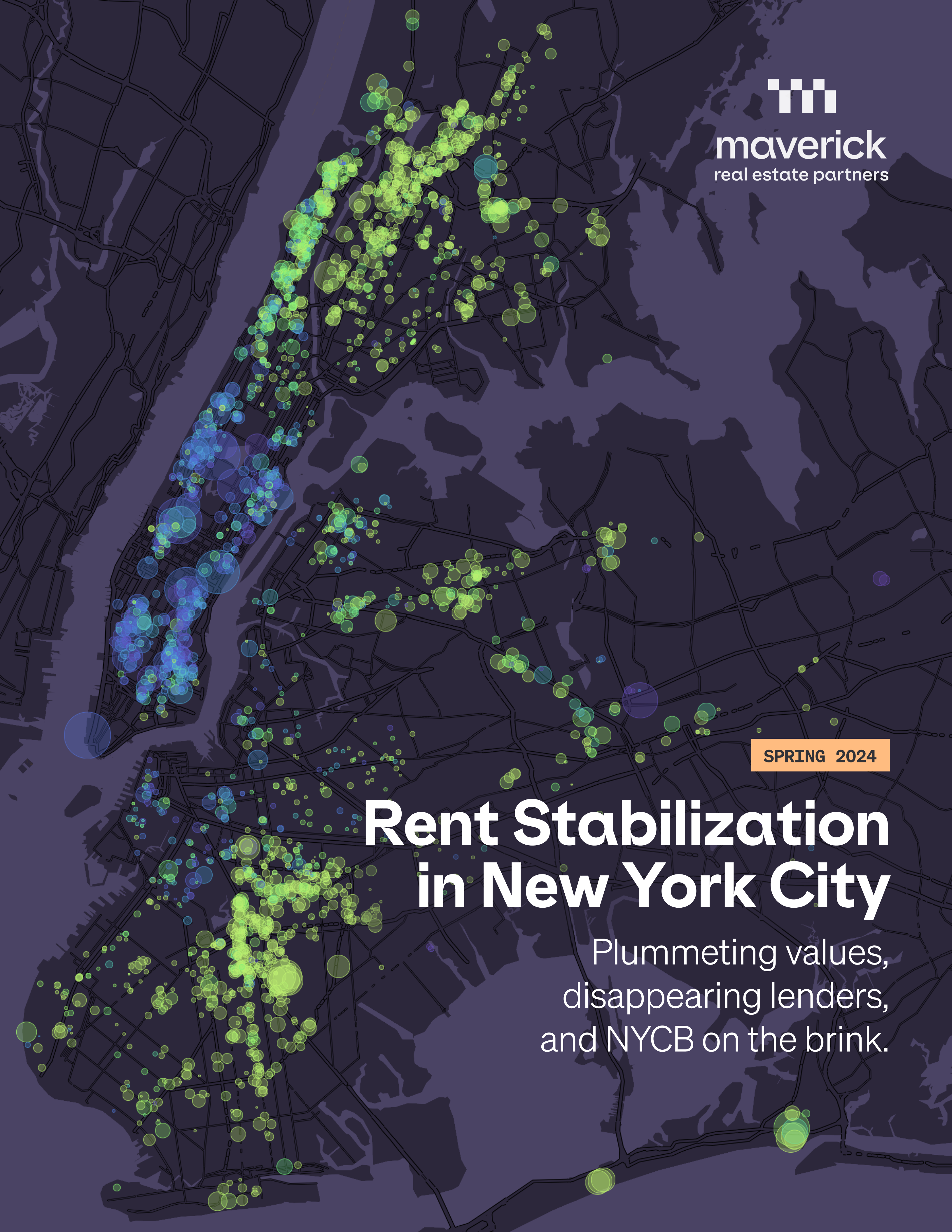

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SPRING 2024

Rent Stabilization in New York City

Plummeting values, disappearing lenders, and NYCB on the brink.

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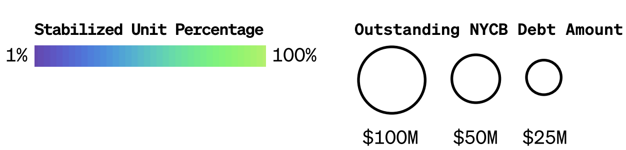
Cover Image

The cover map shows rent stabilized properties in New York City with New York Community Bank (NYCB) debt. Circles are sized by debt amount, and colored by the percentage of units subject to stabilization.



PAGE

2 Lending on Rent Stabilized Multifamily properties has historically been a stable business dominated by a small number of lenders – primarily regional banks.

6 In 2019, rent law changes capped income and constrained investment potential for these properties.

8 For a few years, low interest rates and COVID-related forbearance agreements preserved the status quo. In 2022, the reality of the new regulation collided with inflationary pressure on expenses, rising borrowing costs, and cap rate expansion. The value and sales volume of Rent Stabilized properties plummeted.

10 As loans mature or reset to current market interest rates, refinancing options will be out of reach for many owners.

12 This absence of financing options for borrowers leaves current lenders exposed, with NYCB in a risky position even after an injection of rescue capital.

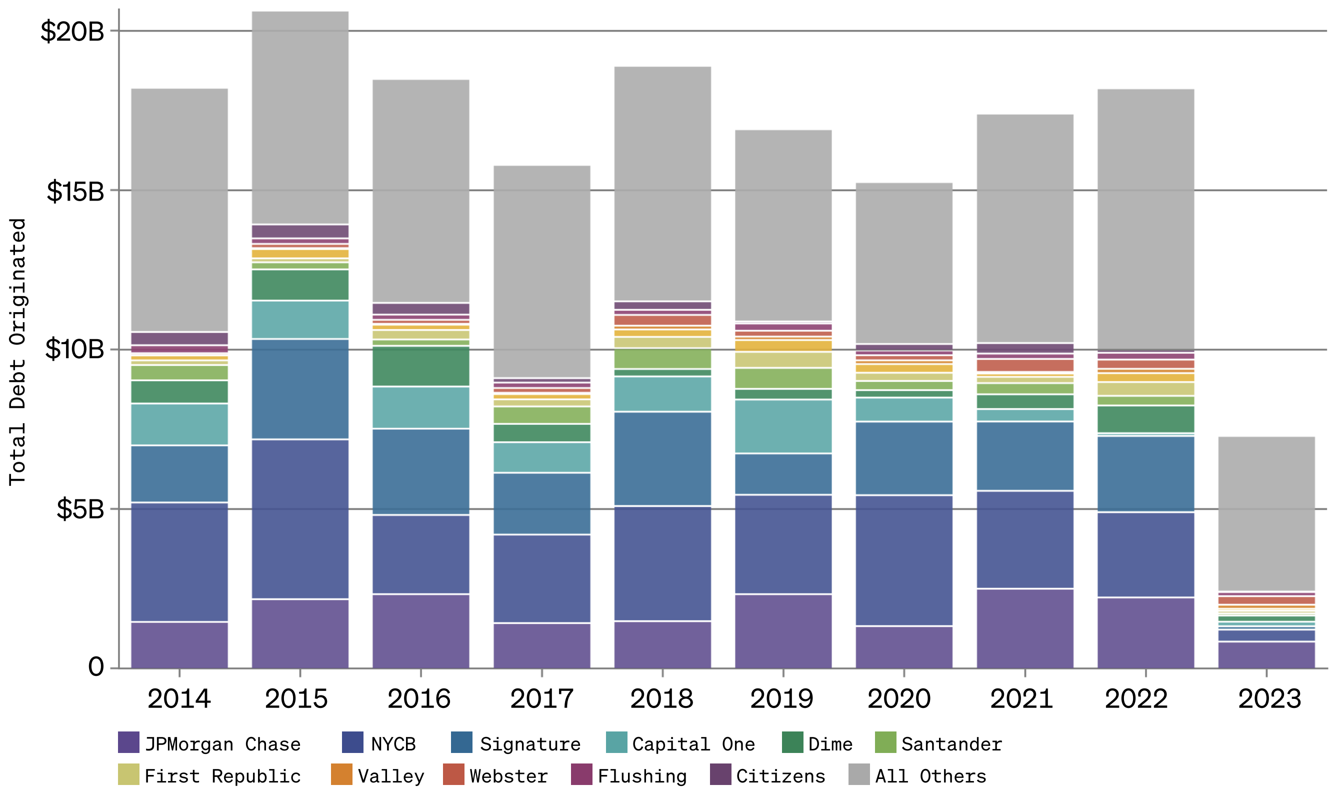
15 Given these challenging market dynamics, the FDIC took extraordinary measures to prop up the value of Signature Bank's Rent Stabilized loans at auction... but they still sold at a 40% discount.

16 The current state of the Rent Stabilized property market is unsustainable, and is the biggest threat to the health of New York-area regional banks.

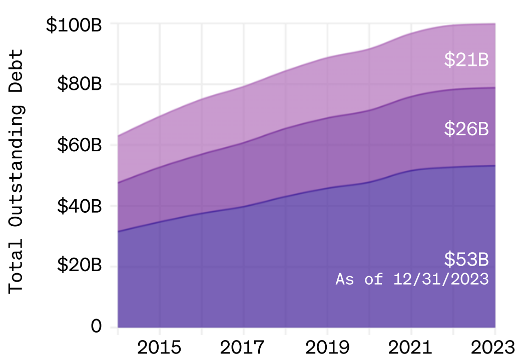
Lending on Rent Stabilized Multifamily properties has historically been a stable business dominated by a small number of lenders – primarily regional banks.

Lending on Rent Stabilized properties has been a $15-20 billion-per-year enterprise in New York City over the last decade, until a sharp shift in 2023. In the chart below, we can see the degree to which just a dozen lenders account for the majority of lending, with NYCB, Signature, and JPMorgan Chase as the undisputed “big three” until 2023.

Historical loan originations on properties containing Rent Stabilized units



In 2023, we see lending activity fall by more than half; the major lenders pull back, and no other lenders – banks, private lenders, or others – step up in a meaningful way to fill the void. What remains is a fragmented landscape of smaller lenders and one-off transactions.



$100B

Outstanding debt on NYC properties with Rent Stabilized units

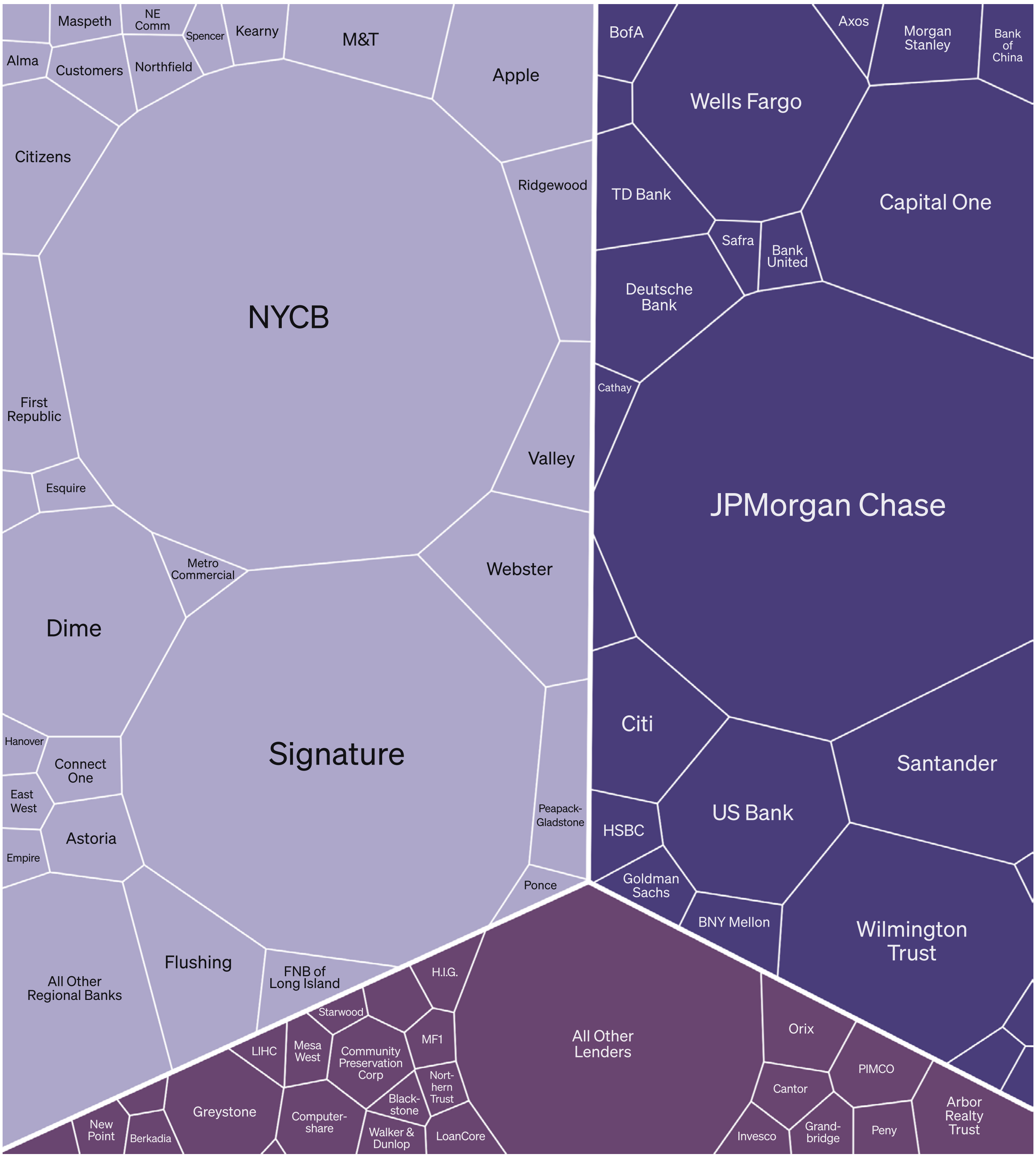
There is currently $100 billion in outstanding debt on New York City properties containing Rent Stabilized units. Roughly half of that amount is secured by properties in which at least 75% of units are Stabilized.

In the chart at left, we see that this debt has grown steadily over the past decade, leveling off in 2023. Total outstanding debt can be expected to decrease in 2024 due to declining originations.

Of the $100B in outstanding debt on Rent Stabilized properties, about $10B was originated by governmental agencies or insurance companies. Below we see the remaining $90B broken down by the originating lender[1].

Total universe of outstanding Rent Stabilized debt by originating lender

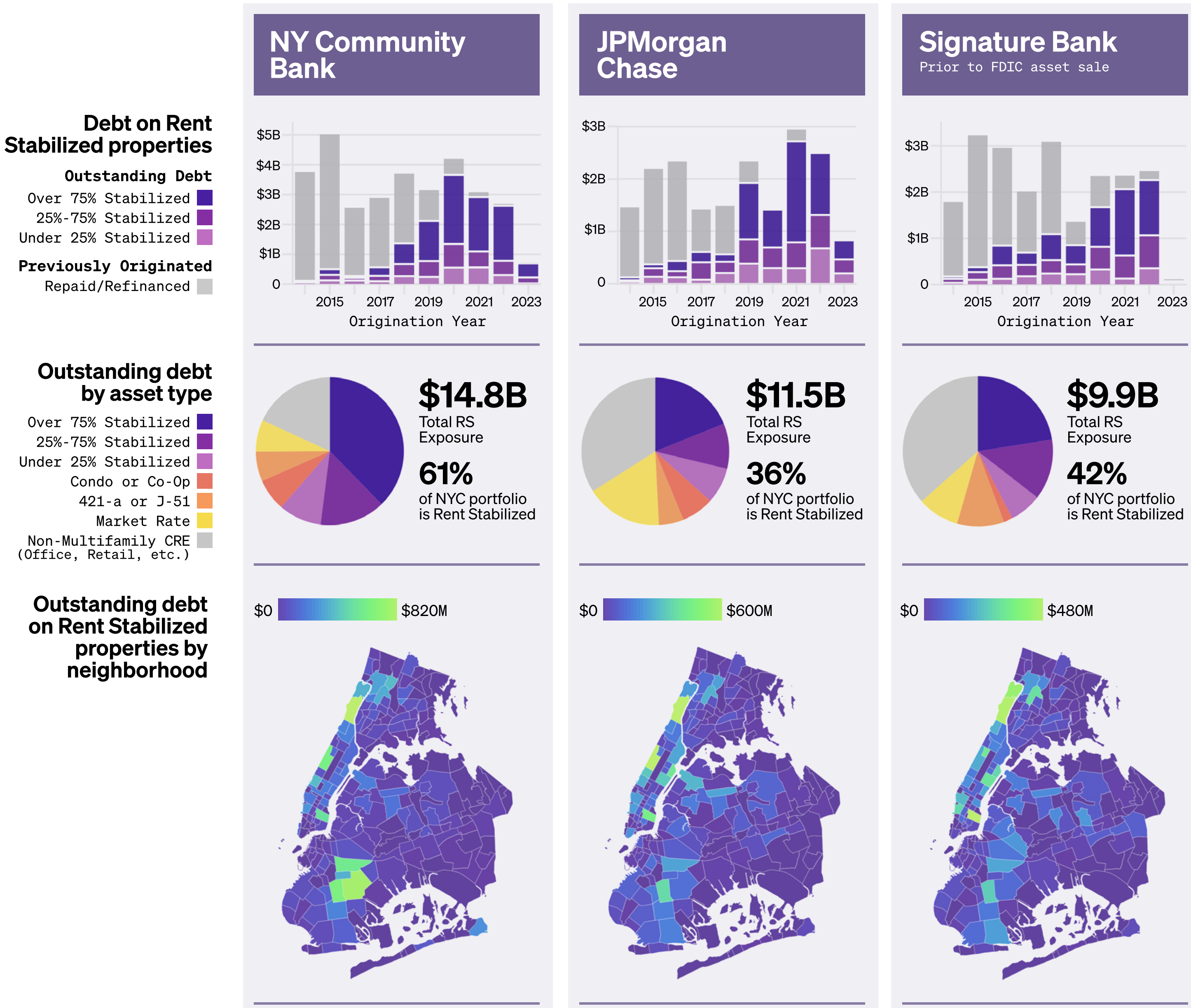
Regional Banks | National / Global Banks | Private & DUS[2] Lenders



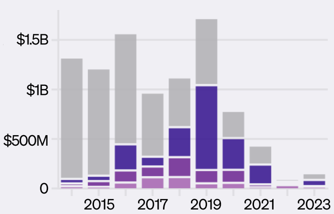
[1] Some of these loans have been subsequently securitized or transferred to government agencies, or in the case of Signature Bank, auctioned as joint venture partnerships with the FDIC.
[2] DUS (Delegated Underwriting and Servicing) lenders originate Multifamily loans on behalf of Fannie Mae.

Diving deeper, we can look at the historic lending activity and debt portfolio of each of these banks individually. Factors of interest include the trend of each bank's originations activity over time, the vintage of outstanding debt, the breakdown of total lending by asset type, and the geographic distribution of the collateral.

In the case of NYCB, the fact that debt on Rent Stabilized properties represents a majority of the overall real estate loan portfolio, and the concern that some of these loans may be underwater, continues to cause heartburn for shareholders and regulators alike. NYCB's circumstances are examined in more detail on pages 12 to 14.

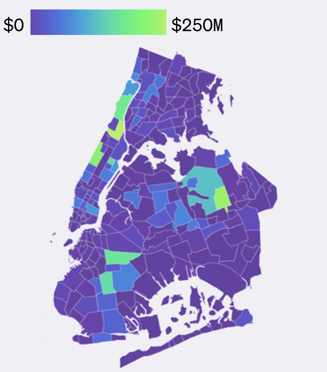


Capital One

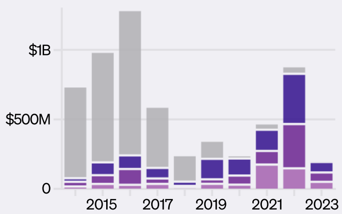


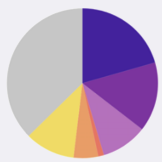
$3.6B
Total RS Exposure

52%
of NYC portfolio is Rent Stabilized



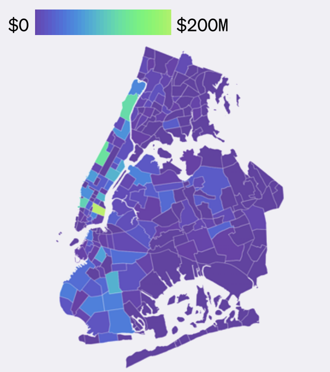
Dime Bank



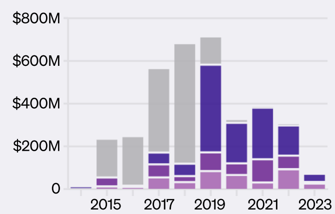


$2.6B
Total RS Exposure

45%
of NYC portfolio is Rent Stabilized

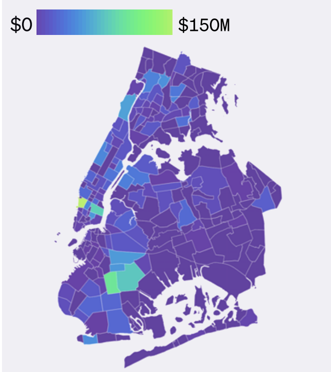


Santander

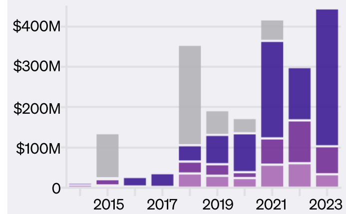


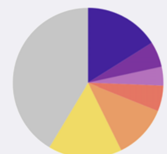
$2.2B
Total RS Exposure

50%
of NYC portfolio is Rent Stabilized



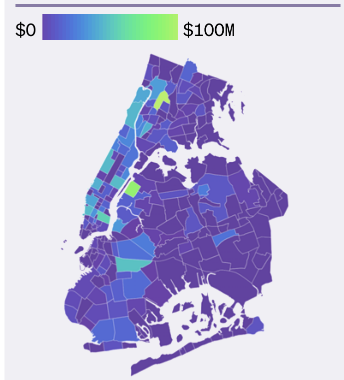
Webster Bank



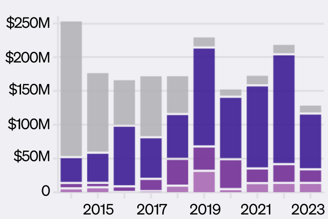


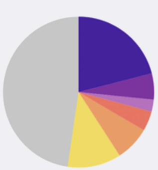
$1.6B
Total RS Exposure

26%
of NYC portfolio is Rent Stabilized



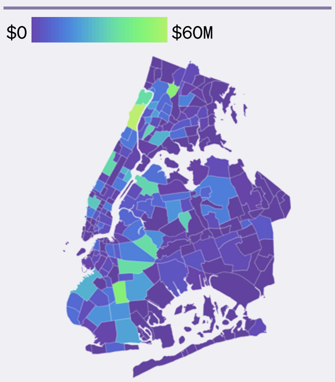
Flushing Bank



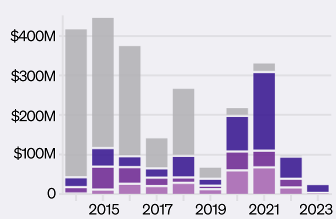


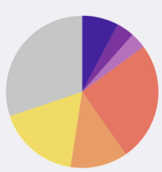
$1.2B
Total RS Exposure

29%
of NYC portfolio is Rent Stabilized



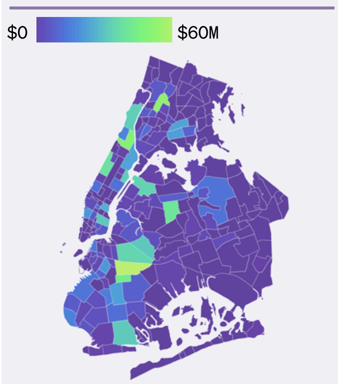
Citizens Bank





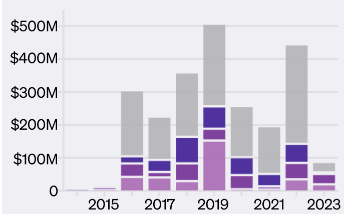
$1.1B
Total RS Exposure

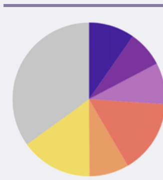
15%
of NYC portfolio is Rent Stabilized



First Republic Bank

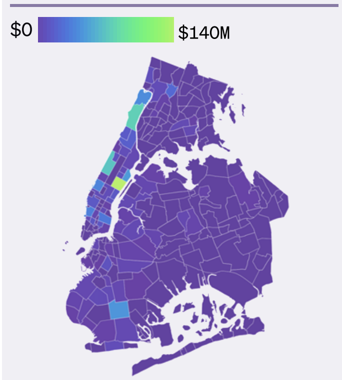
Prior to JPMC acquisition



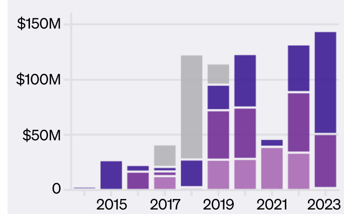


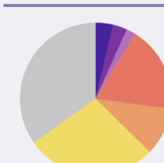
$977M
Total RS Exposure

26%
of NYC portfolio is Rent Stabilized



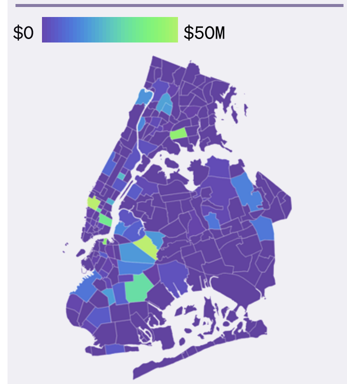
Valley Bank





$636M
Total RS Exposure

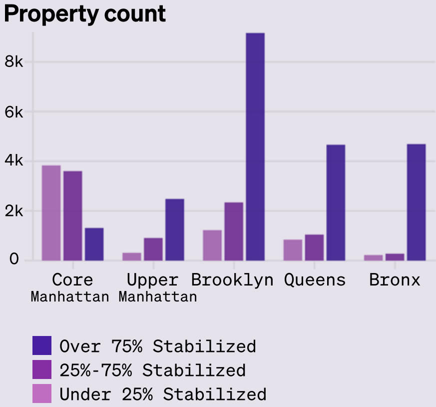
9%
of NYC portfolio is Rent Stabilized



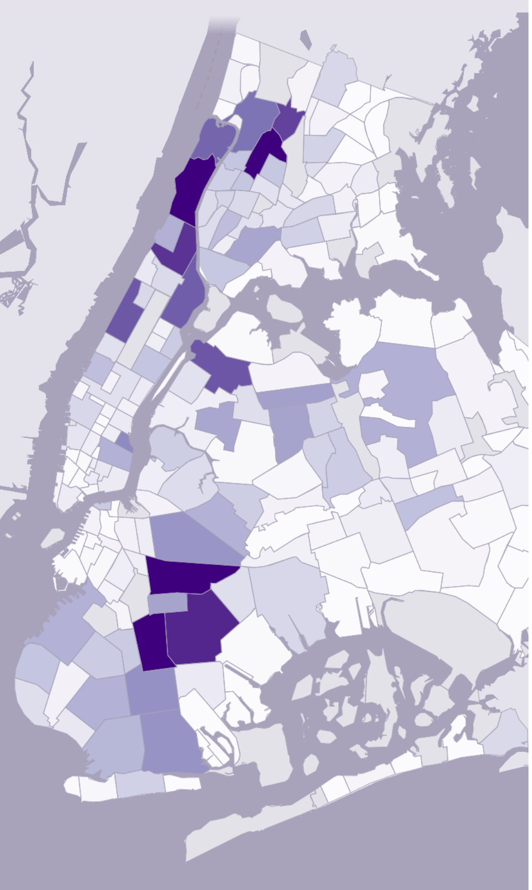
Where is New York's Rent Stabilized housing stock?

The chart below shows the count of properties in each borough, broken down by percentage of Rent Stabilized units. The differing composition of Core Manhattan compared with other areas is noteworthy.

Property count



Rent Stabilized units by neighborhood



In 2019, rent law changes capped income and constrained investment potential for these properties.

The current malaise in the Rent Stabilized multifamily sector stems from a toxic interaction between regulation and rapidly increasing interest rates, cap rate expansion, inflationary pressure on expenses, and high taxes.

To begin with the regulation component, the Housing Stability & Tenant Protection Act (HSTPA), passed by the New York State legistlature in June 2019, implemented a series of measures to eliminate rent increases or deregulation of units via the mechanisms that had been in place previously:

- High tenant income ($200k+ for 2+ years)
- Vacancy bonus (up to 20% rent increase upon re-leasing)
- Combining multiple units into single larger unit

Landlords previously had significant economic incentives to seek paths toward deregulation, particularly in Core Manhattan, where the difference between Stabilized and market rents is greatest. In addition to closing deregulation pathways, the new law implemented strict limits on increasing rents based on additional investment in the building, specifically:

- **Major Capital Improvements** (MCIs) such as roof or boiler upgrades. Now recoverable in the form of temporary rent increases of up to 2% per year for 30 years; previously 6% per year with no end date.
- **Individual Apartment Improvements** (IAIs) such as kitchen renovations, appliance replacements, etc. Now capped at maximum of $15,000, recoverable via an $89/month-maximum rent increase for up to 15 years.

In addition to these strict caps, data from the state's Homes and Community Renewal Agency shows that applications for recovery of MCI costs currently take an average of 21 months to process and only 61% of the requested amounts are approved[1]. The weakened ability to recover costs makes renovation work a poor investment on purely economic terms, if not outright unfeasible.

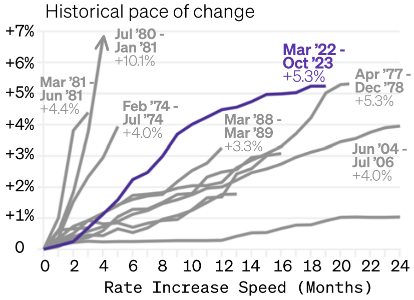
The net impact of this regulation appears to be that units are being held vacant and "warehoused" off the market, due to the inability to renovate apartments within the current financial constraints, or the desire of landlords to await regulation changes and more favorable economics. No hard data exists for the scale of this phenomenon – only the results of surveys conducted by market participants seeking to press a point of view. The best available data indicates that tens of thousands of units have been warehoused, increasing the strain on the supply of affordable housing in New York City, while vacancy rates hover around a historically low 1%.

[1] NYU Furman Center, "The Economic Challenge for the Rent Guidelines Board," April 20, 2022.

With rent and investment capped by regulation, a "quadruple whammy" of factors is driving expenses up and values down:

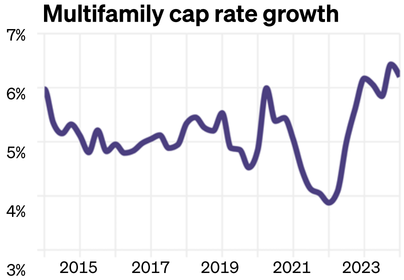
Fed funds rate increases

Historical pace of change



Interest rates rose at their fastest pace in 40 years beginning in March 2022. Five-year fixed-rate loans originated in 2019 at 3-4% rates will mature in 2024 and face refinancing closer to 8% – if the owner can find a lender willing to extend credit – an increasingly difficult challenge for reasons we explore on page 10.

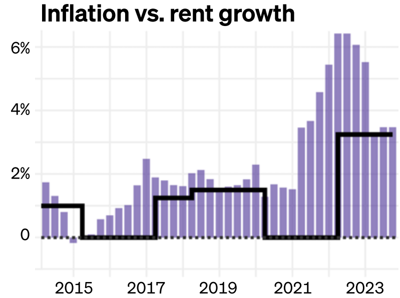
Multifamily cap rate growth



As the "risk-free" return on US Treasuries has grown, the premium demanded for investing in riskier assets has naturally grown as well. Rising cap rates further depress property values, even before accounting for reduced Net Operating Income due to expense growth.

NAREIT Apartment Cap Rates
(Not specific to NYC Rent Stabilized)

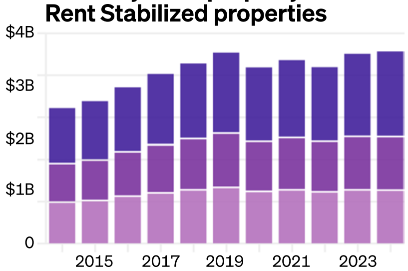
Inflation vs. rent growth



Building operational costs - energy, maintenance services, insurance - fluctuate at varying levels. For the period 2006-2019, Rent Guidelines Board data indicates that expense increases grew apace with inflation, as measured by the Consumer Price Index (CPI)[1], but rent increases have lagged behind CPI growth.

YoY Consumer Price Index Change
Rent Guidelines Board Rent Increase

Total city-wide property taxes on Rent Stabilized properties



Despite falling property values (see page 8), property taxes collected by the city on Rent Stabilized properties have remained effectively flat since 2019, and are the largest individual property expense, according to Rent Guidelines Board data[2].

Over 75% Stabilized
25%-75% Stabilized
Under 25% Stabilized

The paperwork problem

The rules

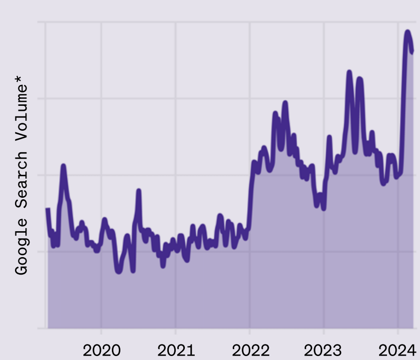
The 2019 regulation changes require landlords to be able to provide documentation concerning the circumstances of historic deregulation or rent increases (via MCIs, IAIs, etc.) If the landlord is unable to provide such documentation on demand, an apartment's legal rent can be adjudicated to a lower (potentially much lower) rent, and the owner may face up to six years of 3x damages for amounts deemed to be overcharged.

The problem

Much of the documentation in question was never collected or poorly maintained by landlords, and was rarely obtained by lenders. As borrowers face distress and lenders consider options such as note sales, lenders may find the liquidity of their loans is seriously reduced if they are not currently in possession of this paperwork. In a foreclosure scenario, borrowers may gain significant leverage over lenders if they are in possession of the paperwork and the lender is not.

Why it's a big deal

Awareness of paperwork requirements has recently become a hot topic and a social media trend, as tenants explore whether they may be entitled to a rent reduction. The chart below shows the growth in Google searches related to Rent Stabilization in New York over the last five years.



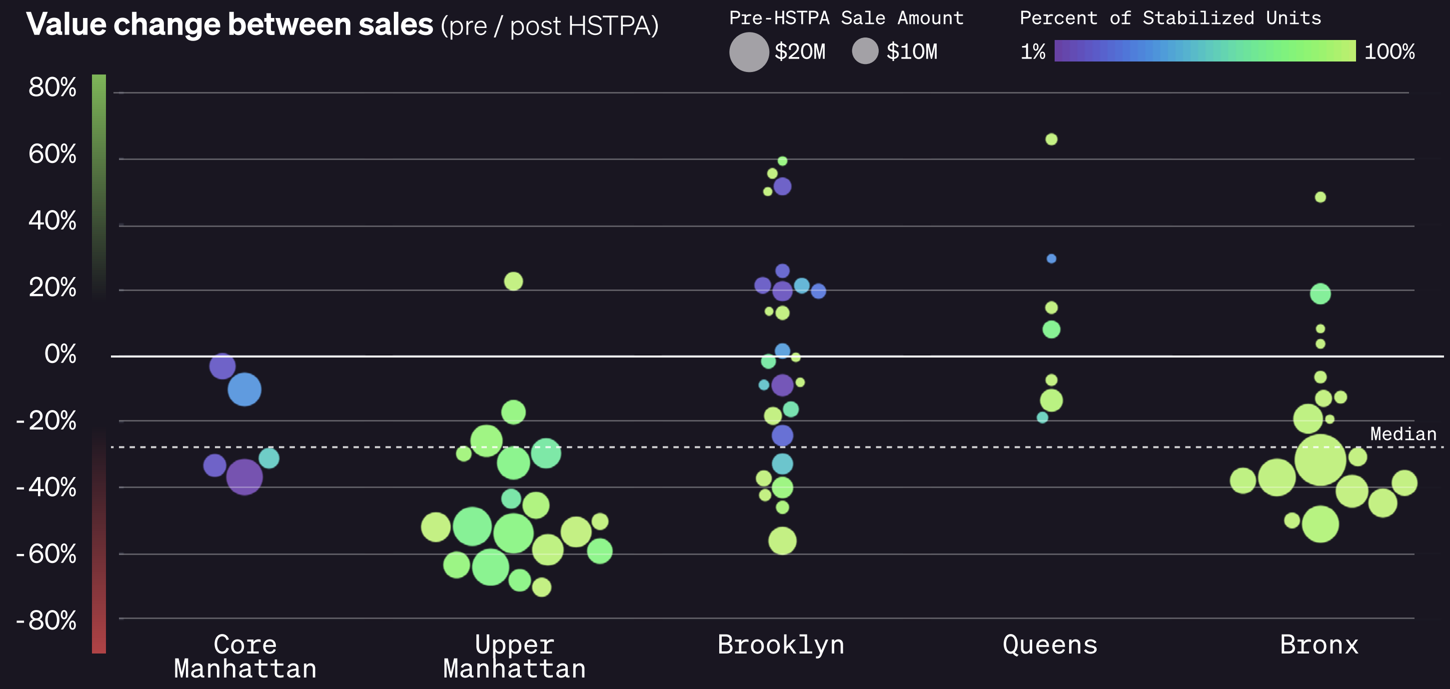
* Proprietary Google search volume metric, all values relative to maximum value in the period.

[1] NYU Furman Center, "The Economic Challenge for the Rent Guidelines Board," April 20, 2022.
[2] Rent Guidelines Board, 2024 Income and Expense Study, March 28, 2024.

For a few years, low interest rates and COVID-related forbearance agreements preserved the status quo. In 2022, the reality of the new regulation collided with inflationary pressure on expenses, rising borrowing costs, and cap rate expansion. The value and sales volume of Rent Stabilized properties plummeted.

To assess changing property values, we identified 79 transactions in which Rent Stabilized properties were sold in a five year period prior to the 2019 law change, and again in 2023 or 2024. Below, we plot each property and show the change in value between sales. These properties show a median 28% loss in value. This comparison considers only the value of each sale; we do not assess further investment made in the property. We exclude properties that have undertaken major renovations.[1]

Value change between sales (pre / post HSTPA)



-28%

Change in median sale price

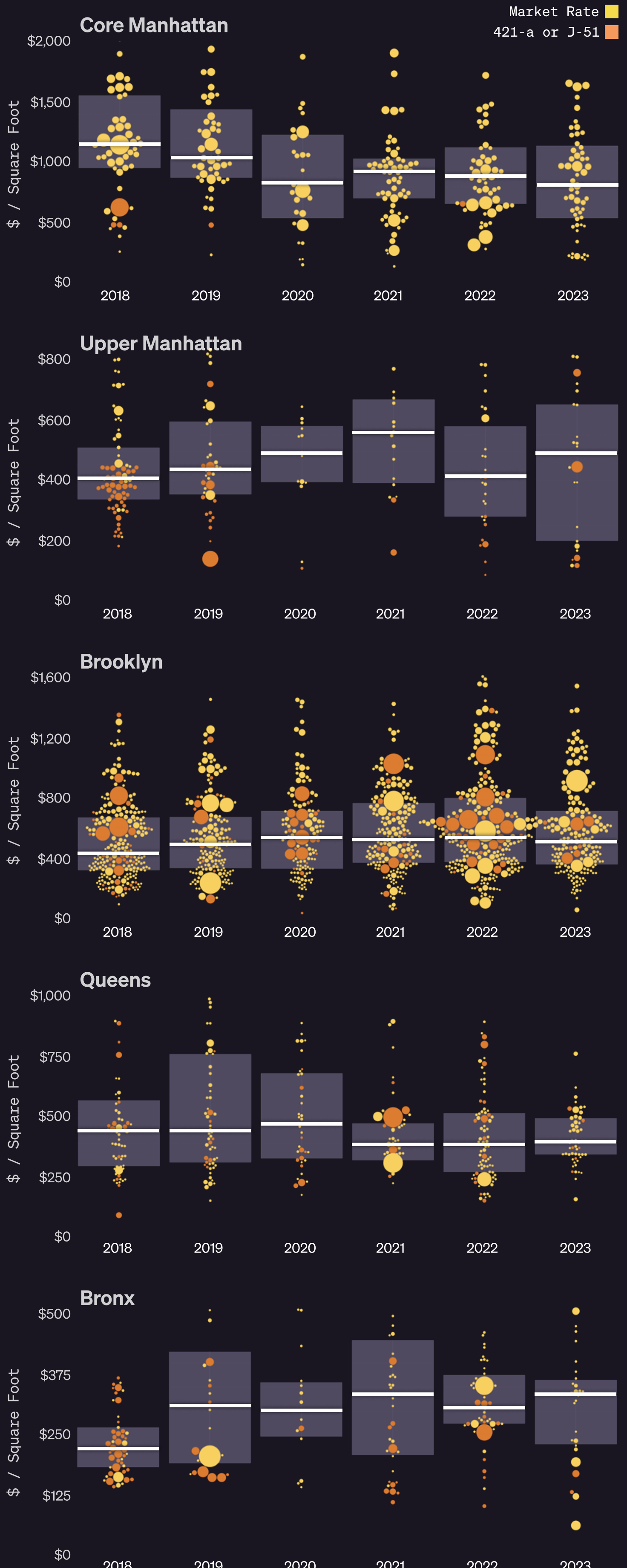
Properties sold prior to HSTPA and again in 2023/2024

On the following page, we plot all sale transactions between $1M and $100M for Rent Stabilized and Market Rate[2] multifamily properties over a six-year period. We include new developments with 421-a and J-51 tax abatements (which feature a minority share of affordable units) in the Market Rate group.

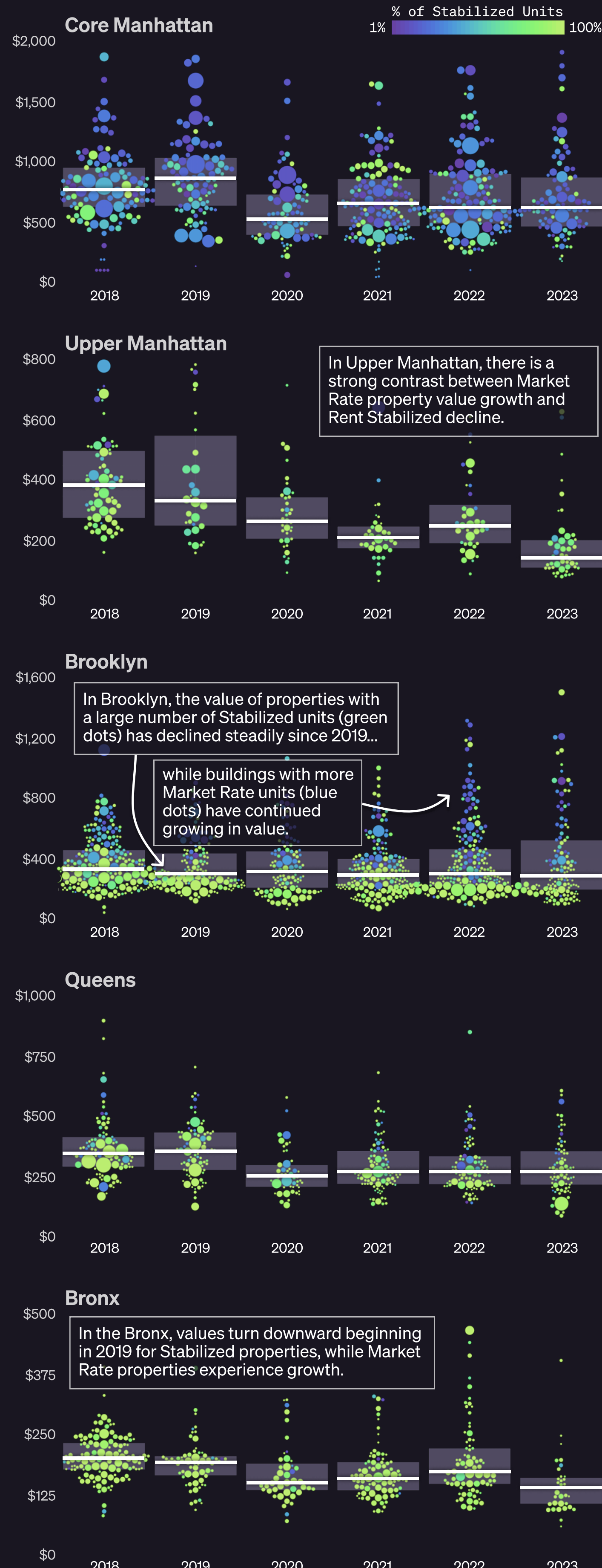
Each dot represents a property sale, sized by dollar volume of the sale. The grey boxes highlight the middle 50% of transaction values, with the center white line representing the median sale value for that year.

[1] Excludes properties with DOB Alt-1 filing or full demolition since initial sale.
[2] Includes Market Rate Multifamily properties containing at least 5 units, excluding condominiums and co-ops.

Market Rate property sales



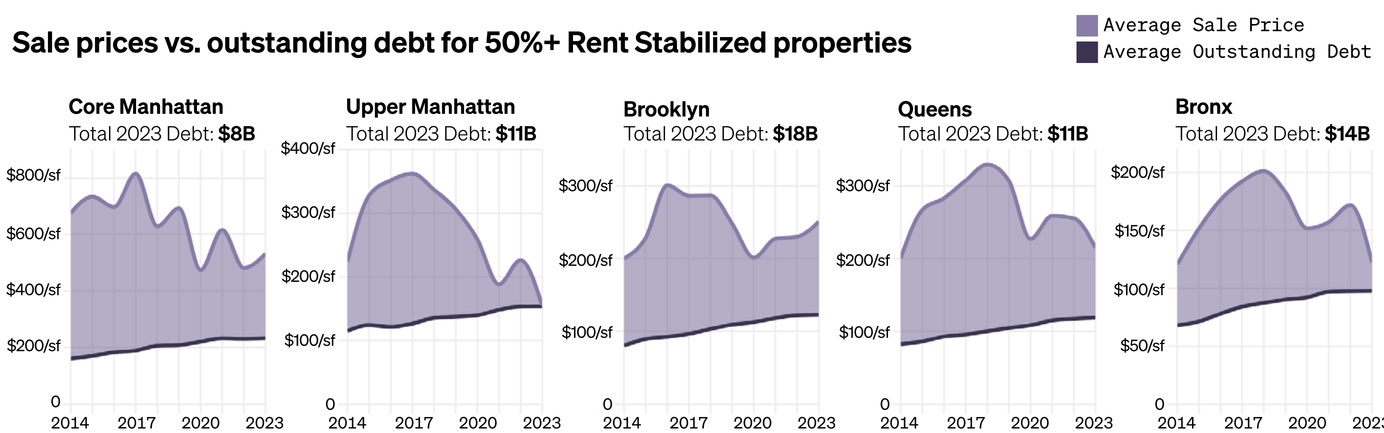
Rent Stabilized property sales



As loans mature or reset to current market rates, refinancing options will be out of reach for many owners.

The value decline for Rent Stabilized properties means that when current loans mature, impediments to refinancing will arise. The decreased value of these properties will be reflected in appraisals – if a property value has decreased by 30%, the borrower can expect a corresponding decrease in borrowing capacity, assuming a lender maintains a similar loan-to-value (LTV) requirement. The chart below shows how existing debt carried by majority Rent Stabilized properties across the city compares to declining prices. These highly regulated properties are encumbered by more than $60B in debt, and we can see the spread between outstanding debt levels and market prices is narrowing – and getting uncomfortably thin in Upper Manhattan and the Bronx.

Sale prices vs. outstanding debt for 50%+ Rent Stabilized properties



Further, because inflation has caused expenses to rise faster than the annual rent increases approved by the Rent Guidelines Board, owners have less Net Operating Income (NOI) to satisfy the Debt Service Coverage Ratio (DSCR) required by lenders. Typically NOI must exceed 1.25x debt service costs. With higher interest rates, owners will face higher payments on lesser debt amounts.

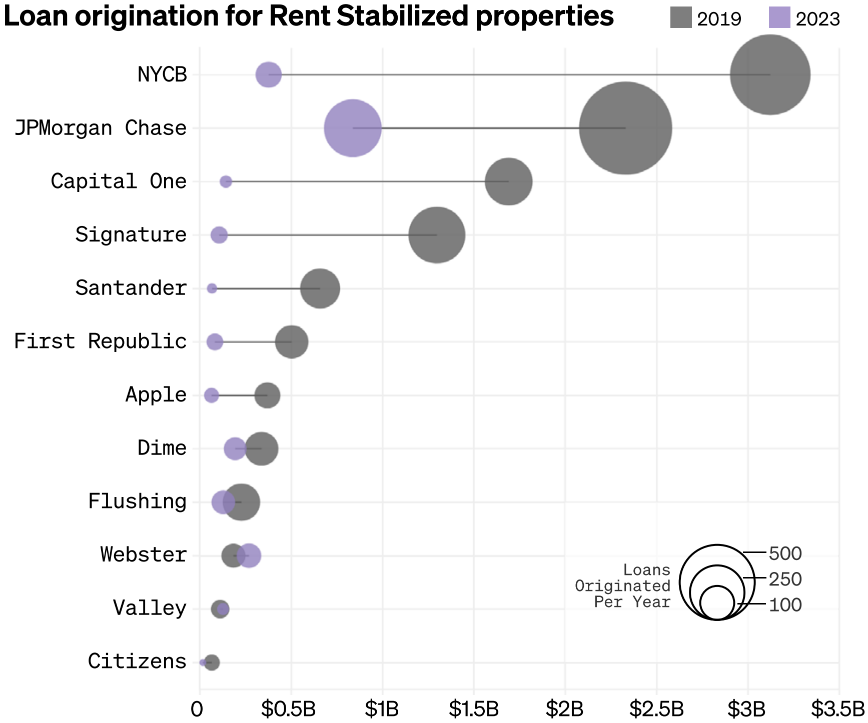
The combination of these factors means that in order to refinance their existing debt, owners will likely need to make a significant contribution of new capital to shore up the equity in their properties and maintain reasonable leverage levels. It is unclear how many owners will be willing to contribute cash toward these properties given the constraints on future returns.

The biggest challenge in 2024 will likely be finding a lender willing to originate a new loan. Both the words and the actions of the major Rent Stabilized lenders indicate they are far down the path of pulling back from this market segment, as exposure becomes a liability with bank investors and regulators.

> "The approach that we've taken over the last month is to start to think about how we might more aggressively manage the portfolio to get a better long term result and help us reduce the [real estate loan] dollar concentration level of this portfolio more quickly than maybe most think we can."
>
> Alessandro DiNello, NYCB Chairman
> March 7, 2024 Update Call with Investors

> "Our strategic plan envisions reducing the weighting of multifamily loans to ~30% of the total portfolio (from ~37% currently)" [represents a $1B reduction in multifamily portfolio]
>
> Dime Bank
> March 2024 Investor Presentation

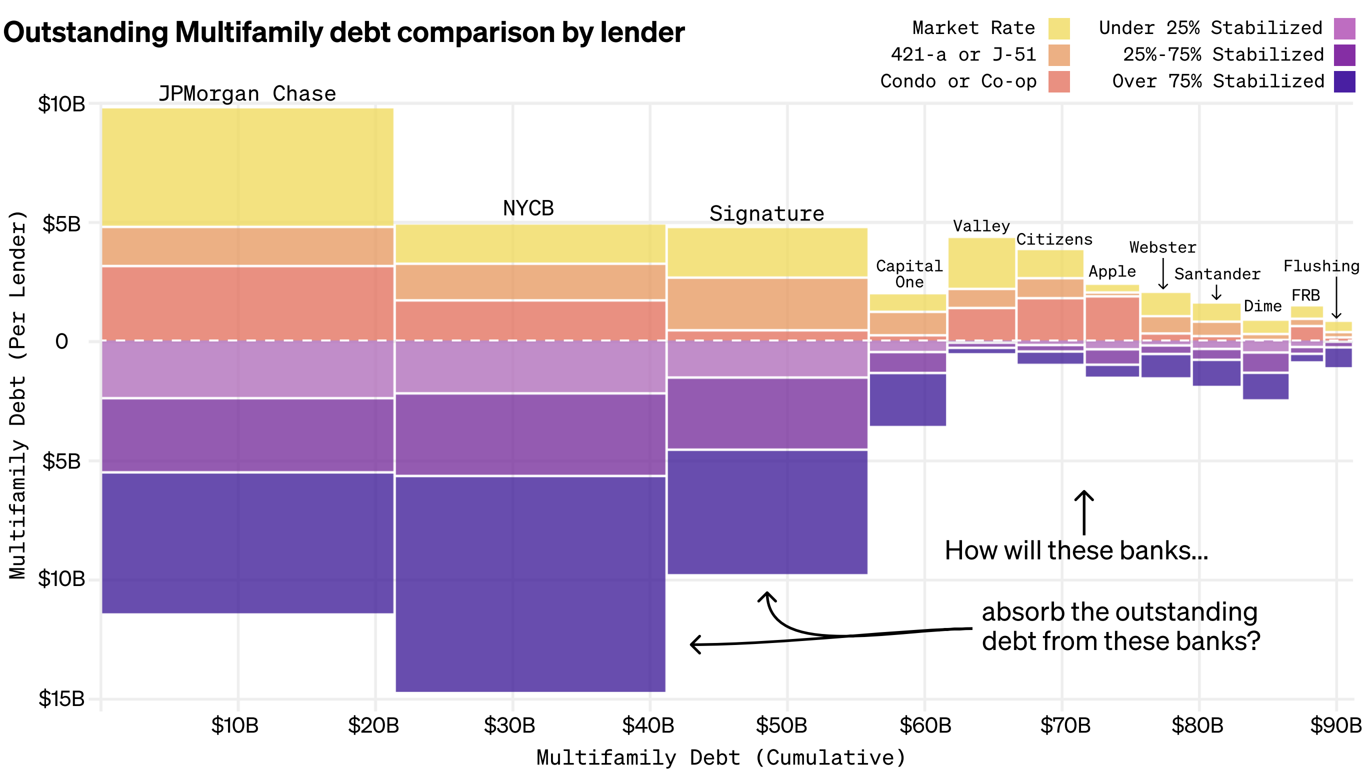
Loan origination for Rent Stabilized properties



How serious is this lender pullback? In the chart at left, we compare new loan origination volume on Rent Stabilized properties for major lenders in 2019 vs. 2023. While a few banks, including Webster and Valley, have been opportunistic and grown their Rent Stabilized lending, the scale of their growth is a tiny fraction of the capital needed to refinance outstanding debt that will be maturing in the future.

Below, we visualize total outstanding Multifamily debt for top lenders, with Market Rate, Condo/Co-op, and 421-a Multifamily debt above the centerline in yellow/orange and Rent Stabilized debt below in purple. With NYCB intending to significantly reduce Rent Stabilized lending, and Signature gone, the banks toward the right of the chart are unlikely to pick up the slack, given their smaller size or reduced appetite for commercial real estate.

Outstanding Multifamily debt comparison by lender



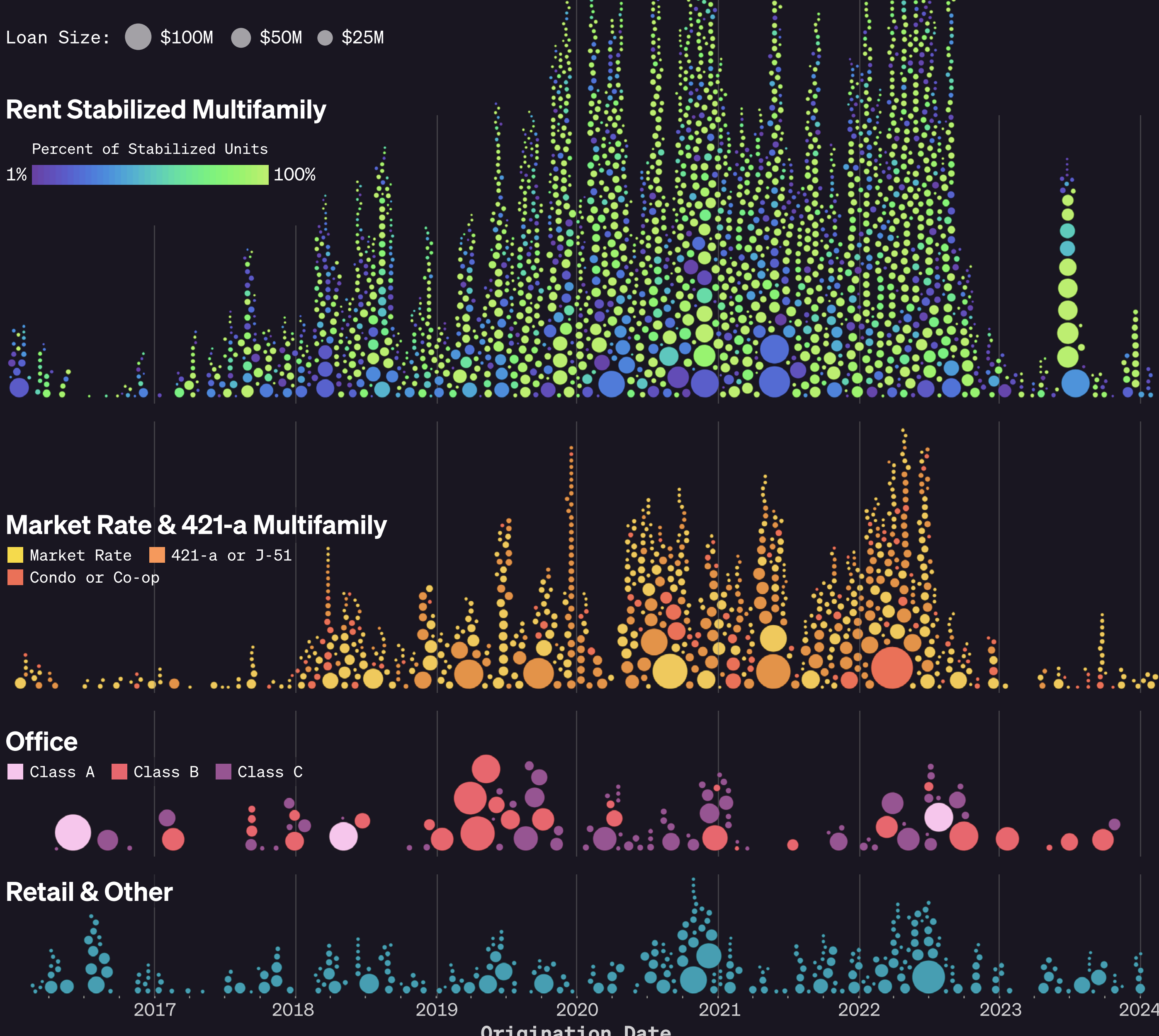
Nor have other lenders entered the market or materially ramped up lending to date. This brings us to the pinch NYCB finds itself in.

The absence of financing options for borrowers leaves current lenders exposed, with NYCB in a risky position even after an injection of rescue capital.

Below we plot **New York City properties with outstanding NYCB debt** by loan origination date[1]. NYCB's concentration in highly stabilized properties is clear, as is the bank's sharp pullback in lending beginning in Q3 2022.

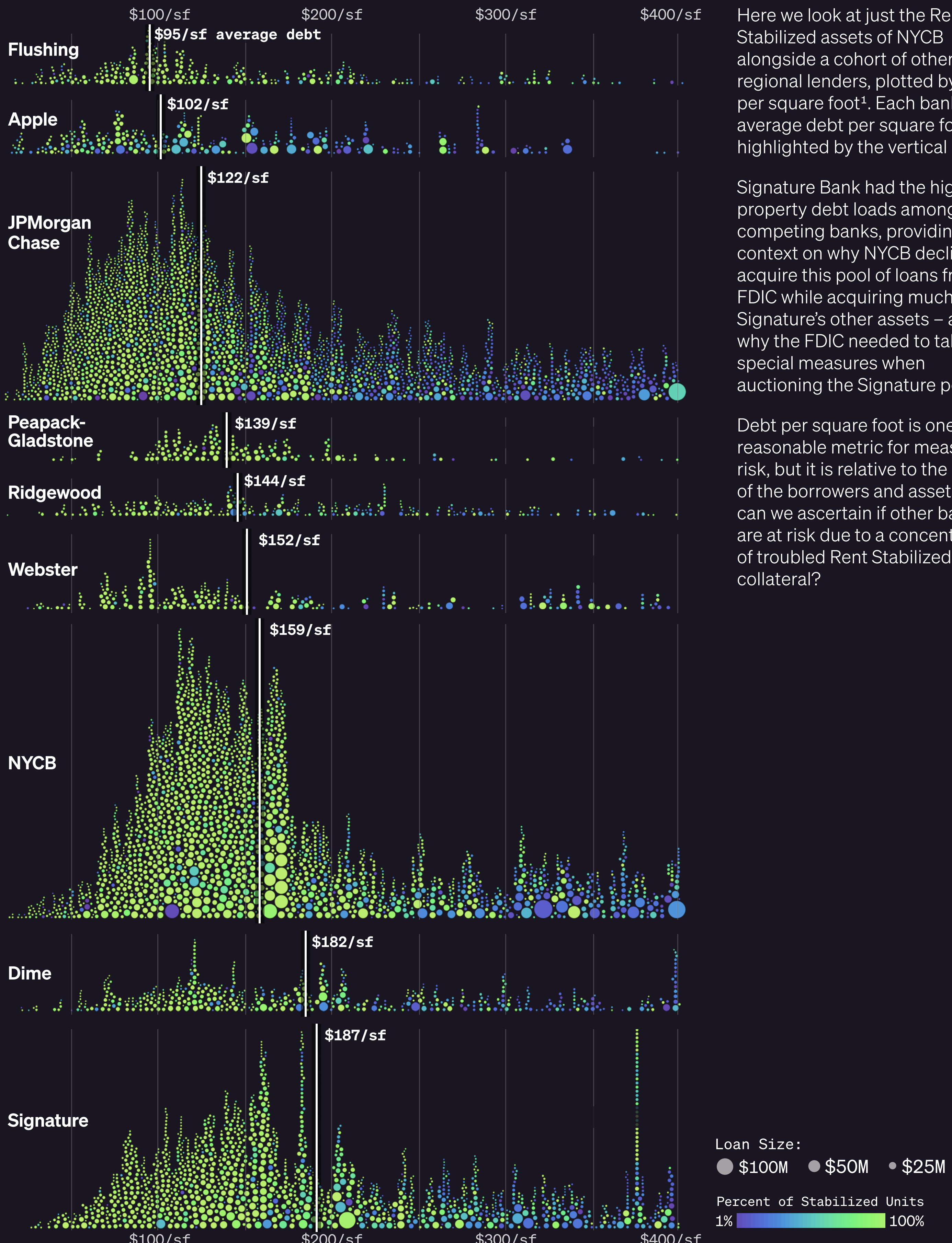
We can assume many of NYCB's loans mature or reset to market rates after five to seven years. There is a smaller cohort of 2019 loans coming up for refinancing in 2024, but a large wave in the following years.

Will rate cuts, regulation changes, or lender sentiment shift in time to provide viable refinancing options for these borrowers? Or will they be stuck?



[1] Loans originated prior to Jan 2016 are not shown.

Lender portfolios (by debt per square foot)



Here we look at just the Rent Stabilized assets of NYCB alongside a cohort of other regional lenders, plotted by debt per square foot[1]. Each bank's average debt per square foot is highlighted by the vertical bar.

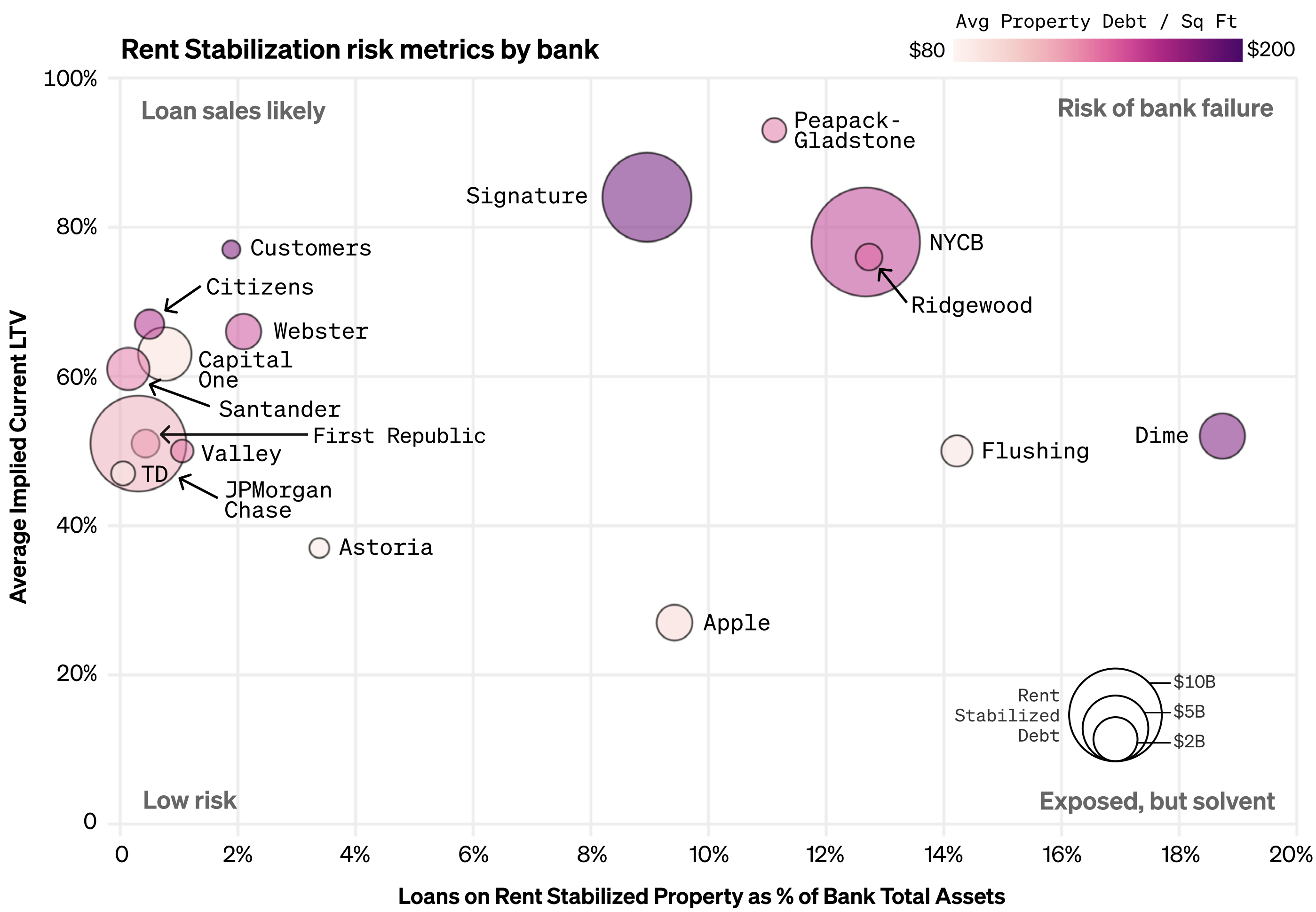
Signature Bank had the highest property debt loads among competing banks, providing context on why NYCB declined to acquire this pool of loans from the FDIC while acquiring much of Signature's other assets – and why the FDIC needed to take special measures when auctioning the Signature portfolio.

Debt per square foot is one reasonable metric for measuring risk, but it is relative to the quality of the borrowers and assets. How can we ascertain if other banks are at risk due to a concentration of troubled Rent Stabilized collateral?

[1] Properties above $400/sf are not shown but are included in average calculations.

To answer that question, we can examine two metrics as a useful proxy for risk:

1. **Outstanding debt relative to current average sale prices:** We compare the outstanding debt per square foot of each property in the bank's portfolio to average sale price per square foot of comparable properties[1] from Jan 2023 to present. This provides a rough assessment of "implied current LTV", i.e. the loan balance relative to the property value today.
2. **Rent Stabilized loans as a % of bank total assets:** A high proportion of Rent Stabilized collateral relative to the bank's total assets may translate to balance sheet weakness and increased regulatory pressure.



NYCB is not the only bank with a combination of problematically high implied LTVs and/or excessive concentration of Rent Stabilized property debt relative to total assets.

A more granular analysis of NYCB's portfolio shows at least $3B in loans that may be underwater – having outstanding debt that exceeds recent neighborhood average sale prices. While the recent injection of $1B in rescue capital is very significant, with nearly $15B of Rent Stabilized assets plus exposure to Class B/C office, it is reasonable to speculate that losses on this loan portfolio could require reserves in excess of that amount.

Further, the playbook run by the Steve Mnuchin-led investor group in its GFC-era takeover of IndyMac Bank included an aggressive foreclosure strategy to recapture value for the bank. New York's political and regulatory environment and slow-moving foreclosure process – and the hollowed value of these assets – may represent a materially different landscape for NYCB's new ownership group than what they have experienced previously.

[1] To find comparable properties, we break down all of NYC into cohorts by 1) neighborhood and 2) whether properties have a majority or minority of Rent Stabilized units. For cohorts containing at least 5 sales since January 2023, we use average sale price per square foot as a benchmark, and compare each property in the bank portfolio to this benchmark. Cohorts in which fewer than 5 comparable sales exist are excluded.

Given these challenging market dynamics, the FDIC took extraordinary measures to prop up the value of Signature Bank's Rent Stabilized loans at auction… but they still sold at a 40% discount.

When Signature Bank failed, the FDIC quickly placed much of the bank's assets and deposits with NYCB. Signature's real estate loan book was notably excluded from the NYCB transaction, since as we've seen, NYCB already had challenging levels of real estate exposure, and by early 2023 had begun a sharp pullback from lending on Rent Stabilized assets.

A/B Pools		C/D Pools
$9.0B	**Principal Balance**	$5.8B
1,500	**NYC Properties[3]**	1,100
43,000	**Total NYC Rental Units[3]**	32,000
29,000	**NYC Stabilized Units[3]**	24,000
Santander	**Winning Bidder**	Related/CPC
20% JV stake	**Joint Venture Structure**	5% JV stake
$1.1B (60¢)	**Winning Bid**	$171M (59¢)[1]

The result was an auction of Signature's Rent Stabilized loan portfolio, which took place during the second half of 2023. Loans secured by Rent Stabilized properties[2] were separated from other commercial real estate and split into two pools, which the FDIC referred to as the A/B and C/D pools.

The A/B pools were considered to contain higher quality assets and borrowers, including properties in more desirable neighborhoods and with lower Rent Stabilization levels. The C/D pools included weaker and troubled assets.

Collectively this auction included loans secured by properties containing more than 50,000 Rent Stabilized units in New York City, and many felt that it might provide clarity as to current market pricing for this asset class given otherwise thin sales volume. The deal structure set by the FDIC, however, was unique, and the resulting transaction was not indicative of market value. Specifically:

1. The loan pools were sold as joint venture equity stakes of 20% and 5% for the A/B and C/D pools, respectively, with the federal government retaining the majority of the risk of these assets.
2. The FDIC will pay ongoing management fees to the winning bidders[4]. Particularly in the case of the C/D pools with a smaller 5% equity stake, fee income from the government, rather than returns on equity, may be the primary driver of investment returns.
3. Because of its statutory obligation to ensure affordable housing availability, significant constraints on loan sales were imposed, giving distressed borrowers a lifeline and suspending any reckoning for troubled loans.
4. For the C/D pools, a fund of $550M was created to facilitate improvement and rehabilitation of properties[5].

Even with economics materially more favorable than a simple sale of these assets would have been, both Joint Venture stakes sold at roughly a 40% discount[1] to principal balance.

[1] Other higher bids were submitted for C/D pools but not selected by the FDIC, a matter currently subject to congressional inquiry. Bid data available on FDIC.gov.
[2] Note these pools also include properties outside New York City (Long Island, etc.), whereas all statistics in this report are drawn from NYC data sources exclusively.
[3] Property and unit counts are approximate.
[4] The Real Deal, "Why conventional wisdom is wrong about Signature loan sale," Dec. 1, 2023.
[5] The Real Deal, "CPC, FDIC set aside $550M for Signature's struggling landlords," Dec. 28, 2023.

The current state of the Rent Stabilized property market is unsustainable and is the biggest threat to the health of New York-area regional banks.

Looking at the data presented in this report, the most obvious question is: What will happen to the Rent Stabilized lending market as owners try to refinance existing loans with financially viable terms, at a time when their property values are tumbling and most lenders are dramatically scaling back their exposure to this asset class? Will we see a wave of forced loan sales? Will lenders begin taking back the keys to these properties? Will banks with elevated exposure to this asset class struggle to stay solvent?

Only time will tell. In the short term, lender reluctance to take major discounts or initiate foreclosures and borrower inability to contribute significant new equity may lead to more “extend and pretend”; i.e., short-term loan extensions that kick the can down the road while all parties keep their fingers crossed for meaningful rate decreases, regulatory changes, judicial rulings, or other movements that bring market factors back into balance.

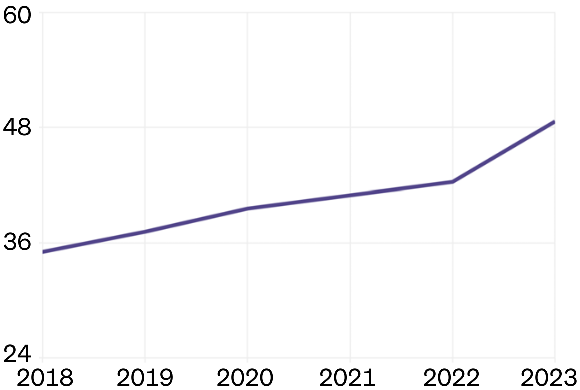
The “extend and pretend” phenomenon is difficult to measure, but we do find evidence of it. In the chart at the upper right, we see how the average age of loans on Rent Stabilized properties has been creeping up over time, with a jump in 2020 due to COVID-related forbearances and a six-month jump in 2023. This statistic, coupled with the fact that 2023 saw new originations cut in half while total debt in the market remained flat (shown on page 2), can only mean that lenders are extending loans past original maturity dates, with the hope of riding out uncertainty. Given the current environment of regulatory scrutiny, these banks are likely paying above-market rates to attract deposits and shore up their capital base, while extending loans at below-market rates. This state is unsustainable.

The risks associated with Class B/C Office properties are perhaps the hottest topic in commercial real estate today. These Office assets, troubled by a variety of factors including the rise of remote work and the implosion of WeWork, are a major destabilizing force in the New York CRE market. They are not, however, the primary risk to regional banks. The majority of Class B/C Office debt sits with large banks or insurance companies with far more resilient balance sheets, or has been securitized via CMBS, offloading risk to a more distributed universe of investors. In the chart at right, we can see the difference in the scale of Class B/C Office versus Rent Stabilized Multifamily debt for regional banks.

The trouble with Rent Stabilized Multifamily is, by far, the biggest threat to New York-area regional banks.

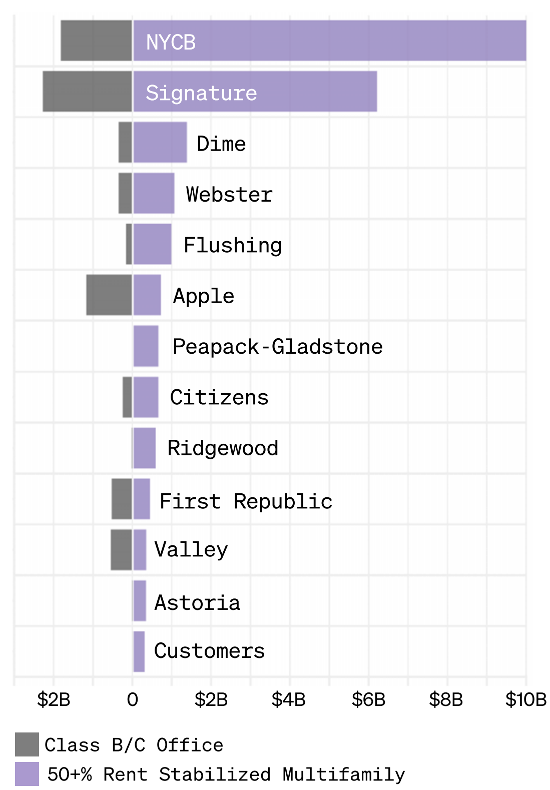
Extend and pretend

Average loan age (months) for loans on Rent Stabilized properties



Regional lender debt exposure

Class B/C Office vs. 50%+ Stabilized Multifamily



Source and Methodology Notes

1. All data contained herein is sourced from public records and filings. Primary data sets include ACRIS, NYC Department of Finance, and other NYC Open Data sources.

2. Public data sources include errors, which we endeavor to repair through both algorithmic and manual data cleaning processes.

3. For certain visualizations in this report, we elect to show extremely granular data in scatterplot form versus aggregating data and presenting average and median values. We do so in order to provide maximum transparency into the underlying data and offer added context.

4. When not referenced explicitly, we exclude properties with 421-a, 421-g, and J-51 abatements from our Rent Stabilized classification. When these properties are included, they are broken out separately alongside Market Rate properties. Especially in Core Manhattan, 421-a properties are often modern luxury buildings where units rent at market or near-market rates.

5. Similarly, Condominiums or Co-ops containing Rent Stabilized units are classified independently, and when shown are grouped with Market Rate properties. These properties typically contain a very small percentage of Stabilized rental units and have materially different ownership structures.

6. We exclude 2-family homes from all analyses as these are often owner-occupied and do not meet our definition of Multifamily real estate.

7. In prior reports, we defined a property as Rent Stabilized if it contained 20% or more Stabilized units. In this report, unless noted, charts and statistics include properties with one or more Rent Stabilized units and provide added breakdown along the spectrum of Stabilization.

8. Our best estimate is that the source data for this analysis is missing up to 10% of Stabilized units, due to poor reporting by owners and inconsistent and slow aggregation of this data by government agencies. No more accurate source for this data exists. Analyses presented by the Rent Guidelines Board and other official entities often rely on sampled survey data and other methods to derive broader statistics.

9. In prior reports, we sometimes applied 30-year straight-line amortization to loan balances when estimating the value of lender portfolios. We are eliminating this practice as we believe it produces an excessively conservative estimate of portfolio values, especially since COVID-related loan modification and forbearance often reduced principal payments over the last 4 years.

10. When evaluating multi-property loan or sale transactions, we distribute the total transaction value across properties on a pro rata basis by square footage, without regard for Rent Stabilization percentage. We exclude loan origination or sale transactions that include properties of differing asset types (e.g., both Office and Multifamily) from our analyses due to the difficulty of assigning value to individual properties in this scenario.

11. We ignore sales of partial interest, non-arms-length transactions, government transactions, and similar data that does not reflect actual market value.

12. Inflation values are based on "Consumer Price Index for All Urban Consumers: All Items in New York-Newark-Jersey City, NY-NJ-PA"

13. Staten Island is excluded entirely from this analysis due to the low number of 5+ unit Multifamily buildings and Rent Stabilized units.

14. Stuyvesant Town transactions are excluded from this report as their size overwhelms the other data for years in which transactions occurred, and also are not highly relevant to the broader market.

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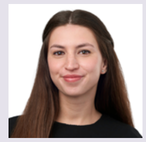

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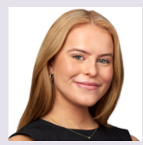

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