

# **\$1.5 Million Preferred Equity Investment**

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44 Hudson Street  
New York, NY 10013



CHESTERFIELD FARING LTD

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# \$1.5 MILLION PREFERRED EQUITY INVESTMENT

44 Hudson St, New York, NY 10013 (TriBeCa)



CHESTERFIELD FARING LTD

## EXECUTIVE SUMMARY

**Overview.** Chesterfield Faring, Ltd. (“CFL”) is making a \$1.5 million preferred equity investment (“PE”) to Prime Manhattan Development LLC (“Sponsor”) in 44 Hudson St, New York, NY 10013 (the “Property”). The Property is a 5-story commercial classic loft building with the elevator opening in the center of each floor. Located in the heart of Tribeca, tenants are naturally attracted to this fully gentrified neighborhood; especially tech companies and other boutique firms. Built in 1890/1903, the Property contains 10,015 gross SF above grade plus a 2,003 SF basement. The PE will be used to build-out a model unit on the third floor, common area upgrades, and pay other expenses. Floors 2-5 have been gutted. The plan is to gut the first floor and basement then rent to a single retail tenant, plus lease the 2<sup>nd</sup> through 5<sup>th</sup> floors to office tenants. It’s possible the entire building could be leased to a single tenant. The Sponsor has obtained multiple letters of intent (“LOI(s)”) from potential office & retail tenants.

**Valuation.** The Property was acquired by the Sponsor on Oct. 9, 2018 for \$14.0 million (\$16.05 million including acquisition costs). The current LOIs for the Property are approximately \$70.0 PSF for office space based on 3,000 NRSF per floor; and \$159 PSF for the retail space (including the basement) based on 1,450 USF. For valuation purposes, the Sponsor provided a breakout of the net rentable square feet for each floor utilized for the proposed rent roll on Page 3. The projected Year 1 annual net operating income at full occupancy (assuming a 5.0% general vacancy) is \$906,378. At a 4.75% cap rate, the value is approximately \$19.1 million or \$1,905 PSF for a fully-renovated building with new tenants. This is supported by comparable sales (see page 5). To lease up the Property, the tenant improvement costs should range from \$70.0 PSF to \$80.0 PSF, 30% of first year base rent (assuming 5 year leases) for broker commissions (assumes co-broke), plus carrying costs, which totals an estimated \$1.5 million. Therefore, an “as is” current value of approximately \$17.6 million can be supported.

**Investment.** The Property is secured by an \$11.15 million first mortgage loan (“FML”). The \$1.5 million PE added to the FML totals \$12.65 million. At a current value of \$17.6 million, the overall FML and PE together equal 71.9% loan to value. CFL is offering fifteen (15) \$100,000 loan participations to you as investors (“Investors”) at twenty four percent (24.0%) per annum (“Interest”). All the Interest accrues until paid off in full at a rate of two percent (2.0%) per month. The PE term is one (1) year. The PE will have two (2) extension options for a term of six (6) months each. If an extension were to be exercised then the same twenty four percent (24.0%) annual rate would apply.

**Market.** There are very few boutique office buildings in Tribeca, especially with floor plates less than 3,000 SF, which is highly desirable to small businesses for this location. Tribeca is one of the most sought-after residential neighborhoods in Manhattan, and one of the most affluent in the U.S. The Property is located facing Duane Park, a historic center in the heart of Tribeca with high pedestrian traffic, great visibility, and a highly desirable neighborhood to live and work.

Subway access is centrally located to the Property within two to three blocks away for the 4, 5, 6, NR, and the A, C, & E trains, with main stops in Tribeca at Canal/Church Street, Franklin Street, and at Canal/Broadway. Rents in Tribeca range from \$70 PSF to \$85 PSF for office space and \$120 to \$155 PSF for retail space, depending on the buildout, exposure, street traffic, sub market attractions, and exact location.



FML plus PE	\$ 12,650,000	% Value
Cost	\$ 16,050,000	78.8%
Current Value	\$ 17,600,000	71.9%
Stabilized Value	\$ 19,100,000	66.2%



# \$1.5 MILLION PREFERRED EQUITY INVESTMENT

44 Hudson St, New York, NY 10013 (TriBeCa)

## PROFORMA & VALUATION

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue:</b>										
Potential Gross Income	\$ 1,197,450	\$ 1,233,374	\$ 1,270,375	\$ 1,308,486	\$ 1,347,741	\$ 1,388,173	\$ 1,429,818	\$ 1,472,712	\$ 1,516,894	\$ 1,562,401
Vacancy Loss	\$ (59,873)	\$ (61,669)	\$ (63,519)	\$ (65,424)	\$ (67,387)	\$ (69,409)	\$ (71,491)	\$ (73,636)	\$ (75,845)	\$ (78,120)
<b>Effective Rental Income</b>	<b>\$ 1,137,578</b>	<b>\$ 1,171,705</b>	<b>\$ 1,206,856</b>	<b>\$ 1,243,062</b>	<b>\$ 1,280,353</b>	<b>\$ 1,318,764</b>	<b>\$ 1,358,327</b>	<b>\$ 1,399,077</b>	<b>\$ 1,441,049</b>	<b>\$ 1,484,281</b>
RE Tax Reimbursements	\$ -	\$ 5,430	\$ 11,023	\$ 16,784	\$ 22,717	\$ 28,829	\$ 35,123	\$ 41,607	\$ 48,285	\$ 55,164
Other Income	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159	\$ 1,194	\$ 1,230	\$ 1,267	\$ 1,305
<b>Effective Gross Income</b>	<b>\$ 1,138,578</b>	<b>\$ 1,178,165</b>	<b>\$ 1,218,940</b>	<b>\$ 1,260,938</b>	<b>\$ 1,304,196</b>	<b>\$ 1,348,752</b>	<b>\$ 1,394,645</b>	<b>\$ 1,441,914</b>	<b>\$ 1,490,601</b>	<b>\$ 1,540,749</b>
<b>Expenses</b>										
Real Estate Taxes	\$ 181,000	\$ 186,430	\$ 192,023	\$ 197,784	\$ 203,717	\$ 209,829	\$ 216,123	\$ 222,607	\$ 229,285	\$ 236,164
Insurance	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802	\$ 23,486
Utilities	\$ 16,000	\$ 16,480	\$ 16,974	\$ 17,484	\$ 18,008	\$ 18,548	\$ 19,105	\$ 19,678	\$ 20,268	\$ 20,876
Management Fee	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048
Repairs and Maintenance	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556	\$ 6,753	\$ 6,956	\$ 7,164	\$ 7,379	\$ 7,601	\$ 7,829
Reserve For Replacement	\$ 1,200	\$ 1,224	\$ 1,248	\$ 1,273	\$ 1,299	\$ 1,325	\$ 1,351	\$ 1,378	\$ 1,406	\$ 1,434
<b>Total Expenses</b>	<b>\$ 232,200</b>	<b>\$ 239,154</b>	<b>\$ 246,316</b>	<b>\$ 253,693</b>	<b>\$ 261,291</b>	<b>\$ 269,117</b>	<b>\$ 277,177</b>	<b>\$ 285,479</b>	<b>\$ 294,030</b>	<b>\$ 302,837</b>
<b>Net Operating Income</b>	<b>\$ 906,378</b>	<b>\$ 939,011</b>	<b>\$ 972,623</b>	<b>\$ 1,007,245</b>	<b>\$ 1,042,905</b>	<b>\$ 1,079,635</b>	<b>\$ 1,117,467</b>	<b>\$ 1,156,435</b>	<b>\$ 1,196,571</b>	<b>\$ 1,237,913</b>
<b>Valuation</b>	<b>\$ 19,081,632</b>	<b>\$ 19,768,649</b>	<b>\$ 20,476,282</b>	<b>\$ 21,205,149</b>	<b>\$ 21,955,887</b>	<b>\$ 22,729,153</b>	<b>\$ 23,525,623</b>	<b>\$ 24,345,991</b>	<b>\$ 25,190,977</b>	<b>\$ 26,061,318</b>
<b>Price/SF</b>	<b>\$ 1,905</b>	<b>\$ 1,974</b>	<b>\$ 2,045</b>	<b>\$ 2,117</b>	<b>\$ 2,192</b>	<b>\$ 2,270</b>	<b>\$ 2,349</b>	<b>\$ 2,431</b>	<b>\$ 2,515</b>	<b>\$ 2,602</b>

# \$1.5 MILLION PREFERRED EQUITY INVESTMENT

44 Hudson St, New York, NY 10013 (TriBeCa)

## PROPOSED RENT ROLL

Location	Rent	NRSF	\$/SF
5th Floor	\$ 246,500	2,900	\$85
4th Floor	\$ 232,000	2,900	\$80
3rd Floor	\$ 217,500	2,900	\$75
2nd Floor	\$ 217,500	2,900	\$75
1st Floor	\$ 283,950	1,893	\$150
<b>Potential Rental Income</b>	<b>\$ 1,197,450</b>	<b>13,493</b>	<b>\$89</b>

The Sponsor has four Letters of Intent (shown below) relating to different floors. WeWork is interested in the entire building. Saju Bistro is French provincial restaurant. The Krav Maga Institute is a modern martial arts and self-defense school. **Fetchstr** is a mobile platform for individuals looking to for local services.

Despite the LOIs, the Sponsor is entertaining other offers and believes they will achieve higher rents. This supposition is supported by our conversations with brokers and appraisers, given the location of the building and the smaller floors. The projected rent roll above considers the LOIs to date, and the conversations with market participants. It also considers that the Sponsor, with the use of the PE, will be able to build-out a model floor, and will offer \$70/SF TI for new office tenants (\$0 for the retail tenant). The rent roll above produces a potential gross income of \$1,197,450 which is shown in the Proforma on page two (2).

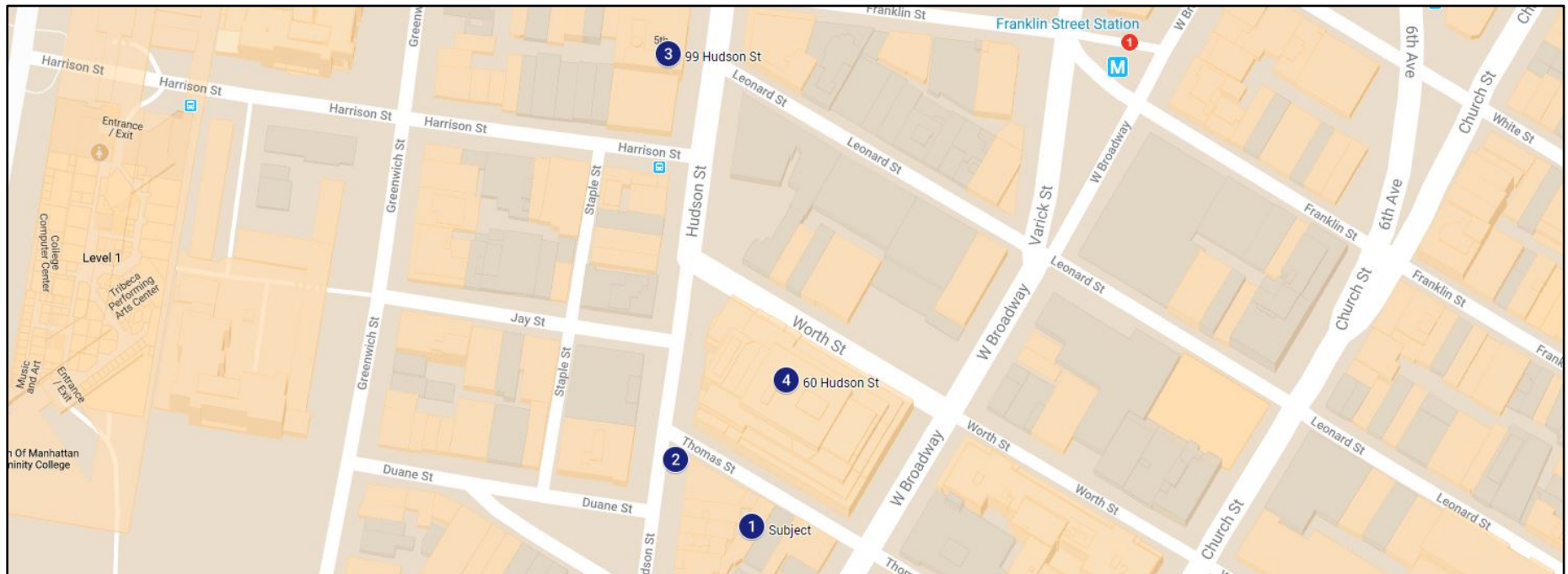
Letters of Intent	Tenant	Rent	SF	\$/SF	TI Allow/SF
3rd Floor	Fetchstr	\$ 213,000	3,000	\$71	
2nd Floor	Krav Maga Institute	\$ 210,000	3,000	\$70	\$60
Ground Floor + Basement	Saju Bistro	\$ 231,000	1,450	\$159	
Entire Building	WeWork	\$ 1,095,500	15,650	\$70	\$60

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## LEASE COMPARABLES

Property	Submarket	Asking \$/SF	SF	Total Rent	Notes
1 Subject					
2 50 Hudson St	TriBeCa	\$ 85	5,150 SF	\$ 437,750	2nd Fl
3 99 Hudson St	TriBeCa	\$ 82	12,159 SF	\$ 997,038	14th Fl
4 60 Hudson St	TriBeCa	\$ 75	9,000 SF	\$ 675,000	2nd Fl Suite



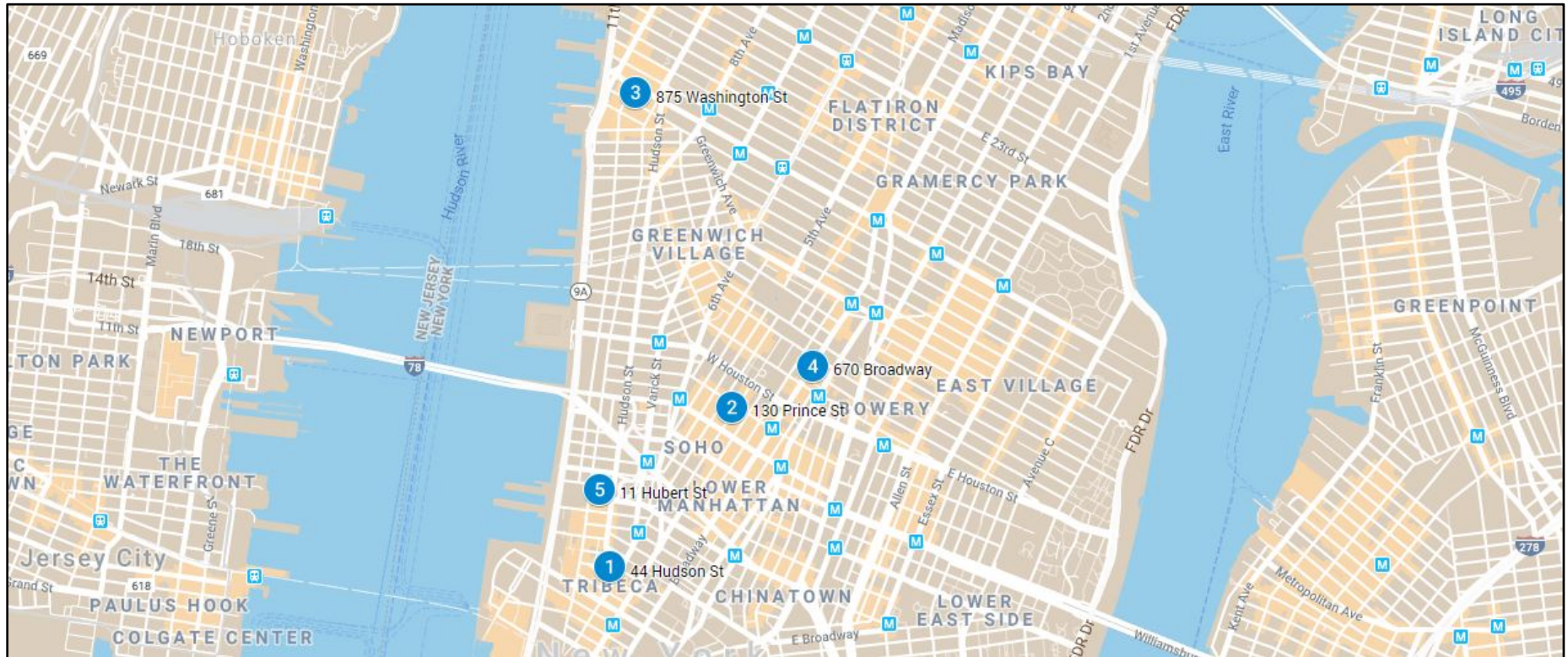


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## SALES COMPARABLES

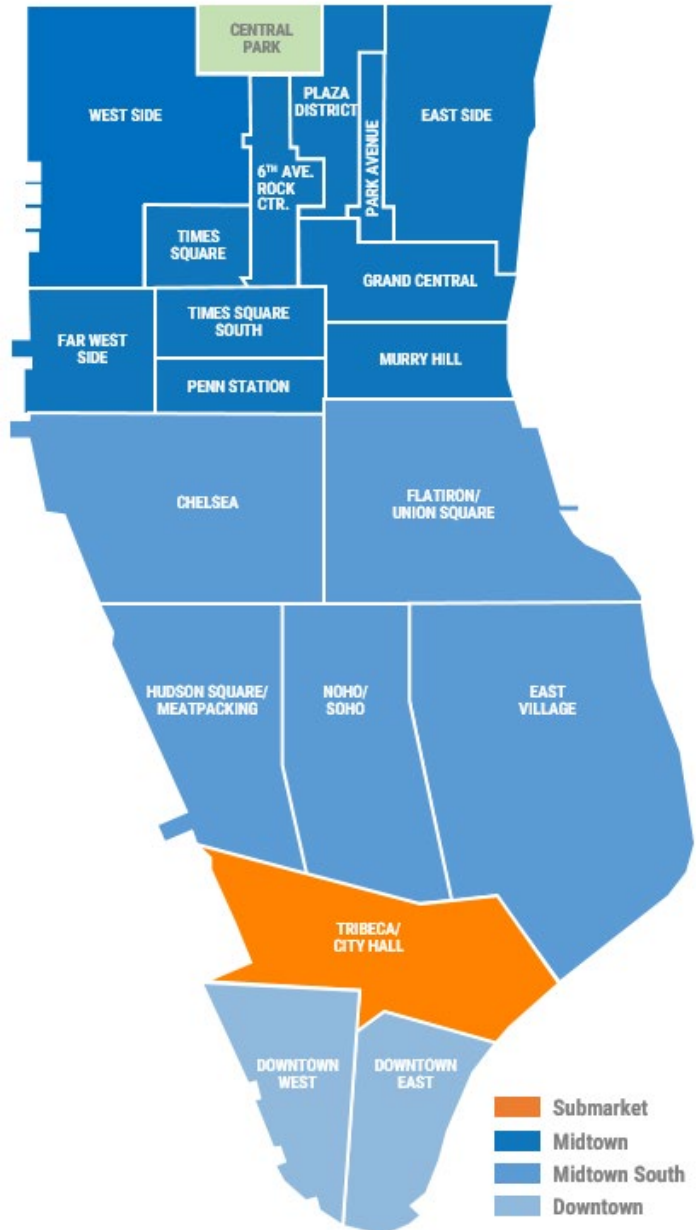
	Address	Date of Sale	Submarket	Floors	Sales Price	SF	\$/SF
1	Subject	-	TriBeCa	5	\$ 19,081,632	10,015	\$1,905
2	130 Prince St	July-19	SoHo/NoHo	6	\$ 206,300,000	77,500	\$2,662
3	875 Washington St	September-18	Meatpacking	5	\$ 133,000,000	70,263	\$1,893
4	670 Broadway	February-19	NoHo	5	\$ 130,500,000	71,929	\$1,814
5	11 Hubert St	October-18	TriBeCa	3	\$ 19,995,000	10,218	\$1,957



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## TRIBECA OFFICE MARKET



### MARKET SUMMARY

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (MSF)	8.6	8.6	8.6
Availability Rate	6.8%	7.2%	10.8%
Vacancy Rate	5.0%	4.6%	6.1%
Quarterly Net Absorption (SF)	1,857	-24,280	-69,193
Average Asking Rent (\$/SF)	\$66.53	\$66.57	\$71.38
Under Construction (SF)	115,000	115,000	0
Deliveries (SF)	0	0	0

The subject property is in the TriBeCa/City Hall submarket of Manhattan, defined by NKF Valuation & Advisory, as Chambers Street to Canal Street, Hudson River to East River. Frankfort Street to Canal Street, and Hudson River to East River.

This submarket is home to 8.6 million square feet of commercial real estate space.

The TriBeCa/City Hall submarket is located to the north of the Downtown East and Downtown West office markets and south of the Hudson Square/Meatpacking, NoHo/SoHo, and East Village office markets.

Availability in the TriBeCa/City Hall submarket decreased 40 basis points to 6.8% quarter-over-quarter. Year-over-year, availability dropped 400 basis points.

Vacancy increased 40 basis points to 5.0% quarter-over-quarter. Vacancy decreased 110 basis points year-over-year.

Asking rents remained generally stable, decreasing by \$0.04 quarter-over-quarter to \$66.53 per square foot.



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## PROPERTY DESCRIPTION

The 10,015 gross square foot building is located on the west side of Hudson Street, directly across the street from Duane Street. The Property is a 5-story masonry brick, class C, mixed use office and retail building. Measuring 25' x 97', each floor of the building measures 2,003 gross square feet for each floor. The original building (floors 1-3) were built in 1890, with an additional two floors added in 1903.

Small office buildings, with small floor plates in Tribeca are limited and highly desirable. The ground floor and basement will likely be leased to a retail tenant or restaurant, while the remaining four floors will be leased to office tenants. The buildout of each floor's common area will consist of exposed brick (floors 1-3) and concrete block (floors 4-5), hardwood floors, hung LED lighting, modern fixtures, etc. (see "Common Area Renderings" on page 11-13).

Current photos of the Property are shown on page 9 and 10. Most of the demolition has occurred except for the basement and 1<sup>st</sup> floor. The remaining 4 floors are gutted to the bricks/concrete and is ready to be improved.

44 Hudson Street	
<b>Address</b>	44 Hudson St., NY, NY
<b>Corner Streets</b>	Hudson St / Duane St
<b>Neighborhood</b>	TriBeCa
<b>Class</b>	C
<b>Year Built (Floors 1-3)</b>	1880
<b>Year Built (Floors 4-5)</b>	1910
<b>Basic Construction</b>	Brick Floors 1-3 / Cinder Floors 4-5
<b>Ceiling Height</b>	10 Ft. - 12 Ft.
<b>Elevators</b>	One (1) Multi-passenger elevator
<b># of Floors</b>	5 + Basement
<b>Building Area Gross:</b>	10,015 SF + 2003 SF Basement
<b>Average Market Rent PSF</b>	\$88.75
<b>Year of Renovation</b>	2019
<b>Type of Renovation</b>	Exposed brick, hung LED lighting, modern fixtures
<b>Zoning</b>	C6-2A
<b>APN/Parcel ID</b>	0144-0020



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## SPONSOR PROFILE

### Prime Manhattan Development

PMD focuses on prime New York City mixed-use, luxury residential, and commercial developments in a manner that helps create and enhance the built environment through innovative design and superior construction. Prime Manhattan development has owned, developed and managed real estate across various asset classes.



### GRANT SHAPOLSKY– Founder & Managing Principal

Mr. Shapolsky is a third-generation investor/developer. He has been developing Manhattan property for 23 years and his family has been developing for 85.

Mr. Shapolsky has spearheaded the acquisition and development of over two million square feet in Prime Manhattan consisting of mostly downtown loft property with a focus on IMD buildings, class B & C office parcels, and the purchase of defaulted loans / spoiled partnership interests.

PRIME MANHATTAN DEVELOPMENT is supported by Grant Shapolsky who has assembled a team of veterans providing knowledge from every corner of the industry to complete an array of services rarely found under one roof.

Prime Manhattan's builder partner, **OTL ENTERPRISES**, has 30 years of experience in building and developing in New York City with an intelligent respect for the unique needs and characters of each project. OTL has dedicated in-house Project Managers and Site Supervisors who provide clear, regular communication and guidance through the multitude of choices and decisions involved in the construction process, enabling them to deliver on budget and on time.

Through decades in the local industry, OTL has amassed an invaluable roster of the city's foremost craftsmen and specialized tradesmen, from carpenters, masons and tile workers, to decorative finishers, mechanical experts and painters. These loyal relationships combined with their ability and instinct for assembling the perfect team, there is no task, craft or job they can't expertly facilitate – even if it's never been done before.

Architect of record, **KUTNICKI BERNSTEIN ARCHITECTS** demonstrates commitment to excellence in architecture, planning and interior design through innovation and ingenuity. Established in 1986 by Dan Bernstein, KBA continues to set precedents for New York City architecture through an active practice in commercial, corporate and residential design. The firm integrates creativity and vision with practical knowledge in development and construction.

PMD's marketing team led by **FRANCES KATEN** has made Douglas Elliman's prestigious "Top 10 List" of most productive agents in New York City for almost a decade running. The Team also ranks in the top 1% of all agents nationwide.

Comprised of an elite, professional, and dynamic group of brokers who specialize in domestic and international real estate, The Katzen Team serves a sophisticated clientele with an expertise in creative marketing, positioning, and keen negotiating tactics. While we apply a customized approach to our business, in all cases we understand the importance of discretion, efficiency, and premium service.



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## PROPERTY PHOTOS





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# \$1.5 MILLION PREFERRED EQUITY INVESTMENT

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## COMMON AREA DESIGNS



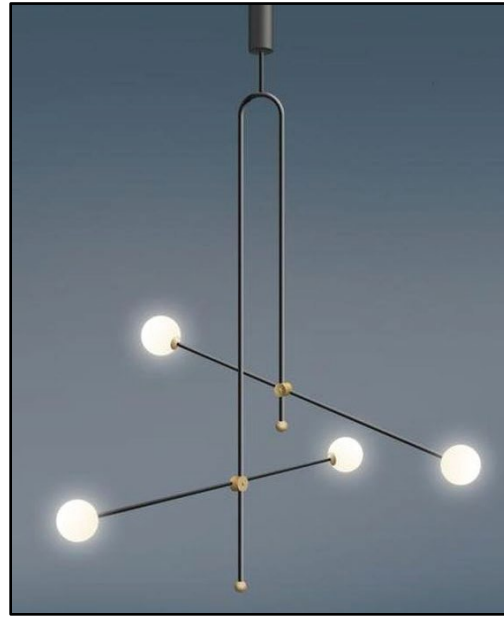
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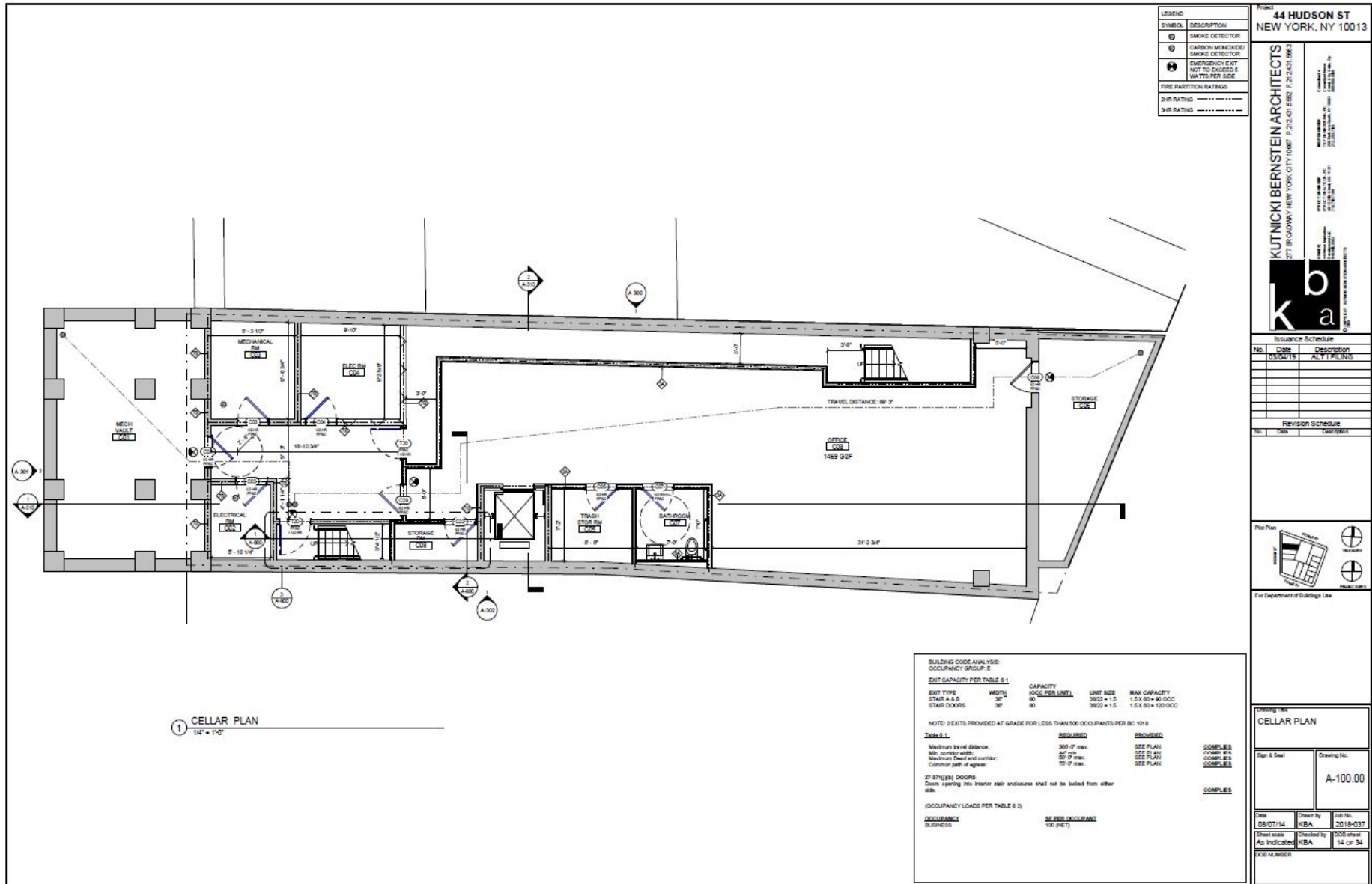
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## FLOOR PLANS



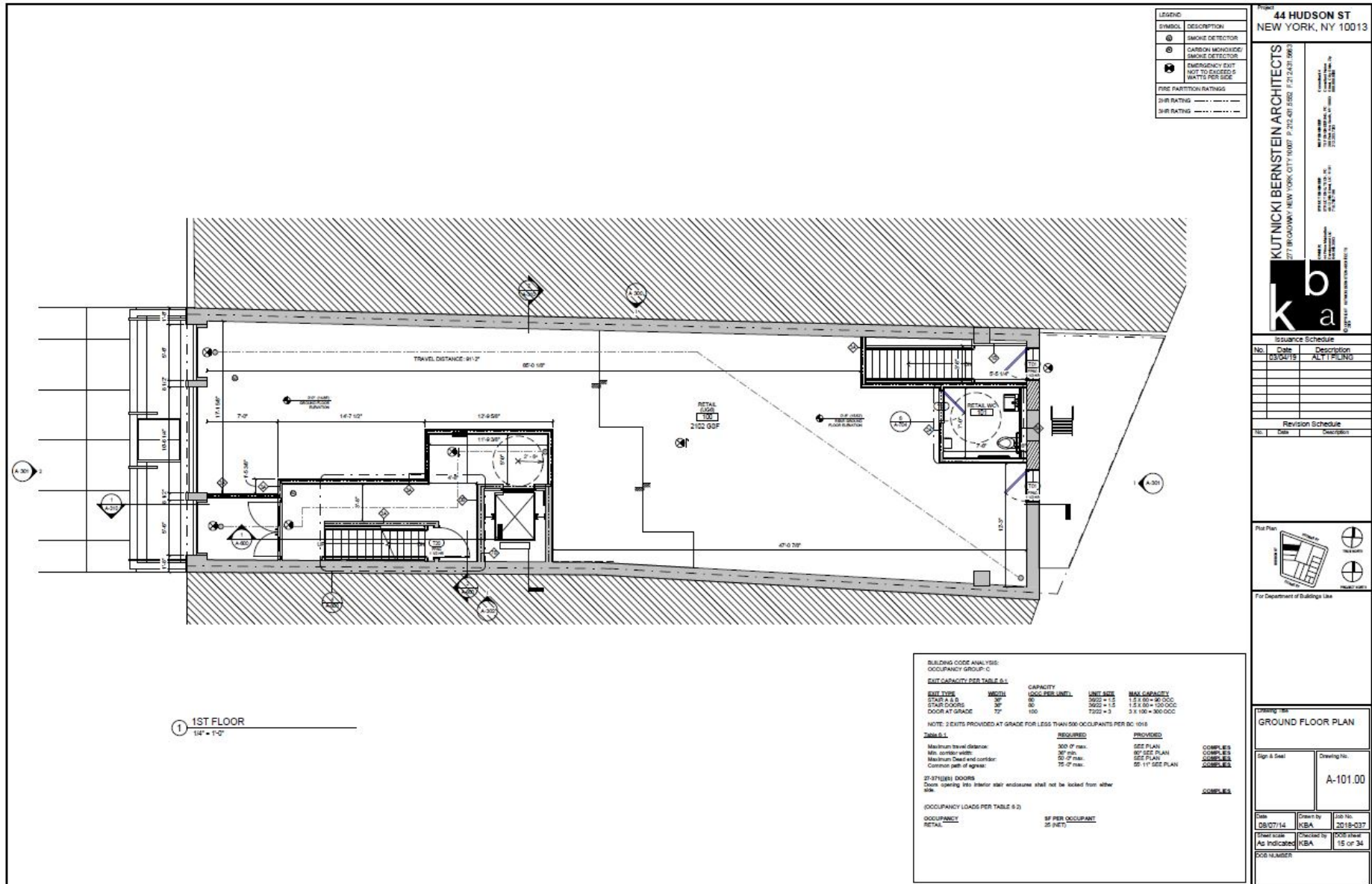


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