

PARK PARTNERS

320 EAST 82 ST | NEW YORK | NY

January 22, 2019

Dear Partner,

As we enter 2019, I want to wish you a very happy and successful New Year!

In regard to the Park Mansion, please find the below updates:

1. Currently, we sold two units and have one unit with an accepted offer.
2. We signed a contract on the 4th Floor Unit and will be closing in April.
3. The market remains very challenging and our team is working hard to generate traffic for potential buyers.
4. We began investigating the possibility of changing the zoning for the Maisonette unit to open the market beyond a residential buyer.
5. As noted in the previous letter, we have one unit that is being rented and we are using the cash flow from that unit to help defray the carrying costs of the unsold units.
6. Lastly, we are working on obtaining our permanent Certificate of Occupancy and hope to report that we will have this within the next few months.

Please find attached a CNBC article (also an article printed in Wall Street Journal) that describes the conditions of the current market, which is obviously quite different than the market that was present when we entered into this investment.

As always, I am grateful for your trust and I am available at any time to answer any questions. I am best reached through email : [REDACTED].



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A new report says New York City's real estate downturn is deepening, and may not hit bottom for months



- A new report from Warburg Realty underscores how deeply New York City's real estate market has swooned, with the real estate firm estimating prices have tumbled between 10 and 20 percent since peaking in 2015.
- "I do think it will be at least six months before it stabilizes around a new level from which expansion is possible," wrote Warburg CEO Frederick Peters in a new report.

Javier E. David | @TeflonGeek
Published 5:12 PM ET Sun, 30 Dec 2018



Epics | Hulton Archive | Getty Images

A view of new building developments in downtown Brooklyn, February 26th 2017.

There may be another bear market under way – in New York City real estate.

For much of 2018, housing in the Big Apple has been [entrenched in a buyer's market](#), where prospective homeowners are able to extract lower prices from those looking to sell.

A new report from Warburg Realty underscores just how deep the problem is, with the real estate firm estimating prices have tumbled between 10 and 20 percent since peaking in 2015. Since the start of the fall season, reluctant sellers have relented and offered steeper discounts on their homes, Warburg said, adding that the market may not hit bottom for months.

"The news from the post-Thanksgiving period is that this price capitulation has begun driving deals," wrote Frederick Peters, Warburg's CEO, in the firm's fourth quarter NYC market report. "In December sellers whose pricing reflected the new market realities sold their properties, especially where inventory remains limited."

The landscape of the city's residential market is mixed. Warburg pointed to several bright spots like Brooklyn's brownstones and Central Park West's ultra-high-end luxury homes as places where properties are being sold quickly and at high prices.

Overall, however, New York City has become a microcosm of a national housing market in the throes of a downturn – [if not an outright correction](#). Home prices in Manhattan [slid more than 3 percent in November](#) versus the prior year, according to StreetEasy data, with 18 percent more homes on the market during the month than the comparable year-ago period.

"While I don't believe the market has much further to fall, I do think it will be at least six months before it stabilizes around a new level from which expansion is possible," Peters added.

Still, the city is building residential units at breakneck speed, raising the possibility that many of those vacancies will go unfilled in the coming months. A [February report from analytics firm CoStar Group](#) showed that New York City has more than 60,000 units under construction – the most of any U.S. city tracked by the firm.

Although CoStar data shows vacancy rates in the city have hovered between 2 percent and 4 percent, Warburg characterized the market's ability to absorb new units as "slow," especially among newly constructed condominiums.

As a result, "it will require several more years for the full complement of inventory in this category to enjoy full absorption," Peters wrote.

"As we look to the months ahead, price capitulation remains key. Sellers who cannot accept the essential shift in market dynamics will likely see their properties linger on the market," he said.



Javier E. David
Senior editor