

APPRAISAL REPORT
of
Hudson River Park Piers 59, 60, 61 & p/o 62
“Chelsea Piers”
New York, New York

SUBMITTED TO

Hudson River Park Trust
c/o Barbara Brown, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street
New York, New York 10005





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March 11, 2022

Hudson River Park Trust
c/o Barbara Brown, Esq.
Carter Ledyard & Milburn LLP
2 Wall Street
New York, New York 10005

Re: Appraisal of Hudson River Park Piers 59, 60, 61 & and Connecting Headhouse that extends to Pier 62, New York, New York, or “Chelsea Piers” comprising Manhattan Block 662, Lots 11, 16, 19 & p/o 7 and 62

Dear Ms. Brown:

In accordance with your request, we have prepared an appraisal report of the hypothetical fee simple interest and fair market rental value in the above captioned property located in Hudson River Park, henceforth referred to as the “subject property.” The client of this report, the Hudson River Park Trust (“HRPT” or “Client”), has entered into negotiations for a proposed long-term net lease with Chelsea Piers L.P. and North River Operating Company L.P. (collectively, “Chelsea Piers”). This report is prepared to assist HRPT for the purpose of establishing the fair market rental value of the subject property “improved” and “as vacant” given the permissible uses, Lessee obligations and other material terms of the proposed lease. This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (“USPAP”) and Code of Ethics of the Appraisal Institute.

The subject property is currently occupied under a 1994 lease, originally from New York State Department of Transportation (“SDOT”) to Chelsea Piers, which expires in June 2043. HRPT succeeded to the interest of SDOT when it was formed in 1998 and is now landlord to Chelsea Piers. The leased premises comprise Piers 59, 60, 61 in the Hudson River with a connecting headhouse that extends to Pier 62, together with a privately used driveway and adjacent lands under water. It is legally identified as Block 662 Lots 11, 16, 19 and p/o 7 and 62 on the NYC Assessor’s map and is situated west of 11th Avenue between 17th Street and 22nd Street. The subject property has a total land area (inclusive of lands under water) of approximately 1,099,283 square feet, and is presently improved by structures with a gross useable building area of approximately 807,127 square feet, and total interior rentable area of approximately 788,101 square feet – inclusive of 100,818 square feet allocated to parking. It also includes a rentable exterior area of 93,146 square feet used primarily for a golf driving range. The subject property is improved with three (3) pile supported finger pier shed structures, a four-block long headhouse, a multi-lane driveway, and various public access pathways and docks.

The commercial mixed-use facility houses an array of businesses including film and television production, bowling alley, ice rink center, photography studio, fitness center, field house, golf driving range and supporting areas, restaurant, office space and banquet facilities. The lands underwater are used for a marina and commercial vessel docking.

As requested, our valuation sets forth an estimate of the current fair market value of the hypothetical fee simple interest of the same premises as currently occupied by Chelsea Piers under its existing 1994 lease with HRPT. The premises demised under both the existing lease and the proposed new lease are essentially the same. Under the proposed new lease, the existing lease will terminate, and the proposed new lease will take its place with the current Chelsea Piers owned and operated businesses and subtenants continuing in operation.

The subject property is zoned M2-3, a Medium Manufacturing District (Medium Performance) zoning district with a basic maximum Floor Area Ratio (FAR) of 2.0, with uses further restricted by the proposed lease and the Hudson River Park Act. Under the proposed lease, retail, office, catering, banquet and restaurant uses are subject to greater limitations than those imposed by zoning. In addition, under the proposed lease a substantial portion of the premises (the greater of 330,000 square feet or 37.5% of useable square footage) is required to be used for lower rent sport and recreation use, a percentage that is not otherwise mandated under any applicable land use regulation.

Chelsea Piers, as a “net” Lessee for an older waterfront property in a park setting, is obligated to perform a variety of extensive capital maintenance responsibilities and undertake public improvements that are not typical for inland tenants or tenants on private property. Most significantly, the piers are supported by 12,200 aged wooden piles. Chelsea Piers is currently completing a \$100+ million pile repair and replacement project that, upon completion, will require a continuing underwater capital repair program costing approximately \$3.1 million annually. In addition, under the terms of the proposed lease, Chelsea Piers will be obligated to carry out the construction of, and subsequently maintain, approximately \$6 million of public access improvements including the construction of a new over-water platform for use as an expanded pedestrian walkway. Chelsea Piers may receive a rent credit for up to \$3 million for the “enhanced” portion of these public access improvements undertaken at HRPT’s discretion.

Lastly, the subject property is also mapped within Area B1 of the Special Hudson River Park District (HRP). The appraisal includes limited development rights that may be used on-site under the proposed lease for permissible in-fill construction. The proposed lease does not allow for any physical expansion of facilities beyond the existing building envelope. No transferrable development rights are available to Chelsea Piers under the proposed lease.

Based on our research and the conclusions found within this appraisal, it is our opinion that the subject property’s highest and best use under current market conditions is for a mixed-use commercial facility generally consistent with the distribution of businesses as presently exists under the 1994 lease between HRPT and Chelsea Piers and as permissible under the proposed lease. Because the zoning, Special Permit, and restrictions of the Hudson River Park Act, all as particularly set forth in the proposed lease, generally define the types and locations of the property’s uses, the highest and best use conclusion for this analysis is in line with the existing program. This includes a mixture of predominantly sports and recreation use (approximately 438,736 square feet), production studios and

offices (approximately 236,867 square feet), catering and banquet space (approximately 73,845 square feet), accessory parking for approximately 315 vehicles, and office use (approximately 26,179 square feet), and retail/restaurant use (approximately 4,802 square feet) as well as marina and vessel docking use that utilizes available in-water areas.

Valuation Methodology and Values Sought

The intended use of the appraisal is to provide information to the Client in connection with the negotiation of a new long-term lease between Chelsea Piers and HRPT. In estimating the fair market rent of the subject property, we have developed an income capitalization approach in which the estimated stabilized income of the subject property is capitalized into a market value of the hypothetical fee simple interest, ignoring subtenants and subleases in place. A market-based percentage factor derived from comparable ground leases is then applied to the value of the hypothetical fee simple interest to determine the fair market rent.

Market value is defined as the most probable price as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after a reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest and assuming neither is under undue duress.

Market rent is defined as the most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

The appraised market rent value of the subject property is thus presented “as improved” including piers, buildings and other improvements currently constructed, and “as vacant” ignoring subtenants and subleases in place.

The intended user of this appraisal is the Client, the Hudson River Park Trust c/o Carter Ledyard & Millburn LLP. The effective date of the appraisal is December 31, 2021.

COVID-19 Impacts on Valuation

The deadly Coronavirus, also known as COVID-19 has been responsible for over 5.4 million deaths worldwide as of January 1, 2022. The World Health Organization (WHO) officially declared COVID-19, a global pandemic on March 11, 2020. Nationally, as January 1, 2022, there have been over 820,000 deaths attributable to COVID-19 and over 59 million cases.

Chelsea Piers, because of its predominance of indoor gym, recreation, catering and banquet uses, and because of its substantial cruise vessel business featuring on-board dining and entertainment, has been particularly impacted by COVID-19 and associated governmental health regulations. These regulations have included mandated closures, customer testing and mask wearing, and social distancing. Revenue declined precipitously during the first year of the pandemic and, based on current economic projections as detailed in this report, is not expected to fully recover until 2025. Accordingly, the Client has asked us to prepare a current fair market rent valuation of occupancy and

income for 2022, and also a projection of fair market rent when income stabilizes in 2025. Based on our analysis of economic activity at the premises as compared to potential, we believe that it is reasonable to assume that the 2022 valuation will increase to the stabilized valuation in 2025. This assumes that consumer behavior returns to pre-COVID-19 trend levels and that new variants of COVID-19 will not emerge that further disrupt permissible businesses operations at the subject property.

Extraordinary Assumptions and Hypothetical Conditions

In order to produce credible assignment results, a number of extraordinary assumptions are made in accordance with USPAP. An extraordinary assumption is defined as “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.”¹ The extraordinary assumptions within this appraisal are summarized as follows:

- that the proposed lease between HRPT and Chelsea Piers is duly authorized and timely executed,
- that the distribution of subtenant business currently operating at the subject property pursuant to the existing lease is not materially different from what is permitted under the proposed lease and reflects the highest and best use under the limitations and restrictions of the existing lease and proposed lease,
- that the current Covid-19 public health crisis is contained such that there is a phased “return to trend” growth of pre-2020 revenue at Chelsea Piers by 2025, and
- that future costs for pile repair and other infrastructure elements, useful lives of these components, and the capital and operating cost of additional public access improvements required to satisfy conditions of the proposed lease, which are based on information sourced from Chelsea Piers and as projected by the Client based on its own experience operating similar elements Hudson River Park, are reasonable.

Hypothetical Fee Simple Interest and Fair Market Rental

After an analysis of all relevant data and based upon conclusions and the documentation presented within the following report, it is our opinion that the hypothetical fee simple interest and market rental value of the subject property known as Piers 59, 60, 61 and 62, as of December 31, 2021, and for the period 2022 through 2025, with 2025 being the stabilized year, are:

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th Ed., (Illinois: Appraisal Institute, 2015), pages 83-84

Hypothetical Fee Simple Interest, in Accordance with the Proposed Lease:

Analysis Year	2022	2023	2024	2025
Hypothetical Fee Simple Value	\$88,300,000	\$117,000,000	\$143,400,000	\$173,900,000

Hypothetical Fair Market Rental, in Accordance with the Proposed Lease:

Analysis Year	2022	2023	2024	2025
Ground Rent	\$3,532,000	\$4,680,000	\$5,736,000	\$6,956,000
Rounded	\$3,500,000	\$4,700,000	\$5,700,000	\$7,000,000

Both the fee simple interest and fair market rental are expressed as hypothetical because, contrary to known fact, the subject property is not presently unencumbered but is instead leased to Chelsea Piers with a remaining term extending to 2043. Absent the proposed lease, the existing 1994 will remain in effect until 2043.

Addendum: Fair Market Rent Comparison

This report contains an addendum that compares the nominal (current dollar) value and present value of HRPT's leased fee interest in the subject property with and without the proposed lease for the same number of years provided by the proposed lease (with 10-year extension). Leased fee interest is defined as: "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."

Accordingly, the addendum compares the nominal and present value of rent expected to be received by HRPT under two scenarios: (1) the proposed lease is consummated and, with extension, runs to 2065, and (2) the proposed lease is not executed, the existing lease runs for the remainder of its term to mid-2043, and, upon expiration of the existing lease, a subsequent new lease at fair market rent-- and with provisions substantially the same as those in the proposed lease with respect to permissible uses and restrictions-- commences in mid-2043 and extends to 2065.

It is anticipated that the fair market rent of the subsequent new lease in mid-2043 would be the hypothetical fair market rent of the proposed lease in 2025 escalated at 2.5% per annum. Rent under the subsequent new lease would increase every five (5) years following commencement by cumulative CPI through the end of the term. Payment-in-lieu of real estate taxes ("PILOT") and the value of the reversionary interest at the end of the lease term(s) are not included in the comparison because they would be expected to be the same under both scenarios.

After an analysis of all relevant data and based upon the documentation presented within the following report, it is our opinion that the present value of the leased fee interest of the subject property, under the following scenarios, as of December 31, 2021, is:

The Nominal (Current Dollar) Value of the Hypothetical Leased Fee Interest, in Accordance with the Proposed Lease:

FOUR HUNDRED AND FIFTY-SEVEN MILLION DOLLARS (\$457,000,000)

The Nominal (Current Dollar) Value of the Hypothetical Leased Fee Interest, in Accordance with the Existing Lease and the Hypothetical New Subsequent Lease:

FOUR HUNDRED AND TWENTY-FOUR MILLION DOLLARS (\$424,000,000)

The Present Value of the Hypothetical Leased Fee Interest, in Accordance with the Proposed Lease:

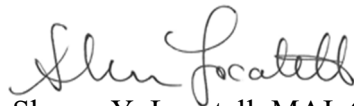
ONE HUNDRED AND FIFTY MILLION DOLLARS (\$150,000,000)

The Present Value of the Hypothetical Leased Fee Interest, in Accordance with the Existing Lease and the Hypothetical New Subsequent Lease

ONE HUNDRED AND TWENTY-TWO MILLION DOLLARS (\$122,000,000)

The following report sets forth all available data and methodology utilized in arriving at our value conclusion and should be read in its entirety. The appraisal is subject to the Underlying Assumptions and Contingent Conditions set forth on the following pages.

Respectfully submitted,



Sharon Y. Locatell, MAI, CRE, MRICS
State of New York Certified General Appraiser
I.D. #46000007350



Adam L. Wald, MAI
State of New York Certified General Appraiser
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View of Subject Property from Hudson River looking northeasterly



View of Subject Property from Hudson River looking southeasterly

APPRAISAL REPORT
of
Hudson River Park Piers 59, 60, 61 & p/o 62
Block 662, Lots 11, 16, 19 & p/o 7 and 62
New York, New York

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UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS

For the purpose of this appraisal, except as otherwise stated in the appraisal report, it is assumed:

1. That the legal description is correct.
2. That the title to the property is legally sufficient.
3. That there are no encumbrances or defects of title.
4. That the property is free and clear of all liens.
5. That the property will be efficiently managed and properly maintained.
6. That there are no structural conditions which are not apparent.
7. That there are no sub-surface soil conditions which would cause extraordinary development costs.

The appraisal is made subject to the following contingent conditions:

1. That no liability is assumed because of inaccuracies or errors in information furnished by others.
2. That no liability is assumed as a result of matters of legal character affecting the property, such as title defects, encroachments, liens, overlapping boundaries, party wall agreements, and easements.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser, and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. Except as the otherwise stated in the appraisal report, the value indication is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
4. This appraisal is to be used in whole and not in part. The appraisal is invalid if used in part.
5. That no survey, structural or sub-surface soil investigation was made of the property by the appraiser.
6. The appraiser herein by reason of this appraisal is not required to give testimony in court with reference to the subject property unless otherwise previously arranged.

7. Possession of this report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone but the applicant without the previous written consent of the appraiser.
8. This appraisal was made for the purpose stated and should not be used for any unrelated purpose.
9. Each finding, prediction, assumption or conclusion contained in the appraisal report is the appraiser's personal opinion and is not an assurance that an event will or will not occur. Except as otherwise stated in the appraisal report, we assume that there are no conditions relating to the real estate, sub-soil or structures located on the real estate which would affect appraiser's analyses, opinions or conclusions with respect to the real estate that are not apparent.
10. Appraisers and Planners, Inc. has not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA, effective January 16, 1992). It is possible that a compliance survey of the property and a detailed analysis of the ADA requirements may reveal that the property is not in compliance with one or more requirements. If so, this fact might have a negative effect upon the value of the property. Appraisers and Planners, Inc. is not an ADA expert and has no direct evidence relating to this issue. This report does not reflect possible non-compliance with the ADA or its potential negative effect on the concluded value herein.

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Identification:	Piers 59, 60, 61 & p/o 62 of the Hudson River Park New York, New York
Tax Identification:	Block 662, Lots 9, 11, 16 & p/o 7 and 62
Owner:	The subject property is owned by the Hudson River Park Trust pursuant to a proprietary master lease with the State of New York. The property is presently subject to a long-term net lease with Chelsea Piers L.P., as Lessee.
Location and Property Description:	The subject property is located along the westerly side of Eleventh Avenue and the Hudson River Greenway. The subject spans approximately five (5) city blocks, from the terminus of West 22 nd Street to the terminus of West 17 th Street. The property fronts along, and has direct access to, the easterly waters of the Hudson River.
Interest Appraised:	The hypothetical fee simple interest and fair market rental value in the subject property, is the interest appraised.
Purpose of Appraisal:	The purpose of the appraisal is to render an opinion of the fair market rental value of the subject property.
Intended Use of Appraisal:	The intended use of the appraisal is to provide information to the Client in connection with the negotiation of a new long-term lease.
Zoning:	M2-3, a Medium Manufacturing District (Medium Performance) zoning district with a basic maximum Floor Area Ratio (FAR) of 2.0, with uses further restricted by the proposed lease and the Hudson River Park Act. Under the proposed lease, retail, office, catering, banquet and restaurant uses are subject to greater limitations than those imposed by zoning.
Effective Date of Appraisal:	December 31, 2021

Market Rental Value Conclusion:

Analysis Year	2022	2023	2024	2025
Ground Rent	\$3,532,000	\$4,680,000	\$5,736,000	\$6,956,000
Rounded	\$3,500,000	\$4,700,000	\$5,700,000	\$7,000,000

It is anticipated that the fair market value of annual ground rent under the proposed lease would increase 2.5% per annum from 2025 through the end of the term.

SCOPE OF THE APPRAISAL

Appraisers and Planners, Inc. has been retained by The Hudson River Park Trust c/o Carter Ledyard & Millburn LLP, to prepare an appraisal of market rental value of Piers 59, 60, 61 & p/o 62 of the Hudson River Park.

This report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and Code of Ethics of the Appraisal Institute. To accomplish this assignment, the following scope of services was undertaken:

- Inspected the subject property and its improvements, as well as the Hudson River Park in the vicinity of the subject property.
- Analyzed demographic trends in the vicinity of the subject property: Regional, area and neighborhood data are based on published sources, the files and library of Appraisers and Planners, Inc. and our discussions with knowledgeable sources.
- Analyzed current zoning regulations applicable to the subject property and all comparable development site sales: Zoning information is based upon the City of New York Zoning Resolution.
- Developed an opinion of highest and best use of the subject property given the prescribed use restrictions under the proposed lease. We also note that in May 2019, approximately 158,000 square feet of excess development rights were transferred by HRPT to two developments on Manhattan Block 675 in connection with the off-site development of two mixed-income rental towers. Our valuation excludes any additional transferable development rights of the subject property. We have been advised by the Client that it would seek such a valuation at a future date when and if such an off-site transfer occurs.
- Conducted a study of market conditions for the varied uses within the subject property. Market information is based upon published studies, sales information sources such as PropertyShark and CoStar, NYC Department of Buildings, the files and library of Appraisers and Planners, Inc. and our discussions with active participants and lenders in the marketplace.

- Reviewed actual sublease abstracts and historical incomes for owner-occupied businesses associated with Chelsea Piers.
- Considered all approaches to value and developed an income capitalization approach to derive an opinion of market rental value for the subject property.
- Provided a value conclusion for the market rental value of the subject property.

IDENTIFICATION OF SUBJECT PROPERTY

The subject property is identified as Piers 59, 60, 61 and p/o 62 of the Hudson River Park and is legally identified as Block 662, Lots 11, 16, 19 & p/o 7 and 62 on the City of New York Tax Assessment Maps. The property is a nearly rectangular parcel bounded northerly by the terminus of West 22nd Street extended, southerly by the terminus of West 17th Street extended, easterly by the New York State Department of Transportation bikeway along 11th Avenue, and westerly by the US Pierhead line.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to render an opinion of the market rental value of the hypothetical leased fee interest in the subject property, under the assumption it is leased on a long-term basis at fair market rent.

INTENDED USE OF THE APPRAISAL

The intended use of the appraisal is to provide information in connection with the negotiation of a new long-term lease.

EFFECTIVE APPRAISAL DATE

The effective appraisal date is December 31, 2021.

INTENDED USER

The intended user of the report is The Hudson River Park Trust c/o Carter Ledyard & Millburn LLP, the client.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are those of the hypothetical fee simple estate for the purposes of establishing market rent for the subject property. According to the *Dictionary of Real Estate Appraisal, Sixth Edition (2015)*, a publication of the *Appraisal Institute*, the Fee Simple Estate is defined as:

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

OWNERSHIP HISTORY

Ownership of the subject property is currently held by the Hudson River Park Trust under a proprietary master lease with the State of New York. The property has been leased to Chelsea Piers

since June 24, 1994, under a prior lease with the New York State Department of Transportation, which prior lease was transferred to HRPT upon its inception. Between the original lease date and the effective date of this appraisal the property improvements have been continuously operated and maintained by Chelsea Piers. The company completed the substantial rehabilitation of the subject property and placed the improvements into service in early 1996. Development costs during 1994-1996, including hard and soft costs, are estimated at approximately \$94 million. The improvements contain both owner-occupied spaces and spaces subleased to subtenants.

During the life of the leasehold, Chelsea Piers has reconstructed portions of the subject property and has been undertaking a pile repair and replacement program to shore up the piers and extend the useful life of the improvements. According to information provided by the Client, this program has a projected budget in excess of \$100,000,000, of which approximately \$80,000,000 has been spent from 2010 to 2020. Chelsea Piers budgets continuing costs associated with this work of approximately \$3.1 to \$5 million per annum until the project is completed. Upon completion, annual \$3.1 million capital maintenance expenditures associated with the pile repair and replacement are expected to continue.

There have been no arms-length transactions of the subject property within three (3) years prior to the appraisal date.

EXPOSURE TIME

The definition of Exposure Time as published in The Dictionary of Real Estate, Sixth Edition (2015) by the Appraisal Institute is as follows:

“1. The time a property remains on the market.

2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (USPAP, 2016-2017 ed.)”

In estimating the appropriate exposure time applicable to the interest in the subject property we have considered marketing periods for similar type properties based on a survey of property listings as well as sales data and interviews with market participants. The subject property contains a mix of sublease programming that is highly sought after in the market, but also contains spaces that have struggled due to the COVID-19 pandemic. The demand for film and television studio space is unprecedented whereas the fitness facility uses, banquet catering, dinner cruises, bowling alleys and other indoor recreation uses have suffered during the pandemic and are projected to have a slow recovery extending to 2025 depending on the course of the disease and safety measures enforced.

It is our opinion that a reasonable exposure time applicable to the interest in the subject property as of the effective appraisal date is nine (9) to (12) months.

DEFINITION OF MARKET VALUE

Market value is defined as follows:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”²

DEFINITION OF MARKET RENT

Market rent is defined as “the most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the Lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

- Lessee and lessor are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
- The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs).”³

² Appraisal Institute, *The Appraisal of Real Estate*, 15th Edition, (Illinois: Appraisal Institute, 2020), page 48

³ Appraisal Institute, *The Appraisal of Real Estate*, 15th Edition, (Illinois: Appraisal Institute, 2020), page 421

Proposed Lease Abstract

- Location of Premises:** Piers 59, 60, 61 and 62 & associated headhouse of the Hudson River Park, which has a common address of 111A, 111B and 111C Eleventh Avenue, New York, New York.
- Premises are located generally between 17th and 22nd Street, west of the 11th Avenue and the NYS Department of Transportation Rte. 9a bikeway and extending to the US Pierhead Line.
- Comprising Block 662, Lots 11, 16, and 19 and portion of Lots 7 and 62 in the Borough of Manhattan.
- Lessor:** Hudson River Park Trust
- Lessee:** Chelsea Piers, L. P. and North River Operating Company L.P., jointly and severally.
- Lease Date:** “Execution Date” expected to be approximately June 1, 2022.
- “Commencement Date” expected to be four (4) months after Execution Date, or approximately October 1, 2022.
- Term of Lease:** Initial Term expires December 31, 2055 (“Initial Term Expiration Date”).
- Renewal Term: “Lessee shall have the right, at its option and subject to Lessor approval ... to renew and extend the initial term of this Lease for all of the Premises for one additional term of ten (10) years commencing on the day following the Initial Term Expiration Date.”
- Renewal term expected to commence on January 1, 2056 and extend through December 31, 2065 (“Renewal Term Expiration Date”).
- Improvements:** Improvements include two (2) pile supported finger pier shed structures, an 82,324 square foot netted outdoor golf driving range, a five-block long multi-story headhouse, a multi-lane private driveway, docks and various public access and circulation pathways. Total constructed indoor useable area, including building mechanicals and service areas, approximately 807,127 square feet. Total exterior useable area is approximately 93,146 square feet.

- Supplemental Fixed Base Rent:** Due upon the Commencement Date, an amount equal to the difference between Scheduled Fixed Base Rent (the amount of Fixed Base Rent that would have been payable had the Commencement Date been January 1, 2022) and the actual Commencement Date.
- Fixed Base Rent:** Initial Fixed Base Rent set at approximately 7.5 percent above Base Rent under the presently existing lease for the lease year starting January 1, 2022. Annual Scheduled Fixed Base Rent increases every two years starting on January 1, 2024 by the cumulative increase in CPI for preceding two years, with CPI change each year not greater than 3.5% or less than 0% (“Biennial Percentage Increase”).
- The initial annualized Fixed Base Rent for 2022 is \$4,406,467. Fixed Base Rent increases in addition to Biennial Percentage Increases are 7.5% for 2032 Lease Year, 10% for 2043 Lease Year, and should Renewal Term take effect, 5% for 2056 Lease Year.
- Percentage Rent:** Three Percent (3%) multiplied by the amount by which annual Gross Revenues exceed \$60 million and are less than or equal to \$90 million, plus, if applicable (ii) Three and One-Half Percent (3.5%) multiplied by the amount by which annual Gross Revenues exceed \$90 million and are less than or equal to \$100 million, plus, if applicable (iii) Four Percent (4%) multiplied by the amount by which annual Gross Revenues exceed \$100 million and are less than or equal to \$110 million, plus, if applicable (iv) Four and One-Half Percent (4.5%) multiplied by the amount by which annual Gross Revenues exceed \$110 million and are less than or equal to \$120 million, plus, if applicable (v) Five Percent (5%) multiplied by the amount by which annual Gross Revenues exceed \$120 million. From the Percentage Rent Allocation, as calculated above, Lessee receives a Percentage Rent Deduction equal to (x) that portion of Base Rent attributable to CPI increases that would have been payable had the existing lease continued to be in effect less (y) \$3,465,212 which is the Base Rent payable in the 20th lease year under the Original Lease.
- “Gross Revenue” is aggregate gross revenues of Lessee determined in accordance with GAAP.
- Transaction Rent:** If at any time during the Term there should occur a transaction that results in a change in control, then, upon the consummation of such transaction (or in the case of a series of related transactions the last to be

consummated of such transactions), Lessee shall pay as additional rent an amount equal to 2.5% of the difference between (i) the gross proceeds received by Lessee or its equity owners as a result of such transaction(s) and (ii) the actual out-of-pocket costs and expenses incurred by Lessee or its equity owners directly in connection with the transaction (“Transaction Rent”).

**Transfer
Restriction:**

Transferee must have sufficient financial ability to perform all covenants and conditions of the Lease, a business reputation for good faith and fair dealing reasonably satisfactory to Lessor, executive management who have, or a contractual arrangement with a management organization that has, in Lessor’s reasonable judgment, experience in operating a business of the same kind and character as that carried on by Lessee, and a presence in New York City sufficient to direct the management of the Premises and the administration of this Lease. In addition, the transferee may not be a “Prohibited Person” as defined in the Lease following background check performed by Lessor.

Expense Structure:

The lease is net for all operating expenses, including PILOT.

Lessee is further responsible for all repairs, whether ordinary or extraordinary, structural or non-structural, including for supporting piles and fender piles, bulkheads, docks, pier decks, buildings, driveways, public walkways, and electrical, water and sewer infrastructure (unless a governmental authority other than Lessor or a utility company is obligated to repair).

PILOT:

The Lessor is an exempt government-related entity, and there is no direct real estate tax obligation. In lieu of real estate taxes, the Lessee pays a Payment In Lieu of Taxes (PILOT) which is based on what the full real estate taxes of the property would be, as if taxable. PILOT is a category of rent under the proposed lease. PILOT is not payable for that portion of the Premises comprising land under water south of Pier 59 on partial Lot 7.

Use Restrictions

Existing uses at the Premise include a film and television studio, bowling alley, ice rink center, photography studio, fitness center, field house, golf driving range and supporting areas, restaurant, retail, office space, banquet facilities and parking. The lands underwater are currently used for a marina and vessel docking.

The uses in the subject property are governed by the Lease, the underlying zoning, the Hudson River Park Act, and the existing Special Permit and Certificates of Occupancy issued by New York City.

Permitted uses under the Lease are (1) a two-rink skating facility on Pier 61; (2) media, television and movie production facilities in the Headhouse and on the second level of the buildings on Piers 59, 60, and 61; (3) a marina on the water portion of the Premises south of Pier 59 and of sightseeing, excursion, meal and beverage service and entertainment cruises on other water portions of the Premises; (4) a multi-tiered golf facility and driving range on Pier 59; (5) a health club/gymnasium, indoor track facility, rock climbing and other indoor sports on Pier 60; (6) restaurants, catering facilities and other food and beverage services throughout the Premises not to exceed 120,000 square feet, provided that new or re-located catering establishments in excess of 5,000 square feet, new restaurants in excess of 15,000 square feet, and food service in general in excess of 100,000 square feet in the aggregate subject to Lessor approval following review based on evaluative criteria; (7) retail uses related thematically to other permitted uses (including but not limited to sports, marine and entertainment related retail and art galleries) not to exceed 100,000 square feet in the aggregate, with any newly established retail use in excess of 30,000 square feet subject to Lessor approval following review based on evaluative criteria; (8) accessory parking for patrons, employees, and visitors; (9) facilities for gymnastics, swimming, tennis, basketball, baseball, soccer and other team and individual sports; (10) children's and family recreation facilities, including but not limited to children's day camps; (11) bowling alley and other recreational facilities for children and families; (12) office use in the Headhouse building, primarily other than on the ground floor; (13) a museum or exhibition space related to historical events, sports, media production facilities, maritime themes, or art; (14) occasional, temporary and rotating exhibition space; (15) ancillary storage, office and support uses incidental to and ordinarily and customarily related directly to the administrative, building maintenance,

building repair, and other business operations of Lessee; and (16) existing uses of existing subtenants as of the Execution Date.

Lessee must maintain use and occupancy of sports and recreation uses of not less than the greater of 330,000 square feet or approximately 37.5% of total usable square feet.

Other use restrictions are as set forth in the proposed lease.

The property is zoned M2-3. The fitness facility d/b/a *The Sports Center at Chelsea Piers* operates the gym as a physical culture establishment (PCE) pursuant to a Special Permit extension. The most recent 10-year extension was approved in October 2015 under Board of Standards and Appeals (BSA) #69-95-BZ, retroactive to August 8, 2015, and expiring on August 8, 2025.

**Required Public
Access
Improvements:**

Lessee is required to undertake “Baseline Public Access Improvements” including (i) an expanded pile supported platform abutting and physically integrated with the existing Pier 59 Walkway (the “Pier 59 Platform Expansion”) with new boardwalk timber, framing and composite decking and railing similar to existing perimeter railings at the Premises, wayfinding and park graphics on the south exterior wall of the Pier 59 Headhouse, and new lighting (the “Pier 59 Walkway Improvements”); (ii) an enlarged 20-foot-wide entrance portal on the south side of the Pier 59 Headhouse (the “Pier 59 Entrance Improvement”); (iii) a new widened concrete pedestrian sidewalk to provide an easily identifiable and continuous pedestrian pathway, new lighting, screening of parking stackers, and park wayfinding and graphic signage extending through the Pier 59 Headhouse from the Pier 59 Entrance Improvement to the Sunset Strip Interior Walkway and Sunset Strip Exterior Walkway (the “Pier 59 Interior Improvements”); (iv) relocating seating/benches closer to the railing and/or removal of furniture to widen usable pedestrian passage space on the Sunset Strip Exterior Walkway, and installing or applying a surface treatment that provides an easily identifiable and continuous pedestrian pathway on the Sunset Strip Interior Walkway and Sunset Strip Exterior Walkway (the “Western Walkway Improvements”); (v) installing a durable and distinctive surface treatment consistent with the surface color of the Western Walkway Improvements (including crosswalk safety striping) to provide an easily identifiable and continuous pedestrian pathway within the interior of the Pier 60 and Pier 61 garages that align with the Sunset Strip Interior Walkway and Sunset Strip Exterior Walkway (the

“Garage Improvements”), (vi) removal of pedestrian obstructions and modifications to the existing Service Road Sidewalks to improve pedestrian flow (the “Eastern Sidewalk Improvements”), and (vii) installation of wayfinding signage.

**Required Public
Access
Improvements
(continued):**

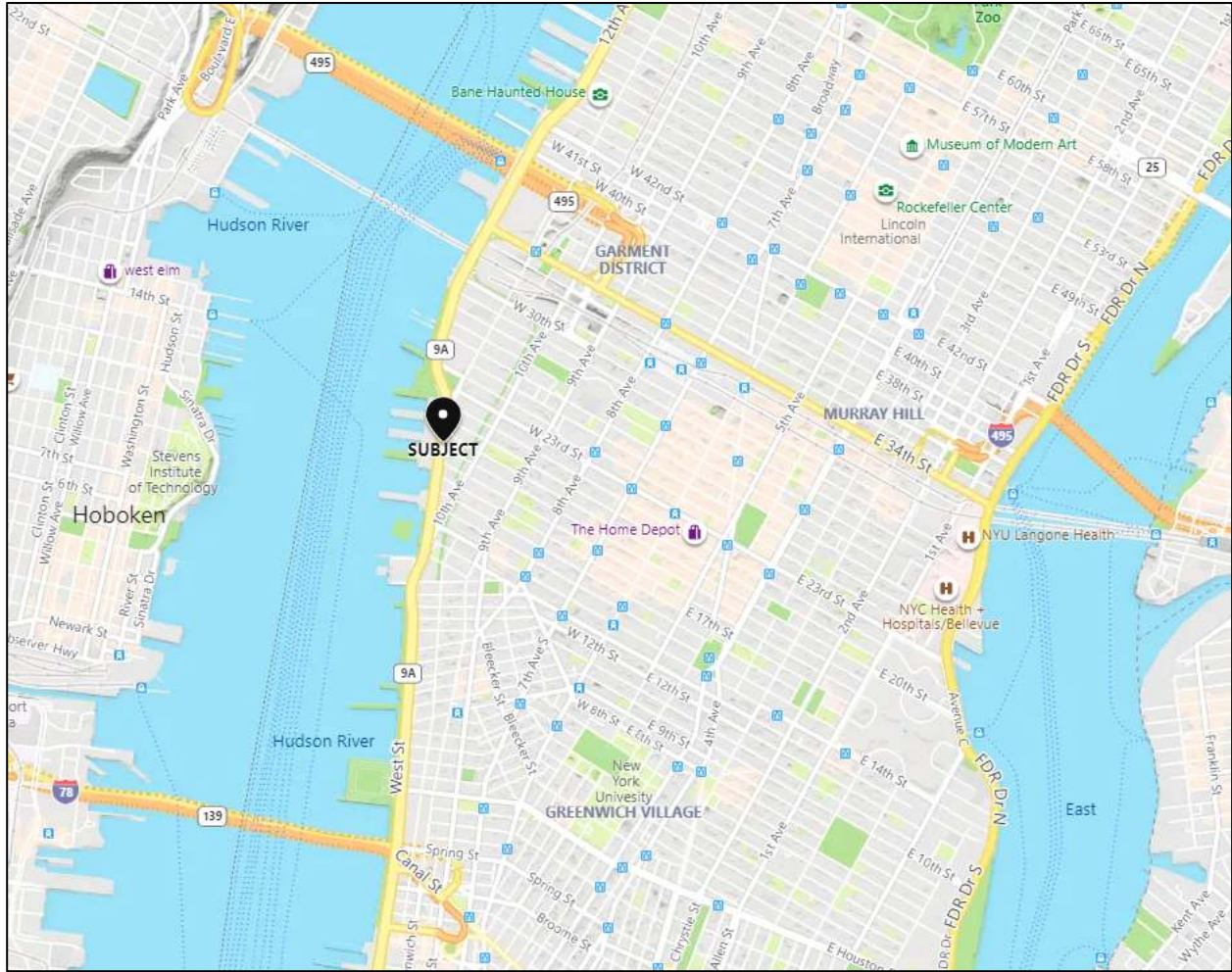
The estimate cost of the Baseline Public Access Improvements is approximately \$3 million, but the amount is not capped. Lessee is responsible for maintaining the Baseline Public Access Improvements following completion.

Lessee is further obligated to undertake, generally at the direction of Lessor, the “Enhanced Public Access Improvements” including: (1) the installation of pavers or other surface treatments of one or more types similar to those used elsewhere in the Park on walkways included in the Western Walkway Improvements and Pier 59 Interior Improvements (the “Walkway Pavement Enhancements”); (2) improvements to the pedestrian crossings within the interior of the Pier 60 and Pier 61 garages that modifies the surface elevation of the finished treatment (but not the application of the surface treatment itself) to align with the surface elevation of the Walkway Pavement Enhancement (the “Garage Crossing Elevation Improvements”); and (3) the widening of the exterior entryway abutting the northern portion of the Pier 62 Headhouse and connecting to the Western Walkway Improvements accomplished by the removal of structures separating portions of the Sunset Strip Interior Walkway and Sunset Strip Exterior Walkway (the “Pier 62 Entry Enhancement”). Lessor may elect to modify or eliminate portions of the Enhanced Public Access Improvements.

The estimate cost of the Enhanced Public Access Improvements is capped at \$3 million. Following expenditure of \$500,000 for the Enhanced Public Access Improvements, Lessee is eligible for a 7-year credit against Fixed Base Rent of approximately \$35,714 per month, or \$428,571 per annum, assuming the entire \$3 million is applied. No interest component is included in the credit amount. Lessee is then responsible for maintaining the Enhanced Public Access Improvements following completion without any credit against Fixed Base Rent.

Signage: Lessee shall develop and implement a Signage Plan for public facing locations at the Premises that identifies and promotes Lessee and the permitted uses and presents other public information reasonably necessary for the operation of the Premises in a manner appropriate to a public park setting (as opposed to a commercial mall, highway commercial strip, or business streetscape setting).

Use of Development Rights: Lessee may use up to 100,000 square feet of Lessor's available development rights for infill construction that does not change the bulk or height of the existing buildings, and subject further to Lessor's right of review and approval of any construction that in the aggregate is in excess of 20,000 square feet on a floor other than the pier deck level, or 30,000 square feet used for the expansion of television, movie or production facility space, or individual additions of up to 2,500 square feet that do not exceed 10,000 square feet in the aggregate. Use of the development rights must comply with all governmental requirements. It is noted that the pier sheds at Piers 60 and 61 have been determined to be eligible for listing on the National and State Registers of Historic Places. No additional Fixed Base Rent is due for use of development rights (as is the case under the existing lease), but any Percentage Rent due on Gross Revenues generated from such spaces will be payable.



Area Map

REGIONAL ANALYSIS

Location

The subject property is located in Manhattan, one of the five boroughs of New York City (“City”). New York City is the largest city in the United States and one of the largest in the world. It is located on New York Bay at the mouth of the Hudson River and comprises five boroughs, which are coterminous with five counties, as follows: Manhattan (New York County), the Bronx (Bronx County), Queens (Queens County), Brooklyn (Kings County), and Staten Island (Richmond County). The following map details New York City’s geographic location within the Greater New York Metropolitan area.



There are four interactive forces which affect the market value of real property: social forces, economic circumstances, physical and environmental conditions and governmental controls. The constantly changing nature of these forces can alter the supply and demand for real property which in turn, affects its market value. The following discussion will isolate and examine the historical trends for the elemental forces in the region which influence and create value in real estate. Our analysis includes comparative data for the nation as a whole, as well as for New York City and its five boroughs.

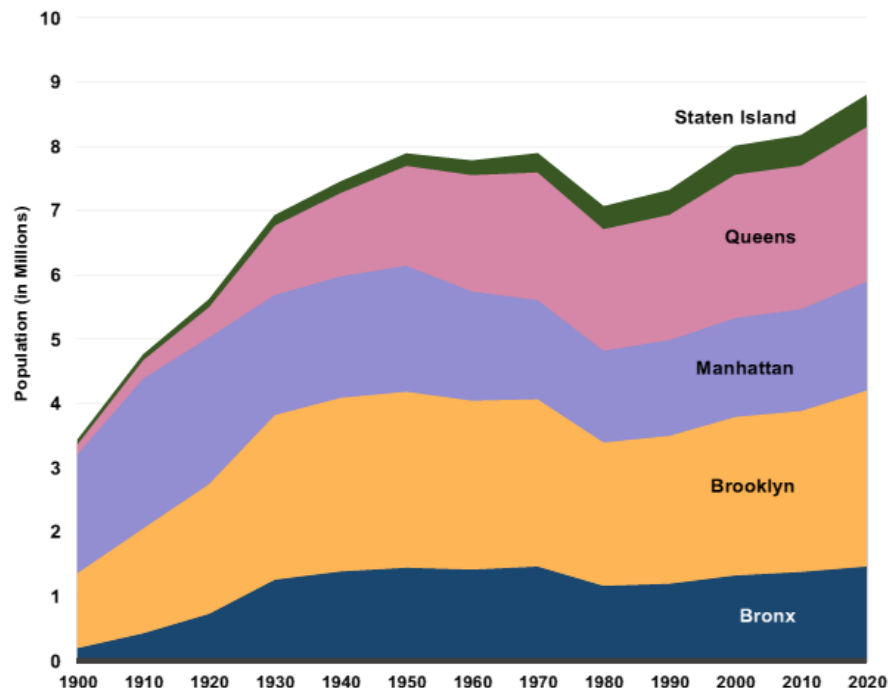
SOCIAL FORCES

Social forces that influence real estate values within a particular area or region comprise the demographic characteristics and trends within the specified area, including but not limited to population and household formation. A review of these demographic trends is instructive in determining the basic demand for real property within the particular real estate market.

Population

The New York metropolitan area, also referred to as Metropolitan New York, Greater New York, or the Tri-State area, is the most populous metropolitan area in the United States. It is considered part of the New York, Northern New Jersey, Long Island, and New York-New Jersey-Pennsylvania Metropolitan Statistical Area (MSA); as currently defined by the U.S. Office of Management and Budget. Based on 2020 US Census data, the Greater New York area continues to rank first in population among the nation's 384 MSAs and New York City is by far the most densely populated region within this Greater New York area.

Population
New York City Boroughs, 1900 to 2020



Source: U.S. Census Bureau
Population Division, New York City Department of City Planning

New York City's population grew rapidly in the first few decades of the 20th century, more than doubling between 1900 and 1930 from 3.4 million to 6.9 million. This period experienced high levels of foreign immigration, domestic in-migration, and natural increase (births minus deaths). The population continued to grow, though more slowly, in the 1930s and 1940s, rising to just short of 7.9 million in 1950. Population growth during this period was in large part due to domestic in-migration from the South and from Puerto Rico, as immigration slowed. In the middle of the 20th century, the city's population growth stalled. The city experienced a small population decline in the 1950s, as large domestic outflows to newly formed suburbs were only partially offset by domestic in-migration and high natural increase from the baby boom. In the 1960s, international immigration began to increase again after an overhaul of the country's immigration laws in 1965, and the city returned to modest growth, marginally surpassing the 1950 population. In the 1970s, growing immigration was

insufficient to offset large domestic outflows, leading to substantial population losses. The population stood at approximately 7.1 million in 1980, only slightly higher than the population a half century earlier. Since 1980, the City's population has grown in each decade increasing by 3.5% in the 1980s and by 9.5% in the 1990s, representing a reversal of what had been a long-term trend of declining population. The 2010 census revealed a more moderate rate of growth in years 2000 through 2010, as the City's population grew during this period by 2.2%. New York State reported a similar growth rate (2.2%) between 2000 and 2010.

Based upon 2020 Census data, New York City's population reached an estimated 8,804,190 residents, an increase of 629,057 residents, which equates to a 7.7% overall increase over the April 1, 2010 reported decennial census count of 8,175,107. The City's population during this period, that is, since April 2010, has been primarily fueled by births outpacing deaths, which reflects a record high life expectancy that has offset, to a certain extent, net outflows from the City. The New York City Planning Department reports that each borough experienced population growth over the 2010 Census figures. Brooklyn grew at the fastest rate at 9.2%, followed by Queens, which grew 7.8%, The Bronx at 6.3%, Manhattan at 6.8%, and Staten Island, with the smallest percentage gain of 5.8%. Neighborhoods with the highest growth included Long Island City-Hunters Point (up 198%), Downtown Brooklyn-DUMBO-Boerum Hill (67%), and Williamsburg (41%). These neighborhoods had large numbers of newly constructed housing units during the 2010s. Inwood and Washington Heights (South) were the only two neighborhoods in the city that saw substantial declines, of 5% and 7% percent, respectively.

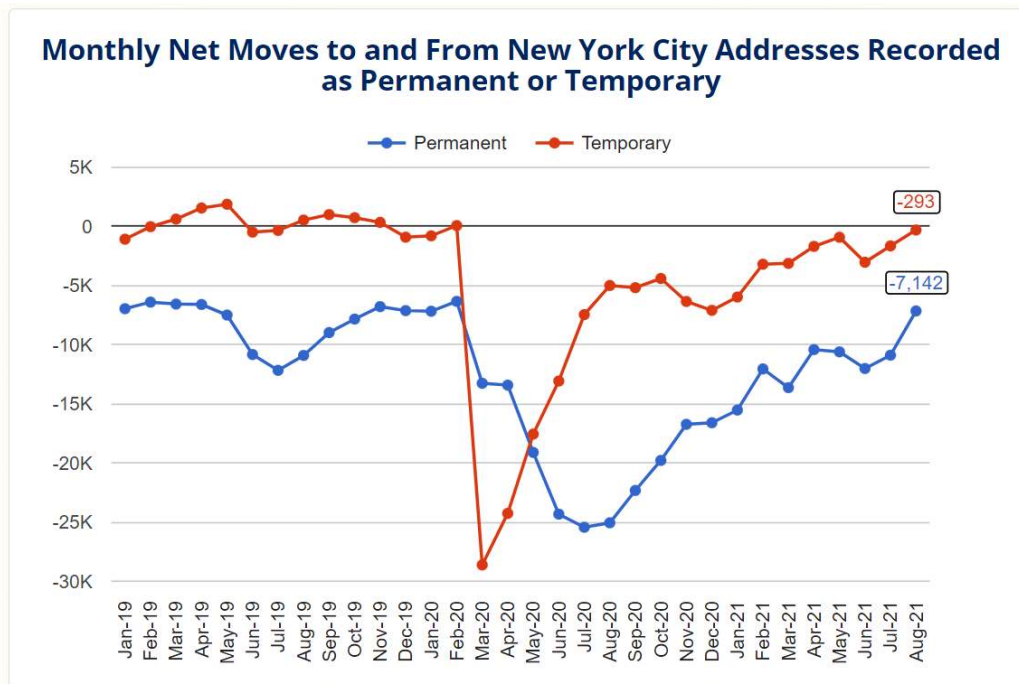
It is important to note that the 2020 Census was conducted under unique circumstances and employed new methods of data collection and processing. Census Day was April 1, 2020, and the COVID pandemic greatly affected New York City's outreach efforts, as well as Census Bureau field operations. The 2020 Census also featured new methods, including internet response and differential privacy. While 2020 state-level metrics, released by the Census Bureau this April, suggest data quality was comparable to that of the 2010 Census, sub-state data quality metrics are not yet available. As further metrics become available, the NYC Department of City Planning will continue to evaluate the quality of NYC's census results.

Despite annual growth from 2010, both the State of New York as well as New York City, have continued to experience population decline over the past few years. According to the US Census Bureau, between July 2019 and July 2020 the State lost 126,355 residents, a decrease of 0.65%. Both the gross figure and the percentage change are the highest in the country. When COVID-19 hit New York City in the spring of 2020 many New Yorkers – particularly in wealthier neighborhoods – fled to social distance in more spacious locations. While most of these initial exits were temporary, over the next year the continuation of remote work and distance learning enabled people to live anywhere, causing a sustained exit of city residents throughout 2020 and into early 2021. Eighteen (18) months later these losses have finally started to reverse, as documented by change of address forms recorded by the post office.

The United States Postal Service (USPS) publishes monthly data on temporary and permanent requests for a change of address, both domestic and abroad, including moves within the same municipality. A household moving within the same city would appear as both a move-out and a move-in. Before the pandemic, in calendar year 2019, the USPS received 616,091 residential

change of address request forms for a move from a New York City address and 525,559 forms for a move to a New York City address, including intracity moves, registering a net loss of 90,532. But in 2020, the USPS received 837,404 forms for residential move-outs and 534,142 forms for move-ins, resulting in a net loss of 303,262 or 3.3 times the loss in 2019.

Net losses peaked in March 2020 at the pandemic’s onset, as 79,793 residential move-out forms were filed, an increase of 65% over March 2019. At the same time, the number of net move-outs, including residential and business moves, recorded as “temporary,” i.e., the mover intends to move back within six months, jumped from close to zero in February 2020 to 28,625 the following month. Of the 212,730 increase in net residential move-outs during 2020, roughly half were temporary; 58% came from Manhattan and 26% from Brooklyn.



SOURCE: NYC Comptroller’s Office analysis of United States Postal Service, “Change of Address Stats,” <https://about.usps.com/who/legal/foia/library.htm>.

City stakeholders are concerned about the long-term effects from the increasing loss of residents as more and more workers accept the Work from Home (WFH) model and eschew City residence. Compounding the WFH model are the high income taxes and other incremental taxes such as the mansion tax on purchase of residential real estate. Even prior to COVID-19, high income residents were increasingly leaving Manhattan as a primary residence.

Households

The following is based upon demographic information provided by Environmental Systems Research Institute (“ESRI”). The household data, inclusive of the number of households and average household size, is summarized, as follows:

Household Statistics							
Area	2000	2010	% Change	2021	% Change	5 Year	% Change
	Households	Census	2000-2010	Households	2010-2021	Projection	2020-2025
				2026			
United States	105,480,101	116,716,292	10.7%	126,470,675	8.4%	131,047,364	3.6%
State of New York	7,056,860	7,317,755	3.7%	7,482,516	2.3%	7,520,525	0.5%
New York City (5 Boroughs)	3,021,322	3,109,784	2.9%	3,208,649	3.2%	3,258,339	1.5%
Manhattan	738,644	763,846	3.4%	794,969	4.1%	807,556	1.6%
Brooklyn	880,727	916,856	4.1%	948,409	3.4%	967,701	2.0%
Queens	782,664	780,117	-0.3%	796,959	2.2%	804,103	0.9%
Bronx	463,212	483,449	4.4%	499,225	3.3%	508,665	1.9%
Staten Island	156,341	165,516	5.9%	169,096	2.2%	170,757	1.0%

Source: ESRI; Compiled by Appraisers and Planners, Inc.

In the decade from 2000 through 2010, with the exception of Queens, which experienced a nominal contraction in the number of households, all of the remaining four boroughs experienced increases in the number of households, ranging from 3.4% in Manhattan to 5.9% in Staten Island. During that same ten-year period, the number of households increased by 4.4% in The Bronx and 4.1% in Brooklyn. Most recently, between 2010 and 2020, household formation has increased in all five boroughs, with an overall increase for New York City of 4.2%. As shown in the previous table, the overall number of households in New York City is anticipated to grow at an overall rate of 1.5%, or by 49,690 households, in years 2021 through 2026. During that same five-year period, Brooklyn is expected to have the greatest overall percentage increase in households of 2.0%; followed by the Bronx (1.9%), Manhattan (1.6%), Staten Island (1.0%) and Queens (0.9%).

Based on 2021 population and household data, as compiled by ESRI, the average household size in New York City is 2.6 persons, 2.8 persons in the Bronx and Staten Island, 2.9 persons in Queens, and 2.7 persons in Brooklyn, while Manhattan has the smallest household average size of 2.1 persons. It is estimated that nearly half of the households in Manhattan are single persons, twice the rate of the State average. The smaller household size is largely attributed to the job opportunities in Manhattan that attract a younger demographic, as well as a function of Manhattan lifestyles. Based upon current projections and trends, the average household size in New York City is not expected to significantly change through 2026.

ECONOMIC FORCES

Economic forces that shape demand for real estate within a region and/or local area include cyclical recessions and the corresponding changes in employment, income levels, and dynamics within the particular residential, office and/or retail real estate market. Data within this section reflects information compiled by ESRI⁴, The U.S. Bureau of Labor Statistics, local real estate sources and from our independent research.

New York City is a vibrant center for commerce and business and one of the three “world cities” (along with London and Tokyo) that dominate world finance. The City is also a cultural, political and leading media center, housing many of the world’s most notable art museums, political

⁴ Demographic data from ESRI has not been updated to reflect for the COVID-19 impact with respect to income and population projections.

institutions; such as the United Nations, varied consulates, as well as a number of the world's largest communications companies. In addition, the City attracts many visitors. Over the past nine years, New York City has continued to experience record-breaking visitors each year, achieving a record high of 66.6 million visitors in 2019. The strength of the City's tourism industry is one of the reasons the New York City economy had fared better in the most recent recession when compared to other MSAs, but is one of the main reasons that the City's unemployment rate as of December 2021 (7.9%) is still considerably higher than the national unemployment rate (3.7%). Job losses in the hospitality sector have been severe.

Year-over-year from 2019 to 2020, total employment in the hospitality industry dropped from 466,200 to 271,800, a 42% decrease. The initial shutdown of the Broadway theaters in the second week of March 2020, which was extended through May 2021, as announced on October 9, 2020⁵, has had significant impacts on the local economy. According to the Broadway League, 97,000 workers rely on Broadway, which generates an economic impact of \$14.8 billion. The long-term closure of the theaters has forced several performances to cancel including *Who's Afraid of Virginia Woolf*, *Mean Girls*, *Hangmen*, *Frozen* and *Beetlejuice*, and an additional 15 performances have announced a rescheduling.⁶ The uncertainty of when tourists will return to NYC in full force to attend Broadway shows lingers ominously over a significant portion of the NYC economy. As Broadway has started to open up, the hospitality industry has experienced a spike in employment year-over-year. In December 2020 total hospitality employment was 224,800 and has increased to 329,000 in December 2021, although the temporary closures of several shows resulting from Covid outbreaks threatens a strong recovery for Broadway and surrounding industries.

Prior to the pandemic, the local economy had benefitted from a growing diversity of its industries. One of the more dynamic growing sectors of the New York City economy is TAMI, which is an acronym for the Technology, Advertising, Media and Information industries. Jobs in the TAMI sector represent some of the highest paying jobs in the local economy and growth in this sector has contributed to a resurgence of many neighborhoods in Midtown South. There, the older loft buildings, with their high ceilings and attractive pre-war architecture, offer a more unconventional type of office space that has proven to be highly desirable to the typical TAMI office user. Most recently, as the TAMI sector grew, the added amenities, including larger spaces afforded by more recently constructed buildings in Downtown Manhattan, have begun to attract high tech companies to the Downtown area particularly those companies that are in a growth mode that require larger space than is typically available in the older buildings that comprise the Midtown South office market.

With the pandemic, several of the larger TAMI companies are not using their space, forcing a revision of space uses. The impact of WFH has been embraced by several of the large tech companies, with several smaller companies following suit. In July 2020, Google announced that its employees had the option to continue working from home until Summer 2021, and has since extended that to January 2022. Facebook also announced a policy to permit employees to work from home indefinitely. Several TAMI tenants that lack the deep pockets of Google and Facebook have resorted to offering space for

⁷ <https://apnews.com/article/virus-outbreak-new-york-health-theater-archive-ce076cef707b1c9e1b662ac6f1f91efc>

⁶ <https://www.tdf.org/stages/article/2371/broadway-whats-closed-canceled-or-rescheduled>

sublease.

As a result, there is over 20.6 million square feet available for sublease in the Manhattan office market, an 85% increase since pre-pandemic levels in 4Q 2019. Several large blocks of sublease space that have recently come to market include Dentsu's 324,000 square feet of space at Tishman Speyer's 341 9th Avenue, WeWork's 212,000 square feet at 620 6th Avenue and 156,000 square feet at 113 West 19th Street. Twitter, Omnicom Group, R/GA, McGraw-Hill, Zillow and WPP all put 100,000 square feet or more of sublease space on the market. The amount of sublease space entering the market will lead to decreased rents, increased vacancies and prolonged absorption periods. There are some positive signs related to TAMI occupancy in NYC, as leasing in this segment of the market has increased due to leasing activity from established firms such as Microsoft and younger firms such as Clear and Cockroach Labs.

Overall, New York City has benefitted from a local economy that was diversifying and adapting to the latest innovations in business and technology. The effects of the pandemic, however, may stunt this diversification as employers look to retool businesses to address changing business and space needs.

Economic Cycles

Prior to the recent COVID-19 induced recession, New York, along with the nation, has gone through three (3) recessions over the past 20 years: the S&L induced recession of the early 1990s, the tech-bubble recession commencing in 2001, and the financial crisis-led recession of 2007. The Great Recession that began in December 2007 and officially ended in June 2009 led to a total of 92,200 jobs lost in New York City. As evident in prior recessions, New York City has proved to be one of the more resilient economies in the nation and was among the first to recapture all jobs that had been lost in the last recession. However, there are concerns that some of the fundamental damage that has been done to certain sectors of the local economy may result in a prolonged recovery from the current recession. Recovery dictates that people feel comfortable coming back to the City in dense work and living quarters. There is concern that there are structural changes impacting the demand for space from users, as many industries have realized that remote working is possible with at least a portion of their workforce or possibly all of it.

Following the 2007-2009 financial crisis, the New York City economy began to improve in the latter part of 2010, as the recovery took hold. As shown in the employment table below, between year-end 2010 and year-end 2011, the local economy added 87,800 new jobs. In the nine years since 2010, the New York City economy has added a total of 921,100 jobs, an average annual increase in that nine-year period of 2.48%. The large majority of new jobs was in the service producing sector of the local economy. The Education/Health Services sector added 283,400 new jobs, the largest number of new jobs for that nine-year period, followed by the Professional/Business sector, which added 218,800 new jobs, an overall percentage increase of 38.03%, followed by Leisure/Hospitality sector, which saw an increase of 144,000 new jobs during that nine-year period, an overall percentage increase of 44.69%.

Employment

NEW YORK CITY EMPLOYMENT STATISTICS (000s)											Y-o-Y Comparison			
Industry	2010	2011	2012	2013	2015	2016	2017	2018	2019	COVID 2020	% Change 2010-2020	Dec 2020	Dec 2021	% Change 12/20 to 12/21
Natural Resources, Mining, & Construction	112.5	112.3	116.1	122.2	139.3	147.2	151.1	157.8	159.9	138.0	22.67%	139.8	135.6	-3.0%
Manufacturing	76.3	75.7	76.3	76.4	77.8	76.1	73.1	70.6	67.3	53.0	-30.54%	53.4	53.9	0.9%
GOODS PRODUCING:	188.8	188.0	192.4	198.6	217.1	223.3	224.2	228.4	227.2	191.0	20.34%	193.2	189.5	-1.9%
Trade/Transportation/Utilities	559.7	575.6	589.3	605.0	630.2	630.4	634.3	631.2	632.7	534.3	-4.54%	545.0	580.8	6.6%
Information	165.9	170.8	175.8	179.2	189.0	192.6	197.1	204.4	211.2	206.8	24.65%	204.5	222.3	8.7%
Financial Activities	428.3	439.1	439.1	437.5	459.3	465.9	469.8	474.7	482.4	469.8	9.69%	465.7	458.4	-1.6%
Professional/Business Svcs.	575.3	597.5	620.4	642.9	700.0	722.3	742.3	762.1	794.1	709.4	23.31%	701.1	751.7	7.2%
Education/Health Svcs.	771.6	789.2	786.2	831.1	896.9	928.7	963.4	1006.2	1055.0	1004.3	30.16%	1,023.0	1,060.3	3.6%
Leisure/Hospitality	322.2	342.2	365.7	385.4	427.8	440.2	452.1	463.0	466.2	271.8	-15.64%	224.8	329.0	46.4%
Other Svcs.	160.6	165.2	170.4	174.9	185.7	190.1	191.5	193.1	194.7	158.1	-1.56%	154.3	161.7	4.8%
Government	558.0	550.6	546.1	544.4	549.9	552.3	552.1	588.3	588.0	588.0	5.38%	588.6	591.7	0.5%
SERVICE PRODUCING:	3,541.6	3,630.2	3,693.0	3,800.4	4,038.8	4,122.5	4,202.6	4,323.0	4,424.3	3,942.5	11.32%	3,907.0	4,155.9	6.4%
TOTAL NON-FARM EMPLOYMENT:	3,730.4	3,818.2	3,885.4	3,999.0	4,255.9	4,345.8	4,426.8	4,551.4	4,651.5	4,133.5	10.81%	4,100.2	4,345.4	6.0%

Source: New York State Department of Labor Statistics; compiled by Appraisers and Planners, Inc.

Note: data is not seasonally adjusted.

As of December 2021, 95.6% of total employment in the City is in the Services Producing sector, while only 4.4% of all employment is in the Goods Producing sector. The negative effects of the pandemic and the corresponding shutdown of businesses began to register in the March 2020 figures as the economy contracted, ending the longest economic expansion ever recorded for New York City. As shown in the full-year 2020 and December 2020 job numbers, the local economy continued to shrink with the Leisure/Hospitality sector experiencing the largest job losses. The hardest hit employment sector is Leisure/Hospitality, which despite a robust 46% year-over-year growth is still 29% below 2019 figures. This is a direct result of COVID-19 and resulting City and State mandates regulate businesses.

Impact of COVID-19

COVID-19 has had overwhelming impacts on the global economy and has been disruptive to business and supply chains across the world, with nearly every country and segment of the global economy impacted. The majority of adults in the United States and children above five years of age have received a COVID-19 vaccine, however children under five years of age are still largely unable to be vaccinated, which has limited the full re-opening of parts of the economy as some parents are unable to secure childcare for their children.

Due to the highly transmissible nature of COVID-19, nearly all space uses which relied on dense or moderately dense occupancy have been severely impacted. Restaurants were unable to provide safe indoor dining, movie theaters could not show films, stadiums and arenas were unable to host sporting events and concerts, retail stores had to substantially reduce the number of customers. Despite the proliferation of adult vaccines, many office tenants are still uncomfortable exposing workers to daily commuting and to enclosed office spaces. The pandemic had also effectively shut down tourism and travel domestically, but there are signs that travel and tourism is picking up. From April 2021 through year-end 2021 TSA passenger screenings averaged 1,795,838 passengers per day, a 195% annual

increase during the same period in 2020. For 2021 however, passenger throughput figures are still 31% below 2019 average daily throughput.

Initially, the impacts of COVID-19 were disjointed nationally, with waves of cases and deaths occurring at different intervals. During the “first wave” in April 2021, 7-day trailing average for cases peaked at 31,709; this increased to over 65,000 in July and as of mid-December had increased to over 210,000 cases per day. Vaccines created by Pfizer, Moderna and Janssen/Johnson & Johnson have been effectively deployed to the majority of US adults and children above five years of age, however the emergence of the Omicron variant domestically in late December 2021 curbed some of the progress being made through vaccination. The Omicron variant is a highly transmissible, yet less potent form of COVID-19. Although the vaccines largely failed to prevent transmission of the Omicron variant, it is widely acknowledged that the vaccinated population largely avoided severe illness and death. The Omicron variant has evolved to become the dominant strain of COVID-19 and although domestically COVID-19 is approaching the endemic phase there remains a risk of new variants and subvariants.

GDP Growth, Inflation and Unemployment

As of year-end 2021, the US economy has rebounded following a substantial contraction caused by the pandemic, however certain segments of the economy and may not fully recover for several years, partly due to the impact that supply chain shortages and inflation are having on both producers and consumers. During the depth of the pandemic, the US Gross Domestic Product (GDP) shrank by 5.0% during the Q1 2020 and 31.4% in Q2 2020, the largest decrease since the Great Recession. In Q3 2020, GDP rose 33.1%. GDP growth has since stabilized; following a full-year annual change in 2020 of -3.4%, real GDP increased 5.7% in 2021, the fastest full-year growth since 1984.

As consumer demand has accelerated, supply chain issues have led to a rapid increase in inflation, especially towards the latter half of 2021. Notably, December 2021 CPI index increased by 7%, the fastest increase since June 1982. Core CPI, which excludes food and energy, was up 5.5% year over year. The Federal Reserve (“the Fed”) is closely watching inflation and its potential impacts on the economy. The Fed predicts inflation of 2.6% in 2022, 2.3% in 2023 and 2.1% in 2024.

In response to inflationary pressure the Fed, at the December 15, 2021 Federal Open Market Committee (FOMC) meeting revealed that all 18 members see the Fed raising interest rates in 2022, with 12 of the 18 members project a federal funds rate in excess of 0.75% in 2022. It is predicted by many experts that there will be between three and four quarter-point rate increases in 2022. By 2024 all 18 members see a fed funds rate of over 1.75%, and 13 of the 18 members see the Fed project fed funds rate in excess of 2.0%.

The pandemic had a substantial impact on unemployment rates, especially in New York City, where unemployment rates are considerably above national levels largely due to the number of hospitality-related jobs lost. Nationally, US nonfarm workers declined from a peak of 152 million in February 2020 to 130 million in April 2020, a loss of approximately 22 million jobs. Locally, the unemployment rate in New York City as of June 2020 was 20.40%, although some have argued that the true unemployment rate in the City was 25% or higher. As of December 2021, NYC

unemployment – not seasonally adjusted - stands at 7.9%, which is 114% higher than the national unemployment average of 3.7%.

Even though vaccines have become widely available, and much of the population is accepting of the Omicron variant endemic, certain segments of the economy continue to lag. New York City is fully “open for business”, but the work from home (“WFH”) model, which prior to COVID-19 was employed by only a distinct minority of businesses, is anticipated to remain with us with some percentage of permanency. Sources vary with major NYC landlords tracking daily in-person occupancy peg the total rate at approximately 28% while office card-reading access companies peg the occupancy slightly higher at 35% as of December 15, 2021, meaning that approximately 65% to 72% of workers are continuing to work from home for some portion of the week. This has borne itself out in the continued increase in vacancy rates and amount of sublease space. According to Cushman and Wakefield Q4 2021 market report, the total available office inventory in Manhattan is 83.4 million square feet between direct and sublease availabilities. Some real estate professionals note that figure is under-reported as there could be more than 10 million square feet available through shadow sublease inventory. Despite leasing activity of 18.6 million square feet in 2021, negative absorption was -19.6 million square feet.

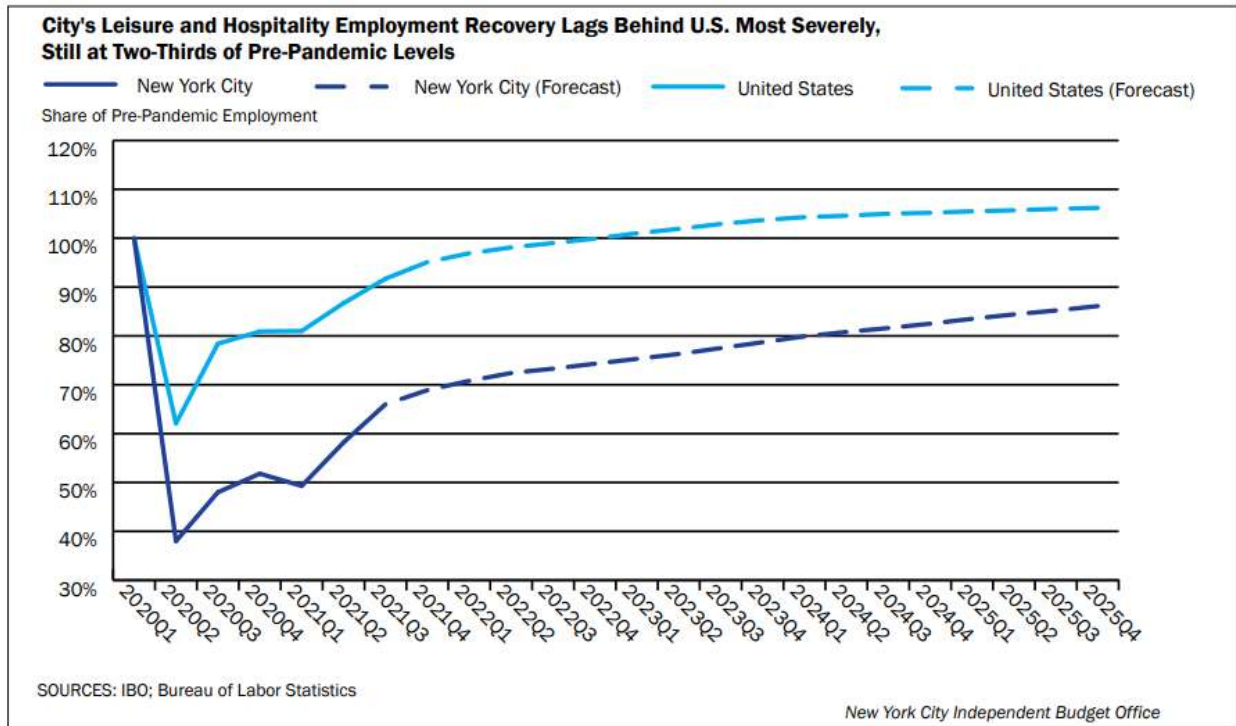
Owners and employees of all types of businesses have discovered the viability of WFH, and although it is believed that most businesses will want their employees to return to the office environment for collaborative and efficiency reasons, if even a small percentage of them are allowed to continue to work from home the repercussions for office space demand will be dramatic. Furthermore, if the City’s tourism industry is slow to open this will have long-lasting impacts on the City’s financial strength.

Structural changes in retailing due to the growth in e-commerce were evident in the market prior to COVID-19. These changes have accelerated as a result of the pandemic. Purchasers/customers of retail products and selected services have been growing exponentially over the past several years, but the pandemic has increased the level of growth beyond anyone’s wildest projections. Even the uninitiated in e-commerce are now comfortable ordering all manner of products and services online. The shutdown of the City due to the pandemic has severely hurt retailers and restaurateurs. Some will never re-open, and the market has yet to understand the depth of the decline in rents and demand for retail space. The larger economic factors described above, and projections combined with the virtual shutdown of the retail, hospitality and much of the private sector are all indicators of the likely lessening demand for space of all types over the next several years.

Re-Opening in New York City

The New York City Independent Budget Office (“NYC IBO”) projects that the leisure and hospitality sector, which lost 62.0 percent of total employment between the first and second quarters of 2020 during the onset of the pandemic (286,000 jobs out of 460,000), has only reached 66.0 percent of pre-pandemic employment thus far, and will still be at 86.1 percent by the end of 2025. NYC IBO notes that employment in this sector is closely linked to tourism and is therefore dependent on trends in domestic and international leisure travel, which will likely remain both weak and volatile as the pandemic continues to surge and recede around the globe. It is also dependent on trends in business travel, and we expect a long-term and marked decline in company-financed trips, since the past two

years have shown that many meetings can be successfully conducted online without the need to travel. Projections for recovery in the city’s leisure and hospitality industry remain well below national forecasts, given both New York’s hub as a global center of business, as well as its repeated status as an epicenter for new outbreaks of the virus and its variants.

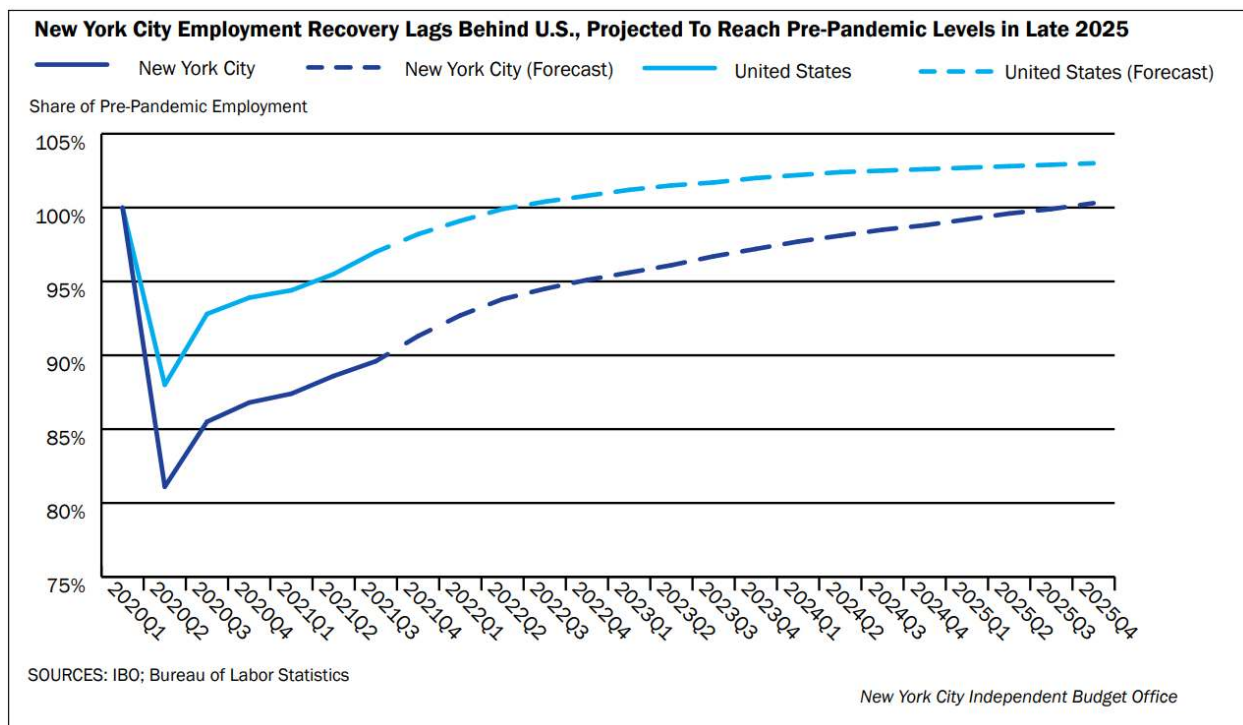


Other hard-hit sectors, apart from the catch-all “Other Services”, are Trade/Transportation/Utilities and Professional/Business Services. Most economists agree that the City’s development of new industries coming out of the Financial Crisis helped diversify the local economy, which should give the City an advantage as it emerges from the effects of the COVID-19 pandemic. We caution, however, that many employers have already indicated that they intend to seek space in cheaper markets in the wake of the recession. On its earnings call, Mack-Cali Realty Corporation CEO claimed that Citi is removing 300,000 square feet of space from the sublease space in Jersey City and that AIG is considering relocating many of its Manhattan staff to New Jersey. Firms headed by Paul Singer and Carl Icahn have also left New York in favor of Florida, which has no income tax. One of the biggest announcements concerns Goldman Sachs, which is seriously considering moving its asset management division from NYC to South Florida. As a further sign of weakening demand and increasing sublease space, it was recently reported in a Real Deal article that Conde Nast is in the market for only 400,000 square feet to be split between New Jersey and Midtown Manhattan. This is less than ½ of its existing One World Trade Center footprint of 1 million square feet. HSBC also recently announced it intends to reduce its real estate footprint by 40% amid the shift to WFH.⁷

⁷ <https://therealdeal.com/national/2021/02/24/hsbc-to-shrink-its-office-footprint-amid-shift-to-wfh/>

Because of its exposure to tourism and international business, New York City could continue to suffer long term consequences with respect to employment growth. COVID-19 has essentially reset the trajectory of employment growth in New York City, and following an anticipated recovery in employment between now and 2023, the employment growth will be on substantially slower trajectory than the 10-year period prior to COVID-19 impacts. Based on the sustained high unemployment rates in the City, the amount of office space available, continued net negative absorption coupled with the slow return to in-person work, the City is suffering outsized impacts from the pandemic as compared with other major cities and the U.S. as a whole.

NYC IBO estimates that by the end of 2021, employment in New York City grew by about 213,000 jobs (measured on a Q4-to-Q4 basis), which is about 35 percent of the 615,000 jobs the city lost over the course of 2020. IBO had previously forecasted that the city would reach pre-pandemic employment in the middle of 2024, but has revised projections that this will not happen until late in 2025. This contrasts to the national economy, which has already reached 97 percent of pre-pandemic employment and is projected to hit 100 percent by the middle of 2022.



Unemployment

As exhibited in following table, New York City’s ebb and flow in unemployment generally mirrors the overall economy. Strong employment figures were exhibited in years 2006 through 2007, reflecting a robust economy, followed by rising unemployment rates beginning in 2008, as the ill effects of the “great recession” began to manifest in the unemployment numbers. Unemployment continued to increase through 2010, as the local and national economies were slow to recover. Between year-end 2010 and prior to the on-set of the current pandemic that began to manifest itself in the March 2020 unemployment figures, the local and national economies were steadily improving,

as evidenced by the steady decline in the corresponding unemployment rates during that period. Historical unemployment rates from 2006 through December 2021 are presented below:

**ANNUAL AVERAGE UNEMPLOYMENT RATES
(Not Seasonally Adjusted)**

ANNUAL AVERAGE UNEMPLOYMENT			
<u>Year</u>	<u>New York City</u>	<u>New York State</u>	<u>U.S.</u>
Dec-21	7.90%	5.00%	3.70%
Nov-21	8.00%	5.50%	3.90%
Oct-21	8.40%	5.90%	4.30%
Sep-21	8.90%	6.30%	4.60%
Aug-21	9.80%	7.10%	5.30%
Jul-21	10.20%	7.40%	5.70%
Jun-21	10.10%	7.20%	6.10%
May-21	9.90%	7.00%	5.50%
Apr-21	10.80%	7.70%	5.70%
Mar-21	11.20%	8.00%	6.20%
Feb-21	13.20%	9.70%	6.60%
Jan-21	13.10%	9.40%	6.80%
2020	12.30%	10.00%	6.70%
2019	3.90%	4.00%	3.70%
2018	4.10%	4.10%	3.90%
2017	4.50%	4.70%	4.40%
2016	5.20%	4.80%	4.90%
2015	5.70%	5.30%	5.30%
2014	7.30%	6.30%	6.20%
2013	8.80%	7.70%	7.40%
2012	9.30%	8.50%	8.10%
2011	9.10%	8.20%	8.90%
2010	9.60%	8.60%	9.60%
2009	9.20%	8.30%	9.30%
2008	5.50%	5.40%	5.80%
2007	4.90%	4.50%	4.60%
2006	5.00%	4.60%	4.60%
2005	5.80%	5.00%	5.10%

Source: NY State Department of Labor and the US Bureau of Labor Statistics; compiled by Appraisers and Planners, Inc.

Federal Reserve Chair Powell noted that the reported national unemployment rate of 6.3% in January 2021 was misleading due to misclassification of certain workers and that true unemployment was close to 10%.⁸ As of December 15, 2021, the Fed estimates that national unemployment will

⁸ <https://www.federalreserve.gov/newsevents/speech/powell20210210a.htm>

eventually fall to 4.3% in 2021, 3.5% in 2022 and 2023, but project longer run unemployment to stabilize at 4.0%.

Economists typically view the economy at full employment when the rate of unemployment registers from 5.5% to 6.0%. While unemployment rates would suggest that the national and local economies are at full employment, the “U6 Rate” is a broader measure of unemployment. The U6 rate, in addition to counting unemployed people looking for full-time employment, also counts those working part-time for economic reasons and those who have gotten discouraged and have stopped looking but would still like to find a job. This calculation includes those 16 years of age and older. The U6 rate in March 2020 was 8.90%; not surprisingly this rate was beginning to inch up as the negative effects of the Covid-19 pandemic begin to register in the unemployment numbers. By April 2020, the U6 rate jumped to 22.40%, surpassing the most recent historical high of 17.90%, which was recorded in February 2010 and reflected the adverse effects of the last recession on employment and jobs. As of December 2021, the U6 rate is 7.2%.

The following chart illustrates seasonally adjusted initial weekly jobless claims, with a peak of 6.6 million in mid-April 2020. Initial claims ending December 25, 2021 were significantly lower at 200,000. We note that initial claim averages pre-COVID-19 were in the low 200,000 range. The trend in seasonally adjusted jobless claims is illustrated on the following graph:



The effects of the job losses have been a significant shock to the system and have had far-reaching impacts across the economy. Certain segments of the population may transition out of the labor force altogether. Even in more normal job market conditions, only roughly 40 percent of those out of the labor force who say they want a job are back in the labor force within 12 months, and some project that the structural damages done to the economy by the pandemic may further exacerbate this problem.

Household Income

An important measure of an area’s economic health is its income characteristics. One component of an area’s income is its median household income. A summary of each Borough, the City and the

State median household incomes is as follows.

Area	Median Household Income						
	2000	2010	% Change 2000-10	2021	% Change 2010-2021	2026	% Change 2020-2025
	Median Household	Median Household		Median Household		Median Household	
United States	\$42,253	\$51,362	21.6%	\$64,730	26.0%	\$72,932	12.7%
State of New York	\$43,643	\$55,267	26.6%	\$72,042	30.4%	\$80,540	11.8%
New York City (5 Boroughs)	\$41,248	\$53,583	29.9%	\$68,821	28.4%	\$78,660	14.3%
Manhattan	\$47,306	\$72,695	53.7%	\$93,975	29.3%	\$108,295	15.2%
Brooklyn	\$32,509	\$42,903	32.0%	\$65,282	52.2%	\$75,784	16.1%
Queens	\$42,960	\$54,341	26.5%	\$74,759	37.6%	\$82,756	10.7%
Bronx	\$27,947	\$32,892	17.7%	\$41,506	26.2%	\$46,360	11.7%
Staten Island	\$55,516	\$65,085	17.2%	\$88,633	36.2%	\$101,337	14.3%

Source: ESRI; compiled by Appraisers and Planners, Inc.

While the cost of living in New York State and New York City is high, the indicated median household income for the State and City is also high. As illustrated in the table, the State of New York has a median household income that is higher than both the City and national average, while the Borough of Manhattan far surpasses both with a median household income in 2021 of \$93,975. This is more than 36% greater than the median income for the City, almost 30% greater than the median income for the state and 45% higher than the national average. The median income in New York City increased by 29.9% in years 2000 through 2010, equating to an average increase of 2.7% per annum, while Manhattan's median income during that same time period increased at an overall rate of 53.7%, or 4.39% per annum. The five-year projections anticipate that between 2021 and 2026, the median income for the City and the Borough of Manhattan will continue to experience healthy increases that are expected to likely surpass the average rate of inflation, with the City's median income increasing by 14.3% or 2.86% per annum, while the median income for Manhattan is anticipated to increase at the average annual rate of 3.0%.

Tourism

Prior to COVID-19, New York City, led by Manhattan, was the leading domestic and international tourist center in the United States, and tourism has been a significant economic force in the City's recovery since 2008 and crucial component of the local economy. In 2019, tourism employment accounted for 283,200 workers in New York City, representing 7.2% of all private sector employment. In 2019, the City's tourism data revealed another record-breaking year, with a new record high of 66.6 million tourists, marking the tenth straight year of increases in the number of tourists visiting the City. Many factors have contributed to the increase in tourism over the past decade, including, among others, the establishment of *NYC & Company*, a quasi-public/private organization, which was specifically created to promote New York City tourism, a dollar that had historically been weak against the Euro, the significant growth in hotel rooms, and the City's enhanced reputation as a safe place to visit. Between 2010 and 2019, international and domestic travel had been growing at an almost identical rate. More so than domestic travel, the growth in international travel is considered vital in the tourist industry, as international travelers tend to stay longer and spend more than domestic visitors.

However, due to the COVID-19 pandemic tourism in 2020 suffered considerably. Since March 2020, international travel is extremely limited, as evidenced by the 2.4 million international visitors to NYC in 2020, nearly all of which occurred prior to Mid-March 2020. Original estimates at the beginning of the pandemic anticipated 2.0% growth in the City’s tourism in 2020, none of that materialized, as total visitors decreased to 22.3 million from 66.6 million 2019, a 66.52% decrease. Economically, the visitor spending decreased 73% from \$47.4 billion to \$13.0 billion, as shown below. 2021 full-year figures were not available as of this writing, but all indications are 2021 was a substantial rebound from 2020. According to NYC & Company’s tourism projections released in November 2019⁹, 2021 projected visitors is 34.6 million, a 55% increase from 2020, but still 48% below 2019 figures.

New York City Tourism / Visitation Statistics					
Period	Vistor Spending	Domestic	International	Total Vistors	Annual Change (%)
		Vistors	Vistors		(Total Vistors)
2020	13.0 B	19.9 M	2.4 M	22.3 M	-66.52%
2019	47.4 B	53.1 M	13.5 M	66.6 M	2.30%
2018	46.4 B	51.5 M	13.6 M	65.1 M	3.66%
2017	44.2 B	49.7 M	13.1 M	62.8 M	3.80%
2016	43.0 B	47.8 M	12.7 M	60.5 M	3.42%
2015	42.2 B	46.2 M	12.3 M	58.5 M	3.54%
2014	41.2 B	44.5 M	12.0 M	56.5 M	4.10%
2013	38.8 B	42.8 M	11.5 M	54.3 M	3.00%
2012	36.9 B	41.8 M	10.9 M	52.7 M	3.50%
2011	34.5 B	40.3 M	10.6 M	50.9 M	4.30%
2010	31.5 B	39.0 M	9.8 M	48.8 M	- -

Source: NYC & Company and Office of the NYS Comptroller; compiled by Appraisers and Planners, Inc.

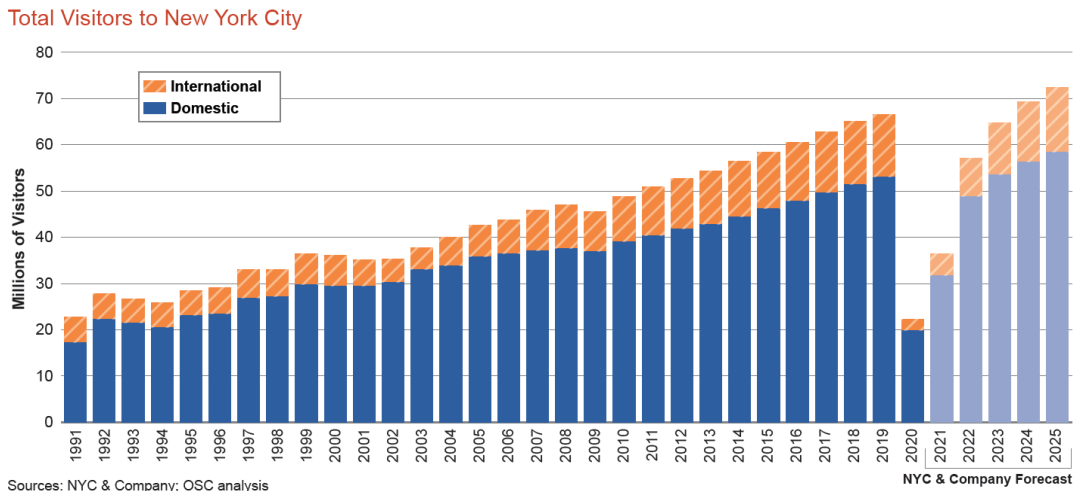
Tourism in 2022 will depend upon the course that the virus takes and the ultimate timing of when businesses will be comfortable allowing or requiring their employees to travel for work. Many professionals doubt that business travel will return to pre-pandemic levels for several years, while tourism will largely be dependent on the strength of household incomes. In addition, while there is uncertainty regarding the duration of the COVID-19 pandemic and how long travel will remain interrupted. However, the ultimate path and length of the pandemic and recovery period is difficult to predict with accuracy given that medical professionals anticipate months for the vaccines to cause “herd immunity” and new science is indicating that vaccine efficacy decreases fairly substantially over time. It is hard to imagine the hospitality market returning to stabilization for several years. In March of 2020 hotel occupancies in New York City were in the 15-20% range. After New York City began re-opening, rates have climbed to the mid-40% range but these statistics reportedly only include data from about 50% of hotels and not the typical 80% who usually provide their operating data. To put these occupancies in perspective, New York City had an average 2019 occupancy of approximately 85%. Occupancies are projected to remain at very low levels until herd immunity and recovery from COVID-19 is firmly in place.

⁹ <https://business.nycgo.com/press-and-media/press-releases/articles/post/nyc-company-tells-global-meetings-incentives-and-events-industry-its-time-to-make-it-nyc/>

As to the larger hotel industry in the City, which comprises approximately 115,000 rooms, the economic impact is not to be understated. According to an article in the New York Times, dated April 2020 and entitled *U.S. Hotel, Travel Industry Ask For Bailout As Job Cuts Begin* Chip Rogers, chief executive of the American Hotels and Lodging Association, said the economic impact of the pandemic on the hotel industry was already bigger than "September 11th and the 2008 recession combined." "Thirty-three thousand small business hotels across the country are facing the difficult decision right now whether to close their doors and lay off millions of people over the next few days," he said on the call with reporters after the Trump meeting.

According to information contained on the American Hotels and Lodging Association’s (AHLA) website, as of April 6, 2020, the New York State Hotel Industry had lost nearly 79,028 direct hotel-related jobs and over 237,000 supporting industry jobs. In addition, hotel owners are defaulting on their mortgages, and some are reselling at substantial discounts. In March, the city’s biggest hotel — the New York Hilton Midtown at Avenue of the Americas and West 53rd Street — closed its 1,878 rooms in March 2020 and re-opened in October 2021. The 478-room Hilton Times Square also shuttered on Oct. 1, 2020. And the 1,105-room Roosevelt Hotel, near the Grand Central Terminal in Midtown, announced that it would shut its doors for good after a century in business. Other hotels closing permanently include the 399-room Omni Berkshire Place and Courtyard by Marriott hotels on West 35th Street and at West 40th Street and Fifth Avenue. Bankruptcy protection was filed for the Martinique on West 32nd Street, and the Tillary hotel in Brooklyn. In December 2020, it was reported that RFR was two (2) months behind on ground rent at the Gramercy Park Hotel and faces eviction from its landlord, Solil Realty. On January 12, 2021, the defaulted mezzanine debt on the leasehold interest was sold.

In its April 2021 report entitled, *The Tourism Industry in New York City: Reigniting the Return*, the New York State Comptroller noted that the hotel industry in Manhattan, which has the highest wages and the third-highest industry employment of any county in the nation was impacted severely, losing 46 percent of its jobs in 2020. The number of total visitors is not projected to reach pre-pandemic levels before 2025. The associated employment is unlikely to rebound until visitor spending does.



Recent information suggests that 20% of all hotels could permanently shut due to COVID-19, which could result in a faster comeback for those hotels which are able to make it through the economic storm of the current situation.¹⁰ Ultimately, New York City will remain one of the world's most desirable tourist destinations. However, over the short to mid-term, the hotel industry has substantial obstacles to overcome. In October 2021, Mayor de Blasio signed into law a requirement that NYC hotels pay non-managerial employees \$500 per week in severance for each week after October 11, 2021 an employee remains laid off. This severance runs through June 1, 2022. The threat of this cost has caused a number of hotels to open up such as the 1,300-room Grand Hyatt, Midtown Hilton Midtown and the 399-room Omni Berkshire.

Tenants Leaving NYC

Although the damage on the local real estate market caused by the impacts of COVID-19 has been severe and will likely be long-lasting, certain segments of the Midtown office market had begun to show weakness in advance of COVID-19. Tenants have been leaving Manhattan in favor of much cheaper options. Alliance Bernstein is reportedly taking 190,000 square feet at 66 Hudson Boulevard, but it has moved its headquarters to Nashville, Tennessee and over 1,000 jobs with it. Alliance Bernstein is a major office occupier at 1345 Sixth Avenue, where it has over 750,000 square feet. Despite its investments in buildings like 390 Madison Avenue and 270 Park Avenue, JP Morgan Chase (JPM) is reportedly moving "...thousands of well-paid jobs out of New York City"¹¹ and is contemplating selling 383 Madison Avenue. These jobs will be located in lower-cost areas like Plano, Texas; Columbus, Ohio; and Wilmington, Delaware. This follows JPM's decision to move nearly 2,000 information technology jobs to Jersey City.¹² Other tenants looking to relocate or expand within Midtown have since postponed those plans and have been looking elsewhere. HSBC is seeking to sell its local headquarters at 452 Fifth Avenue and reduce office footprint by 40%.

Economic Projections

A January 2022 NYC IBO Fiscal Outlook report provides certain economic projections for New York City in the coming four (4) years, through 2025. With respect to employment, IBO projects a return to pre-pandemic levels by 2025, as detailed in the table below:

¹⁰ <https://www.bizjournals.com/newyork/news/2020/06/17/nyc-may-permanently-lose-hotel-rooms-to-COVID.html>

¹¹ <https://www.forbes.com/sites/jackkelly/2019/10/28/jpmorgan-is-continuing-the-alarming-trend-of-moving-thousands-of-well-paid-jobs-out-of-new-york-citythis-does-not-bode-well-for-workers-on-wall-street/#42678e8a3a7a>

¹² <https://www.bloomberg.com/news/articles/2019-10-28/jpmorgan-weighs-shifting-thousands-of-jobs-out-of-new-york-area>

Projected Job Growth (Q4-to-Q4) By Sector								
<i>Gains and Losses in Thousands of Jobs</i>								
	2019 Level	Change						2025 Level
		2020	2021	2022	2023	2024	2025	
Total Employment	4,679.1	(615.2)	212.6	174.8	100.2	76.0	66.8	4,694.3
Construction	160.2	(19.3)	(3.3)	7.2	5.4	4.8	3.9	158.8
Manufacturing	66.0	(14.7)	2.7	1.5	0.2	(0.3)	(0.5)	54.9
Wholesale and Retail Trade	487.1	(84.9)	22.3	17.4	9.8	5.8	4.1	461.6
Transportation and Utilities	150.1	(23.8)	(4.4)	5.0	2.7	2.0	1.8	133.5
Information	220.9	(18.9)	17.3	8.1	5.8	4.4	4.3	241.9
Financial Activities	486.7	(21.7)	(6.5)	13.3	4.8	2.0	1.3	479.9
Professional Services	779.9	(85.4)	27.4	26.8	15.2	20.3	22.1	806.2
Education	261.0	(31.7)	15.2	8.4	6.2	2.1	0.7	261.9
Health and Social Services	810.2	(36.5)	45.1	48.3	24.4	13.7	12.4	917.6
Leisure and Hospitality	469.2	(230.8)	78.9	24.7	20.2	17.8	16.4	396.4
Other Private Sector	196.2	(42.4)	9.0	9.4	3.3	1.8	1.7	178.9
Government	591.7	(5.0)	9.0	4.8	2.1	1.5	(1.4)	602.8

SOURCE: IBO; Bureau of Labor Statistics
NOTE: 2019 and 2020 are actual figures; Other years are forecast by IBO.

New York City Independent Budget Office

As it relates to the financial position of the City, NYC IBO states, “IBO projects that within the framework of the Mayor’s latest financial plan, the city has nearly enough resources available to balance each year of the plan without the need for tax increases or major cuts to city services. The current fiscal outlook seemed highly unlikely 18 months ago, when IBO and other fiscal analysts estimated that the city’s out-year budget gaps ranged from \$4 billion to \$6 billion. Underlying this relatively rosy picture, however, is an extraordinary level of uncertainty. The city could not have managed to avoid tax hikes or service cuts without the aid provided by the various federal pandemic-related stimulus packages. The unprecedented influx of federal dollars enabled the de Blasio Administration to continue, and even expand, many city services without the need for tax increases, which have been required during previous periods of fiscal upheaval. The receipt of billions of dollars of federal aid over the financial plan period masks much of the underlying fiscal uncertainty that the city faces. The increasingly unpredictable nature of the spread of Covid-19 variants continues to confound economic forecasts and will remain one of—if not the primary—risk to the stability of the city’s financial plan.”

Investment Sales Activity Recovery, Lagging Pre-Pandemic

The commercial property investment sales market had slowed to a crawl in 2020, but has rebounded for several asset classes in 2021. Despite low interest rates, lenders are proceeding cautiously and funding new acquisitions with low loan to value (“LTV”) ratios, which effectively precludes many non-cash market participants from executing on large commercial purchases. According to Cushman & Wakefield’s 4Q 2021 Property Sales Report, sales volume, C&W Notes,

New York City investment sales market continued its positive momentum through the second half of 2021. There was an extraordinary surge in activity through the fourth quarter, which brought the annual volume total to \$33.3 billion—an increase of 40.5% from 2020. This year-over year (YOY) increase can be attributed to the fourth quarter’s \$15.7 billion in volume, accounting for 47.2% of the

annual total for 2021. The fourth quarter of 2021 recorded the highest quarterly volume since the fourth quarter of 2018 due to pent-up demand and an expected rise in interest rates. A flight to quality was evident, as institutional level sales continued to propel volume through the second half, with the annual total of transactions exceeding a sales price of \$75.0 million increasing by 47.0% compared to 2020. There were 2,291 transactions consisting of 3,035 properties sold in 2021, recording a YOY increase of 26.7% and 21.9%, respectively. With the YOY dollar volume outpacing transactional volume, the trend from earlier in the year reversed as transactions at the institutional level increased. Pricing across New York City for core property types continued to increase with each quarter in 2021, finishing the year with an average of \$519 per square foot (psf), a 2.5% increase from 2020, with retail properties contributing the highest YOY increase, up 5.0% from 2020.”

GOVERNMENTAL FORCES

The New York City government consists of a Mayor, who functions as the City's chief executive officer, a 51-member elected City Council, which serves as the City's legislative body, a City Comptroller, who acts as the chief fiscal officer, and a President of the Council, who presides over the City Council. The Mayor is responsible for preparing and administering the City's expense and capital budgets, which must be approved by the City Council. While the Council is responsible for establishing annual real estate taxes, it does not have the authority to impose other taxes unless they have been authorized by State legislation. Among the Comptroller's responsibilities is evaluating the Mayor's budget, including the underlying assumptions and methodology. Land use policies are written and implemented by the City through the Zoning Department, Department of City Planning and the Economic Development Agency. Properties that have been designated as City Landmarks and/or properties located within designated historic districts are subject to further regulations, as promulgated by the New York City Landmarks Commission. The City of New York provides all municipal services, including public transportation, schools, health care, police, and fire protection. The real estate community largely views the recent mayoral election of Eric Adams as a positive as he has indicated a more pro-development stance than that of the former mayor.

Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law on December 22, 2017, introducing a shift in national tax policy impacting all sectors of the economy. As it relates to the New York City economy, and real estate markets, the TCJA was expected to have a profound effect on commercial real estate, as it lowers the corporate tax rate to 21% from 35%, establishes a 20% business income deduction for pass-through income, and encourages accelerated depreciation and one-time capital expenditures. The TCJA also doubled the Estate tax exemption, allowing owners to pass property more easily and to plan more effectively. Additionally, the TCJA adversely affected affordable housing, since the main incentives used to create affordable housing are Low-Income Housing Tax Credits (LIHTC), which were devalued by the new TCJA regulations. An analysis by the Manhattan-based accounting firm Novogradac & Company predicted that lowering the corporate tax rate to 21 percent would reduce the supply of new affordable homes nationally by 235,000 over the next 10 years.

The TCJA also appears to have influenced the residential real estate market, both in New York City and throughout the metropolitan area, where property taxes are generally much greater than in most of the U.S. The TCJA placed a \$10,000 cap on State and Local Tax (SALT) deductions, and reduced

the mortgage interest deduction on new mortgages of \$750,000 or less, down from \$1,000,000. These two changes have increased the annual homeownership cost in New York City. One analysis by Moody's Analytics predicted that housing prices could fall by 10.4 percent in Manhattan and even more in some of the surrounding areas. By all metrics, housing prices have been impacted by this legislation.

Because of the SALT tax caps and costs of doing business in New York City, in 2019 Icahn Enterprises announced a relocation of operations of the hedge fund to Florida, which has no income tax. According to press reports, Icahn Enterprises offered employees a \$50,000 relocation bonus. Per a CNBC article, "Icahn is the latest in a string of financial executives, including billionaire hedge fund managers Paul Tudor Jones and David Tepper, who are decamping from the Northeast for Florida, which boasts lower taxes." Firms like Tepper's Appaloosa Management, Jones's Tudor Investment Corp. and Icahn's firm are typical Park Avenue and Plaza District office tenants.

New York State - New York City Legislation – Recent Changes

Local Law 97: The New York City Council recently passed the Climate Mobilization Act and, on April 22, 2019, Mayor De Blasio signed the bill into law. The new law mandates energy reductions for New York City properties that are 25,000 square feet or larger, with exemptions made for certain properties including city owned buildings. There are concerns among members of the real estate industry that the costs to meet the new requirements will be prohibitive. It is not known at this time to what extent the application of the new regulations will affect New York City real estate values, as the implementation of the new regulations is timed to begin in 2024 and to be fully implemented by 2040.

Housing Stability and Tenant Protection Act (HSTPA): In addition, on June 14, 2019, the State of New York passed, and Governor Cuomo signed into law, the Housing Stability and Tenant Protection Act of 2019 ("HSTPA"). This legislation makes significant changes to New York State's existing rent regulations that govern New York City's rent stabilized and rent control housing units; in addition, it also mandates certain changes that apply to all rental units, irrespective of their rent regulated or unregulated status. Several of the more significant changes that apply to regulated units include: (1) eliminating the "Sunset Clause", making the rent regulations permanent; (2) eliminating the ability to decontrol rent regulated units by high-rent vacancy and high-income/high-rent (luxury) deregulation; (3) curtailing the "owner user" provision, limiting it to one unit; (4) eliminating the 20% vacancy allowance; (5) limiting the pass through of apartment improvements ("MCI") by capping the overall amount that is permitted to be passed through to the tenants, as well as the period of time that the rent increase can remain in place; (6) changing when a legal rent may be reinstated, if a preferential rent had been in place, (7) eliminating eviction plans from co-op/condo conversions and changing the required percentage of tenants needed for non-eviction plans from 15% to 51%; that is, the new regulations require that 51% of the existing tenants purchase their units before a property owner is allowed a co-op and/or condo conversion. HSTPA regulations that apply to both regulated and unregulated units are mandated in Part M of the new law, entitled "Statewide Housing Security and Tenant Protection Act of 2019". This section regulates procedures concerning new leases, renewal leases, non-renewal of leases and tenant/landlord court proceedings. Several new regulations include, among others, limiting security deposits to one month, banning "tenant blacklists", limiting application fees, limiting rent that can be recovered due to early termination of a lease, and requiring

that notice be served upon the tenant by a process server if the landlord raises the rent by more than 5.0%. In addition, the Part M regulations also apply to properties built under the old “421(a) Housing Program” and its replacement program, the “Affordable New York Housing Program”; however, these programs were specifically exempted from the deregulation changes, that is, the high-rent vacancy and high income/high rent (luxury) deregulation rule remains in force, per the rent regulations that were in place prior to the enactment of the Housing Stability and Tenant Protection Act of 2019.

As reported in multiple real estate related newspapers and journals, there appeared to be a consensus of opinion among many real estate analysts and market participants that the new regulations would have a chilling effect on lending and investments in rent regulated properties in New York City. These regulations severely curtailed the landlord’s ability to grow rent and would likely result in a loss in asset values throughout the City’s rent regulated multi-family housing sector. Multi-family investment sales data supports the conclusion that these negative impacts were recognized. Further, it has been widely reported that there are a number of landlords and/or landlord organizations that are challenging the new regulations in court. As of the writing of this report, it is not known whether any of them will be ultimately successful in invalidating all, or any part thereof, of the new legislation.

On top of the challenges of HSTPA, COVID-19 and its current economic impacts has resulted in large numbers of tenants who cannot afford their rent payments. The residential market is somewhat frozen with sellers and buyers both waiting for more market guidance on how to proceed with pricing.

Eviction Moratorium: To prevent a wave of residential and commercial evictions, Governor Cuomo passed the COVID-19 Emergency Eviction and Foreclosure Prevention Act, which was recently expanded and extended by new Governor Hochul through January 15, 2022. Tenants must submit a hardship declaration or a document explaining the source of the hardship to prevent evictions. Landlords can evict tenants that are creating safety or health hazards for other tenants and those tenants who do not submit hardship declarations.

Conclusion

Prior to COVID-19, City economists had generally anticipated that the local economy was going to continue to expand through 2020, which would have represented a 10-year economic expansion, the longest economic expansion in the City’s history. However, based on recent corrections in the land sales market, luxury condominium sales market and increased concessions for office and retail space, it is widely believed that the peak of the real estate market occurred sometime between the end of 2015 and the middle of 2016 and that we are past the high point. In an August 2019 article published in *The Real Deal Magazine* entitled, *The Economy May be Starting to Slow, Real Estate is Taking Notice*, Francis Greenburger of Time Equities is quoted as saying, “This is the tenth inning of a nine-inning game... You realize that one day it’s going to end”. Additionally, optimistic projections for the workforce have been tempered by the reality that the largest areas of job growth were occurring in low-pay industries, further exacerbating the dichotomy between the City’s very wealthy residents and its less affluent working and middle classes.

On the national level, the Federal Reserve (“the Fed”) lowered the federal funds rate on March 15, 2020 in response to the devastating economic effects of the COVID-19 pandemic. The Fed lowered

its benchmark interest rate to a target range of 0% to 0.25%, while at the same time increasing its qualitative easing policy that includes Fed purchases of \$500 billion of Treasury(s) and \$200 billion of agency-backed mortgage securities. The Fed also cut the rate of emergency lending at the discount window for banks by 125 basis points to 0.25%, while lengthening the term of loans to 90 days. While there appears to be a consensus among many economists and financial analysts that the emergency actions taken by the Fed were prudent and necessary, there is also an appreciation of the unique circumstances of the current distress in the economy.

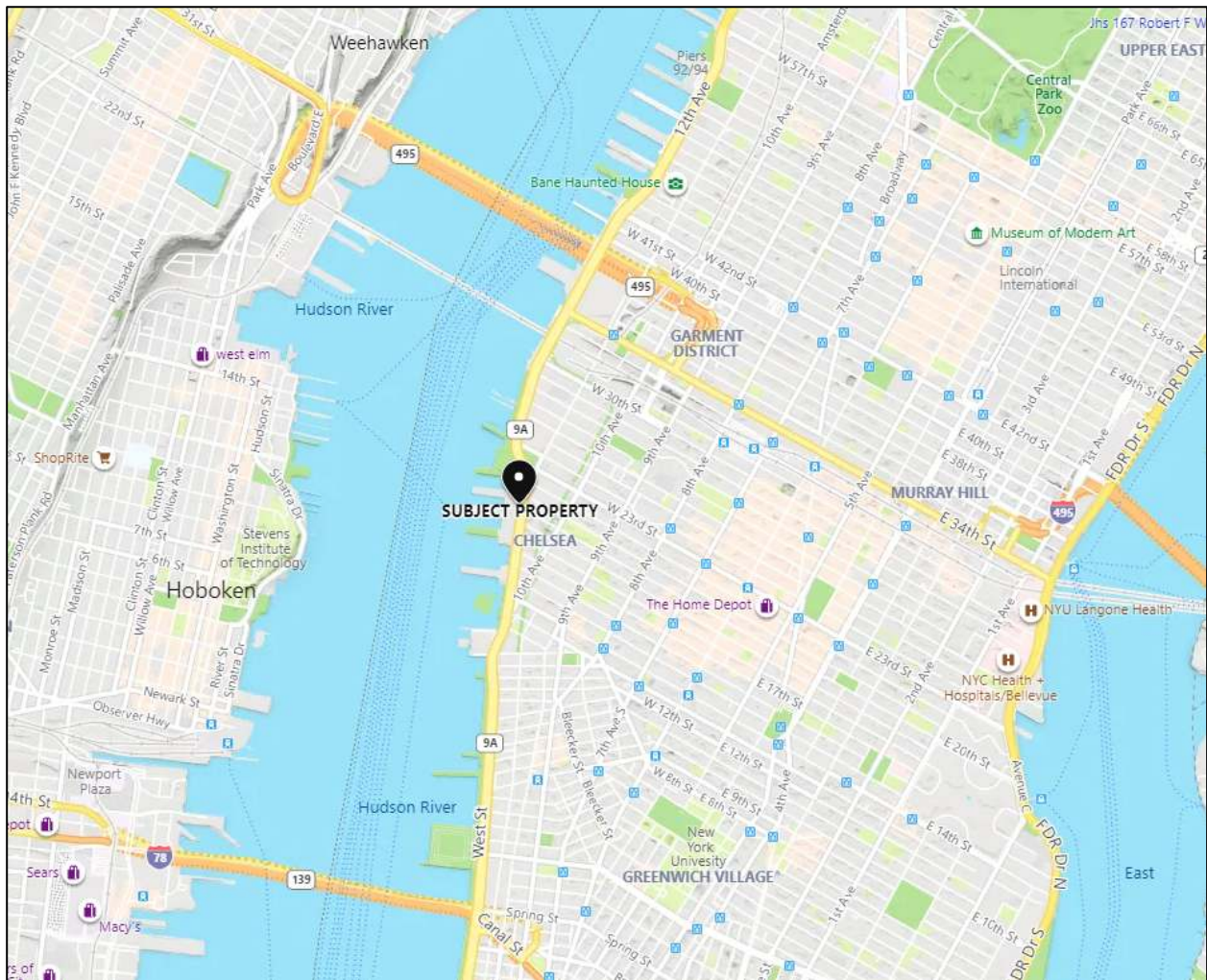
As consumer demand has accelerated, supply chain issues have led to a rapid increase in inflation, especially towards the latter half of 2021. Notably, December 2021 CPI index noted an increase of 7%, the fastest increase since June 1982. Core CPI, which excludes food and energy, was up 5.5% year over year. The Federal Reserve (“the Fed”) is closely watching inflation and its potential impacts on the economy. The Fed predicts inflation of 2.6% in 2022, 2.3% in 2023 and 2.1% in 2024.

In response to inflationary pressure the Fed, at the December 15, 2021, Federal Open Market Committee (FOMC) meeting of the Federal Reserve revealed that all 18 members see the Fed raising interest rates in 2022, with 12 of the 18 members project a federal funds rate in excess of 0.75% in 2022. It is predicted by many experts that there will be between three and four quarter-point rate increases in 2022. By 2024 all 18 members see a fed funds rate of over 1.75%, and 13 of the 18 members see the Fed project fed funds rate in excess of 2.0%. At the September 26-27 meeting the Fed announced it could soon begin reducing the pace of monthly asset purchases and that the tapering process could see a monthly reduction of \$10 billion in Treasuries and \$5 billion in agency mortgage-backed securities.

LOCATION ANALYSIS

General

The subject property is located along 11th Avenue, aka West Street, between West 22nd Street and West 17th Street in the West Chelsea neighborhood of the Borough of Manhattan, City and State of New York. West Chelsea is the area generally bounded by Tenth and Eleventh Avenues between West 16th and West 30th Streets. Nearby neighborhoods include Hudson Yards to the north and the Meat Packing District directly to the south and east of West Chelsea. The subject property and surrounding area are mapped as follows:



The subject property's West Chelsea neighborhood was historically an industrial area which was largely improved with industrial buildings, single- and multi-story storage buildings, commercial lofts, warehouses and vacant lots. In recent decades, this district has been revitalized with many redevelopment projects, as the area was designated and rezoned in 2005 as the Special West Chelsea District, permitting new residential and commercial development in conjunction with the restoration of the High Line Park. The West Chelsea district is now a mixed-use area improved with many new residential and commercial developments. It is well known for its Gallery District,

and the High Line Park, as well as for its proximity to the Meatpacking District, all of which are major draws for pedestrian traffic. The mixed-use commercial development at Chelsea Market, located between Ninth and Tenth avenues and between 15th and 16th street, is also a major regional and tourist destination.

Within one block of the subject property some prominent developments include luxury condominium development such as the XI at 76 11th Avenue, Lantern House at 515 West 18th Street, 515 West 19th Street, 551 West 21st Street, 500 West 21st Street, 100 11th Avenue, David Zwirner Gallery at 537 West 20th Street, The Cortland Condos at 555 West 22nd Street and the Metal Shutter Houses at 550 West 19th Street.

Office and gallery developments near the subject include the IAC Building at 555 West 18th Street, The Warehouse at 520 West 20th Street, The Frame Building at 541 West 21st Street, 512 West 22nd Street and 540 West 21st Street.

High Line Park

In 1999, Friends of the High Line was founded to advocate for the High Line's preservation and reuse as public open space. After drawing attention to the potential uses available for the High Line, in April 2002, Mayor Bloomberg announced that the City would undertake a four-month feasibility study of the potential reuse of the High Line as a public open space. Following the feasibility study, in April 2003 the High Line redevelopment was endorsed by the Bloomberg administration as a part of its tentative plans for the redevelopment of the far West Side. In October 2003, Mayor Bloomberg unveiled a special redevelopment area around the High Line, which became the Special West Chelsea District. The rezoning was to encourage residential development, encourage preservation of low-lying galleries and warehouses and preserve open views of what was to become the High Line Park. In December 2005, CSX donated the High Line to the City of New York and construction of the first segment of the High Line Park began in April 2006. In May 2007, plans were unveiled for a 26-acre complex of residential and commercial towers atop the Hudson Rail Yards, which include a possibility of retaining the High Line on the site. On June 8, 2009, the first section of High Line opened, followed by the commencement of construction on Phase 2. Phase 2, from West 20th Street to West 30th Street opened on June 8, 2011, two years after the opening of Phase 1. On September 21, 2014, the third phase of the park opened to the public. This phase wraps around the main Hudson Yards Development to 34th Street.

The High Line project aims, among other things, to connect the Hudson Yards Development with West Chelsea and the Meatpacking District, making these areas fully accessible for office and residential uses. According to the website of Related Development,¹³ "Growth can be attributed to the success of the High Line which has spurred \$2 billion of private investment, 12,000 new jobs and 29 development projects since opening in June 2009." The High Line has been a powerful catalyst for new development, with nearly all soft sites along the High Line under development or planned for redevelopment.

¹³ <http://www.hudsonyardsnewyork.com/the-story/new-west-side>.

Hudson River Park

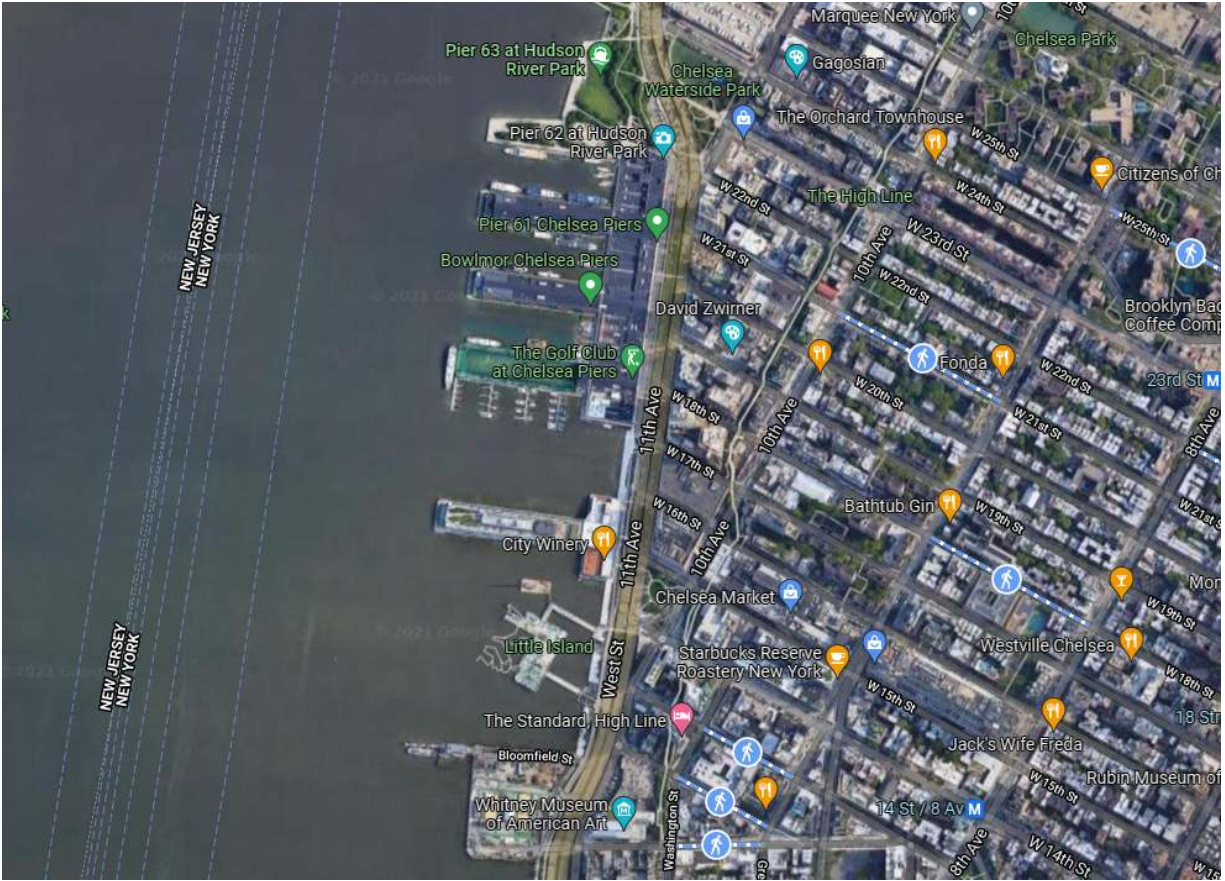
In addition to its location near the High Line Park, the subject property benefits from being within Hudson River Park. Hudson River Park is a 550-acre public park developed and operated by Hudson River Park Trust which extends along the Hudson River from West 59th Street south to Battery Park City at approximately Chambers Street. Improvements include a waterfront esplanade, pedestrian paths, tennis courts, soccer fields, children's playgrounds, dog runs, passive and active recreational piers, and many other features. Adjacent to the park is a State-owned bikeway said to be the busiest such route in the United States.

Directly to the north of the subject property are Piers 62 and 63, which feature the Pier 62 Carousel, the skate park at Pier 62 and the open lawn at Pier 63. Opposite West Street to the northeast of the subject between West 22nd Street and West 24th Street is Chelsea Waterside Park, which features a playground, dog run, basketball court and soccer field.

Recent additions to the Hudson River Park have elevated the profile of the Chelsea neighborhood and the park as a whole as one of the premier attractions in New York City. Pier 55, also known as Little Island, opened in May 2021 to much fanfare following three years of construction that commenced in April 2018. The \$250 million park and performing arts venue was largely funded by Barry Diller and Diller-Von Furstenberg Family Foundation and was designed by Heatherwick Studio with Mathews Nielsen as landscape architect. The Little Island pier features lawn areas, sculpted topography, a 687-seat amphitheater and extensive landscaping.

Other new additions to Hudson River Park include the Pier 26 ecological pier at N. Moore Street to the south in Tribeca and an interim park located at Pier 76 to the north across from the Javits Center. New park construction is currently underway at Pier 97 at West 57th Street to the north of the subject property and the Gansevoort Peninsula to the south. The new 5.5-acre park on the Gansevoort Peninsula is being constructed partially on former 13th Avenue opposite the Whitney Museum at little West 12th Street and Gansevoort Street. The park programming is contemplated to include a soccer field, dog run, picnic area, exercise area, a salt marsh, and a kayak ramp. A large new public sculpture, "Days End," was recently completed by the Whitney Museum spanning a portion of the river and the southern shoreline of the Gansevoort Peninsula.

Pier 57, located directly to the south of the subject property commenced development in 2016, and is slated to house offices for Google, City Winery restaurant and performance space, a public marketplace and restaurants. Other ground floor programming will include public viewing areas, and an exhibit space and classroom for science education operated by HRPT. The roof of Pier 57, which will open in 2022, includes a large park with future pavilion restaurant/retail facility. Contemplated programming for the roof includes small performances and movie showings, including that of the Tribeca Film Festival. The subject is mapped within the larger Park as shown below:



Manhattan Community District 4

The subject property is located within Manhattan Community District 4 (“CD4”). CD4 is generally bound by the Hudson River on the west, West 14th Street to the south, West 59th Street on the north and Eighth Avenue to the east. South of West 23rd Street, the easterly boundary extends to Sixth Avenue. A summary of the District Profile is presented below:

Manhattan Community District 4

See MN 4's profile online at communityprofiles.planning.nyc.gov

Neighborhoods¹: Chelsea, Clinton, Hudson Yards

POPULATION & DENSITY		
2000 ²	2010 ³	2000-2010
87,479	103,245	+18%
2013-2017 Estimate ⁴		N/A
Square Miles		1.8
Population Density		57,358/sq mi

COMMUNITY BOARD PERSPECTIVES		
Top 3 pressing issues identified by Manhattan Community Board 4 in 2019:		
1. Affordable housing		
2. Land use trends		
3. Traffic		
To learn more, please read Manhattan CD 4's Statements of Community District Needs and Community Board Budget Requests for Fiscal Year 2021.		
Website: www.nyc.gov/mcb4		
Email: jbodine@cb.nyc.gov		

Land Use Category	# Lots	% Lot Area
1 & 2 Family Bldgs	161	1%
Multifamily Walk-up	960	6%
Multifamily Elevator	316	12%
Mixed Use	1,002	17%
Commercial	476	14%
Industrial	55	2%
Transportation/Utility	87	25%
Public/Institutional	166	10%
Open Space	21	2%
Parking	76	3%
Vacant	81	7%
Other	6	0%

Map Source: PLUTO 19v2

A Snapshot of Key Community Indicators

COMMUNITY ASSETS ⁵		RENT BURDEN ^{4, 6}		ACCESS TO PARKS ⁷	
Public Schools	30	34% of households spend 35% or more of their income on rent	Manhattan 37% NYC 45%	94% of residents live within walking distance of a park or open space	Citywide Target 85%
Public Libraries	2	Click to visit the NYC Facilities Explorer			
Hospitals and Clinics	25				
Parks	23				

MEAN COMMUTE TO WORK ^{4, 8}		LIMITED ENGLISH PROFICIENCY ⁴		CRIME RATE ⁹	
27 minutes	Manhattan 32 minutes NYC 41 minutes	10% of residents 5 years or older have limited English proficiency	Manhattan 16% NYC 23%	20.7 major felonies were reported per 1,000 residents in 2017	Manhattan 15.7 NYC 11.8

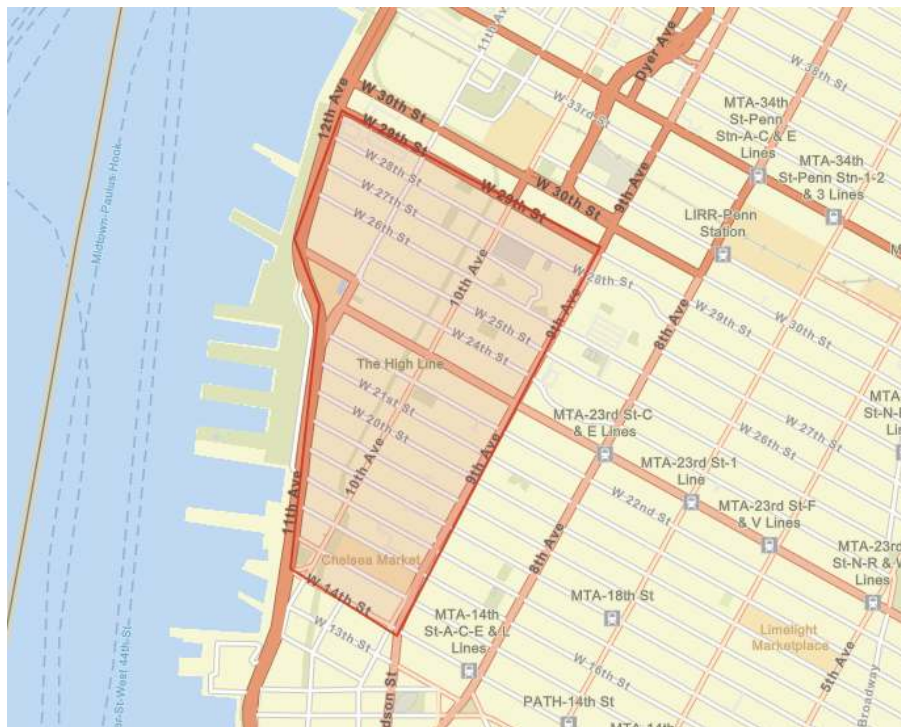
EDUCATIONAL ATTAINMENT ^{4, 10}		UNEMPLOYMENT ^{4, 10}		NYCgov POVERTY MEASURE ¹¹	
74% of residents 25 years or older have earned a bachelor's degree or higher	Manhattan 61% NYC 37%	3.7% of the civilian labor force was unemployed on average from 2013 to 2017	Manhattan 4.2% NYC 4.9%	11% of residents have incomes below the NYCgov poverty threshold. See the federal poverty rate here.	Manhattan 14% NYC 20%

¹Neighborhoods may be in multiple districts. Names and boundaries are not officially designated. ²2000 US Census; ³2010 US Census; ⁴2010 US Census; ⁵American Community Survey 2013-2017 5-Year Estimates, calculated for Public Use Microdata Areas (PUMAs). PUMAs are geographic approximations of community districts. MN 4 shares PUMA 3807 with MN 5, and the ACS population estimate cannot be reliably disaggregated. ⁶NYC Dept of City Planning Facilities Database (2019); ⁷Differences of less than 3 percentage points are not statistically meaningful. ⁸NYC Dept of Parks and Recreation (DPR) (2019). DPR considers walking distance to be 1/4 mile for parks less than 6 acres, and 1/2 mile for larger parks and pools. ⁹Differences of less than 2 minutes are not statistically meaningful. ¹⁰NYC CompStat, Historic Complaint Data (2018). ¹¹Differences of less than 2 percentage points are not statistically meaningful. ¹²2013-2017 NYCgov Poverty Measure by PLUMA. This metric from the Mayor's Office for Economic Opportunity accounts for NYC's high cost of housing, as well as other costs of living and anti-poverty benefits.

DEMOGRAPHICS

In order to identify and analyze the demographics of the local area, we have relied on information obtained from demographic research firm, Environmental Systems Research Institute (ESRI), which is a subscription service providing radius reports, radius maps, market reports, market maps and market ranking reports using current data, census data, and five-year projections. We have requested a demographic profile based on the subject’s neighborhood of West Chelsea. The neighborhood boundaries were drawn utilizing ESRI’s interactive map, with borders we selected. Therefore, our demographic analysis employs 2021 data, the most recent full-year data available, and five-year demographic projections for year 2026.

The borders of the neighborhood are shown below:



Population and Households

Historical trends for population and household data in Manhattan and within the West Chelsea neighborhood are summarized as follows:

Population Statistics					
Area	2010 Census	2021 Population	% Change From 2010	5-Year Projection 2026	Percent Change
Manhattan	1,585,873	1,650,033	4.0%	1,676,284	1.6%
West Chelsea	13,291	16,383	23.3%	16,656	1.7%

Source: ESRI

Within the past five years, these statistics indicate that the subject area’s population has increased at a significantly greater pace than the borough of Manhattan at large. Population projections for 2021 indicate similar trends, with substantially greater projected growth in the subject area. New developments and redevelopments in the West Chelsea District began in 2005, when the area was rezoned to allow for new development of mixed-use, residential, and commercial condominiums. As discussed, numerous residential developments are currently under construction and/or planned in West Chelsea and the High Line, as well as in the Hudson Yards. The growing trend in population is anticipated to continue in the near term.

Household Statistics					
Area	2010	2021	% Change From 2010	5 Year	Percent Change
	Census	Households		Projection 2026	
Manhattan	763,846	797,526	4.4%	811,292	1.7%
West Chelsea	7,065	8,933	26.4%	9,116	2.0%

Source: ESRI

The number of households in the subject area has also followed this growth trend. As noted, household development began in 2005 in the subject’s market. There was a 32.2% increase in households from 2010 through 2016 in the subject area, indicating an annual growth rate of 5.4% per year. Five-year projections for the number of households in the subject zip code indicate an increase of 2.0% following an increase from 2010-2021 of 26.4%. The influx of population has been coupled with the creation of thousands of housing units, with thousands more planned. It is anticipated that this number will increase as future plans are developed for the remaining vacant sites.

Income

Another important measure of an area’s economic health is its income characteristics. A household consists of all the people occupying a single housing unit. While individual members of a household purchase goods and services, these purchases actually reflect household needs and decisions and levels of disposable income. Thus, the household (and subsequently, income) is one of the critical units to be considered when reviewing market data and forming conclusions about the demographic impact on any real property. The areas’ per capita income and median household income is summarized as follows:

Median Household Income			
Area	2021	2026	Percent Change
	Median Household	Median Household	
Manhattan	\$93,975	\$108,295	15.2%
West Chelsea	\$101,540	\$117,613	15.8%

Source: ESRI

Household income for the local area is projected to continue to increase over the next five years. Per capita income levels have experienced the same trends in both areas as well. Five-year projections call for substantial increases in both median and per capita incomes in the local area, far outpacing Manhattan. New York City is considered an affluent area when compared to national data; therefore,

the significantly higher income levels of the local area are indicative of a concentration of wealth within the subject's local area. This is due in large part to the concentration of new luxury development within the defined West Chelsea neighborhood.

Per Capita Income			
Area	2021	2026	Percent Change
	Per Capita Income	Per Capita Income	
Manhattan	\$74,715	\$85,488	14.4%
West Chelsea	\$91,837	\$105,548	14.9%

Source: ESRI

The demographics of the subject area indicate a developing neighborhood with strong growth in terms of increasing population, household formation, and income levels. Further, these growing trends are projected to continue to increase into 2026. Overall, the demographics continue to support new development within the subject's market area. The influencing factors of the High Line Park, Hudson River Park, West Chelsea rezoning, development of the Hudson Yards, and the redevelopment occurring within the Meatpacking District have created a confluence of investment activity in the subject area and drawn attention to neighborhoods that were not previously destinations for either residents, commercial tenants, tourists or developers. With the intersecting factors involved, the subject location has greatly benefitted from the rezoning, repurposing of the High Line Park, and the redevelopment of the bordering neighborhoods.

The increased affluence in the neighborhood, coupled with the area's high popularity with tourists has continued to attract attention to West Chelsea and the Meatpacking. The rising demand for space in the neighborhood, and other influencing factors of the area serve to benefit the subject property, especially given the planned uses of office, retail and recreation spaces.

New and Planned Residential and Commercial Development in West Chelsea / Hudson Yards

Community Facilities

Avenues of the World School opened its 10-story flagship school in the fall 2012. This school occupies the full block front at 259 Tenth Avenue between West 25th and West 26th Streets, less than one block east of the subject property. It is a private school providing lower, middle, and upper-level education. The school has capacity for approximately 1,770 students from nursery school through 12th grade. Tuition is estimated at approximately \$60,000 per year. This school is projected to be a large driver of demand for family sized units within the subject neighborhood. It is anticipated to continue to grow internationally as well. Avenues has also expanded operations in the recently completed development at 540-544 West 26th Street.

Basis School, an independent school, recently signed a lease to occupy 34,500 square feet at 556 West 22nd Street, located directly opposite the subject property along the southeasterly corner of West 22nd Street and 11th Avenue. This location will serve students from grades 6 through 12.

Additional schools planned for the area include a 750-seat school planned for the Western Rail Yards. In December 2016, Success Academy purchased an 88,264 square foot leasehold condominium at

551 10th Avenue from Extell Development for \$67.7 million. The school, which opened in 2017, houses 900 students in grades kindergarten through eighth grade.

The Whitney Museum anchors the High Line at Gansevoort and Washington Street and acts as the gateway to the High Line Park and West Chelsea. On May 3, 2015, the new nine-story, 200,000 square foot Whitney Museum opened, nearly 8½ years after signing a letter of intent to acquire the location's site in November 2006. The \$422 million facility was designed by renowned architect Renzo Piano and houses a number of components including 50,000 square feet of indoor gallery space and 13,000 square feet of outdoor exhibition space and terraces overlooking the High Line Park. The museum also includes a gallery for special exhibitions totaling approximately 18,000 square feet. Other spaces in the building include an 8,500 square foot outdoor plaza, an education center, and a 170-seat theater.

Transportation

The subject location has adequate access to public transportation, although the far west side is not known for its access to subways. The addition of the 7 line extension to West 34th Street has alleviated some of the pressure on commuters. Although somewhat distant to the subject, both the 1 and C/E lines run to Pennsylvania Station at 34th Street which is a major transportation hub for commuters for the Long Island Railroad and Amtrak train service. The M23 and the M34 Crosstown bus runs regularly across West 23rd Street and West 34th Street, respectively, and the M11 bus runs north on Tenth Avenue and south on Ninth Avenue. Additional transportation includes ferry service, which currently has a stop on at Pier 79 on West 39th Street. The Hudson River Greenway is heavily used by bicyclists, and Hudson River Park's esplanade is a popular pedestrian path.

Conclusion

The subject's immediate West Chelsea area is one of Manhattan's strongest demographically with respect to resident income. The High Line Park and surrounding development has attracted an assortment of office development, residential rental projects and high-end residential condominium projects. The area also enjoys excellent connectivity to other portions of Hudson River Park as well as the Meatpacking district, which features the Google campus, high-end shops and restaurants. Over the long term and assuming conditions return to pre-pandemic levels with respect to occupancy and demand for office and entertainment space, the subject should benefit from the underlying strength of both the residential and commercial markets in the surrounding neighborhood. It is anticipated that gradual increase in demand for commercial, recreation and entertainment development will re-emerge within the subject market following a resolution of the pandemic. However, over the short to mid-term, pricing for sites will be affected by both the decreased demands for all space types due to the pandemic and the recovery of the real estate market cycle.

PARKING GARAGE MARKET OVERVIEW AND RENTAL CONCLUSION

According to square footage information for the premises, approximately 100,000 square feet is allocated to accessory parking, and the subject property has approximately 315 parking spaces. Based upon our review of existing subtenant lease abstracts, approximately 29 of these spaces are allocated to subtenants for their specific business use and cannot be monetized separately. It is assumed for this analysis that in order to attract subtenants at the subject property similar arrangements will be made, our analysis therefore assumes rental income for 286 spaces.

Presently, Chelsea Piers operates and manages the garage itself and collects associated income. We were not provided with a summary of historical parking receipts. For this valuation it is assumed that the parking is subleased to an outside operator, that the sublessee operates the accessory parking, collects all parking fees from customers, and pays Chelsea Piers a rent associated with this sublease. As we assume that the garage will be subleased, we have not included the approximately 50 mechanical car stacker spaces in our analysis as they depend on separate subtenant fixtures not attached to the subject property. Further, we note that Chelsea Piers currently offers a 20 minute “grace” period without charge to visitors for pick-up drop off. We have not made any deduction for the value of this accessory parking amenity.

Off-street parking has remained an important consideration to the public policy of New York City because of its relation to the broader aspect of traffic congestion in the area. Since the 1970s the city has had a policy of reducing off-street parking availability as a means of reducing air pollution and congestion in the midtown central business district. This policy, however, did not become effective until it was written into the city’s zoning ordinance in the early 1980s. The implementation of new congestion pricing regulations is currently pending.

From 1980 through 1987, New York City experienced tremendous growth in the office building and residential housing markets. This building activity greatly affected the supply and demand of parking garages and their value as potential investment vehicles. This trend again occurred during the past several years as the market for new residential construction resulted in demand for land or properties such as garages which could be demolished and constructed with new improvements.

Zoning regulations, which prohibit public parking structures below 96th Street on the East Side and 110th Street on the West Side, have further negatively impacted the supply of parking in Manhattan. Special permits for construction of future garages can only be granted by the City Planning Commission as stipulated by Sections 13-462 and 74-52 of the zoning resolution. Therefore, those garages with existing special permits issued by the City Planning Commissions are of considerable value due to their limited number. Parking garages are now only constructed as part of a new development, and typically they provide less space than what was previously on a site.

For the purpose of this appraisal, the subject property’s garage is anticipated assumed to be subleased to an operator. We have therefore applied an estimated current market rent to the garage. In order to determine the market rent for parking garages in the subject area as of the date of value, we have surveyed similar parking garages in the subject’s area and in areas similar to the subject. To complete

our analysis, we have necessarily included public parking garages as well as purely accessory garages such as Chelsea Piers.

Parking/Garage Rents

We have uncovered information on several garage leases located within Manhattan, and we have concentrated our analysis on those leases located within the most similar areas. The chart on the following page sets forth the lease comparables utilized in our analysis.

Parking Garage Lease Comparables							
No.	Address	Lease Date	Total Annual Rent	Licensed Capacity	Rent/Car Per Year	Term (Yrs)	Comments
1	Confidential - West 20s Chelsea, Manhattan	Jun-20 renewal & amendment	\$558,000	105	\$5,314	15	2nd Amendment. Rent increases 1.5%/ annum. 50% - percentage rent of the amount by which NOI for a Lease Year exceeds 7.50% of the Gross Sales for such Lease Year.
2	Confidential Tribeca, Manhattan	Mar-20	\$675,000	60	\$11,250	10	Rent increases 3% every 2-yrs. 40% percentage rent over stated gross receipts
3	Confidential - East 70s Lenox Hill, (UES) Manhattan	Mar-20	\$600,000	77	\$7,792	10	Rent increases 3% every 2-yrs. 40% percentage rent over stated gross receipts
4	Confidential Financial District, Manhattan	Oct-19 renewal	\$600,000	99	\$6,061	10	Rent increases 4% every 2-yrs.
5	247 West 87th Street Upper West Side, Manhattan	May-19	\$725,000	131	\$5,534	10	New 10-Year Lease with City Parking. No RE Tax Escalations.
6	175 East 96th Street Upper East Side, Manhattan	Aug-19 (Renewal)	—	209	\$3,708	7	Entrance on East 97th Street Decrease of 10% from Previous Rent
7	222 East 44th Street Midtown, Manhattan	Feb-19	\$932,143	230	\$4,053	15	Below Grade parking garage located at the base of a 42-story apartment bldg.
8	435 East 79th Street Upper East Side, Manhattan	Jan-19	\$210,000	49	\$4,286	5	This is a below grade parking garage located at the base of a 13-story, 233 unit residential building. unit residential building.
9	45 Wall Street Financial District, Manhattan	Mar-18 (Renewal)	\$424,995	87	\$4,885	5	Landlord Pays taxes and utilities.

Min	\$210,000	49	\$3,708
Max	\$932,143	230	\$11,250
Average	\$611,126	116	\$5,876

The leases range in rent per licensed space per annum from \$3,708 to \$11,250 per space plus escalations, with an average rent of approximately \$5,876 per space. The leases were signed between March 2018 and June 2020. Garages typically collect income from monthly, daily, and transient customers. The garage lease comparables are parking garages located within a mix of residential rental buildings, residential condominium buildings and office buildings. We do not include any stand-alone public parking garages. Generally speaking, it is our opinion that Comparable #1 is the most similar to the subject in terms of potential customers, location and market conditions.

Rental Market Value Conclusion

Based upon the lease data uncovered, it is our opinion that the subject property’s garage has a gross market rent of approximately \$5,000 per space. In our estimate of market rent, we conclude that the market rent is above average, giving consideration to the demand for parking space in a high-density area that is not, and will not, be well-served by public transportation.

OFFICE MARKET OVERVIEW AND RENTAL CONCLUSION

The subject property is improved with three (3) office spaces of varying sizes totaling 98,693 square feet. Of these spaces, two are dedicated as incidental to other specified uses – 72,514 square feet for studio offices and 5,780 for marina related use office. Only 20,399 square feet is allocated for general business office purposes. Given the property's M2-3 zoning and Chelsea location, the existing office spaces are anticipated to be utilized as office through the remainder of the ground lease term.

Manhattan Office Market

Even prior to the impacts of COVID-19, the Manhattan office market was beginning to slow. Concession packages, comprised of free rent, tenant improvements (TIs) and landlord work, had been escalating through 2019, reducing effective rents. The underlying weaknesses in the office market were heightened by certain fundamental challenges such as WeWork's attempt to get out of nearly 100 leases, and firms like AllianceBernstein and JP Morgan Chase decamping thousands of workers to lower-cost markets.

COVID-19 has exacerbated the weakness developing in the Manhattan office market over the past several years. The impacts of the pandemic have led to significant and potentially long-lasting damage to the office market as employers increasingly accept working from home. The immediate impacts are apparent, as taking rents have started to drop, concession packages have accelerated, leasing activity has slowed substantially and a wave of 8 million square feet of sublease space has hit the market between the 1Q 2020 and 4Q 2020. Several million more square feet of sublease are expected to hit the market in the coming two (2) quarters.

The Manhattan office market, the largest office market in the world, comprises approximately 406.5 million square feet of office space as of Third Quarter 2021. According to data published by Cushman and Wakefield, this includes approximately 250.3 million square feet of space in Midtown; 67.9 million square feet in Midtown South; and 88.3 million square feet in Downtown.

During the most recent real estate cycle, the Manhattan office market expanded through 2016 with continued appreciation in overall average asking rents and stable occupancy rates. In 2017, rents began to plateau and occupancy levels began to fall. During this period, the sentiment among market participants in the Manhattan office market was that the peak had been passed, representing an approximate 10-year economic cycle. In 2018 vacancies increased to over 10% with continued increases of 10.2%, 10.5% and 10.6%. During 2019 vacancies increased on a quarter-over-quarter basis from 10.20% in the First Quarter to 11.10% in the Fourth Quarter. The Fourth Quarter 2019 vacancy represents a 190-basis point increase year-over-year from Fourth Quarter 2018 figure of 9.2%. In addition, after a slight spike in average asking rents in the Second Quarter 2019, rents decreased through the end of 2019. With concessions increasing, this led to decreased net effective rents, further illustrating that the Manhattan office market was softening in advance of the COVID-19 pandemic. COVID-19 has caused a significant disruption in the office market, essentially wiping out the rent growth achieved from 2014 through 2019.

The total occupied office area reached a high of 363,943,623 square feet in 4Q 2018 and decreased slightly to 4Q 2019. As a result of the COVID-19 pandemic, tenants have been fleeing the market, leaving large blocks of space vacant. By 1Q 2020, the total occupied space dropped 5.58% year-

over-year to 343,265,511 square feet, the lowest amount in the past decade, and below the occupied square feet recorded in the depths of the financial crisis recession in 4Q 2009 and 1Q 2010 when the total occupied area was 349,309,610 and 346,750,639 square feet, respectively.

According to the C&W 3Q 2021 report, vacancy in the Manhattan office market exceeds 15%, with all three major submarkets exceeding 17% vacancy. According to C&W, the current vacancy rate of 19.0% is the highest recorded vacancy rate since 1994. Below is a summary of vacancy trends from 4Q 2018 through 3Q 2021.

Manhattan - Historical Office (Overall) Vacancy Rates									
	4Q18	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Midtown	9.30%	11.60%	12.30%	12.70%	14.30%	15.80%	16.80%	19.00%	19.40%
Midtown South	7.20%	8.50%	8.50%	9.20%	11.10%	14.80%	17.00%	17.50%	19.00%
Downtown	10.80%	11.70%	10.60%	11.70%	12.10%	13.70%	14.40%	17.00%	17.80%
Manhattan -Totals	9.20%	11.10%	11.30%	11.60%	13.30%	15.20%	16.30%	18.30%	19.00%

Source: C&W Research, compiled by Appraisers and Planners, Inc.

Overall asking rental rates have flattened out, but have yet to show a marked decrease, as landlords are generally unwilling to lower face asking rents. To get deals done, concessions have increased substantially with net effective rents under pressure. Market participants expect a continued downward correction in effective rents. Midtown South historically commanded notably lower rents than Midtown and higher than Downtown. The delta between Midtown and Midtown South shrunk from 2011 through 2018, and for a short period Midtown South had a higher asking rent than Midtown. With the introduction of several large Class A developments to the Midtown market, asking rents have started to diverge from Midtown South. Meanwhile, office rents Downtown have also steadily increased to within \$15 per square foot of Midtown averages, when the spread was historically \$20 - \$25 per square foot.

Manhattan - Historical Office (Direct and Sublet) Weighted Average Rent									
	4Q18	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Midtown	\$75.03	\$76.80	\$76.45	\$76.29	\$78.00	\$77.06	\$76.40	\$73.79	\$73.67
Midtown South	\$76.82	\$75.73	\$76.79	\$75.72	\$73.05	\$72.70	\$70.72	\$68.96	\$68.79
Downtown	\$63.57	\$62.70	\$62.42	\$63.02	\$62.07	\$60.92	\$60.90	\$60.13	\$60.15
Manhattan -Totals	\$72.28	\$73.41	\$73.57	\$73.32	\$74.13	\$73.16	\$72.41	\$70.26	\$70.10

It is important to take note that these reported rents are asking rents, not taking rents. We discuss in depth later in the report that taking rents during the pandemic have been, in general, substantially lower than asking rents.

Midtown South Office Market – Inventory and Vacancy

The subject is located within the Midtown South office market. As of 3Q 2021, the Midtown South office market comprises 67,928,216 square feet of office space, of which approximately 33.3% is classified as Class “A” space; 40.2% as Class “B” space and 26.5% as Class “C” space. The Midtown South office market represents approximately 16.7% of the Manhattan office market. Most real estate analysts divide Midtown South into four submarkets: Soho, Greenwich/Noho, Madison/Union Square, Hudson Square/West Village and Chelsea. The largest of the four sub-districts is Chelsea

with 17,433,190 square feet and the smallest is Soho with 4,366,110 square feet. As of 3Q 2021, the Midtown South office market had an overall office vacancy of 19.0%, of which 13.3% is direct vacancy and 5.7% is sublease vacancy.

Midtown South Office Market – Asking Rent Trends

The overall average asking rent in Midtown South as of 3Q 2021 was \$68.79 per square foot, down slightly from 2Q 2021's reported figure of at \$68.96 per square foot. Although average asking rents in the Midtown South office market have generally increased substantially since 2010, rents remain below the prior peak in 2018. Because of the amount of new product being delivered within the subject's submarket, the asking rent statistics in the subject's submarket have increased consistently from 2010 through 2018 with a notable spike in 4Q 2018.

Midtown South Concessions Trends

To sustain rent levels, landlords have been turning to increased concession packages to both attract new tenants and retain existing tenants. According to Savills' 3Q 2021 market report, "Even as demand strengthened, average asking rents decreased by 0.7% during the third quarter to reach \$75.08, per square foot (psf) down 10.5% since Q1 2020."¹⁴ The increase in concessions has outpaced rental growth since the beginning of this cycle.

According to Newmark Knight Frank's 3Q 2020 New York City Office Market Overview, Midtown taking rents for 10+ year deals over 10,000 square feet have increased 65.6% from 2010, whereas work allowance has increased 137.5% to \$136.38 per square foot, and free rent has increased over approximately 67% from 8.5 months to 14.2 months. Newmark's rising concession data is presented in the graph below:

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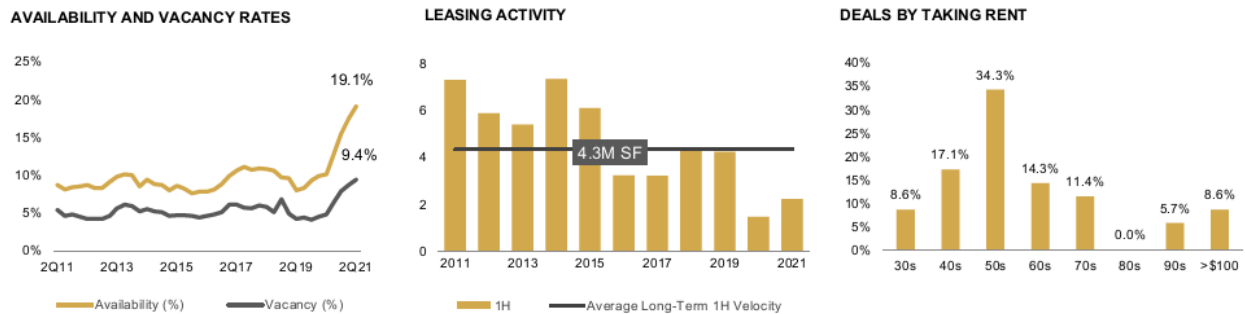
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¹⁴ <https://pdf.euro.savills.co.uk/usa/market-reports/research-mim-ny-q3-2021-v2.pdf>

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Taking Rents and Net Effective Rent Trends

According to NKF, at 1.5 million square feet, leasing activity more than doubled the first-quarter total. It was the first time since the fourth quarter 2019 that activity surpassed 1.0 million square feet. The availability rate increased 160 basis points to 19.1%, following numerous large block additions in Chelsea and Flatiron/Union Square.



In addition to the historical data, there is ample anecdotal evidence that market participants expect the rising concessions to get deals done. The concession trends were increased before COVID-19 took hold domestically. For example, in a December 13th 2019 article published in the NY Post, Jeffrey Peck of Savills states, “Some (owners) are also ‘buying down’ the rents with large work letters, tenant improvement allowances and free rent periods, plus giveaways like signage and after-hours HVAC, all while retaining ‘face’ rents. This can add up to as much as ‘an unprecedented’ three years of rent. Peck adds: ‘This is truly a unique time to negotiate.’” It was also reported in a Kroll Bond Rating Agency report that Facebook’s 4.5-year lease for 56,858 square feet in 55 Hudson Yards had a base rent of \$116 per square foot, seven (7) months of free rent, and a TI allowance of \$190 per square foot. Facebook also reportedly received \$300 per square foot in TI allowance for its 1.2 million square foot lease at 50 Hudson Yards which has a starting base rent of \$130 per square foot.

The Introduction of New Product to the Market

Based on an analysis of new building permits, published market reports, public SEC filings and presentations, we estimate nearly 26.8 million of new office product will be delivered to the Manhattan office market by 2024. Of those 26.8 million square feet, over 69% of it, or 18.1 million square feet, is located in Midtown. Six (6) buildings in Hudson Yards (20 Hudson Yards, which was previously occupied by Neiman Marcus as a department store; 341 9th Avenue; 66 Hudson Boulevard; 50 Hudson Yards; 2 Manhattan West and 3 Hudson Boulevard) account for 10.5 million square feet. It is worth noting that 5.6 million square feet was delivered to Hudson Yards market in 2019 and 2020 consisting of 700,000 square feet in 441 9th Avenue, 2.2 million square feet in 1 Manhattan West and 2.6 million square feet in 30 Hudson Yards.

Conclusion – Delivery of Product

There are several large projects under development in Hudson Yards such as 20 Hudson Yards, 3 Hudson Boulevard, 66 Hudson Boulevard, 2 Manhattan West, 50 Hudson Yards and 341 9th Avenue. Together these buildings comprise 10.2 million square feet, with over half of that space, 5.8 million square feet, currently lacking tenant commitments. These buildings offer campus like settings, block-front and full-block configurations and large floor plates.

Within the immediate Penn Plaza area, an additional 4.3+ million square feet is scheduled to be repositioned and re-tenanted in the immediate market, consisting of Penn1 at 2,545,000 square feet and Penn2 at 1,795,000 square feet. There is also the potential for a full redevelopment of 15 Penn Plaza, which could yield up to 2.8 million square feet. This is, again, in addition to up to 14.25 million square feet that may be developed in connection with the Penn Station redevelopment.

With a slowing local and national economy that has been ravaged by the impacts of the COVID-19 virus, it is projected that it will be extremely difficult for the market to absorb the existing vacancy and the buildings that are coming online in the short term. Prior to COVID-19, leasing activity had begun to slow and effective rents have fallen. The severe economic impacts caused by COVID-19 will only serve to augment these trends in the short and medium term.

Current Market Conditions and Covid-19 Impacts

A large swath of sublease space has been introduced to the market, and there is evidence that a significant amount of more sublease space will be introduced in the coming quarters as business impacted by the pandemic are forced to relinquish space while other tenants take a hard look at how to better use space. During 2020, nearly 8 million sublease square feet was brought to the market bringing the total to 19.3 million square feet. The rapid acceleration in concessions is evidence that owners will need to do whatever is possible to attract tenants as they compete with sublease space. The result will be reduced face rents and more generous concession packages. We have collected evidence from a wide group of office buildings in Midtown Manhattan that show both new tenants and renewing tenants taking space at base rent reductions of up to 30%.

Manhattan has experienced a drop in demand for office space and a corresponding decrease in office rents due to the COVID-19 pandemic. As many leases have been renegotiated, we have assembled a cross section of office leases to understand the impact COVID-19 has had on office rents in the New York City Market. The chart below contains leases executed within three different office buildings located in differing submarkets of Manhattan. The chart shows the lease rates obtained in these buildings prior to COVID-19 market conditions as compared with the lease rates obtained for spaces in the same buildings on a post-COVID-19 market basis.

Address	Floor	Tenant	Area (SF)	Market	Lease Start	Term (Months)	Starting Rent (PSF)	% Rent (Difference)
FIDi Office Building	Part 18	Confidential	1,600	Post-COVID	Oct-20	60	\$36.00	-25.00%
FIDi Office Building	Part 17	Confidential	1,965	Pre-COVID	Nov-19	12	\$48.00	

Address	Floor	Tenant	Area (SF)	Market	Lease Start	Term (Months)	Starting Rent (PSF)	% Rent (Mar. Difference)	% Rent (Dec. Difference)
FIDi Office Building	Part 7	Confidential	2,800	Post-COVID	Oct-20	63	\$36.59	-20%	-14.3%
FIDi Office Building	Entire 14	Confidential	4,960	Pre-COVID	Mar-20	82	\$46.00		
FIDi Office Building	Entire 10	Confidential	4,960	Pre-COVID	Dec-19	49	\$42.72		

Address	Floor	Tenant	Area (SF)	Market	Lease Start	Term (Months)	Starting Rent (PSF)	% Rent (Jan. Difference)	% Rent (Nov. Difference)
Midtown Office	-	Confidential	14,250	Post-COVID	Jun-21	120	\$30.53	-29.9%	-30.0%
Midtown Office	-	Confidential	5,575	Post-COVID	Jul-20	42	\$38.52	-11.6%	-11.7%
Midtown Office	-	Confidential	6,792	Pre-COVID	Jan-20	60	\$43.56		
Midtown Office	-	Confidential	3,924	Pre-COVID	Nov-18	60	\$43.64		

The paired lease analyses above indicate that face rents have decreased generally from 12% to 30% for leases signed Pre-COVID versus leases signed post-COVID. With the exception of the one lease signed in 2021, mean and median decreases are 17% and 14%, respectively. It is important to note that these decreases reflect changes in face rent, and do not necessarily take into consideration increasing tenant concessions of free rent and tenant improvement allowance (T.I.), which have been increasing in the tenant friendly, post-COVID market. *We note while not a perfect indicator, the above data highlights the trend in office leasing due to the ongoing COVID-19 pandemic. This data has guided our assumptions of future rents for office units.*

Sublease Market Share:

Traditionally, the amount of available sublease space comprised 10% to 20% of the total space available in the Midtown office market. From 2010 through 2016, the amount of sublease availability to overall availability ranged from a low of 2.3% to 21.9% and averaged 11.2%, in line with historical norms. However, beginning in 2017, the amount of available sublease space increased substantially.

The amount of available sublease space as a percentage of total space from 2017 through 2019 averaged 18% and reached as high as 28% of the total available space in 2Q 2019. This is an indication that there is decreasing demand for existing space in the submarket and that vacancy could further increase as these tenants' leases expire and these spaces come to market. The effects of the pandemic have enhanced this trend, and the submarket has had sublease share of at least 20% for the past five (5) quarters. As shown in the table below, Manhattan sublease space as a percentage of total available space had increased from 25.1% to 31.4% from 1Q 2020 to 4Q 2020, but has seen a slight decrease as tenants have pulled space off the market.

Market/Submarket	Sublease Comparison - 2020-2021					
	1Q 20	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21
Manhattan						
Total Available	45,750,775	48,054,915	53,982,439	61,416,864	66,074,365	74,160,583
Sublease	11,465,082	12,676,374	16,074,940	19,314,410	19,903,152	22,431,291
Sublease as %	25.1%	26.4%	29.8%	31.4%	30.1%	30.2%

The submarket is also being adversely affected by competition created by new office construction such as the projects in East Midtown, Hudson Yards and throughout Midtown South, which is adding

to the inventory. As a result, despite leasing activity in the past three to four years, the submarket continues to experience net negative absorption. In its 2Q 2021 Manhattan Available Sublease Analysis, Cushman and Wakefield reports that the current sublease inventory of 22.4 million undercounts the total inventory, as an additional 4.9 million feet are classified as shadow space. When added to the public sublease inventory, total sublease inventory is reported to be 27.3 million square feet.

C&W reports 25 blocks of sublease space measuring at least 95,000 square feet, of which 18 were added post-Covid. As large blocks of space continue to become available from tenants leaving the subject's corridor, and more shadow inventory enters the market, the amount of sublease space being brought to market will further compete with existing vacancies and new construction.

Conclusion

Many analysts anticipate that the New York City economy will remain strong and will likely continue to strengthen, at the same time anticipating that the Manhattan office market will remain fairly strong and stable. However, it is generally recognized that rents and asset values have peaked and that rents and/or asset values will not increase at a pace or rate that the market experienced in the three to four years prior to the onset of COVID-19 pandemic.

Subject Property's Chelsea Submarket

The Chelsea office submarket consists of 9 office buildings that comprise 17,433,190 square feet, or approximately 25.6% of the Midtown South office market. As of the Third Quarter of 2021, the total weighted average rental rate for both direct and sublease space was approximately \$66.04 in the subject market, which is an increase of 3.1% year over year. The Chelsea submarket has a reported vacancy of 13.8%, which is less than the overall vacancy rate for the Midtown South office market as a whole. According to Collier's Third Quarter 2021 Manhattan Office Report, asking rent for Class B office space in Chelsea was \$65.00.

Conclusion

The national and local economies, along with leasing activity in the Manhattan office market, started to pick-up in 2010. Improvement in the office market accelerated in 2013 and continued through year end 2015. During 2016 signs of a "softening" in the office market began to appear as overall average asking rents and effective rents experienced a decrease in accelerated growth. Now, with the COVID-19 pandemic, the Manhattan office market is reaching historic vacancy rates across all submarkets. While the reported rents per square foot may not show a dramatic decrease in rents received by the landlords, we are that these rental rents are not inclusive of the concession packages offered by landlords in today's market. Further, we continue to see upward vacancy trends despite many offices reopening and the easing of pandemic restrictions. We expect that many office tenants will continue to reassess the required amount of office space to run their businesses and the high vacancies will continue in the market for the foreseeable future.

Rental Market Value Conclusion

Office space at the subject property can be categorized as “Class B” -- older space that been upgraded and revitalized but has an unusual configuration and is located in a less desirable area away from a transit hub. The space in Pier 60 overlooks the Hudson River and features a 100 square foot terrace. The space in Pier 59 includes a 100 square foot outdoor deck, views of the Hudson River and built out conference spaces. The space in Pier 62 is the most inferior of the three vacant spaces given its northerly views, lack of outdoor space and atypical configuration.

In general, there has been a “flight to quality” for those tenants who can afford Class A space. The market for Class B space is weaker with a higher vacancy rate.

Given the unique nature of the subject property, it is difficult to perform an extensive analysis of comparable rentals outside of the subject property. Most weight in our analysis is therefore given to historical office rentals at Chelsea Piers. Noting that the asking rent for Class B office space in the Chelsea submarket is approximately \$65 per square foot, we estimate a market rent of \$55 per square foot for the 20,399 square feet of office located at the subject property that is available for general office use. For those spaces with a more limited office occupancy (i.e., those areas incidental to studio and marina use) we estimate market rents of \$55 per square foot, partly relying on the survey of Class B office comparables presented below. These spaces are all located in Class B buildings between West 18th Street and West 33rd Street and offer similar office areas to the subject.

#	Address	Tenant	Date	Term (Months)	Floor	SF	Per Foot	Free Rent	Ann. Increases	Notes
1	Confidential - West 30s	Confidential	9/1/20	66.0	Confidential	7,058	\$ 46.51	N/A	N/A	RE Taxes Over Base Yr
2	Confidential - West 30s	Confidential	7/1/20	24.0	Confidential	5,575	\$ 38.52	N/A	N/A	RE Taxes Over Base Yr
3	Confidential - West 30s	Confidential	1/1/21	120.0	Confidential	14,250	\$ 30.53	10 mos	3% per Year	Minor TI. RE Taxes Over Base Yr
4	Confidential - West 20s	Confidential	1/1/22	32.0	Confidential	25,572	\$ 60.00	\$ -	Flat	-
5	Confidential - Eighth Avenue	Confidential	3/20/2020	84.0	Confidential	26200	\$ 48.00	3 months	N/A	-
6	Confidential - West 20s	Confidential	4/1/2020	96.0	Confidential	50,000	\$ 70.00	9 mos	N/A	\$2.7m in TI
7	Confidential - West 18th St.	Confidential	7/1/2020	120.0	Confidential	16,625	\$ 74.27	N/A	N/A	-
8	Confidential - West 18th St.	Confidential	3/1/2021	136.0	Confidential	16,625	\$ 62.55	N/A	N/A	-

In 2021 we saw a total negative absorption of Manhattan office space totaling -19.6 million square feet. As sublease space becomes more prevalent and tenant interest increasingly gears towards full-service Class A buildings, we project protracted absorption periods for Class B and Class C space. Therefore, we project a one vacancy/free rent period for the general office spaces such that it will not be revenue producing until the 2023 lease year.

MARINA MARKET OVERVIEW AND RENTAL CONCLUSION

Chelsea Piers achieves income by leasing the pier and marina dock space to commercial and private vessels. In our analysis we assume that the marina space is operated directly by the Lessee while the commercial vessel docking is leased to operators.

While a majority of the dock space is rented by private vessels, the subject property is home to many commercial vessels, including tour boats and dinner boats. By way of example, the following commercial vessels are docked at the subject property:

Mariner 3	Spirit – New Jersey
Spirit Sensation	Spirit – Atlantica
Aqua Azul	Adirondack
Affinity	America 2.0
Sprit – Lexington	Full Moon
Spirit Bateaux	Manhattan II
Spirit – Elite	Manhattan
Spirit – New York	

The pier and dock spaces for private use are leased on a variety of terms, including transient and seasonal basis. Nightly dockage fees are typically referred to as transient dockage and are charged as a fixed fee per foot of boat length. While it is typical for marinas to offer a variety of pricing, in general, marinas have a set fee for peak season and another set fee for off-season. Additionally, some marinas have different rates depending on the length of stay. A marina may have a set fee for a nightly rate whereas their weekly rate may differ. Published transient dockage rates at Chelsea Piers are as follows:

Peak Season Rates		
Vessel Size	Daily	Weekly
0-50 ft	\$7.50	\$49.00
51-90 ft	\$9.00	\$45.00
91 ft +	\$12.00	\$75.00

Off-Peak Season Rates		
Vessel Size	Daily	Weekly
0-50 ft	\$3.50	\$20.00
51-90 ft	\$5.00	\$25.00
91 ft +	\$6.00	\$40.00

Next, we note that Chelsea Piers also offers seasonal rates for boats looking to rent a slip for an entire season. Management has shared the below 2021 Seasonal Rate for Chelsea Piers:

Seasonal Rate 2021 \$300 per foot

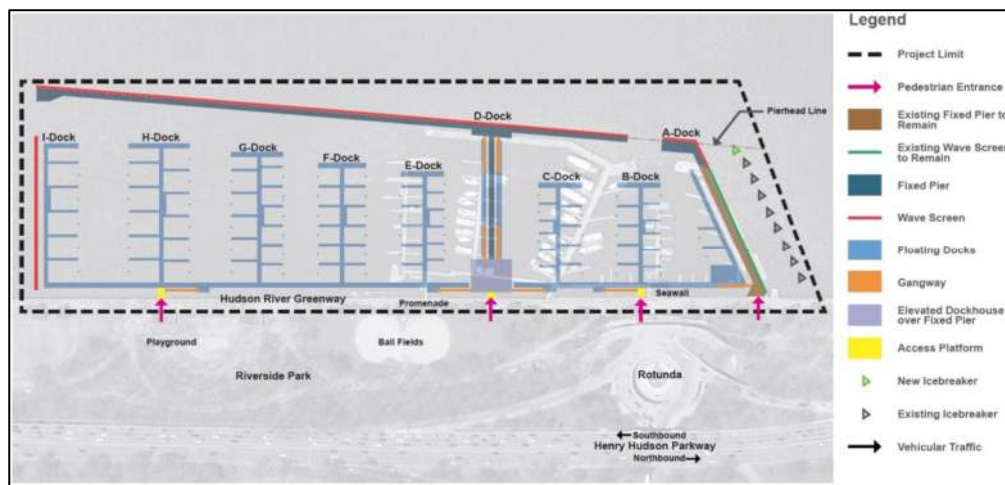
Competing Marinas

The island of Manhattan is home to only a few marinas given the limited space available to construct a marina. The city has the following options available for marinas, of which we will describe in further detail:

- Chelsea Piers*
- 79th Street Boat Basin
- North Cove Marina
- Pier 25 Marina (Hudson River Park)
- Skyport Marina

79th Street Boat Basin

The 79th Street Boat Basin has 60 moorings and 110 slips. The marina has historically been in very high demand, with a reported waiting list of 14 years and 780 people. It currently has five (5) docks. It is important to highlight that the 79th Street Boat Basin closed in November 2021 for renovations and overall expansion of the marina. It is expected that the marina will reopen in 2025. The new project is expected to add the total number of docks to nine (9) and modernize the overall facility to meet ADA needs and additional spaces for educational tall ships and marine-based research. New York City has allocated \$90 million to the total reconstruction of the marina, with \$60.9 million funded by the City of New York and the remainder from FEMA¹⁶. Construction to the marina is expected to commence in 2023. The following image outlines the plans for the future 79th Street Boat Basin:



¹⁶ [NYC Announces \\$90 Million Restoration to 79th Street Boat Basin - iLovetheUpperWestSide.com](https://www.ilovetheupperwestside.com/news/nyc-announces-90-million-restoration-to-79th-street-boat-basin)

North Cove Marina

North Cove Marina is located in the Hudson River in the Battery Park City neighborhood adjacent to Tribeca and the Financial District of Manhattan. Park of the Brookfield Place development, North Cove has 32 total slips and space for eight (8) mega yachts. The maximum length in North Cove Marina is 175 feet. North Cove Marina is operated by IGY Marinas, a global marina operator.

The following image outlines the layout of North Cove Marina:



Pier 25 Marina

Pier 25 Marina is located in the Tribeca neighborhood of Manhattan in Hudson River Park. Pier 25 has thirty (30) moorings that can accommodate boats up to 38 feet in length that are available on a transient and seasonal basis. The published rates for Pier 25 moorings are as follows:

Type	Rate
Overnight Mooring	\$150
Monthly Mooring	\$1,250
Summer Seasonal Rates	\$5,000

Pier 25 also offers dockage on a pickup and drop off (PUDO) basis. Dockage at Pier 25 is limited to boats 40 feet in length and a maximum of 15 minutes per visit is permitted. Pier 25 charges \$1 per foot for each pick up and drop off. This service is available to private and commercial vessels with seasonal deals available for commercial vessels that frequently use the PUDO service.

Skyport Marina

The only marina on the East River, this marina is mainly comprised of commercial charter vessels and sea planes. The marina has some transient dockage if it is available, but the primary business is commercial vessels. The docks at Skyport Marina were renovated in 2000 and 2001 to include

steel floating docks to house larger commercial vessels and smaller floating docks for recreational boats. This marina is known to have rough waters given the traffic through the East River. However, given that this is the only marina on the East River and its location in the lower 20s, this marina is well positioned for future demand of commercial vessels.

Contemplated Marina Development – South Street Seaport

Howard Hughes, using the services of SHoP Architects, has recently unveiled plans to include a 50-story tower and Marina in their South Street Seaport project. While these plans were initially revealed in 2013, they have recently resurfaced. The initial proposal includes a marina and a \$125 million rehabilitation plan for the piers¹⁷. The following rendering includes the proposed marina for the South Street Seaport District:



Commercial Piers

In addition to traditional marinas, there are various piers in Manhattan that offer docking for commercial sightseeing and dinner cruise vessels. The northern and western berths of Pier 40 in Hudson River Park are permitted to Hornblower and Cornucopia Cruise lines for entertainment and dinner cruises. Pier 78, a privately owned pier located at the intersection of 39th Street and 12th Avenue, is currently leased to Hornblower for sightseeing cruises around New York Harbor. The adjacent Pier 79 is home to the ferry terminal for the New York Waterway.

Located further to north from the subject property at Pier 82 and Pier 83 in Hudson River Park at the intersection of West 42nd Street and 12th Avenue is Circle Line Sightseeing Cruises. Circle Line is a sightseeing and entertainment company that offers guided cruises, sightseeing tours, and dinner cruises throughout New York Harbor. Also at the Circle Line complex is The BEAST, a 70-foot powerboat that offers tourists a 30-minute thrill ride through New York Harbor.

¹⁷ [50-Story Tower By SHoP Revealed For South Street Seaport - Curbed NY](#)

Outside Manhattan

In addition to Manhattan, there are a number of marinas that service New York Harbor. The notable competitors of Manhattan marinas are Liberty Landing Marina in Jersey City, One15 Brooklyn Marina in Brooklyn, and The Shipyard Marina in Hoboken.

Liberty Landing Marina has 520 slips that can accommodate boats ranging in size from 20 to 160 feet. The marina offers both seasonal and transient slips.

One15 Brooklyn Marina has 100 slips that can accommodate vessels up to 300 feet in length. Transient dockage for One15 Brooklyn Marina ranges from \$4.50 per foot to \$7.00 per foot depending on the length of the vessel. Seasonal rates for One15 Brooklyn Marina are not currently available.

The Shipyard Marina in Hoboken offers 30 deep water slips that can accommodate boats up to 60 feet in length. The Shipyard Marina offers transient and seasonal dockage and includes metered electricity at each slip. In addition, The Shipyard Marina is home to The Hoboken Sailing Club which has a fleet of J/80 sailboats. The boats are located in slips in the Shipyard Marina.

We have considered all of the comparable data uncovered and discussed above, as compared with the actual lease and income history of the subject marina in determining an appropriate stabilized marina income for use in our valuation analysis.

Conclusion – Commercial Vessel Rent

Management has shared that the following slips are not in operation but can be used in conjunction with an event in the catering hall: Pier 60 Face, Pier 61 Face. The slip at Pier 61 S1 is not in operation given that the access to the slip is restricted by a commercial vessel. Lastly slips Pier 60 S4 and Pier 61 S4 are not in operation because of the catering hall operations. Given that these slips cannot generate separate marina income as access to the spaces is required for the catering business, they have not been included in our analysis. We have therefore projected the following income from the commercial marina operations based on our knowledge of typical rates in the market:

Commercial Marina Rent Roll				
Slip Group	Slip Numbers	Linear Feet	Rent Per Foot	Total Rent
1	Pier 59SF2 & 60N3	300	\$750	\$225,000
2	Pier 60N3	150	\$850	\$127,500
3	Pier 60N1	150	\$850	\$127,500
4	Pier 61S5, 60N2, 61N1, 61N2, 61N3, 61S3	985	\$1,450	\$1,428,250
5	Pier 62S1, 62S4, 62S5, 62S6, 62S2, 62S3	525	\$1,450	\$761,250
		2110	\$1,265	\$2,669,500

Using our knowledge of Marina marina operations at the subject property, we have projected a rental rate per linear foot of \$750 for slips 59SF2 and part of 60N3, as these two spaces are assumed

to be leased in conjunction with one another. These two slips have a total linear footage of 300 and are assumed to lease just the dock space without any additional requirements.

Next, we have projected a rental rate per linear foot of \$850 for slips 60N3 and 60N1 as these two slips are each 150 feet and command a higher rent per linear foot given the economies of scale. Typically the larger the slip, the lower the rental rate on a linear foot basis, which we have assumed in this analysis. We also note that these slips are leased for the dock space alone and do not have any additional space requirements outside of the linear feet at the slip.

Next, we note that the final two slip groups (Groups 4 and 5) command a rental rate considerably higher than the first three groups we have discussed. Given that these have a large amount of linear feet, we have assumed that these two operations will require outdoor space for ticketing and other operations on the pier and dock space. This has been considered in our rent calculations and have been looped in to our linear foot calculations. In a similar vein, we have assumed that these two groups will need back-office space for their company operations as the in-place tenancy currently has this requirement. Given this, we have applied a rental rate of \$1,450 per linear foot per year to these two groups of slips given the additional space requirements. In sum, we have calculated a total income from the commercial operations at the subject property of **\$2,669,500 per annum**, and have escalated this income 2.5% per annum to the stabilized year of 2025, at which point stabilized commercial vessel income is projected to be \$2,874,760. The demand for commercial vessels has been depressed due to the reduction in in-person gatherings and large events, we believe that market rent for marina spaces for commercial vessel income will be phased-in as these gatherings become more commonplace in the coming years. We project a phase-in to full market rent at a rate of 40% in 2022, 60% in 2023, 85% in 2024 and 100% in 2025.

Conclusion – Transient/Seasonal Income

As described above, marinas have a variety of rates depending on the length of stay, the length of the vessel, and the time of year. We note that the subject property includes 62 slips located on the southerly side of Pier 59. However, we have been informed that slips 53-62 are not part of this analysis and are not in operation. Therefore, our projections will be based on *52 total slips*. We note that this analysis excludes the T-Heads, which will be projected in the next section.

To calculate the projected income from the 52 slips, we have assigned an average slip size given that the sizes vary. Our conversations with the marina staff indicated that the slips range in size from 35 to 50 feet in length. With this in mind, we have assumed that on average, the slips measure 40 feet. Next, the marina staff also shared that the seasonal rental rate for the 2021 season is \$300 per foot per year. Lastly, we have assumed that 85% of the slips will be rented on a seasonal basis. This assumption is based on our knowledge of the overall boating industry during the COVID pandemic, and the projected demand given the upcoming 79th Street Boat Basin closure. Our income projections for the 52 slips are as follows:

Projected Slip Income (Seasonal)

No. of Slips	52 slips
Size Assumption	40 feet
2021 Seasonal Rate	\$300.00
Occupancy Assumption	85%
Projected Slip Income	\$530,400

Next, we note there are a number of transient slips and face piers at the subject property that cater to larger vessels. To project the income from these slips, we will analyze them based on the nightly rate given that these are typically large sailing or motor yachts that travel around. The slips included in this analysis are the T-Heads at Pier 59, the 59 Face, 59 Side, and the southerly and northerly slips across Pier 59, 60, 61, and 62 that are not occupied by commercial vessels.

Our calculations and assumptions will be discussed as follows. First, the total linear dockage for T-Heads at Pier 59, Pier 59 Face pier, Pier 59 Side pier, and the southerly and northerly slips across Piers 59-62 that are not occupied by commercial vessels total approximately 1,380 feet. Next, we note that seasonal dockage for vessels that would occupy this space is \$12 per foot, per night, which has been applied as the per foot income in our analysis. Lastly, we have projected that the transient dock space for the larger, face piers is 60% occupied for the peak season, which ranges from April 1st to October 31st. Our projected income is as follows:

Transient Dockage Projections (Peak)

Total Linear Feet	1380 feet
Transient Income	\$12
Total Potential Daily Income	\$16,560
Peak Season Days (Apr. 1 - Oct. 31)	213 days
Total Potential Income	\$3,527,280
Occupancy Assumption	60.0%
Projected Transient Income	\$2,116,368

Conclusion – Total Marina Income

Given the above analysis, we believe that the projected total income for the subject marina operation, both commercial and pleasure, is as follows:

Projected Marina Income (2025)

Total Seasonal Income	\$579,582
Total Transient Income	\$2,279,097
Total Commercial Income	\$2,874,760
Total Projected Marina Income	\$5,733,439

We believe that the the subject property marina can generate approximately **\$5,733,439 per annum** in income from marina operations as stabilized in 2025, but we note that the commercial dock income will be dependent on customer demand for commercial tours, events and that this income will phase in at a rate of 40% in 2022, 60% in 2023, 85% in 2024 and 100% in 2025.

Annualized Income

Using the above income calculations, we have projected the annualized stabilized income for the Chelsea Piers marina operation going forward. Our projections are as follows:

% Commercial Vessel Docking- Stabilized Phase-In	40%	60%	85%	100%
Marina	2022	2023	2024	2025
Seasonal Docking	\$530,400	\$546,312	\$562,701	\$579,582
Transient Docking	\$2,116,368	\$2,169,277	\$2,223,509	\$2,279,097
Commercial Vessel Docking	\$1,149,904	\$1,724,856	\$2,443,546	\$2,874,760
Subtotal	\$3,796,672	\$4,440,445	\$5,229,756	\$5,733,439

EVENT / CATERING FACILITY MARKET OVERVIEW AND RENTAL CONCLUSION

The subject property has three event and catering spaces located on Piers 59, 60 and 61. The Pier 59 facility contains approximately 13,306 square feet. Pier 60 has approximately 39,536 square feet of banquet space spread across at grade and mezzanine level. Pier 61 has approximately 21,003 square feet of banquet space spread across at grade and mezzanine level as well. In sum, the subject property has approximately 73,845 square feet of event and catering space on its premises. To impute a market rent for the spaces we have conducted a market study of banquet space in Manhattan for spaces similar to the subject property's offering.

New York City is home to many event spaces, ranging from rooftops to office space dedicated for daily events. The subject property would serve as a unique offering for a company or organization gala, holiday party, or as a social event venue. To understand the potential rental income to be generated by the banquet spaces at the subject property, we have researched the rental rates for other event spaces around New York City. In our search, we have included larger restaurant spaces given that event spaces are often owner occupied and not under a traditional lease agreement. Our findings are as follows:

SURVEY OF COMPARABLE RETAIL RENTS											
No.	Address	Tenant	Lease Date	FL Level	SF	Annual	Monthly	Rent / PSF	Term	Rent Steps	Comments
1	29 West 36th Street	La Casa Del Mofongo	2021 Q2	Grade Mezz Cellar Total SF	5,500 4,000 5,500 15,000	\$ 360,012	\$ 30,001	\$65 Blended Rent \$24	10 years	N/A	Fully built-out restaurant with \$3m in improvements. Two brand new kitchens. No TI or Free Rent Reported
2	100 Pearl Street	Urban Space	2021 Q1	Grade Rear Office Total SF	12,500 2,020 14,520	\$ 1,000,000	\$ 83,333	\$80 Blended Rent \$69	N/A	N/A	\$1m base rent plus percentage rent/profit share Exact profit share % unavailable
3	103-105 MacDougal St.	Original Pappas Taverna	2020 Q3	Grade Cellar Total SF	6,750 6,750 13,500	\$ 700,000	\$ 58,333	\$104 Blended Rent \$52	15 years	N/A	Rent is the greater of \$700k or 8% of sales Frontage on MacDougal and Minetta Lane Reportedly has a "Generous TI Allowance" but no specific amount available
4	412 West 15th St	Nusr-Et Burger	2020 Q1	Grade Cellar Total SF	7,059 5,117 12,176	\$ 1,850,000	\$ 154,167	\$262 Blended Rent \$152	10 years	N/A	\$2.5m in TI, 1 year Free Rent
5	135 West 50th Street	Urbanspace	2019 Q4	Grade Cellar Total SF	12,000 3,000 15,000	\$ 1,305,000	\$ 108,750	\$100 Blended Rent \$87	20 years	N/A	8 months free rent Dual Frontage on 50th and 51st Streets
6	40 Central Park South bet. 5th & Ave Americas "Villaggio on the Park"	Gabriel's Bar and Restaurant	2019 Q4	Grade Cellar Total SF	5,602 4,492 10,094	\$ 840,000	\$ 70,000	\$150 Blended Rent \$83	10 years	N/A	Fully Vented Restaurant Space w/ Sidewalk Seating overlooking C.P. Basement used for Storage and Kitchen Prep
7	1889 Broadway bet. W 62nd & 63rd Streets Across the street from Lincoln Center	Boucherie 1889	2019 Q1	Grade Second Floor Total SF	350 6,400 6,750	\$ 500,000	\$ 41,667	\$1,429 Blended Rent \$74	20 years		Located at base of Empire Hotel Across the street from Lincoln Center Entrance on W. 63rd Street, Exposure on Three Streets/Two Corners
8	160 Madison Avenue on East 33rd Street (Mid-Block, Side-Street Entrance)	The Parlor	2019 Q1	Grade Cellar Total SF	1,182 10,697 11,879	\$ 740,000	\$ 61,667	\$626 Blended Rent \$62	20 years	N/A	1 Year Free Rent, \$600K in TI \$100 PSF @ Grade, \$58 PSF LL Allocated 10% Increases Every 5 Years 24' Frontage, 20' Ceilings @ Grade, 18' @ LL
9	725 10th Avenue	Hasalon Restaurant	2018 Q4	Grade	6,000	\$ 309,945	\$ 25,829	\$52	15 years	1% per year	Landlord is entitled to a breakfast fee at sole discretion

We have included a variety of restaurant spaces that range in size from 6,000 square feet to 15,000 square feet. These spaces were leased between the Fourth Quarter of 2018 to the Second Quarter of 2021. We note that the first three (3) lease comps were signed following the onset of the COVID-19 pandemic. These leases were signed in a variety of locations around New York, including the Financial District, Greenwich Village, and Midtown South. These three leases range in size from

12,176 to 15,000 square feet and were reportedly leased for a rental rates that range from \$65 to \$104 per square foot of grade level retail space. All of these leases contain additional space outside of the grade level space. When taking this in to consideration, these leases were signed for rates that range from \$24 to \$69 per square foot. The lease signed for \$24 per square foot is a restaurant by day, nightclub at night and has approximately 4,000 of mezzanine level square footage and 5,500 of basement square footage. This space had been renovated by the prior tenant with the improvements reportedly costing \$3 million. This includes bars on every floor and two brand new kitchens.

Lease Comparable #3 is also important to highlight. This lease was signed in the third quarter of 2020 by a large restaurant operator. This retail space is located in Greenwich Village along MacDougal Street and has additional frontage along Minetta Lane. The space measures approximately 13,500 square feet with equal square footages at grade and in the basement. This lease was signed for a base rental rate of \$700,000 per annum or for a rate of 8.0% per annum of gross sales, whichever is greater. The base rent equates to a per square footage amount of \$104 per square foot at grade and a blended amount of \$52 per square foot with the basement included. We have also uncovered that this tenant received a “generous” tenant improvement package but no specific dollar amount was available.

Market Rent Conclusion

The subject property features large banquet spaces fit for weddings and other social occasions, corporate events, and organization fund raising and galas. The location of the subject property carries positive and negative aspects when considering its value as a potential banquet and event space. The subject property is located in Downtown Manhattan offering convenience to a number of popular neighborhoods in New York City, including most notably Chelsea. However, its location on the far west side of Manhattan has less transportation access than more central areas of the City. For this reason, it is our opinion that the subject space would command a rental rate that is less than a standard restaurant with catering facility that has greater exposure to daily pedestrian, mass transit and vehicle traffic on a major avenue or busy sidestreet. In addition, the relatively large sizes of the subject property catering and banquet spaces speak to a lower per square foot rental.

In another vein, the subject property’s location on the waterfront is attractive for customers seeking a unique experience, particularly for social and corporate events and organizational galas. Lastly, given the ongoing COVID-19 pandemic, demand for event spaces has significantly reduced due to the health risks associated with large gatherings. As discussed previously, we expect a phase in to pre-COVID stabilized income generation and market rent. After considering the above discussion and the size of the subject spaces at the subject property, we believe that event / catering spaces would command the following stabilized market rents in the \$45 to \$60 per square foot range:

% of Stabilized Income - Phase-In	50%	70%	85%	100%
	2022	2023	2024	2025
Catering/F&B				
Pier 59 Catering	\$399,180	\$558,852	\$678,606	\$798,360
Pier 60 Catering	\$889,560	\$1,245,384	\$1,512,252	\$1,779,120
Pier 61 Catering	\$577,583	\$808,616	\$981,890	\$1,155,165
Subtotal	\$1,866,323	\$2,612,852	\$3,172,748	\$3,732,645

RETAIL MARKET OVERVIEW AND RENTAL CONCLUSION

The COVID-19 pandemic and resulting economic crisis has exacerbated a retail leasing market that had been in a downward transition from mid-2015 through 2019. As of the onset of the pandemic in March 2020, the mass closure of non-essential businesses resulting from COVID-19 across the country has crippled businesses of all sizes. The impact on retailers was significant as well causing many to close stores temporarily and/or cease paying rent for some period over the course of 2020/21.

Well before the onset of declining retail market conditions resulting from the COVID-19 pandemic, the Manhattan retail leasing market was in a consistent deceleration. This was characterized by increases in vacancy, increased landlord concessions and declining effective rental rates. This retail downturn did not exist in a vacuum and was part of a larger national trend. A seismic shift in retailing is occurring nationally and locally in part due to an over-saturation of retail space, and the ever-growing influence of online retailing.

With widespread distributions of vaccines in 2021, consumer demand has accelerated, and the retail markets have begun to open and recover relative to the early pandemic period. The demand for retail space has been affected by the pandemic but retailers continue to look for opportunities to enter into agreements at rents which are substantially lower than pre-COVID-19 rates. The combined effect of widely distributed vaccines and decreases in rent levels, along with increased concessions, have led to increased demand and leasing activity relative to market conditions during the early days of the pandemic.

Retail trends in Manhattan for the past three years are summarized by The Real Estate Board of New York (REBNY) as follows:

Fall 2019 Trends

According to the Fall 2019 retail market report published by the REBNY, “High asking rents have begun to drop, resulting in an uptick in leasing activity and a stabilizing market. Manhattan retail leases in the second half of 2019 were driven by e-commerce proof of concept uses such as food/beverage, service, and medical offices. According to REBNY, the median asking rent for the Madison Avenue retail corridor was \$900/sf as of fall 2019, down 22.4% annually.

Fall 2020 Trends

For the Fall 2020 Manhattan Retail reporting period, REBNY reported that 16 (of 17) corridors experienced a decrease in average asking price per square foot rent from fall 2019, ranging from 3% to 22%, with one corridor remaining flat. These decreases are historic, with 11 corridors experiencing their lowest price per square foot averages in at least a decade. While asking rents dropped significantly taking rents can be much lower, with some brokers citing average differences between asking and taking rents around 20%. According to REBNY, the median asking rent for the Madison Avenue retail corridor was \$750/sf as of fall 2020, down 16.7% annually.

Fall 2021 Trends

For the Fall 2021 Manhattan Retail reporting period, 13 (of 17) corridors experienced a decrease in average asking price per square foot rent from fall 2020, ranging from 1% to 39%, with Broadway (72nd – 86th Streets) and Fifth Avenue (49th – 59th Streets) retail corridors remaining flat over the prior year.

Some of the notable highlights of the Fall 2021 REBNY report are summarized as follows:

- * “Manhattan Retail Market Heading in the Right Direction: Key market metrics – foot traffic, retail sales, tourism levels and hotel occupancy – remain below pre-pandemic levels but are heading to higher levels.
- * More Leases & Lengthier Commitments: Tenants responded to strong evidence of rising demand, committing to more leases with lengthier commitments.
- * Discounted Rent & Lease Flexibility: Brokers noted that tenant improvement and lease flexibility are still prevalent. Compared to the Fall of 2019, there are twice as many spaces with an average rent under \$300/PSF. Times Square registered its lowest rent in more than a decade.
- * COVID-19 Variants Present Risks to Foot Traffic; High Benefits to Return to Office, Increased Tourism: The retail market is poised to make another step forward, assuming that COVID-19 variants are contained, and quality-of-life issues are addressed. The level of return of office workers in 2022 remains to be seen and is essential to several key retail districts.”

Overall, the retail market continues to fluctuate with varying levels of demand and market corrected asking rents. The current market offers tenants ample availability and reduced leasing costs. Even where landlords are not adjusting asking rents, they are offering more creative deals with higher tenant improvement allowances, free rent, percentage clauses as well as shorter lease terms and flexibility on renewal and term clauses. Other property owners, specifically in Soho where current demand and leasing activity is increasing, are willing to keep their retail spaces dark until the market fully recovers, and their asking rents are met.

It goes without saying that a guarded sense of uncertainty as to the long-term health of retail is the norm for market participants, both nationally and locally in New York. And if structural changes within the industry due to shifts to on-line shopping and market conditions brought on by COVID-19 were not enough, establishments are also dealing with heightened challenges from legislation. Mandated labor cost increases, notably the \$15 per hour minimum wage law which fully vested in New York City at the end of 2018, has introduced additional cost requirements for retailers, especially labor-intensive restaurants.

Manhattan Asking Rents

REBNY produces bi-annual retail market reports which set forth asking face rents for numerous retail corridors in Manhattan. According to REBNY Retail reports, the median asking retail rent in

Manhattan has experienced a declining annual trend for the past consecutive four years. As of Fall 2021, ten of the seventeen corridors tracked reported annual decreases in median asking rent. The largest decrease was experienced in the Times Square submarket (Broadway between 42nd St & 47th St) at 46.9%. Four corridors experienced annual gains ranging from 1.2% on Broadway in the Financial District to 16.7% on East 86th Street. Three submarkets experienced no change over the prior year, including the subject's Madison Avenue corridor.

It is important to note that the retail market rent charts prepared by REBNY report asking face rents, NOT taking rents, and not effective taking rents. They therefore lag actual market conditions. In addition, they do not reflect tenant concessions, tenant demand, or actual leasing activity. Their reports are referenced to show the minimum change and direction of asking rents over the past year.

Manhattan Vacancy Rates

According to C&W, overall vacancy rates in Manhattan experienced a slight annual decrease as of 4Q 2021, an indicator of improving leasing activity. Herald Square and Lower Manhattan were the only submarkets that experienced annual increases in vacancy rates. Seven submarkets of the twelve tracked experienced annual decreases in vacancy rates. Three submarkets remained unchanged. Herald Square and Madison Avenue have the highest vacancy rates at 35.6% and 32.5%, respectively. However, the vacancy rate on Madison Avenue improved annually with a decrease of 6.7% from 4Q 2020 to 4Q 2021.

Overall, the retail corridors tracked by Cushman & Wakefield reveal an average vacancy rate of 23.0% as of 4Q 2021, down annually from 25.4%, though still very high. Given the current high vacancy rates and declining asking rents throughout the City, the current market conditions are benefitting the tenants.

Conclusion: As the City has started to re-open in the second half of 2021, we have observed improving conditions for the retail market. Vacancy has dropped slightly, leasing volume – especially for small spaces – has ticked up and decreases in rents have slowed.

Subject Spaces

The subject property contains two (2) small retail spaces. A one-story and mezzanine restaurant space is located long Pier 62 with a total rentable area of 3,408 square feet. There is a second grouping of two small retail spaces located on Pier 61 with a total rentable area of 1,394 square feet. These spaces can be rented to subtenants. Below is a survey of smaller retail leases in the West Village and West Chelsea for both restaurant and dry goods tenants. The spaces range from 600 square feet to 3,500 square feet and the grade level rents range from \$74 to \$132 per square foot. The spaces bracket the subject property, but are generally considered superior given their respective locations and proximity to other contributing retailers and residential neighborhoods.

No.	Address	Tenant Name	Date	Mo. Rent	Ann. Rent	SF	Rent PSF	Term	Steps	Free Rent	Notes
1	569 Hudson Street	Restaurant Tenant	Q1 2021	\$16,000	\$192,000	1,608	\$119.00	10 years	3%/year	6 mos.	1,300 SF Basement. Fully equipped bar, comes with liquor license, in-place kitchen. Old Philip Marie space
2	169 Bleecker	Restaurant Tenant	Q1 2021	\$17,500	\$210,000	1,800	\$117.00	10 years	3%/year	6 mos.	1,300 FT basement. Built out bar & restaurant, venting in place
3	137 Sullivan Street	Mareluna	Q1 2021	\$11,000	\$132,000	1,000	\$132.00	12 years	3%/year	3 mos.	1,000 FT basement. Fully vented, hood in place
4	12 Perry Street	Gramercy Design	Q4 2020	\$3,500	\$42,000	600	\$70.00	9 years	\$500/year first 4 years, \$195/year 5 years	2 mos.	300 SF Basement. Retail space along 7th Avenue South
5	142 West 26th Street	2nd Street USA (Clothing)	Q2 2020	\$21,583	\$259,000	3,500	\$74.00	10.5 years	N/A	6 Mos.	Negotiated prior to covid/signed during covid. 1,700 SF in basement
6	520 West 24th Street	Mucciacci a Gallery	Q1 2020	\$14,963	\$179,550	2,394	\$75.00	7 years	See Comments	2 mos.	6% increase third year, 3% thereafter. Taking Rent \$180,500 per annum. Signed pre-COVID
7	515 West 29th Street	Malin Gallery	Q2 2019	\$35,000	\$420,000	3,512	\$119.59	10 years	3% per annum	N/A	1,074 SF at Grade, 2,438 SF in LL. 100% of RE Taxes over base year (2019/2020)

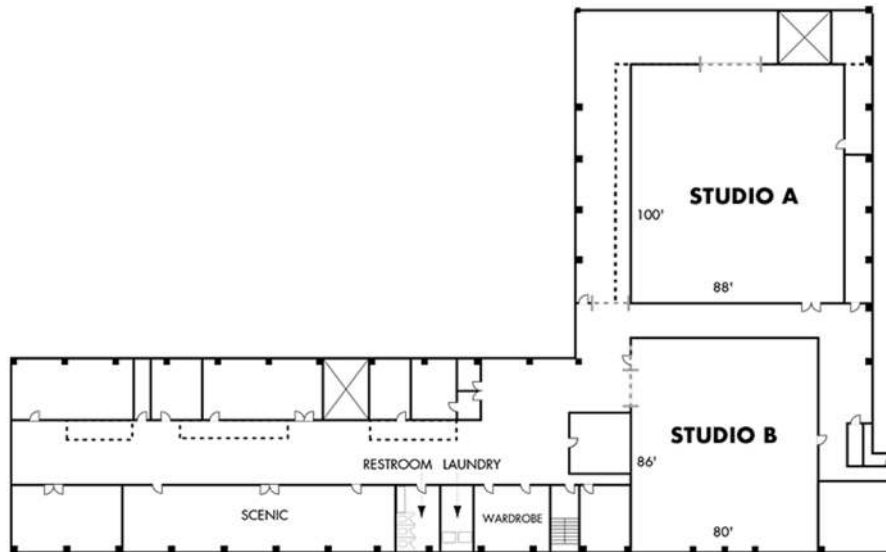
In order to estimate market rent for these spaces we rely on comparable rentals for small spaces in the neighborhood. We note that the retail spaces are somewhat unique, as these are spaces that are not part of the connected street grid of Manhattan, and demand for these spaces is largely driven by the patronage of the subject property, employees of the subject property and visitors to Hudson River Park. We estimate a market rent for both spaces at \$75 per square foot, with reliance placed on the above comparable leases. We note that at Pier 26 of the Hudson River Park, 2019 (pre-Covid) base rent and percentage rent totaled nearly \$550,000. The space concerns 3,135 sf of prime indoor seating and kitchen, 600 sf storage/utility, 460 sf 2nd floor office, a 4,460 sf seasonal roof terrace, and 3,500 outdoor patio only partially usable for seating. The subject spaces do not offer comparable views or quality of outdoor space.

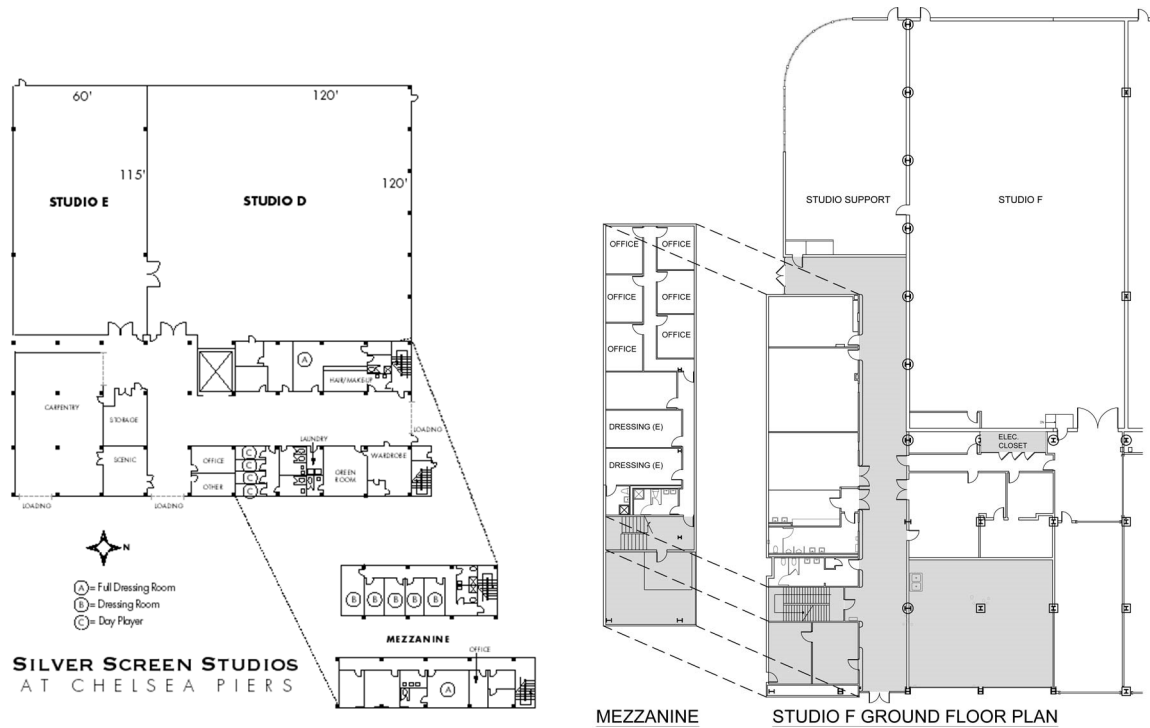
PRODUCTION STUDIO OVERVIEW AND MARKET RENT CONCLUSION

The subject property has five (5) production studios and supporting workshop and back office areas. The studios are identified as Stage A, Stage B, Stage D, Stage E and Stage F. Studio A/B measure 41,921 square feet, Studios D/E measure 43,515 square feet and Studio F measures 20,440 square feet. In addition to the studio areas there are offices that support the productions, identified as Studio Offices. These spaces total 72,584 square feet and are spread through the subject property. Additional areas are found in Pier 59, comprising a total of 58,407 square feet. The areas are summarized as follows

Production Studios and Offices	Sq. Ft.
Pier 59 Studios and Millwork	58,407
Production Studios A-F	105,876
Studio Offices	72,584
Subtotal	236,867

Floor plans of the studios are presented below and on the following page:





NYC PRODUCTION SPACE OVERVIEW AND MARKET RENT CONCLUSION

Prior to COVID-19, New York City was one of the leading film production markets in the country. In 2019 movie production reached an all-time high in New York City, with over 80 television series and 300 feature films. As of 2019, the film and television industry in New York City supported approximately 185,000 jobs, \$18.1 billion in wages and was responsible for \$81.6 billion in total economic output.¹⁸ In addition to the talent and traditional media base of New York City, one of the major contributing factors to the sustained film and television production is the New York State Film Production Tax Credit. According to the New York City Film & Television Industry Economic Impact Study (“Film Impact Study”), the film tax credit has accounted for 75% of the direct industry jobs in the motion picture and video production sector.

According to the Film Impact Study, “New York City is home to about 60 qualified production facilities (QPFs)—as defined by the Film Production Tax Credit Program—located in all five boroughs and concentrated in Manhattan, Brooklyn, and Queens. These facilities constitute almost 2 million square feet of production space, and this figure is expected to nearly double in the next few years as existing expansion projects are completed and new facilities open. These facilities also vary in type and size: a handful are very large, multi-stage facilities widely regarded as world class film and television production hubs; most others are smaller, single- or several-stage facilities.”

¹⁸ New York City Film & Television Industry Economic Impact Study

New York City's film and television industry enjoys many strengths and holds a promising future as a result. The industry in New York City has benefited from a global increase in demand for film and television content in recent years, driven by the rise of streaming services and attendant industry-wide changes. The number of direct jobs in the film and television industry has grown consistently over the last 15 years. The industry added roughly 35,000 jobs since 2004, growing at an annual rate of 3 percent, outpacing the citywide job growth rate of 2 percent over this period.

New York City is a hub for subscription programming companies, home to many of the nation's most influential and successful cable networks and subscription programmers. Virtually all subscription programming companies in the city are joint ventures or wholly owned subsidiaries of multinational mass media and entertainment conglomerates, of the likes of WarnerMedia and The Walt Disney Company. Although parsing these corporate subdivisions and activities is complicated, this study treats only the companies (and arms of companies) that are directly engaged in subscription programming as being part of this sector. A&E Networks, Fox News Channel, and Home Box Office (HBO) are a few examples of the major subscription programming companies headquartered in New York City that are included in this sector.

Subscription programming is the financial engine of New York City's film and television industry, contributing over 40 percent the industry's direct economic output despite accounting for only 8 percent of its direct jobs. This outsized economic output is due in part to the consolidated revenues of corporations with multiple subscription programming holdings. The cable networks and other subscription programming companies that make up the sector reap tens of billions of dollars in subscription revenue annually and their New York City operations consist primarily of corporate offices that host multiple companies under one corporate parent.

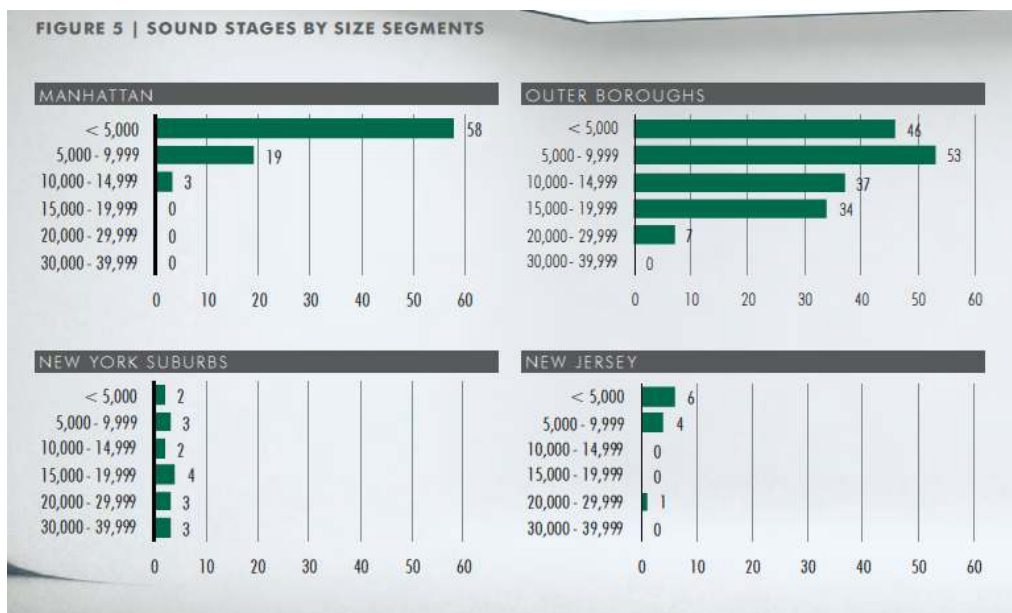
The sector's corporate presence has made its mark on the city through high-profile offices, primarily clustered near technology companies on Manhattan's West Side. A notable example is WarnerMedia, which currently rents 27 floors at Hudson Yards, a multi-use development that opened in 2019. Further downtown is ABC-Disney's massive complex at 4 Hudson Square, the planned location of new offices for ESPN. Netflix plans to occupy 100,000 square feet of office space in the Flatiron district as it expands its New York City footprint.

Below is a summary of the film studio footprint across the five (5) Boroughs, Long Island, New Jersey and the Hudson Valley. The source of this data is CBRE's May 2021 Tri-State Film & Television Production Report

FIGURE 3 | FILM STUDIO SCORECARD

	Industrial	Office	Purpose Built	Other	Total
Brooklyn	881,224 sq. ft.	-	132,239 sq. ft.	-	1,013,463 sq. ft.
Stage Count	104	-	9	-	113
Average Size	8,473 sq. ft.	-	14,693 sq. ft.	-	
Queens	393,747 sq. ft.	14,700 sq. ft.	147,577 sq. ft.	-	556,024 sq. ft.
Stage Count	39	6	10	-	55
Average Size	10,096 sq. ft.	2,450 sq. ft.	14,758 sq. ft.	-	
Manhattan	66,940 sq. ft.	154,023 sq. ft.	-	67,248 sq. ft.	288,211 sq. ft.
Stage Count	17	52	-	11	80
Average Size	3,938 sq. ft.	2,962 sq. ft.	-	6,113 sq. ft.	
Long Island	252,435 sq. ft.	-	-	-	252,435 sq. ft.
Stage Count	13	-	-	-	13
Average Size	19,418 sq. ft.	-	-	-	
Bronx	54,934 sq. ft.	-	81,300 sq. ft.	-	136,234 sq. ft.
Stage Count	5	-	4	-	9
Average Size	13,734 sq. ft.	-	20,325 sq. ft.	-	
New Jersey	65,616 sq. ft.	-	-	-	65,616 sq. ft.
Stage Count	11	-	-	-	11
Average Size	5,965 sq. ft.	-	-	-	
Hudson Valley	57,000 sq. ft.	1,470 sq. ft.	-	-	58,470 sq. ft.
Stage Count	2	2	-	-	4
Average Size	28,500 sq. ft.	735 sq. ft.	-	-	

CBRE notes that in Manhattan there are only three stages between 10,000 and 14,999 square feet and none over 15,000 square feet. The subject’s Studio D stage is approximately 14,400 square feet and represents one of the largest stages in Manhattan, according to CBRE’s chart below.



Market Rent Conclusion

Below is a selection of comparable and asking rents for studio spaces. The comparable rents concern a full-building lease of a six-stage development under construction, as well as smaller stage/studio rentals and asking rents. The subject property studio spaces, although inferior in utility to the new development at 333 Johnson Avenue in Brooklyn, are in a more desirable location in Manhattan where there is also a limited supply of film production space. We believe that these two factors largely offset each other such that the subject property's market rents are most closely reflected by the rents in 333 Johnson Avenue.

Tenant	Address	Sq. Ft.	Use	Lease Date	Starting Annual	Starting Annual	Concessions	Rent Notes	Description of Space
Netflix	333 Johnson Avenue Bushwick, BK	170,400	Production Studio	2Q 2019	\$11,000,000	\$65	6 months free \$225 PSF TIs	\$5 PSF step years 6 and 11	Lease of a new production studio
ASKING	120 East 23rd Street	51,406	Production Studio	Asking	\$2,500,000	\$49	Asking - Market terms	Asking - Market terms	Floors 1 and 2 of television production space formerly occupied by HBO
ASKING	225 East 31st Street	5,000	Photo studio	Asking	\$244,000	\$49	Asking - Market terms	Asking - Market terms	Photo studio space with up to 22' ceilings
ASKING	11-25 Franklin Street	26,000	Former Production	Asking	\$1,500,000	\$58	Asking - Market terms	Asking - Market terms	One-story and mezzanine with support areas for film production

We have estimated market rents for these spaces, with guidance provided by the total escalated rent of the tenants in occupancy. Based on our knowledge of recent rentals, asking rents and our knowledge of sustained demand for space in this market we estimate the following rents for the studio spaces, "back of the house" millwork and set design, and supporting office spaces. We note that the blended rent conclusions are in line with the average rent currently achieved at the subject property across all studio spaces and back-office support areas.

Projected Rents per Tenant/Space

Production Studios and Offices	Sq. Ft.	Market Rent PSF	2022	2023	2024	2025
Pier 59 Studios and Millwork	58,407	\$45.00	\$2,628,315	\$2,707,164	\$2,788,379	\$2,872,031
Production Studios A-F	105,876	\$65.00	\$6,881,927	\$7,088,385	\$7,301,036	\$7,520,067
Studio Offices	72,584	\$50.00	\$3,629,200	\$3,738,076	\$3,850,218	\$3,965,725
Subtotal	236,867		\$13,139,442	\$13,533,625	\$13,939,634	\$14,357,823

RECREATION SPACE MARKET OVERVIEW AND RENTAL VALUE CONCLUSION

Chelsea Piers allocates a substantial portion of its available rental area to numerous recreational facilities, including the indoor ice rink and full-sized bowling alley. Such facilities allow for public access year-round, but also offer the option of private rentals of the recreational space; birthday parties, work gatherings, etc.

General hours for Chelsea Piers are weekdays 6:30AM-9PM and weekends 8AM-6PM but extended hours are offered for certain uses and programming, including some late at night. Patrons as well as guests of any Chelsea Piers facility are required to pay a fee for the use of the space. There are a variety of options offered for the rent or use of the space, whether it is an individual or a group. Typically, the fees are based on an hourly rate, daily rate, or special event package. Other fees include lessons and membership dues.

Due to COVID-19, there has been a significant disruption to the facility resulting in limited available space and overall closure of establishments. We have analyzed the New York City market for similar properties to further understand the current market for recreational facilities.

Bowling Alley:

The existing bowling facility totals 53,806 square feet over a grade level and mezzanine. The facility includes 40 lanes, arcade, dining area and party rooms. As demand for bowling facilities and other similar recreational uses increases coming out of the pandemic, market rent for this space will increase accordingly. We anticipate sales to increase to \$5,000,000 in 2022, \$7,500,000 in 2023, \$10,000,000 in 2024 and to \$12,500,000 in 2025. Assuming a rental occupancy cost of 25%, which is typical for a use of this type, the summary of the projected market rent is presented below:

	Projected			
	2022	2023	2024	2025
Sales	\$5,000,000	\$7,500,000	\$10,000,000	\$12,500,000
%Rent @ 25%	\$1,285,000	\$1,927,500	\$2,570,000	\$3,212,500
PSF	\$23.88	\$35.82	\$47.76	\$59.71

This projected rent is in line with comparable bowling and like-kind recreational facilities in New York City, as summarized below:

Tenant	Address	Sq. Ft.	Use	Lease Date	Starting Annual Rent	Starting Annual Rent PSF	Concessions	Rent Notes	Description of Space
Confidential	Confidential - Downtown Brooklyn	35k to 45k (confidential)	Entertainment Venue with F&B component	1Q 21	\$50 PSF	\$50	\$50 PSF TIs; 20 months free rent	% Rent Component	Third Floor restaurant and entertainment venue in high-traffic retail development in Downtown Brooklyn
Escape Room	295 Madison Avenue	8,218	Escape Room - Entertainment Venue	1Q 2019	\$800,000	\$97	4 months free	n/a	1,469 sq. ft. at grade 6,749 sq. ft. lower level
Five Iron Golf	138 5th Avenue	8,000	Golf Simulation - Entertainment Venue	4Q 17	\$320,000	\$40	n/a	n/a	Third floor entertainment space
Peloton Studio	5 Manhattan West	25,833	Hybrid Entertainment / Fitness	2Q 2018	\$1,875,000	\$73	12 months free \$77.50 TIs	n/a	Two (2) floors of studio and broadcasting space and 1,000 sf retail
Frames	550 9th Avenue Port Authority	36,900	Bowling Alley / Entertainment	1Q 2016 (renewal)	\$1,500,000	\$41	n/a	Escalations through term - \$16.3m base rent over 10 years	34,500 sq. ft. on second floor 1,900 sq. ft. on lower level and 500 sq. ft. storage

Discussion of Comparable Rents:

The comparable rents encompass an array of entertainment/recreational venues throughout Manhattan and Downtown Brooklyn. These spaces are used by a varied customer base, and these uses would all satisfy the recreational space requirement per the subject property lease. The spaces range from 8,000 to up to 45,000 square feet, the latter of which is just shy of the recreational space occupied by the existing bowling facility. The comparable leases also include a 2016 renewal of the Frames lease in the Port Authority. This location is considerably inferior to the subject’s West Chelsea location, and also occurred in superior market conditions. We note that in connection with this lease renewal Frames gave up a portion of their ground floor space. Based upon the comparable data we estimate a market rent of \$60 per square foot as stabilized in year 2025. Between the 2022 appraisal year and the projected stabilization date we project market rent to phase in on the following schedule:

% of Stabilized Income - Phase-In				60%	75%	85%	100%
Recreation Spaces	Sq. Ft.	Market Rent PSF	Stabilized Rent	2022	2023	2024	2025
Bowling Alley	53,806	\$66.00	\$3,551,196	\$2,130,718	\$2,663,397	\$3,018,517	\$3,551,196

Skating Rink:

The 82,824 square feet Chelsea Piers Sky Rink is comprised of two (2) ice rinks, support area and associated party rooms located on Pier 61. The Sky Rink serves the community in a variety of ways, providing general open skating, skating school, youth figure skating, private lessons and youth and league hockey. Additionally, each rink can be rented for private ice time at a rate of \$1,000 per hour. As a private venture it is unique in New York City for its size and breadth of its offerings.

Discussion of Comparable Rents:

The Rink – Brookfield Place

The Rink at Brookfield Place is a seasonal rink at the World Financial Center which reopened in November 2021. The ice rink itself stretches 105 feet long and 70 feet wide; 7,350 square feet. The Rink at Brookfield Place is larger than the Rockefeller Center Rink and can accommodate up to 250 people at a time. Information regarding the fees for the facility are detailed below.

Type	Rate
60-min Session (Single)	\$ 15
Skate Rental	\$ 5
15-min Introductory Lesson	\$ 45
30-min Private Lesson	\$ 90
30-min Private Lesson (4-pack)	\$ 350
30-min Semi-Private Lesson	\$ 120
30-min Lesson with Olympian	\$ 150

Wollman Rink – Central Park

The Wollman rink is a seasonal public ice rink found in the southern part of Central Park and has a wonderful view of the Manhattan skyline. It is one of six such rinks located within New York City parks. This facility is cash-only. Private lessons require a form submission and are available upon request. Information regarding the fees for the facility are detailed below.

Type	Rate
Adult	\$ 12
Youth	\$ 6
Birthday Party (per Person)	\$ 40-45

World Ice Arena – Flushing Meadows Park

The World Ice Arena is another New York City parks facility. It features a full-size, 17,000 square foot ice rink surface with ceiling heights between 40 and 60 feet. The ice rink and pool complex is the largest recreational facility ever built in a New York City park and serves as a year-round complex for competitive and recreational skaters. It had a rent of \$325,000 plus 5% of gross receipts in in 2019.

Market Rent Conclusion – Skating Rink

We were not provided gross receipts for the Sky Rink. For purposes of analysis, using World Ice Center as a comparable, we have conservatively estimated that annual rental income, on a stabilized basis, would be approximately \$400,000 per annum, plus 10% of total receipts. Under the assumption that each of the two rinks generates on average of \$1,000 per hour (including food and beverage concession revenue), operates 12 hours a day/ 365 days a year, Sky Rink would generate gross receipts of approximately \$8,760,000 per annum. This would yield a stabilized market rent estimate of \$1,275,000 per annum under the rental structure outlined above.

As referenced above, recreational use and occupancy is projected to slowly ramp up as demand for these uses increases over the coming years. We project that the rink will return to full demand in the 2025 lease year at which point the annual income generated by this method is \$1,275,000. Between 2022 and 2024, the rent is projected to phase in at 65%, 75% and 85% of stabilized income, respectively. The rent projection is summarized as follows:

Recreation Spaces	Sq. Ft.	Stabilized Rent PSF	2022	2023	2024	2025
Pier 61 Sky Rink (incl exterior epace)	83,824	\$15.2	\$765,000	\$956,250	\$1,083,750	\$1,275,000

Indoor Recreation Facility:

The Chelsea Piers Field House is one of the largest indoor recreational facilities in New York City, at 72,264 square feet. The Field House features areas for gymnastics, indoor soccer and batting cages. Within Manhattan, this type of space is unique in the market, and in order to estimate market rent for an open recreation space of this size we have relied upon comparable data from outside the immediate Chelsea submarket.

Discussion of Comparable Rents

- We are aware of a 2016 lease for approximately 63,900 square feet to the Soccerroof at the Whale Square Building / 14 53rd Street in Brooklyn at a reported annual rent of \$1,600,000 or \$25.20 per square foot. Reported concessions included 10 months free rent and \$20 in tenant improvements.
- In August 2021, Soccerroof signed a second lease for a smaller, 10,000 square foot facility at 36-39 35th Street. Reported starting annual rent for that facility was \$250,000 per annum or \$25 per square foot. Concession information was unable to be confirmed.
- Other similar recreation space leases include Brooklyn Boulders November 2018 lease at 87 Kent Avenue, Williamsburg. Brooklyn Boulders signed a 30,598-square-foot lease at the base of a 45-unit apartment building. Annual base rent was \$1,975,500 or \$64.56 per square foot, with annual escalations of 2.85% plus 7.5% of gross annual revenue above \$8,000,000. Landlord concession included a workletter commitment of \$2,775,000 or \$90 per square foot.

Market Rent Conclusion – Indoor Recreation Facility

Given these comparables, we have concluded an estimated market rent for the indoor recreation facility of \$35 per square foot, gross. No tenant improvements or landlord concessions are provided for in this annual market rent estimate. The subject property is in a considerably superior location than the Soccerroof spaces. While the Williamsburg lease for Brooklyn Boulders is locationally more similar to the subject, that space required significant landlord contribution and the space is less than half the size of the subject indoor recreation facility.

Fitness Facility

Pier 60 houses the 123,523 square foot fitness facility. The Fitness Facility is one of the premier gyms/fitness facilities in all of New York City, and contains an assortment of options for members. The fitness facility has a 6-lane, 25-yard swimming pool; classrooms for yoga, Pilates and barre; 6,000 square foot cardio area and 14,000 square foot weights deck. It also houses three basketball courts and an indoor sand volleyball court. The perimeter of the facility contains a 200-meter track that surrounds a boxing ring and the aforementioned courts. The facility is also equipped with an 11,000 square foot rock climbing wall.

Discussion of Comparable Rents

In estimating market rent for the subject fitness space, we have relied on larger comparable fitness center leases in Manhattan; we note that all spaces were signed prior to Covid-19. While there has been an increase in gym leases, many of them are small format that are a fraction of the size of the subject's fitness facility.

Tenant	Address	Sq. Ft.	Use	Lease Date	Starting Annual Rent	Starting Annual Rent PSF	Concessions	Rent Notes	Description of Space
TMPL Fitness	601 Lexington Avenue	26,273	Fitness	2Q 2021	\$1,000,000	\$38	12 months free \$900k TIs	10% inc. year 2 10% inc. every 5 years	All Lower level space in repositioned Class A office building in Midtown
Bathhouse	7 West 21st Street	34,328	Fitness	3Q 2021	\$2,000,000	\$58	12 months free \$1m TIs	10% inc. every 5 years %Rent = 1% over \$20m	3,565 - Grade 12,430 - Basement 18,333 - Cellar
Life Time Fitness	1 Wall Street	72,800	Fitness	1Q 2019	\$2,600,000	\$36	12 months free \$200 PSF TIs	10% inc. every 5 years	3,800 - Grade 2,400 - LL 48,000 - Sub LL
Brooklyn Boulders	83-89 Kent Avenue, Brooklyn	30,598	Fitness / Climbing	4Q 2018	\$1,957,500	\$64	\$90 in TIs/Buildout credit	2.85% inc per annum plus 7.5% above \$8m revenues	Rent dispute; space not opened and listed for \$59 PSF
Equinox	14 Wall Street	37,577	Fitness	2Q 2019 (renewal)	\$2,250,000	\$60	None - renewal	Escalated, renewal rent	Grade, infill mezzanine and lower level

Market Rent Conclusion – Fitness Facility

In developing an estimate of market rent we rely on the comparable leases above and consider the following elements of comparison. The subject fitness facility is somewhat inconvenient to access in relation to the comparable leases above, all of which are located in dense areas that do not require patrons to cross a busy highway. The subject fitness center is very large, at nearly 125,000 square feet, and there are consider economies of scale associated with a lease of this size. We estimated stabilized post-Covid market rent for the subject space of \$35 per square foot or an annual rent of \$4,323,305.

As demand for gym memberships has dropped considerably as a result of COVID-19, we project that demand will increase gradually through 2025 at which point this rent will be achieved. In the interim, we estimate that a tenant will be willing to pay rent based on the following phasing: 60% of stabilized market rent in 2022, 75% in 2023, 85% in 2024 and 100% in 2025.

Golf Facility and Driving Range

Similar to the operations of the Sky Rink, there is a paucity of relevant comparable rentals for rent for this type of space. Some of the above-referenced large-format fitness facilities represent similar rents, but are dissimilar given that the golf facility is comprised of a small, multi-story indoor portion and a large, outdoor portion measuring over 90,000 square feet. As a result, in order to estimate a rent for the golf facility, we look to certain relevant metrics such as rent as a percentage of potential revenue. We have not been provided with the detailed operations of the golf facility business, but have looked to comparable businesses to estimate rent. One such comparable is Top Golf, which has recently published detailed information on its operations in connection with Callaway Golf's acquisition. Top

Golf had 61 fully-operating venues in 2021 with a total revenues of \$1.1 billion, or approximately \$17.4 million per venue. We note that Top Golf is more of a full-service entertainment venue with a robust F&B program, which the subject venue does not enjoy. The subject property contains 52 heated stalls and 200-yard driving range in addition to two simulators, putting green and two event spaces. We also estimate that in 2025 that stabilized revenue will be approximately \$10,600,000, which is approximately \$29,000 per day or \$204,000 per week. Based on current published rates for driving range stalls we have made the following calculations with respect to stabilized (2025) income and stabilized stall occupancy of 65% for the driving range component.

Day of Week	Peak Hours	Peak Rate	Off-Peak Hours	Off-Peak Rates	Max Daily
Monday	7	\$50	10	\$35	\$700
Tuesday	7	\$50	10	\$35	\$700
Wednesday	7	\$50	10	\$35	\$700
Thursday	7	\$50	10	\$35	\$700
Friday	7	\$50	10	\$35	\$700
Saturday	13	\$50	4	\$35	\$790
Sunday	9	\$50	8	\$35	\$730
Max Per Stall - Weekly					\$5,020
# of Stalls					52
Max Weekly Revenue					\$261,040
Avg Occupancy - Stabilized					65%
Weekly Revenue Potential					\$169,676
Annualized					\$8,823,152

The above excludes any additional stall guests, additional venue revenues, simulator revenues or golf club rental income. This is estimated to add an additional 20% to total revenues, bringing total annual revenues to approximately \$10,600,000

Typical occupancy costs for venues such as this in high-cost markets such as New York City typically range from 15% to 25%. We estimate a stabilized occupancy cost of 20%, or a stabilized annual rent of approximately \$45 per square foot for the interior space and \$15 per square foot for the exterior driving range component, as of 2025. During the phase-in from 2022 to 2025 we anticipate revenues and correlated market rent to increase from 65% of stabilized rent in 2022 to 75% in 2023, 85% in 2024 and 100% of stabilized rent in 2025.

A summary of the fitness and entertainment facilities is presented below:

% of Stabilized Income - Phase-In			60%	75%	85%	100%
Recreation Spaces	Sq. Ft.	Market Rent PSF	2022	2023	2024	2025
Bowling Alley	53,806	\$66.00	\$2,130,718	\$2,663,397	\$3,018,517	\$3,551,196
Pier 59 Golf Club - Interior	20,508	\$45.0	\$553,711	\$692,138	\$784,423	\$922,851
Pier 59 Golf Club - Exterior	82,324	\$15.0	\$740,916	\$926,145	\$1,049,631	\$1,234,860
Pier 60 Sports Center (incl exterior space)	124,969	\$35.0	\$2,624,349	\$3,280,436	\$3,717,828	\$4,373,915
Pier 61 Skating Rink (incl exterior space)	83,824	\$15.2	\$765,000	\$956,250	\$1,083,750	\$1,275,000
Pier 62 Field House	73,305	\$35.0	\$1,539,405	\$1,924,256	\$2,180,824	\$2,565,675
Subtotal	438,736		\$8,354,098	\$10,442,623	\$11,834,972	\$13,923,497

REAL ESTATE ASSESSED VALUATION AND TAX DATA

Ad valorem taxes are one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established by the local assessor. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value so that properties of equal market values will have similar assessments, and properties of higher and lower values will have proportionately larger and smaller assessments. The real estate taxes for the property are based on local tax assessment practices, existing assessments and changes in market value, and changes in the tax rate.

The subject property is identified on the New York City tax rolls as Block 662, Lots 11, 16, 19 and p/o 7 and 62. According to the New York City tax records, the subject property is comprised of one parcel classified as Tax Class IV. The current tax rate set as of November 2021 and applicable to FY 2022/23 taxes is 0.10755, that is, \$10.755 per \$100 of assessed value. The tax rate has fluctuated, both increasing and decreasing as property values and city budget needs have changed. Given some of the budget issues facing the City, it is likely additional revenues will be sought from real estate taxes, increasing the change that the rates are raised. The historical tax rates for Class IV properties are summarized below.

Historical Tax Rates		
Year	Class IV Tax Rates	% Change
2012/13	10.288%	1.340%
2013/14	10.323%	0.340%
2014/15	10.684%	3.497%
2015/16	10.656%	-0.262%
2016/17	10.574%	-0.770%
2017/18	10.514%	-0.567%
2018/19	10.514%	0.000%
2019/20	10.537%	0.219%
2020/21	10.694%	1.490%
2021/22	10.755%	0.570%
Average:		0.59%
<i>Source: NYC Department of Finance</i>		

The historical rates indicate an average annual change in the tax rate of 0.59% for Class IV over the past ten years.

Local Tax Assessment

The Property Division of the City of New York Department of Finance assigns both an actual and transitional assessment to real property. Real estate taxes are typically calculated based on the lower of the two assessments. Assessments are theoretically based on 45% of the assessor's fair market value conclusion for class II and IV and 6% of the market value for class I. The subject property is classified within Tax Class IV.

Assessments and Taxes

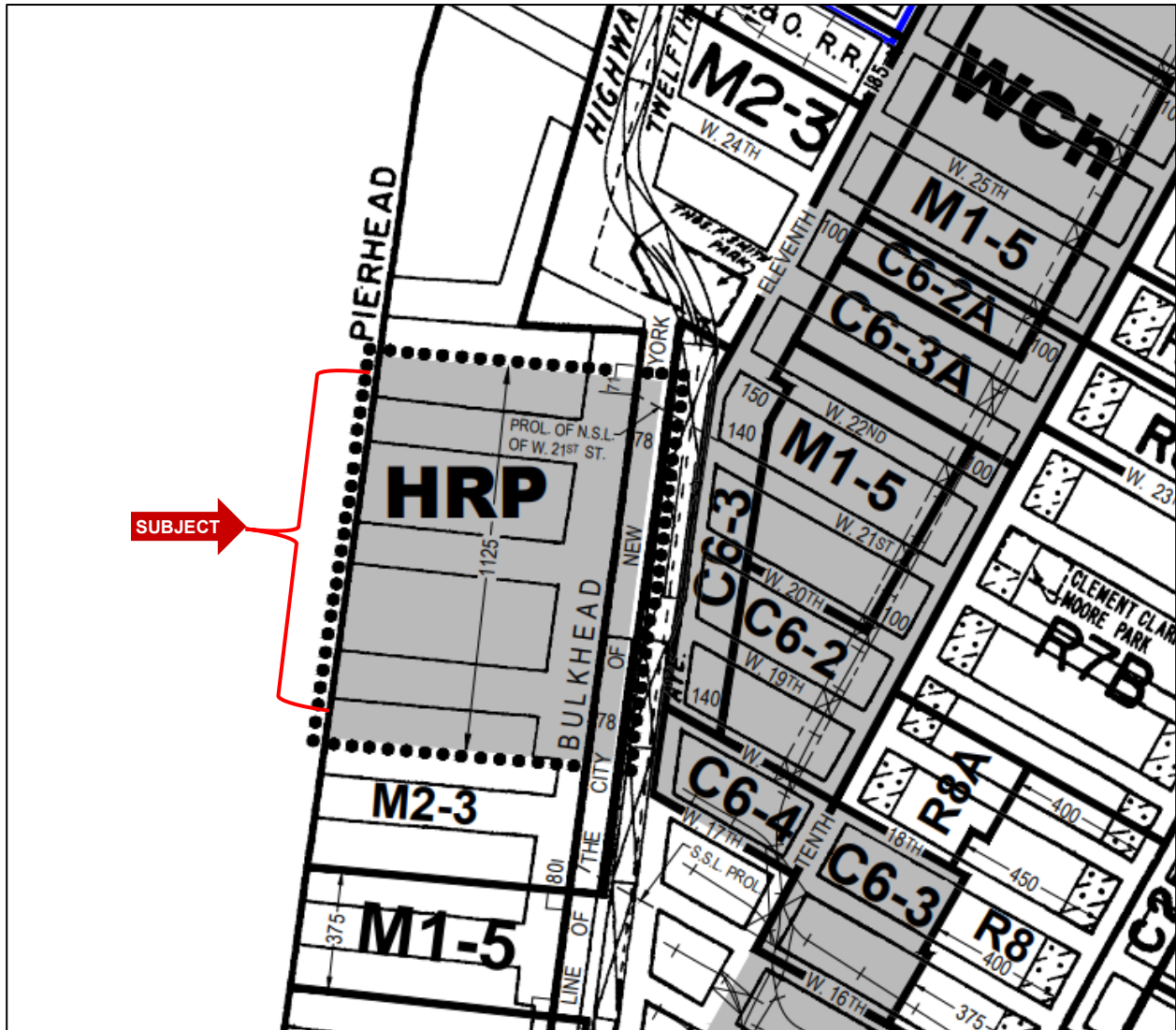
Block	662	662	662	662	
Lot	11	16	19	p/o 62*	
Tentative Actual 2022/23					
Land	\$2,469,600	\$2,007,000	\$2,151,450	\$1,116,645	
Buildng	\$8,204,400	\$12,327,750	\$14,660,100	\$3,177,180	
Total	\$10,674,000	\$14,334,750	\$16,811,550	\$4,293,825	\$46,114,125
Tentative Transitional 2022/23					
Land	\$2,469,600	\$2,007,000	\$2,151,450	\$1,116,646	
Buildng	\$7,781,555	\$13,634,190	\$13,987,350	\$3,177,180	
Total	\$10,251,155	\$15,641,190	\$16,138,800	\$4,293,825	\$46,324,970
Taxable	\$10,251,155	\$14,334,750	\$16,138,800	\$4,293,825	\$45,018,530
Current Tax Rate	10.755%	10.755%	10.755%	10.755%	
Total Taxable	\$1,102,512	\$1,541,702	\$1,735,728	\$461,801	\$4,841,743

* 40.5% of Land AV and 100% of Building AV

PILOT AGREEMENT

In accordance with the proposed lease, the Lessee pays a Payment In Lieu of Taxes (PILOT) which is based on what the real estate taxes of the property would be, as if fully taxable. For the portion of Lot 62 that is within the leased premises, Lessee will pay 40.5% on the land assessment and 100% on the building assessment. By agreement in the proposed lease, Lessee will not owe PILOT on the 7,412 square feet that comprises Lot 7 land underwater and is included as the southern portion of the marina area south of Pier 59.

PILOT as of the effective date of valuation are the tentative taxable assessments of \$45,018,530 multiplied by the current Class IV tax rate of 10.755% = **\$4,841,743**



Zoning Map

ZONING ANALYSIS

Current Zoning

The subject is located in a zoning district classified as M2-3, Medium Performance Manufacturing District which has a basic maximum Floor Area Ratio (FAR) of 2.0. This district is designed "...for manufacturing and related activities which can meet a medium level of performance standards. Enclosure of such activities is not normally required except in areas along the boundary of a Residence District." No new residences or community facilities are permitted. Permissible uses in the M2-3 zoning district include manufacturing, printing establishments, parking lots, parking garages, health facilities, retail and service establishments, business and trade schools and public service establishments.

Permitted Use Groups with M2-3 districts include:

- Retail and Commercial: Groups 6 through 11
- Recreation: Groups 11 through 14
- General Service: Group 16
- Manufacturing: Group 17

The following bulk regulations apply to the subject:

Maximum Floor Area Ratio:

- Commercial: 2.0
- Manufacturing: 2.0

Minimum Yard Requirement:

- Side Yard: 8 feet
- Rear Yard: 20 feet
- Initial Setback: 15 feet

Maximum Height of Front Wall: 60 feet (total height above set back governed by sky exposure plane)

Ground floor use dedicated for accessory parking is not included in existing zoning floor area (ZFA). The maximum building area permitted, if the site was vacant and available for development to its Highest and Best Use, is approximated as follows:

Pier #	Block 662 / Lot #	Underwater Area	Pier Area	Total Lot Size	Total FAR	Total		Net Zoning Floor Area
						Maximum ZFA (Pier)	Less: Existing ZFA	
59	7	7,142	0	7,142	2.0	0	0	0
59	11	147,072	187,542	334,614	2.0	375,084	(144,473)	230,611
60	16	145,617	186,199	331,816	2.0	372,398	(266,397)	106,001
61	19	186,778	186,778	373,556	2.0	373,556	(236,815)	136,741
62	p/o 62	5,303	46,852	52,155	2.0	93,703	(43,614)	50,089
Total		491,912	607,371	1,099,283	2.0	1,214,741	-691,299	523,442
Less: ZFA Conveyed to HRP Areas B2 & B3 (Block 675)								-158,000
Remaining Excess Zoning Floor Area								365,442

Permitted Uses and Special Permit

The uses in the subject property are governed by the Hudson River Park Act, the underlying zoning and the existing Special Permit. The property is zoned M2-3, and this zoning district precludes residential and some retail uses. The property's uses are varied and include an assortment of recreational uses, which are permitted as park uses. Certain other commercial uses such as the film and television studios are permitted under M2-2 zoning. The fitness facility d/b/a *The Sports Center at Chelsea Piers* operates the gym as a physical culture establishment (PCE) pursuant to a Special Permit extension. The most recent 10-year extension was approved in October 2015 under Board of Standards and Appeals (BSA) #69-95-BZ, retroactive to August 8, 2015, and expiring on August 8, 2025.

Special Hudson River Park District (HRP)

The Property is also mapped within Area B1 of the Special Hudson River Park District (HRP). In connection with the 2016 creation of the HRP, the subject property was designated as a granting site whereby excess floor area development rights could be transferred to eligible receiving sites. Pursuant to this rezoning, a total of 158,000 square feet of excess development rights generated by the subject property were transferred to two (2) development sites designated as Area B2 and Area B2 in the HRP district; these sites are located on Manhattan Block 675. Pursuant to the proposed lease, Chelsea Piers may utilize up to 100,000 square feet of excess development rights for in-fill construction on-site, subject to certain provisions with respect to programming and maintaining the requirements for minimal recreation space. No construction is permitted beyond the existing building envelope.

It should be noted the restrictions summarized do not represent the entire restrictions summarized in the *Zoning Resolutions* but are the most basic restrictions applicable. As noted, the interior of the Pier 60 and Pier 61 shed buildings are historic and eligible for listing on the National Register. There are numerous other restrictions applicable that must be considered in the determination of true compliance, particularly within the special districts and along the waterfront. However, the determination of compliance with zoning restrictions is beyond the scope of a real estate appraisal, therefore, our comments regarding compliance apply only to the restrictions noted above. Furthermore, we are unaware of any deed restrictions that may further limit the receiving site's use. Deed restrictions are a legal matter and only a title examination by an attorney or a title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

SITE DATA

Location: The subject site is identified as Piers 59, 60, 61 & p/o 62 of the Hudson River Park. They have a common address of 111A, 111B and 111C 11th Avenue. The subject spans approximately five (5) city blocks, from the terminus of West 22nd Street to the terminus of West 17th Street. The property fronts along, and has direct access to, the easterly banks of the Hudson River.

The site is identified on the New York City Assessor’s Map as Block 662 Lots 11, 16, 19 and p/o 7 and 62 .

Total Land Area: The subject property is comprised of three (3) full lots and two (2) partial lots with the following land areas.

Block 662 Underwater		Pier	Total Lot
Pier #	/ Lot #	Area	Size
59	7	7,142	7,142
59	11	147,072	334,614
60	16	145,617	331,816
61	19	186,778	373,556
62	p/o 62	5,303	52,155
Total		491,912	1,099,283

Zoning: M2-3, a Medium Manufacturing District (Medium Performance) zoning district with a basic maximum Floor Area Ratio (FAR) of 2.0, with uses further restricted by the proposed lease and the Hudson River Park Act. Under the proposed lease, retail, office, catering, banquet and restaurant uses are subject to greater limitations than those imposed by zoning.

Topography: The upland portions of the site are generally level along all street frontages. Approximately 42% of the site is comprised of underwater areas, much of which are used for marina purposes.

Flood Zone: According to FEMA Flood Panel Map 3604970182F, portions of the property are located within the confines of FEMA Zone X and Zone AE: areas determined to be within the 0.2 percent Annual Chance Flood Hazard area. The property is situated in NYC Hurricane Evacuation Zone 1, which is the highest risk level.

The property experienced flooding as a result of Hurricane Sandy and required approximately \$15 million dollars to repair crucial systems above and beyond the pier repairs.

In addition to the ongoing Pile Repair program, certain preventative measures have been taken, and continue to be required in order to stave off future impacts from flooding.

Utilities Available: Utilities available to the site are telephone, provided by Verizon and others; gas and electric provided by Consolidated Edison; water and sewer provided by the City of New York.

Municipal Services: Street lighting, sanitation and street maintenance on 11th Avenue/West Street, and police and fire protection are provided by the City of New York.

Ingress/Egress: The subject site has a number of points of ingress and egress. For vehicular traffic, the main point of access is via an exit for southbound traffic off of 11th Avenue / West Street. From this access road, vehicles have access to a service road and parking facilities in piers 59, 60 or 61. The southernmost portion of the access road leads back to 11th Avenue/West Street.

Pedestrian and bicycle access is available from the Hudson River Greenway, Hudson River Park and from crosswalks at West 18th Street and West 20th Street.

**Potential Hazards/
Subsoil Conditions:** Beyond the subject's location along the Hudson River, Appraisers and Planners, Inc. is not aware of any potential hazards affecting the site. Soil conditions are assumed to be adequate to support the existing structures on the site, and it is noted that recurring pile replacement is needed to reinforce the pier structures. We have not been provided with a Phase I or Phase II environmental report.

Subject Photographs



Film Studio (Pier 61)



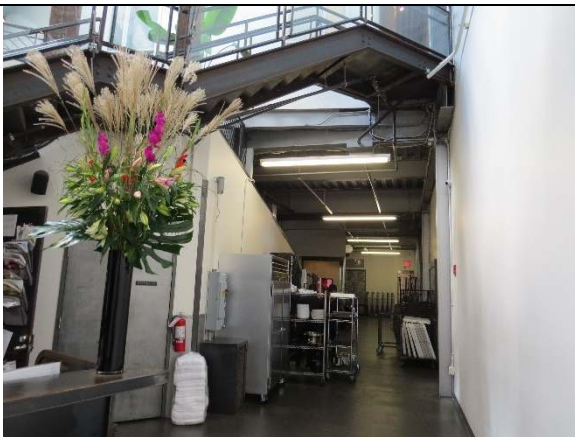
Film Studio (Pier 61)



Film Studio (Pier 61)



Film Studio workshop (Pier 61)



Pier 59 Studios (photo/creative workspace)



Pier 59 Studios (photo/creative workspace)

Subject Photographs



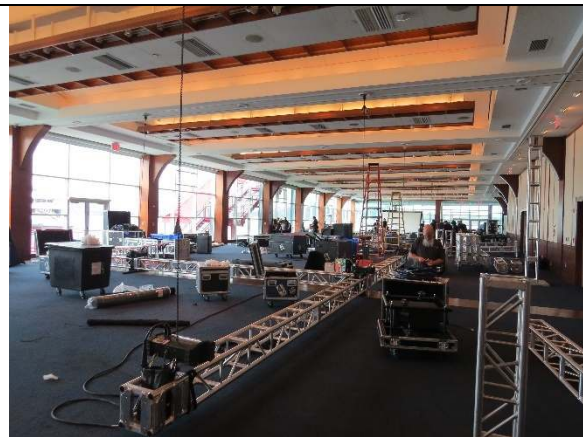
Pier 59 Studios (photo/creative workspace)



Pier 59 Studios (photo/creative workspace)



Pier Sixty banquet space



Pier Sixty banquet space



Kitchen in Pier Sixty



Pier Sixty

Subject Photographs



Current banquet space



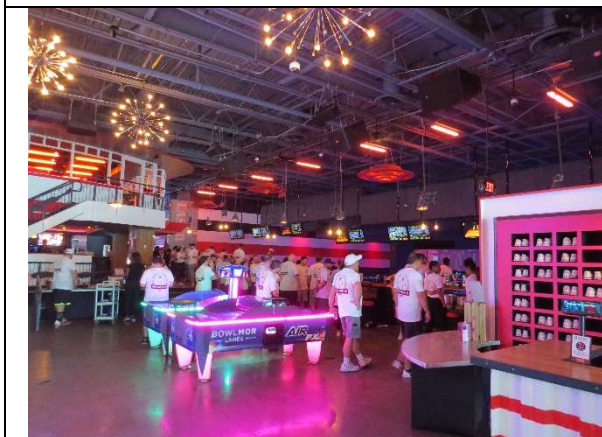
Current banquet space



Bowling Alley (Bowlmor)



Bowling Alley (Bowlmor)



Bowling Alley (Bowlmor)

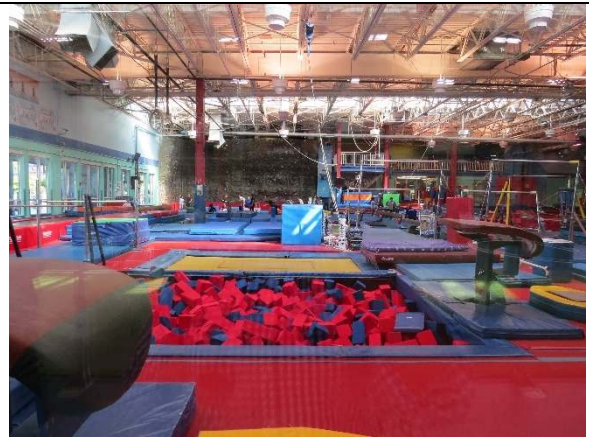


Bowling Alley (Bowlmor)

Subject Photographs



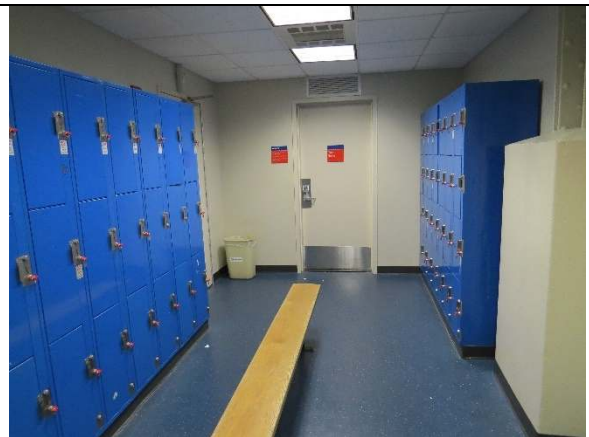
Fieldhouse



Fieldhouse



Fieldhouse



Fieldhouse



Pro Shop – Golf at Pier 59



Simulator – Golf at Pier 59

Subject Photographs



Interior – Golf at Pier 59



Driving Range – Pier 59



Putting green – Pier 59



Meeting room – Golf at Pier 59

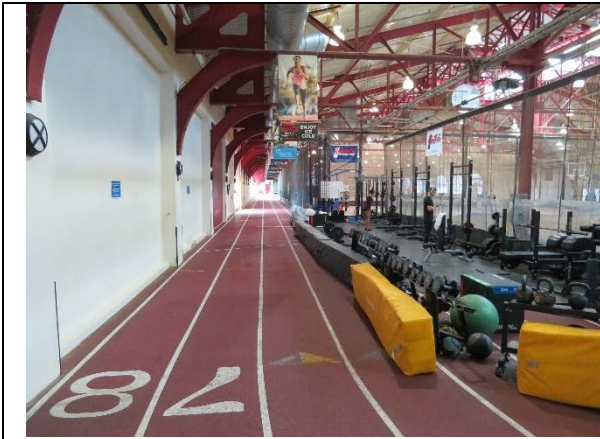


Fitness facility



Fitness facility

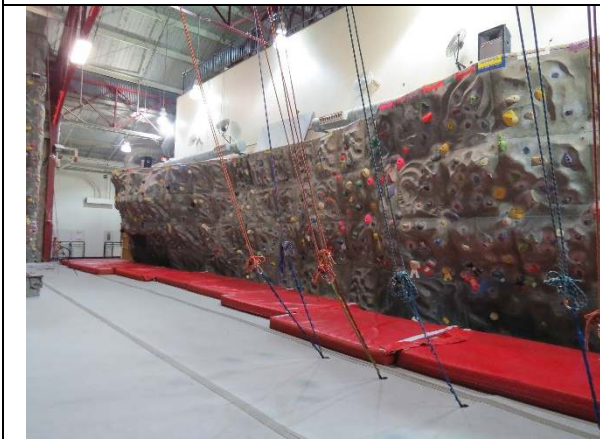
Subject Photographs



Fitness facility



Fitness facility



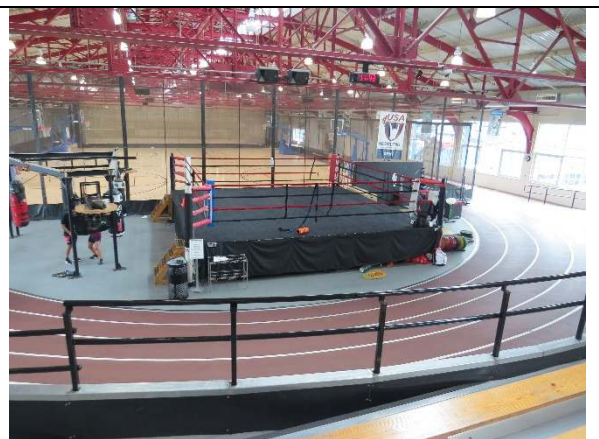
Fitness facility



Fitness facility



Fitness facility



Fitness facility

Subject Photographs



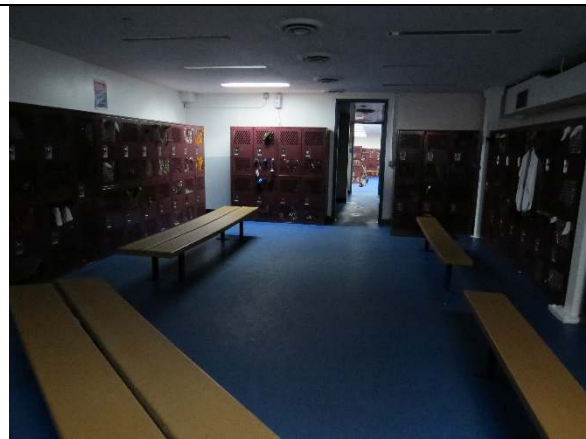
Sky rink



Sky rink



Sky rink



Sky rink



Pier 59 - Marina



Marina between Piers 59 and 60

IMPROVEMENT DATA

Overview: The subject property is comprised of pile supported structures, buildings and in-water marina components spread across four (4) piers of the Hudson River Park. Construction of Pier 59, 60, and 61 was completed in 1910 with the piers opening to ocean cruise liners in the same year. In 1962, as part of the redevelopment program at Chelsea Piers for the United States Line Company, the piers and headhouse were modified and enlarged. They were then substantially rehabilitated following execution of the 1994 lease between Chelsea Piers and New York State Department of Transportation.

Each of the Piers have unique programming that include office space, recreation space, movie production space and fitness facilities. The programming is varied, and the finish for each space is unique to the use.

In addition to the programmed uses for recreation and office there are a total of 315 parking spaces spread across the piers, inclusive of parking stackers. We note that 29 of these spaces have been allocated to specific tenant spaces, therefore the remaining spaces that can be monetized by a lease totals 286 spaces.

Pier Programming:

Pier 59 is a multi-story pier building featuring grade, mezzanine, second floor, second mezzanine and, principally in the headhouse portion, third floor rentable areas. The pier has a total rentable area of 199,715 square feet, inclusive of the exterior areas supporting the Golf Club. Pier 59 houses the Golf Club and associated interior areas, offices for studios, Pier 59 photo studios, parking areas and back of house areas. The square footages for each use are presented below.

	Group	Category	Designation	Grade	Grade Mezz	Second	Second Mezz	Third	Total Interior	Exterior	Total
Pier 59											
Golf Club	Sports Venue	CPS	GC	10,274	800	3,666	748	3,963	19,452	82,324	101,776
Sports Center	Sports Venue	CPS	SC	1,056					1,056		1,056
Banquet (Current)	Restaurant / Major Lease	WFS	59R	9,763	3,543	-	-	-	13,306		13,306
Parking	Parking	NRP	P	11,391	-	-	-	-	11,391		11,391
Studio Offices	Studios	O	59O	3,148	10,631	-	-	-	13,779		13,779
Pier 59 Studios	Studios	S	59S	2,392	-	46,522	4,701	1,578	55,193		55,193
Pier 59 Millwork	Studios	S	59MS	2,095	1,119				3,214		3,214
CPM Services	Building Maintenance	BNL	BNL1	2,737	-	-	-	-	2,737		2,737
	Building Maintenance	BNL	BNL2	735	-	-	-	-	735		735
									120,863		203,187

Pier 60 is also a multi-story structure featuring an assortment of uses. The pier has a total rentable area of 279,209 square feet, inclusive of the exterior areas. Pier 60 houses the Bowling Alley, offices for studios, the sports center / fitness facility and a banquet facility, and associated interior areas, parking areas and back of house areas. The square footages for each use are presented below.

	Group	Category	Designation	Grade	Grade Mezz	Second	Second Mezz	Third	Total Interior	Exterior	Total
Pier 60											
Bowling	Sports Venue	CPS	AMF	48,148	5,658	-	-	-	53,806		53,806
Surfside Retail	Restaurant / Major Lease	O	RE	1,394	-	-	-	-	1,394		1,394
Offices	Studios	O	60OS	6,546	5,060	5342	3451	-	20,399		20,399
Parking	Parking	P	P	39,105	-	-	-	-	39,105		39,105
Sports Center	Sports Venue	CPS	SC	2,199	-	96,829	16,515	-	115,543	9,426	124,969
Banquet	Banquet	BQ	EC60	32,417	7,119	-	-	-	39,536		39,536
CPM Services	Building Maintenance	BNL	BNL3	582	-	-	-	-	582		582
	Building Maintenance	BNL	BNL4	390	-	-	-	-	390		390
									270,755		280,181

Pier 61 is a multi-story pier that houses the five (5) film stages, the two ice rinks included in the Sky Rink, the Lighthouse banquet facility and parking. This pier also contains multiple support/back of house areas. The square footages for each use are set forth in the table below:

	Group	Category	Designation	Grade	Grade Mezz	Second	Second Mezz	Third	Total Interior	Exterior	Total
Pier 61											
Studios A/B	Studios	S	LO	-	-	41,921	-	-	41,921		41,921
Studios D/E	Studios	S	CI	38,792	4,723	-	-	-	43,515		43,515
Studio F	Studios	S	CSTV	16,177	4,262	-	-	-	20,440		20,440
Parking	Parking	P	P	50,322	-	-	-	-	50,322		50,322
Sky Rink	Sports Venue	CPS	SR	2,843	-	74,330	4,016	-	81,189	1,396	82,585
SR - Retail*	Sports Venue	RE	RE	-	-	970	-	-	970		970
SR - Famiglia*	Sports Venue	R	61R	-	-	269	-	-	269		269
Banquet	Banquet	BQ	EC61	18,649	2,354	-	-	-	21,003		21,003
CPM Services	Building Maintenance	BNL	BNL5	605	-	-	-	-	605		605
	Building Maintenance	BNL	BNL6	1,643	-	-	-	-	1,643		1,643
	Building Maintenance	BNL	BNL7	1,661	-	-	-	-	1,661		1,661
	Building Maintenance	BNL	BNL11	-	-	1,442	-	-	1,442		1,442
									264,980		266,376

The pile supported headhouse at Pier 62 is the smallest of the four (4) piers at 150,529 square feet. This pier houses office space, the Field House, the small restaurant space, offices for film production, marina office and back of house spaces. The square footages for each use are set forth in the table below:

	Group	Category	Designation	Grade	Grade Mezz	Second	Second Mezz	Third	Total Interior	Exterior	Total
Pier 62											
Field House	Sports Venue	CPS	FH	61,195	12,110	-	-	-	73,305		73,305
Pier 62 Restaurant	Pier 62 Restaurant	R	62R	3,408	-	-	-	-	3,408		3,408
Studio Offices	Studios	SS	62O	2,157	2118	24,103	-	30,427	58,805		58,805
Marina Offices	Marina Office	MO		-	-	5780	-	-	5,780		5,780
CPM Services	Building Maintenance	BNL	BNL8	1,128	-	-	-	-	1,128		1,128
	Building Maintenance	BNL	BNL9	4,375	-	-	-	-	4,375		4,375
	Building Maintenance	BNL	BNL10	1,261	-	-	-	-	1,261		1,261
	Building Maintenance	BNL	BNL12	-	-	653	-	-	653		653
	Building Maintenance	BNL	BNL13	-	-	979	-	-	979		979
	Building Maintenance	BNL	BNL14	-	-	-	-	835	835		835
									150,529		150,529

Totals (Gross, with Exterior) 378,588 59,497 302,806 29,431 36,803 807,127 93,146 900,273

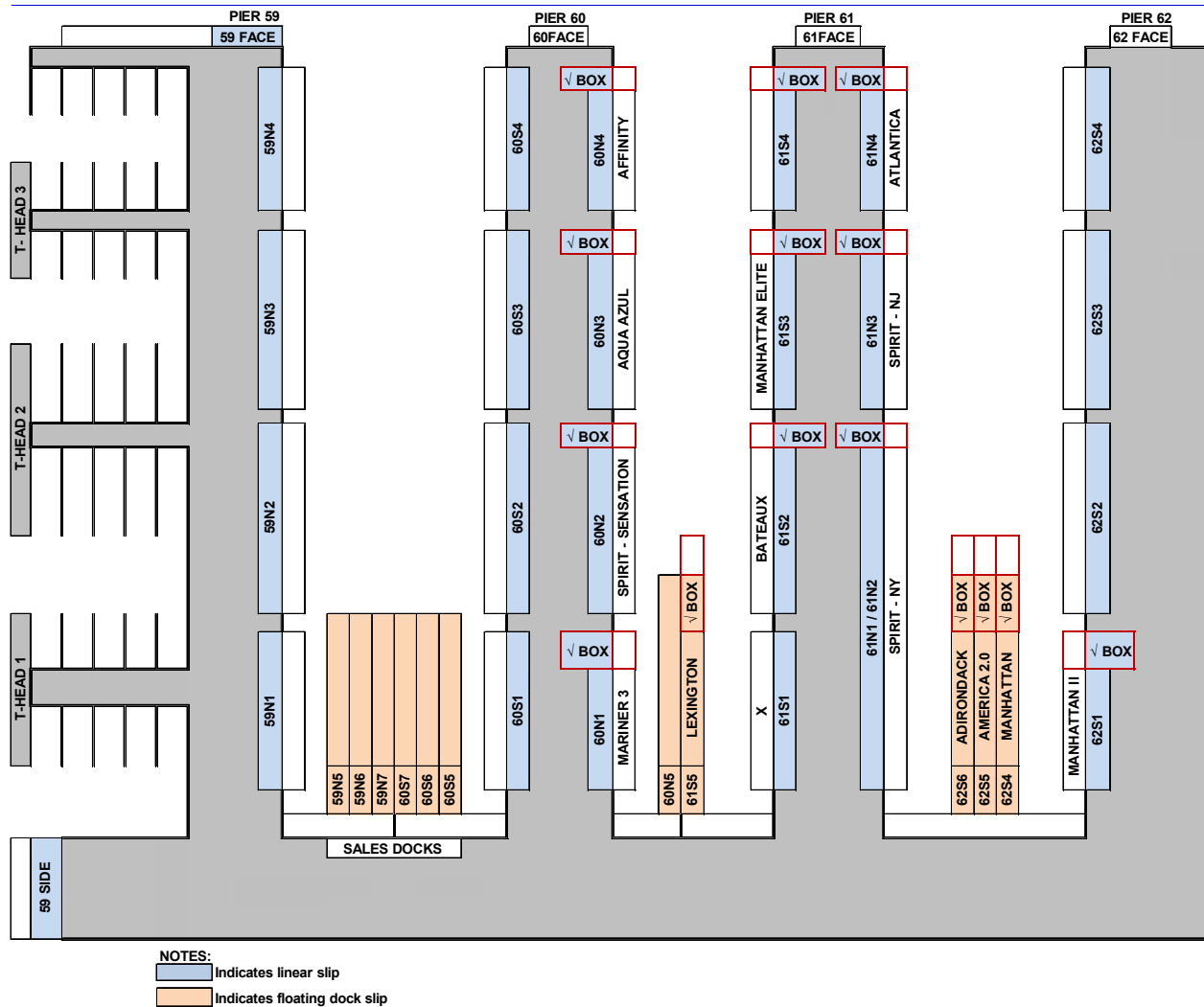
Building Common Mechanical 15,117 0 3,074 0 835 19,026 0 19,026

Total Net Usable 363,471 59,497 299,732 29,431 35,968 788,101 93,146 881,247

Total Sports 438,736

Marina Layout

Lessee at the subject property achieves income by leasing the pier and dock space to commercial and private vessels. While majority of the dock space is rented by private vessels, the subject property is home to many commercial vessels, including tour boats and dinner boats. Smaller vessels are docked in the T-head spaces along Pier 59, whereas the larger commercial boats are docked between Piers 59 and 60, 60 and 61 and 61 and 62. Below is a map of the marina



HIGHEST AND BEST USE ANALYSIS

The highest and best use analysis and conclusions for a particular property provide the basis upon which the market value is predicated. The purpose of the highest and best use analysis is to identify the use of a property that is expected to produce the highest overall return.

According to the Appraisal Institute, **highest and best use** is defined as:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in highest value."¹⁹

The highest and best use analysis involves examination of the highest and best use of the subject property first as if vacant and unimproved and second, as improved.

In determining the highest and best use, the four tests of highest and best use are examined.

- **Legally Permissible:** The initial test or criterion of highest and best use considers what uses are legally permissible. This relates to designated zoning, bulk regulations, restrictions applicable to a lease, environmental regulations, easements or other restrictions. For the purposes of this appraisal, we have considered the permissible uses and regulations as per the proposed rezoning and special permit.
- **Physically Possible:** The second test of highest and best use considers the size, shape, area and terrain or topography of a parcel of land that can affect the use of that parcel. This test also takes into account utility of the parcel based on frontage and depth measurements.
- **Financially Feasible:** The financial feasibility criterion refers to that use of the physically possible, legally permissible uses that is likely to produce a positive return to the owner.
- **Maximally Productive:** The fourth and final test of highest and best use is determining which of the financially feasible uses provides the highest net return to the investor.

The definition above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has an existing improvement on it, the highest and best use may be determined to be different from the improved use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

We have made an investigation of the property uses in the neighborhood and their relation to the subject air rights and the proposed receiving site's development. The subject property is currently

¹⁹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th Ed., (Illinois: Appraisal Institute, 2010), page 93

zoned M2-3, a Medium Manufacturing District (Medium Performance) zoning district with a basic maximum Floor Area Ratio (FAR) of 2.0, with uses further restricted by the proposed lease and the Hudson River Park Act. Under the proposed lease, retail, office, catering, banquet and restaurant uses are subject to greater limitations than those imposed by zoning. In addition we note that two of pier shed buildings are historic and eligible for listing on the National Register. The property's location in Manhattan's West Chelsea neighborhood is appropriate for a mix of uses, as dictated by the underlying zoning and special permits.

As Vacant

The subject property must meet four criteria in the analysis of its highest and best use as though vacant or improved. First, the highest and best use must be legally permissible. This refers mainly to zoning, private restrictions, building codes, etc. This property is currently zoned M2-3, a Medium Manufacturing District (Medium Performance) zoning district with a basic maximum Floor Area Ratio (FAR) of 2.0, with uses further restricted by the proposed lease and the Hudson River Park Act. Under the proposed lease, retail, office, catering, banquet and restaurant uses are subject to greater limitations than those imposed by zoning. The M2-3 district permit ordinarily permits commercial, hotel and industrial uses which would be in context with some surrounding properties within the neighborhood.

Second, the highest and best use must be physically possible. In other words, it must have a size, topography, availability of utilities, etc., in order for any proposed development to be possible. There are several potential uses given the property's location and size. The sites are suitably shaped, have City utilities, and good access and visibility to a major thoroughfare. It is our opinion that the site can be physically improved with a variety of uses, in conformance with underlying zoning and the special permit. However, the Hudson River Park Act largely restricts uses to the existing program.

Third, the highest and best use must be financially feasible. This refers to the abilities of the use to provide a positive return. Potential income, operating expenses, and the percentage of vacancy are important factors. If the revenue projected is not capable of satisfying a required rate of return, the use may not be financially feasible. A mix of commercial and recreational uses could easily produce a positive return if they are constructed in a functional manner and in compliance with the Hudson River Park Act. Demand for this type of use in the area exists, taking into consideration its population, income level, etc.

The fourth criterion is that the highest and best use must be maximally productive. Of the uses that are physically possible, legally permissible, and financially feasible, the use that produces the highest price or value is the highest and best use. As illustrated in the various market analyses there is demand for large format commercial uses such as film production studios and recreational uses that can be developed on the subject site and within the subject's M2-3 zoning. Furthermore, these uses are in context with the larger uses of the surrounding Hudson River Park.

As Improved

As Improved the subject property is legally possible. The property's underlying M2-3 zoning governs the specific uses, in conjunction with the special permit that allows uses on the site that are not as-of-right per the underlying zoning. It is noted that the property generates significant excess development rights, however these are controlled by the Lessor and cannot be monetized by the Lessee.

As Improved, the property is also physically possible. We note that due to the fact that the property is developed on piers, continued maintenance and repair of certain structural items is necessary in order for the property to continue to be utilized and generate income for the Lessee.

The property is also financially feasible. The property generates considerable income in excess of expenses, both as measured by its going concern and under the hypothetical investment property scenario assumed for this valuation. It is noted that although the Covid-19 impacts on the subject property were significant for the recreational facilities and some of the subtenants, Covid-19 impacts also increased the desirability of some of the property operations such as the film production spaces and the marina operations.

Lastly, the property is maximally productive, as improved. The property offers a unique recreational and commercial property that is desirable in the market due to its location, size and distinct nature of the property within the broader Manhattan market. Given that it cannot be physically expanded, it is considered maximally productive as the uses are in demand and represent the most productive use of the site given the physical and legal restrictions encumbering the site.

We note that the continued structural upgrades are necessary to maintain the productivity of the property.

Based on our research and the conclusions found within this appraisal, it is our opinion that the subject property's highest and best use under current market conditions is for a mixed-use commercial facility consistent with the distribution of businesses as presently exists under the 1994 lease between HRPT and Chelsea Piers and is permissible under the proposed lease. Because the zoning, Special Permit, and restrictions of the Hudson River Park Act, all as particularly set forth in the proposed lease, generally defines the types and locations of the property's uses, the highest and best use conclusion for this analysis is in line with the existing program. This includes a mixture of predominantly sports and recreation use (approximately 438,736 square feet), production studios and offices (approximately 236,867 square feet), catering and banquet space (approximately 73,845 square feet), accessory parking for approximately 315 vehicles, and office use (approximately 26,179 square feet), and retail/restaurant use (approximately 4,802 square feet) as well as marina and vessel docking use that utilizes available in-water areas.

APPRAISAL PROCESS

The appraisal process is the orderly program in which the data used to provide an opinion of the market value of the subject property is acquired, classified, analyzed and presented. The first step is defining the appraisal problem, i.e., identification of the real estate, establishing the effective date of the value estimate, addressing the property rights being appraised and the type of value sought. Once this has been accomplished, the appraiser considers all the factors that affect the value of the subject property. This study includes Area and Neighborhood Analyses, Site and Improvement Analyses, Highest and Best Use Analysis and the application of the three approaches to rendering an opinion of the property's current market rental value. The three traditional approaches to value real property are: the Cost Approach, the sales comparison approach, and the income capitalization approach.

The **Cost Approach** is used to arrive at a market value developed by computing the current cost of replacing a property and deducting any accrued depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence and external obsolescence. The resultant figure, combined with an adequate return for the entrepreneurial effort, is added to the land value to arrive at an indication of value for the whole property. Generally, the land value is obtained through the approach. The Cost Approach is often best suited to new or recently constructed properties with a minimum amount of accrued depreciation.

The **Sales Comparison Approach** is based on the principle of substitution since a prudent purchaser would pay no more for a particular property than the price necessary for the acquisition of a substitute property which offers equal utility. The appraiser gathers data on sales of comparable properties and analyzes the nature and condition of each sale, making logical adjustments for dissimilar characteristics. Typically, a common denominator is found. For land value, this is usually either a price per square foot or price per acre; for improved properties, the common denominator may be price per square foot, price per unit, or a gross rent multiplier. The sales comparison approach gives a good indication of value when sales of similar properties are available.

The **Income Capitalization Approach** is predicated on the assumption that there is a definite relationship between the amount of cash flow a property may generate and its value. The anticipated annual cash flow of the subject property is processed to produce an indication of value. This approach is based on the principle that value is created by the expectation of benefits derived in the future. The income capitalization approach encompasses two different techniques: discounted cash flow analysis and direct capitalization. In the discounted cash flow technique, the benefits to equity of annual cash flow and sale proceeds over a reasonable holding period are converted into a value estimate using current costs of equity capital. Rates of return are derived from yields anticipated by recent buyers of similar real estate. Factors such as risk, time, interest on the capital investment, and recapture of the depreciating asset are considered in the selection of rates. In the direct capitalization technique, the cash flow for the first stabilized year is converted into an indication of value by using an overall capitalization rate.

A final step in the appraisal process is the **Reconciliation** of the value indications. In the reconciliation the appraiser considers the relative applicability of each of the three approaches, examines the range between the value indications and places major emphasis on the approach that appears to produce the most reliable solution to the specific appraisal problem. The purpose of the appraisal, the type of property and the adequacy and reliability of the data are analyzed, and

appropriate weight is given to each of the approaches to value. In analyzing the three approaches to value, it can be readily observed that most of the information pertaining to the fair market value of the subject property must be derived from the marketplace because the appraiser anticipates the actions of buyers and sellers in the market.

The subject property currently derives income from both owner-occupied/operated businesses and subtenant rental income. In order to value the subject property's market net rent, we estimated the market rent for all owner-occupied/operated spaces, coupled with estimated market rents for the subtenant occupied spaces. In considering market comparable leases and rents, this report examined both existing agreements of Chelsea Piers and the appraiser's knowledge of leases for similarly occupied spaces elsewhere in New York City. **In order to maintain confidentiality these comparables are in selected instances aggregated. None of the market rents were determined solely based on Chelsea Piers leases.**

In formulating an opinion of the market value of the subject property, we have relied upon the direct capitalization method. After deriving potential and effective gross income, we deducted estimated expenses and capitalized the net income into value using a market-derived capitalization rate. In this way we determined the hypothetical value of the fee simple estate for the entire property. In order to determine the fair market rental value of the subject property, we then applied an appropriate long term rental factor to establish the current fair market ground rental value.

INCOME CAPITALIZATION APPROACH

Introduction

The Income Capitalization Approach is based on the premise that the value of a property is represented by the present worth of anticipated future benefits to be derived from ownership. The Income Approach reflects the subject's income-producing capabilities. The two commonly used techniques of valuation associated with the Income Approach are Direct Capitalization and Yield Capitalization.

Direct Capitalization is a method utilized to convert a single year's estimate of income into a value indication. In this method, it is important that market comparables reflect risk, income, expenses and physical and locational characteristics similar to those of the subject. In direct capitalization, a precise allocation between return on and return of capital is not made because investor assumptions or forecasts concerning the holding period, pattern of income, or changes in value of the original investment are not simulated in the method. Using this method, one must:

1. Project potential income from all sources that a competent owner could generate from a property.
2. Deduct an estimate of vacancy and collection allowance to arrive at Effective Gross Income.
3. Deduct operating and capital maintenance expenses and real estate taxes from Effective Gross Income. The result is a stabilized net operating income.
4. Develop an overall capitalization rate.
5. Divide the net operating income by the overall capitalization rate, resulting in an indication of value.

Yield capitalization involves the projection of income, expenses and capital costs over an assumed holding period. Each year's projected cash flow, before debt service, is discounted at a rate which reflects the investor's desired yield over the holding period. The reversionary resale value is added to the final year's income. The reversionary value is typically derived via direct capitalization of the net operating income for the year immediately following the holding period. This method is more accurate in cases where net income is expected to vary over the holding period.

In order to determine the fair market rental value of the subject property, we have first determined the value of the entire real estate. Thereafter, we have applied an appropriate long term rental factor to determine the current fair market ground rental value for the subject property. In formulating an opinion of the market value of the subject property, we have relied upon the Direct Income Capitalization method.

Potential Gross Income

Potential Gross Income (PGI) is the anticipated income from all operations of the real estate before an allowance is made for vacancy and credit loss. As discussed earlier in this report, the subject property has potential income streams from a variety of sources. For those income items that have current subleases in place, we have estimated market rent for each space as if vacant. While we have used current rentals for guidance, our opinion of value does not rely solely on those in place rentals. As noted, we have in instances also considered information from other sources to analyze comparable leases or business operations to determine market driven income.

Potential Gross Income: Production Studios, Office and Retail/Restaurant Spaces

Production Studios and Offices	Sq. Ft.	Market Rent PSF	2022	2023	2024	2025
Pier 59 Studios and Millwork	58,407	\$45.00	\$2,628,315	\$2,707,164	\$2,788,379	\$2,872,031
Production Studios A-F	105,876	\$65.00	\$6,881,927	\$7,088,385	\$7,301,036	\$7,520,067
Studio Offices	72,584	\$50.00	\$3,629,200	\$3,738,076	\$3,850,218	\$3,965,725
Subtotal	236,867		\$13,139,442	\$13,533,625	\$13,939,634	\$14,357,823

Office	Sq. Ft.	Market Rent PSF	2022	2023	2024	2025
General Business Offices	20,399	\$55.00	Vacant	\$1,121,945	\$1,155,603	\$1,190,271
Marina Offices	5,780	\$50.00	\$289,000	\$289,000	\$289,000	\$289,000
Subtotal	26,179		\$289,000	\$1,410,945	\$1,444,603	\$1,479,271

Retail & Restaurant	Sq. Ft.	Market Rent PSF	60% 2022	75% 2023	85% 2024	100% 2025
Small Retail Spaces	1,394	\$75.00	\$62,730	\$78,413	\$88,868	\$104,550
Pier 62 Restaurant	3,408	\$75.00	\$153,360	\$191,700	\$217,260	\$255,600
Subtotal	4,802		\$216,090	\$270,113	\$306,128	\$360,150

Potential Gross Income: Marina

Prior to 2020, MarineMax, Inc. operated the subject marina space. As of this writing, Chelsea Piers, LP has taken over the marina and dock operations. The Marina Market Analysis discusses the various income components of the marina income, which generates revenues from seasonal vessels, transient vessels and commercial vessels. In this analysis we treat the marina as owner-operated and include the gross revenue generated by the marina and docks as income and include the operating cost of the marina as a property expense. We note that due to the pandemic the commercial sightseeing and entertainment cruise business has suffered considerably; we therefore include a phase in to stabilized income in 2025 for that income stream.

% Commercial Vessel Docking- Stabilized Phase-In	40%	60%	85%	100%
Marina	2022	2023	2024	2025
Seasonal Docking	\$530,400	\$546,312	\$562,701	\$579,582
Transient Docking	\$2,116,368	\$2,169,277	\$2,223,509	\$2,279,097
Commercial Vessel Docking	\$1,149,904	\$1,724,856	\$2,443,546	\$2,874,760
Subtotal	\$3,796,672	\$4,440,445	\$5,229,756	\$5,733,439

Potential Gross Income: Catering, Recreation Uses and Parking

Chelsea Piers LP directly operates an assortment of business lines within the subject property. For the purposes of analysis, we have treated the subject property as investment real estate, e.g., we assume that the Lessee of the real estate subleases to third party subtenant businesses. Accordingly, we have estimated market rent for all spaces in which the Lessee has an interest as an operating business, through a joint-venture, or landlord to subtenants. We note that due to the pandemic many of these businesses have suffered considerably, especially those related to the banquet facilities and indoor sports. As it relates to the parking income, the rent a parking tenant will pay is a function of the success of the venue where the parking is located. Given the decreased usage of the site as of the date of valuation, the estimated parking rent is assumed to have a pro-rata reduction, increasing to fully stabilized income of \$5,000 per space in 2025 when we estimate that the property's operations will return to pre-pandemic levels.

The estimated income from each of these spaces is summarized below:

% of Stabilized Income - Phase-In	50%	70%	85%	100%
Catering/F&B	2022	2023	2024	2025
Pier 59 Catering	\$399,180	\$558,852	\$678,606	\$798,360
Pier 60 Catering	\$889,560	\$1,245,384	\$1,512,252	\$1,779,120
Pier 61 Catering	\$577,583	\$808,616	\$981,890	\$1,155,165
Subtotal	\$1,866,323	\$2,612,852	\$3,172,748	\$3,732,645

% of Stabilized Income - Phase-In	60%	75%	85%	100%
Recreation Spaces	2022	2023	2024	2025
Bowling Alley	\$2,130,718	\$2,663,397	\$3,018,517	\$3,551,196
Pier 59 Golf Club - Interior	\$553,711	\$692,138	\$784,423	\$922,851
Pier 59 Golf Club - Exterior	\$740,916	\$926,145	\$1,049,631	\$1,234,860
Pier 60 Sports Center (incl exterior space)	\$2,624,349	\$3,280,436	\$3,717,828	\$4,373,915
Pier 61 Skating Rink (incl exterior space)	\$765,000	\$956,250	\$1,083,750	\$1,275,000
Pier 62 Field House	\$1,539,405	\$1,924,256	\$2,180,824	\$2,565,675
Subtotal	\$8,354,098	\$10,442,623	\$11,834,972	\$13,923,497

	85%	90%	95%	100%
Parking Facilities	2022	2023	2024	2025
Rentable Parking Spaces	\$1,215,500	\$1,287,000	\$1,358,500	\$1,430,000
Subtotal	\$1,215,500	\$1,287,000	\$1,358,500	\$1,430,000

Vacancy & Collection Loss

An investor and an appraiser are primarily interested in the cash revenues that an income producing property is likely to generate annually over a specified period rather than what could be produced were it always 100% occupied and all subtenants were paying rent in full and on time. It is a prudent practice to expect some income loss, either in the form of actual vacancy, subtenant turnover, non-payment, or slow payment of rent by subtenants. This allowance is usually estimated as a percentage of gross potential income.

Given that the income generated in the initial years of the analysis reflects a significant reduction in income because of the lingering economic impact of COVID-19, we estimate a vacancy and

collection loss of 5% for 2022 income year. As rent is projected to increase, we estimate a more stabilized vacancy and collection loss of 10% across all income items.

Total potential gross income and effective gross income (“EGI”) for subtenanted and owner-operated spaces is summarized below:

INCOME	2022	2023	2024	2025
Total Potential Gross Income	\$28,877,125	\$33,997,602	\$37,286,342	\$41,016,826
Less: Vacancy and Collection Loss % @	5.00%	10.00%	10.00%	10.00%
Less: Vacancy and Collection Loss \$ @	\$1,443,856	\$3,399,760	\$3,728,634	\$4,101,683
Effective Gross Income	\$27,433,268	\$30,597,842	\$33,557,708	\$36,915,143

Operating Expenses

To project appropriate operating expenses, we have relied on information from the Client and Chelsea Piers regarding the expenses associated with operating the subject property under the existing lease, the proposed lease as well as operating expense from comparable commercial properties. A discussion of individual operating expenses is presented as follows:

PILOT / Real Estate Taxes: In lieu of real estate taxes, the Lessee pays a Payment In Lieu of Taxes (PILOT) which is based on what the real estate taxes of the property would be, as if fully taxable. Therefore, full PILOT as of the effective date of valuation is the tentative taxable assessments of \$45,018,530 multiplied by the current Class IV tax rate of 10.755% = **\$4,841,743**. We note that the proposed lease provides for a phase-in to full PILOT for the portion of Lot 62 included in the premises. We expect that the phase-in should be complete by 2025, the first year of stabilized income.

Payroll and Security:

Based on historical expense data, we estimate that combined payroll and security expenses for the subject property from 2017 through 2019 ranged from \$3,682,572 to \$3,492,771 per annum.

	2019	2018	2017
Total Payroll and Security	\$3,682,572	\$3,594,117	\$3,492,771

For 2022, we have applied a compound annual increase of 3% which results in an expense of \$4.35 per square foot, which we have rounded to \$4.50 per square foot. The marina, discussed below, is a separate cost center with its own distinct payroll and security. Therefore, we estimate a payroll and security expense for the non-marina portion of the subject property at \$4.50 per square foot, or **\$3,965,612**.

Traffic and Pedestrian Management (New Obligation):

Under the proposed lease, Lessee must provide additional traffic and pedestrian management services. We estimate this will require two additional full-time staff and estimate their cost, including all benefits and overhead, at **\$130,000** per annum. This amount is not included in the payroll and security figure cited above.

Common Utilities:

The common utilities expense, which is inclusive of gas, electric, water & sewer, is estimated at \$1.00 per square foot of rentable area, or **\$881,247**, in 2022 which is within the range of the expenses from comparable properties.

Insurance:

For a number of reasons, the subject property will require additional levels of insurance above and beyond the typical insurance premiums for an office and retail building of this size at an upland location. The property includes floating piers, walkways and public space within Hudson River Park, as well as pier buildings that have experienced flooding in the recent past. We have had the opportunity to discuss insurance premiums with Chelsea Piers and the Client and estimate insurance costs at \$1.50 per square foot of rentable area, or **\$1,350,410** in 2022.

Marina Expenses:

The marina operations require a separate set of operating expenses from the operations of the piers and buildings. Historical data was provided by the Client, and we have projected the expenses forward at an annual rate of 2.5% per annum.

Expenses	2022	2023	2024	2025
Payroll & Benefits	\$413,664	\$424,006	\$434,606	\$445,471
Rent	\$60,000	\$61,500	\$63,038	\$64,613
Trash	\$5,760	\$5,904	\$6,052	\$6,203
Cleaning	\$18,000	\$18,450	\$18,911	\$19,384
Total Utilities (Dock &	\$18,000	\$18,450	\$18,911	\$19,384
Dock Repairs & Maint	\$155,000	\$158,875	\$162,847	\$166,918
Dock Supplies	\$100,000	\$102,500	\$105,063	\$107,689
Credit Card Fees	\$40,000	\$41,000	\$42,025	\$43,076
Permits & Licenses	\$25,554	\$26,193	\$26,848	\$27,519
Dock License	\$6,500	\$6,663	\$6,829	\$7,000
Miscellaneous	\$24,000	\$24,600	\$25,215	\$25,845
Total Expenses	\$866,478	\$888,140	\$910,343	\$933,102

The cost of repairs and replacing marina fender piles for active docking are included separately in the marine capital maintenance and allowance section that follows.

Pile Rehabilitation and Other Marine Capital Maintenance and Allowances:

The piers and supporting piles require regular repair and structural upkeep to maintain the functionality of the improvements. The 12,200 wooden piles supporting the piers require reposting, wrapping and/or replacement as the result of marine rot and toredo (shipworm) damage, as do the fender piles around the perimeter of the piers which experience regular wear and tear. Other amounts are appropriate as allowances/reserves for bulkhead repair and for potential flood damage. We have been provided the following schedule of costs, useful life and annual set-asides for these items by Chelsea Piers and the Client, summarized below.

Since 2008, Lessee has continuously invested in structural capital programs to rehabilitate the piles. From 1996-2007 Chelsea Piers reported \$4,295,137 in pile repair costs. Beginning in 2010 a more comprehensive pile repair program commenced with annual expenditures ranging from \$3,588,347 to over \$10,174,173. According to management at Chelsea Piers, approximately \$80 million has been

expended since 2010, with another \$25-\$35 million needed to complete the rehabilitation project. Upon the completion of the rehabilitation project, when all wooden piles conditions have been initially addressed, Lessee will continue to inspect and repair piles annually on an as-needed basis in accordance with the provisions of the proposed lease. Accordingly, and based on information provided by both Chelsea Piers and the Client, we have estimated an annual capital maintenance and repair expenditure for piles of **\$3.1 million**, increasing annually by 3%, for the full term. This includes both the completion of the pile rehabilitation project and on-going capital maintenance costs including all associated soft costs.

For fender piles and whalers, Chelsea Piers and the Client estimate that 75% of the 3,840 linear feet perimeter along the water's edge has fender piles used for active docking, and 25% of the perimeter is served by fenders used for river protection only. According to the Client, the useful life of fender piles used for active vessel docking is approximately ten (10) years, while fender piles used solely for river protection is about twice that length, or twenty (20) years. Under this schedule, the Client estimates that approximately 336 linear feet of fender piles must be repaired/replaced annually for both active docking and river protection. The cost of these repairs, according to the Client based on its own marine repair experience, is approximately \$900 per linear foot for hard costs with an additional 20% (\$180 per linear foot) allocated for soft costs. Accordingly, the annual average cost for fender and whaler capital maintenance is estimated at approximately **\$363,000**. Chelsea Piers has confirmed this estimate.

The easternmost edge of the headhouse, running north-south roughly along and below the eastern façade of the headhouse, is supported by a stone bulkhead that also holds back the waters of the Hudson River. While this bulkhead is in good condition and is long lasting, periodic repairs will be required to maintain the structural integrity of the bulkhead. The Client has consulted with its in-house marine engineer who estimates that repairs of approximately \$500,000 will likely be required every twenty (20) years. We have therefore included a capital maintenance allowance/reserve of **\$25,000** per annum to address this periodic marine repair item.

As waterfront property, the subject property is susceptible to flooding during certain extreme weather events. In October 2021, Superstorm Sandy caused approximately \$15 million in flood damage to the facility, most of which was covered by insurance. Following guidance provided by the Client, we have projected as reasonable one such extreme event every thirty (30) years, with insurance covering 90% of approximately \$15 million in damages. The net cost to the subject property's owner would therefore be approximately \$1.5 million (including any deductible) every thirty (30) years, and the annual allowance would be **\$50,000**.

Accordingly, the total amount allocated for annual pile rehabilitation and other marine capital maintenance and allowances/reserves is estimated at **\$3,538,000** per annum. This is in addition to the \$1 per square foot for building reserves discussed below intended to address conditions (other than flooding) above the pier deck level.

Public Access and Signage Improvements and Maintenance:

Under the terms of the proposed leased, Lessee is obligated to undertake "baseline" public access improvements, including the construction of a new over-water platform south of the Pier 59 headhouse, with an estimated cost of \$3 million. The Client has informed us that approximately 80% of the cost associated with the "baseline" improvements are for long-lived structural items with a

thirty (30) year life span, and approximately 20% of the cost are allocated to improve components at the surface level that are subject to regular wear and tear based on active pedestrian use with a ten (10) year life span. In addition to these “baseline” public access improvements, Lessee is obligated to maintain (but may take offsetting rent credits for the cost of initial construction) “enhanced” public access improvements also with an estimated construction cost of \$3 million. The Client has advised that approximately half of the cost of the “enhanced” public improvements are associated with components, such as pavers, with a ten (10) year life span, and half are allocated to long-lived components of a structural nature with a thirty (30) year life span.

To calculate the annual expense allowance for public access improvements we (1) amortize Lessee’s \$3 million baseline expenditure over the initial 34-year term of the proposed lease to yield \$88,000, (2) calculate the portion of the initial construction for each of the baseline and \$3 million enhanced improvements allocable to the 10 year life span and the 30 life span to yield \$2.1 million allocable for the 10 year improvements and \$3.9 million allocable for the 30 year improvements, (3) divide the 10 year and 30 year allocations by 10 and 30 respectively to yield \$340,000 annually, and (4) add the initial baseline construction amortization cost to the annual life cycle replacement cost allowances for a total **\$428,000**.

The proposed lease also imposes a new signage improvement requirement on Lessee. This involves retaining a signage consultant and then implementing a full signage replacement package. According to Chelsea Piers and the Client, the cost of the signage consultant will be approximately \$200,000, the anticipated cost of full signage package replacement is \$1,000,000, and the signage must be renewed/replaced every 12 years after initial installation. To calculate the annualized cost, we amortize the \$1.2 million upfront cost over the initial 34 years of the term to yield \$35,000, and then provide for an annual allowance/reserve of \$83,000 for renewal/replacement cycles, for a total of **\$118,000** annually.

The total annual cost allocation for the new signage program and public access improvements is therefore **\$546,000**.

Building Repairs and Maintenance:

This expense covers the ordinary repairs and maintenance for the building and common areas, outside of individual tenant spaces. According to Chelsea Piers, historical expenses for this category, which include licenses, permits and fees, trash removal, repairs and maintenance and maintenance supplies range from \$1,032,634 to \$1,110,699 from 2017 through 2019. The expenses are summarized below:

	2019	2018	2017
Total Repairs and Maintenance	\$1,032,634	\$1,043,898	\$1,110,699

We estimate that the property may incur additional repairs and maintenance costs and have estimated this expense at \$1.50 per square foot which is in keeping with industry standards, or **\$1,321,871** beginning with the 2022 year.

Management Fees:

Management fees are commonly accounted for by using a percentage of the EGI. We estimate a market-oriented management expense of 1.5% of the EGI, or \$411,499 beginning with the 2022 year, increasing to **\$553,727** in 2025.

Advertising and Promotion:

As part of operating within the Hudson River Park and providing for both private business and public use on the open spaces, Lessee is anticipated to be responsible for a promotion fund to advertise the property and amenities offered. An annual cost of **\$500,000** for website, social media management, and print advertising is reasonable given the size of the property, varied subtenant type and quality of the property offerings

Reserves for Existing Buildings:

This is the expense associated with capital maintenance costs associated with structural repairs for the existing buildings. We note that the buildings are operated in a marine environment and are therefore susceptible to atypical structural deterioration as compared to buildings located on terra firma. We have estimated this expense at \$1.00 per rentable square foot, or **\$881,247** beginning with the 2022 year.

Net Operating Income

Net Operating Income, or effective gross income less operating expenses, is summarized in the table below:

INCOME	2022	2023	2024	2025
Total Potential Gross Income	\$28,877,125	\$33,997,602	\$37,286,342	\$41,016,825
Less: Vacancy and Collection Loss % @	5.00%	10.00%	10.00%	10.00%
Less: Vacancy and Collection Loss \$ @	\$1,443,856	\$3,399,760	\$3,728,634	\$4,101,683
Effective Gross Income	\$27,433,268	\$30,597,842	\$33,557,707	\$36,915,143
EXPENSES	2022	2023	2024	2025
PILOT/RE Tax	\$4,841,743	\$5,011,204	\$5,186,596	\$5,368,127
Payroll and Security @	\$3,965,612	\$4,064,752	\$4,166,371	\$4,270,530
Additional Traffic & Pedestrian Management	\$130,000	\$133,250	\$136,581	\$139,996
Common Utilities @	\$881,247	\$903,278	\$925,860	\$949,007
Insurance	\$1,350,410	\$1,390,922	\$1,432,649	\$1,475,629
Marina Expenses	\$866,478	\$888,140	\$910,343	\$933,102
Pier & Pile Repair and Maintenance	\$3,538,000	\$3,626,450	\$3,717,111	\$3,810,039
Public Access & Signage Improvements & Maintenance	\$546,000	\$559,650	\$573,641	\$587,982
Building R&M Costs @	\$1,321,871	\$1,354,917	\$1,388,790	\$1,423,510
Management Fee @	\$411,499	\$458,968	\$503,366	\$553,727
Advertising & Promotion	\$500,000	\$512,500	\$525,313	\$538,445
Professional Fees	\$250,000	\$256,250	\$262,656	\$269,223
Reserves Building @	\$881,247	\$903,278	\$925,860	\$949,007
Total Expenses	\$19,484,106	\$20,063,559	\$20,655,138	\$21,268,323
<i>OpEx Ratio</i>	71.02%	65.57%	61.55%	57.61%
Net Operating Income	\$7,949,163	\$10,534,283	\$12,902,569	\$15,646,820

Derivation of Market Rent

The conversion of net operating income into annual “ground” rent is done via a two-step process. First, the net operating income is capitalized into value by applying an overall property capitalization rate. Second, this capitalized value is translated into an annual rent by applying a ground rent capitalization rate. The ground rent capitalization rate is a substantially lower rate than the rate used to capitalize net operating income because this position is less risky and is treated as an operating expense to the Lessee.

In deriving the capitalization rate, we considered the atypical subject property use as a very large series of piers with numerous dictated special use spaces. The subject’s uses are unique in the market, and there are limited sales from which to extract capitalization rates.

The property has a quasi-retail aspect to the cash flows but has substantially lower marketability than typical retail properties given the restrictions on uses. To estimate a reasonable capitalization rate, we have relied upon input from a number of market sources including investment bulletins published by PriceWaterhouseCoopers (PwC), Situs/RERC Real Estate Report, as well as market transactions and our own experience and awareness of current money market rates.

The subject property generates income from a variety of sources including film production, sports and fitness, office, marina operations and parking. The income streams include office, but also include retail/discretionary spending for entertainment and recreation, which is most closely reflected in the retail capitalization rates. The average capitalization rate reported by the surveys is summarized below:

PwC - 4Q 2021			
	<u>Low</u>	<u>High</u>	<u>Average</u>
Manhattan Office Market - Institutional			
Overall Capitalization Rate (OAR)	4.00%	6.25%	5.05%
National Strip Shopping Center			
Overall Capitalization Rate (OAR)	5.00%	10.00%	7.17%
RERC - 3Q 2021			<u>Average</u>
NYC Office Market*			
Going-In Capitalization Rates			6.00%
Neighborhood Shopping			7.10%

**RERC only reports First Tier for NYC*

We select a capitalization rate towards the higher end of the range of the overall rates, and above the average, at 9.0%. We note that this rate reflects investment expectations of institutional investors for a restricted special use property such as Chelsea Piers. The property cannot be easily converted to meet the needs of emerging trends in the real estate industry, the proposed lease sets forth a minimum of relatively lower rent sports and recreation use, and the ground lessor’s right of approval over potential assignees restricts the transferability of the asset. Our rate conclusions

also consider the varied nature of the subject property income, the unique waterfront physical structure of the subject piers and the risk to the investor associated with the atypical real estate.

For the subject property, applying an overall capitalization rate of 9.0% to net operating income of \$15,646,820 in the stabilized year 2025 yields a hypothetical fee simple interest value in that year of \$173,853,555, rounded to \$173,900,000.

Net Rent as Percentage of Land Rent:

We are aware of several listings and ground leases reflective of the percentage of underlying value. Because of the confidential nature of these conveyances, we have presented a limited summary of the transactions below:

Lease Date	Existing	Location	Planned Product	Annual Ground Rent	Estimated Underlying Value	Ground Rent Factor / Ground Rent Cap Rate
Sold - 3Q 2021	Hotel/Office/Retail	Midtown Manhattan	Existing hotel	\$7,625,000	\$121,000,000	6.30%
Listing	Land	Harlem	Rental Apartment	\$1,800,000	\$38,500,000	4.68%
2Q 2019	Land	Midtown Manhattan	Hotel	\$1,350,000	\$32,500,000	4.15%
3Q 17	Land	Lower East Side	Office	\$1,400,000	\$30,000,000	4.67%
1Q 18	Land	Midtown Manhattan	Office	\$4,100,000	\$100,000,000	4.10%
Listing	Land	Astoria, Queens	Rental Apartment	\$875,000	\$19,500,000	4.49%
4Q 2021	Land	Greenpoint, Brooklyn	Rental Apartment	\$2,100,000	\$60,000,000	3.50%
1Q 2021	Shell Building	Chelsea	Office Conversion	\$950,000*	\$21,100,000	4.55%
1Q 2020	Land under apt. bldg	Murray Hill	Existing building	\$112,500	\$11,000,000	1.02%
3Q 2021	Land under office	Midtown Manhattan	Existing building	\$1,600,000**	\$191,670,794	0.85%
2Q 2021	Land	Lower East Side	Proposed mixed-income	\$275,000***	\$8,100,000	3.40%

* Amortized up-front payment and annual rent \$650k per annum

** Flat rent; lease terminates in 2063

* Amortized up-front payment and annual rent \$100k per annum

Minimum 0.85%

Maximum 6.30%

Average 3.79%

We note that the above transactions are of vacant land and there is additional construction risk associated with ground-up development as compared with the conversion of an existing building such as the subject property. Based on the data above, and the information provided with respect to the proposed lease terms, we conclude towards the lower of the range at a ground rent factor of 4.0% given that we assume annual escalations of 2.5% per annum and a potential to recapture value through a FMV process following year 44 of the extended lease. The estimated annual rent is therefore computed as follows:

Analysis Year	2022	2023	2024	2025
Hypothetical Fee Simple Value	\$88,300,000	\$117,000,000	\$143,400,000	\$173,900,000
Ground Rent Factor @	4.00%	4.00%	4.00%	4.00%
Ground Rent	\$3,532,000	\$4,680,000	\$5,736,000	\$6,956,000
Rounded	\$3,500,000	\$4,700,000	\$5,700,000	\$7,000,000

For the subject property, applying a ground rent factor of 4% to the hypothetical fee simple interest value of \$173,900,000 yields a fair market rental in the stabilized year 2025 of \$6,956,000, rounded to \$7,000,000.

Infill Discussion

Per the proposed new lease, the Lessee is granted the use of up to 100,000 square feet of excess development rights for infill construction. The Lessee has no obligation under either the existing lease or the proposed lease to pay additional base rent for this space, though percentage rent and PILOT would increase. However, Lessee would be required to make structural improvements to the property that would facilitate the addition and use of these development rights. Based upon information supplied by the Client, we believe that construction costs for infill space could be approximately \$960 per square foot and have performed an abbreviated feasibility analysis to determine what the net residual “land” value would be should this space be developed. In developing this analysis, we relied upon construction costs estimates both for piling and the infill work provided to us by the Client. The expense ratios utilized are consistent with the allocable office expense ratios in this valuation. Using a range of feasible face rents from \$70 to \$80 per square foot (\$58.93 to \$68.29 per square foot on a net effective basis) we determined that infill is not feasible under current market conditions.

Feasibility Rent Test - No Loss Factor

Face Rent PSF - Market (no loss factor applied)		\$70.00	\$75.00	\$80.00
Market Rent PSF (NER)		\$58.93	\$63.61	\$68.29
CAM / Electric @		\$4.00	\$4.00	\$4.00
Total Market NER		\$62.93	\$67.61	\$72.29
Less: Vacancy and Collection Loss @	-6.0%	(\$3.78)	(\$4.06)	(\$4.34)
Effective Gross Income - NER Basis		\$59.16	\$63.55	\$67.95
Applicable Expenses - Office / Studio Infill				
Taxes (PILOT) as % of EGI	18%	\$10.65	\$11.44	\$12.23
Payroll and CAM		\$5.50	\$5.50	\$5.50
Prof fees and Mgmt (5%)		\$3.15	\$3.38	\$3.61
Misc		\$2.00	\$2.00	\$2.00
Total Expenses		\$21.29	\$22.32	\$23.35
<i>OpEx Ratio</i>		36%	35%	34%
Net Operating Income		\$37.86	\$41.23	\$44.61
Cap Rate Assuming Desirable Use		5.0%	5.0%	5.0%
Value PSF		\$757	\$825	\$892
Feasible?		NO	NO	NO

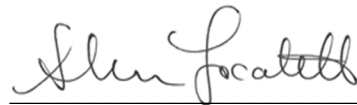
Because of the requirement to install piles to support the new construction, in addition to the costs to deliver infill floor area, it is our opinion that the 100,000 square feet of development rights have essentially no value. We note that due to the historic nature of the pier sheds, several layers of regulatory approvals are required to pursue this infill development, further adding costs, time and risk that many not be otherwise accounted for in this analysis and selection of rates.

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no interest with respect to the parties involved.
- We have not performed services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Sharon Y. Locatell and Adam L. Wald, made an inspection of the property that is the subject of this report.
- Charlie Lalumiere provided real property appraisal assistance to the persons signing this report.
- As of the date of this report, Sharon Y. Locatell, MAI and Adam L. Wald, MAI have completed the continuing education program of the Appraisal Institute.



Adam L. Wald, MAI



Sharon Y. Locatell, MAI, CRE, MRICS

**SHARON LOCATELL, MAI, CRE, MRICS - PRESIDENT
APPRAISERS & PLANNERS, INC.**

Sharon Locatell is President of Appraisers & Planners, Inc. headquartered in New York City. She is the former Executive Director of Brown Harris Stevens Appraisal & Consulting, LLC, where she headed the division for 18 years. Appraisers & Planners is a general appraisal and consulting business. Ms. Locatell has nearly 30 years' experience in real estate valuation and consulting with a diversified background in terms of property type, and services offered. She is actively involved in market value appraisals, consulting assignments, arbitration proceedings, purchase price allocation studies, estate work, litigation support and expert witness testimony, and investment advisory consultation.

Ms. Locatell has acted as real estate appraiser and/or consultant to Rudin Management Company, Cord Meyer Development LLC, Jack Resnick & Sons, Inc., The LeFrak Organization Inc., The Shubert Organization, the Nederlander's, Richemont, McDonald's, Nixon Peabody LLP, AXA Equitable Life Insurance Co., Paul Weiss Rifkin LLP, Fried Frank Harris Shriver & Jacobsen LLP, Meister Seelig and Fein LLP, Madison International Realty, Muss Development LLC, Hudson River Park Trust, Morrison Cohen LLP, New York Racing Association, Inc., Titan Capital, Emerald Creek Capital, Roman Catholic Archdiocese of New York, Yeshiva University, Union Theological Seminary in the City of New York, Lord & Taylor, Wien & Malkin LLP, Consolidated Edison, Friedman LLP, Rockefeller Center, GAP Inc., as well as other institutions, corporations, law firms and individuals.

She has experience in both consultation and valuation of all types of properties including commercial, residential, retail, industrial, vacant land, as well as lease analysis, highest and best use studies, and feasibility studies. Ms. Locatell has testified as an expert witness in Federal District Court on numerous occasions, and in various local and state courts. She is also active as an arbitrator.

EDUCATION

Gettysburg College Gettysburg, Pennsylvania	Bachelor of Arts (BA) (1984-1988)
University of Florida Graduate School of Business Administration	Master's Degree (MA) Real Estate and Urban Analysis (1988-1990)

PROFESSIONAL AFFILIATIONS

Member of Appraisal Institute - **MAI**

Past President and Board Member of the New York Metropolitan Chapter

Counselor of Real Estate - **CRE**

Member – Royal Institution of Chartered Surveyors – **MRICS**

American Arbitration Association (**AAA**) – Panel of Arbitrators

Member - Real Estate Board of New York

New York State Certified General Real Estate Appraiser #46000007350

New Jersey State Certified General Real Estate Appraiser #42RG00196800

**ADAM L. WALD, MAI – EXECUTIVE VICE PRESIDENT
APPRAISERS & PLANNERS, INC.**

PROFESSIONAL EXPERIENCE

2021 - Present: Executive Vice President – Appraisers & Planners, Inc.
2015 - 2021: Vice President – Appraisers & Planners, Inc.
2014 - 2015: Senior Staff Appraiser – Appraisers & Planners, Inc.
2012 - 2013: Associate Staff Appraiser – Appraisers & Planners, Inc.
2005 - 2012: Staff Appraiser - Sterling Appraisals, Inc.

EDUCATION

Bachelor of Arts – Brandeis University

Major in Economics
Minor in International Business

New York University School of Continuing Professional Studies:

Completed AQB education for New York State General Certification. Courses included Introduction to Real Estate Appraisal; Valuation Principles and Procedures; Introduction to Income Property Valuation; Principles of Income Property Appraising; Applied Income Property Valuation; Fair Housing, Fair Lending and Environmental Issues; and 15-Hour USPAP – Nation Uniform Standards of Professional Appraisal Practice

Appraisal Institute – Designation Education:

Business Practices and Ethics; Advanced Market Analysis and Highest and Best Use; Advanced Income Capitalization; Quantitative Analysis; General Appraiser Report Writing and Case Studies; and Advanced Concepts and Case Studies

PROFESSIONAL AFFILIATIONS

Designated Member, Appraisal Institute

CURRENT LICENSE

State of New York Certified General Appraiser - #46000050707

COMMUNITY ACTIVITIES

Board of Directors, Metropolitan New York Chapter (2018-2021 Term)

- Chair, Education Committee

Current Member of Manhattan Community Board 8 (2017-2019, 2019-2021 and 2021-2023 Terms)

- Zoning and Development Committee Member

APPRAISAL EXPERIENCE

Adam has worked exclusively in commercial real estate appraisal and consulting services and has amassed nearly 16 years' experience in real estate valuation and consulting. Property types appraised include multi-family, retail, industrial, manufacturing, office and institutional with a focus on development land, development rights and ground-leased assets. Appraisal assignments include multi-tenant, single tenant, owner-occupied properties, leased fee and leasehold assignments. Appraisals have been prepared for an assortment of uses including estate and gift tax, tax certiorari, purchase and sale negotiations, litigation and condemnation.

ADDENDUM

Addendum: Fair Market Rent Comparison

This addendum compares the nominal (current dollar) value and present value of HRPT's leased fee interest in the subject property with and without the proposed lease for the same 44-year period as provided under the proposed lease (including the 10-year extension). Leased fee interest is defined as: "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."

Nominal Rent Comparison

This addendum compares the nominal value and present value of rent expected to be paid to HRPT under two scenarios: (1) that the hypothetical proposed lease is executed and, with extension, runs to December 31, 2065, and (2) that the proposed lease is not executed, the existing 1994 lease continues to run for the remainder of its term to June 30, 2043, and, upon expiration of the term of the existing lease, a hypothetical subsequent new lease at fair market rent commences on July 1, 2043 and extends to December 31, 2065. Thus, Scenario #1 represents the value of the leased fee "with" the proposed lease, and Scenario #2 represents the value of the lease fee "without" the proposed lease. While there are other possible outcomes that may also represent the without the proposed lease scenario that are outside the scope of this appraisal, Scenario #2 presents a reasonable alternative for comparison purposes as it is unlikely to expect that the Lessee under the existing lease would simply "walk-away" with 21 years remaining on the term, and it is likely that HRPT would seek to enter into a subsequent new lease at the end of term of the existing lease in 2043 at fair market value.

The comparison is predicated also on the extraordinary assumption that the highest and best use of the subject property, as permitted under the Hudson River Park Act and the respective use provisions of the existing lease, the proposed lease, and those lease terms likely under the subsequent new lease, are substantially the same. The Client has advised us that, inasmuch as most of the Park in the area of Chelsea Piers is constructed and because changes to the Hudson River Park Act are infrequent and unlikely to significantly alter permitted uses at the subject property, this highest and best use assumption is reasonable.

It is anticipated that the fair market rent of the hypothetical subsequent new lease on July 1, 2043, would be the fair market rent under the proposed lease at the end of the COVID economic recovery period (projected by the NYC IBO to be 2025), or \$7 million, escalated by 2.5% per annum to yield \$10.9 million in 2043. Rent under the subsequent new lease would increase per standard commercial lease terms every five (5) years following commencement by cumulative CPI through the end of the term in 2065.

Payment-in-lieu of real estate taxes ("PILOT") and the value of the reversionary interest at the end of the proposed lease and subsequent new lease term(s) are not included in this comparison analysis because they would be expected to be the same under each scenario. It should be noted that PILOT is payable as rent to HRPT and not remitted separately to the municipality as real estate taxes. For the current NYC tax year, payable PILOT of \$4.47 million is slightly higher than base rent under the existing lease of \$4.1 million and approximately the same as the \$4.41 million fixed base rent under the proposed lease for 2022. While this analysis does not include a consideration of future PILOT as a category of rent, PILOT is expected to be similar in amount to fixed base rent during the full term.

In valuing the leased fee interest of the subject property as if encumbered by the proposed lease, we consider the various forms of income paid to HRPT. The leased fee position under the proposed lease considers rent from the following sources: fixed base rent, percentage rent and transaction rent. A detailed description of each of these rent components, and how they are computed, is included in the Proposed Lease Abstract section of this report. Supplemental fixed base rent is not treated separately in this addendum as it comprises a “make-up” initial payment of fixed base rent intended to cover the period from January 1, 2022 to the actual commencement date of the proposed lease. Accordingly, we treat fixed base rent for the first lease year as encompassing the period starting January 1, 2022, notwithstanding that the actual execution and commencement dates of the proposed lease will be later in the calendar year and that the initial payment will include supplemental fixed base rent.

Base rent increases under the existing lease are computed using the same biennial CPI increases as those applied under the proposed lease. However, the initial fixed base rent under the proposed lease for 2022 is approximately 7.5% higher than base rent for the existing lease. In addition, the proposed lease has fixed percentage bumps in excess of the biennial CPI increases of 7.5% in 2032, 10% in 2043, and, should the renewal option be exercised by Lessee, 5% in 2056. The existing lease has no such base rent bumps. For long term CPI, we have used the 30-year breakeven inflation rate published by the Federal Reserve Bank of St. Louis. The breakeven inflation rate represents a measure of expected inflation derived from 30-Year Treasury Constant Maturity Securities and 30-Year Treasury Inflation-Indexed Constant Maturity Securities. The value implies what market participants expect inflation to be in the next 30 years, on average. On December 31, 2021, the breakeven inflation rate was 2.3%. We have applied this rate for CPI for the entire 44-year analysis period.

Under the proposed lease, Lessee is afforded up to \$3 million of fixed base rent credits, taken over a 7-year period, for expenditures related to “enhanced” public access improvements. We have been advised by the Client that these credits would likely commence in the third lease year. We have conservatively assumed that credits for the entire \$3 million will be granted and taken from lease year 3 to lease year 9.

Percentage rent based on gross revenue under both the proposed lease and the existing lease equals the “percentage rent allocation” less the “percentage rent deduction.” Payable percentage rent under the existing lease and the proposed lease are the same with regard to the percentage rent allocation for gross revenue under \$110 million, and the percentage rent deduction is identical for each. However, the proposed lease establishes different percentage thresholds for gross revenue in excess of \$110 million to calculate the percentage rent allocation. Under the existing lease, the percentage rent allocation is capped at 4% of gross revenue in excess of \$100 million; in the proposed lease the percentage is 4.5% for amounts in excess of \$110 million and 5% for gross revenue in excess of \$120 million. As the percentage rent deduction is the same, this results in greater percentage rent under the proposed lease for those lease years in which gross revenue exceeds \$110 million.

To calculate future percentage rent under the existing lease and the proposed lease, the Client provided us with Lessee’s historical gross revenue data from 2015 to 2020, and the estimate for 2021. Using this data, we were able to project a “return to trend” gross revenue level of approximately \$99 million for 2025. This amount was then escalated annually by 3%, which represents Lessee’s gross revenue growth rate in a 2.3% CPI environment. By way of example, gross revenue would reach \$111 million in 2029 (where percentage rent would increase as the \$110 million threshold is exceeded), \$168 million when the existing lease ends in 2043, and \$247 million when the 10-year extension is

exercised in 2056. As a point of information, gross revenue includes both operating revenue from Lessee owned sport and recreation businesses and collections from third party subtenants.

Under the proposed lease there is a transaction rent of 2.5% payable on net proceeds of lease assignments or major subleases. The existing lease does not include a transaction rent payment obligation. For the purpose of analysis, we have made the extraordinary assumption that a single lease assignment occurs during the 10th year of the proposed lease. Applying a gross revenue multiple of 1.76, which represents the ratio of the hypothetical fee simple interest divided by projected gross revenue in 2025, to the projected 2031 gross revenue of \$118.1 million yields estimated gross proceeds from the assignment of approximately \$207.9 million. After deducting 5% for transaction costs, net proceeds would be \$197.6 million and transaction rent would be \$4.9 million

Since the projected fair market value used to establish rent under the subsequent new lease includes all forms of rent payable to HRPT as ground lessor, there is no need to separately account for different rental components under the subsequent new lease such as percentage or transaction rent.

Based on our modeling of the proposed subject property rentals, the following rents are achieved on a nominal (or current dollar) basis for the period 1/1/2022 to 12/31/2065 for (1) the existing lease and subsequent new lease, and (2) the proposed lease. For the entire 44-year period, the total nominal rent for the existing and subsequent new lease is calculated to be \$423.6 million, and the rent for the proposed lease is \$460.8 million, which is 9% greater. Nominal rent under the proposed lease is 6% greater for the remainder of the term of the existing lease to 6/30/1943, 1% less for the period from the end of the existing lease to end of the initial term of the proposed lease on 12/31/2055, and 4% greater for period of the extension term of the proposed lease to 12/31/2065.

Nominal Rent Comparison

Existing Lease - Nominal Rents				
Nominal Rent by Period	Existing 1994 Lease Agreement		Base Rent Under Replacement Lease	Total Rent Existing and Replacement
	Base Rent	Percentage Rent		
2022 to 6/30/2043	\$109,544,972	\$12,570,346	\$0	\$122,115,318
7/1/2023 to 12/31/2055	\$0	\$0	\$149,834,763	\$149,834,763
1/1/2056 to 12/31/2065	\$0	\$0	\$151,642,799	\$151,642,799
Total Nominal Rent	\$109,544,972	\$12,570,346	\$301,477,562	\$423,592,880

Proposed Lease - Nominal Rents				
Nominal Rent by Period	Base Rent	Percentage Rent	Transaction Rent	Total Rent
				Proposed Lease
2022 to 6/30/2043	\$121,560,015	\$15,835,796	\$4,941,077	\$142,336,888
7/1/2023 to 12/31/2055	\$118,205,271	\$29,146,353		\$147,351,625
1/1/2056 to 12/31/2065	\$125,141,208	\$41,877,503		\$167,018,711
Total Nominal Rent	\$367,906,495	\$86,859,652	\$4,941,077	\$456,707,224

Based on the foregoing analysis, it is our opinion that the total value of the income to the leased fee position, as measured in nominal (or current) dollars, as of December 1, 2021, is:

\$423,592,880, rounded to \$424 million, for the combination of the existing lease and subsequent new lease; and

\$456,707,224, rounded to \$457 million for the proposed lease.

Present Value Comparison

The present value portion of this comparison entails applying appropriate discount rates to the projected cash flows for rental streams under the proposed lease, existing lease, and subsequent new lease. In this way we adjust for CPI inflation (estimated at 2.3% per annum) and the risk premium presented by each rental stream. The “present value” is thus the value of future cash flows expressed in today’s dollars adjusted for both inflation and risk. The risk premium is commensurate with the perceived risks of the different cash flows given potentially changed market and financial conditions in the future. The risk premium is mitigated by the fact that Chelsea Piers is a proven income producing property with capable and experienced management.

It is our opinion that contractually established base rent under the existing lease to June 30, 2043, and fixed base rent under the proposed lease to the end of the initial term on December 31, 2055, present the lowest risk profile, and these cash flows are accorded the lowest discount rate. These income streams are judged to be the most secure in this analysis as they are superior in position to debt and equity financing, represent relatively steady cash flows, and are either already established in the case of the existing lease or will be upon commencement of the proposed lease. We have assigned a discount rate of 4% to these cash flows, which represents a loaded low-risk rate.

We have set the discount rate for fixed base rent during the extension portion of the term of the proposed lease for lease years 35 to 44 at 5%. While still representing a secure cash flow, there is a risk that Lessee under the proposed lease may elect not to exercise its renewal option for the last 10 years extending to December 31, 2065. This warrants an increase in the discount rate for fixed base rent during the period from 4% to 5%.

The annual percentage rent, when occurring, is discounted to present value at a rate of 5.5% for the period extending to June 30, 2043, which is the remaining term of the existing lease. While the operating history of the Chelsea Piers appears stable and management is capable and experienced, this rental stream has no contractual minimum and can be expected to fluctuate based on economic conditions and local market factors. For successive periods of the proposed lease (1) to end of the initial term (lease year 22 to the end of lease 34 on December 31, 2055), (2) for the period of the extension term (lease year 35 to the end of lease year 44 on December 31, 2065), percentage rent is discounted at 6.5% and 7.5% respectively. This represents a steadily increasing risk premium for future economic and market conditions that may adversely impact gross revenue generated at the subject property.

For base rent under the subsequent new lease commencing July 1, 2043, we have assigned a discount rate of 6.0%. This reflects the transaction risk of finding an approvable Lessee and entering into a

new lease 21 years in the future, and that the rental rate predicated on then prevailing market conditions will be not less than the predicted fair market value of \$10.9 million.

Lastly, we have discounted transaction rent under the proposed lease at a 7.5% rate. Although we have projected only a single lease assignment to occur 10 years in the future, it is the most speculative of the various rental components and thus requires the highest discount rate.

In summary, the discount rates applied in this proportion of the comparative analysis are as follows:

Applicable Discount Rates

Applicable Discount Rates - Existing Lease and Subsequent Lease

Period	Base Rent Under		
	Existing 1994 Lease Agreement		Subsequent Lease
Existing and Subsequent Lease Structure	Base Rent	Percentage Rent	
2022 to 6/30/2043	4.0%	5.5%	
7/1/2023 to 12/31/2055			6.0%
1/1/2056 to 12/31/2065			6.0%

Applicable Discount Rates

Period	Proposed Lease		
	Base Rent	Percentage Rent	Percentage Rent
Proposed Lease Structure			
2022 to 6/30/2043	4.0%	5.5%	7.5%
7/1/2023 to 12/31/2055	4.0%	6.5%	
1/1/2056 to 12/31/2065	5.0%	7.5%	

Based on our modeling of the proposed subject property rentals, the following rents are achieved and discounted to present value at the rates set forth above:

Present Value Rents

Present Value Rent by Period	Existing 1994 Lease Agreement		Base Rent Under Subsequent New Lease	Total Rent Existing and Subsequent
	Base Rent	Percentage Rent		
2022 to 6/30/2043	\$71,494,501	\$5,978,009		\$77,472,509
7/1/2023 to 12/31/2055			\$29,070,720	\$29,070,720
1/1/2056 to 12/31/2065			\$15,207,720	\$15,207,720
Total Present Value Rent	\$71,494,501	\$5,978,009	\$44,278,440	\$121,750,950

Present Value - Proposed Lease

Present Value Rent by Period	Base Rent	Percentage Rent	Transaction Rent	Total Rent
				Proposed Lease
2022 to 6/30/2043	\$76,546,468	\$7,192,266	\$2,397,381	\$86,136,114
7/1/2023 to 12/31/2055	\$39,025,842	\$4,521,417		\$43,547,259
1/1/2056 to 12/31/2065	\$18,234,013	\$2,219,597		\$20,453,610
Total Present Value Rent	\$133,806,323	\$13,933,280	\$2,397,381	\$150,136,983

Based on the foregoing analysis, it is our opinion that the total present value of the income to the leased fee position, as of December 31, 2021, is:

\$121,750,950, rounded \$122 million. for the combination of the existing lease and subsequent new lease; and

\$150,136,983, rounded to \$150 million for the proposed lease.

In order to produce credible assignment results, a number of extraordinary assumptions are made. An extraordinary assumption is defined as, “An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about condition external to the property such as market conditions or trends; or about the integrity of data used in an analysis.” The extraordinary assumptions within this appraisal, including this addendum, are summarized as follows:

- that the proposed lease between HRPT and Chelsea Piers is duly authorized and timely executed,
- that the distribution of subtenant business currently operating at the subject property pursuant to the existing lease is not materially different from what is permitted under the proposed lease and reflects the highest and best use under the limitations and restrictions of the existing lease and proposed lease
- that the current Covid-19 public health crisis is contained such that there is a phased “return to trend” growth of pre-2020 revenue at Chelsea Piers by 2025, and
- that future costs for pile repair and other infrastructure elements, useful lives of these components, and the capital and operating cost of additional public access improvements required to satisfy conditions of the proposed lease, which are based on information sourced from Chelsea Piers and as projected by the Client based on its own experience operating similar elements Hudson River Park, are reasonable.

Therefore, the highest and best use of the subject property, as permitted under the Hudson River Park Act and the respective use provisions of the existing lease, the proposed lease, and the subsequent new lease, are substantially the same.

Projected Rent Schedules – Existing Lease, Subsequent Lease and Proposed Lease

Existing Lease 2022 to 6/30/2043 and Subsequent Lease at FMR 7/1/2043 to 12/31/65 versus Proposed Lease 2022 to 12/31/2065*

Calendar Year	Existing 1994 Lease Agreement		Subsequent Lease		Total Rent		Proposed Lease				Total Rent Proposed Lease	
	Lease Year	Base Rent	Percentage Rent	Lease Year	Base Rent	Existing and Subsequent	Lease Year	Base Rent	Percentage Rent	Rent Credit		Transaction Rent
2022	28	\$4,052,528	\$12,488			\$4,065,016	1	\$4,406,467	\$12,488	\$0	\$0	\$4,418,955
2023	29	\$4,052,528	\$19,164			\$4,071,692	2	\$4,406,467	\$19,164	\$0	\$0	\$4,425,632
2024	30	\$4,238,601	\$221,308			\$4,459,909	3	\$4,608,792	\$221,308	(\$428,571)	\$0	\$4,401,529
2025	31	\$4,238,601	\$275,651			\$4,514,252	4	\$4,608,792	\$275,651	(\$428,571)	\$0	\$4,455,872
2026	32	\$4,433,217	\$440,603			\$4,873,821	5	\$4,820,406	\$440,603	(\$428,571)	\$0	\$4,832,438
2027	33	\$4,433,217	\$359,354			\$4,792,571	6	\$4,820,406	\$359,354	(\$428,571)	\$0	\$4,751,188
2028	34	\$4,636,770	\$481,412			\$5,118,182	7	\$5,041,736	\$481,412	(\$428,571)	\$0	\$5,094,577
2029	35	\$4,636,770	\$403,572			\$5,040,342	8	\$5,041,736	\$403,572	(\$428,571)	\$0	\$5,016,737
2030	36	\$4,849,669	\$533,048			\$5,382,716	9	\$5,273,229	\$539,874	(\$428,571)	\$0	\$5,384,531
2031	37	\$4,849,669	\$453,501			\$5,303,169	10	\$5,273,229	\$476,996		\$4,941,077	\$10,691,301
2032	38	\$5,072,343	\$590,844			\$5,663,187	11	\$5,910,843	\$631,507			\$6,542,350
2033	39	\$5,072,343	\$509,626			\$5,581,968	12	\$5,910,843	\$576,315			\$6,487,158
2034	40	\$5,305,241	\$655,315			\$5,960,556	13	\$6,182,241	\$758,427			\$6,940,668
2035	41	\$5,305,241	\$572,468			\$5,877,709	14	\$6,182,241	\$713,092			\$6,895,333
2036	42	\$5,548,832	\$727,011			\$6,275,843	15	\$6,466,100	\$906,271			\$7,372,371
2037	43	\$5,548,832	\$642,589			\$6,191,421	16	\$6,466,100	\$861,641			\$7,327,741
2038	44	\$5,803,608	\$806,523			\$6,610,131	17	\$6,762,993	\$1,066,558			\$7,829,552
2039	45	\$5,803,608	\$720,588			\$6,524,196	18	\$6,762,993	\$1,022,834			\$7,785,827
2040	46	\$6,070,083	\$894,484			\$6,964,567	19	\$7,073,518	\$1,240,204			\$8,313,722
2041	47	\$6,070,083	\$807,111			\$6,877,194	20	\$7,073,518	\$1,197,607			\$8,271,125
2042	48	\$6,348,792	\$991,574			\$7,340,367	21	\$7,398,301	\$1,428,186			\$8,826,486
2043	49	\$3,174,396	\$902,850	1	\$5,458,806	\$9,536,052	22	\$8,138,131	\$1,386,957			\$9,525,088
2044			\$549,261	2	\$10,917,611	\$11,466,872	23	\$8,511,795	\$1,631,548			\$10,143,343
2045				3	\$10,917,611	\$10,917,611	24	\$8,511,795	\$1,591,954			\$10,103,749
2046				4	\$10,917,611	\$10,917,611	25	\$8,902,617	\$1,851,408			\$10,754,025
2047				5	\$10,917,611	\$10,917,611	26	\$8,902,617	\$1,813,737			\$10,716,354
2048				6	\$10,917,611	\$10,917,611	27	\$9,311,383	\$2,088,957			\$11,400,340
2049				7	\$12,491,574	\$12,491,574	28	\$9,311,383	\$2,053,526			\$11,364,909
2050				8	\$12,491,574	\$12,491,574	29	\$9,738,918	\$2,345,471			\$12,084,388
2051				9	\$12,491,574	\$12,491,574	30	\$9,738,918	\$2,312,622			\$12,051,540
2052				10	\$12,491,574	\$12,491,574	31	\$10,186,083	\$2,622,308			\$12,808,391
2053				11	\$12,491,574	\$12,491,574	32	\$10,186,083	\$2,592,417			\$12,778,500
2054				12	\$13,665,017	\$13,665,017	33	\$10,417,307	\$2,920,921			\$13,338,228
2055				13	\$13,665,017	\$13,665,017	34	\$10,417,307	\$2,894,395			\$13,311,703
2056				14	\$13,665,017	\$13,665,017	35	\$11,416,486	\$3,242,862			\$14,659,348
2057				15	\$13,665,017	\$13,665,017	36	\$11,416,486	\$3,220,143			\$14,636,629
2058				16	\$13,665,017	\$13,665,017	37	\$11,940,677	\$3,589,785			\$15,530,463
2059				17	\$15,288,028	\$15,288,028	38	\$11,940,677	\$3,571,354			\$15,512,031
2060				18	\$15,288,028	\$15,288,028	39	\$12,488,937	\$3,963,458			\$16,452,395
2061				19	\$15,288,028	\$15,288,028	40	\$12,488,937	\$3,949,835			\$16,438,772
2062				20	\$15,288,028	\$15,288,028	41	\$13,062,370	\$4,365,766			\$17,428,136
2063				21	\$15,288,028	\$15,288,028	42	\$13,062,370	\$4,357,515			\$17,419,885
2064				22	\$17,103,805	\$17,103,805	43	\$13,662,133	\$4,798,722			\$18,460,854
2065				23	\$17,103,805	\$17,103,805	44	\$13,662,133	\$4,796,454			\$18,458,587
2066*									\$5,264,472			\$5,264,472

* Percentage Rent Payable in following calendar year; final lease year 2065