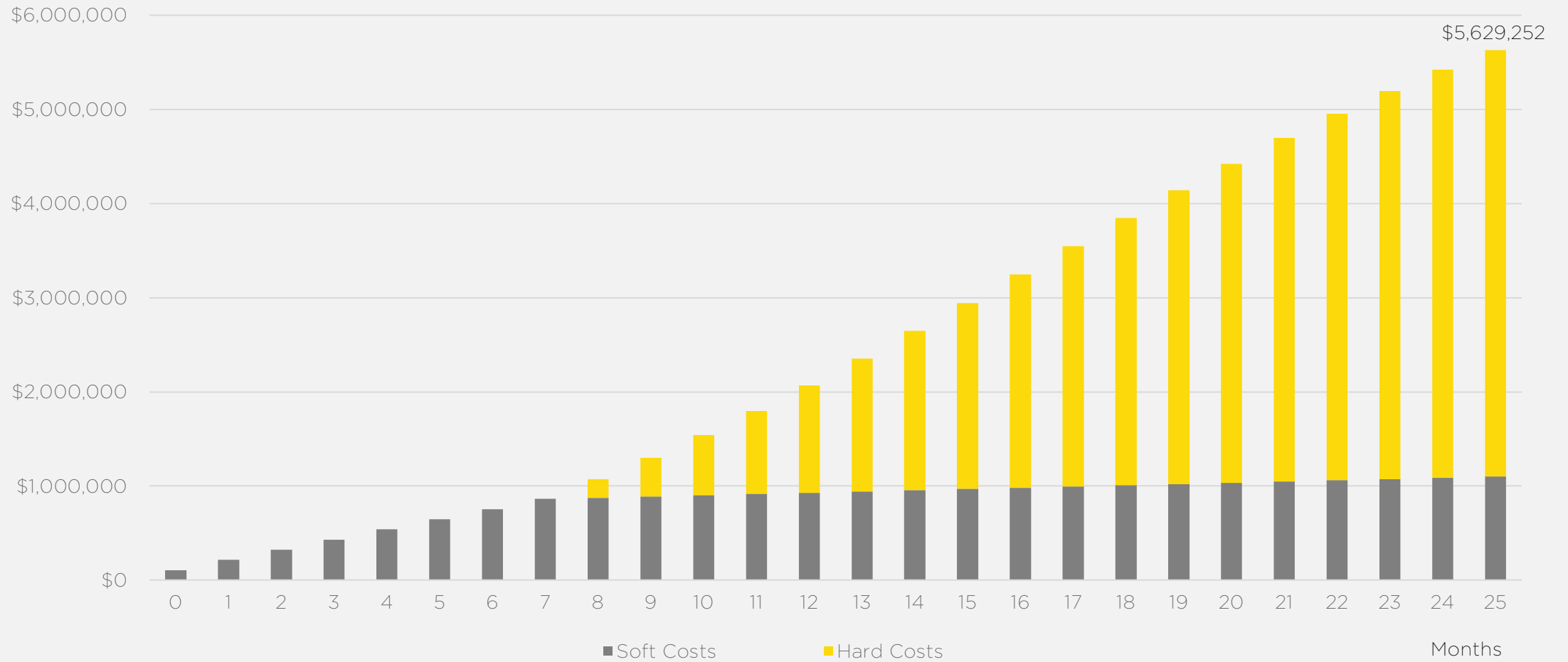
50% of this cost will be funded with debt financing from a local commercial bank at an interest rate of 7.0%⁽⁴⁾

Notes:

- (1) Acquired from Ian Tong (Co-GP)
- (2) Land has been estimated at a cost inline with comparable properties and initial discussions with the respective owners
- (3) Property taxes during the construction holding period have been estimated per 2018/2019 actual taxes, grossed-up to account for inflation since
- (4) Includes interest reserve of \$167,279; construction interest cost of 7.0% consistent with current capital markets

Development Cost Budget	Assumptions	Cost	Cost / GSF	Cost / RSF
#38 Land ⁽¹⁾		\$250,000	\$11.42	\$5.74
#40 Land ⁽²⁾		\$1,100,000	\$21.84	\$25.25
#36 Land ⁽²⁾		\$1,100,000	\$21.84	\$25.25
Land Costs		\$2,450,000	\$145.94	\$168.74
Brokerage Costs	2.0% of Land	\$49,000	\$2.92	\$3.37
Acquisition Fee	1.0% Purchase Price	\$24,500	\$1.46	\$1.69
Other Closing Costs	0.5% Purchase Price	\$12,250	\$0.73	\$0.84
Subtotal - Acquisition		\$2,535,750	\$151.05	\$174.65
Construction Costs		\$3,861,171	\$230.00	\$265.94
Tenant Improvements		\$41,969	\$2.50	\$2.89
Development Fee		\$151,089	\$9.00	\$10.41
Project Management		\$50,363	\$3.00	\$3.47
FF&E / Other	1% of Construction Costs	\$38,612	\$2.30	\$2.66
Hard Cost Contingency	10% of Construction Costs	\$386,117	\$23.00	\$26.59
Subtotal - Hard Costs		\$4,529,321	\$269.80	\$311.96
Architecture & Engineering Fees		\$318,966	\$19.00	\$21.97
Other Misc Soft Expenses		\$134,302	\$8.00	\$9.25
Property Taxes ⁽³⁾		\$615,605	\$36.67	\$42.40
Legal		\$8,394	\$0.50	\$0.58
Soft Cost Contingency	5% of Soft Costs	\$22,663	\$1.35	\$1.56
Subtotal - Soft Costs		\$1,099,930	\$65.52	\$75.76
Total Financing Cost ⁽⁴⁾		\$234,475	\$13.97	\$16.15
Total Development Cost		\$8,399,477	\$500.34	\$578.52

/ Construction Schedule



/ Financing

Construction Loan

Project Cost	\$8,399,477
LTC	50.0%
Construction Loan	\$4,199,738
Equity	\$4,199,738
Mortgage Broker Fee	\$20,999
Origination Fee	\$41,997
Lender's Legal	\$4,200
Total Costs Upfront	\$67,196
<hr/>	
Interest Rate	7.0%
Interest Reserve	\$167,279
Total Costs	\$234,475

Permanent Loan

Building Value at Refi	\$8,378,363
LTV	65.0%
Permanent Loan	\$5,445,936
Equity	\$2,932,427
Mortgage Broker Fee	\$27,230
Origination Fee	\$54,459
Lender's Legal	\$5,446
Total Costs Upfront	\$87,135
<hr/>	
Interest Rate	5.00%
Amortization Period	30 Years
Monthly Debt Service	\$29,235

OPERATING ASSUMPTIONS

The following assumptions have been applied to the projected operating cashflows for Morningside Studios

(1) Growth rate of 2.5% reflects Bureau of Labor Statistics estimates adjusted for commercial CPI elasticities

General Assumptions

Inflation	2.5% ⁽¹⁾
General Vacancy	10.0% <i>of gross revenue</i>
Management Fees	2.5% <i>of EGI</i>
Capex Reserve	2.0% <i>of EGI</i>

	Area (sq ft)	Lease-Up Period	Free Rent	Lease Date	Base Rent	Expense Stop
Retail 1	1,920	3 months	1 months	Nov-22	\$6.00	\$2.10
Retail 2	1,920	5 months	1 months	Jan-23	\$6.00	\$2.10
Retail 3	1,920	6 months	1 months	Feb-23	\$6.00	\$2.10
Studio 2A	2,190	3 months	1 months	Nov-22	\$5.20	\$1.72
Studio 2B	2,190	6 months	1 months	Feb-23	\$5.50	\$1.82
Studio 3A	2,190	9 months	1 months	May-23	\$5.20	\$1.72
Studio 3B	2,190	12 months	1 months	Aug-23	\$5.50	\$1.82

EXIT STRATEGY

1

Sale at Stabilization (Year 7)

- We will contemplate a sale at stabilization (likely in Year 7)
- Year 1 NOI has an estimated yield-on-cost of ~5.1% while stabilized NOI has an estimated yield-on-cost of 8.3% - representing healthy yield expansion
- We are projecting an exit cap rate of 6.0%, in-line with precedent market transactions, and reflects a 230 bps gain on exit vis-à-vis its Y-o-C
- Likely buyers include real estate private equity, investment firms and family offices

2

Refinance at Stabilization (Year 7)

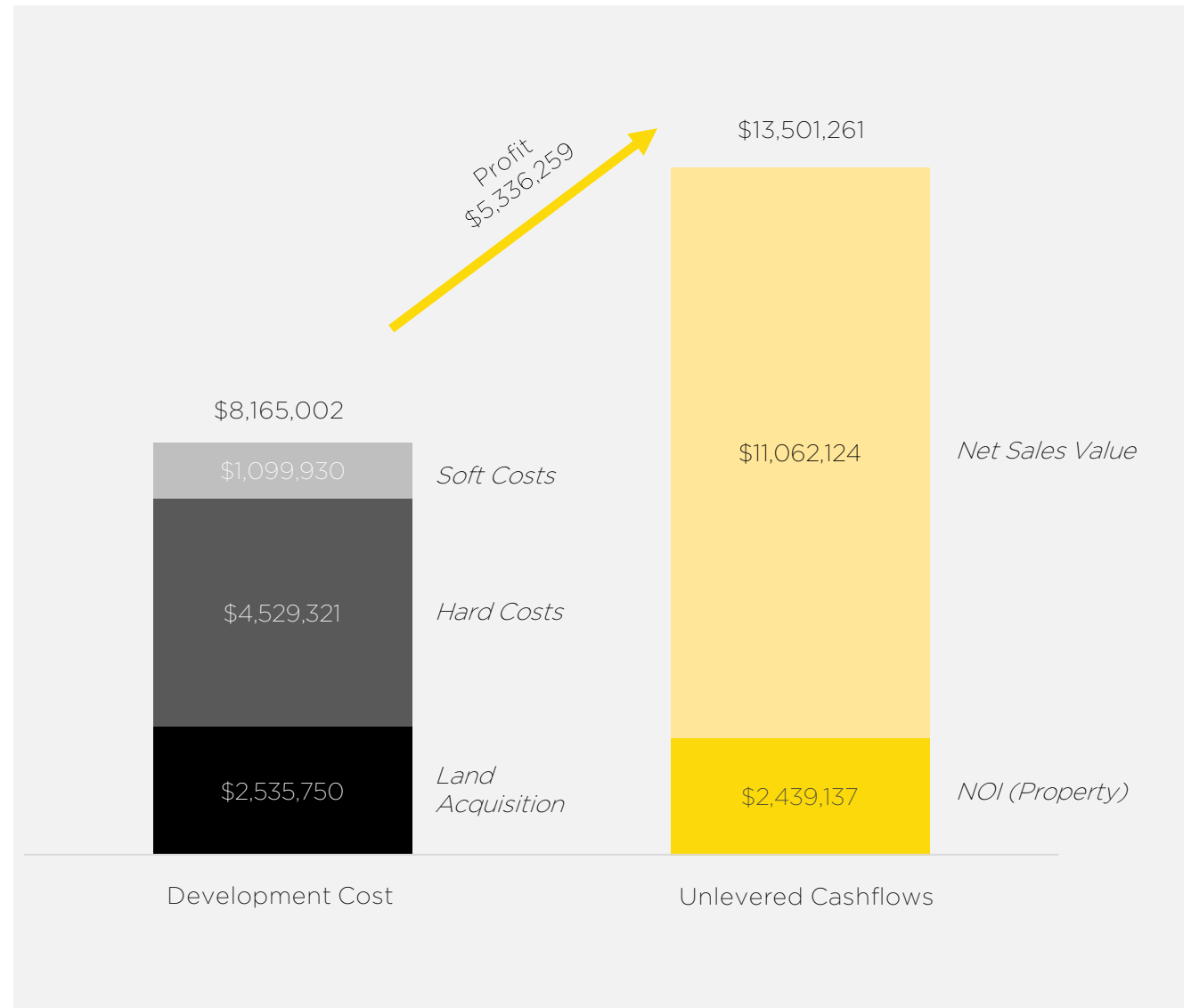
- In the event market conditions are not suitable or we are unable to find a suitable buyer, we could postpone the sale
- Possibility of refinancing the loan at a lower interest rate
- Benefit from receiving a stable yield on investment

/ Unlevered Returns

Exit Assumptions	
Exit Date	4.5 years from TCO
Exit Cap Rate	6.0%
Selling Cost	1.5% of Sales Price

Assuming a 7-year hold, the below illustrates the indicative unlevered returns from the transaction:

Indicative Project Unlevered Returns	
Unlevered IRR	9.8%
Money Multiple	1.7x
Profit	\$5,336,259



/ Levered Returns

Financing Inputs	
Monthly Debt Service	\$29,235
Loan Balance at Exit	\$5,050,594

Assuming a 7-year hold, the below illustrates the indicative unlevered returns from the transaction:

Indicative Project Levered Returns	
Unlevered IRR	17.9%
Money Multiple	2.3x
Profit	\$5,477,187

		Vacancy Rate				
		5.00%	7.50%	10.00%	12.50%	15.00%
Exit Cap Rate	5.00%	28.9%	26.9%	24.8%	22.8%	20.7%
	5.50%	24.8%	22.9%	21.0%	19.1%	17.2%
	6.00%	21.4%	19.6%	17.9%	16.1%	14.3%
	6.50%	18.5%	16.8%	15.1%	13.4%	11.7%
	7.00%	16.0%	14.4%	12.8%	11.2%	9.5%

		Leverage				
		55.00%	60.00%	65.00%	70.00%	75.00%
Exit Cap Rate	5.00%	22.1%	23.4%	24.8%	26.4%	28.1%
	5.50%	18.8%	19.9%	21.0%	22.3%	23.6%
	6.00%	16.1%	16.9%	17.9%	18.9%	20.0%
	6.50%	13.7%	14.4%	15.1%	16.0%	16.9%
	7.00%	11.6%	12.2%	12.8%	13.4%	14.2%

		Cost of Permanent Financing				
		3.25%	3.50%	3.75%	4.00%	4.25%
Exit Cap Rate	5.00%	25.0%	24.9%	24.8%	24.8%	24.7%
	5.50%	21.2%	21.1%	21.0%	21.0%	20.9%
	6.00%	18.0%	17.9%	17.9%	17.8%	17.7%
	6.50%	15.3%	15.2%	15.1%	15.1%	15.0%
	7.00%	12.9%	12.8%	12.8%	12.7%	12.7%

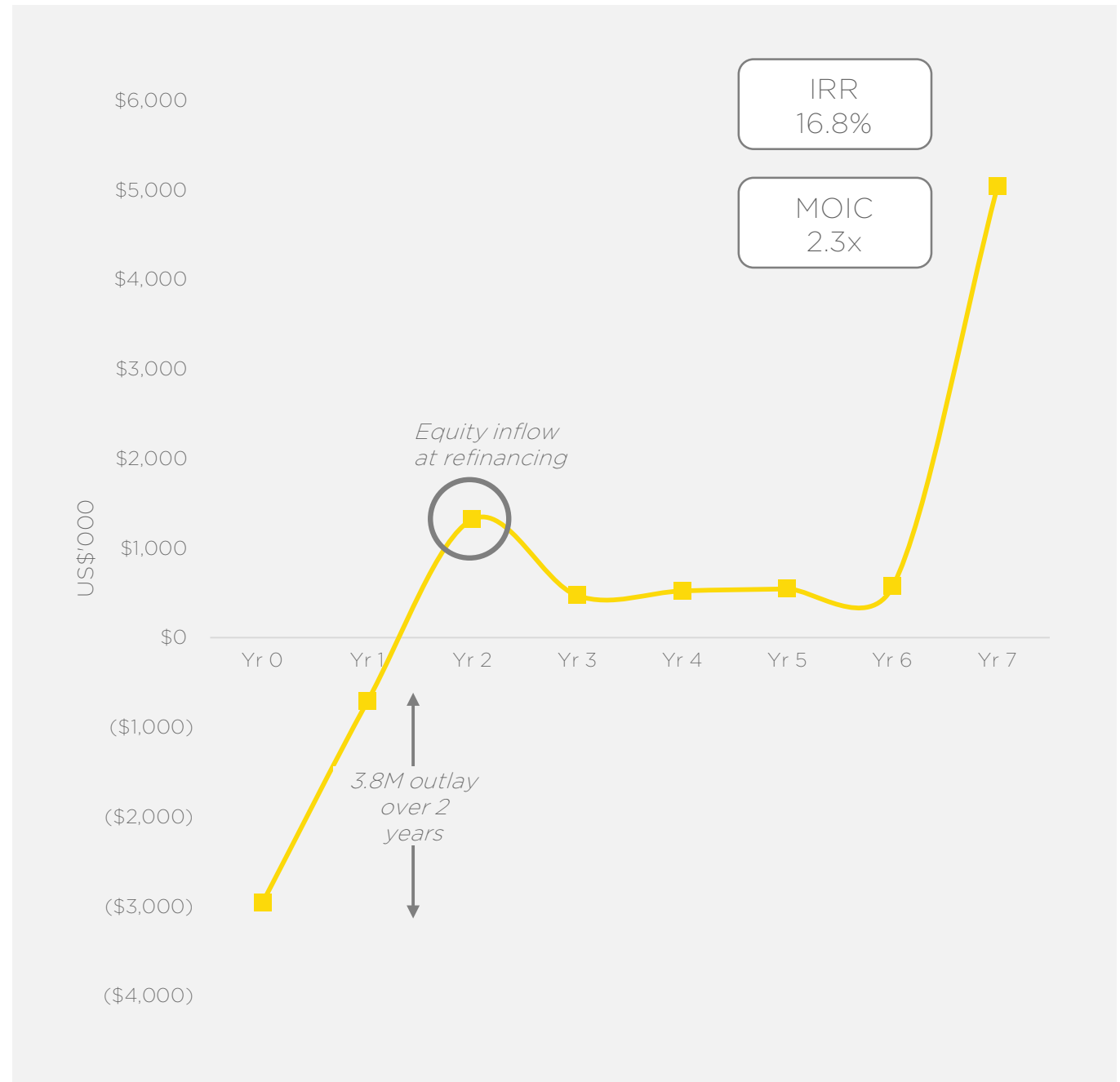
/ LP Returns

Opportunity to earn attractive returns over a 7-year horizon

High returns hurdle creating an effective alignment of interest

GP's stake of 10% ensures meaningful "skin-in-the-game"

	IRR	EM	Promote
Before 1st hurdle	-	-	0.0%
1st hurdle	12.0%	-	20.0%
2nd hurdle	18.0%	-	30.0%
3rd hurdle	22.0%	1.50x	40.0%



/ Risk & Mitigants

Key Risks

Mitigants

Over-supply in the Office / Studio Market

- Office supply has indeed increased disproportionately in the last couple of years – however, our product is unique and differentiated from other office spaces; our close proximity to the Brooklyn Navy Yard is another competitive advantage
- Morningside Studios has only 4 office studios and this reduces leasing risk – in our underwriting, we have conservatively assumed a 12-month period to fully lease up the space

Construction Costs Increases

- Construction cost increases are normal for ground-up development projects – we have incorporated a 10% hard cost contingency and a 5% soft cost buffer in our underwriting
- We will also ensure timely and disciplined project management during the construction period

Unforeseen Environmental Contamination

- #38 is free of environmental contamination; however we have not conducted an environmental assessment for #40 and #36
- Neighboring lots have remained vacant, and therefore is less likely to have become contaminated
- A total of \$0.4m of contingencies have been built into our development budget, providing some cushion in the event that we need to remediate the soil



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MORNINGSIDE STUDIOS

zt2242@columbia.edu