



CLINTON  
GRAND  
PORTFOLIO





29 PUTNAM AVENUE



90 DOWNING STREET



425 GRAND AVENUE



435 GRAND AVENUE



# CLINTON GRAND PORTFOLIO

## EXECUTIVE SUMMARY

JLL has been exclusively retained to arrange for the sale of The Clinton Grand Portfolio. Located in Clinton Hill, the portfolio is situated in the heart of one of Brooklyn's most dynamic neighborhoods.

The portfolio is composed of 125 rent stabilized apartments across four contiguous walk-up buildings in the heart of Clinton Hill. Beginning on Grand Avenue (425 & 435 Grand Avenue) and wrapping around Putnam Avenue (29 Putnam Ave) to Downing Street (90 Downing St.), the portfolio comprises the entire block-end featuring over 500 feet of frontage and a total of ~123,000 GSF.

The unit mix provides a favorable balance of 1, 2, 3, & 4-bedroom units, including 8 units that are currently vacant and poised to take advantage of the rapidly-recovering rental market. The units average approximately 750 SF and are heavily skewed towards 1 and 2 bedrooms (90%), which will appeal to the post-pandemic trend towards more traditional apartment layouts featuring larger bedrooms and living rooms. Building-wide rents are currently averaging ~\$27 PSF, representing a 50% discount to prevailing market rates. In general, market rents throughout Brooklyn are expected to appreciate throughout the recovery, especially in markets like Clinton Hill that appear next in-line for the wave of renewed activity. The improving market should provide a boost in top-line revenue upon turnover of units with preferential rents, which are currently averaging a discount of ~15% below the legal rents.

The portfolio has been involved with two different tax programs in recent years, which may prove advantageous to prospective purchasers over the longer-term. All of the units are covered by a J-51 Tax Exemption, set to expire in 2033, which provides a significant offset in the portfolio's annual real estate tax obligations. In addition, 52 of

the units (including the super's apt) recently exited the terms of the HUD implemented Home Program. It's possible that 45 of these units could be eligible to mark to market on vacancy, pending court clarification (see page 9). Both programs were entered into following a major renovation of the properties in the early 2000s that satisfy DHCR's criteria for a Substantial Rehabilitation. A successful recognition of the Substantial Rehabilitation would allow for all of the units to become free market upon expiration of the J-51. In the interim, the purchaser will be able to reconfigure and renovate any J-51 units upon vacancy, thus setting new mark to market first rents via a perimeter change (when and where legally possible). Further, the heavily abated taxes will yield substantial operating cash flows and predictable fixed taxes that can be coupled with attractive loan terms including HUD options to drive levered returns.

Current ownership has invested heavily in apartment renovations and infrastructure in recent years. In the process, 23 apartments have been renovated (labeled RS/Reno on the rent roll), the most recent of which far exceed the standards of comparable units in the neighborhood. All units are individually metered for gas and electric. Future opportunities for improvements include adding amenities to the basements, executing cosmetic upgrades to the common areas and eventually repositioning both the internal courtyards and roofs to add curated outdoor space.

The portfolio presents a scarce opportunity to acquire several contiguous assets of meaningful scale that are actively producing a healthy yield in one of Brooklyn's premier neighborhoods. The properties' proximity to the Pratt Institute, Prospect Park and Fort Green/Downtown Brooklyn will continue to ensure steady demand to support long term appreciation. In addition, the offering also carries a multi-layered strategic approach to near, intermediate, and long-term revenue growth.



4 BUILDINGS  
123K SF  
500+ FEET OF FRONTAGE  
& 125 UNITS



~\$2.6M IN EXPECTED  
YEAR 1 GROSS INCOME



SUBSTANTIAL LONG  
TERM J-51 ABATEMENT



OPERATING ECONOMIES  
OF SCALE

## PORTFOLIO HIGHLIGHTS



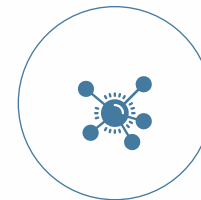
BLOCK-THROUGH  
CORNER PROPERTY



ATTRACTIVE FINANCING  
OPTIONS – STRONG CASH  
ON CASH RETURN



PRICED BELOW  
REPLACEMENT COSTS



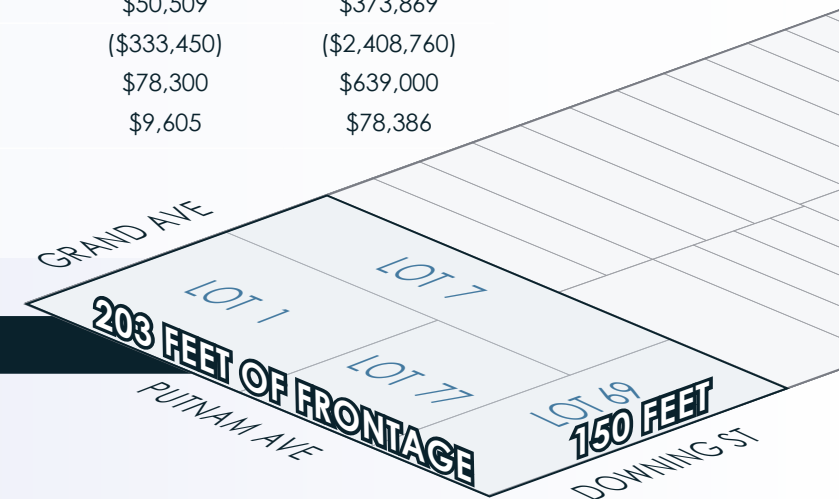
MULTIPLE PATHS  
TO ADD VALUE



# PROPERTY INFORMATION

PROPERTY ADDRESS	425 GRAND AVENUE	435 GRAND AVENUE	29 PUTNAM AVENUE	90 DOWNING STREET	TOTAL	
	Lot 11	Lot 7	Lot 69	Lot 77		
Building Dimensions:	90' x 90'	50' x 129'	53' x 140'	60' x 88'	203' x 150'	(Irregular)
Stories:	4	5	5	4	-	(Plus Basement)
Gross Square Footage:	32,400	32,400	37,100	21,120	123,020	(Per Public Record)
Net Square Footage:	25,901	21,845	31,537	15,791	95,074	(Per Client Record)
Residential Units:	29	37	39	20	125	
Total:	29	37	39	20	125	
Lot Dimensions:	90' x 100'	50' x 150'	53' x 150'	60' x 100'	203' x 150'	
Lot Square Footage:	9,000	7,500	7,950	6,000	30,450	
Zoning:	R6B	R6B	R6B	R6B	-	
FAR:	2	2	2	2	-	
ZFA:	18,000	15,000	15,900	12,000	60,900	
Available Air Rights:	None/Overbuilt	None/Overbuilt	None/Overbuilt	None/Overbuilt	None/Overbuilt	
Historic District:	None	None	None	None	-	
Assessment (21/22):	\$738,090	\$824,850	\$1,073,070	\$411,750	\$3,047,760	(Tax Class 2)
Full Taxes (21/22):	\$90,542	\$101,184	\$131,633	\$50,509	\$373,869	
J-51 Tax Exemption (21/22):	(\$534,690)	(\$613,350)	(\$927,270)	(\$333,450)	(\$2,408,760)	
Taxable Assessed Value (21/22):	\$203,400	\$211,500	\$145,800	\$78,300	\$639,000	
Abated Taxes (21/22):	\$24,951	\$25,945	\$17,885	\$9,605	\$78,386	

All SF above are approximate.



**COMBINED 500+ FEET OF FRONTAGE**

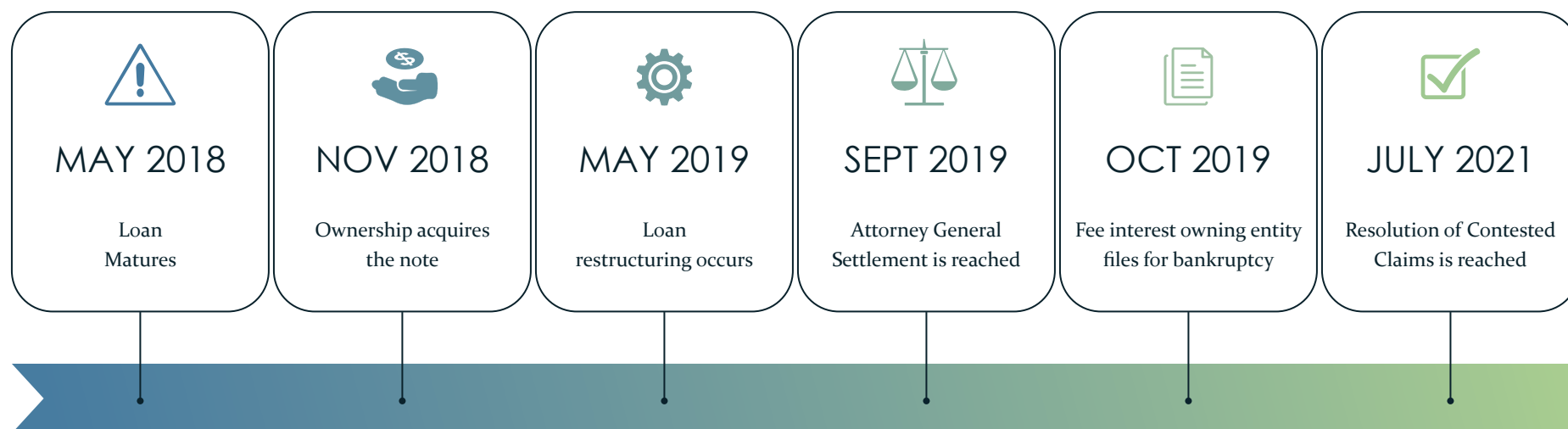


## FINANCIAL SNAPSHOT

Residential:	\$2,622,093
Miscellaneous Revenue	\$18,750
Vacancy & Credit Loss (3% of GPR):	(\$79,225)
<b>Effective Gross Income:</b>	<b>\$2,561,617</b>
Real Estate Taxes:	(\$78,386)
Operating Expenses:	(\$583,891)
Total Expenses:	(\$662,277)
<b>Net Operating Income:</b>	<b>\$1,899,341</b>



## BANKRUPTCY TIMELINE:





# MULTIPLE PATHWAYS TO VALUE

The Clinton Grand Portfolio offers multiple opportunities to add value over a flexible hold period. Upon acquiring the assets, the purchaser will immediately benefit from Clinton Hill's recovery coming out of the COVID-19 pandemic. Pathways to future value creation include the creation of new units via future apartment alterations/perimeter changes (when and where legally possible), the upside potential for rents following the recent termination of the HOME program, recapture of preferential rents, and the 2033 expiration of the J-51 tax exemptions.



## IMMEDIATE VALUE REALIZATION:

- While Manhattan was most drastically affected by high vacancy and falling rents, Brooklyn did not experience as severe of a drawback, a testament to the desirability, and livability of the Borough. Additionally, the recovery in Brooklyn is occurring at a rapid pace and should continue to do so as employers continue to bring workers back to the offices and local college resume in-person learning.
- 8 units are currently being held vacant and offer the potential for renovation or combination with the potential of establishing a new first rent via perimeter alteration (when and where legally possible).
- Many units have significantly higher legal rents than the preferential rents they are currently receiving. There is an opportunity to recapture this delta upon future vacancy.



## INTERMEDIATE AVENUES FOR GROWTH:

- Within the first year of ownership, the purchasers could elect to grow revenues throughout the portfolio when units vacate through a process known as perimeter alteration. As one or more units become vacant, those unit(s) can be significantly altered by reconfiguring the apartment layout (via a combination, division or recapture of adjacent space), thus creating a new unit which would be eligible to set a first rent via perimeter alteration (when and where legally possible).
- 52 units were formerly under the HUD Home Program (including the super's unit), which currently average rents of ~\$19 PSF. The Home Program was recently terminated. Pending a court decision (see diligence room), these units meet eligibility to set a new first rent upon vacancy, bringing their rents in line with market value, however they will remain subject to increase restrictions thereafter in conjunction with the J-51.



## LONG TERM VALUE UPSIDE:

- The J-51 tax exemptions are set to expire in 2033 and were originally issued following a major rehabilitation of once-derelict, significantly sub-standard buildings, during which almost all buildings systems were replaced. Because of the comprehensive rehabilitation that the buildings underwent, the assets satisfy DHCR's bulletin for a substantial rehabilitation, which should take the properties out of the jurisdiction of rent stabilization upon expiration of the J-51.
- The DHCR will find that a building has been substantially rehabilitated if the owner demonstrates the following criteria have been met: at least 75% of building-wide and individual housing accommodation systems must have been replaced, the rehabilitation must have been commenced in a building that was in a sub-standard or seriously deteriorated condition, all building systems must comply with all applicable building codes and requirements, and the owner must submit copies of the building's certificate of occupancy.\*

*\*Per Tenant Protection Regulations Section 2500.9(e) and Rent Stabilization Code Section 2520.11(e). See diligence room for more information.*

# REVENUE SUMMARY

## PORTFOLIO OVERVIEW

### TOTAL RESIDENTIAL RENT ROLL SUMMARY

TYPE	COUNT	%	TOTAL SF	AVG SF	LEGAL RENT		PREF RENT		TOTAL RENT	
					\$ / PSF	\$ / Month	\$ / PSF	\$ / Month	TOTAL MONTHLY	TOTAL ANNUAL
1BR	54	44%	29,881	564	\$41	\$1,907	\$35	\$1,598	\$86,271	\$1,035,253
2BR	57	46%	48,631	853	\$25	\$1,810	\$23	\$1,616	\$92,097	\$1,105,160
3BR	6	5%	5,968	995	\$42	\$3,452	\$46	\$3,776	\$22,655	\$271,860
4BR	7	6%	9,683	1,383	\$22	\$2,516	\$22	\$2,496	\$17,472	\$209,664
<b>Averages:</b>	<b>124*</b>	<b>100%</b>	<b>94,163</b>	<b>759</b>	<b>\$31</b>	<b>\$1,972</b>	<b>\$28</b>	<b>\$1,762</b>	<b>\$218,495</b>	<b>\$2,621,936</b>

\*Total Not Inclusive of Super's Unit.

## COMPONENT SUMMARIES

### RENT STABILIZED UNIT SUMMARY

TYPE	COUNT	%	TOTAL SF	AVG SF	LEGAL RENT		PREF RENT		TOTAL RENT	
					\$ / PSF	\$ / Month	\$ / PSF	\$ / Month	TOTAL MONTHLY	TOTAL ANNUAL
1BR	24	19%	13,307	554	\$27	\$1,264	\$22	\$1,038	\$24,902	\$298,821
2BR	21	17%	17,090	814	\$17	\$1,120	\$15	\$1,032	\$21,674	\$260,093
3BR	1	1%	755	755	\$12	\$755	\$12	\$755	\$755	\$9,060
4BR	3	2%	4,327	1,442	\$11	\$1,344	\$11	\$1,344	\$4,032	\$48,387
<b>Averages:</b>	<b>49</b>	<b>40%</b>	<b>35,479</b>	<b>724</b>	<b>\$20</b>	<b>\$1,197</b>	<b>\$17</b>	<b>\$1,048</b>	<b>\$51,363</b>	<b>\$616,361</b>

### HOME PROGRAM SUMMARY

TYPE	COUNT	%	TOTAL SF	AVG SF	LEGAL RENT		PREF RENT		TOTAL RENT	
					\$ / PSF	\$ / Month	\$ / PSF	\$ / Month	TOTAL MONTHLY	TOTAL ANNUAL
1BR	18	15%	10,382	577	\$41	\$1,976	\$35	\$1,704	\$30,673	\$368,078
2BR	28	23%	25,358	906	\$23	\$1,753	\$21	\$1,555	\$43,532	\$522,382
3BR	2	2%	2,431	1,216	\$37	\$3,752	\$47	\$4,725	\$9,450	\$113,400
4BR	3	2%	4,288	1,429	\$23	\$2,694	\$22	\$2,647	\$7,940	\$95,276
<b>Averages:</b>	<b>51</b>	<b>41%</b>	<b>42,459</b>	<b>833</b>	<b>\$28</b>	<b>\$1,966</b>	<b>\$26</b>	<b>\$1,796</b>	<b>\$91,595</b>	<b>\$1,099,136</b>

### RENOVATED RS - NEW FIRST RENT

TYPE	COUNT	%	TOTAL SF	AVG SF	LEGAL RENT		PREF RENT		TOTAL RENT	
					\$ / PSF	\$ / Month	\$ / PSF	\$ / Month	TOTAL MONTHLY	TOTAL ANNUAL
1BR	12	10%	6,192	563	\$72	\$3,091	\$59	\$2,558	\$30,696	\$368,354
2BR	8	6%	6,183	773	\$59	\$3,818	\$52	\$3,361	\$26,890	\$322,685
3BR	3	2%	2,782	927	\$54	\$4,150	\$54	\$4,150	\$12,450	\$149,400
4BR	1	1%	1,068	1,068	\$62	\$5,500	\$62	\$5,500	\$5,500	\$66,000
<b>Averages:</b>	<b>24</b>	<b>19%</b>	<b>16,225</b>	<b>676</b>	<b>\$63</b>	<b>\$3,566</b>	<b>\$56</b>	<b>\$3,147</b>	<b>\$75,537</b>	<b>\$906,439</b>

CURRENT OCCUPANCY	<b>93.6%</b>
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# A MARKET IN RECOVERY

Q1 and Q2 2021 have seen record-breaking activity in Brooklyn's residential leasing market as a flood of new and returning residents moved to New York City. Travel is expected to accelerate through the Summer and Fall as more office workers return to the city and students resume in-person learning. The massive increase in absorption should continue to place upward pressure on rents and diminish lease-up costs as inventory declines throughout the summer and fall.



500,000+

Number of office workers expected to return by Labor Day



11,471

Total leases signed since January



+3.98%

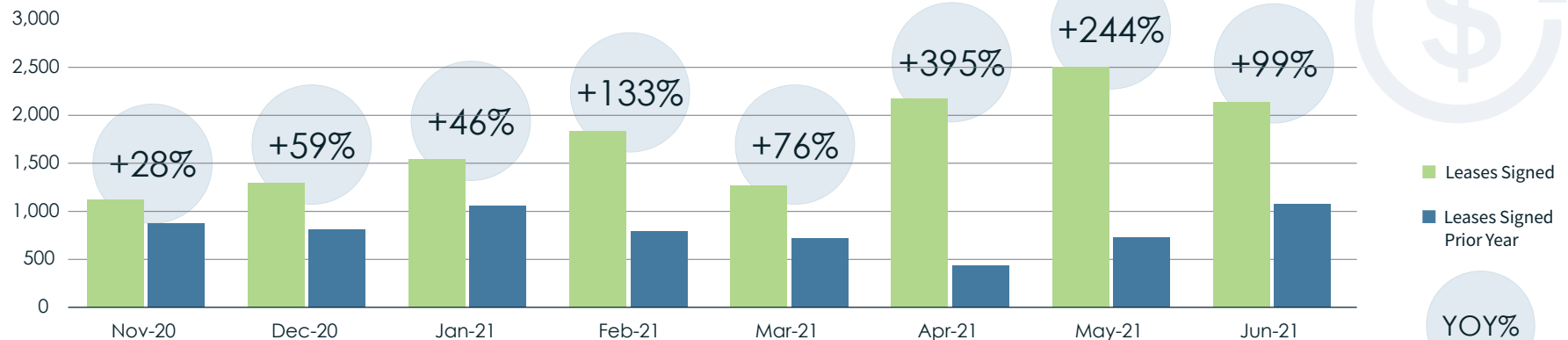
Increase in the average monthly rent during month of May



\$9.05MM

Highest price ever recorded for a Clinton Hill Townhouse 7/13/21

## SURGING RENTAL MARKET



Source: Douglas Elliman

# INTERIOR PHOTOS - RENOVATED APARTMENTS





435 Grand Avenue (2C)



90 Downing Street (No. 9)



29 Putnam Avenue (3E)



90 Downing Street (No. 37)



425 Grand Avenue (A3)



# CLINTON HILL LOCATION

**Clinton Hill** is a historically affluent neighborhood with the rare luxury of having both created and preserved architecturally-significant homes. Strolling along the streets of Clinton Hill, for example, visitors can step back in time to discover residences built in styles that exemplify different periods of the neighborhood’s development. Elegant Romanesque mansions, classic Victorian row houses, Italianate frame villas, and pre-Civil War frame houses each contribute to a beautifully distinctive streetscape.

In 1981 a portion of Clinton Hill was designated a New York City historic district. The neighborhood also has a number of individual landmark buildings, including

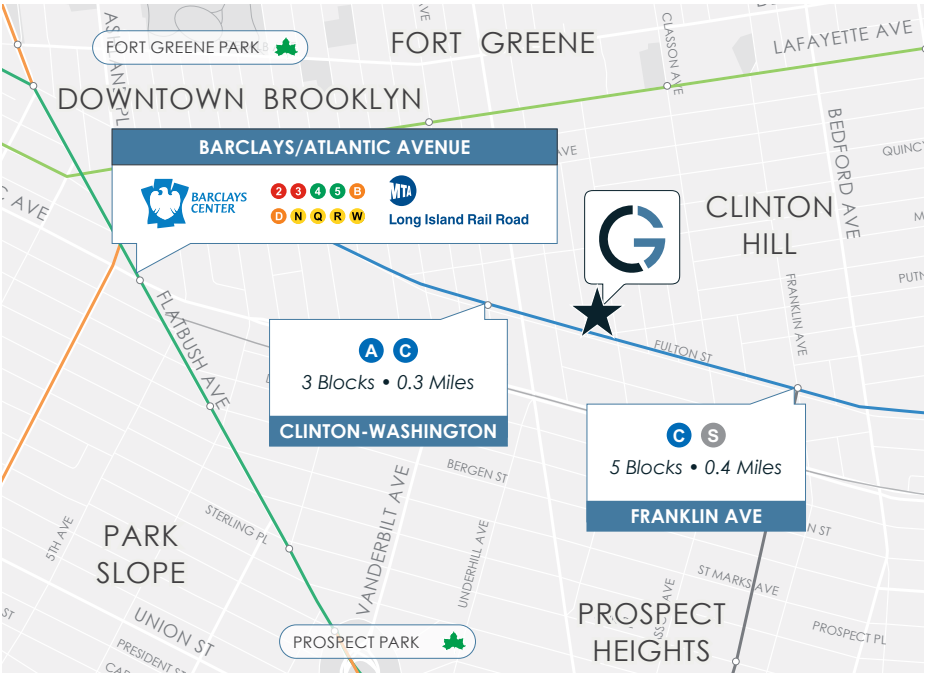
the Church of St. Luke and St. Matthew (1889) at 520 Clinton Avenue, which is often described as one of the grandest nineteenth-century churches in Brooklyn

Although DeKalb Avenue is a main thoroughfare through Clinton Hill, Clinton and Washington Avenues represent the heart of the neighborhood. These broad streets retain a tree-shaded elegance, and their large mansions give the area a sense of unusual space and graciousness. It has been said that in Clinton Hill’s heyday these lawns drew people away from the luxurious homes of Brooklyn Heights.

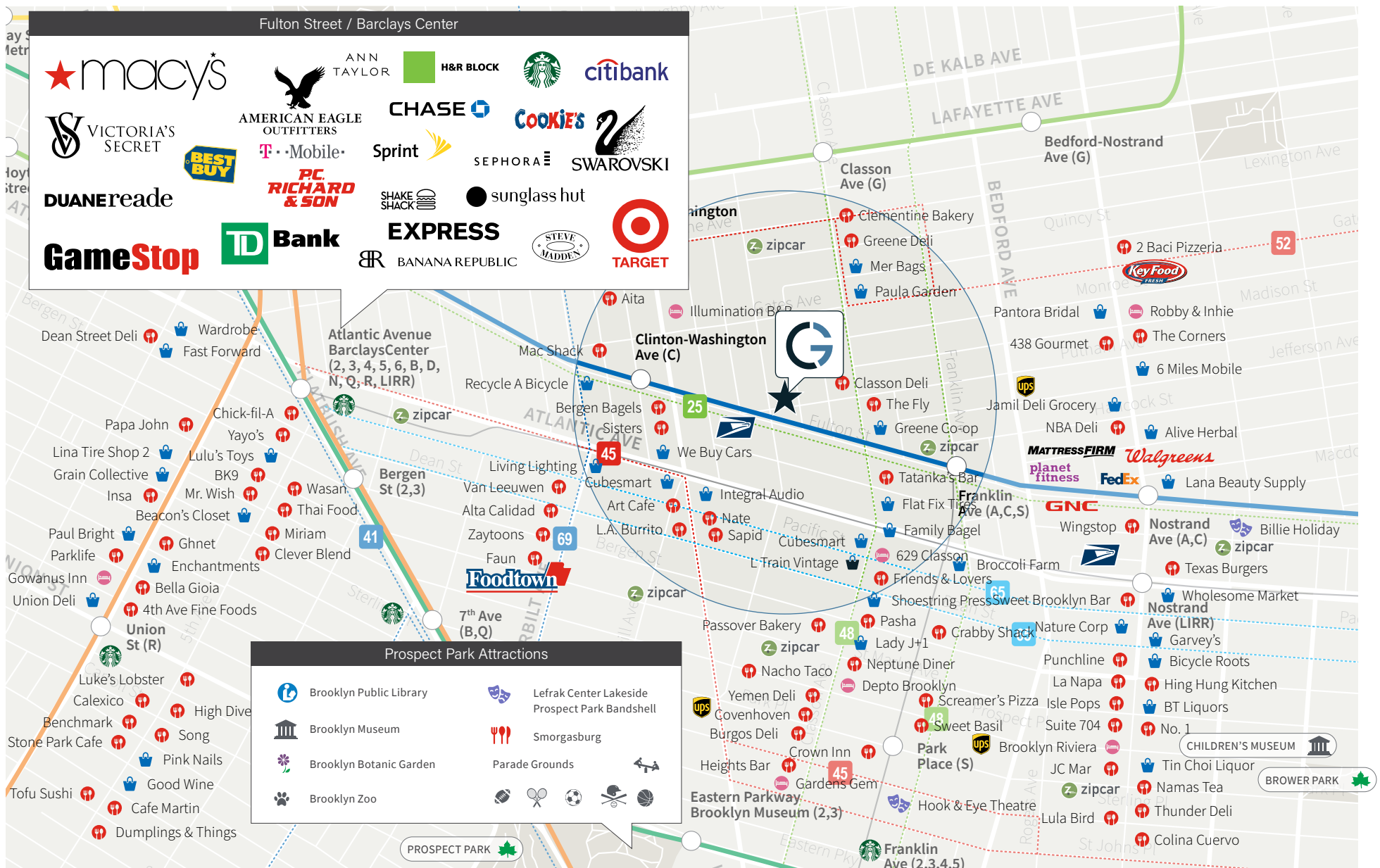
# NY METRO CONNECTIVITY

One of the Property’s primary competitive advantages is its outstanding transportation convenience, with 13 subway stations serviced by 14 subway lines (2 3 4 5 A B C D G N Q R S & W) and the Long Island Railroad located within a mile of the property.

Destination	LIRR/Subway	Car
Atlantic Terminal (LIRR)	14 minutes	6 minutes
Prospect Park (Museum, Gardens, Zoo)	18 minutes	7 minutes
Financial District (NYSE, 1WTC)	16 minutes	23 minutes
Grand Central Terminal (Metro North)	33 minutes	24 minutes
Penn Station (Amtrak, NJT, LIRR)	28 minutes	30 minutes
JFK Airport, Queens	55 Minutes	35 minutes
LGA Airport, Queens	1 hour, 10 minutes	27 minutes



# THRIVING RETAIL





# CLINTON GRAND PORTFOLIO

For further information, please contact exclusive agents:

**Stephen Palmese**

Vice Chairman  
+1 212 376 1228  
stephen.palmese@am.jll.com

**Brendan Maddigan**

Vice Chairman  
+1 212 376 5449  
brendan.maddigan@am.jll.com

**Michael Mazzara**

Managing Director  
+1 212 376 5450  
michael.mazzara@jll.com

**Hall Oster**

Managing Director  
+1 212 377 2136  
hall.oster@am.jll.com

**Jeffrey Julien**

Managing Director  
+1 212 632 1820  
jeffrey.julien@am.jll.com

**Patrick Madigan**

Vice President  
+1 212 376 1213  
patrick.madigan@am.jll.com

**Ethan Stanton**

Managing Director  
+1 212 376 4002  
ethan.stanton@am.jll.com

**Rob Hinckley**

Managing Director  
+1 212 632 1832  
rob.hinckley@am.jll.com

**Braedon Gait**

Analyst  
+1 212 812 5992  
braedon.gait@am.jll.com

Financing Guidance:

**Max Herzog**

Senior Managing Director  
+1 212 812 5815  
max.herzog@am.jll.com

**Marko Kazanjian**

Vice President  
+1 212 812 5947  
marco.kazanjian@am.jll.com

