



Real Estate Appraisers and Consultants

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Property Specific Information has been deleted

APPRAISAL REPORT

~~5530-72 & 5535-65 Netherland Avenue~~
~~South East and South West Corners of West 256th Street~~
Bronx (Riverdale), NY 10471

For

~~Berkshire Mortgage Finance~~
~~4550 Montgomery Avenue, Suite 1150~~
~~Bethesda, MD 20814-3344~~

By

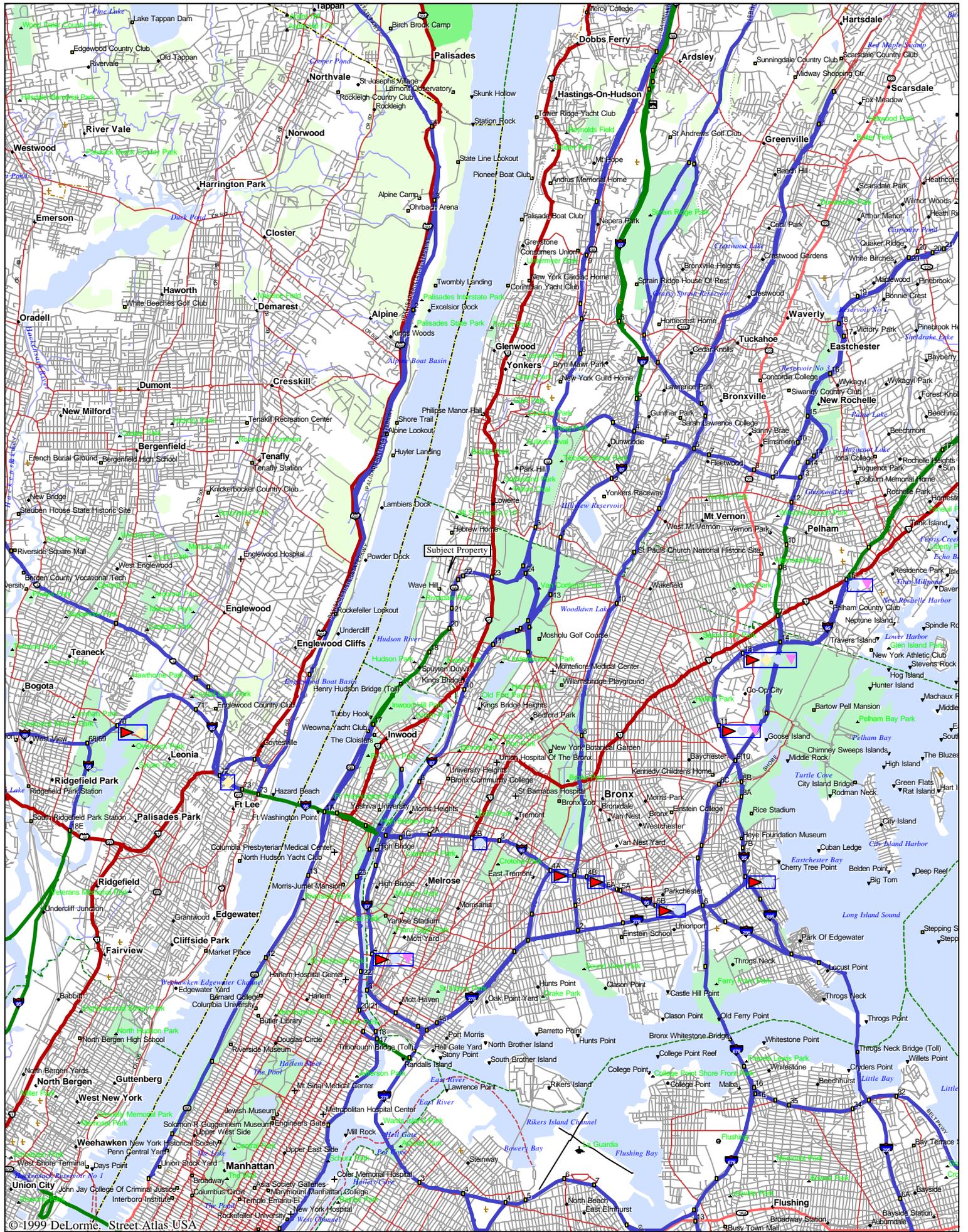
Richard J. Anastasio, MAI
P. Jude Collins, ASA

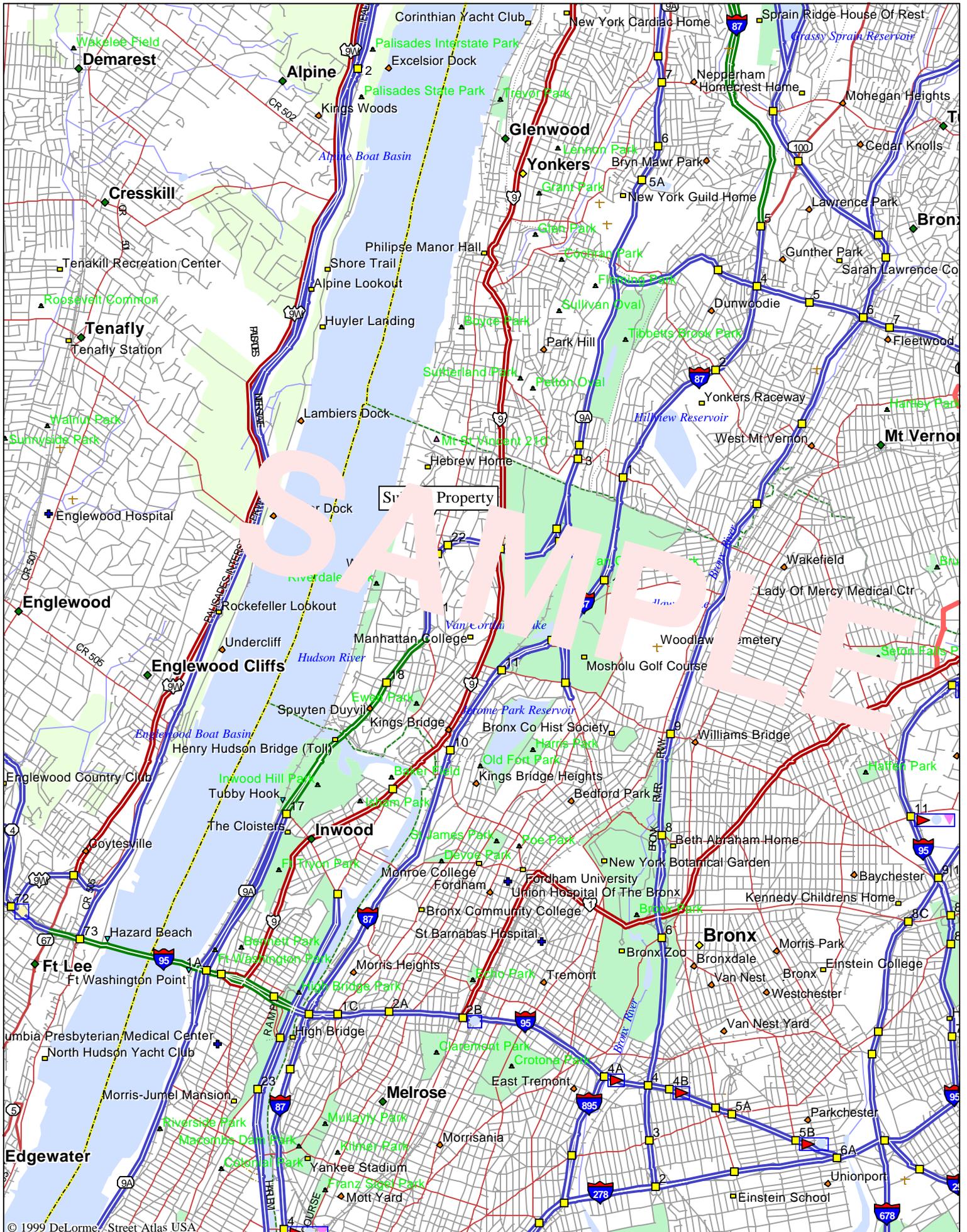
Valuation Date

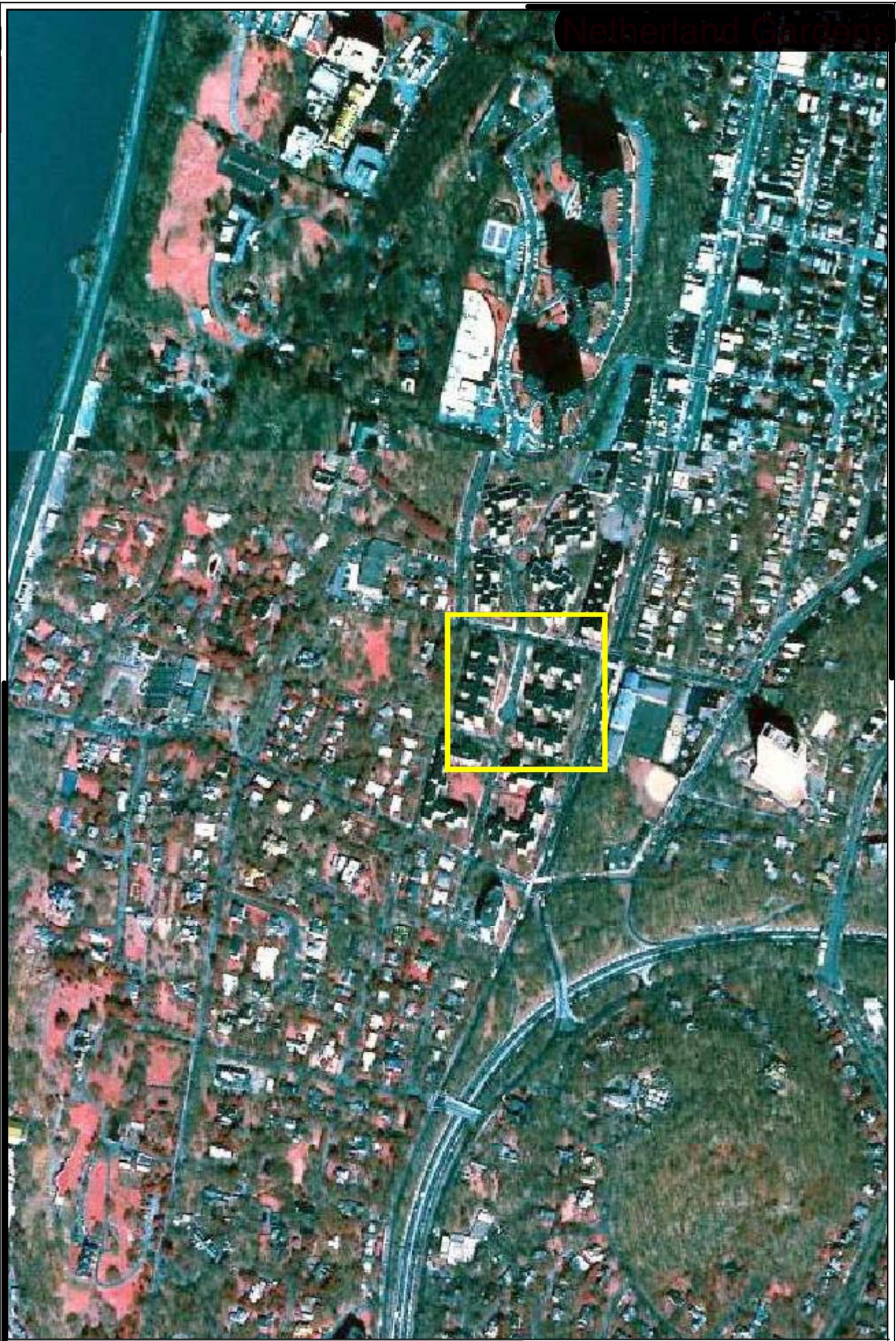
March 20, 2001

SUBJECT PROPERTY











Ms. Justine Rousseau
Berkshire Mortgage Finance
4550 Montgomery Avenue, Suite 1150
Bethesda, MD 20814-3344

April 27, 2001

Re: 5530-72 Netherland Avenue
Bronx, NY 10471

Dear Ms. Rousseau:

As requested, we have conducted an inspection of the above premises for the purpose of estimating the reasonable Market Value of the Leased Fee Estate, subject to the Rent Regulations of New York City and New York State as of March 20, 2001. We understand that this report will be used for the purposes of underwriting a mortgage loan.

The subject is comprised of four, 6 story and basement, elevator apartment buildings containing 439 residential units and 2 Employee Apartments situated on two tax lots. There were no vacancies at the time of inspection. The property reflects average overall condition and maintenance; please see *the Description of Improvements* section regarding the condition of the property.

Based upon the inspection of the subject property and the investigation and analyses undertaken, we have formed the opinion that as of March 20, 2001, subject to the Standard Limiting Assumptions set forth in this report, the Market Value of the subject property, in its "As Is" condition is:

Twenty Three Million Dollars
(\$23,000,000)

In view of the current economy and rental market, it is felt that a sale could be affected as a rental building at the above value within a twelve month period.

I certify that I have personally inspected (R. Anastasio – Exterior Only) the subject property, and carefully examined and analyzed all factors pertinent to the final estimate of value reached herein. To the best of our knowledge this Self Contained Appraisal was prepared in conformance with Uniform Standards of Professional Appraisal Practice (USPAP) and Title XI (and amendments) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

P. Jude Collins, ASA
NYS Certified General Appraiser #46-670

Richard J. Anastasio, MAI
NYS Certified General Appraiser #46-2882



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject Property: 5530-72 & 5535-65 Netherland Avenue
(S/W/C & S/E/C of West 256th Street)
Borough of The Bronx, Riverdale Section
City and State of New York, 10471

Property Type: Residential multi-family, self service elevator apartment building.

Interest Appraised: Leased Fee Estate, subject to leases as a rental apt. building.

Plot Size: Two irregular tax lots 183,550 SF (4.21 Acres)

Flood Map: The subject is located in a FEMA Zone "C" (Area of minimal flooding).

Census Tract #: 323

Description: Four 6 story and basement, detached, brick and masonry, semi-fireproof, self-service elevator, residential multi-family apartment buildings constructed in 1948 comprising 410,643 SF.
439 Apts. with 1,619.5 rooms, 439 baths.
Plus: 2 Employee Apartments.

Zoning: R4; Mid Density Residential District.

Tax ID: Borough of The Bronx, Block 5950, Lots 429 and 430

Highest and Best Use: As Improved, Residential Apartment Buildings.

Value Indications:

Cost Approach	Not Applicable
Market Approach	\$25,000,000
Income Approach	\$20,400,000

Final Value: **\$23,000,000**

Date: March 20, 2001

Exposure Time: In view of the current economy, it is felt that a sale could be affected at the above value within a twelve month period.

IDENTIFICATION OF THE PROPERTY

The subject property consists of four, 6 story and basement, brick and masonry, detached, semi-fireproof, self service elevator, residential multi-family apartment buildings having 439 Residential Apartments and two Employee Apartments. The improvements, constructed in 1948, known as 5530-72 Netherland Avenue is located in the Riverdale section of The Bronx, City and State of New York.

PROPERTY OWNERSHIP & RECENT HISTORY

The current ownership, Riverdale Gardens has owned the property for in excess of 5 years. There are no known options, listings, or current sales on the subject property.

SUBJECT OF THE APPRAISAL

The subject of this appraisal consists of a complex of four 6 story and basement, brick and masonry, detached, semi-fireproof, self-service elevator, residential multi-family apartment buildings containing 439 Residential Units and two Superintendent's Apartment.

PROPERTY RIGHTS APPRAISED

Leased fee estate, subject to the Rent Regulations of New York City and New York State. Note that the rents as provided to the appraisers are assumed to represent the legal rents pursuant to the Rent Regulations of New York City and New York State.

PURPOSE AND FUNCTION OF THE APPRAISAL

The purpose of this report is to set forth an opinion of the market value of the subject as a rental building, in connection with a mortgage application. The function is to assist the Lender in the due diligence for a mortgage on the property.

DATE OF VALUE & PROPERTY INSPECTION

March 20, 2001

LEGAL DESCRIPTION

The subject is identified on the tax records of Bronx County, City of New York as Block 5950 Lots 429 and 430. The subject building is located on the south west and south east corners of West 256th Street and Netherland Avenue, in the "Riverdale" section of The Bronx. Please see a copy of the plot plan for a graphic description of the lot.

SCOPE OF THE APPRAISAL

The scope of this appraisal assignment requires compliance with the Uniform Standards of Professional Appraisal Practice promulgated by The Appraisal Standards Board of The Appraisal Foundation and the Guide Notes to the Standards of Professional Appraisal Practice adopted by The Appraisal Institute. These uniform standards contain binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis or opinion. These uniform standards set the requirements to communicate the appraiser's analyses, opinions and conclusions in a manner that will be meaningful and not misleading in the marketplace.

A full narrative appraisal of the subject property has been prepared. A physical interior and exterior inspection of the property has been made. The subject data with respect to its size, location, quality and zoning are considered and presented in this report. The general demographics of Riverdale were researched and analyzed to provide the basis used in formulating an estimate of Market Value. Data sources include county and state agencies, real estate brokers and developers. Market data, including rental rates, vacancy/rent loss figures, operating expenses and supply and demand are among the many items researched, analyzed and presented. This data is used to consider the highest and best use of the subject and to estimate its Market Value as of the valuation date.

The appraisers lack the knowledge and experience with respect to the detection and/or measurement of hazardous substances. The value estimate derived herein is predicated on the absence of such substances. It is recommended that an expert be retained to determine the presence of any hazardous or toxic materials at the subject property.

The documentation necessary to arrive at an estimate of Market Value is considered in this report. A thorough research of the market provided comparable data which was collected, confirmed and analyzed in order to apply two of the three traditional methods of valuation which included the Sales Comparison and Income Approaches. The Cost Approach was considered, however, not utilized in this valuation. The difficulty in estimating accrued depreciation would produce an unreliable indication of value using this method. In our opinion, this approach provides a poor index of value as it does not relate to the income potential or alternative uses of the property.

Recent sales of properties similar to the subject were analyzed in applying the Sales Comparison Approach. Comparable rental data, income estimates, vacancy/rent loss projections, operating expense data and investment return requirements were all utilized in estimating the Market Value of the subject via the Income Approach.

The value estimates are inclusive of all land and improvements. Personal property, with the exception of kitchen appliances, was not included in this valuation. The strengths and weaknesses that exist in each approach were considered and judged in reaching a final estimate of Market Value for the subject based on the prevailing market conditions on the valuation date.

DEFINITIONS OF PERTINENT TERMS

The definition of Market Value, is as follows:¹ *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.* Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Definitions²

Fee Simple Interest

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

Leased Fee Estate

An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease.

Leasehold Estate

The right to use and occupy real property for a stated term and under certain conditions; conveyed by a lease.

Market Rent

The rental income that a property would most probably command on the open market.

¹ Uniform Standards of Professional Appraisal Practice, 2000

² *The Dictionary of Real Estate Appraisal, Third Edition*, The Appraisal Institute, 1993

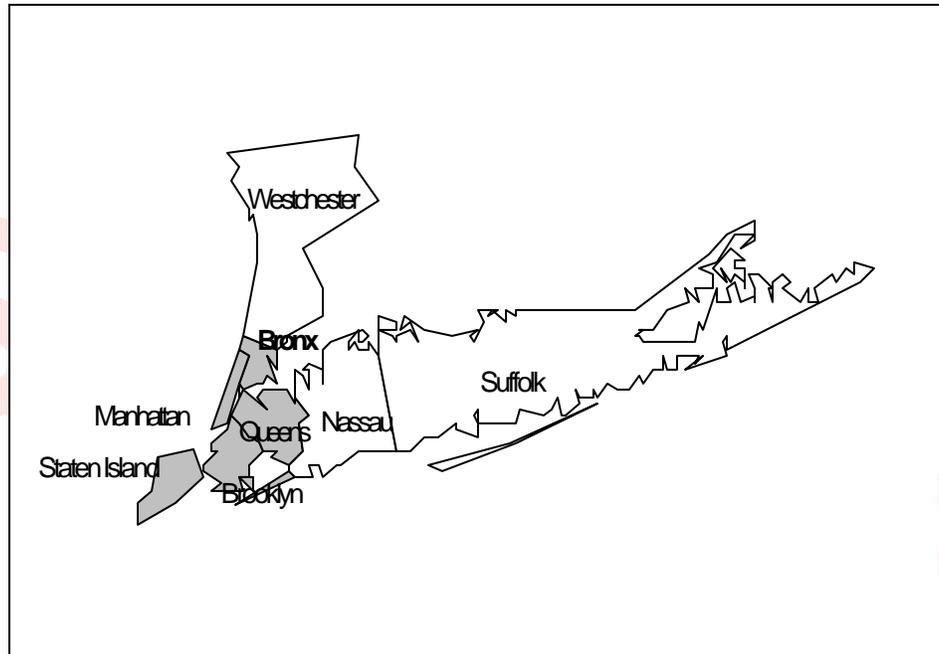
Definitions (cont.)

Rent Control	Applies to apartments in buildings constructed before February 1, 1947 in which the tenant or authorized successor has been in continuous occupancy since before June 30, 1971 - the date when vacancy decontrol for rent controlled apartments took effect. Rent controlled tenants are subject to rent increases in most years as well as fuel and labor cost pass-alongs.
Rent Stabilization	Which went into effect in 1969, covers buildings constructed between 1947 and 1974, as well as formerly rent-controlled apartments in pre-1947 buildings that are added to the rent stabilized category when the units become vacant. Some post-1973 buildings have also opted to become stabilized in return for tax abatements. Stabilized apartments are subject to rent increases set annually by the Rent Guidelines Board which is appointed by the Mayor.
DeRegulated	The Rent Regulation Reform Act of 1997 was passed by the New York State Legislature on June 19, 1997. One of the major changes provided in the Reform Act is the lowering of the income threshold for luxury decontrol to \$175,000. The Reform Act also clarifies the previous 1994 measure with regard to vacancy decontrol. The act states that all vacant units, on or after June 15, 1997, which can achieve a new legal rent of \$2,000 per month or more via the vacancy allowance rent guideline increase and MCI's etc. are permanently deregulated upon leasing.
Cash Equivalent	A price expressed in terms of cash, as distinguished from a price expressed totally or partly expressed in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.
Exposure Time	<p>As stated in the definition of "Market Value" found above, the value estimate derived herein presumes that a "reasonable time is allowed for exposure in the open market". Exposure time is defined by the Appraisal Standards Board as follows: <i>"The estimated length of time 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: a retroactive estimate based upon an analysis of past events assuming a competitive and open market"</i>.</p> <p>Exposure time is presumed to precede the effective date of the appraisal. It is our judgment that an exposure time of twelve months would be considered reasonable for the subject.</p>
USPAP Competency Provision	The appraisers have extensive experience in the appraisal of various types of real estate, including residential, retail, office, industrial, and special use type properties. The appraisers are Generally Certified by the New York State Department of Licensing Services and have appraised numerous properties in the subject's market area.

NEW YORK CITY

New York City challenges description; it is a city of hyperbole in every sense. As the hub of the world's business, cultural and financial spheres, New York has a legendary reputation. People from around the globe are attracted to the city for its opportunities and its energy.

Situated at the junction of the Hudson and East Rivers as they meet and join the Atlantic, New York City covers roughly 304 square miles. Almost 41 percent of New York State's 17 million people make their homes in one of the city's five boroughs, Brooklyn, the Bronx, Manhattan, Queens and Staten Island, enjoying both urban and suburban lifestyles.



Manhattan, of course, is the city's best-known borough. It has a colorful history as one of the nation's foremost shipping ports. The city grew from its southernmost tip, known as Battery Park, up the length of the island. Its neighborhoods are well known and include SOHO, Chinatown, Little Italy, Greenwich Village and Tribeca. Midtown Manhattan is a magnet, attracting those who frequent its museums, skyscrapers, theaters, elegant department stores, boutiques, specialty stores and restaurants. The Upper East and West Sides offer some of the city's grandest residences and architecture, while Harlem is well-known uptown destination. Manhattan is also headquarters to many of the world's most famous institutions in the fields of finance, media and culture.

The Bronx, known for its Yankees, is also home to The Bronx Zoo, the largest and best-designed urban zoo in the nation, as well as the world-renowned Botanical Gardens, heritage trail, beaches, parks and sporting facilities. Currently, a growing biomedical industry is taking hold here.

Brooklyn, with its ethnic and working class neighborhoods, is well-known in legend and lore. The borough, with its awe-inspiring Brooklyn Bridge, has had a unique charm from its days as a rural village through its period of incorporation into New York City in the early 1900s and as a refugee for immigrants. With 2.3 million residents, Brooklyn has the largest population of the five boroughs.

The city's largest borough, in terms of area, **Queens** represents 33 percent of the city's land mass. Its two million residents live in more than 65 neighborhoods and speak 150 languages. The borough has Shea Stadium, home of the New York Mets, the U.S. Open tennis facility, wildlife refuges, beaches, museums, recreational centers and thriving knitwear and film production industries.

Staten Island, the most suburban of the boroughs, was named "General States Island" by explorer Henry Hudson in 1609. Four bridges connect the island to the mainland, with one, the Verrazano-Narrows Bridge, connecting Staten Island to New York City in the borough of Brooklyn. The Staten Island Ferry has long been a favorite mode of transportation for commuters to the city.

New York City has 6,400 miles of streets, 14.3 miles of beaches, 578 miles of waterfront and 1,543 parks and playgrounds, 65 bridges, 200 skyscrapers, 51 historic sites, 780 landmark buildings and 50 landmark interiors. Here, too, are 38 Broadway theaters, 200 off-Broadway theaters, 150 museums, 400 art galleries, 3,500 churches and synagogues, 30 major department stores and more than 17,000 restaurants.

The city is also a major cultural and intellectual hub, with its world-class museums, universities, performing arts showcases, libraries and foundations. The city is the nation's, and perhaps the world's communications capital, the largest center for corporate headquarters, and a delight for tourists and sports enthusiasts. It is also home to several of the world's largest health care institutions. Moreover, New York is the financial and communications center of the world, which also make it a major center of the global marketplace.

With so many international transactions taking place here, the city has emerged as a key global decision-making center. More than 350 large foreign banks, representing every major country in the world, as well as numerous international corporations and financial institutions, have offices in New York.

New York City has one the best natural ports in the world and is considered the gateway to the U.S. market. The city is well-positioned for the growing export and import industries.

New York City has no equal in the size, density, and wealth of its consumer market. This market goes well beyond the five boroughs; the Greater New York Metropolitan Region is the largest consumer market in the nation, with 18 million people. This region includes some of the wealthiest communities in the U.S., with almost 30 percent of the population earning at least \$50,000 a year.

DEMOGRAPHICS

New York City's workforce is diverse and multi-talented with about 3.57 million workers in 1990. The largest labor force of any city in the nation, it is comprised primarily of those who live in the city, with only about 23 percent commuters.

Economists and statisticians indicate that New York City is in a new transition period based on the changing of global markets, the increased competition at home and abroad and the many new technologies. Most agree that the future stability and growth of the city's workforce will depend on its ability to maintain its advantages as a place to live and work, as well as its development of a trained and educated labor force able to meet the needs of a complex market. Labor experts call for outreach to minorities, better vocational training for workers with limited skills, more effective efforts to teach English to immigrants, flex-time for working parents and better child-care arrangements.

New York City is the fifth most populous city in the world and the largest city in the United States since 1810. As of 1990, New York City's population was 7,322,560.

The decline in New York City's middle age population was compensated by an increase in the number of households and a decline in the size of the household. The increase in number of households has been accompanied by a steady increase of housing units in New York City.

BUSINESS DIVERSITY

New York has a vast range of businesses of every type and size. The city's goods and services industries, generating more than \$100 billion a year, place New York City among the world's top national economies.

For some time, New York has dominated the national and international business arena. As home to more major corporate headquarters than any other city in the world, New York is the address of choice for those who require its prestigious address and the access to its resources. Moreover, New York has an abundance of creative minds, decision makers, industrialists and financiers. More than 40 of the Fortune 500 corporations make their home here; as do 17 of the nation's largest diversified financial companies, 12 of the largest banking companies, several of the top 50 retailing companies, and some of the nation's largest transportation companies and utilities.

Financial and business service industries form the backbone of this segment of the economy and serve as the engine that drives the city's economy. The financial and professional business service sectors account for one-fourth of the city's private sector jobs and nearly half of the city's export job base, which is made up of industries that sell a proportion of their goods or services outside the New York City economy.

FINANCIAL SERVICES

In today's global economy, New York City is the capital of the financial world, home to the firms engaged in the business of lending money, managing money, making markets, transferring funds or providing insurance. "Wall Street" is known worldwide.

New York City is headquarters to the New York and American Stock Exchanges, as well as other financial markets. It is home to most big money center banks, most major retail and investment banking securities firms and most major insurance brokers. The city hosts the U.S. headquarters of almost all foreign based financial institutions with offices abroad. It is also a major center for life insurance firms.

New York City is also the nation's foremost foreign banking center, with more than 400 offices, 60 percent of U.S. based foreign bank assets and more than 50 percent of foreign loan activity in the U.S. The city is a major player in the foreign exchange markets, accounting for 20 percent of worldwide volume and 73 percent of all U.S. based foreign exchange traders.

In New York, these firms benefit from the large and skilled labor pool for middle and entry-level positions, as well as the city's ability to attract the best financial talent. Outstanding telecommunications and transportation systems enhance the city's preeminence in financial services.

INTERNATIONAL BUSINESS

New York City is the world center for international business activities. Foreign investment in the region is a significant contributor to the economies of the area and the nation, stimulating business activity, as well as the use of regional transportation facilities, financial services and tourism.

New York City is a most attractive address for foreign firms. Beyond the prestige it affords, a number of other factors make the city desirable, including its access to a large labor force with a variety of skills, many of which are high-level, its proximity to important research and development facilities, its outstanding transportation network, its state-of-the-art telecommunications system and its accessibility to vast consumer markets.

The New York-New Jersey region has the largest concentration of foreign banks in the nation, more than three times larger than the country's next largest banking center, Los Angeles.

INFRASTRUCTURE

People and goods move into and out of New York City through the nation's most extensive transportation system in the world. None as multi-faceted as New York's. New York City, the major entryway to the U.S. for more than two centuries, is the hub of the nation's movement systems.

Buses and Subways

The city's buses and subways are administered by the New York City Transit Authority (TA). The TA is in charge of the operation of the city's 6,100 subway cars, which serve one billion passengers each year, as well as 3,800 buses transporting almost 500 million riders annually. More than 700 miles of surface, subway and elevated track are maintained by the TA.

Air

The New York City region is served by three airports, which provide direct/non-stop service to 155 U.S. cities, and service to points throughout the country and the world. The John F. Kennedy International Airport (JFK), located in Queens, 15 miles from Manhattan, serves 16 U.S. airlines, 48 foreign airlines, 16 foreign and domestic cargo lines and 19 supplemental airlines. LaGuardia Airport, also in Queens, eight miles from Manhattan, has five passenger terminals. Its 35 scheduled air carriers provide service between New York and other U.S. cities, as well as the popular shuttle service between New York and Boston and New York and Washington, DC.

Newark International Airport located in Newark, NJ, 16 miles from Manhattan, serves 18 airlines, 13 commuter lines and six cargo lines. All three airports are conveniently reached from the city by car, bus or taxi. JFK also has helicopter service.

Automobile

More than 1.7 million vehicles enter Manhattan on most workdays. Commuters by car are served by New York's elaborate highway, tunnel and bridge system. Four interstate highways and more than 55 bridges connect New York City's five boroughs to one another and to areas beyond.

Freight

New York is the nation's central address for product distribution services. Moreover, 15 percent of the total U.S. trade activity occurs in New York City and 55 percent of U.S. imports pass through the city - totaling 725 million tons of domestic and international freight.

RESIDENTIAL REAL ESTATE

New York is a city of neighborhoods. Often defined not only in terms of geographic location, but also ethnic orientation, these neighborhoods are what give the city its character and unique flavor.

The city has housing of all kinds: Victorian homes on Ward Hill, Staten Island; brownstones in Greenwich Village, the Upper East and West Sides, the Ridgewood section of Queens and Brooklyn Heights; townhouses in the Bronx and a vast array of single-family homes, luxury cooperatives, condominiums and apartments of every type. Thirty percent of New York City families and residents own their homes; about 70 percent of New York households live in multi-family dwellings.

The 1980 census reported that approximately 2,783,000 housing units are within the boundaries of New York City. Between 1980 and 1990, an additional 209,169 housing units were constructed, bringing the total number to 2,992,169. Seventy-three percent of New York's housing is rental housing; twenty-two percent is owner-occupied; three percent is available to let or sell, and the balance is under construction or awaiting demolition.

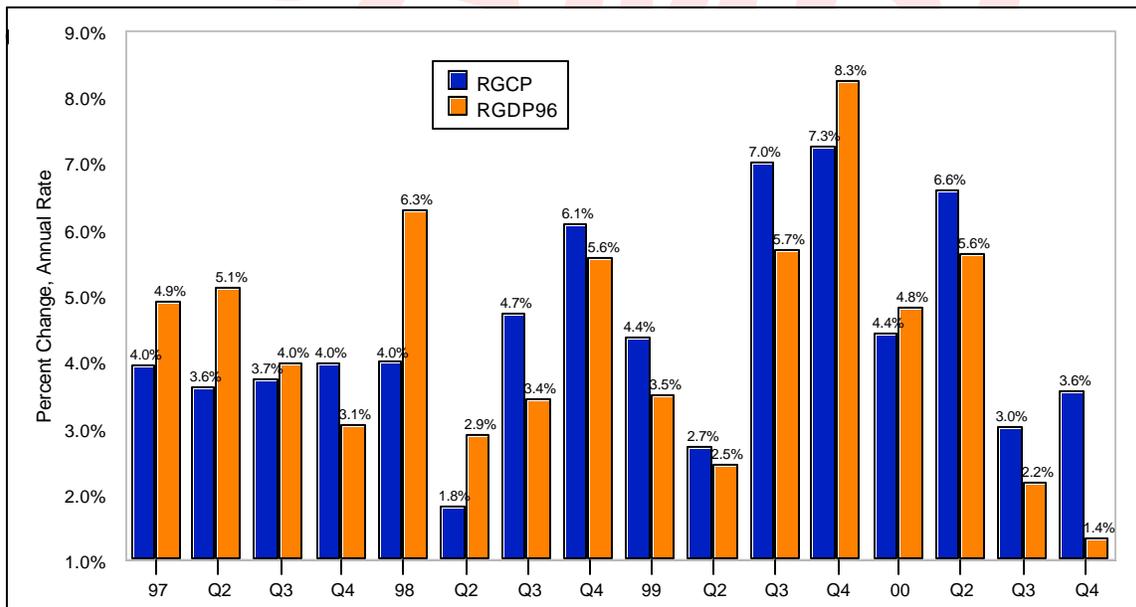
The low vacancy rate in New York City and the increase in the number of households indicate a resilient housing market. Over the past decade there have been many conversions to residential use within the city. Factors explaining the increase in conversions are new zoning regulations severely restricting buildable height and mass in many of New York's most desirable districts, tax laws, mostly notably J-51, which encourage renovation as opposed to new construction; aggressive landmarking of buildings and neighborhoods prohibiting demolition of existing structures and limiting their reuse; and stringent residential tenant laws curtailing a landlord's ability to remove tenants from an occupied building in order to demolish it and replace it with a more profitable structure.

For the year 2000 taken as a whole, both the U.S. and City economies were strong. However, in the fourth quarter of 2000, the U.S. weakened significantly while the NYC economy remained strong. Reasons for the U.S. decline were weaker consumer spending, a drop in non-residential fixed investment, and a rise in the net export deficit, all of which reflected a rise in energy prices and capital losses on Wall Street. Consumers were cautious at year-end and the economy showed signs of weakness. This persuaded the Federal Reserve to cut the target federal funds rate twice in January 2001, each time by 50 basis points, from 6.50 to 5.50 percent.

The national slowdown has so far largely reflected a manufacturing-sector decline because of slower demand and high inventories. Since the NYC economy relies less on manufacturing than the nation as a whole, it has been spared from the worst impact of the slowdown. However, it has suffered a major economic disappointment because of a decline in the value of NYC-based Internet-related companies (the so-called “dot-coms”). NYC’s good performance relative to the nation should continue. However, if the U.S. economy’s growth remains slow, it will put brakes on the growth of the City’s economy.

1. Gross City Product

Real gross domestic product (GDP) grew at an annualized rate of 1.4 percent in the fourth quarter, the smallest growth since 0.8 percent in the second quarter of 1995. NYC’s real gross city product (GCP) grew at an annualized rate of 3.6 percent in the fourth quarter, above the 3.0 percent in the second quarter. (See Chart 1.)



Source: GDP data from U.S. Department of Commerce. NYC GCP estimates are based on a Comptroller’s Office model that incorporates (among other variables) monthly NYC jobs data and quarterly GDP data, and changes retroactively when these numbers are revised for past months and years. RGDP96=Real GDP in chain-weighted 1996 dollars.

GDP Growth Components in the Fourth Quarter of 2000. All the GDP components, except government spending, either declined or grew more slowly in the fourth quarter than in the third quarter. Consumer spending grew at an annualized rate of 2.9 percent, down from 4.5 percent in the third quarter, the weakest growth since mid-1972. Fixed non-resident investment declined by 1.4 percent. Imports grew by a weak 0.5 percent and exports declined 4.3 percent, leading to an increase in the trade deficit to \$442.2 billion in the fourth quarter, up from \$427.7 billion in the third quarter. Inventory accumulation continues to be high, \$67.1 billion. Government

spending increased at an annualized rate of 2.9 percent, up from a 1.4 percent decline in the third quarter.

GCP and NYC's Dot-Coms in the Fourth Quarter of 2000. The City's economy fared better than the nation's in the fourth quarter. The real gross city product (GCP) grew at an annualized rate of 3.6 percent in the quarter. Strong job growth, a lower unemployment rate, and a rise in personal income taxes—an income indicator—all contributed to a relatively strong GCP growth.

However, some of these economic gains were offset by a sharp fourth-quarter downturn in the values of shares in the dot-com industry. The Comptroller's Office has created the Alley 30 Index—a capitalization-weighted index—to track the performance of the 30 largest NYC-headquartered dot-coms quoted on the NASDAQ. The Alley 30 Index fell to an average of 38.8 in fourth-quarter 2000 from 182.5 in the same quarter in 1999. (See Chart 2.)



Chart 2. *The Alley 30 Index, Monthly, October 1999-December 2000*

Source: NYC Comptroller's Office, based on NASDAQ month-end stock prices of 30 NYC-headquartered dot-com companies, weighted by their market capitalizations. June 2000=100.

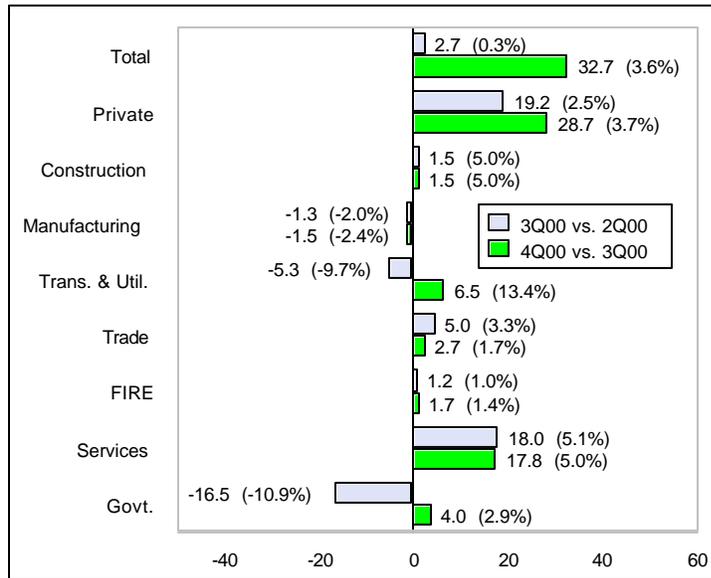
GDP and GCP for 2000. Despite weakness in the fourth quarter, the U.S. economy was strong for the year 2000 as a whole. GDP grew 5.0 percent, the highest since 7.3 percent in 1984. GCP grew 5.3 percent in 2000, the highest growth rate since 6.9 percent, also in 1984.

2. Jobs

The City gained 32,800 jobs in fourth-quarter 2000, the strongest gain since 36,600 in fourth-quarter 1983. The private sector added 28,700 jobs, the highest increase since 34,400 in the first quarter of 1999. Governments added a net of 4,100 jobs as a result of a 6,600-jobs gain in local government, offset by a 2,500-job decline in the Federal Government. (See Chart 3.)

Within the private sector, services added the most jobs, 17,800; next were transportation and utilities, 6,500 jobs; then wholesale and retail trade, 2,700 jobs; finance, insurance, and real estate (FIRE), 1,700 jobs; and construction, 1,500 jobs. Manufacturing lost 1,500 jobs.

Chart 3. NYC Job Growth ('000) and Annualized Percent Change, Seas. Adjusted, 4Q00/3Q00 and 3Q00/2Q00



Source: NYS Department of Labor. Quarterly seasonal adjustments are by the NYC Comptroller's Office.

Within services, business services added 9,500 jobs, social services added 2,100 jobs, and health services added 1,300 jobs. Engineering and management added 2,100 jobs, motion picture and amusement added 1,200 jobs, eating and drinking places added 1,100 jobs, and legal services added 300 jobs.

Within the FIRE sector, the securities industry added 1,200 jobs and insurance added 1,000 jobs. Banking lost 500 jobs and real estate remained unchanged from the third quarter.

Compared with the 20 largest metro areas and on a year-over-year basis, NYC, with job growth rate of 2.5 percent, ranked fifth in fourth-quarter 2000. Dallas had the highest rate of job growth, 3.9 percent, and Cleveland had the lowest, 0.2 percent. (See Chart 4.)

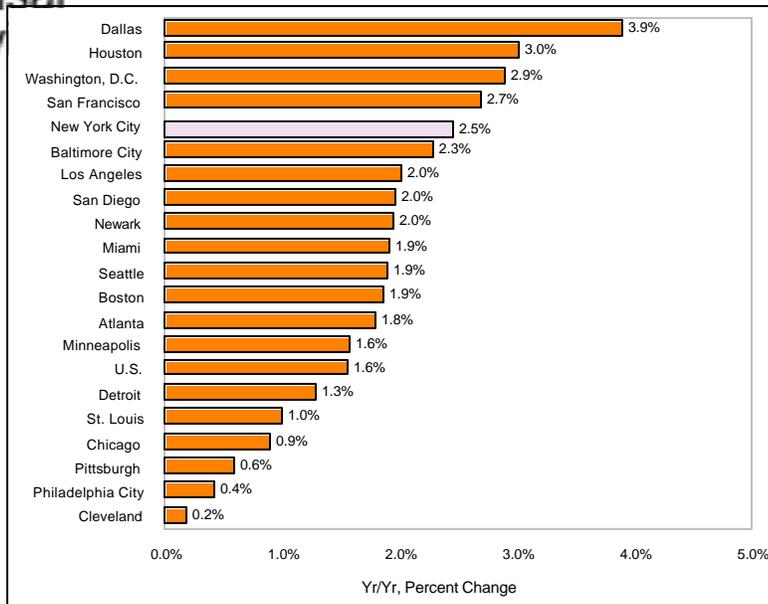


Chart 4. Job Growth, 20 Largest Metro Areas and U.S. Average, Percent Change, 4Q00 over 4Q99

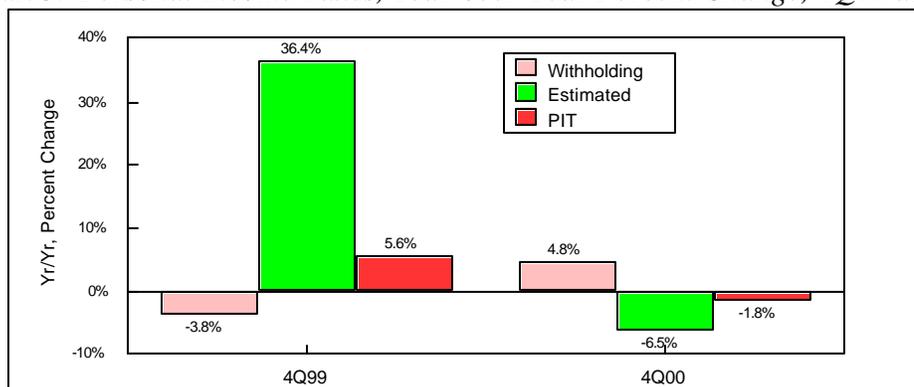
Source: U.S. Bureau of Labor Statistics. Where available, data are for the entire metro areas (MSAs or PMSAs). In three cases (Baltimore, New York City and Philadelphia), metro data are unavailable and city data are used.

On an annual basis, NYC jobs grew 2.2 percent in 2000, the ninth-highest job growth of the 20 largest metro areas. Atlanta and Dallas had the highest rate of job growth, 3.6 percent, and Cleveland had the lowest, 0.6 percent. The average U.S. job growth was 2.0 percent in 2000.

3. Income

Personal income taxes (PIT) and average hourly wages are used as a proxy for income because personal income data are published only annually and with a two-year lag. On a year-over-year basis, PIT dropped by 1.8 percent in fourth-quarter 2000, compared with a gain of 5.6 percent in fourth-quarter 1999. (See Chart 5.)

Chart 5. Personal Income Taxes, Year-over-Year Percent Change, 4Q00 and 4Q99



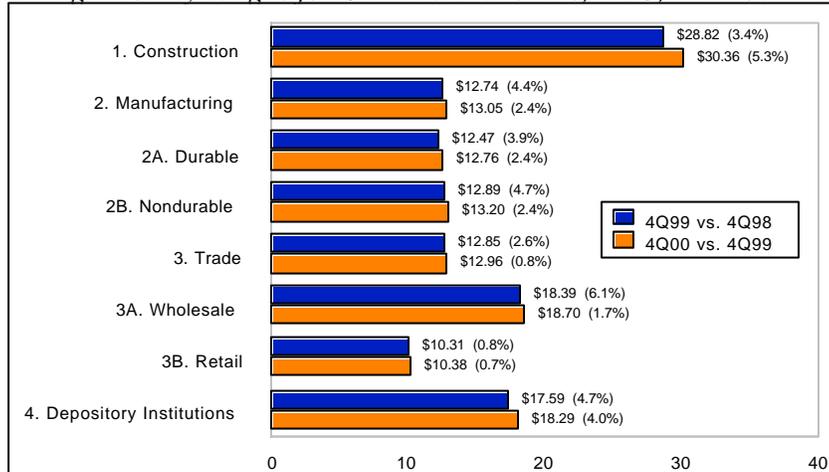
Source: NYC Comptroller's Office, based on data from the NYC Department of Taxation and Finance. Quarterly data on withholding and estimated taxes are components of personal income taxes (PIT) and can provide an early indication of changes in PIT revenue.

The drop in PIT may reflect a shift in the timing of recognizing bonus income, from late December 2000 to January 2001. PIT collections in January 2001 have come in 12.6 percent above the January 2000 rate, which supports the idea that some bonuses were shifted from 2000 to 2001. However, it is too early to say whether or not other factors are involved. On a year-over-year basis, total PIT was up 0.8 percent, withholding was up 7.0

percent, and estimated taxes were up 1.6 percent in 2000.

Average hourly wages, another measure of income, increased in the fourth quarter compared with the same quarter in 1999, for all of the selected industries. (See Chart 6.)

Chart 6. *Average Hourly Wages for Selected Industries, NYC, Year-over-Year Percent Change, 4Q00*



Source: NYS Department of Labor.

The biggest gain was in construction, 5.3 percent, followed by depository institutions, 4.0 percent. Average hourly wages rose 2.4 percent in manufacturing and 0.8 percent in wholesale and retail trade.

4. Inflation

The inflation rate, which is measured as a year-over-year change in the consumer price index, was 3.2 percent in the fourth quarter, the same as in the third quarter, in the NYC metro area. This was the highest rate since 3.3 percent in the first quarter of 1996. The core inflation rate, which includes all items except food and energy, was 2.7 percent, the highest since 2.9 percent in the third quarter of 1996.

Fourth-quarter NYC inflation mostly reflects a rise in the prices of energy, medical care, housing, transportation, and services. Energy prices increased 14.4 percent, medical care 4.3 percent, housing 4.0 percent, transportation 3.8 percent, services 3.5 percent, and food and beverages 1.6 percent. Only the price of the apparel and upkeep fell, by 2.1 percent.

The fourth-quarter U.S. inflation rate was 3.4 percent and the core rate was 2.6 percent. U.S. energy prices were up 15.3 percent and food prices 2.5 percent. For 2000, the City's inflation rate was 3.1 percent, the highest rate since 3.6 percent in 1992, but less than the U.S. average for the year of 3.4 percent. (See Chart 7.)

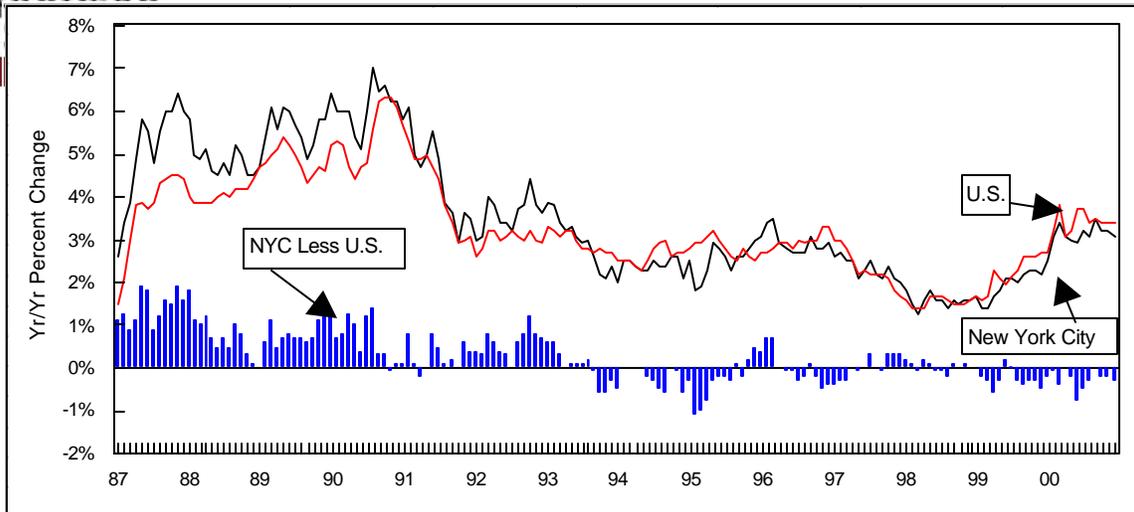


Chart 7. Inflation Rates, NYC, U.S. and NYC Less U.S., Monthly, Year-over-Year, 1987-2000

Source: U.S. Bureau of Labor Statistics (BLS). Computation of differences by the NYC Comptroller's Office. Inflation data for NYC are collected for the BLS on a metropolitan wide basis for a limited number of areas.

Compared with 14 largest metro areas and the U.S. urban average, New York City had the fourth-lowest inflation rate, 3.2 percent, in the fourth quarter. San Francisco had the highest, 5.1 percent, and Philadelphia had the lowest, 2.4 percent. (See Chart 8.)

For the entire 2000, New York City with 3.1 percent had the second-lowest inflation rate after Philadelphia's 2.7 percent. San Francisco had the highest inflation rate, 4.5 percent. The U.S. urban average inflation rate was 3.4 percent.

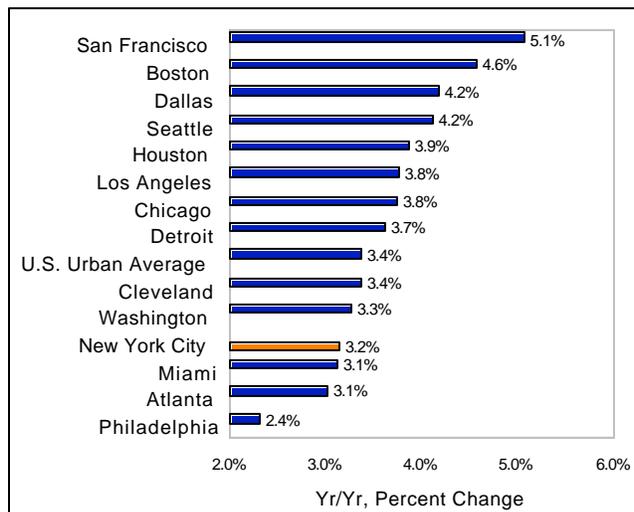


Chart 8. Inflation Rate, 14 Metro Areas and U.S. Urban Average, 4Q00

Source: U.S. Bureau of Labor Statistics (BLS). Quarterly inflation rates are computed by the NYC Comptroller's Office as averages of monthly BLS data. Data are collected by the BLS for only ten of the largest 20 metro areas.

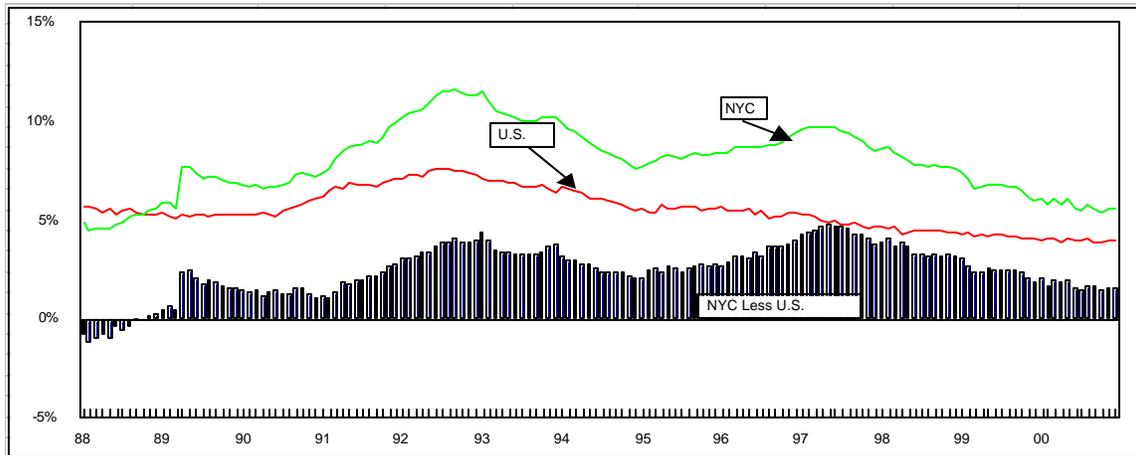
5. Unemployment

The number of the City residents with jobs increased by 27,500 in the fourth quarter after a 5,600-job decline in

the third quarter. The number of unemployed residents declined by 2,400, and the labor force was up by 25,000. The unemployment rate was 5.5 percent, the lowest since 5.5 percent in the fourth quarter of 1988. The labor-force-participation rate was 59 percent and the employment-population ratio was 55.8 percent, a record.

During 2000, civilian employment, which measures the number of City residents with jobs, increased by 65,500. The labor force was up by 34,700, and the number of unemployed residents declined by 30,900. The unemployment rate was 5.7 percent, the lowest since 5.0 percent in 1988.

Although the City's civilian employment numbers improved, they continued to lag the national average. In the fourth quarter, the U.S. unemployment rate was 4.0 percent, 1.5 percentage points below the City's. The U.S. employment-population ratio was 64.4 percent, 8.6 percentage points above the City's. Finally, the labor-force-participation rate was 67.1 percent, 8.1 percent above the City. (See Chart 9.)



Source: Seasonally adjusted (SA) series and differences computed by the NYC Comptroller's Office based on monthly data from the NYS Department of Labor and U.S. Bureau of Labor Statistics.

Compared with the 20 largest metro areas, NYC continued to have the highest fourth-quarter unemployment rate, 5.4 percent, followed by Miami, 5.3 percent. Boston had the lowest unemployment rate, 1.8 percent. (See Chart 10.)

For the entire year 2000, NYC had the highest rate of unemployment among the 20 largest metro areas, 5.7 percent, followed by Miami and Los Angeles, 5.5 percent. San Francisco had the lowest rate of unemployment, 2.1 percent. The average U.S. unemployment rate was 4.0 percent in 2000.

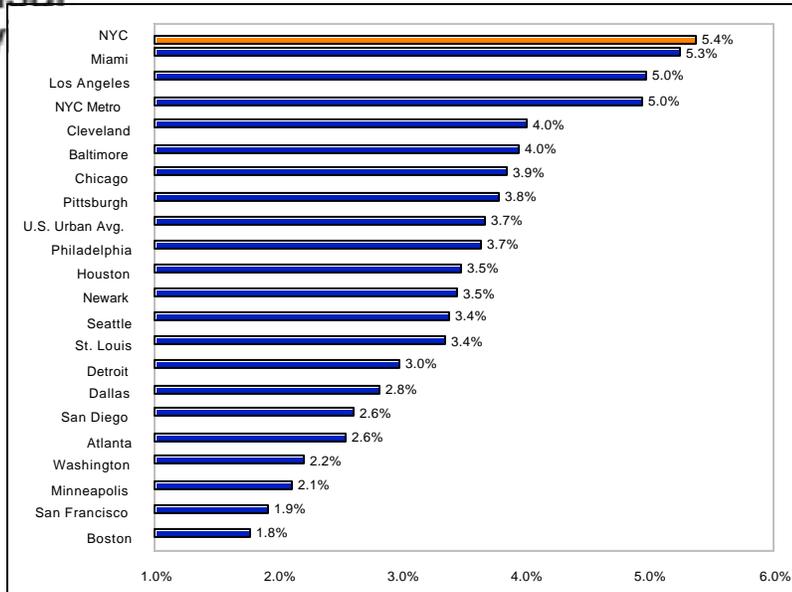


Chart 10. *Unemployment Rate, 20 Largest Metro Areas and U.S. Urban Average, 4Q00*

Source: BLS. All data are for metro statistical areas, i.e., MSAs or Primary MSAs (PMSAs); the NYC area is a PMSA.

6. Tourism and the Hotel Industry

The hotel industry had a record year in 2000, although demand showed some weakness in the fourth quarter compared with the same period in 1999. The average hotel occupancy rate was 84.0 percent in fourth-quarter 2000, slightly below 85.5 percent in the same period last year. The average daily room rate was \$275.72 in fourth-quarter 2000, compared with \$264.47 last year. However, 2000 was the best year for the hotel industry since 1980. The average hotel occupancy rate in 2000 was 84.3 percent and the average daily room rate was \$237.50. (See Chart 11.)

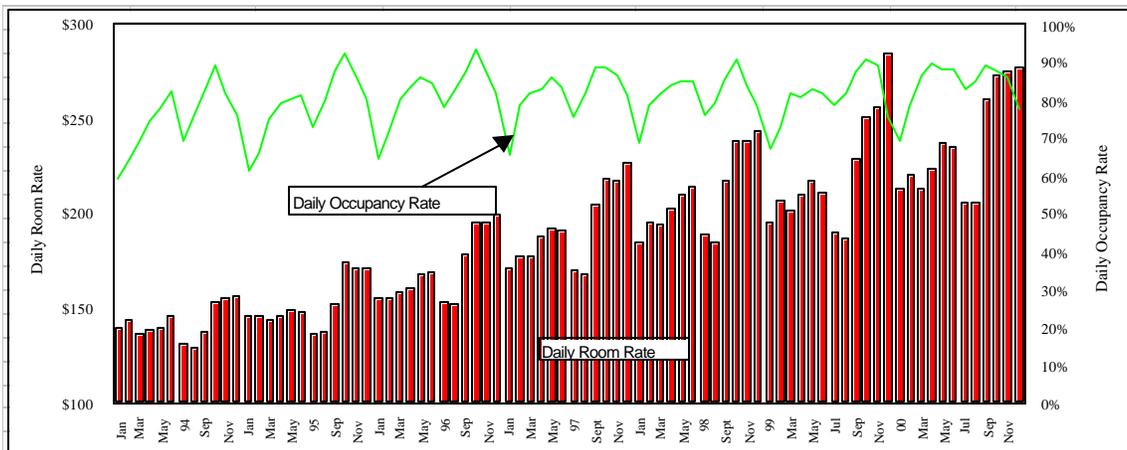


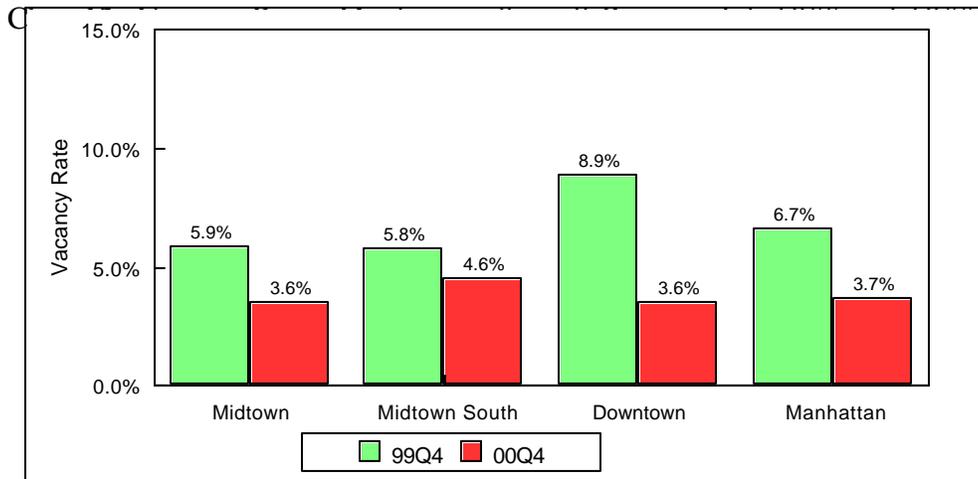
Chart 11. *Daily Room and Occupancy Rates, NYC Hotels, 1994-2000*

Source: PKF Consulting.

The lower occupancy rate in the fourth quarter reflected a slowdown in the national economy and the addition of about 3,000 new rooms in 2000. Overall, the City's hotel occupancy rate in 2000 was very high and, is therefore probably difficult to sustain.

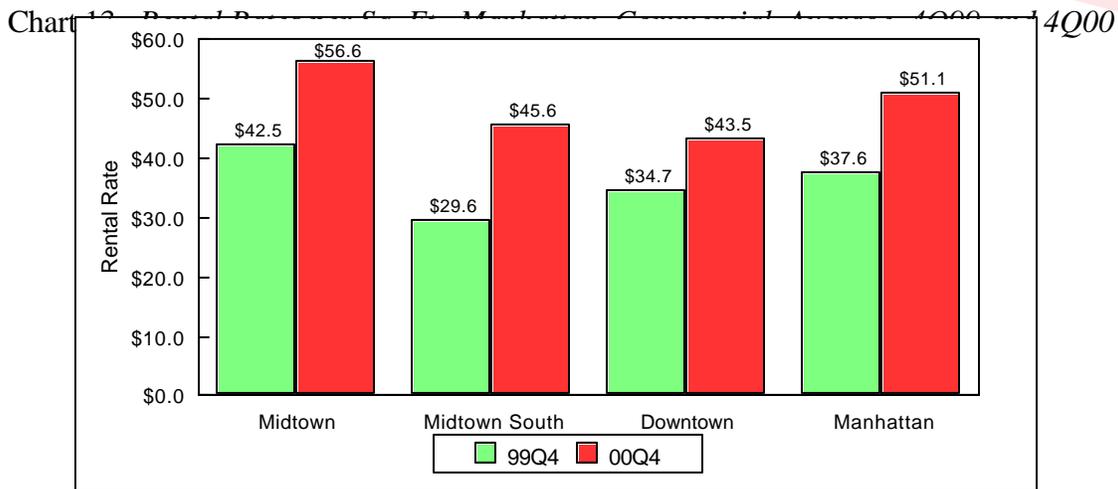
7. Real Estate

The commercial real estate market continues to be marked by low vacancy rates, which declined in Manhattan to 3.7 percent in fourth-quarter 2000 from 6.7 percent in fourth-quarter 1999. The biggest decline was in the downtown area, which declined to 3.6 percent in fourth-quarter 2000 from 8.9 percent in fourth-quarter 1999. (See Chart 12.)



Source: Cushman and Wakefield.

As vacancy rates declined, rental rates increased. Rental rates in Manhattan averaged \$51.1 per square foot in fourth-quarter 2000, up from \$37.6 in fourth-quarter 1999. The biggest rent increases were in Midtown South, rising to \$45.60 per sq. ft. in fourth-quarter 2000 compared with \$29.60 per sq. ft. in fourth-quarter 1999. (See Chart 13.)



Source: Cushman and Wakefield. The average is weighted by square footage; only “direct” rentals are included, i.e., space that is immediately available, not space under construction.

8. Leading Economic Indicators

The City’s leading economic indicators were mixed and still point to a continued growth but possibly at a slower pace. (See Table 1.)

The help-wanted advertising index declined by 3 points to 45.0 in the fourth quarter, compared with 48.0 in the third quarter (a 6.3 percent decline). When the help-wanted advertising index for all of 2000 was compared with 1999, the decline was less, 2.3 percent. This index is sensitive to labor-market conditions and provides a gauge of demand for workers. The Conference Board publishes the help-wanted advertising index for 51 cities, and the nation, every month. The national help-wanted advertising index average was 77.3 in the fourth quarter, significantly above the City's 45.0. Hartford, with an advertising index of 31.0, was the only city with a help-wanted advertising index less than NYC. San Antonio had the highest advertising index, 178.3.

The number of initial unemployment claims declined by an average of 1,780 per month to 27,143 in the fourth quarter, from 28,923 in the third quarter. The fourth-quarter average drop was more than the annual average of 914 per month. Initial unemployment claims measures the number of first-time applications for unemployment insurance and its decline means more people are finding jobs.

Table 1. *Three Leading Economic Indicators, NYC, 3Q98 vs. 3Q97 and 2Q98**

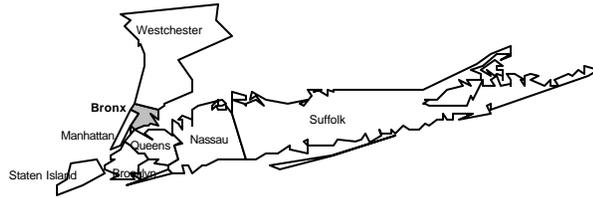
Help-Wanted Ads (Averages of Monthly Indicators, Seasonally Adjusted)			
1999	51.8	3Q00	48.0
2000	50.6	4Q00	45.0
Change	-2.3% W	Change	-6.3% W
Initial Unemployment Claims (Monthly Average)			
1999	28,699	3Q00	28,923
2000	27,785	4Q00	27,143
Change	-914 B	Change	-1,780 B
Number of Building Permits Authorized (Period Totals, NSA)			
1999	80,355	4Q99	19,632
2000	86,271	4Q00	20,889
Change	+5,916 B	Change	+1,257 B

* **B**=Better than prior period; **N**=No change; **W**=Worse. SA=Seasonally adjusted; NSA=Not seasonally adjusted. Source: Conference Board (help-wanted ads), NYS Department of Labor (unemployment insurance claims), and NYC Dept. of Buildings (permits). Averages and seasonal adjustments by the NYC Comptroller's Office.

The number of building permits authorized was up by 6.4 percent in fourth-quarter 2000 over fourth-quarter 1999. This increase was significantly higher than the 1.1 percent rise in fourth-quarter 1999 over fourth-quarter 1998. In 2000, the number of building permits authorized rose 7.4 percent, compared with 7.1 percent in 1999. The number of building permits authorized shows the level of construction activity in the City and is sensitive to economic conditions.

THE BRONX

The subject is located in the Borough of The Bronx, City and State of New York. The Borough of the Bronx is the northernmost of the five boroughs and the only one on the mainland, it is also a County of New York State. The Bronx is bordered on the north by Westchester County and on the west by the Hudson River. It is separated from Manhattan on the south and west by the Harlem River. The East River and Long Island Sound bound the Borough on the east. The total area of the Bronx is 44 square miles. The 1990 population of the borough is 1,217,789.



The Bronx County population is 17% of the total New York City population of 7,322,564. It is a borough that is primarily residential in usage, with industrial usage along the eastern waterfront, commercial usage in the central corridor and recreational uses concentrated primarily in the northwest (Van Cortlandt Park) and the northeast (Pelham Bay Park) with the renowned Bronx Zoo and Botanical Gardens occupying 27 acres in the center of the Borough. Nearly 80% of the 100,400 parcels of land in the Bronx are under residential use. The Borough is made up of distinct and identifiable neighborhoods such as Riverdale, University Heights, Norwood, Morrisania and East Tremont.

Throughout the Borough are many large housing developments such as Concourse Village, a union sponsored complex built over the Mott Haven Railroad Yards, the publicly financed Castle Hill and Soundview Houses and the privately sponsored Parkchester and Bronx River Apartments. The largest single housing development is the Mitchell-Lama(State Sponsored) Co-op City Housing Development.

Apart from the large developments mentioned above, the typical housing stock is composed primarily of four to five story walk-ups and six story elevator buildings built mainly between the wars. The remainder of the residential lots (49,000 parcels) are improved with one and two family homes. Although the Bronx is chiefly residential in use, there are several central commercial corridors and three industrial parks.

THE ANCHORS OF THE BRONX ECONOMY

Though the Bronx, like the other three outer boroughs of New York City (Brooklyn, Queens and Staten Island) is woven into the economic fabric of Manhattan, the economic bases - small manufacturing, wholesale and retail trade, construction and the medical and health support services allow for some leeway during economic downturns.

In contrast, the "engines" of Manhattan's economy are in the areas of banking (domestic and international), finance (securities and commodities brokerages), insurance, real estate, printing and publishing, telecommunications, transportation, business services, construction and retail trades. As a result the Bronx is affected by the economic downturn in a different way than the city since the "anchors" are not so tightly linked to the economic prospects of Manhattan.

The anchors of the Bronx's economy are able to weather the present downturn in the city's economy due to several unique factors:

- 1) The construction industry is primarily engaged in public projects (i.e., school construction and housing rehabilitation), and thus, is not dependent on the real estate market which was the engine for the past commercial boom (both residential and office in the 1980's).
- 2) The medical support services are largely based on the growth of mandated social service programs, i.e. Medicaid and Medicare (one of the few areas in which federal aid was increased).
- 3) The wholesale markets are the Bronx is buoyed by Hunts Point Food Distribution Center, which is the home of the New York City Terminal Market (which is the largest fresh produce market in the United States) and approximately 120 wholesale food distribution, storage and processing businesses which generate over 6 billion in sales and employ over 14,000 people of whom at least 75% are Bronx residents.

Some of its major businesses are: the Great Atlantic and Pacific Tea Company, the Hunts Point Cooperative Market; KFI Food Distributors Inc. (Krasdale Foods), National Foods Inc. (Hebrew National), and Nick Peanchio and Company.

The Hunts Point Food Distribution Center has the potential for continued growth and thus, the potential for new jobs in the Bronx. This results from the 100 acres of land which remain undeveloped within the distribution center. Plans are presently underway (developed by NYC's Economic Development Agency) to create new facilities on this land which will accommodate the changing technological and space requirements of the New York metropolitan food industry.

There are several other important factors that contribute to the Bronx's economic potential:

The Bronx's location within the region makes it a perfect match for economic development. One example may be a manufacturing and distribution hub for goods and services, for the borough is centrally located within an area comprising more people and jobs - 14 million people and 7 million jobs (with a projected increase of 390 - 410,000 jobs by the year 2000) than any other region in the United States.

The Bronx's five industrial parks -- Bathgate, Hunts Point, Mid-Bronx, Port Morris and Zerega and the Port Morris State Enterprise Development zone are within easy reach of a vast transportation network: 14 bridges, 11 highways and two freight rails, which traverse the Bronx, North/South and East/West linking the borough to Westchester, Rockland upstate New York, Connecticut, New England and Canada; New Jersey, Pennsylvania, and the southern and western regions; Manhattan, Queens, Brooklyn, and Long Island.

Fordham Plaza, a commercial office complex (mostly Federal, State and City agencies as tenants) that was recently built in the Fordham area of the Bronx, which despite the "soft" commercial market is almost 100% occupied.

Concourse Plaza Shopping Center, which has a 60,000 square foot Waldbaums, a movie complex, and 40 stores. The shopping mall is the first step taken in the renewal process of the Grand Concourse. It is expected to provide employment for 1,000 community residents. The Mall is expected to serve as a retail hub for the southwestern Bronx and Harlem. Located next to Concourse Plaza is the Concourse Village Houses, a housing complex with 1875 apartments.

The vitality of the 50+ commercial shopping strips, i.e., Allerton Avenue, White Plains Road, Boston Road, Tremont Avenue, Fordham Road, the Grand Concourse, Southern Boulevard, Gun Hill Road, Johnson Avenue, Williamsbridge Road, Broadway, Riverdale Avenue, Third Avenue, Kingsbridge Road, etc. which traverse the borough.

Commercial revitalization through the development of several Business Improvement Districts, i.e., Kingsbridge, Fordham Road, Pelham Parkway and Allerton Avenue to improve the cohesiveness of the retail community.

The development of Bronx Center, a 300 block (3/4 of a square mile) area in the Southwestern part of the borough which will serve as a governmental, cultural, institutional and commercial center. This is similar in the concept of San Francisco's Civic Center except on a larger scale. Approximately \$2 billion in public and private monies has been committed to this project. Presently, only a small portion (Concourse Plaza) has been constructed.

SAMPLE

BRONX COMMUNITY DISTRICT 8

TOTAL POPULATION	1980	1990	2000
Number	98,274	97,030	101,332
% Change	—	-1.3	4.4

VITAL STATISTICS	2000	2002
Births: Number	1,212	1,109
Rate per 1000	12.0	10.9
Deaths: Number	1,103	1,050
Rate per 1000	10.9	10.4
Infant Mortality: Number	12	8
Rate per 1000	9.9	7.2

INCOME SUPPORT	2000	2004
Public Assistance (AFDC, Home Relief)	5,347	4,122
Supplemental Security Income	3,938	4,108
Medicaid Only	5,692	15,146
Total Persons Assisted	14,977	23,376
Percent of Population	14.8	23.1

TOTAL LAND AREA		
	Acres:	2,182.8
	Square Miles:	3.4



LAND USE, 2004	Lots	Lot Area	
		Sq. Ft. (000)	%
1- 2 Family Residential	3,057	18,033.9	22.9
Multi-Family Residential	768	14,864.1	18.9
Mixed Resid. / Commercial	126	1,234.9	1.6
Commercial / Office	183	2,014.6	2.6
Industrial	13	528.2	0.7
Transportation / Utility	46	1,201.7	1.5
Institutions	143	12,816.5	16.3
Open Space / Recreation	51	12,869.4	16.3
Parking Facilities	86	644.3	0.8
Vacant Land	469	3,913.1	5.0
Miscellaneous	24	10,646.8	13.5
Total	4,966	78,767.5	100.0

Bronx Community District 8

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Westchester County
BRONX / WESTCHESTER COUNTY LINE



**Residential
Land Uses**

- 1 & 2 Family Residential
- Multi-Family
- Mixed Residential & Commercial

**Non-Residential
Land Uses**

- Commercial & Office
- Industrial & Manufacturing
- Transportation & Utility
- Public Facilities & Institutions
- Open Space & Outdoor Recreation
- Parking Facilities
- Vacant Land
- All Others or No Data

Base Map: COGIS Tax Lot File Release 02B, clipped to shoreline
Land Use: NYC Department of Finance's Real Property File
(August 2002) modified by the Department of City Planning for
display of condominiums and parks in appropriate land use category.

**Selected Housing Characteristics
Total Housing Units & Occupancy Status
by Census Tract, 2000
Bronx Community District 8**

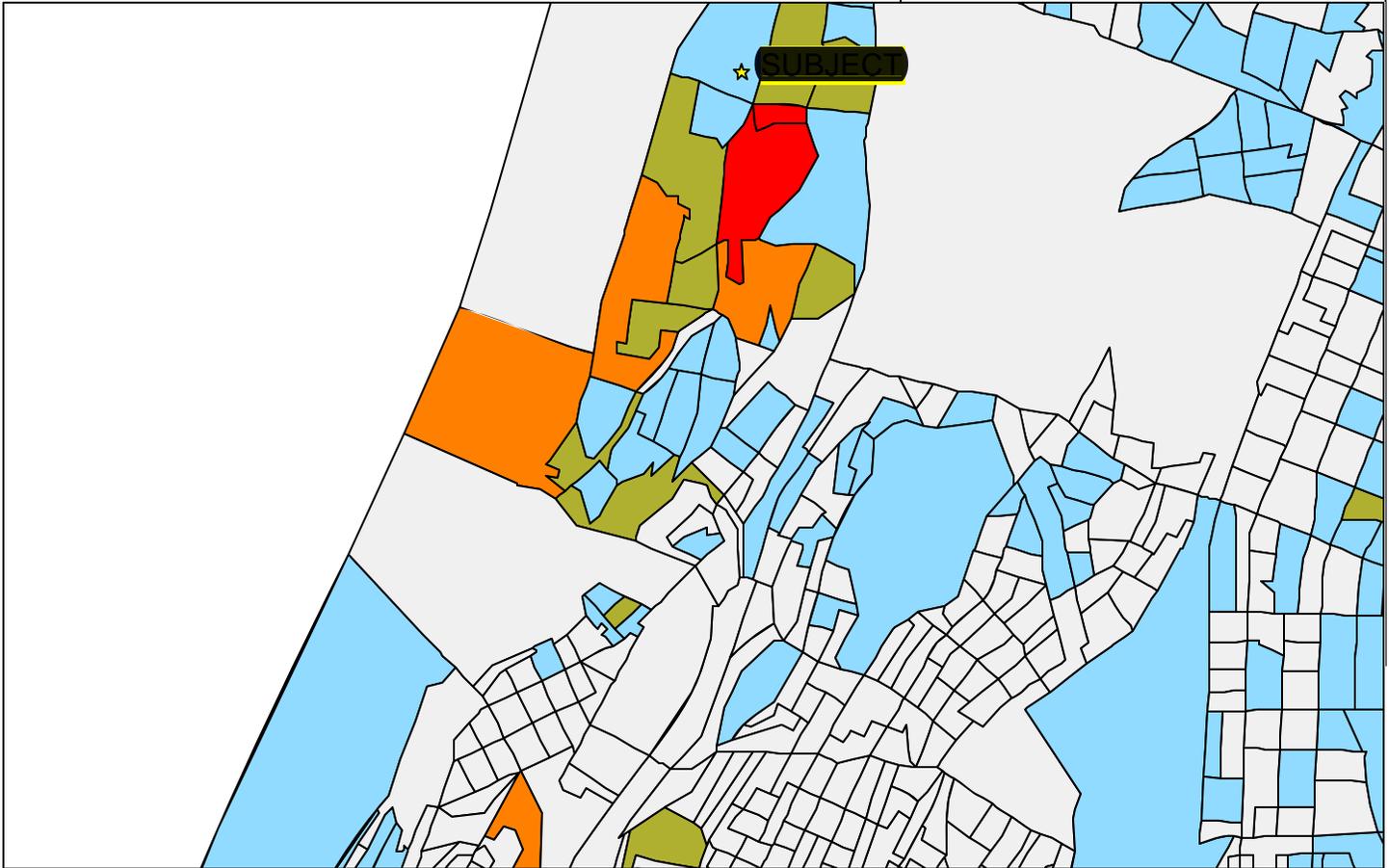
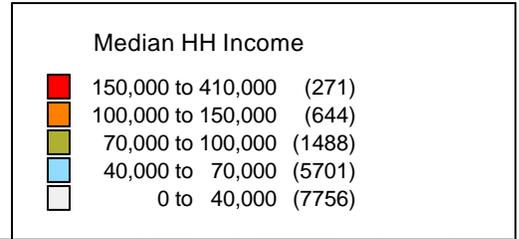
Census Tract	Total Housing Units	Occupancy Status			
		Total Occupied Housing Units	% Owner Occupied	% Renter Occupied	% Overcrowded**
0267 *	3,905	3,767	4.7	95.3	29.3
027101	567	567	4.6	95.4	14.6
0273	2,603	2,509	10.5	89.5	31.3
0277	1,853	1,791	9.1	90.9	25.5
0279	2,878	2,775	21.6	78.4	13.9
0281	1,968	1,951	46.8	53.2	1.6
0283	481	460	1.5	98.5	19.1
0285	1,662	1,624	18.0	82.0	9.9
0287	1,261	1,219	24.9	75.1	17.8
0289	1,781	1,695	9.3	90.7	19.3
0293	3,834	3,678	56.1	43.9	2.1
0295	2,080	1,991	24.3	75.7	8.1
0297	1,767	1,698	45.0	55.0	6.9
0301	635	616	30.4	69.6	2.3
0307	4,225	4,033	41.4	58.6	2.6
0317	199	197	10.2	89.8	2.5
0319	0	0	0.0	0.0	0.0
0323	2,877	2,757	42.8	57.2	4.6
0329	678	666	42.5	57.5	3.2
0333	146	146	84.9	15.1	1.4
0339	514	458	44.8	55.2	7.0
0341	588	570	59.6	40.4	6.8
0343	604	572	35.8	64.2	11.4
0345	1,604	1,526	39.8	60.2	6.5
0351	1,211	1,142	28.4	71.6	11.0
0409 *	1,523	1,477	21.7	78.3	16.5
0309 *	2,980	2,870	6.2	3.8	23.7

* Census tract is within two or more community districts. Data are for entire census tract.

** "Overcrowded" units are those with more than one person per room.

Note: Marble Hill, tract 309 in Manhattan is assigned to CD 8, Bronx.

Median Household Income by Census Block 1999 Estimates



NEIGHBORHOOD

The subject is located in the Riverdale section of the Bronx. This section is part of Community District 8. The area is defined by Westchester County on the north, the Hudson River on the west, the Harlem River and Manhattan on the south, and Van Cortlandt Park on the east.

The most recent population count was 97,030 as of the 1990 U.S. Census. An area of approximately 3.4 miles, the district is primarily developed with a diversified mixture of residential development, from one family dwellings, typically referred to as "estates", in the Riverdale and Fieldston areas, to the Multi-family residential apartment buildings both moderate and high rise; a majority of which have converted to co-operative ownership. Within the subject district are several highly rated private and parochial schools, among which are Horace Mann-Barnard School, Riverdale Country School, Wave Hill and Fieldston School. The College of Mount Saint Vincent, now Iona College, and Manhattan College are post secondary degree granting institutions, located within the subject district. The Henry Hudson Parkway traverses through a majority of District 8 in a north-south direction, allowing vehicular traffic access to Westchester County and Manhattan. The subdistricts of Riverdale, North Riverdale and Fieldston are often referred to as the suburban community of Manhattan, although they are located in Bronx County. This district is considered the most desirable of the Bronx.

Bronx Community District 8 consists of eight subdistricts or neighborhoods; North Riverdale, Fieldston, Spuyten Duyvel, Van Cortlandt Park South, Jerome Park, Kingsbridge and although it is in New York County; the Marble Hill neighborhood.

Land use in District 8, as of 1990, is provided below:	
	PERCENT
1-2 Family Residential	62.1
Multi Family	15.3
Mixed-residential	2.2
Commercial Office	3.5
Industrial/manufacturing	.2
Transportation/utility	1.1
Public Facilities	2.9
Open Space/Outdoor Recreation	1.0
Parking Facilities	1.5
Vacant land	10.5
TOTAL	100%
TOTAL LAND AREA	2,182 Acres; 3.4 Sq. Miles

The subject is located in the subdistrict known as Riverdale. It is one of the smaller neighborhoods whose commercial retail strips are found mostly along Riverdale Avenue and to a lesser extent along Broadway and Johnson Avenue.

The neighborhood is split by the Henry Hudson Parkway, which runs through it in a north-south direction. The residential stock is of older one to four family homes, walk-up and elevator buildings. Most of the latter have been converted to cooperative ownership. There are approximately 50 cooperative, and four condominium developments in the area.

The Subject property fronts on the south blockfront of Netherland Avenue and West 256th Street in the Riverdale neighborhood of the north-west Bronx, City and State of New York. Riverdale is situated in Bronx Community District # 8, which is bordered on the north by the City of Yonkers/Westchester County, to the east by Broadway and Goulden Avenue, on the south by Kingsbridge Road and the Harlem River, and to west by the natural barrier of the Hudson River. Approximately 97,000 people reside in the District's 42,200 housing units, with only 17% of the

residents receiving government income support. Residential development accounts for 80% of District # 8's land uses, with commercial/industrial property comprising 4% of land uses. Well-known neighborhoods located within District #8 include Fieldston, Duyvel, Marble Hill, Van Courtlandt Park South, Jerome Park and the Subject's Riverdale neighborhood.

In the immediate vicinity of the subject is a mixture of one and two family homes, and elevator apartment buildings. There are supporting commercial uses along Riverdale Avenue, ¼mile to the north. The degree of maintenance varies but the majority of these properties have benefited by some renovation or rehabilitation that took place in the mid 1980's. The subject's neighborhood is a desirable residential area.

Public transportation is average, as the IRT 242nd Street trains run above the length of Broadway (with a station stop on the corner of 242nd Street and Broadway, 10 blocks south the subject property). North/south buses run along Broadway. The subject is less than ¼mile south of the Broadway entrance to the Henry Hudson Parkway, via which the regional highway system will allow the driver to reach any section of the City or the tri-state area.

The Subject complex fronts on the south side of West 256th Street on both the east and west side of Netherland Avenue, one block west of Riverdale Avenue. Properties surrounding the Subject, Netherland Avenue are similar 5 and six story elevated apartment buildings, with single family

Summary of Neighborhood				
	Good	Average	Fair	Poor
Employment Stability				
Convenience to Employment				
Protection from Detrimental Conditions				
Adequacy of Shopping Facilities				
Adequacy of Public Transportation				
Adequacy of Utilities				
Fire and Police Protection				
Recreational Facilities				
Property Compatibility				
General Appearance of Properties				
Appeal to Market				

dwellings comprising the remaining property stock from the subject to the Hudson River, 5 blocks to the west. Important commercial arteries traversing Riverdale include Broadway, Riverdale Avenue and Mosholu Avenue. Each street provides local residents access to a wide variety of retail and service businesses.

In summary, the Subject is located in the highly regarded, residentially improved neighborhood of Riverdale, in the northwest Bronx, City and State of New York. Riverdale is an upper middle-class enclave of the Bronx, providing residents access to good schools, attractive single-family homes and a generally suburban-like quality of life. We forecast a stable value trend for property of the Subject type, into the foreseeable future.

SITE DESCRIPTION

The subject site consists of two irregular shaped parcels located on the S/W/C and S/E/C of Netherland Avenue and West 256th Street. The subject is known as 5530-72 and 5535-65 Netherland Avenue, located in the "Riverdale" section of The Bronx. The subjects are identified on the City's Tax Records as Block 5950 Lots 429 and 430, and are two roughly rectangular plots separated by Netherland Avenue, which dead-ends at the subject property and therefore serves as a driveway into the properties.

Shape and Area

The combined parcel is irregular in shape and comprises a total of approximately 183,550 square feet (4.21 Acres). Lot 429 (#5530-72) comprises 105,550 SF of land area and fronts on the south side of West 256th St. for 254.78 feet, on the east side of Netherland Avenue for 412.94 feet and on the west side of Riverdale Avenue for 430.11 feet. Lot 430 (#5535-65) comprises 78,000 SF of land area and fronts on the south side of West 256th St. for 202.89 feet, and on the west side of Netherland Avenue for 395.67 feet.

Topography & Drainage The topography is generally level. Adequate drainage is provided. According to Flood Map #36049700, Panel 02B, dated 11/16/83, the subject lies in a Zone C (Area of minimal flooding).

Soils and Geology

No soil report dealing with the subject site has been examined by the appraiser. This valuation assumes soil conditions adequate to support the existing improvement and any proposed thereon.

Utilities

All of the usual and necessary utilities and services are provided to the site including gas, electric, telephone and water. This district is served by sanitary sewers.

Streets and Access

The subject has average street access and visibility. West 256th Street, on which the subject fronts, is a two-way, east/west direction, local street, 40 feet in width. Netherland Avenue terminates at the end of the subject, and serves as a driveway, although it is a public street. Both streets are improved with curbs, sidewalks, storm sewers and street lighting. Access and visibility are average with pedestrian access along both sides of the streets. The sidewalks are concrete, streets are macadam-paved, and lighting is provided by the City of New York.

Easements

Typical utility and public service easements common to most real estate exist. No easements were uncovered which would have a negative impact on the parcel or its value.

Nuisances & Hazards

No nuisances or hazards such as flood, noise, or odor, other than those typical to all residential areas, were uncovered which would have a negative impact on the subject.

**Hazardous Materials
Contamination**

Determining the presence of hazardous materials or asbestos in the subject property's soil or improvement is beyond the scope of this appraisal. The estimations of value derived within are predicated on the subject being free of hazardous/toxic materials which may have an adverse impact on value. See Assumptions and Limiting Conditions in *Addenda*.

SAMPLE

DESCRIPTION OF THE IMPROVEMENT

The subject parcel is improved with four, 6 story and cellar, brick and masonry, detached, non-fireproof, self-service elevator, multi-family residential apartment buildings with an underground Garage. The improvements were constructed in 1948. The even numbered property (#5530-72) comprises three buildings (but 6 addresses), and the odd numbered property is one building with 4 addresses.

Room sizes range from Studio's to three bedroom units, all with one bathroom. Tenants are separately metered for electric and cooking gas, all other services are provided. The complex has landscaped grounds, a 10 man work crew, below ground parking (extra charge), and Laundry Rooms. There are no other amenities (Doorman, pool, etc.).

Present occupancy consists of 439 rental residential apartments plus 1 Superintendent's and 1 Assistant's apartment (441 units total). The main entrances to the buildings are located in the center of each building and is accessible from sidewalk level. A cement walkway leads to each main entrance; a one story Vestibule. Each front entry court is landscaped with shrubbery and bordered by a post and chain fence. Similar planter areas compliment the frontage. Access to the underground garages is from two entrances on West 256th Street, via a drop curb and concrete driveway.

Summary of Property				
	Good	Average	Fair	Poor
Architectural Attractiveness				
Landscaping				
Quality of Construction				
Condition of Exterior				
Condition of Interior				
Room Size & Layout				
Kitchen Facilities				
Bathroom Facilities				
Closets & Storage				
Light & Ventilation				
Amenity Package				
Overall Livability				
Compatibility to Neighborhood				
Overall Appeal & Marketability				

The Vestibule entry doors are aluminum framed with glass panels, terrazzo floor, painted sheetrock walls and dropped ceilings. Located in the Vestibule is the intercom system. Lobby doors are similar aluminum and glass, with buzzer-operated, release latch connected to the intercom system. Lobby/First Floor interior has vinyl tile floor, painted plaster walls and ceilings. The Lobby/First Floor hall contains the elevator, mailbox area, staircase, and residential apartments.

An inspection of the property was made on April 20, 2001, accompanied by the Mortgage Broker, Superintendent, and Inspection Engineer. Units 1F, 1C, 1G, 6D (#35), 1D, 1F, 2A, 6E (#45), 1B, 2A, 5D, 6E (#55), 1B, 1E, 3F, 3E, C (#72), 1B, 1F (#52) and 1D (#30) as well as the roofs, common areas, and Lobby/First Floor areas were inspected. The information provided is a compilation of my inspection. In addition to the following summary, please see the *Addenda* for a pictorial display of the subject's interior.

PROPERTY DESCRIPTION

Typical Building is described as follows:

- Foundation:** Poured Concrete.
- Frame:** Brick and masonry exterior walls, interior masonry bearing walls, with poured concrete floor to First Floor, wood floor joists above.
- Exterior Walls:** Street facades and building sidewalls are red common brick.
- Windows:** The apartment windows are aluminum frame and sash, double hung.
- Interior:** Four buildings, each having one Public Hall and one open-type staircase. The public hall has composition tile floors, painted plaster walls and ceilings with ceiling fluorescent lights. There is one open-type stairway. The stairs are of steel construction with steel risers and terrazzo treads, wood handrails and steel balusters. Apartment doors are steel covered and have door viewers, and electric door bell-buttons.
- Roof:** All roofs are flat, built-up covered. Brick parapet walls; and bell tile copings. Elevator machinery bulkhead and stairway bulkheads have brick exterior walls.
- Elevator:** Each section (10) is serviced by one "Staley" passenger self-service automatic elevator. The car has a 1,800-pound capacity, cab with Formica wallpanels and resilient tile floor.
- Plumbing:** Hot and Cold water risers are brass. Storm water is discharged through roof and site drains as well as internal floor drains.

HVAC

Steam heat is provided by two #6 oil fired "Rockmills" (1997) Boilers, and an Industrial Combustion oil burner, one in each section. The two 15,000 gallon oil storage tanks are located in the Garage; encased in masonry block. Individual window air conditioning units are tenant owned.

Electrical:

Adequate electric wiring, 400 Ampere, 3 phase, four-wire service with 40 amp circuit breakers per apartments at main electric panel and circuit breaker type panel boxes in the apartments.

Lobby/First Flr:

The Lobby (First) Floor is comprised of the Vestibule, Lobby/First Floor, mailbox area, one elevator, one open type staircase, and residential apartments.

Cellar:

Boiler room, Laundry Room, Compactor Room, gas and electric meters, Supt's Office.

Garage:

The underground garage lies between the buildings and occupies a portion of the cellar of each building. The 173 parking spaces are accessed by two driveways/entrances from West 256th Street with overhead doors. Garage walls are poured concrete, floor and ceiling are concrete. The Garage is sprinklered and heated by steam space heaters.

Apartments:

The apartments in general have averaged sized rooms and layouts with adequate closet space. Hardwood floors, painted plaster walls and ceilings. Apartments are individually metered for electric and cooking gas. *The following is a general description of the type of units found in the subject.*

2.0 Room Unit: No Bedroom, Entry/Eating Area with wall-type Kitchenette, One Room, Bathroom.

3.5 Room Unit: Bedroom, Living Room, Kitchen/Dinette, Bathroom.

4.5 Room Unit: two Bedrooms, Living Room with Dining Foyer, Kitchen and one Bathroom.

5.5 Room Unit: two Bedrooms, Living Room with Dining Foyer, Kitchen and one Bathroom.

Kitchens: The Kitchen floors are linoleum, cabinets are primarily wood, porcelain enamel sinks with metal cabinets. The units contain 12 cf refrigerators, and 4 burner gas ranges in Kitchens.

Baths: The baths have ceramic tile floors, ceramic tile wainscot on walls and around tubs with shower heads. Bathroom fixtures include built-in tubs with shower heads, low-tank water closets, wall-mounted sinks, also vanities in use.

Condition: **Average.**
Building has adequate electrical wiring. Kitchens and baths are old, but functional. Over the last 5 years the boilers were replaced, the elevators replaced, and the interior halls painted

Recommended Repairs: **Repair water seepage near stairway windows, and scrape/paint areas where damaged.**

Conformity with ADA: We have not made a specific compliance study or analysis of the subject property to determine whether or not it conforms with the various detailed requirements of the Americans with Disabilities Act of 1992. It is possible that a compliance survey, together with a detailed analysis of the property, may reveal that the subject does not conform with the requirements of ADA. However, properties constructed prior to the 1992 act are grandfathered. Major rehabilitation would require that a portion of the construction funds be set-aside for ADA compliant measures. If so, the subject property may require alterations in order to meet these requirements, which may have a negative affect upon value.

ASSESSED VALUE AND TAXES

Property Ad Valorem tax is one of the primary revenue sources for 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 accordingly proportionate assessments.

Within the City of New York, taxes are levied on a fiscal year which ends on June 30th of the calendar year. According to the tax rolls of the City of New York, the subject parcel is identified for tax purposes as **Block 5950, Lots 429 & 430**. The property's 2000/01 Transitional and Target (Actual) assessment are outlined below: (Tax Rate 10.851%)

Block/Lot	Type	Land Assessment	Total Assessment	Exemption	Taxable Assessment	Real Estate Taxes
5950/429	Actual	\$1,080,000	\$3,708,000	\$711,000	\$2,997,000	\$325,204
	Transitional	\$1,080,000	\$3,356,100	\$279,800	\$3,076,300	
5950/430	Actual	\$810,000	\$2,727,000	\$787,500	\$1,939,500	\$210,455
	Transitional	\$810,000	\$2,407,500	\$267,300	\$2,140,200	
TOTAL	ACTUAL	\$1,890,000	\$6,435,000	\$1,498,500	\$4,936,500	\$535,659

In accordance with current NYC Tax policy, real estate taxes are charged on the lower of Actual or Transitional taxes.

The most recent law governing assessments mandates certain assessment procedures. Residential property (more than six units) is given a Class II designation while all commercial property is given a Class IV designation. The different classes have their own tax rates.

One of the concerns of lawmakers was that taxpayers not be overwhelmed by increases in market value, and thus, taxes. Therefore, all increases and decreases in assessment to Tax Class II and IV must be phased in over five years (20% per year). The rules governing this phase-in can be complicated but in the most common and simple case, they operate as follows: If the assessor believes that the market value has increased, the assessment is increased to 45% of this market value; this new assessed value is called the "Actual" or "Target" value.

The tax burden is eased by computing current taxes on the lower of the "Actual" or "Transitional" Value. The current Taxable Assessed Value is multiplied by the current tax rate to determine the taxes due in that year.

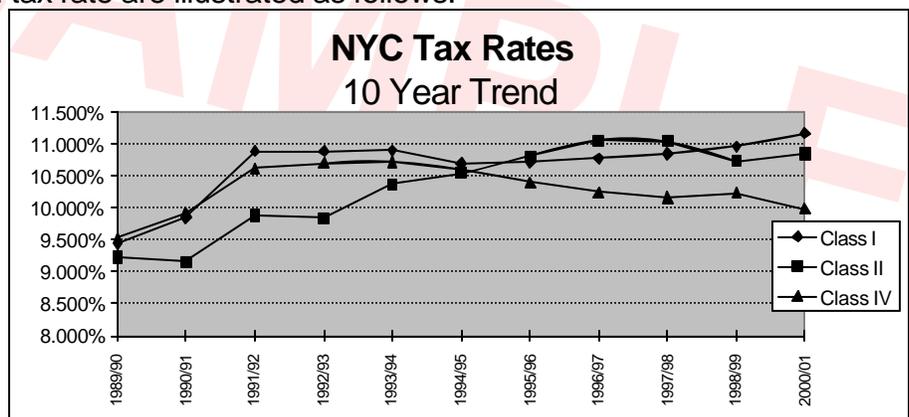
The "Transitional" Value is computed by determining the increase in the "Actual" Value, if any, over the previous year, dividing it by five(5) years, and adding the result to the previous years "Transitional Value". That increase will be added for the next four years to reach the full increase in assessed value.

Additionally, if there are further increases or decreases in the "Actual" Value during this five year period, these changes will be reflected similarly in the "Transitional" Assessment. If assessment procedures are equitable, a property's "Actual" Value in any year will theoretically reflect approximately 45% of its current market value.

Tax Rate History

The subject property, is considered by the Tax Assessor's office as a Class II property. The historic changes in the Class II tax rate are illustrated as follows:

Tax Year	Tax Rate (per \$100)
1987-1988	\$9.150
1988-1989	9.272
1989-1990	9.229
1990-1991	9.154
1991-1992	9.885
1992-1993	9.910
1993-1994	10.369
1994-1995	10.552
1995-1996	10.807
1996-1997	11.056
1997-1998	11.046
1998-1999	10.739
1999-2000	10.963
2000-2001	\$10.851



Based on the 2000/01 tax rate and the Actual Assessed Value, the subject property's **current real estate taxes are \$535,659.**

The City assesses this property type at approximately 45% of value, indicating the Assessor's Market Value of \$14,300,000. The subject is taxed (before exemptions and abatements at \$1.30 per SF. Our review of comparable properties indicates a range of from \$1.19 to \$1.95 per SF, thus the subject's assessment appears reasonable.

J-51 Tax Abatement

Capital improvements have been made to the subject property and the owners are entitled to the benefits of a Real Estate Tax Incentive under Section J-51 of the Administrative Code of the City of New York.

Under the J-51 program, owners who wish to rehabilitate their multiple dwellings can qualify for a 12 or 32 year tax exemption, which prevents the assessed value from increasing due to the cost of the rehabilitation, as well as a Tax Abatement, which allows the current annual real estate taxes to be reduced by 8 1/3% of the Certified Reasonable Costs of the rehabilitation, on an annual basis until 90% to 100% of the rehabilitation costs have been recouped. The tax abatement period runs for a maximum period of 20 years. The subject property qualifies for a 12 year exemption due to the renovations and the subject property's type.

The time period estimated for approval of the tax incentives is three months. In order to qualify for an incentive to commence at the beginning of a tax quarter, an application must be filed in the third month preceding the start of the tax quarter.

A review of the Section J-51 Tax Abatement Listings of the City of New York reveal the following abatement to be applicable to the subject property:

Abatement	
Time Period:	12 years
Maximum Total Abatement:	90% of Certified Reasonable Cost of Rehabilitation.
Maximum Annual Abatement	8 1/3% of Certified Reasonable Cost of Rehabilitation.

According to New York City, the subject presently has two abatements. The benefits were discounted for the remaining terms at 8% to arrive at the **Present Value of J-51 Benefits, as follows:**

Calculation of Present Value of Tax Abatements							
Block	Lot	CRC	Yr Start	Annual Abatement	Amount Remaining	Years	Present Value
5950	429	\$875,000	1987/88	\$109,375	\$19,348	1.0	\$19,348
5950	429	\$39,800	1987/88	\$3,317	\$4,311	1.3	\$3,957
5950	430	\$552,600	1987/88	\$69,075	\$12,914	1.0	\$12,914
5950	430	\$68,500	2000/01	\$5,708	\$53,087	9.3	\$36,865
5950	430	\$15,200	1987/88	\$1,267	\$2,280	1.8	\$2,055
5950	429	\$69,800	1987/88	\$5,817	\$54,095	9.3	\$37,566
TOTAL		\$1,620,900			\$146,035		\$112,705

Total Present Value of Abatements:

\$112,705



ZONING

"Zoning shapes the city; through zoning, a city controls building size, population density, and the way land is used. Along with the city's power to budget, tax, and condemn property, it is a key tool for carrying out planning policy³". The current NYC zoning resolution was enacted and took effect in 1961. This zoning resolution coordinated use and bulk regulations, and incorporated parking requirements.

The City is divided into three separate zoning districts: Residential (R), Commercial (C), and Manufacturing (M). These three basic categories are further subdivided into low, moderate, and high density districts.

Development within these districts is regulated by use, bulk, and parking regulations. Each zoning district regulates permitted uses, the land/building size ratio, the required open space, required setbacks, and the amount of required parking.

The uses permitted in each district are found within one or more of the eighteen Use Groups. The uses listed in each group have common functional or nuisance characteristics, the higher the use group, the greater the nuisance.

Bulk (building size) is regulated by the use of Floor Area Ratios (FAR) and Open Space Ratios (OSR). These control the physical volume of buildings, as well as the relationship of building size to land area. The FAR expresses the relationship of the amount of useable floor area to the amount of lot area. Therefore a 10,000 square foot lot with a FAR of 10 could contain 100,000 square feet of floor area. This maximum floor area is further reduced by applying an Open Space Ratio. The OSR, found in residential districts, requires that a minimum amount of open lot area be provided for each square foot of floor area. Expressed as a percent, an OSR of 20 would mandate that 20,000 square feet of open land area be provided for a 100,000 square foot building.

Other standards reducing building size include maximum density requirements (units per acre), front, side and rear yard requirements, maximum building height regulations, and parking requirements.

Manufacturing uses and certain intense commercial uses are subject to performance standards which limit noise, air pollution, and other nuisance creating activity.

Regulations are not binding on properties constructed prior to the 1961 resolution. Properties that have been grand-fathered are considered legal, pre-existing, non-conforming uses. They may not be altered other than to conform to zoning.

Many of the properties in the City do not conform to zoning, mainly due to the lack of off-street parking. Variances and special permits may be granted on a property by property basis.

A summary of the zoning requirements are presented on the following page:

³ *Zoning Handbook*, The City of New York, Department of City Planning

Zoning Requirements

PERMITTED USES	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	C1-C6
Single Family Dwelling	Permitted										
Two Family Dwelling			Permitted								
Multi-Family Dwelling			only R3-2	Permitted							
Community Facility	Permitted										
Minimum Lot Size (sf)	N/A	N/A	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Minimum Lot Width (ft)	N/A	N/A	18	18	18	18	18	18	18	18	18
Maximum Floor Area Ratio	N/A	N/A	0.50	0.75	1.25	2.43	3.44	6.02	7.52	10.00	R district overlay
Minimum Open Space Ratio	N/A	N/A	150.0	80.0	40.0	33.5	22.0	10.7	6.2	0.0	R district overlay
Minimum Lot Area (sf)/Room	N/A	N/A	376	274	172	99	77	45	41	30	R district overlay
Maximum Units/Acre	N/A	N/A	46	64	101	176	226	387	425	581	R district overlay
Minimum Front Yard (ft)*	N/A	N/A	15	18	18	0	0	0	0	0	R district overlay
Minimum Rear Yards (ft)**	N/A	N/A	30	30	30	30	30	30	30	30	R district overlay
Minimum Side Yards (ft)	N/A	N/A	8	8	8	0	0	0	0	0	R district overlay
Maximum Height at street line	N/A	N/A	25	25	35	60	60	85	85	85	R district overlay
Sky Exposure Plane Slope	N/A	N/A	1.0	1.0	1.0	2.7	2.7	2.7	2.7	2.7	R district overlay
Parking (space per unit)~	N/A	N/A	1.00	1.00	0.85	0.70	0.60	0.40	0.40	0.40	R district overlay

NOTES:
 * corner lots, front yard = 10'
 ** corner lots, none required
 ~ parking waived on lots under 10,000 sf in R8 and above
 ~ parking also waived when spots < 5 (<15 spots R8+)
 Stores allowed on first floor in C zoned overlays
 NYC Planning Dept & Property Appraisal Services, Inc.

ZONING MAP

THE NEW YORK CITY PLANNING COMMISSION

Major Zoning Classifications:

The number(s) and/or letter(s) that follows an **R**, **C** or **M** District designation indicates use, bulk and other controls as described in the text of the Zoning Resolution.

- R - RESIDENTIAL DISTRICT
- C - COMMERCIAL DISTRICT
- M - MANUFACTURING DISTRICT

⋯ AREA(S) REZONED

EFFECTIVE DATE(S) OF REZONING:

7-20-1989 C 890613 ZMX

■ SPECIAL PURPOSE DISTRICT
The letter(s) within the shaded area designates the special purpose district as described in the text of the Zoning Resolution.

Ⓓ - RESTRICTIVE DECLARATION

Ⓔ - CITY ENVIRONMENTAL QUALITY REVIEW DECLARATION

CITY MAP CHANGES:

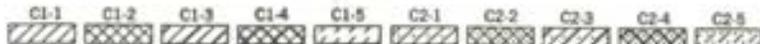
▲ 11-29-2001 C 000676 MMX

MAP KEY

1c	2a	
1d	2b	2d
3c	4a	4c

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ZONING MAP 2b



ZONING RESOLUTION

According to the zoning map of the most recent resolution for the City, the subject lies within a R4 Residentially Zoned area. The zoning resolution defines this district as follows⁴:

R4 districts are widely mapped in all boroughs except Manhattan. Most neighborhoods zoned R4 are not served directly by rail rapid transit (two fare zone). Sections of College Point in Queens, Throgs Neck in the Bronx and Canarsie in Brooklyn are typical R4 neighborhoods.

A summary of zoning requirements is as follows:

Floor Area Ratio (FAR)	0.75	
Use Groups:	1-4 (Residential & Community Use)	
Parking Requirements:	One space per dwelling unit.	
Setbacks:	18 foot minimum or exact 10 feet	
Maximum Lot Coverage	45%	
Minimum Lot Size	Detached	3,800 SF
	Other	1,700 SF

The subject property does not conform as to bulk or parking requirements. The subject is presently improved with 410,643 SF, only 137,250 SF are permitted as of right. However, the subject was constructed prior to the 1961 zoning resolution, and is therefore considered a legal, pre-existing, non-conforming use as it was “grandfathered” when the regulations were adopted.

If the subject were to be fire damaged, it could be rebuilt to its present size and use.

⁴ Zoning Handbook, ibid.

HIGHEST AND BEST USE

The Appraisal Institute defines Highest and Best Use as follows:

"That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value."⁵

The Highest and Best Use determinations apply to both vacant site and to sites with existing improvements. An improvement on a site may, or may not, represent the site's highest and best use. However, the existing use will continue until the value of the land, as vacant exceeds the value of the property as improved.

For example, assume a site is improved with a dwelling, located in an area which has become an active retail location. Assume the property, as improved as a dwelling, has a fair market value of \$300,000. When the value of this site, as vacant and ready to be improved to its highest and best use, exceeds \$300,000 plus demolition costs, the dwelling use will be discontinued. However, until that land value is reached, the dwelling use will continue, despite the fact that it does not represent the highest and best use of the land.

Arriving at an opinion of Highest and Best Use involves considering the following four criteria:

1. **Legal and/or probable uses** - those uses which are permitted under the current zoning or for which there is a reasonable possibility that the zoning may be changed and for which there are no deed restrictions.
2. **Physically possible uses** - those uses which the site can physically accommodate, taking into consideration the site's size, shape, topography, frontage, etc., as well as the availability of public utilities.
3. **Financially Feasible uses** - Those uses which are legal and physically possible, which produces a positive return.
4. **Maximally Productive use** - of the uses that are financially feasible, the use which produces the highest rate of return.

⁵ *The Appraisal of Real Estate, 11th Edition*, The Appraisal Institute

In arriving at a judgment of the Highest and Best Use for the subject property, the following criteria have been considered:

1. The site contains an existing improvement which, in our opinion contributes value to the site.
2. The existing use provides the highest rent per square foot.
3. The improvement conforms to the current zoning (grandfathered).
4. The area is over 95% built up. Existing improvements in the immediate vicinity consist of elevator apartment buildings, walk-up multi-family buildings and one and two family dwellings. These uses are established and are expected to continue.

The Highest and Best Use of the site, as if vacant, is influenced by public and private economic forces in the market in proximity to its location. In the following analysis, each of the criteria is applies to the subject property under both assumptions:

IF VACANT

Possible Use

The first constraint imposed on the possible use of the site is determined by its physical characteristics. The site contains approximately 183,500 square feet, and has well-defined frontages on three streets. Almost any legal and economically balanced used could apply.

Permissible Use

The subject is zoned Residential. The zoning ordinance permits residential and community uses.

Economic Feasibility

Any legal and permissible use which provides an adequate financial return to the land would be considered feasible. The feasibility of developing vacant land is a function of current and future supply and demand conditions for new development. As mentioned in our neighborhood and regional analysis, New York City is currently in the throes of a rental boom, however areas for new residential construction are selective and are affected by the ability to generate financing for all but the most secure proposals.

Optimal Productivity

Taking the aforementioned factors into consideration, it is our opinion that the Highest and Best Use of the land if vacant, would be for the construction of a multi-family building.

AS IMPROVED

When analyzing the subject's optimal use as currently improved, consideration is given as to whether the improvement should remain as is, be remodeled, expanded or demolished.

The subject has been minimally renovated, and should have its units upgraded upon vacancy. Expansion is not practical as the subject is presently improved in excess of the allowable bulk zoning regulations. The subject's present use provides sufficient income, and exceeds that of alternate uses.

I have given careful consideration to the various factors affecting the Highest and Best Use of the subject property including its location, neighboring property influences, accessibility to public transportation and roadways, zoning, market demand factors, and the size, shape and configuration of the property.

The demand in the area for residential space is good and likely to remain that way for the foreseeable future. Therefore, the present use as a multifamily dwelling, provides at this time, the highest return to the land.

SAMPLE

THE APPRAISAL PROCESS

There are three generally accepted approaches to estimating the value of real property: the Cost, Income and Direct Sales Comparison Approaches.

The Cost Approach involves estimating the replacement cost, as if new, of a structure and deducting the estimated depreciation, if any, from all sources (physical, functional and economic). To the result is added the land value, derived from market data, to arrive at a value estimate for the property appraised. This approach is based on the premise that a knowledgeable purchaser relates value to cost and will not pay more for an existing structure than the cost of creating a similar structure in a comparable location.

The Cost Approach can be most useful when dealing with new structures or with special use property. The reliability of the this approach lessens when appraising older property as the estimation of deprecation becomes increasingly speculative.

Cost is not necessarily synonymous with value, therefore, the Cost Approach can rarely stand on its own, i.e., the value indicated by this approach must be supported by one of the other approaches.

The subject improvement does not constitute a specialty, rather it is an improvement which will be purchased for its income potential or for an alternate use. It is therefore our opinion that this approach provides a poor index of value as it does not relate to the income potential of the property.

The Income Approach typically involves projecting the income and expenses of a property over a period, or periods, of time into a cash flow projection before debt service and depreciation. The cash flow (net operating income) is then capitalized into a value estimate. The capitalization rate is typically based on current financial market requirements and the equity return is reflective of the needs of specific investors in the subject's segment of the real estate market. This approach is applied to income producing property, as this type of property is traded based on the quality and durability of its income stream.

The validity of this approach is rooted largely in the principle of anticipation. An investor purchasing an income producing property is paying a sum of money in present dollars for the right to receive future dollars. The investor's perception of future income and expense levels at the property level as well as interest rate movements are essential elements in the investment decision.

As the subject is typically purchased by an investor, this approach best reflects the immediate intentions of the buyer, and has received the most weight in the reconciliation process.

The Sales Comparison Approach involves analysis of recent sales of property similar to the subject. Generally, adjustments are necessary to reflect and account for differences between the subject and the comparable sales utilized. The resulting value indication is an estimate of the probable price at which the property would sell if currently offered in the marketplace.

This approach derives its validity from the principle of substitution which holds that a prudent investor will not pay more for a property than the cost of acquiring a similarly desirable property. When sufficient comparable sales are available, the Direct Sales Comparison Approach can produce a reliable indicator of value.

Valuation Methodology

In estimating the value of the subject property, we will utilize the Sales Comparison and Income Approaches. For the reasons stated above, the Cost Approach will not be employed.

SAMPLE

SALES COMPARISON APPROACH

The Sales Comparison (Market) Approach values a property based on the process of analyzing recent bona fide sales of similar properties in the area in order to derive a market value indication for the property being appraised. Typically, units of comparison are developed and applied to the subject. This approach represents an interpretation of the actions of buyers, sellers, and investors in the market. Any dissimilarities, such as size, location, condition and date of sale are reconciled through the process of adjustments.

This process adjusts the difference in sales prices so as to make the sales cited as comparable to the subject as possible. Those sales requiring the least amount of adjustments are usually the most similar to the subject and therefore, provide the most meaningful indication of value.

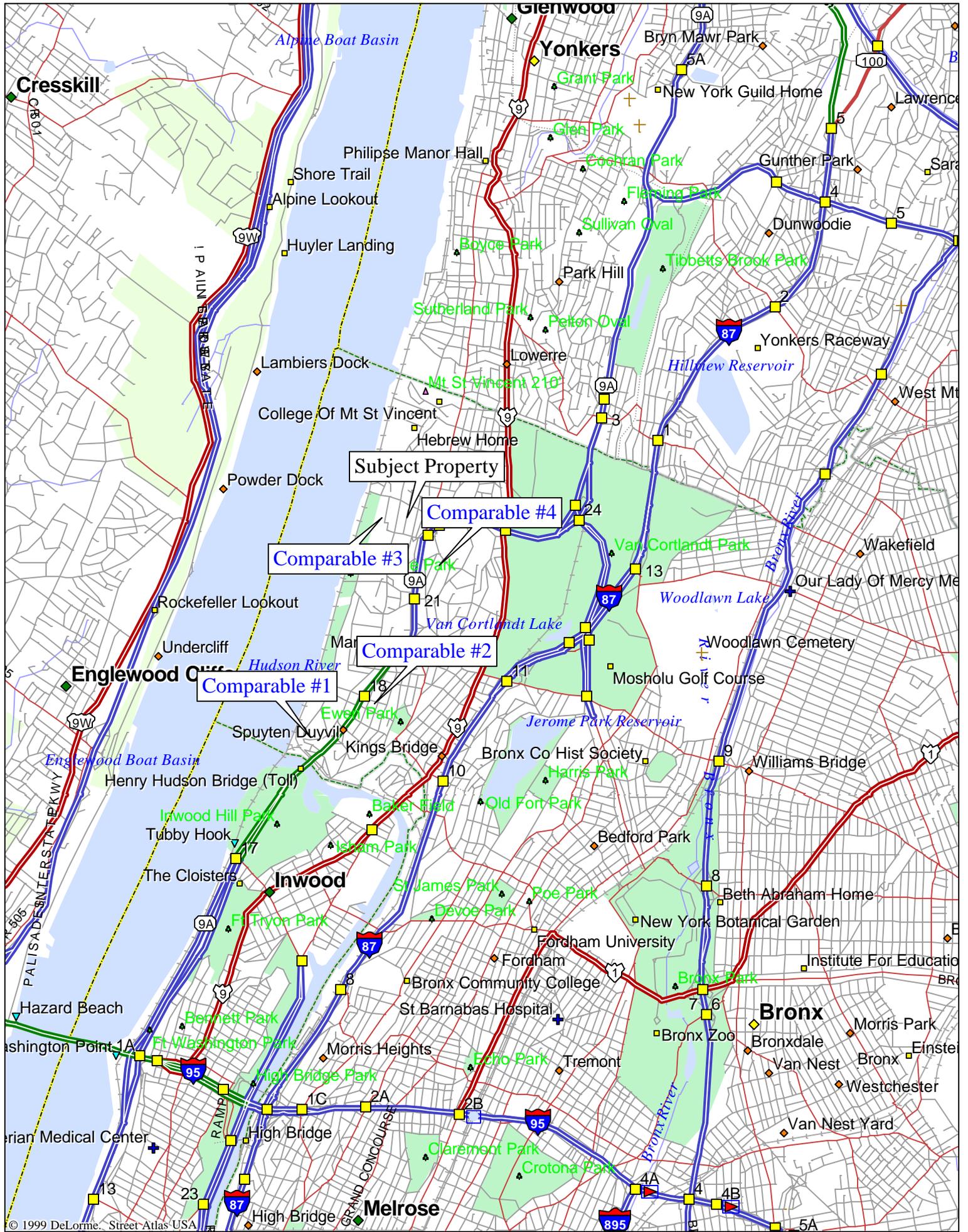
An investigation was undertaken for the purpose of disclosing sales of similar type buildings which have occurred in the area and surrounding neighborhood, over the last two years.

The comparables contained herein are the best available indicators of market value for the subject property. The majority of buildings within the subject's immediate market area have been converted to cooperative ownership and therefore effectively removed from the market.

The unit of comparison selected is the price per square foot and the price per unit. Adjustments between the sales data and the subject properties were made for time, size, location and condition.

All of the these buildings are encumbered by Rent Stabilization as is the subject. All have been renovated to varying degrees. Distressed sales and non-arms-length transfers were eliminated, but referee sales were not, as they make up a considerable segment of the market. Distinction between elevator and walk-up buildings was considered to be of secondary importance. Each of these sales were then analyzed, physically inspected (exterior only), and adjusted for differences in time, location, and quality/condition.

On the following pages are found summaries of six comparable sales and their subsequent analysis.



Subject Property

Comparable #4

Comparable #3

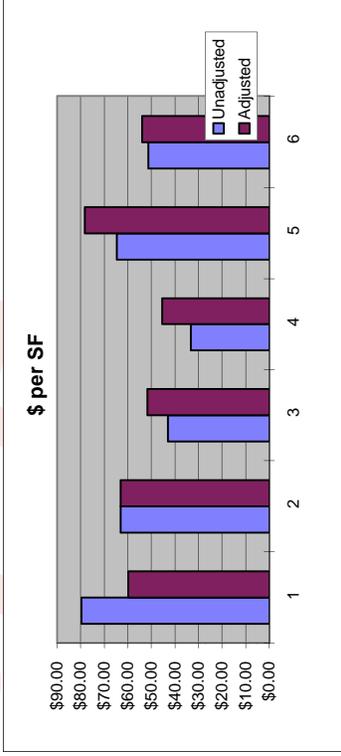
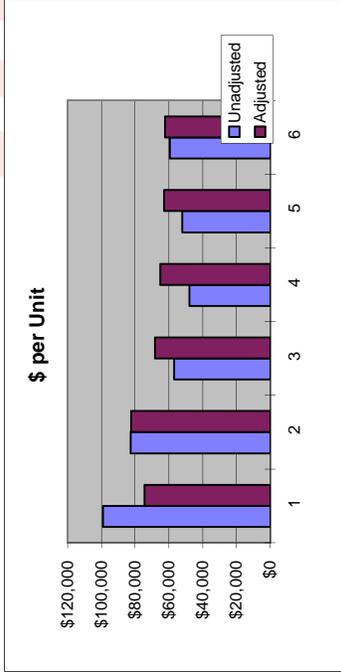
Comparable #2

Comparable #1

COMPARABLE SALES GRID

SUBJECT	Sale # 1		Sale # 2		Sale # 3		Sale # 4		Sale # 5		Sale # 6	
	Address	2475 Palisade Ave Bronx, NY	2728 Henry Hudson Bronx, NY	3155 Grand Conc Bronx, NY	2701 Grand Conc Bronx, NY	2 Ellwood St New York, NY	700 Ft Washington New York, NY					
Block/Lot	441	5716/287	5732/941	3311/87	3314/51	2171/42	2180/610					
Sale Date	01/00	04/99	12/00	09/99	12/99	04/99	04/99					
# of Units	25	121	65	65	149	72	72					
Building Size (SF)	410,643	158,408	86,000	93,000	119,788	83,402	83,402					
Effective Gross Income	\$3,397,338	\$1,117,768	\$519,160	\$505,652	\$901,556	\$474,871	\$474,871					
Rent/Unit/Month	\$641.98	\$769.81	\$665.59	\$648.27	\$504.23	\$549.62	\$549.62					
Sales Price	\$25,000,000	\$10,000,000	\$3,700,000	\$3,100,000	\$7,752,000	\$4,275,000	\$4,275,000					
Price/Unit	\$56,689	\$82,645	\$56,923	\$47,692	\$52,027	\$59,375	\$59,375					
Price/SF	\$60.88	\$63.13	\$43.02	\$33.33	\$64.71	\$51.26	\$51.26					
EGIM	7.36	8.79	7.13	6.13	8.60	9.00	9.00					
Adjustments												
Time	0%	5%	0%	5%	5%	5%	5%					
Time Adj Sales Price	\$2,477,500	\$10,500,000	\$3,700,000	\$3,255,000	\$8,139,600	\$4,488,750	\$4,488,750					
Financing	0%	0%	0%	0%	0%	0%	0%					
Location	-10%	0%	20%	25%	15%	5%	5%					
Size	-15%	-5%	-5%	-5%	-5%	-5%	-5%					
Quality/Condition	0%	0%	5%	10%	5%	0%	0%					
Other	0%	0%	0%	0%	0%	0%	0%					
Net Adjustments	-25%	-5%	20%	30%	15%	0%	0%					
Adjusted Sales Price	\$1,858,125	\$9,975,000	\$4,440,000	\$4,231,500	\$9,360,540	\$4,488,750	\$4,488,750					
Adjusted \$/Unit	\$74,325	\$82,438	\$68,308	\$65,100	\$62,822	\$62,344	\$62,344					
Adjusted \$/SF	\$59.75	\$62.97	\$51.63	\$45.50	\$78.14	\$53.82	\$53.82					

	UNADJUSTED		ADJUSTED	
	Minimum	Maximum	Minimum	Maximum
\$/Unit	\$47,692	\$99,100	\$62,344	\$82,438
\$/SF	\$33.33	\$79.67	\$45.50	\$78.14
EGIM	6.13	9.00	7.50	8.10
			Average	Average
			\$69,223	\$58.64



Value Indicators	Price Per SF	Price per Unit	Income Multiplier	SF @ 410,643	Units @ 441	EGI @ \$3,397,338	per SF = \$60.00	per Unit = \$62,000	EGIM = 7.50	per SF = \$24,638,580	per Unit = \$27,342,000	EGIM = \$25,480,035
INDICATED VALUE VIA SALES COMPARISON APPROACH												
												\$25,000,000

Comparable Sale #1



Location: 2475 Palisade Avenue
Bronx (Riverdale), NY

Sale Date: 1/31/00

Identification: Block 5716 Lot 287

Grantor: 2475 Palisade LLC
Grantee: Robert Cohen

Consideration: \$2,477,500

Financing: No Indicated Mortgage

Assessed Value: \$387,540

Building Data: Type: Six Story Elevator Apartment Building
Age: 1932 Built
No. of Units: 25 Apts.
Building Size: 31,098 sq. ft.
Lot Size: 13,500 SF

Comments: One, pre-war, elevator, multifamily dwelling, located in the Riverdale section of the Bronx. Building reflects average condition and maintenance.

Gross Income: \$282,000

GIM: 8.79

Price/Sq. Ft.: \$79.67

Price/Unit: \$99,100

Comparable Sale #2



Location:	2728 Henry Hudson Pkw E. Bronx (Riverdale), NY	Sale Date:	12/28/99
Identification:	Block 5732 Lot 941	Grantor:	Harlan Realty
		Grantee:	Henry Hudson Gardens
Consideration:	\$10,000,000	Financing:	\$6,500,000
Assessed Value:	\$2,336,400		
Building Data:	Type:	Seven Story Elevator Apartment Building	
	Age:	1928 Built	
	No. of Units:	121 Apts.	
	Building Size:	158,408 sq. ft.	
	Lot Size:	74,150 SF	
Comments:	One, pre-war, elevator, multifamily dwelling, located in the Riverdale section of the Bronx. Building reflects average condition and maintenance.		
	Gross Income:	\$1,117,768	GIM: 8.95
	Price/Sq. Ft.:	\$63.13	Price/Unit: \$82,645

Comparable Sale #3



Location:	3155 Grand Concourse Bronx, NY	Sale Date:	12/31/00
Identification:	Block 3311 Lot 87	Grantor:	AVJ Realty Corp.
		Grantee:	3155 Concourse Assocs.
Consideration:	\$3,700,000	Financing:	No Indicated Mortgage
Assessed Value:	\$710,000		
Building Data:	Type:	Six Story Elevator Apartment Building	
	Age:	1936 Built	
	No. of Units:	65 Apts.	
	Building Size:	86,000 sq. ft.	
	Lot Size:	16,400 SF	
Comments:	One, pre-war, elevator, multifamily dwelling, located in the Bedford Park section of the Bronx. Building reflects fair to average condition and maintenance.		
	Gross Income:	\$519,160	GIM: 7.13
	Price/Sq. Ft.:	\$43.02	Price/Unit: \$56,923

Comparable Sale #4



Location: 2701 Grand Concourse
Bronx, NY

Sale Date: 9/23/99

Identification: Block 3314 Lot 51

Grantor: 2701 Concourse Assoc
Grantee: 2701 Grand Assoc

Consideration: \$3,100,000

Financing: No Indicated Mortgage

Assessed Value: \$770,440

Building Data: Type: Six Story Elevator Apartment Building
Age: 1924 Built
No. of Units: 65 Apts.
Building Size: 93,000 sq. ft.
Lot Size: 27,810 SF

Comments: One, pre-war, elevator, multifamily dwelling, located in the Bedford Park section of the Bronx. Building reflects fair condition and maintenance.

Gross Income: \$505,652

GIM: 6.13

Price/Sq. Ft.: \$33.33

Price/Unit: \$47,692

Comparable Sale #5



Location:	2 Ellwood Street New York, NY	Sale Date:	12/12/99
Identification:	Block 2171 Lot 42	Grantor:	2 Ellwood St LLC
		Grantee:	34 Realty LLC
Consideration:	\$7,752,000	Financing:	100% Cash
Assessed Value:	\$936,000		
Building Data:	Type:	Elevated Apartment Building	
	Age:	71 years	
	No. of Units:	149 Apartments	
	Building Size:	119,788 sq.ft.	
	Lot Size:	27,425 SF	
Comments:	Pre-war, elevated multifamily dwelling, located at the N/W/C of Hillside Avenue. Building reflects fair to average condition and maintenance.		
	Gross Income:	\$901,566	GIM: 8.60
	Price/Sq. Ft.:	\$64.71	Price/Unit: \$52,027

Comparable Sale #6



Location: 700 Ft. Washington Ave
New York, NY

Sale Date: 04/20/99

Identification: Block 2180 Lot 610
Liber 2858, Page 2138

Grantor: First Diamond Rlty
Grantee: Shalco Investments

Consideration: \$4,275,000

Financing: \$5,662,972 Mtge.

Assessed Value: \$708,300

Building Data: Type: Elevatored Apartment Building
Age: 50 years
No. of Units: 72 Apts
Building Size: 83,402 sq.ft.
Lot Size: 21,850 SF

Comments: Pre-war, elevatored multifamily dwelling, located between West 190th and 192nd Streets. Building reflects average condition and maintenance.

Gross Income: \$474,871 **GIM:** 9.00
Price/Sq. Ft.: \$51.26 **Price/Unit:** \$59,375

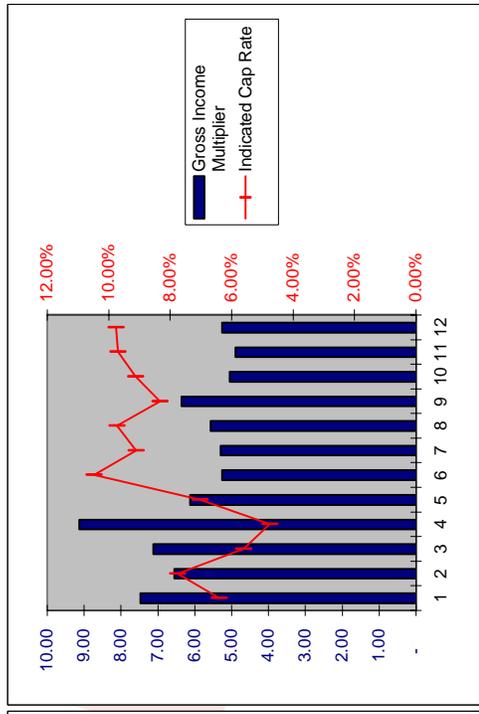
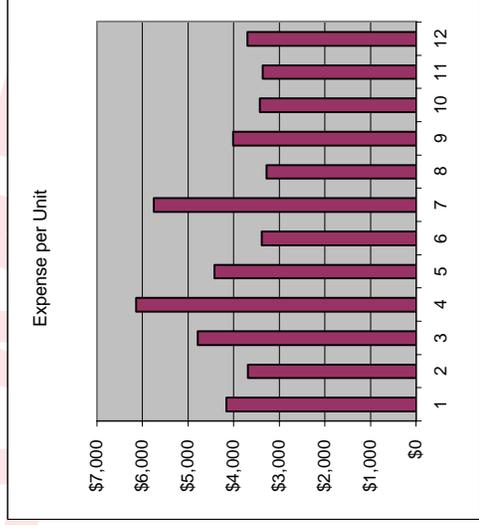
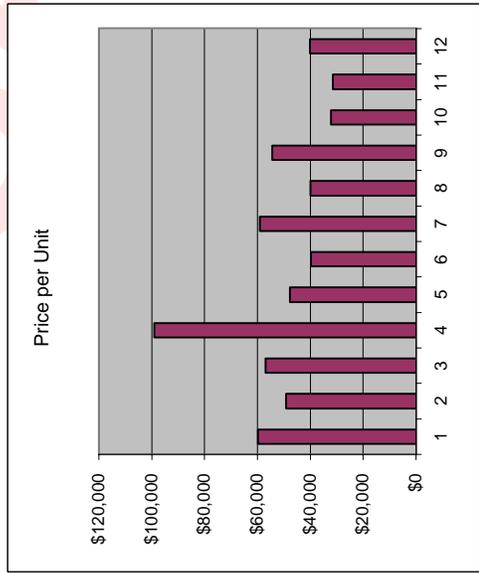
MARKET DATA ADJUSTMENTS

The adjusted data revealed an adjusted range of \$45.50 to \$78.14/sq.ft. with mean of \$58.64/sq.ft and \$62,344 to \$82,438 per unit with a mean of \$69,223 per unit. The comparables exhibit a wide range, due to the diversity of the product involved. The adjustments were calculated as follows:

- Interest Conveyed:** All sales reflected a leased fee interest transfer. As it is not possible to ascertain the lease terms for all of the property tenants, all leases are assumed to be close to market, therefore no adjustments were necessary.
- Financing:** Typical of properties in this area, some of the transactions were for cash to the seller, with others for cash over an existing or new mortgage. No unusual conditions that could influence the price were reported during the confirmation process. Therefore, no cash equivalency calculation was necessary.
- Time:** All of the sales have occurred since 1999, a period of general growth in the real estate markets. Based on our analysis of the market, and the trending of the comparables, we have adjusted the sales at 5% annually. This has been tempered somewhat with the knowledge that the recent stock market decline will have a dampening effect on the market.
- Location:** The subject is located in the most desirable section of the Bronx. Comparables # 1 & 2 are also located in Riverdale, however Sale # 1 is located on the banks of the Hudson River and is superior in location. Comparables # 3 & 4 are located along Grand Concourse in the Bronx, a desirable area, but secondary to Riverdale in appeal (lower numbered addresses are less desirable). Sales # 5 & 6 are located in Upper Manhattan, in close proximity to the subject, but an area lacking the "cache" of Riverdale.
- Size:** Adjustments were made to compensate for size differences (based on GBA), as price per unit varies inversely with size.
- Condition:** The subject reflects average overall condition, although most of its infrastructure has been upgraded, therefore some of the comparables required adjustments for perceived differences.

Analysis of Apartment Building Sales

#	Address	Borough	# of Units	Type	Year Built	Sale Date	Sale Price	Price per Unit	Effective Gross Income	Net Operating Income	EG/Unit/Month	Exp %	Expense per Unit	Gross Income Multiplier	Indicated Cap Rate
1	1179-85 Bennett Avenue	Manhattan	92	10 Story Elevator	1960	6/28/00	\$5,500,000	\$59,783	\$735,489	\$352,614	\$666.20	52.1%	\$4,162	7.48	6.41%
2	136 Ellwood Ave	Manhattan	61	6 Story Elevator	1935	10/1/00	\$3,000,000	\$49,180	\$457,818	\$232,618	\$625.43	49.2%	\$3,692	6.55	7.75%
3	3155 Grand Concourse	Bronx	65	6 Story Elevator	1936	12/1/00	\$3,700,000	\$56,923	\$519,160	\$207,590	\$665.59	60.0%	\$4,793	7.13	5.61%
4	2475 Palisade Ave	Bronx	25	6 Story Elevator	1932	1/1/00	\$2,477,500	\$99,100	\$271,120	\$117,712	\$903.73	56.6%	\$6,136	9.14	4.75%
5	2701 Grand Concourse	Bronx	65	6 Story Elevator	1924	9/23/99	\$3,100,000	\$47,692	\$505,652	\$217,976	\$648.27	56.9%	\$4,426	6.13	7.03%
6	51 Buchanan Place	Bronx	37	6 Story Elevator	1930	Pending	\$1,470,000	\$39,730	\$279,480	\$154,072	\$629.46	44.9%	\$3,389	5.26	10.48%
7	3940 Bronx Blvd	Bronx	62	7 Story Elevator	1960	3/26/99	\$3,660,000	\$59,032	\$690,193	\$333,551	\$927.68	51.7%	\$5,752	5.30	9.11%
8	1665 Morris Ave	Bronx	42	6 Story Elevator	1931	Pending	\$1,675,000	\$39,881	\$300,960	\$163,003	\$597.14	45.8%	\$3,285	5.57	9.73%
9	200 Wadsworth Ave	Manhattan	23	6 Story Walk-up	1910	Pending	\$1,250,000	\$54,348	\$196,380	\$104,151	\$711.52	47.0%	\$4,010	6.37	8.33%
10	125 Mt Hope Pl	Bronx	48	6 Story Walk-up	1920	Pending	\$1,545,000	\$32,188	\$305,646	\$140,982	\$530.64	53.9%	\$3,431	5.05	9.13%
11	4040 Carpenter Ave	Bronx	50	5 Story Walk-up	1920	5/4/99	\$1,570,000	\$31,400	\$320,339	\$152,250	\$533.90	52.5%	\$3,362	4.90	9.70%
12	710 East 235th St	Bronx	35	5 Story Walk-up	1928	3/12/99	\$1,402,000	\$40,057	\$266,367	\$136,796	\$634.21	48.6%	\$3,702	5.26	9.76%
							Minimum	\$31,400			\$530.64	44.9%	\$3,285	4.90	4.75%
							Average	\$50,776			\$672.81	51.6%	\$4,178	6.18	8.15%
							Maximum	\$99,100			\$927.68	60.0%	\$6,136	9.14	10.48%
							Standard Dev.	\$18,150			\$124.80	4.7%	\$948	1.25	1.84%





All of the comparables are located within 2 miles of the subject in the Bronx or Upper Manhattan, in proximity to the subject. The comparables form a wide but reasonable range, considering their differences in size and location.

Comparables # 1 & 2 are the most similar in location, however none of the sales are the same size as the subject. The comparables bracket the subject as two have negative net adjustments, three have positive and one is neutral. I have estimated the subject's value to be \$60.00 per square foot and \$62,000 per unit, which are both near the measures of central tendency, but in keeping with the subject's larger size.

Due to the large apartments, the more indicative measure of value would be attributed to the building square foot measure rather than the number of units.

A third unit of comparison considered was the Effective Gross Income Multiple, which is generated by dividing the sales price by the reported (to the City for tax appeal) Effective Gross Income of each sale. The Effective Gross Income Multiples exhibit a range of 6.13 to 9.00 (mean 8.10); the subject's multiple being 6.77 (Based on the Final Reconciled Value of \$23,000,000). Confidence is weakened however, in a market dominated by receivers or unconfirmed data from attorneys, as well as the fact that lower income projections tend to favor the Owner in tax proceedings and thus inflate EGIM's. In the current market, investors mainly rely on the first year net income rather than a ratio that is in danger of being more self perpetuating than verifiable.

Additionally, we have analyzed 12 sales of properties in the Bronx and Upper Manhattan, all of which (except 3 4) are inferior in location to the subject; which indicate an average of \$50,776 per unit and a GIM of 6.18, however both indicators have a wide variance. As anticipated, the sales in desirable areas (#1, 3, 4, 9) have higher indices. Finally, please note the average EGI/Unit/month of the sales is \$673 which is above the \$641 from the subject, further indicating its below market rents.

After considering the above data, in light of this report as well as the quality of the data, it was felt that a price near the unit of central tendency was reflected. Thus:

441 ⁶ Units x \$62,000/Unit =	\$27,342,000
410,643 SF x \$60.00/SF =	\$24,638,580
\$3,397,338 EGI x 7.50 EGIM =	\$25,480,035

VALUE VIA THE MARKET APPROACH \$25,000,000

⁶ 439 Residential Units plus 2 Above Grade Employee's Units

INCOME APPROACH

Income producing properties are typically purchased for investment purposes, and from the investor's point of view, earning power is the critical element that affects the property's value. One essential investment premise is that the higher the earnings, the higher the value. The investor who purchases income producing real estate is trading present dollars for the right to receive future income.

To utilize the Income Approach, it is necessary to estimate the subject property's economic rent and operating expenses in order to arrive at a net income estimate and to determine the capitalization method to employ in processing the income into a capital value estimate. Since the subject is 100% occupied, actual rents in place were used to construct a stabilized Income and Expense Pro-Forma.

The subject property is of the type which is traded in the marketplace based chiefly on a projection of one year's income stream. The assembling and processing of the income and expense data generally involves the following steps:

1. Analysis of potential income from all sources in conjunction with a survey of the area's rental rates and occupancy trends. Estimate the annual Gross Potential Income of the property based on actual leases in effect and/or on comparable data.
2. Deduct from the Gross Potential Income the estimated loss of income resulting from vacancies and/or non-collections to arrive at an estimate of Gross Effective Income.
3. Estimate all operating expenses and other charges based upon actual property history and expenses of known comparable properties. The total expenses are deducted from the Effective Gross Income to arrive at an estimate of Net Operating Income (NOI - income before debt service, income taxes, and depreciation).
4. The development of a Capitalization Rate incorporating information from alternative investment sources and accounting for mortgage financing. Select an appropriate method of capitalization and convert the NOI into a value estimate.

MARKET RENTAL ANALYSIS

The subject is located in the Riverdale section of the Bronx, the most desirable residential area of the Bronx. Its exclusiveness arises from its geography (fronting on water on two sides, a highway forming the other border as well as its lack of public housing projects that are typically found in other areas of the Borough. Riverdale is comprised of one and two family dwellings (some selling in excess of \$1,000,000) and mostly elevated apartment buildings built after World War II. Most of these buildings are located along the Henry Hudson Parkway as well as along the banks of the Hudson River. Many of these properties have been converted to tenant ownership (either Co-ops or Condos) and are therefore effectively removed from the rental market.

Our analysis of this market indicated that there are approximately 60 elevated apartment buildings located within 1 mile radius of the subject property, comprising a total of 8,616,000 SF of apartment space (appr. 8,600 units). Of these 60 buildings, approximately 40 have been converted to Co-ops or Condos, therefore the rental market is approximately one-third of the total apartment market.

Furthermore, Rent Regulations in the City tend to discourage moving. Tenants in buildings with over 5 units built prior to 1974 are governed by Rent Stabilization Guidelines. This allows the tenant (and their heirs) the automatic right to renew their lease at a fixed annual increase which is set by the State (presently 4%). However, upon vacancy, the Landlord has the right to receive a vacancy allowance (18%) plus 1/40th of the cost of approved renovations to the unit in order to increase the rent. If the "Market" Rent of a vacant unit is above \$2,000 per month, the unit becomes Deregulated.

Thus, it is possible that if a family rented a 3 bedroom apartment in Manhattan in 1950 and never moved out, their grandchildren could be paying \$500 per month for an apartment, that if vacant, could rent for \$5,000 per month.

The more desirable the building and its location, and the larger the apartments (less need to move out due to expanding family size), the lower the average rent. Furthermore, this system tends to discourage Landlords from providing additional amenities that will increase costs without any corresponding increase in rents. Therefore the relationship between Tenant and Landlord is more adversarial than typically found between Clients and their Vendors.

A survey was made of rental data for similar type buildings, in order to estimate market rent in order to provide a basis for supporting the actual rents being received at the subject property.

20 rental comparables were found within 5 buildings, all located within the Riverdale section of the Bronx. The comparables are detailed on the following page. They range as follows:

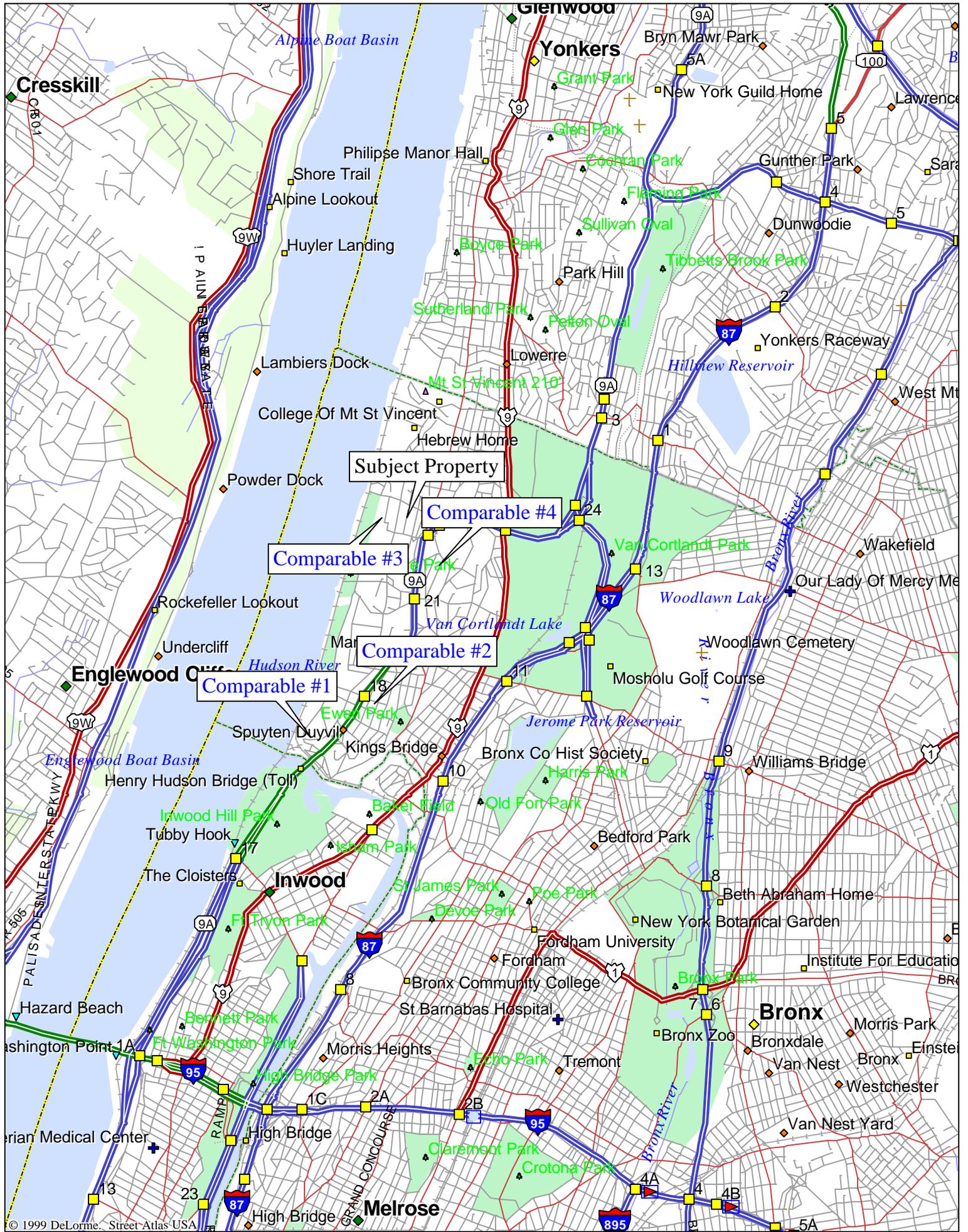
RESIDENTIAL APARTMENT COMPARABLES

	<u>Low</u>	<u>High</u>	<u>Mean</u>
Comparables (\$/Room):	\$271.20	\$362.50	\$312.61

The comparables provided represent a mix of studio, one, two, and three bedroom units. All are located in post-war, multi-family type apartment properties. Heat and hot water are included in rent, Tenants pay extra for electricity and parking.

The subject exhibits a combined average rent (439 Rental Apts/1,619.5 Rooms) of \$171.23 per room per month. The subject's average rents are far below the market's low end.

Since the subject is actually 100% leased in a regulated marketplace, the actual rents were used for the Income Projection. The Rent Roll dated March 2001 appears in the *Addenda* of this report.



Subject Property

Comparable #4

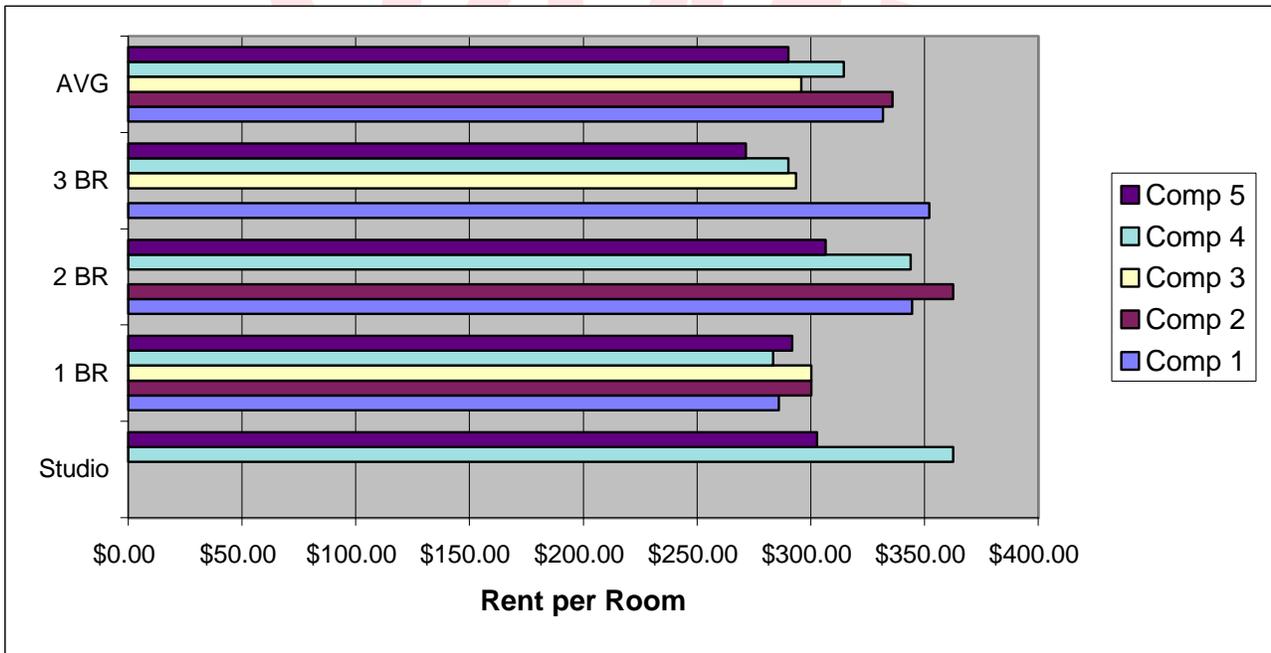
Comparable #3

Comparable #2

Comparable #1

Summary of Comparable Rents

#	Address		Built	Studio	1 BR	2 BR	3 BR	AVG
1	2287 Johnson Avenue	Bronx, NY	1986	\$0.00	\$285.71	\$344.44	\$352.00	\$331.54
2	5700 Arlington Avenue	Bronx, NY	1962	\$0.00	\$300.00	\$362.50	\$0.00	\$335.71
3	600-30 West 246th St	Bronx, NY	1958	\$0.00	\$300.00	\$0.00	\$293.33	\$295.56
4	3777 Independence Ave	Bronx, NY	1964	\$362.50	\$283.33	\$343.75	\$290.00	\$314.29
5	3750 Hudson Manor Terr	Bronx, NY	1955	\$302.50	\$291.67	\$306.25	\$271.20	\$290.07
AVERAGE				\$332.50	\$292.14	\$339.24	\$301.63	\$313.43





COMPARABLE APARTMENT RENTAL PROPERTY #1

Property Name:	Not Applicable	Year Built:	1986
Street Address:	2287 Johnson Avenue	Contact:	Management
City:	Bronx, NY	# of Units:	69

Unit Type	Rms	Brs	Baths	Rent	Rent per Room
Studio					
1 Bedroom	3.5	1	1.0	\$1,000.00	\$285.71
2 Bedroom	4.5	2	1.0	\$1,550.00	\$344.44
3 Bedroom	5.0	3	1.0	\$1,760.00	\$352.00
Total/Average	4.3			\$1,436.67	\$331.54

Amenities				Condition		Included In Rent	
Security		Range	X	Very Good		Electric	
Swimming Pool		Refrigerator	X	Good	X	Cooking Gas	X
Health Club		Dishwasher	X	Average		Water	X
Club Room		Microwave		Fair		Sewer	X
Tennis		Compactor		Poor		Heat	X
Racquetball		Fireplace				Hot Water	X
Laundry Room		Ceiling Fan					
Doorman	X	Balcony/Patio					
Parking	X	Cable	X				

Comments	16 story, elevator apartment building. Property has on-site parking. Property in walking distance to shopping and the train station.
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COMPARABLE APARTMENT RENTAL PROPERTY #2

Property Name: Not Applicable Year Built: 1962
 Street Address: 5700 Arlington Avenue Contact: Management
 City: Bronx, NY # of Units: 457

Unit Type	Rms	Brs	Baths	Rent	Rent per Room
Studio					
1 Bedroom	3.0	1	1.0	\$900.00	\$300.00
2 Bedroom	4.0	2	1.0	\$1,450.00	\$362.50
3 Bedroom					
Total/Average	3.5			\$1,175.00	\$335.71

Amenities				Condition		Included In Rent	
Security		Range	X	Very Good		Electric	
Swimming Pool	X	Refrigerator	X	Good	X	Cooking Gas	
Health Club	X	Dishwasher	X	Average		Water	X
Club Room		Microwave		Fair		Sewer	X
Tennis		Compactor		Poor		Heat	X
Racquetball		Fireplace				Hot Water	X
Laundry Room		Ceiling Fan					
Doorman	X	Balcony/Patio					
Parking	X	Cable	X				

Comments 20 story, elevator apartment building. Property has on-site parking. Property in walking distance to shopping and the bus stop.



COMPARABLE APARTMENT RENTAL PROPERTY #3

Property Name: Not Applicable Year Built: 1958
 Street Address: 600-30 West 246th St Contact: Management
 City: Bronx, NY # of Units: 403

Unit Type	Rms	Brs	Baths	Rent	Rent per Room
Studio					
1 Bedroom	3.0	1	1.0	\$900.00	\$300.00
2 Bedroom					
3 Bedroom	6.0	3	1.0	\$1,760.00	\$293.33
Total/Average	4.5			\$1,330.00	\$295.56

Amenities				Condition		Included In Rent	
Security		Range	X	Very Good		Electric	
Swimming Pool		Refrigerator	X	Good	X	Cooking Gas	
Health Club		Dishwasher	X	Average		Water	X
Club Room		Microwave		Fair		Sewer	X
Tennis	X	Compactor		Poor		Heat	X
Racquetball		Fireplace				Hot Water	X
Laundry Room		Ceiling Fan					
Doorman	X	Balcony/Patio					
Parking	X	Cable	X				

Comments 13 story, elevator apartment building. Property has on-site parking. Property in walking distance to shopping and the bus stop.



COMPARABLE APARTMENT RENTAL PROPERTY #4

Property Name:	Not Applicable	Year Built:	1964
Street Address:	3777 Independence Ave	Contact:	Management
City:	Bronx, NY	# of Units:	196

Unit Type	Rms	Brs	Baths	Rent	Rent per Room
Studio	2.0	0	1.0	\$725.00	\$362.50
1 Bedroom	3.0	1	1.0	\$850.00	\$283.33
2 Bedroom	4.0	2	1.0	\$1,375.00	\$343.75
3 Bedroom	5.0	3	1.0	\$1,450.00	\$290.00
Total/Average	3.5			\$1,100.00	\$314.29

Amenities				Condition		Included In Rent	
Security		Range	X	Very Good		Electric	
Swimming Pool	X	Refrigerator	X	Good	X	Cooking Gas	
Health Club		Dishwasher	X	Average		Water	X
Club Room		Microwave		Fair		Sewer	X
Tennis		Compactor		Poor		Heat	X
Racquetball		Fireplace				Hot Water	X
Laundry Room		Ceiling Fan					
Doorman		Balcony/Patio					
Parking	X	Cable	X				

Comments	15 story, elevator apartment building. Property has on-site parking. Property in walking distance to shopping and the bus stop.
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COMPARABLE APARTMENT RENTAL PROPERTY #5

Property Name: Not Applicable **Year Built:** 1955
Street Address: 3750 Hudson Manor Terr **Contact:** Management
City: Bronx, NY **# of Units:** 213

Unit Type	Rms	Brs	Baths	Rent	Rent per Room
Studio	2.0	0	1.0	\$605.00	\$302.50
1 Bedroom	3.0	1	1.0	\$875.00	\$291.67
2 Bedroom	4.0	2	1.0	\$1,225.00	\$306.25
3 Bedroom	5.0	3	1.0	\$1,356.00	\$271.20
Total/Average	3.5			\$1,015.25	\$290.07

Amenities				Condition		Included In Rent	
Security		Range	X	Very Good		Electric	
Swimming Pool		Refrigerator	X	Good		Cooking Gas	
Health Club		Dishwasher	X	Average	X	Water	X
Club Room		Microwave		Fair		Sewer	X
Tennis		Compactor		Poor		Heat	X
Racquetball		Fireplace				Hot Water	X
Laundry Room		Ceiling Fan					
Doorman	X	Balcony/Patio					
Parking	X	Cable	X				

Comments 6 story, elevator apartment building. Property has on-site parking. Property in walking distance to shopping and the bus stop.

ANALYSIS OF ESTIMATED INCOME & EXPENSES

The estimate of income and expenses provided in this appraisal represents a projection of income and operating data for the coming year. The Owner has provided a Rent Roll for March 2001 and Operating Expenses, copies of which can be found in the *Addenda* of this report.

INCOME

Apartments:

The majority of the subject units are regulated by Rent Control and Rent Stabilization Laws, and therefore are under the jurisdiction of the New York State Department of Housing and Community Renewal (DHCR), which governs all state residential properties.

For Stabilized Units the Renewal Guidelines for 10/1/00 to 9/30/01 is 4% for a one-year lease renewal and 6% for a two-year lease renewal respectively (Rent Guideline year is October 1st to September 30th). The vacancy allowance is 18%. As of 10/1/99, the supplemental increase on units which are rented below \$500 per month is \$15. For a renewal lease on a dwelling unit renting at \$215/month or less, after any allowable increase is applied, the new lawful rent will be \$215 per month.

We have increased the subject's leases that are expiring by the end of the year by 5%, to reflect the average of the 4% for one year and 6% for two year lease renewals.

The Rent Regulation Reform Act of 1997 was passed by the New York State Legislature on June 19, 1997. This Act deals with Rent Stabilized Units. One of the major changes provided in the Reform Act is the lowering of the income threshold for luxury decontrol to \$175,000. The Reform Act also clarifies the previous 1994 measure with regard to vacancy decontrol. The act states that all vacant units, on or after June 15, 1997, which can achieve a new legal rent of \$2,000 per month or more via the vacancy allowance Rent Guideline Increase and MCI's etc. are permanently Deregulated upon leasing.

The annual rent increase for rent controlled apartments has been 7.5% for the past several years.

Rent controlled rents typically fall severely below market levels. When an apartment which was formerly occupied by a Rent Controlled tenant becomes vacant, the unit becomes a Rent Stabilized apartment. The initial rent is generally set at the current Market Rate for that unit, with all renewals and re-rentals subject to the Rent Stabilization Guidelines.



RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Overall Summary

# of Units	Rm Size	Total # of Rms	Type	Monthly Rent	Rent/Unit	\$/Room
66	2.0	132.0		\$39,417.46	\$597.23	\$298.62
228	3.5	798.0		\$143,770.39	\$630.57	\$180.16
119	4.5	535.5		\$75,738.54	\$636.46	\$141.44
28	5.5	154.0		\$18,386.72	\$656.67	\$119.39
441		1,619.5	Total	\$277,313.11	\$628.83	\$171.23
439		1,619.5	RS	\$277,313.11	\$631.69	\$171.23
2		10.0	EMPL	\$0.00	\$0.00	\$0.00
441		1,629.5	Total	\$277,313.11	\$628.83	\$170.18
42	#5530	150.0		\$25,660.17	\$610.96	\$171.07
48	#5532	171.5		\$31,090.95	\$647.73	\$181.29
43	#5535	163.5		\$26,947.14	\$626.68	\$164.81
42	#5545	162.0		\$25,138.45	\$598.53	\$155.18
42	#5550	150.0		\$25,977.76	\$618.52	\$173.19
48	#5552	171.5		\$30,655.22	\$638.65	\$178.75
42	#5555	162.0		\$26,869.56	\$639.75	\$165.86
42	#5565	162.0		\$27,284.49	\$649.63	\$168.42
44	#5570	155.5		\$27,575.31	\$626.71	\$177.33
48	#5572	171.5		\$30,114.06	\$627.38	\$175.59
441		1,619.5	Total	\$277,313.11	\$628.83	\$171.23

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5530	1A	3.5	RS	\$521.82	\$547.91	\$156.55
5530	1B	4.5	RS	\$764.29	\$764.29	\$169.84
5530	1C	4.5	RS	\$546.97	\$546.97	\$121.55
5530	1D	2.0	RS	\$591.21	\$620.77	\$310.39
5530	1E	3.5	RS	\$667.34	\$700.71	\$200.20
5530	1F	3.5	RS	\$582.00	\$611.10	\$174.60
5530	1G	3.5	RS	\$679.03	\$712.98	\$203.71
5530	2A	3.5	RS	\$491.98	\$516.58	\$147.59
5530	2B	4.5	RS	\$724.60	\$760.83	\$169.07
5530	2C	4.5	RS	\$674.39	\$674.39	\$149.86
5530	2D	2.0	RS	\$556.56	\$556.56	\$278.28
5530	2E	3.5	RS	\$572.25	\$600.86	\$171.68
5530	2F	3.5	RS	\$591.07	\$591.07	\$168.88
5530	2G	3.5	RS	\$507.90	\$507.90	\$145.11
5530	3A	3.5	RS	\$549.18	\$576.64	\$164.75
5530	3B	4.5	RS	\$744.31	\$781.53	\$173.67
5530	3C	4.5	RS	\$532.95	\$532.95	\$118.43
5530	3D	2.0	RS	\$608.40	\$638.82	\$319.41
5530	3E	3.5	RS	\$532.83	\$532.83	\$152.24
5530	3F	3.5	RS	\$533.18	\$559.84	\$159.95
5530	3G	3.5	RS	\$580.82	\$609.86	\$174.25
5530	4A	3.5	RS	\$607.10	\$637.46	\$182.13
5530	4B	4.5	RS	\$533.18	\$533.18	\$118.48
5530	4C	4.5	RS	\$590.69	\$590.69	\$131.26
5530	4D	2.0	RS	\$621.92	\$653.02	\$326.51
5530	4E	3.5	RS	\$621.73	\$621.73	\$177.64
5530	4F	3.5	RS	\$679.88	\$713.87	\$203.96
5530	4G	3.5	RS	\$700.13	\$735.14	\$210.04
5530	5A	3.5	RS	\$539.63	\$539.63	\$154.18
5530	5B	4.5	RS	\$800.09	\$800.09	\$177.80
5530	5C	4.5	RS	\$520.30	\$520.30	\$115.62
5530	5D	2.0	RS	\$534.44	\$561.16	\$280.58
5530	5E	3.5	RS	\$523.59	\$523.59	\$149.60
5530	5F	3.5	RS	\$557.00	\$557.00	\$159.14
5530	5G	3.5	RS	\$623.38	\$654.55	\$187.01
5530	6A	3.5	RS	\$713.02	\$713.02	\$203.72
5530	6B	4.5	RS	\$555.67	\$555.67	\$123.48
5530	6C	4.5	RS	\$480.34	\$504.36	\$112.08
5530	6D	2.0	RS	\$640.00	\$640.00	\$320.00
5530	6E	3.5	RS	\$512.48	\$538.10	\$153.74
5530	6F	3.5	RS	\$608.68	\$608.68	\$173.91
5530	6G	3.5	RS	\$513.55	\$513.55	\$146.73
5532	A	3.5	RS	\$562.96	\$591.11	\$168.89
5532	B	2.0	RS	\$650.00	\$650.00	\$325.00
5532	C	5.5	RS	\$693.69	\$693.69	\$126.13
5532	D	3.5	RS	\$625.00	\$625.00	\$178.57
5532	E	3.5	RS	\$615.57	\$615.57	\$175.88
5532	F	3.5	RS	\$742.70	\$742.70	\$212.20
5532	1A	3.5	RS	\$662.65	\$662.65	\$189.33
5532	1B	4.5	RS	\$731.99	\$731.99	\$162.66
5532	1C	4.5	RS	\$544.05	\$571.25	\$126.95
5532	1D	2.0	RS	\$513.49	\$539.16	\$269.58
5532	1E	3.5	RS	\$678.91	\$712.86	\$203.67
5532	1F	3.5	RS	\$501.99	\$527.09	\$150.60
5532	1G	3.5	RS	\$700.00	\$735.00	\$210.00
5532	2A	3.5	RS	\$535.59	\$535.59	\$153.03

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5532	2B	4.5	RS	\$699.76	\$699.76	\$155.50
5532	2C	4.5	RS	\$633.99	\$633.99	\$140.89
5532	2D	2.0	RS	\$630.74	\$662.28	\$331.14
5532	2E	3.5	RS	\$507.90	\$507.90	\$145.11
5532	2F	3.5	RS	\$686.40	\$720.72	\$205.92
5532	2G	3.5	RS	\$700.00	\$735.00	\$210.00
5532	3A	3.5	RS	\$626.44	\$657.76	\$187.93
5532	3B	4.5	RS	\$795.00	\$834.75	\$185.50
5532	3C	4.5	RS	\$534.89	\$561.63	\$124.81
5532	3D	2.0	RS	\$600.00	\$630.00	\$315.00
5532	3E	3.5	RS	\$749.00	\$749.00	\$214.00
5532	3F	3.5	RS	\$709.40	\$744.87	\$212.82
5532	3G	3.5	RS	\$535.21	\$535.21	\$152.92
5532	4A	3.5	RS	\$700.00	\$735.00	\$210.00
5532	4B	4.5	RS	\$785.08	\$785.08	\$174.46
5532	4C	4.5	RS	\$657.47	\$690.34	\$153.41
5532	4D	2.0	RS	\$636.69	\$668.52	\$334.26
5532	4E	3.5	RS	\$535.25	\$535.25	\$152.93
5532	4F	3.5	RS	\$686.40	\$720.72	\$205.92
5532	4G	3.5	RS	\$589.24	\$589.24	\$168.35
5532	5A	3.5	RS	\$595.39	\$625.16	\$178.62
5532	5B	4.5	RS	\$612.43	\$612.43	\$136.10
5532	5C	4.5	RS	\$811.20	\$851.76	\$189.28
5532	5D	2.0	RS	\$636.00	\$636.00	\$318.00
5532	5E	3.5	RS	\$589.99	\$589.99	\$168.57
5532	5F	3.5	RS	\$528.98	\$528.98	\$151.14
5532	5G	3.5	RS	\$466.18	\$489.49	\$139.85
5532	6A	3.5	RS	\$520.81	\$546.85	\$156.24
5532	6B	4.5	RS	\$530.91	\$557.46	\$123.88
5532	6C	4.5	RS	\$708.15	\$743.56	\$165.24
5532	6D	2.0	RS	\$662.02	\$662.02	\$331.01
5532	6E	3.5	RS	\$686.40	\$720.72	\$205.92
5532	6F	3.5	RS	\$526.69	\$526.69	\$150.48
5532	6G	3.5	RS	\$637.29	\$669.15	\$191.19
5535	1A	3.5	RS	\$666.52	\$699.85	\$199.96
5535	1B	3.5	RS	\$629.11	\$629.11	\$179.75
5535	1C	5.5	EMPL	\$0.00	\$0.00	\$0.00
5535	1D/1E	5.5	RS	\$729.15	\$765.61	\$139.20
5535	1F	4.5	RS	\$678.61	\$712.54	\$158.34
5535	1G	2.0	RS	\$618.80	\$618.80	\$309.40
5535	2A	3.5	RS	\$604.24	\$634.45	\$181.27
5535	2B	3.5	RS	\$559.13	\$559.13	\$159.75
5535	2C	5.5	RS	\$678.32	\$678.32	\$123.33
5535	2D	4.5	RS	\$579.11	\$608.07	\$135.13
5535	2E	3.5	RS	\$661.57	\$661.57	\$189.02
5535	2F	4.5	RS	\$583.33	\$612.50	\$136.11
5535	2G	2.0	RS	\$479.45	\$503.42	\$251.71
5535	3A	3.5	RS	\$724.00	\$760.20	\$217.20
5535	3B	3.5	RS	\$677.79	\$677.79	\$193.65
5535	3C	5.5	RS	\$733.32	\$733.32	\$133.33
5535	3D	4.5	RS	\$547.78	\$547.78	\$121.73
5535	3E	3.5	RS	\$535.32	\$535.32	\$152.95
5535	3F	4.5	RS	\$745.17	\$745.17	\$165.59
5535	3G	2.0	RS	\$630.70	\$630.70	\$315.35
5535	4A	3.5	RS	\$700.00	\$735.00	\$210.00
5535	4B	3.5	RS	\$643.89	\$643.89	\$183.97

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5535	4C	5.5	RS	\$901.00	\$946.05	\$172.01
5535	4D	4.5	RS	\$542.57	\$542.57	\$120.57
5535	4E	3.5	RS	\$735.48	\$772.25	\$220.64
5535	4F	4.5	RS	\$619.91	\$650.91	\$144.65
5535	4G	2.0	RS	\$498.09	\$522.99	\$261.50
5535	5A	3.5	RS	\$529.61	\$556.09	\$158.88
5535	5B	3.5	RS	\$610.52	\$610.52	\$174.43
5535	5C	5.5	RS	\$709.98	\$709.98	\$129.09
5535	5D	4.5	RS	\$559.96	\$587.96	\$130.66
5535	5E	3.5	RS	\$483.29	\$507.45	\$144.99
5535	5F	4.5	RS	\$535.51	\$535.51	\$119.00
5535	5G	2.0	RS	\$547.47	\$574.84	\$287.42
5535	6A	3.5	RS	\$702.00	\$737.10	\$210.60
5535	6B	3.5	RS	\$714.46	\$750.18	\$214.34
5535	6C	5.5	RS	\$593.29	\$593.29	\$107.87
5535	6D	4.5	RS	\$531.79	\$558.38	\$124.08
5535	6E	3.5	RS	\$551.18	\$551.18	\$157.48
5535	6F	4.5	RS	\$612.07	\$612.07	\$136.02
5535	6G	2.0	RS	\$606.00	\$636.30	\$318.15
5535	BSA	2.0	RS	\$624.86	\$656.10	\$328.05
5535	BSB	2.0	RS	\$642.87	\$642.87	\$321.44
5545	1A	3.5	RS	\$598.28	\$628.19	\$179.48
5545	1B	3.5	RS	\$665.00	\$665.00	\$190.00
5545	1C	5.5	RS	\$603.80	\$633.99	\$115.27
5545	1D	4.5	RS	\$560.10	\$588.11	\$130.69
5545	1E	3.5	RS	\$626.59	\$626.59	\$179.03
5545	1F	4.5	EMPL	\$0.00	\$0.00	\$0.00
5545	1G	2.0	RS	\$615.41	\$646.18	\$323.09
5545	2A	3.5	RS	\$531.97	\$558.57	\$159.59
5545	2B	3.5	RS	\$523.31	\$549.48	\$156.99
5545	2C	5.5	RS	\$550.32	\$577.84	\$105.06
5545	2D	4.5	RS	\$532.93	\$532.93	\$118.43
5545	2E	3.5	RS	\$617.72	\$617.72	\$176.49
5545	2F	4.5	RS	\$547.88	\$575.27	\$127.84
5545	2G	2.0	RS	\$426.61	\$447.94	\$223.97
5545	3A	3.5	RS	\$534.84	\$561.58	\$160.45
5545	3B	3.5	RS	\$675.84	\$709.63	\$202.75
5545	3C	5.5	RS	\$742.57	\$779.70	\$141.76
5545	3D	4.5	RS	\$531.65	\$558.23	\$124.05
5545	3E	3.5	RS	\$636.99	\$668.84	\$191.10
5545	3F	4.5	RS	\$529.34	\$555.81	\$123.51
5545	3G	2.0	RS	\$542.41	\$569.53	\$284.77
5545	4A	3.5	RS	\$543.39	\$570.56	\$163.02
5545	4B	3.5	RS	\$538.85	\$538.85	\$153.96
5545	4C	5.5	RS	\$607.36	\$607.36	\$110.43
5545	4D	4.5	RS	\$509.20	\$534.66	\$118.81
5545	4E	3.5	RS	\$702.92	\$738.07	\$210.88
5545	4F	4.5	RS	\$811.72	\$811.72	\$180.38
5545	4G	2.0	RS	\$527.22	\$553.58	\$276.79
5545	5A	3.5	RS	\$507.90	\$507.90	\$145.11
5545	5B	3.5	RS	\$596.22	\$626.03	\$178.87
5545	5C	5.5	RS	\$571.41	\$599.98	\$109.09
5545	5D	4.5	RS	\$657.86	\$657.86	\$146.19
5545	5E	3.5	RS	\$645.00	\$677.25	\$193.50
5545	5F	4.5	RS	\$671.31	\$704.88	\$156.64
5545	5G	2.0	RS	\$557.39	\$557.39	\$278.70

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
Increased 50%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5545	6A	3.5	RS	\$561.95	\$590.05	\$168.59
5545	6B	3.5	RS	\$498.17	\$498.17	\$142.33
5545	6C	5.5	RS	\$596.46	\$596.46	\$108.45
5545	6D	4.5	RS	\$693.91	\$693.91	\$154.20
5545	6E	3.5	RS	\$688.73	\$688.73	\$196.78
5545	6F	4.5	RS	\$669.74	\$703.23	\$156.27
5545	6G	2.0	RS	\$630.70	\$630.70	\$315.35
5550	1A	3.5	RS	\$670.06	\$703.56	\$201.02
5550	1B	4.5	RS	\$687.17	\$721.53	\$160.34
5550	1C	4.5	RS	\$565.99	\$565.99	\$125.78
5550	1D	2.0	RS	\$675.00	\$675.00	\$337.50
5550	1E	3.5	RS	\$510.53	\$536.06	\$153.16
5550	1F	3.5	RS	\$700.00	\$735.00	\$210.00
5550	1G	3.5	RS	\$521.70	\$547.79	\$156.51
5550	2A	3.5	RS	\$506.73	\$506.73	\$144.78
5550	2B	4.5	RS	\$850.00	\$892.50	\$198.33
5550	2C	4.5	RS	\$644.46	\$676.68	\$150.37
5550	2D	2.0	RS	\$445.56	\$445.56	\$222.78
5550	2E	3.5	RS	\$462.68	\$485.81	\$138.80
5550	2F	3.5	RS	\$572.07	\$572.07	\$163.45
5550	2G	3.5	RS	\$546.54	\$546.54	\$156.15
5550	3A	3.5	RS	\$601.41	\$631.48	\$180.42
5550	3B	4.5	RS	\$610.02	\$640.52	\$142.34
5550	3C	4.5	RS	\$552.50	\$552.50	\$122.78
5550	3D	2.0	RS	\$600.00	\$630.00	\$315.00
5550	3E	3.5	RS	\$534.22	\$560.93	\$160.27
5550	3F	3.5	RS	\$549.90	\$577.40	\$164.97
5550	3G	3.5	RS	\$710.69	\$710.69	\$203.05
5550	4A	3.5	RS	\$621.03	\$652.08	\$186.31
5550	4B	4.5	RS	\$547.14	\$574.50	\$127.67
5550	4C	4.5	RS	\$542.80	\$569.94	\$126.65
5550	4D	2.0	RS	\$635.00	\$635.00	\$317.50
5550	4E	3.5	RS	\$704.90	\$704.90	\$201.40
5550	4F	3.5	RS	\$613.33	\$613.33	\$175.24
5550	4G	3.5	RS	\$563.63	\$591.81	\$169.09
5550	5A	3.5	RS	\$531.37	\$531.37	\$151.82
5550	5B	4.5	RS	\$533.20	\$533.20	\$118.49
5550	5C	4.5	RS	\$529.51	\$555.99	\$123.55
5550	5D	2.0	RS	\$650.00	\$650.00	\$325.00
5550	5E	3.5	RS	\$692.22	\$726.83	\$207.67
5550	5F	3.5	RS	\$491.79	\$516.38	\$147.54
5550	5G	3.5	RS	\$581.89	\$581.89	\$166.25
5550	6A	3.5	RS	\$653.47	\$686.14	\$196.04
5550	6B	4.5	RS	\$715.05	\$750.80	\$166.85
5550	6C	4.5	RS	\$630.97	\$662.52	\$147.23
5550	6D	2.0	RS	\$607.25	\$637.61	\$318.81
5550	6E	3.5	RS	\$696.47	\$696.47	\$198.99
5550	6F	3.5	RS	\$594.35	\$594.35	\$169.81
5550	6G	3.5	RS	\$598.31	\$598.31	\$170.95
5552	A	3.5	RS	\$735.00	\$735.00	\$210.00
5552	B	2.0	RS	\$623.87	\$623.87	\$311.94
5552	C	5.5	RS	\$625.52	\$625.52	\$113.73
5552	D	3.5	RS	\$742.00	\$742.00	\$212.00
5552	E	3.5	RS	\$738.40	\$775.32	\$221.52
5552	F	3.5	RS	\$537.02	\$537.02	\$153.43
5552	1A	3.5	RS	\$542.28	\$569.39	\$162.68

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5552	1B	4.5	RS	\$723.39	\$723.39	\$160.75
5552	1C	4.5	RS	\$533.85	\$533.85	\$118.63
5552	1D	2.0	RS	\$600.00	\$630.00	\$315.00
5552	1E	3.5	RS	\$490.73	\$515.27	\$147.22
5552	1F	3.5	RS	\$618.21	\$618.21	\$176.63
5552	1G	3.5	RS	\$467.17	\$490.53	\$140.15
5552	2A	3.5	RS	\$717.60	\$717.60	\$205.03
5552	2B	4.5	RS	\$737.18	\$774.04	\$172.01
5552	2C	4.5	RS	\$542.42	\$569.54	\$126.56
5552	2D	2.0	RS	\$517.52	\$517.52	\$258.76
5552	2E	3.5	RS	\$528.09	\$554.49	\$158.43
5552	2F	3.5	RS	\$537.26	\$537.26	\$153.50
5552	2G	3.5	RS	\$634.40	\$666.12	\$190.32
5552	3A	3.5	RS	\$715.50	\$715.50	\$204.43
5552	3B	4.5	RS	\$700.56	\$735.59	\$163.46
5552	3C	4.5	RS	\$723.98	\$723.98	\$160.88
5552	3D	2.0	RS	\$600.00	\$630.00	\$315.00
5552	3E	3.5	RS	\$700.00	\$735.00	\$210.00
5552	3F	3.5	RS	\$637.83	\$637.83	\$182.24
5552	3G	3.5	RS	\$533.66	\$560.34	\$160.10
5552	4A	3.5	RS	\$686.40	\$720.72	\$205.92
5552	4B	4.5	RS	\$531.88	\$558.47	\$124.11
5552	4C	4.5	RS	\$725.00	\$761.25	\$169.17
5552	4D	2.0	RS	\$625.00	\$656.25	\$328.13
5552	4E	3.5	RS	\$689.52	\$724.00	\$206.86
5552	4F	3.5	RS	\$531.73	\$531.73	\$151.92
5552	4G	3.5	RS	\$475.79	\$499.58	\$142.74
5552	5A	3.5	RS	\$734.48	\$734.48	\$209.85
5552	5B	4.5	RS	\$535.49	\$535.49	\$119.00
5552	5C	4.5	RS	\$661.37	\$661.37	\$146.97
5552	5D	2.0	RS	\$542.60	\$542.60	\$271.30
5552	5E	3.5	RS	\$503.99	\$529.19	\$151.20
5552	5F	3.5	RS	\$657.68	\$690.56	\$197.30
5552	5G	3.5	RS	\$630.93	\$662.48	\$189.28
5552	6A	3.5	RS	\$587.59	\$616.97	\$176.28
5552	6B	4.5	RS	\$666.46	\$699.78	\$155.51
5552	6C	4.5	RS	\$621.85	\$652.94	\$145.10
5552	6D	2.0	RS	\$584.28	\$613.49	\$306.75
5552	6E	3.5	RS	\$700.00	\$735.00	\$210.00
5552	6F	3.5	RS	\$655.20	\$687.96	\$196.56
5552	6G	3.5	RS	\$615.92	\$646.72	\$184.78
5555	1A	3.5	RS	\$730.00	\$730.00	\$208.57
5555	1B	3.5	RS	\$718.36	\$754.28	\$215.51
5555	1C	5.5	RS	\$565.99	\$594.29	\$108.05
5555	1D	4.5	RS	\$575.44	\$604.21	\$134.27
5555	1E	3.5	RS	\$470.36	\$493.88	\$141.11
5555	1F	4.5	RS	\$510.98	\$536.53	\$119.23
5555	1G	2.0	RS	\$625.00	\$656.25	\$328.13
5555	2A	3.5	RS	\$534.09	\$534.09	\$152.60
5555	2B	3.5	RS	\$549.81	\$549.81	\$157.09
5555	2C	5.5	RS	\$603.80	\$633.99	\$115.27
5555	2D	4.5	RS	\$764.52	\$802.75	\$178.39
5555	2E	3.5	RS	\$640.35	\$640.35	\$182.96
5555	2F	4.5	RS	\$590.74	\$590.74	\$131.28
5555	2G	2.0	RS	\$581.02	\$610.07	\$305.04
5555	3A	3.5	RS	\$710.31	\$710.31	\$202.95

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5555	3B	3.5	RS	\$724.28	\$724.28	\$206.94
5555	3C	5.5	RS	\$598.57	\$598.57	\$108.83
5555	3D	4.5	RS	\$602.40	\$602.40	\$133.87
5555	3E	3.5	RS	\$658.58	\$658.58	\$188.17
5555	3F	4.5	RS	\$610.42	\$610.42	\$135.65
5555	3G	2.0	RS	\$625.00	\$625.00	\$312.50
5555	4A	3.5	RS	\$725.00	\$761.25	\$217.50
5555	4B	3.5	RS	\$507.90	\$507.90	\$145.11
5555	4C	5.5	RS	\$647.71	\$647.71	\$117.77
5555	4D	4.5	RS	\$835.72	\$877.51	\$195.00
5555	4E	3.5	RS	\$715.00	\$715.00	\$204.29
5555	4F	4.5	RS	\$613.54	\$613.54	\$136.34
5555	4G	2.0	RS	\$571.51	\$600.09	\$300.04
5555	5A	3.5	RS	\$693.82	\$693.82	\$198.23
5555	5B	3.5	RS	\$506.30	\$506.30	\$144.66
5555	5C	5.5	RS	\$615.51	\$646.29	\$117.51
5555	5D	4.5	RS	\$780.00	\$780.00	\$173.33
5555	5E	3.5	RS	\$529.82	\$529.82	\$151.38
5555	5F	4.5	RS	\$766.00	\$766.00	\$170.22
5555	5G	2.0	RS	\$390.68	\$410.21	\$205.11
5555	6A	3.5	RS	\$629.81	\$661.30	\$188.94
5555	6B	3.5	RS	\$723.74	\$723.74	\$206.78
5555	6C	5.5	RS	\$588.04	\$588.04	\$106.92
5555	6D	4.5	RS	\$738.64	\$775.57	\$172.35
5555	6E	3.5	RS	\$536.31	\$536.31	\$153.23
5555	6F	4.5	RS	\$628.92	\$628.92	\$139.76
5555	6G	2.0	RS	\$609.00	\$639.45	\$319.73
5565	1A	3.5	RS	\$575.68	\$575.68	\$164.48
5565	1B	3.5	RS	\$519.56	\$519.56	\$148.45
5565	1C	5.5	RS	\$619.81	\$619.81	\$112.69
5565	1D	4.5	RS	\$549.30	\$549.30	\$122.07
5565	1E	3.5	RS	\$734.13	\$734.13	\$209.75
5565	1F	4.5	RS	\$675.80	\$709.59	\$157.69
5565	1G	2.0	RS	\$650.00	\$650.00	\$325.00
5565	2A	3.5	RS	\$734.05	\$734.05	\$209.73
5565	2B	3.5	RS	\$536.04	\$536.04	\$153.15
5565	2C	5.5	RS	\$784.26	\$784.26	\$142.59
5565	2D	4.5	RS	\$671.43	\$671.43	\$149.21
5565	2E	3.5	RS	\$559.10	\$559.10	\$159.74
5565	2F	4.5	RS	\$752.18	\$752.18	\$167.15
5565	2G	2.0	RS	\$498.85	\$498.85	\$249.43
5565	3A	3.5	RS	\$678.36	\$678.36	\$193.82
5565	3B	3.5	RS	\$695.50	\$730.28	\$208.65
5565	3C	5.5	RS	\$530.07	\$556.57	\$101.20
5565	3D	4.5	RS	\$704.20	\$739.41	\$164.31
5565	3E	3.5	RS	\$712.54	\$748.17	\$213.76
5565	3F	4.5	RS	\$636.00	\$636.00	\$141.33
5565	3G	2.0	RS	\$690.30	\$724.82	\$362.41
5565	4A	3.5	RS	\$626.59	\$626.59	\$179.03
5565	4B	3.5	RS	\$705.54	\$705.54	\$201.58
5565	4C	5.5	RS	\$869.20	\$869.20	\$158.04
5565	4D	4.5	RS	\$609.51	\$639.99	\$142.22
5565	4E	3.5	RS	\$631.63	\$663.21	\$189.49
5565	4F	4.5	RS	\$533.68	\$560.36	\$124.53
5565	4G	2.0	RS	\$579.38	\$579.38	\$289.69
5565	5A	3.5	RS	\$600.55	\$600.55	\$171.59

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5565	5B	3.5	RS	\$570.72	\$599.26	\$171.22
5565	5C	5.5	RS	\$792.43	\$832.05	\$151.28
5565	5D	4.5	RS	\$617.33	\$648.20	\$144.04
5565	5E	3.5	RS	\$740.44	\$777.46	\$222.13
5565	5F	4.5	RS	\$553.34	\$553.34	\$122.96
5565	5G	2.0	RS	\$560.87	\$588.91	\$294.46
5565	6A	3.5	RS	\$707.88	\$707.88	\$202.25
5565	6B	3.5	RS	\$584.93	\$614.18	\$175.48
5565	6C	5.5	RS	\$644.33	\$676.55	\$123.01
5565	6D	4.5	RS	\$637.81	\$669.70	\$148.82
5565	6E	3.5	RS	\$520.58	\$546.61	\$156.17
5565	6F	4.5	RS	\$671.16	\$671.16	\$149.15
5565	6G	2.0	RS	\$425.52	\$446.80	\$223.40
5570	A	2.0	RS	\$534.40	\$534.40	\$267.20
5570	B	3.5	RS	\$480.00	\$504.00	\$144.00
5570	1A	3.5	RS	\$678.00	\$711.90	\$203.40
5570	1B	4.5	RS	\$580.40	\$580.40	\$128.98
5570	1C	4.5	RS	\$746.72	\$784.06	\$174.23
5570	1D	2.0	RS	\$468.59	\$492.02	\$246.01
5570	1E	3.5	RS	\$510.68	\$536.21	\$153.20
5570	1F	3.5	RS	\$647.78	\$647.78	\$185.08
5570	1G	3.5	RS	\$553.30	\$553.30	\$158.09
5570	2A	3.5	RS	\$710.04	\$710.04	\$202.87
5570	2B	4.5	RS	\$702.71	\$702.71	\$156.16
5570	2C	4.5	RS	\$676.30	\$676.30	\$150.29
5570	2D	2.0	RS	\$650.00	\$650.00	\$325.00
5570	2E	3.5	RS	\$736.00	\$736.00	\$210.29
5570	2F	3.5	RS	\$661.44	\$694.51	\$198.43
5570	2G	3.5	RS	\$720.00	\$720.00	\$205.71
5570	3A	3.5	RS	\$745.00	\$745.00	\$212.86
5570	3B	4.5	RS	\$649.96	\$649.96	\$144.44
5570	3C	4.5	RS	\$516.65	\$542.48	\$120.55
5570	3D	2.0	RS	\$625.00	\$656.25	\$328.13
5570	3E	3.5	RS	\$626.96	\$658.31	\$188.09
5570	3F	3.5	RS	\$582.12	\$611.23	\$174.64
5570	3G	3.5	RS	\$577.87	\$577.87	\$165.11
5570	4A	3.5	RS	\$711.00	\$746.55	\$213.30
5570	4B	4.5	RS	\$608.08	\$608.08	\$135.13
5570	4C	4.5	RS	\$567.67	\$596.05	\$132.46
5570	4D	2.0	RS	\$471.86	\$471.86	\$235.93
5570	4E	3.5	RS	\$518.88	\$544.82	\$155.66
5570	4F	3.5	RS	\$700.00	\$735.00	\$210.00
5570	4G	3.5	RS	\$684.20	\$718.41	\$205.26
5570	5A	3.5	RS	\$553.77	\$553.77	\$158.22
5570	5B	4.5	RS	\$608.76	\$639.20	\$142.04
5570	5C	4.5	RS	\$686.43	\$686.43	\$152.54
5570	5D	2.0	RS	\$674.71	\$674.71	\$337.36
5570	5E	3.5	RS	\$673.00	\$706.65	\$201.90
5570	5F	3.5	RS	\$673.88	\$673.88	\$192.54
5570	5G	3.5	RS	\$567.00	\$567.00	\$162.00
5570	6A	3.5	RS	\$524.92	\$524.92	\$149.98
5570	6B	4.5	RS	\$564.90	\$564.90	\$125.53
5570	6C	4.5	RS	\$588.04	\$588.04	\$130.68
5570	6D	2.0	RS	\$515.24	\$515.24	\$257.62
5570	6E	3.5	RS	\$682.17	\$716.28	\$204.65
5570	6F	3.5	RS	\$507.90	\$507.90	\$145.11

RENT ROLL

5530-5572 Netherland Ave.

Bronx, NY

Rents
increased 5%

Bldg #	Apt #	Rms.	Unit Type	Stabilized Rent	Proj Rent on 10/1/2001	Rent per Room
5570	6G	3.5	RS	\$534.18	\$560.89	\$160.25
5572	A	3.5	RS	\$661.44	\$661.44	\$188.98
5572	B	2.0	RS	\$402.22	\$402.22	\$201.11
5572	C	5.5	RS	\$798.29	\$798.29	\$145.14
5572	D	3.5	RS	\$797.99	\$797.99	\$228.00
5572	E	3.5	RS	\$744.67	\$781.90	\$223.40
5572	F	3.5	RS	\$525.52	\$525.52	\$150.15
5572	1A	3.5	RS	\$728.70	\$728.70	\$208.20
5572	1B	4.5	RS	\$532.98	\$532.98	\$118.44
5572	1C	4.5	RS	\$528.46	\$554.88	\$123.31
5572	1D	2.0	RS	\$625.00	\$625.00	\$312.50
5572	1E	3.5	RS	\$537.38	\$537.38	\$153.54
5572	1F	3.5	RS	\$700.00	\$735.00	\$210.00
5572	1G	3.5	RS	\$521.44	\$521.44	\$148.98
5572	2A	3.5	RS	\$507.90	\$507.90	\$145.11
5572	2B	4.5	RS	\$565.92	\$594.22	\$132.05
5572	2C	4.5	RS	\$502.62	\$527.75	\$117.28
5572	2D	2.0	RS	\$598.55	\$628.48	\$314.24
5572	2E	3.5	RS	\$653.43	\$686.10	\$196.03
5572	2F	3.5	RS	\$686.05	\$686.05	\$196.01
5572	2G	3.5	RS	\$557.80	\$585.69	\$167.34
5572	3A	3.5	RS	\$527.06	\$553.41	\$158.12
5572	3B	4.5	RS	\$536.91	\$563.76	\$125.28
5572	3C	4.5	RS	\$591.55	\$621.13	\$138.03
5572	3D	2.0	RS	\$598.00	\$627.90	\$313.95
5572	3E	3.5	RS	\$495.98	\$520.78	\$148.79
5572	3F	3.5	RS	\$567.91	\$596.31	\$170.37
5572	3G	3.5	RS	\$646.62	\$678.95	\$193.99
5572	4A	3.5	RS	\$653.02	\$685.67	\$195.91
5572	4B	4.5	RS	\$652.54	\$652.54	\$145.01
5572	4C	4.5	RS	\$608.30	\$608.30	\$135.18
5572	4D	2.0	RS	\$602.58	\$602.58	\$301.29
5572	4E	3.5	RS	\$740.69	\$740.69	\$211.63
5572	4F	3.5	RS	\$583.41	\$583.41	\$166.69
5572	4G	3.5	RS	\$750.00	\$750.00	\$214.29
5572	5A	3.5	RS	\$766.00	\$766.00	\$218.86
5572	5B	4.5	RS	\$698.00	\$698.00	\$155.11
5572	5C	4.5	RS	\$626.98	\$626.98	\$139.33
5572	5D	2.0	RS	\$598.00	\$627.90	\$313.95
5572	5E	3.5	RS	\$742.00	\$742.00	\$212.00
5572	5F	3.5	RS	\$592.37	\$621.99	\$177.71
5572	5G	3.5	RS	\$667.68	\$701.06	\$200.30
5572	6A	3.5	RS	\$520.39	\$520.39	\$148.68
5572	6B	4.5	RS	\$540.06	\$540.06	\$120.01
5572	6C	4.5	RS	\$489.94	\$514.44	\$114.32
5572	6D	2.0	RS	\$650.00	\$682.50	\$341.25
5572	6E	3.5	RS	\$585.93	\$615.23	\$175.78
5572	6F	3.5	RS	\$533.71	\$533.71	\$152.49
5572	6G	3.5	RS	\$685.19	\$719.45	\$205.56
	441	1619.5		\$270,412.73	\$277,313.11	\$171.23

RS=rent stabilized

EMPL= employee unit

Leases expiring before 10/1/01

Apartments

An overview of the subject's apartments indicated the following mix: no units are Rent Controlled, 439 units are Rent Stabilized with an average Rent of \$171.23/rm/month and no units are Deregulated. At the time of inspection, no units were vacant. The Superintendent and Assistant each live in the complex and receive free rent; thus their apartments were omitted from the income projection.

As previously stated, rents from the subject are governed by the State Division of Housing and Community Renewal (DHCR). The average Rent Stabilized apartment size is 3.74 rooms, and the average apartment rent is \$631.69 per apartment per month. The tenants pay for their own utilities. The Landlord supplies heat, hot water, and janitorial services. The overall apartment income average is far below market rents. The potential for rent increases exists via lease renewals, tenant turnovers or MCI work to individually vacated units.

After considering the subject property's actual rents and examining comparable rentals in the area, the units were compared as to location, condition, and amenity level. It is our opinion that the subject's apartment rents are attainable.

Laundry Income:

The on-site laundry facilities generate a reported \$33,600 per year this amounts to \$6.38 per unit which is high for similar laundry income for a building the size of the subject.

Garage Income:

The subject has approximately 173 indoor parking spaces, reflecting an average of \$68 per car per month. We have used the actual parking income as provided by Management. Some long term tenants have the garage space included in rent. Parking for garage space in the area ranges from \$75 to \$100 per car per month, thus the subject's rents are below market.

Vacancy & Collection Loss

The income streams were analyzed on the basis of Rent Controlled and Rent Stabilized and Market Rent apartments. The Vacancy and Collection Loss is used primarily to account for the lag time in the re-renting of any potential vacant units. Buildings typically experience an increase in turnover of tenants who are paying market level rents versus those with regulated rents which are below market. Therefore, more risk of vacancy is associated with the market level rents and a higher vacancy and collection loss factor was utilized to reflect this factor. As the subject's rents are significantly below market, a 3% Vacancy and Collection Loss was utilized.

Projected Income & Expenses



5530-72 Netherland Ave. Bronx (Riverdale), NY

Rental Schedule As Of March 2001

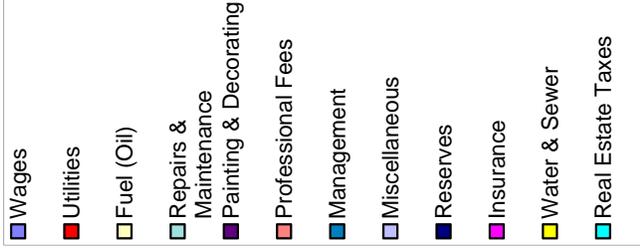
Stabilized Units	Rooms 1,619.5 @	\$171.23	per room per month
	Units 439 @	\$631.69	per unit per month
	Actual Leased Income		3.00%
	Less Vacancy & Collection Loss @		
3.74 Rm/Avg	EFFECTIVE LEASED INCOME		
Other Income	Garage 173 Spaces @	\$67.94	per car/mo
	Laundry Income 439 Units @	\$6.38	/unit/mo
	Other Income	\$0	
	Actual and Estimated Income	\$174,653	
	Less Vacancy & Collection Loss @		
	EFFECTIVE ACTUAL AND ESTIMATED OTHER INCOME		
		\$169,413	

\$3,327,757
 (\$99,833)
 \$3,227,925

\$141,053
 \$33,600
 \$0
 \$174,653
 (\$5,240)
 \$169,413

\$3,397,338

Expense Distribution



	\$/Unit	\$/SF	\$/Room
Wages	\$828	\$0.89	\$225
Utilities	\$170	\$0.18	\$46
Fuel (Oil)	\$340	\$0.37	\$93
Repairs & Maintenance	\$400	\$0.43	\$109
Painting & Decorating	\$147	\$0.16	\$40
Professional Fees	\$45	\$0.05	\$12
Management and Leasing	\$231	\$0.25	\$63
Miscellaneous	\$11	\$0.01	\$3
Reserves for Replacements	\$150	\$0.16	\$41
TOTAL OPERATING EXPENSES	\$2,323	\$2.49	\$633
Insurance	\$272	\$0.29	\$74
Water & Sewer	\$329	\$0.35	\$90
Real Estate Taxes	\$1,215	\$1.30	\$331
TOTAL FIXED EXPENSES	\$1,816	\$1.95	\$494
TOTAL EXPENSES	\$4,139	\$4.44	\$1,127

Operating Expenses	EXPENSES	Wages (10 Men + Taxes & Benefits)	Utilities	Fuel (Oil)	Repairs & Maintenance	Painting & Decorating	Professional Fees (Legal & Accounting)	Management and Leasing	Miscellaneous	Reserves for Replacements	TOTAL OPERATING EXPENSES
		\$365,000	\$75,000	\$150,000	\$176,400	\$65,000	\$20,000	\$101,920	\$5,000	\$66,150	\$1,024,470
							3.0%				
Fixed Expenses											
		\$120,000	\$145,000	\$535,659	\$800,659						\$1,825,129
							15.77% of EGI				
											\$1,572,209
											\$20,286,566
											\$112,705
											\$20,399,271
											\$20,400,000

\$1,572,209 rounded

7.75% =

Plus PV of Tax Abatements

TOTAL

ROUNDED

\$46,259	per Unit	6.00	EGIM
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EXPENSES

Typical expense deductions from the effective gross income fall into two categories, that of Fixed and Variable items. The Operating Expense Statements were supplied to the appraiser and are included in the *Addenda*. This accounting as well as historical expenses from similar type properties were utilized in our item by item analysis. Expenses are based on 441 apartments.

OPERATING EXPENSES

Wages: The subject currently employs 10 Union (# 32BJ) workers. These consist of a Superintendent (\$609/wk), Assistant (\$560/wk), 3 Handymen (\$560/wk) and 5 Porter (\$550/wk). An additional expense of 25% is estimated for payroll taxes and Union benefits for a total of \$365,000. Owner's actual expense for 2000 was \$356,593.

Utilities: Tenants pay directly for cooking gas and electric as consumed. The Landlord provides heat and hot water for the apartments. Prior year expenses indicated a considerable difference between 1999 (\$56,234) and 2000 (\$71,785), probably reflective of increased energy costs. We have estimated this cost to be \$75,000 or \$170/unit per year based on comparable data which ranges from \$136 to \$368 per unit per year.

Fuel: The actual fuel cost reported for 2000 was \$151,017 or \$91/Room per year and in 1999 was \$95,358. Two factors may explain this difference; increased oil prices and timing of oil deliveries. We have estimated the cost for heating to be \$150,000 or \$93/room per year which is higher than indicated by the comparables, but reflective of historic cost. Furthermore the subject has two boilers serving 4 buildings that are not contiguous, therefore energy transmission loss and increased exposure will result in inefficiencies.

Maintenance & Repairs:

This is an estimate of the expense for the continual maintenance of the apartments, public halls, plumbing, roof, boiler, exterminator etc. It is not unusual for this category to fluctuate from year to year as major repairs may be made in one year which will not be required for a number of years thereafter. This expense is estimated at \$400 per unit or approximately 5% of Effective Gross Income. Owner's costs include reserves and painting expenses.



COMPARABLE EXPENSE GRID

COMPARABLE # 1

Address	600-30 West 246th Street, Riverdale			
Description	13 Story Elevatored Apartment Bldg			
Condition	Good			
# of Units	403			
# of Rooms	1,700			
G.B.A	443,283			
Age (years)	33			
Amenities	Parking,Laundry			
Utilities included	Heat,water,sewer,gas			
Equipment included	Range,refrigerator			
EXPENSES	EXPENSE	\$/UNIT	\$/SF	\$/Room
Fuel	\$121,982	\$303	\$0.28	\$72
Utilities	\$84,252	\$209	\$0.19	\$50
Wages	\$965,084	\$2,395	\$2.18	\$568
Repairs	\$152,627	\$379	\$0.34	\$90
Management	\$39,865	\$99	\$0.09	\$23
Insurance	\$71,665	\$178	\$0.16	\$42
Water & Sewer	\$119,125	\$296	\$0.27	\$70
Paint & Décor	\$23,916	\$59	\$0.05	\$14
Real Estate Taxes	\$845,633	\$2,098	\$1.91	\$497
TOTAL EXPENSES	\$2,424,149	\$6,015	\$5.47	\$1,426

COMPARABLE # 2

Address	699 West 239th Street, Riverdale			
Description	6 Story Elevatored Apartment Bldg			
Condition	Average			
# of Units	132			
# of Rooms	591			
G.B.A	160,000			
Age (years)	39			
Amenities	Parking,Laundry			
Utilities included	Heat,water,sewer,gas			
Equipment included	Range,refrigerator			
EXPENSES	EXPENSE	\$/UNIT	\$/SF	\$/Room
Fuel	\$40,118	\$304	\$0.25	\$68
Utilities	\$29,975	\$227	\$0.19	\$51
Wages	\$179,363	\$1,359	\$1.12	\$303
Repairs	\$56,762	\$430	\$0.35	\$96
Management	\$50,000	\$379	\$0.31	\$85
Insurance	\$47,644	\$361	\$0.30	\$81
Water & Sewer	\$55,645	\$422	\$0.35	\$94
Paint & Décor	\$42,547	\$322	\$0.27	\$72
Real Estate Taxes	\$311,758	\$2,362	\$1.95	\$528
TOTAL EXPENSES	\$813,812	\$6,165	\$5.09	\$1,377

COMPARABLE # 3

Address	5400 Fieldstone Road, Riverdale			
Description	6 Story Elevatored Apartment Bldg			
Condition	Average			
# of Units	127			
# of Rooms	474			
G.B.A	151,500			
Age (years)	62			
Amenities	Parking,Laundry			
Utilities included	Heat,water,sewer,gas			
Equipment included	Range,refrigerator			
EXPENSES	EXPENSE	\$/UNIT	\$/SF	\$/Room
Fuel	\$31,159	\$245	\$0.21	\$66
Utilities	\$17,257	\$136	\$0.11	\$36
Wages	\$150,087	\$1,182	\$0.99	\$317
Repairs	\$152,471	\$1,201	\$1.01	\$322
Management	\$61,438	\$484	\$0.41	\$130
Insurance	\$29,575	\$233	\$0.20	\$62
Water & Sewer	\$45,795	\$361	\$0.30	\$97
Paint & Décor	\$9,700	\$76	\$0.06	\$20
Real Estate Taxes	\$179,887	\$1,416	\$1.19	\$380
TOTAL EXPENSES	\$677,369	\$5,334	\$4.47	\$1,429

COMPARABLE # 4

Address	3801 Hudson Manor Terrace, Riverdale			
Description	6 Story Elevatored Apartment Bldg			
Condition	Average			
# of Units	135			
# of Rooms	623			
G.B.A	152,400			
Age (years)	41			
Amenities	Parking,Laundry			
Utilities included	Heat,water,sewer,gas			
Equipment included	Range,refrigerator			
EXPENSES	EXPENSE	\$/UNIT	\$/SF	\$/Room
Fuel	\$47,437	\$351	\$0.31	\$76
Utilities	\$49,644	\$368	\$0.33	\$80
Wages	\$143,343	\$1,062	\$0.94	\$230
Repairs	\$73,074	\$541	\$0.48	\$117
Management	\$65,400	\$484	\$0.43	\$105
Insurance	\$27,893	\$207	\$0.18	\$45
Water & Sewer	\$50,818	\$376	\$0.33	\$82
Paint & Décor	\$26,109	\$193	\$0.17	\$42
Real Estate Taxes	\$239,698	\$1,776	\$1.57	\$385
TOTAL EXPENSES	\$723,416	\$5,359	\$4.75	\$1,161

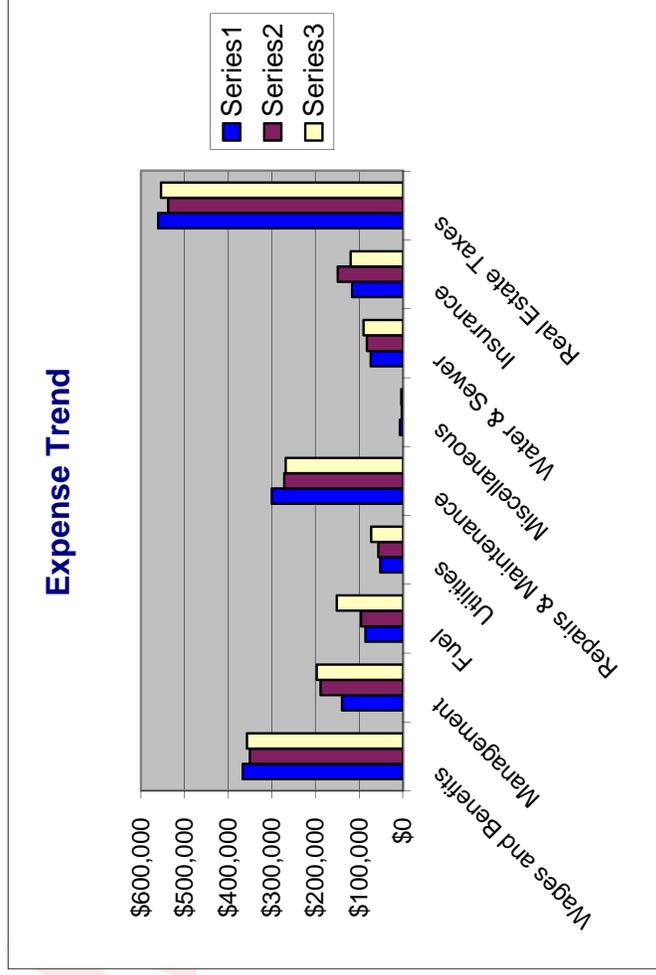
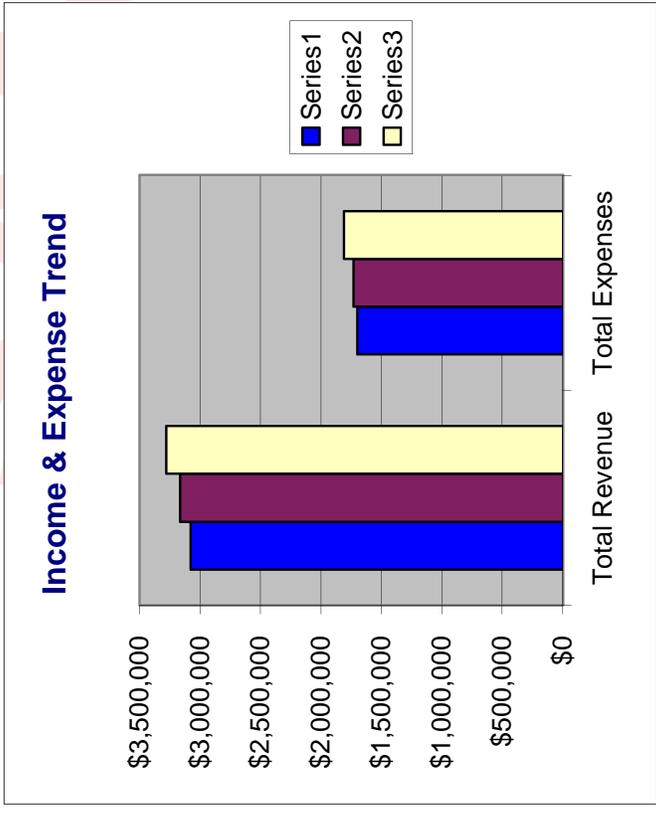
Summary of Comparable Data

EXPENSES	Price per Unit			Price per SF			Price per Room		
	Min	Avg	Max	Min	Avg	Max	Min	Avg	Max
Fuel	\$245	\$301	\$351	\$0.21	\$0.26	\$0.31	\$66	\$70	\$76
Utilities	\$136	\$235	\$368	\$0.11	\$0.20	\$0.33	\$36	\$54	\$80
Wages	\$1,062	\$1,499	\$2,395	\$0.94	\$1.31	\$2.18	\$230	\$354	\$568
Repairs	\$379	\$638	\$1,201	\$0.34	\$0.55	\$1.01	\$90	\$156	\$322
Management	\$99	\$361	\$484	\$0.09	\$0.31	\$0.43	\$23	\$86	\$130
Insurance	\$178	\$245	\$361	\$0.16	\$0.21	\$0.30	\$42	\$57	\$81
Water & Sewer	\$296	\$364	\$422	\$0.27	\$0.31	\$0.35	\$70	\$86	\$97
Paint & Décor	\$59	\$163	\$322	\$0.05	\$0.14	\$0.27	\$14	\$37	\$72
Real Estate Taxes	\$1,416	\$1,913	\$2,362	\$1.19	\$1.65	\$1.95	\$380	\$447	\$528
TOTAL EXPENSES	\$5,334	\$5,718	\$6,165	\$4.47	\$4.94	\$5.47	\$1,161	\$1,348	\$1,429

Address Riverdale Gardens, Bronx, NY
Building Area (SF) 410,643
of Units 441
of Rooms 1,619.5

Subject Expense History

YEAR	1998	1999	2000	% of PGI	\$/Unit	\$/SF	\$/Room
Rental Income	\$2,905,559	\$2,995,872	\$3,107,256	94.8%	\$7,046	\$7.57	\$1,919
Parking	\$136,492	\$134,608	\$137,189	4.2%	\$311	\$0.33	\$85
Laundry	\$33,600	\$34,350	\$33,600	1.0%	\$76	\$0.08	\$21
Total Revenue	\$3,075,651	\$3,164,830	\$3,278,045	100.0%	\$7,433	\$7.98	\$2,024
EXPENSES							
Wages and Benefits	\$366,296	\$350,015	\$356,593	10.9%	\$809	\$0.87	\$220
Management	\$139,481	\$187,788	\$196,817	6.0%	\$446	\$0.48	\$122
Fuel	\$85,023	\$95,358	\$151,017	4.6%	\$342	\$0.37	\$93
Utilities	\$51,913	\$56,234	\$71,785	2.2%	\$163	\$0.17	\$44
Repairs & Maintenance	\$299,854	\$271,380	\$267,957	8.2%	\$608	\$0.65	\$165
Miscellaneous	\$6,311	\$2,220	\$3,354	0.1%	\$8	\$0.01	\$2
Water & Sewer	\$72,846	\$81,615	\$89,732	2.7%	\$203	\$0.22	\$55
Insurance	\$115,623	\$148,375	\$119,074	3.6%	\$270	\$0.29	\$74
Real Estate Taxes	\$560,140	\$537,708	\$554,107	16.9%	\$1,256	\$1.35	\$342
Total Expenses	\$1,697,487	\$1,730,693	\$1,810,436	55.2%	\$4,105	\$4.41	\$1,118



Painting & Decorating: It is customary for Landlords to paint apartments every three years or when they become vacant. Considering the size of the units and their observed condition the following calculation was made:

\$100/Rm x 1,619.5 Rms; Divided by 3 years	\$53,983
Lobby & Hall Painting \$50,000/5 Years	<u>\$10,000</u>
TOTAL (rounded)	\$65,000

Management and Professional Fees (Legal and Audit):

This expense is included to reflect the fact that management of the property represents a cost to the owner that is necessary for the proper operation of the property and is a consideration in the initial purchase decision. The estimate of this expense is 3% of the Effective Gross Income which is typical for this type of property and the size of the collectable income. Legal and accounting fees are estimated at \$20,000 per annum.

Miscellaneous:

This category includes small items such as telephone expense, licenses and permits etc.

Replacement Reserves: This reserve for replacement category is a "hidden" expense of ownership, which is not normally seen on an expense statement. However, reserve funds should be set aside in managing a building of this age for the ultimate replacement of such short-lived items as the roof, boiler and apartment fixtures. The reason for this account is that these items have a shorter economic life than the structure itself. The reserves for replacement expense is estimated at \$150/unit based on 441 residential units.

FIXED EXPENSES

Insurance: This expense is estimated at \$120,000 or \$272/unit per year. This amount is in line with costs of buildings of this type which range from \$178 to \$361 per unit per year. Historic 2000 cost was \$119,074.

Water & Sewer: We have used the historic expense for the last quarter times four as reported by NYC Department of Environmental Protection. The subject property is metered (rather than charged on the old frontage system), however there have been a series of estimated rather than actual readings applied for the billing, therefore the subject's historic costs are not representative. We have used \$145,000 which represents \$329 per unit; comparable expenses range from \$296 to \$422 per unit (the subject only has 1 bath per unit).

Real Estate Taxes: We have utilized the subject's current taxes less the tax exemption (34 year life), but excluding the J-51 Tax Abatement. We have accorded a Present Value to the J-51 Tax Abatement Benefits. Refer to the *Assessment and Taxes* section of this report.

**SUMMARY
OF EXPENSES:**

The estimated expenses for the subject property are \$1,825,129 for the forecasted year. This equated to 54% of the Effective Gross Income. Comparable expense ratios range from 40 to 50% of EGI for a building of this type and size, however the subject's low income results in a higher expense ratio. The subject is at the low end of the range indicated by the comparables on all three indicators, however the subject is larger than all of the comparables and benefits from economies of scale.

We have used a Direct Capitalization of the subject's Net Income, utilizing the band of investment, supported by comparable abstracted Cap Rates to arrive at a 7.75% Capitalization Rate, as explained on the following pages.

INDICATED VALUE VIA INCOME APPROACH: \$20,400,000

CAPITALIZATION

The purpose of the Capitalization Process is to convert future benefits that are anticipated from an investment into a present market value estimate. The Appraiser must ascertain current market yields and relate them to the subject property in light of physical characteristics (use, size, character, and location), income characteristics, and alternative investment vehicles and rates in the marketplace.

As real estate competes with investments in capital markets, bond and Treasury bills must also be considered. A sampling of these alternative investments is outlined below:

<u>Investment</u>	<u>Current Rate</u>
Prime Rate	8.00%
Discount Rate	4.50%
Federal Fund	5.00%
6 Month T Bill	4.04%
30 yr T Bond	5.44%

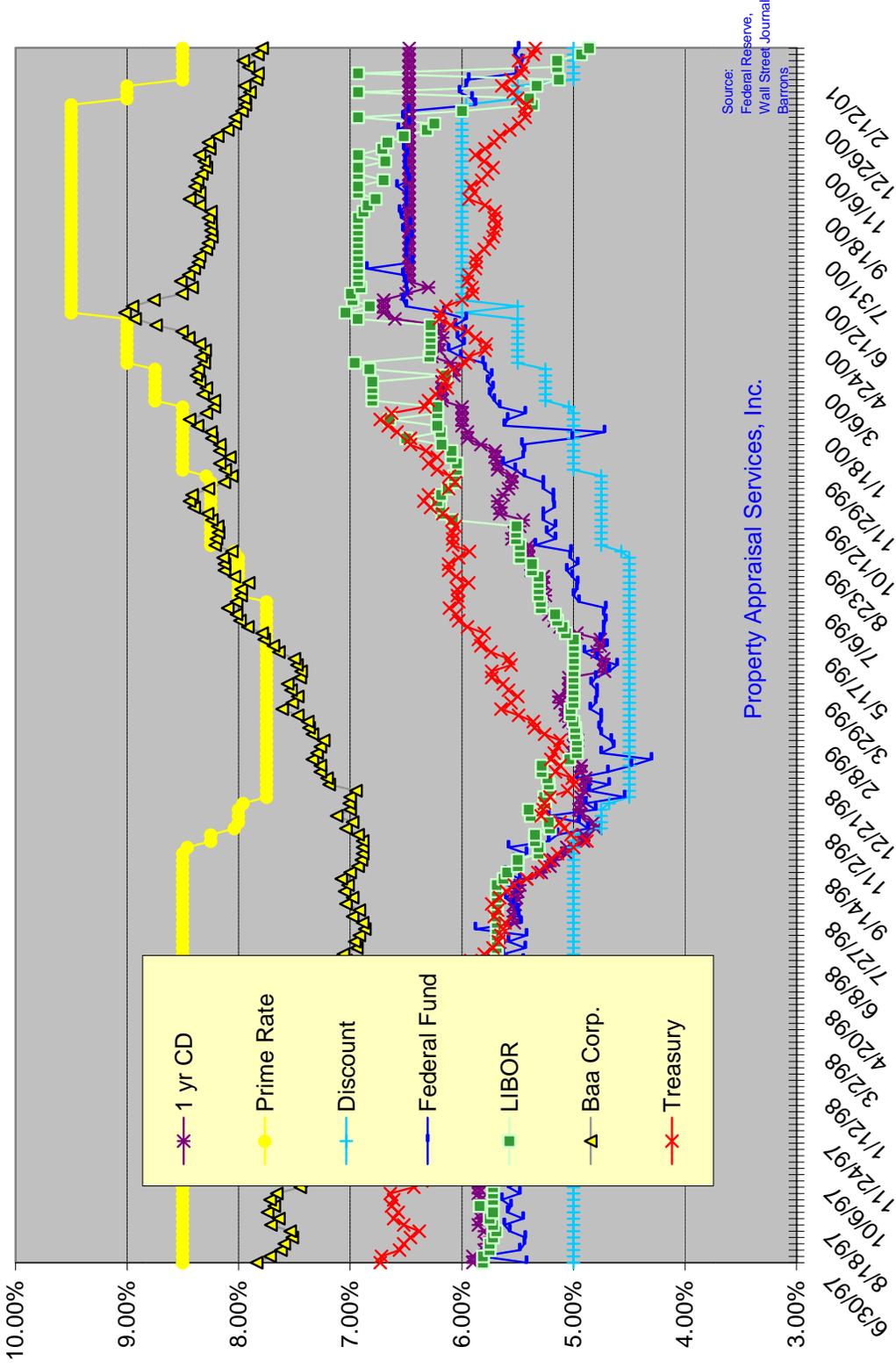
Rates of Return

In applying the income capitalization approach, an appraiser assumes that the investor's ultimate objective is a total return that exceeds the amount invested. Therefore, the investor's expected return consists of 1) full recovery of the amount invested (i.e., the return of capital), and 2) a profit or reward (i.e., a return on capital).⁷

Since the returns from real estate may be realized in a variety of forms, many rates, or measures of return, are used in capitalization. All rates of return can be categorized as either income rates or yield rates. The overall capitalization rate (R_O) and equity capitalization rate (R_E) (also called the cash flow rate or cash on cash return) are income rates. The interest rate (the rate of return on debt capital), discount rate (the rate used to convert future payments into present value), internal rate of return, and equity yield rate are yield rates.

⁷ *The Appraisal of Real Estate, 11th Edition*, The Appraisal Institute, 1996

Interest Rates



Source: Federal Reserve, Wall Street Journal, Barrons

Property Appraisal Services, Inc.

Income Rates

An income rate expresses the relationship between one year's income and the corresponding capital value of a property. Several types of income rates are discussed below. An overall capitalization rate (R_O) is an income rate for a total property that reflects the relationship between a single year's net operating income and the total property price or value; it is used to convert net operating income into an indication of overall property value. An overall capitalization rate is not a rate of return on capital or a full measure of investment performance. It may be more than, less than, or equal to the expected yield on the capital invested, depending on projected changes in income and value.

An equity capitalization rate (R_E) is an income rate that reflects the relationship between a single year's pre-tax cash flow, and the equity investment used to capitalize the subject property's pre-tax cash flow into equity value, the equity capitalization rate is often referred to in the real estate market as the cash on cash return. Like the overall capitalization rate, the equity capitalization rate is not a rate of return on capital; it may be more than, less than, or equal to the expected equity yield rate, depending on projected changes in income, value, and amortization of the loan.

Yield Rates

A yield rate is a rate of return on capital, it is usually expressed as a compound annual percentage rate. The yield rate considers all expected property benefits, including the proceeds from sale at the termination of the investment. The term interest rate usually refers to the yield rate for debt capital, not equity capital. The rate is usually calculated with the income for the first year, although the income for the previous year may be used.

The internal rate of return for an investment is the yield rate that equates the present value of the future benefits of the investment to the amount of capital invested. The internal rate of return applies to all expected benefits, including the proceeds from resale at the termination of the investment it can be used to measure the return on any capital investment, before or after.

An overall yield rate is a rate of return on the total capital invested. It takes into consideration changes in income over the investment holding period as well as the reversion at the end of the holding period it does not, however, consider the effect of debt financing; it is calculated as if the property were purchased with no debt capital. The overall yield rate can be viewed as the combined yield on both the debt and equity capital. Conceptually it is a weighted average of the equity yield rate, which is discussed below, and the mortgage yield, or mortgage interest, rate.

An equity yield rate is a rate of return on equity capital. It may be distinguished from a rate of return on debt capital, which is usually referred to as an interest rate. The equity yield rate is the equity investor's internal rate of return; it considers the effect of debt financing on the cash flow to the equity investor (equity dividend).

Return on and Return of Capital

The notion that an investor anticipates realizing a complete recovery of invested capital plus a payment for the use of capital prevails in the real estate market just as it does in other markets. The term return of capital refers to the recovery of invested capital; the term return, on capital refers to the additional amount received as compensation for use of the investor's capital until it is recaptured. Investors are concerned with both return of capital and return on capital. The rate of return on capital is analogous to the yield rate or the interest rate earned or expected.

In real estate investments, capital may be recaptured in many ways (The term recapture was coined at a time when investors assumed that property values could only decline due to depreciation from physical or functional causes. Today appraisers use the term when some income provision must be made to compensate for the loss of invested capital.) Investment capital may be recaptured through annual income or it may be recaptured all or in part through resale of the property at the termination of the investment. If the property value does not change between the time of the initial investment and the time the property is sold, the investor can recapture all the capital invested at its sale. Thus the annual income can all be attributed to the return of capital. In this case, the indicated income rate - i.e., the overall capitalization rate - is equal the return on capital. If, on the other hand, the property value is expected to decrease over time and the investor does not expect to recapture all of the original investment at the time of resale, some of the income stream must be used for the repayment of capital. In this case the rate of return on capital will be somewhat less than the indicated income rate (i.e., the overall capitalization rate in direct capitalization).

The difference between the rate of return on capital and the indicated capitalization rate will be the rate of return of capital. The recapture rate is considered positive.

Finally, if the investor expects to receive more than the original investment at resale, the rate of return on capital is more than the indicated income rate; in this case the recapture rate appears to be negative because the annual income is not producing all of the expected return on capital.

In yield capitalization the distinction between the return on and the return of capital is always explicit. The discount rate estimated for cash flow yields a specified return on capital. Direct capitalization, on the other hand, uses income rates such as overall capitalization rates, which must implicitly allow for both the return on and return of capital. That is, when the capitalization rate is applied to the income of the subject property, the estimated present value must represent a price that would allow the investor to earn a market rate of return on, in addition to recapture of, the capital invested. Thus, the capitalization rate estimated and applied to value property must reflect the way that capital is expected to be recaptured.

Rate Estimation

Whether it is an income rate or a yield rate, the rate of return used to convert income into property value should represent the annual rate of return necessary to attract investment capital. This rate is influenced by many factors, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments, the rates of return earned by comparable properties in the past, the supply of and demand for mortgage funds, and the availability of tax shelters. Because the rates of return used in the income capitalization approach represent prospective rates, not historical rates, the market's perception of risk and changes in purchasing power are particularly important. Generally, higher capitalization overall rates (R_o) are associated with less desirable properties, and lower overall capitalization rates with more attractive properties.

The suitability of a particular rate of return cannot be proven with market evidence, but the rate estimated should be consistent with the data available. Rate estimation requires appraisal judgment and knowledge about prevailing market attitudes and economic indicators.

It is generally accepted that all investments are predicated on the expectation of receiving a return on capital that represents the time value of money with an appropriate adjustment for perceived risk. The concept of the time value of money underlies the accrual of interest on investments. The minimum rate of return on invested capital is sometimes referred to as the safe, risk-less, or relatively risk-less rate, the prevailing rate on insured savings accounts or guaranteed government bonds.

Theoretically the difference between the total rate of return on capital and the safe rate may be considered a premium to compensate the investor for risk, the burden of management, and the illiquidity of invested capital. Conceptually a discount rate may be developed with the built-up method, which involves adding together the four components in the rate, i.e., a basic safe or risk-less rate plus adjustments for risk, illiquidity, and management.

Risk

The anticipation of receiving future benefits creates value, but the possibility of losing future benefits detracts from value. Higher rewards are required in return for accepting larger risk. To a real estate investor, risk is the chance of incurring a financial loss and the uncertainty of realizing projected future benefits. Most investors try to avoid excessive risk; they prefer certainty to uncertainty and expect a reward in return for assuming a risk. Appraisers must recognize investors' attitudes in analyzing market evidence, projecting future benefits, and applying capitalization procedures. The appraiser must be satisfied that the income or yield rate used in capitalization is consistent with market evidence and reflects the level of risk associated with receiving the anticipated benefits.

A prospective investor in residential real estate would consider all types of investment vehicles, as well as the advantages and disadvantages associated therewith. The Appraiser has considered all of the preceding in estimating the capitalization rate for the subject. It is my opinion that when employing the economic approach for evaluating real estate, the proper capitalization rate to be used is dependent primarily on what rates investors in the type and class of property require as a condition for their purchasing such property.

Capitalization Rate

Due to the fact that most properties are purchased with the combination of debt and equity capital, the return on investment component of the overall capitalization rate must satisfy the market return requirements of each investment position. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk, or they will not make the funds available. Equally, equity investors must anticipate a competitive yield, or they will seek other investment vehicles.

The overall capitalization rate is determined from this band of investment, allocating the appropriate yield, and its percentage of the entire investment, to determine the overall capitalization rate. Additionally, as noted in our explanation in the "Assessed Value and Taxes" section, we increased the Equity Rate from 8.0% to 8.50% to provide for the probability of additional taxes resulting from a reassessment of the subject property triggered by the impending Purchase Price.

Band of Investment:

Loan to Value ratios:

Mortgage	70.00%
Equity	30.00%

Equity Dividend Rate	7.75%
Competitive Mortgage Interest Rate	6.70%
Mortgage Term in years	30
Annual Mortgage Constant	0.0774

Component	Constant		Ratio		Weighted Rate
Mortgage	0.0774	x	70.00%	=	0.0542
Equity	0.0775	x	30.00%	=	0.0233

Overall Capitalization Rate = 0.0775

Say **7.75%**

In establishing the proper capitalization rate, I have considered the returns from competing forms of investments. I have, in each instance, given weight to the comparable liquidity and risks involved. Among the competing investments are:

1. Mortgages.
2. Savings bank deposit guaranteed by agencies of the Federal Government.
3. High grade corporate bonds.
4. United States Government long term bonds.
5. Municipal bonds.

A study of the actual trend of yields in the above competing forms of investments indicates that, over the long term, there has been a progressive increase in returns. Experience has shown, however, that while there are periods when the yields of these investments have decreased, it has also shown that the general thrust over a protracted period of time has been upwards. It would follow, therefore, that prudent investors should anticipate that the rates will be higher in the years to come.

Reconciliation

Treasury bond and note yields had been decreasing over the past 4 years. The more risky 30 year corporate bonds have also been decreasing. Inflation has been slightly increasing during the same time periods, with present CPI increases forecasted at 1.5 to 2.5% annually. Short term trends are for the continued increasing yields, and low inflation rates and slow job and income growth.

The subject property is located in an above-average area. Additionally the subject is vastly under-rented. We have used the Band of Investment to calculate the Capitalization Rate using the actual mortgage rate of 6.70% under a 30 year 70% LTV with an Equity Rate of 7.75% reflecting the subject potential for rent increases. As illustrated in the *Market Approach* section, our analysis of recent apartment sales indicates an average Cap Rate of 8.15%, however most of the sales are inferior to the subject in location and have less potential for rent increases.

In consideration of these factors, the Capitalization Rate forecasted (7.75%) is lower than what is typically demanded in the national investment market.

RECONCILIATION

The purpose of this appraisal is to estimate the market value of the leased fee interest of the subject property. In the valuation process, we have considered the three approaches to value which have indicated the following estimates:

Market Approach	\$25,000,000
Income Approach	\$20,400,000
Cost Approach	Not Applicable

It is our opinion that the **Cost Approach** is not a reliable indicator of value for the subject property. This approach is predicated upon the depreciated replacement cost of the improvements, plus the estimate of land value derived from the market. Estimates of physical, functional and external depreciation are, at best, an educated opinion, and this factor of subjectivity lessens the validity of the Cost Approach. This is especially true in the case of the subject building, which is an older structure. Also, purchasers of property similar to the subject are most concerned with the income producing capability in terms of investment yield, and not with replacement cost. In light of the preceding factors, the Cost Approach was not considered a valid indicator of value for the subject property.

The **Direct Sales Comparison Approach** (Market Approach) is predicated upon prices paid for similar type properties. This approach was affected by converting the sale prices into a price per dwelling unit and price per square foot. After adjustments were made for the differences in location, date of sale, and other salient features, the adjusted units rates formed a range, which was then analyzed to yield an estimate of Market Value. Our investigation into available transactions revealed six comparable sales (two located within Riverdale) upon which to base a value conclusion via this approach. Our value conclusion was \$25,000,000.

In the **Income Approach** to Value, we have considered comparable rentals of properties having generally similar characteristics to that of the subject in order to estimate market level rents. From the projected Gross Income, we deducted the appropriate vacancy factors and expenses which are the responsibility of the landlord in determining the net operating income. This figure was then capitalized, using a market level rate, into the following estimate of Market Value: \$20,400,000.

Final Opinion of Value

Typically multifamily apartment buildings are valued with the most weight being placed on the Income Approach. In the subject's case, however, the low turnover coupled with rent regulations has caused the subject's rents to be vastly under market. Our analysis of comparable rentals indicates an average rent of over \$300 per room per month verses \$171 for the subject. This potential for rent increases upon vacancy can not adequately be compensated for in the Capitalization Rate. Therefore it is necessary to consider the value indication by the Market Approach which illustrates the premium paid by Investors who can hold the property for the longer term allowing for the eventual turnover of apartments.

Based upon the examination and analyses presented above and our knowledge and experience as real estate appraisers and counselors, our estimation of the Market Value of the subject property as of March 20, 2001 is:

**Twenty Three Million Dollars
(\$23,000,000)**

SAMPLE



CERTIFICATION

I certify that, to the best of my 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of the report, and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My 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.

My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Jude Collins made a personal inspection of the property that is the subject of this report. Richard Anastasio made an exterior inspection.

No one provided significant professional assistance to the person signing this report.

I certify that, to the best of my knowledge and belief, 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 the Standards of Professional Appraisal Practice of the Appraisal Institute. I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, I (R. Anastasio) have completed the requirements of the continuing education program of the Appraisal Institute .

Neither all nor any part of the contents of this report (especially any conclusions as to the value, the identity of the appraiser, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other means of communication without the prior consent and approval of the undersigned.

P. Jude Collins, ASA
NYS Certified General Appraiser #46-670

Richard J. Anastasio, MAI
NYS Certified General Appraiser #46-2882

ASSUMPTIONS & LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

An appraisal is not a survey:

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted within the report.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats, or drawings reproduced and included in this report are intended only for the purpose of showing spacial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.

An appraisal is not a legal opinion:

No responsibility is assumed for matters of a legal nature that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances, or encroachments. We are not usually provided an abstract of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since we have not made a comprehensive examination of laws and regulations affecting the subject property.

An appraisal is not an engineering or property inspection report:

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and is not a complete or detailed physical report. The appraisers are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior, walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual inspection only as no detailed inspection was made. For example, we are not experts on heating systems and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations and it is assumed that all buildings meet applicable building codes unless so stated in the report.

Some items such as conditions behind walls, above ceilings, behind locked doors, or under the ground are not exposed to casual view and therefore were not inspected. The existence of insulation, if any was mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures that would render it more or less valuable. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

Wells, septic, and sewer systems, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use.

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos, or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature which we believe would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraiser on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the lot does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. We therefore rely on circumstantial evidence which may come into our possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel, or others. Parties interested in knowing the exact age of the improvements on the land should pursue additional investigation.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition or any other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service, insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled persons may adversely affect the property's value, marketability, or utility.

An appraisal is made under conditions of uncertainty with limited data:

As can be seen from the limitations presented herein, this appraisal has been performed with a limited amount of data. Limitations result from a lack of certain areas of expertise by the appraiser (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraiser to view certain portions of the property, and the inherent limitations of relying upon information provided by others.

In addition, there is an economic constraint. The appraisal budget (and the fee for this appraisal) does not contain unlimited funds for investigation. We have spent our time and effort in the investigative stage of this appraisal in those areas where we think it will be most beneficial, but inevitably there is a significant possibility that we do not possess all information relevant to the subject property.

Information (including projections of income and expenses) provided by local sources, such as government agencies, financial institutions, accountants, attorneys, architects, management agencies, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser.

The comparable sales and rental data relied upon in the appraisal is believed to be from reliable sources. Though all of the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided for use, nor made as part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to such limitations.

All values shown in the appraisal report are projections based on our analysis as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection.

Since projected mathematical models and other projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analysis because of incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice.

Appraisal report limitations:

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and cautioned against possible misinterpretation of the information contained in these reports.

Appraisal restrictions:

This appraisal was prepared at the request of, and for the exclusive use of, the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless sufficient notice is given to allow adequate preparation and additional fees are paid by the client at our regular rates for such appearance and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client, and possession of this report, or a copy thereof, does not carry with it a right of publication or duplication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media or communication device without the written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without the written consent of the appraiser.

It is suggested that those who possess this appraisal report should not give copies to others. Certainly legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments) does so at their own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraiser nor this company assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others. Anyone with a question on whether their copy of this appraisal report is incomplete or altered should contact our office.

Values and conclusions for various components of the subject parcel as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used. The allocation of the total value in this report between land and improvements applies only under the reported highest and best use of the property. The separate valuations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.