

APPRAISAL REPORT
Real Property Valuation – Eminent Domain Action
Entire Taking for Open Space by the Township of Middletown
Proposed Inclusionary Affordable Housing Site – 2.58 Acres
490 Red Hill Road, LLC
Block 1045, Lot 12
490 Red Hill Road
Township of Middletown, Monmouth County
New Jersey

SUBJECT

**Proposed Inclusionary Affordable Housing Site
Block 1045, Lot 12
490 Red Hill Road
Township of Middletown, Monmouth County
New Jersey**

OWNER OF RECORD

490 Red Hill Road, LLC

SPECIAL CONDEMNATION COUNSEL

**Michael J. Ash, Esq., CRE
Carlin, Ward, Ash & Heiart LLC
25B Vreeland Road, Suite 102
Florham Park, New Jersey 07932**

PREPARED BY

**Maurice J. Stack II, MAI, CRE
NJ Certified General Real Property Appraiser RG 1087
Stack, Coolahan & Stack, LLC
90 Hudson Street, P.O. Box 731
Hoboken, New Jersey 07030**

EFFECTIVE VALUATION DATE

May 1, 2024



STACK, COOLAHAN & STACK, LLC

90 Hudson Street, Hoboken, New Jersey 07030

(201) 659-4700 | mostack2@gmail.com

May 3, 2024

Michael J. Ash, Esq., CRE
Carlin, Ward, Ash & Heiart LLC
25B Vreeland Road, Suite 102
Florham Park, New Jersey 07932

Subject: **Real Property Valuation – Eminent Domain Action
Entire Taking for Open Space by the Township of Middletown
Proposed Inclusionary Affordable Housing Site
490 Red Hill Road, LLC
Block 1045, Lot 12
490 Red Hill Road
Township of Middletown
Monmouth County, New Jersey**

Dear Mr. Ash:

In accordance with your client's request, I conducted a current valuation of the above captioned property ("subject"). The intended use of this Appraisal Service is to establish a basis for the property owner to engage in good faith negotiations with the Township. The intended user is the property owner, special condemnation counsel and authorized representatives of 490 Red Hill Road, LLC.

Generally, the real property in question involves a proposed inclusionary affordable housing site encompassing 2.58 acres, ideally positioned in a bucolic setting, conveniently situated within proximity to the Garden State Parkway, large employment centers and popular Jersey Shore oceanfront beach hubs.

Based on the results of my property productivity analysis, I determined a 70 unit, inclusionary affordable housing development comprised of 11 low-income and moderate-income rental housing units and 59 market-rate rental units supported by ample parking and amenities represented the subject's highest and best use.

Predicated upon the physical inspection, investigation and analyses undertaken, it is my professional opinion that the current market value of the subject's fee simple interest, effective May 1, 2024, is:

TWO MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS
\$2,650,000

Assignment Condition

- The property is being appraised "as if" remediated in accordance with New Jersey law regarding environmentally impaired property.

Jurisdictional Exception Rule

- In accordance with Eminent Domain guidelines, this appraisal does not link the estimate of value to a particular exposure time, as required by USPAP Standards Rule 1-3 (a).

This appraisal has been prepared in compliance with the appraisal standards and guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of The Appraisal Foundation. It is further subject to the underlying assumptions and limiting conditions set forth in the report.

Furthermore, it is anticipated that this appraisal report will serve as a basis for oral presentation and may be supplemented by reference to additional information contained within my file.

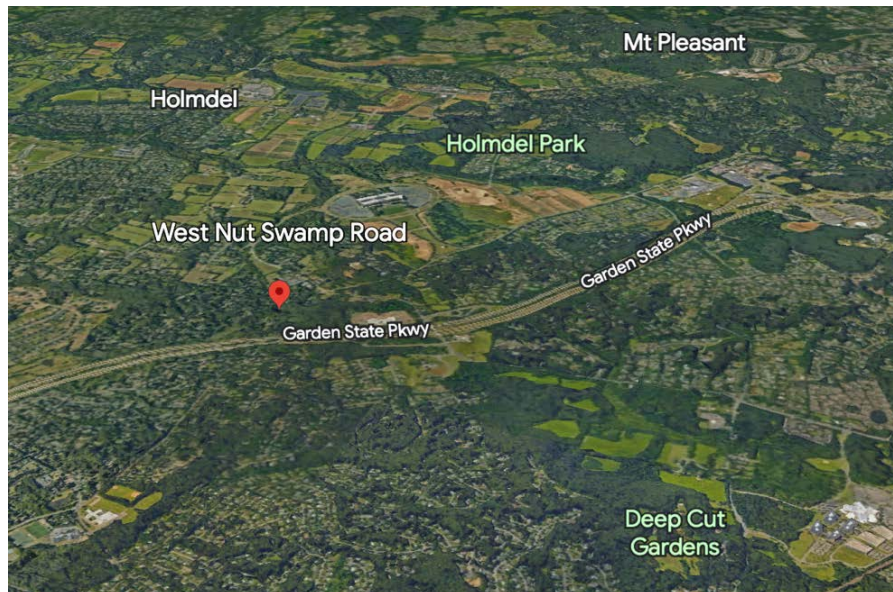
Respectfully submitted,
STACK, COOLAHAN & STACK, LLC



Maurice J. Stack, II, MAI, CRE
NJ Certified General Real Property Appraiser, RG 1087

Summary of Important Facts and Conclusions

| | |
|----------------------------|--|
| Property Appraised: | 2.58 Acres – Vacant Land 490 Red Hill Road Township of Middletown Monmouth County, New Jersey |
| Property Rights Appraised: | Fee simple |
| Property Type: | Multi-family development tract |
| Land Area: | 2.58 acres |
| Zoning: | R-45 Zone |
| Highest & Best Use: | Development of the proposed, 70 unit, inclusionary affordable housing project comprised of 11 low-income and moderate-income rental housing units and 59 market-rate rental housing units supported by ample parking and amenities |
| Opinion of Market Value: | \$2,650,000 (\$45,000 per market rate unit) |
| Effective Date: | May 1, 2024 |
| Report Date: | May 3, 2024 |



Definition of Market Value

“The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under duress.”¹

Title History

Title to the subject was conveyed on August 10, 2023 between Ruben Gomez and Marco A. Alvarez, joint tenants (seller) and 490 Red Hill Road, LLC (buyer) at a stated consideration of \$500,000 according to deed recorded in Book 9656, Page 1013. The property previously sold on February 27, 2020 between Carmelo J. and Maria Giordana (seller) and Ruben Gomez and Marco A. Alvarez, joint tenants (buyer) at a stated consideration of \$300,000, according to deed recorded in Book 9402, Page 8992

Scope of Work

Scope of work allows an appraiser to customize an assignment to meet the needs of the client. USPAP requires an appraiser to have a clear understanding of the client’s intended use, as well as six other key assignment parameters, to structure the assignment properly. These parameters include:

1. Client – who is hiring you?
2. Intended user – who intends to use the appraisal?
3. Intended use – why are they going to rely on it?
4. Type of opinion.
5. Effective date of opinion.
6. Relevant characteristics about the subject of the assignment.
7. Assignment conditions.

¹ *Dictionary of Real Estate Appraisal*, Appraisal Institute, Seventh Edition, p. 118.

Scope of Work Disclosure

Stack, Coolahan & Stack, LLC (SCS) has been retained by the property owner – 490 Red Hill Road, LLC. The intended use of this Appraisal Service is to establish a basis for the property owner to engage in good faith negotiations with the Township. The intended user is the property owner, special condemnation counsel and authorized representatives of 490 Red Hill Road, LLC. As an assignment condition, the property is being appraised “as if” remediated in accordance with New Jersey law.

Otherwise, documents reviewed/considered include, but are not limited to, the following:

1. Special Adjudicator report for the Superior Court of New Jersey issued by Burgis Associates, Inc., dated April 26, 2024
2. Middletown Township Affordable Housing Non-Compliance Report and Site Suitability Analysis prepared for the Adoni Property Group, LLC by Cofone Consulting Group and Certification by Christine A. Nazzaro-Cofone, AICP, PPP, dated October 5, 2023
3. Middletown Township Affordable Housing Inventory Analysis prepared for Middletown Township by DMR Architects, dated January 31, 2024
4. Appraisal Reports prepared by Gagliano & Company, dated May 15, 2023 and December 5, 2023
5. Mount Laurel II – Complaint filed by Wilentz, Goldman & Spitzer, P.A., dated April 21, 2023
6. Master Plan Reexamination Report prepared for the Middletown Township Planning Board dated March 2023
7. Conceptual rendering prepared by CPL Partnership

Market Delineation

A real estate market is a group of individuals or firms that are in contact with one another for the purpose of conducting real estate transactions. Specific real estate markets can be identified by property type, property features, market area, substitute properties and complimentary properties. The actions of market participants are prompted by their expectations about the use of the property and the benefits that property will offer to its users. Market segmentation, therefore, differentiates the most probable users of a property from the general population by their consumer characteristics. The activity of individual market participants in a real estate market focuses on a real estate product and the service it provides. Product disaggregation, therefore, differentiates the subject property from competitive properties on the basis of their attributes or characteristics.

The real property in question involves a proposed multi-family development tract encompassing 2.58 acres, ideally positioned in a bucolic setting, conveniently situated within proximity to the Garden State Parkway, large employment centers and popular Jersey Shore oceanfront beach hubs.

As such, from a market standpoint, the subject's most economically productive use, a multi-family development, effectively represents part of the Eastern Monmouth County submarket of a broader New York metro area multi-family market. As part of the market analysis process employed for this appraisal, current marketwide and submarket conditions and trend exhibits provided by CoStar, IPA, Marcus & Millichap and Yardi Matrix have been considered. Excerpts from various reports reviewed have been reproduced on the following pages. Generally, CoStar reports the current vacancy rate in the Eastern Monmouth submarket to be 1.8% for modern, 4 – 5 star rated apartment properties with an asking YOY effective rent growth of 3.9% through the start of 2024. While rent levels have increased considerably during the last several years, the rise in cap rates and increased construction costs have been offsetting factors. Overall, investors remain cautiously optimistic demand for quality rental housing will persist as inflation subsides and investment returns improve.

Overview

East Monmouth County Multi-Family

| 12 Mo Delivered Units | 12 Mo Absorption Units | Vacancy Rate | 12 Mo Asking Rent Growth |
|-----------------------|------------------------|--------------|--------------------------|
| 114 | 102 | 2.3% | 3.8% |

At the start of 2024, the New York metro apartment market continues to be defined by many renters competing for a limited number of units.

The vacancy rate in the East Monmouth County Submarket, at 2.3%, remains below the New York metro average of 2.6% and the submarkets all-time average of 3.7%.

The East Monmouth County Submarket includes the areas of Long Branch, Matawan, and Asbury Park. The submarket offers a scenic setting and is among the highest-income counties in the United States. Demand drivers here include large employers such as Meridian Health System, Saker Shoprites, and CentraState Healthcare located here, along with easy access to New York City with the daily year-round ferry services from Atlantic Highlands and Conners Highlands, as well as New York Waterways service from the Belford Ferry terminal.

Over the past 12 months, 110 new units have been

delivered compared to 100 units absorbed, which has led to the vacancy rate in the submarket changing by 0.0% over this span. About 210 units, or 0.9% of the existing apartment inventory, remain in the construction pipeline.

Asking rents in the submarket stand at \$2,120/month, which is below the metro average of \$3,150/month. With vacancy levels tight, owners have continued to push rents upward and are not offering concessions in most cases. Rents have grown by 3.9% over the past 12 months, which is above the metro average of 2.2%.

Since 2015, sales volume has averaged more than \$100 million on an annual basis. Investment activity has slowed in 2023 and about \$20.8 million has traded hands over the past 12 months as elevated borrowing costs and recent rent deceleration have given some buyers pause.

Looking ahead, vacancy levels are forecast to remain tight over the next 12 months, with rents continuing to tick upward as a result.

KEY INDICATORS

| Current Quarter | Units | Vacancy Rate | Asking Rent | Effective Rent | Absorption Units | Delivered Units | Under Constr Units |
|------------------|---------------|--------------|----------------|----------------|------------------|-----------------|--------------------|
| 4 & 5 Star | 3,120 | 1.8% | \$2,711 | \$2,701 | 12 | 0 | 99 |
| 3 Star | 10,500 | 2.3% | \$2,055 | \$2,048 | (7) | 0 | 111 |
| 1 & 2 Star | 9,408 | 2.4% | \$1,928 | \$1,921 | 5 | 0 | 0 |
| Submarket | 23,028 | 2.3% | \$2,117 | \$2,110 | 10 | 0 | 210 |

| Annual Trends | 12 Month | Historical Average | Forecast Average | Peak | When | Trough | When |
|-----------------------------|----------|--------------------|------------------|----------|---------|--------|---------|
| Vacancy Change (YOY) | 0% | 3.7% | 2.6% | 5.8% | 2005 Q4 | 1.4% | 2022 Q1 |
| Absorption Units | 102 | 201 | 45 | 677 | 2018 Q3 | (95) | 2002 Q3 |
| Delivered Units | 114 | 208 | 80 | 891 | 2017 Q4 | 0 | 2016 Q4 |
| Demolished Units | 0 | 13 | 5 | 85 | 2022 Q2 | 0 | 2024 Q1 |
| Asking Rent Growth (YOY) | 3.8% | 2.7% | 2.4% | 10.2% | 2022 Q2 | -7.8% | 2009 Q4 |
| Effective Rent Growth (YOY) | 3.9% | 2.7% | 2.4% | 10.2% | 2022 Q2 | -7.8% | 2009 Q4 |
| Sales Volume | \$27.1M | \$90.1M | N/A | \$385.7M | 2022 Q2 | \$3.4M | 2010 Q3 |

Vacancy

East Monmouth County Multi-Family

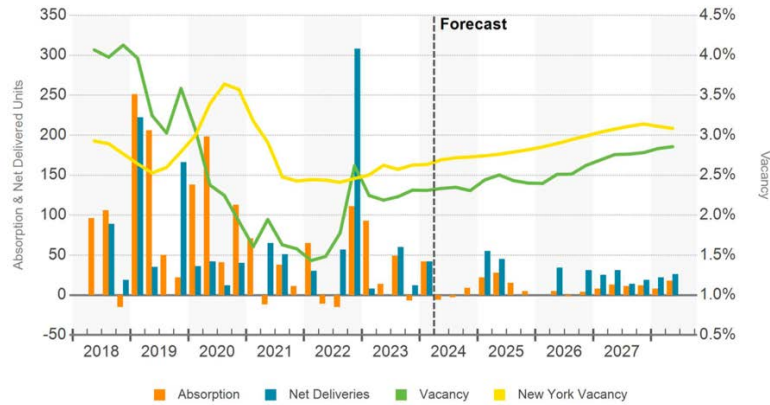
The vacancy rate in the East Monmouth County Submarket stands at 2.3%, which is below the submarkets all-time average of 3.7%.

The submarket offers a scenic setting and is among the highest-income counties in the United States. Demand stems from large employers here, such as Meridian Health System, Saker Shoprites, and CentraState Healthcare.

Over the past 12 months, about 110 units have been delivered, compared to 100 units absorbed which has caused the vacancy rate to change by 0.0% over this span. By comparison, the New York metro vacancy rate stands at 2.6% and has changed by 0.1% over the past 12 months.

Looking ahead, about 210 units, or 0.9% of existing inventory, remains under construction, and vacancies are forecast to remain tight over the next 12 months.

ABSORPTION, NET DELIVERIES & VACANCY



Rent

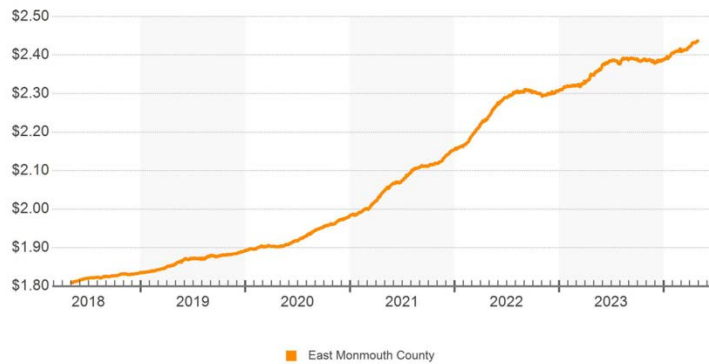
East Monmouth County Multi-Family

Rents in the East Monmouth County Submarket stand at \$2,120/month, which is below the metro average. Still, 4 Star properties built in recent years can command premiums that push their average rents above \$3,000/month. Concessions are not typically part of the equation but have grown more common in recently delivered buildings as owners aim to speed up their leasing process. At the recently delivered Ocean Gate apartments in Long Branch, prospective renters are

being offered a month of free rent. If absorption levels were to slow, this trend would likely continue into the near term.

Rents have grown by 3.9% over the past year. This rate of change exceeds the metro average of 2.2%. Rents are forecast to continue rising as vacancy levels are projected to remain tight.

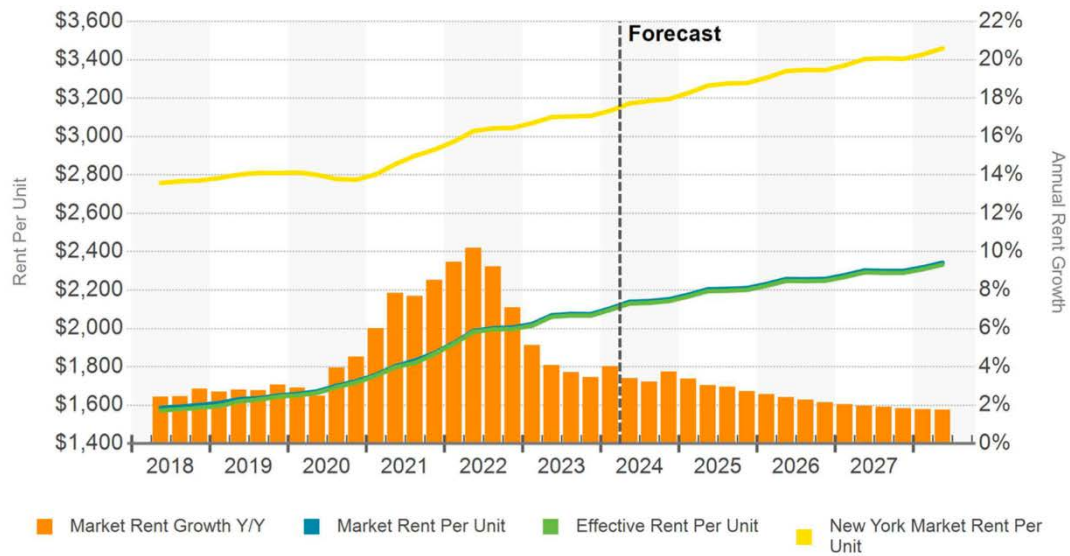
DAILY ASKING RENT PER SF



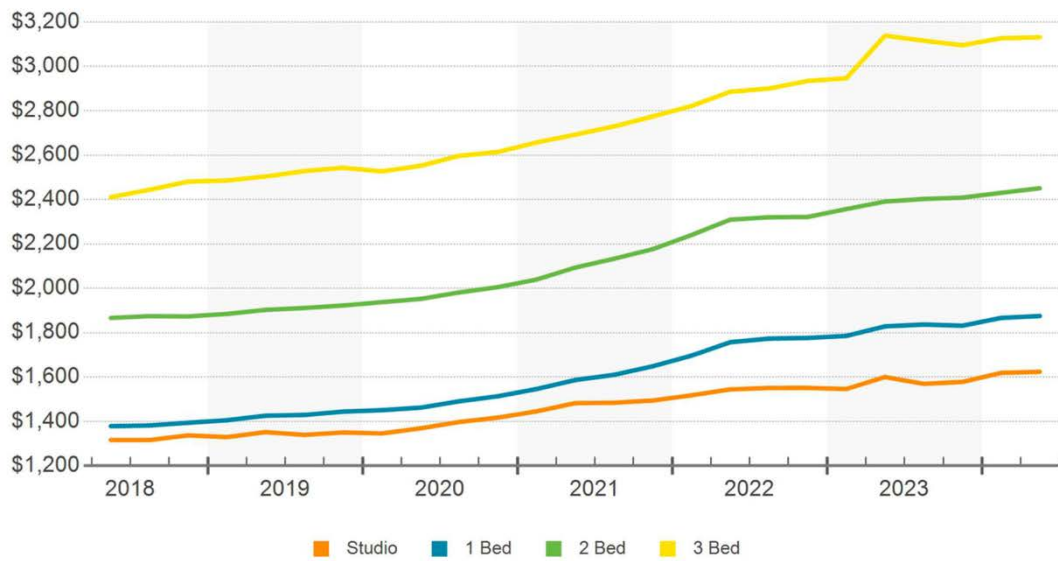
Rent

East Monmouth County Multi-Family

MARKET RENT PER UNIT & RENT GROWTH



MARKET RENT PER UNIT BY BEDROOM



Construction

East Monmouth County Multi-Family

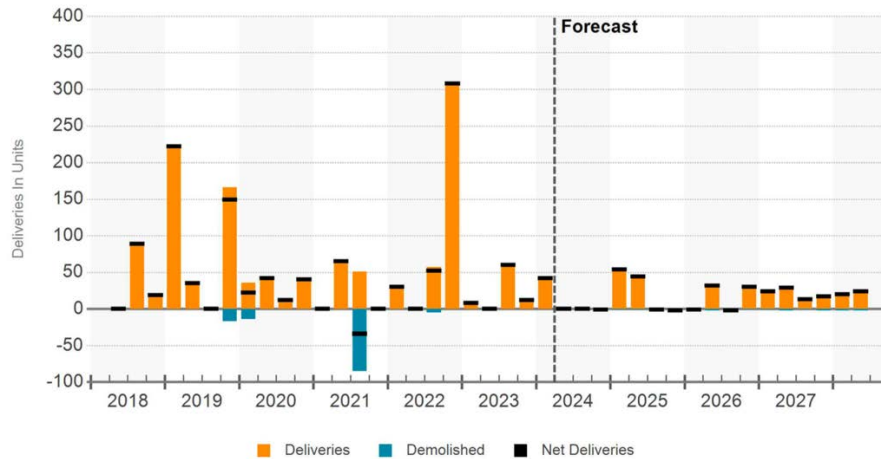
Development activity has been historically sparse in the East Monmouth County Submarket. About 110 units have been delivered over the past 12 months. Over the past five years, about 830 new units have been added to the submarket.

Developers have built more Class A units over the past five years, however. To provide a suburban community without the expensive costs of suburban homeownership,

developers have chosen to build large rental communities such as the 120-unit Glen Oaks Apartments and the 170-unit Ocean Gate Apartments.

About 210 units remain under construction which represents 0.9% of existing inventory. Much of this new construction is relatively small in scale, with most projects containing between 30 to 50 units.

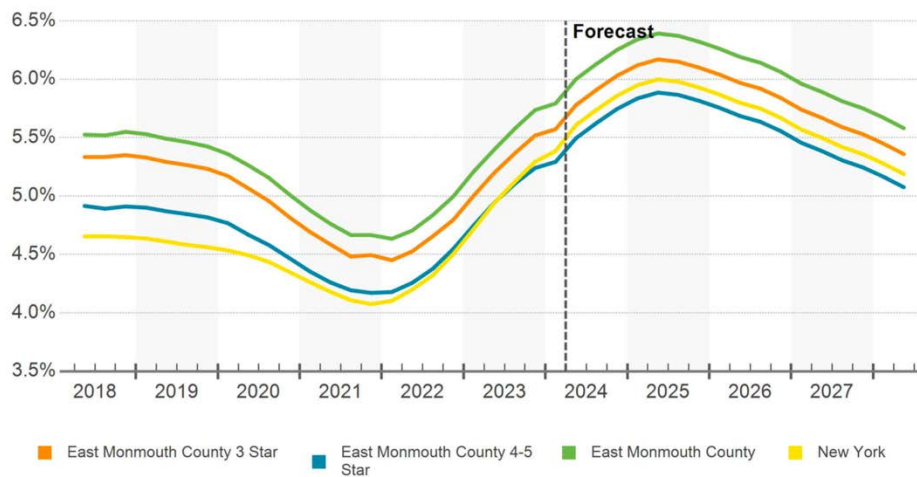
DELIVERIES & DEMOLITIONS



Sales

East Monmouth County Multi-Family

MARKET CAP RATE



Appendix

East Monmouth County Multi-Family

OVERALL SUPPLY & DEMAND

| Year | Inventory | | | Absorption | | |
|------|-----------|--------|----------|------------|----------|--------------------|
| | Units | Growth | % Growth | Units | % of Inv | Construction Ratio |
| 2028 | 23,363 | 102 | 0.4% | 78 | 0.3% | 1.3 |
| 2027 | 23,261 | 81 | 0.3% | 44 | 0.2% | 1.8 |
| 2026 | 23,180 | 59 | 0.3% | 5 | 0% | 11.8 |
| 2025 | 23,121 | 95 | 0.4% | 71 | 0.3% | 1.3 |
| 2024 | 23,026 | 40 | 0.2% | 42 | 0.2% | 1.0 |
| YTD | 23,028 | 42 | 0.2% | 51 | 0.2% | 0.8 |
| 2023 | 22,986 | 80 | 0.3% | 149 | 0.6% | 0.5 |
| 2022 | 22,906 | 390 | 1.7% | 150 | 0.7% | 2.6 |
| 2021 | 22,516 | 31 | 0.1% | 109 | 0.5% | 0.3 |
| 2020 | 22,485 | 116 | 0.5% | 489 | 2.2% | 0.2 |
| 2019 | 22,369 | 406 | 1.8% | 528 | 2.4% | 0.8 |
| 2018 | 21,963 | 108 | 0.5% | 363 | 1.7% | 0.3 |
| 2017 | 21,855 | 878 | 4.2% | 356 | 1.6% | 2.5 |
| 2016 | 20,977 | (5) | 0% | 247 | 1.2% | 0 |
| 2015 | 20,982 | 352 | 1.7% | 190 | 0.9% | 1.9 |
| 2014 | 20,630 | 62 | 0.3% | 195 | 0.9% | 0.3 |
| 2013 | 20,568 | 198 | 1.0% | 142 | 0.7% | 1.4 |
| 2012 | 20,370 | 10 | 0% | 78 | 0.4% | 0.1 |

4 & 5 STAR SUPPLY & DEMAND

| Year | Inventory | | | Absorption | | |
|------|-----------|--------|----------|------------|----------|--------------------|
| | Units | Growth | % Growth | Units | % of Inv | Construction Ratio |
| 2028 | 3,370 | 108 | 3.3% | 85 | 2.5% | 1.3 |
| 2027 | 3,262 | 66 | 2.1% | 56 | 1.7% | 1.2 |
| 2026 | 3,196 | 31 | 1.0% | 17 | 0.5% | 1.8 |
| 2025 | 3,165 | 45 | 1.4% | 32 | 1.0% | 1.4 |
| 2024 | 3,120 | 42 | 1.4% | 57 | 1.8% | 0.7 |
| YTD | 3,120 | 42 | 1.4% | 58 | 1.9% | 0.7 |
| 2023 | 3,078 | 68 | 2.3% | 163 | 5.3% | 0.4 |
| 2022 | 3,010 | 195 | 6.9% | 90 | 3.0% | 2.2 |
| 2021 | 2,815 | 51 | 1.8% | 41 | 1.5% | 1.2 |
| 2020 | 2,764 | 52 | 1.9% | 185 | 6.7% | 0.3 |
| 2019 | 2,712 | 346 | 14.6% | 372 | 13.7% | 0.9 |
| 2018 | 2,366 | 84 | 3.7% | 256 | 10.8% | 0.3 |
| 2017 | 2,282 | 557 | 32.3% | 261 | 11.4% | 2.1 |
| 2016 | 1,725 | 0 | 0% | 190 | 11.0% | 0 |
| 2015 | 1,725 | 397 | 29.9% | 199 | 11.5% | 2.0 |
| 2014 | 1,328 | 0 | 0% | 76 | 5.7% | 0 |
| 2013 | 1,328 | 173 | 15.0% | 70 | 5.3% | 2.5 |
| 2012 | 1,155 | 0 | 0% | (1) | -0.1% | 0 |

INVESTMENT FORECAST

Multifamily
Northern New Jersey

IPA INSTITUTIONAL
PROPERTY
ADVISORS

2024

Capital Drawn to Areas of Tepid Development Amid Class A Supply Influx

Construction wave places pressure on luxury performance. Local Class A vacancy is likely to see a correction this year, prompted by the high volume of units slated for delivery. Still, demand in this segment has remained robust of late. Specifically, the top-tier metric fell well below the long-term average of 74 percent last year, despite downsizing in traditionally office-using sectors occurring throughout the region. With these employment trends expected to reverse course in 2024, gains in high-compensation industries should set an upper limit on luxury apartment vacancy. The market's home price-to-income ratio also exceeds the national average, which restricts many higher-earning renters from homeownership. Despite the Class A sector's ongoing challenges, conditions should remain much tighter on the other end of the spectrum. Entering 2024, the Class B vacancy rate has held under 5 percent for three consecutive years, and should hold around its long-term average of 4.4 percent. An affordability gap of roughly \$900 per month between this segment and top-tier units should also help keep renters in place. Aiding matters, the employment base is anticipated to continue expanding this year, albeit at a more modest pace relative to recent years. Record staffing in the trade, transportation and utilities sector as of late 2023 also bodes well for mid- and lower-tier apartment demand.

Investors shifting focus to inland submarkets. Although deal flow declined across most of the market's waterfront and heavily-developed east, transaction velocity in Morris and Passaic counties last year continued at rates comparable to what was noted in 2022. Consistent activity in these inland zones likely stems from their limited construction pipelines and persistently tight operations. Vacancy in these submarkets has trended lower than the metrowide average, with both maintaining sub-3 percent vacancy rates entering 2024. Institutions that have shifted their focus to suburban garden-style apartments in recent years could align their activity here in response. Capital may also flow back into the market's more densely-populated zones as more institutional-grade stock comes to market, and the near-term future of fundamentals in these neighborhoods becomes easier to gauge. Buyers focused on luxury apartments may target builds utilizing unique amenities to incentivize rentership, including complementary options for transportation.



19.8%

2023 share of local population between 20 and 34 years old



39.4%

of local population hold bachelor's degree or higher*



\$551,300

2023 median home price*

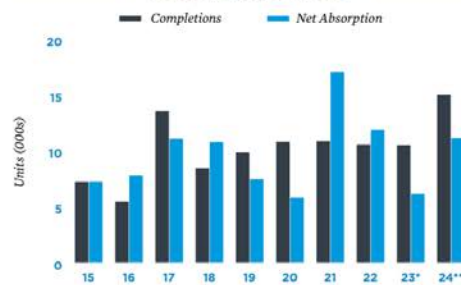
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q

**2023: 25+ years old

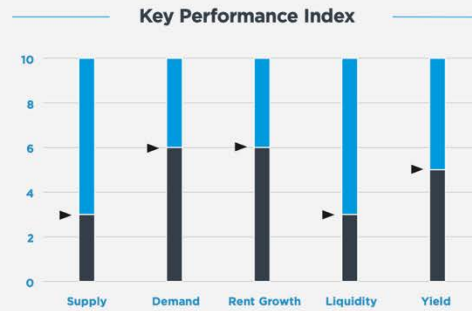
Sources: IPA Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

Investment Outlook

Northern New Jersey has the lowest supply score among major Northeast markets in 2024 as resilient demand has encouraged a wave of development. While this could create some near-term hurdles, the metro remains well positioned, evidenced by above-average rankings in both the demand and rent growth segments.

Investors will likely weigh strong demand and rent growth against emerging supply pressures, impacting deal flow and producing a liquidity score of 3. However, rising yields, with a score of 5 for 2024, could help stoke trading activity.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2024 MARKET FORECAST



John Sebree

Senior Vice President
Director IPA Multifamily
(312) 327-5400 | jseebree@ipausa.com



* Estimate ** Forecast
♦ Arrow reflects completions trend compared with 2023
Sources: IPA Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

Solid Rise for Multifamily Rents in March

- U.S. multifamily rents in March recorded their largest gain in 20 months, signaling a normal seasonal growth pattern. The average U.S. asking rent rose \$8 during the month to \$1,721, while year-over-year growth increased by 30 basis points to 0.9%.
- While 13 of the metros in the Matrix top 30 have had negative rent growth over the past year, the situation is improving. Only four metros recorded negative rent growth over the first quarter and only two were negative in March.
- Single-family rents also had a good month, increasing by \$9 in March to \$2,144. However, the year-over-year growth rate fell 20 basis points to 1.2%. Similar to multifamily, high-supply markets including Austin, Orlando, Phoenix and Dallas have seen rent growth soften.

March's multifamily data should provide some level of comfort for the many market observers worried about the sector's performance this year owing to slowing economic growth or the robust supply pipeline. Not only did the average U.S. rent increase by \$8 for the month but it appears that normal seasonal patterns are returning after several years of unconventional performance that started with the pandemic lockdowns in the spring of 2020. The 0.5% growth for the month and first quarter are in line with the 0.6% average for March and the first quarter in the five years preceding 2020.

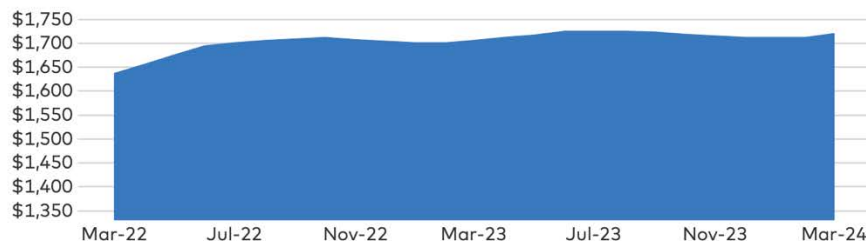
Multifamily's March performance demonstrates resilience in the face of challenges. Demand remains healthy as the economy continues to churn out jobs, with household growth boosted by strong wage growth and immigration. Midwest markets continue to pack the top of the rent growth rankings, benefiting from affordable prices and the re-

bound in manufacturing and industrial spending as U.S. policy starts to reduce its dependence on China. Examples include Columbus (4.5% year-over-year), Kansas City (3.7%) and Indianapolis (3.5%), which trailed only New York City (5.0%) in the top 30 for the month.

Also a good sign is that rents are rising again even in markets where occupancy rates are declining due to the heavy supply growth. For example, rents rose an average 1.4% in March in Orlando, where total stock has increased by more than 4% over the last 12 months. Another example is Charlotte, where rents increased by 1.3% in March although total supply has grown 5.5% in the last year.

While one month of data doesn't constitute a trend and rent growth likely will remain constrained due to affordability and new supply, the tone early in 2024 is encouraging.

National Average Rents



National averages include 140 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Matrix National Multifamily Report | March 2024 | 02

INVESTMENT FORECAST

Marcus & Millichap

MULTIFAMILY

Northern New Jersey Metro Area





2024

Wave of Luxury Projects Tests Top-Tier Rental Demand; Inland Zones Retain Buyer Appeal

Supply trends to prompt varied performance across apartment classes. A large volume of luxury rental units slated for delivery in 2024 is likely to recalibrate Class A vacancy in the short-term. Still, demand in this segment has remained robust of late, with top-tier vacancy falling well below the long-term average of 7.4 percent last year, despite local downsizing in traditionally office-using sectors. With these employment trends expected to reverse in 2024, gains in high-compensation industries should set an upper limit on increases in luxury apartment vacancy. The market's home price to income ratio also exceeds the national average, disincentivizing higher-earning renters from homeownership. While supply gains place upward pressure on the Class A segment, conditions should remain much tighter on the other end of the spectrum. Entering 2024, the Class C vacancy rate had held under 3 percent for 12 straight quarters, the longest such span on record. Aiding matters, employment is anticipated to continue expanding this year, albeit at a modest pace relative to recent years. Record staffing in the trade, transportation and utilities sector as of late 2023 also bodes well for mid- and lower-tier apartment demand.

Areas with scant construction note the steadiest investor base. Contrasting declines in deal flow across most of the market, transaction velocity in Morris and Passaic counties last year continued at rates comparable to what was noted in 2022. Such consistent activity in these inland zones likely stems from a lack of incoming supply and notably tight operations. Assisted by a dearth of construction in these submarkets, vacancy in these locales has been consistently lower than the metrowide average, with both maintaining sub-3 percent vacancy rates entering 2024. Institutional investment may also flow back into the market's densely-populated zones as the selection of upper-tier stock expands, and the near-term future of fundamentals in these locales becomes easier to gauge.

2024 MARKET FORECAST

- +0.7%**  **EMPLOYMENT:** Northern New Jersey will note a 15,000-position uptick in staffing counts in 2024, bringing the local employment base to its highest mark on record.
- 15,000 units**  **CONSTRUCTION:** This year's delivery volume will be the largest noted in multiple decades, boosting inventory by 3.4 percent. The bulk of completions are slated for waterfront locales.
- +70 bps**  **VACANCY:** The metrowide vacancy rate will close out 2024 at 5.1 percent, the highest level since 2020. Increases will likely be more acute in Essex and Hudson counties due to local supply gains.
- +2.6%**  **RENT:** Rents will continue to grow this year, though at a comparatively tepid pace relative to previous spans. The average effective rent will reach \$2,453 per month by the end of December.
- INVESTMENT:** *Competition among incoming luxury apartments may prompt investors that acquire Class A properties in 2024 to implement innovative concepts to attract tenants, such as on-site carsharing services.*

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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Employment Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

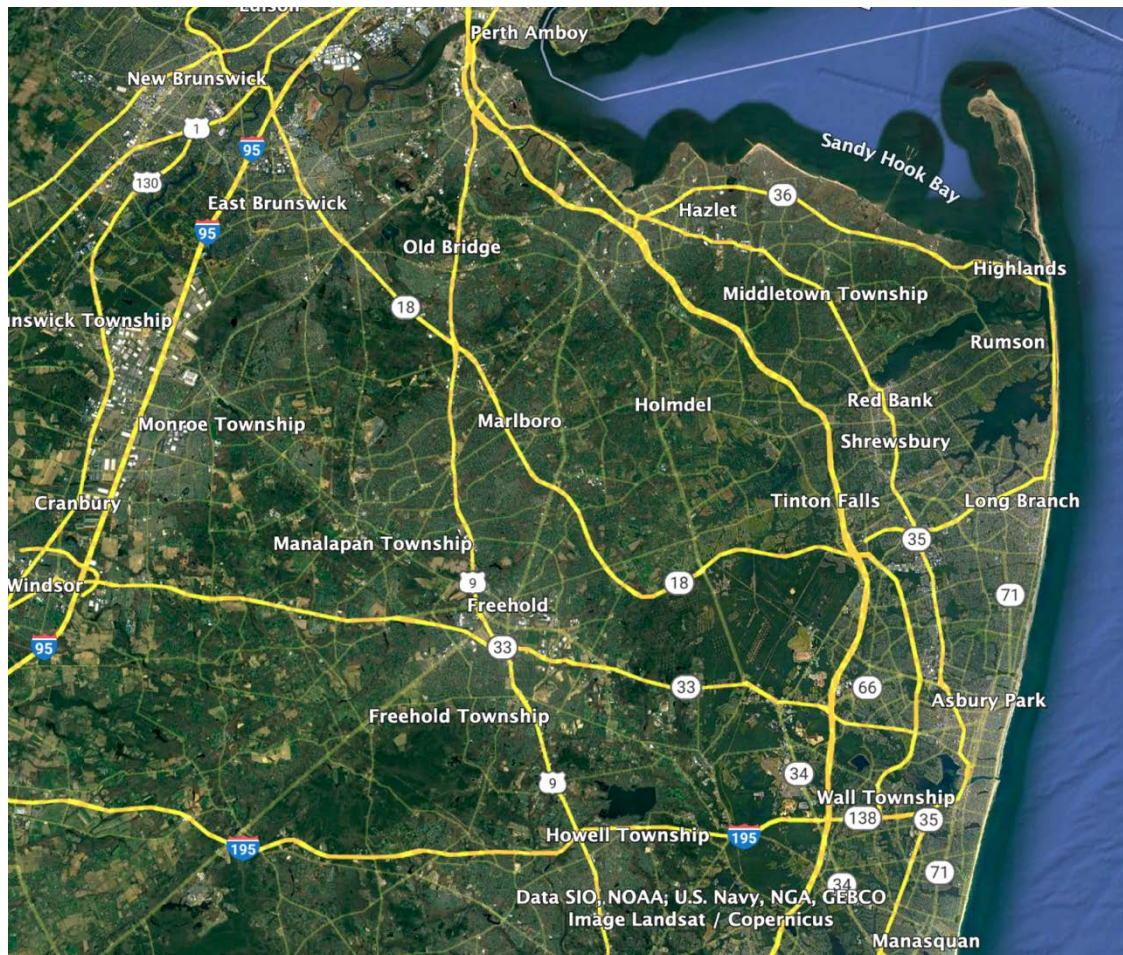
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

New Jersey Office:

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Tel: (201) 742-6100 | jim.mcguickin@marcusmillichap.com

Location Description

The larger parcel is situated in the northeast portion of Monmouth County in the Township of Middletown. Monmouth County ranks the sixth largest county in New Jersey with 43 municipalities. Ideally positioned within two of the nation's largest metropolitan areas, Monmouth County enjoys reasonable proximity to major employment hubs and is a favored location for city-bound commuters with a population of 643,615 (2020), the 5th most populous county in the State and one of the top 50 highest-income counties in the nation. Demographic statistics available to the public for the County of Monmouth and Township of Middletown have been reproduced on latter pages.





Monmouth County Municipal Market Report

Middletown, NJ

Prepared by Esri



Demographics

| Population | | 2010 | | 2022 | | 2027 | |
|--|--------|---------|--------|-------------|--------|-------------|--|
| Total Population | | 66,464 | | 66,764 | | 66,504 | |
| Population Density | | 1,623.1 | | 1,630.4 | | 1,624.1 | |
| Compounded Annual Growth Rate | | N/A | | -0.23% | | -0.08% | |
| Growth Rate Time Period | | N/A | | (2020-2022) | | (2022-2027) | |
| Race & Ethnicity | | 2010 | | 2022 | | 2027 | |
| White | 62,400 | 94% | 57,893 | 87% | 56,735 | 85% | |
| African American | 866 | 1% | 862 | 1% | 851 | 1% | |
| American Indian/Alaska Native | 67 | 0% | 68 | 0% | 72 | 0% | |
| Asian | 1,731 | 3% | 1,908 | 3% | 1,976 | 3% | |
| Pacific Islander | 8 | 0% | 7 | 0% | 7 | 0% | |
| Some Other Race | 536 | 1% | 1,268 | 2% | 1,467 | 2% | |
| Two or More Races | 857 | 1% | 4,758 | 7% | 5,396 | 8% | |
| Hispanic Origin (Any Race) | 3,561 | 5% | 5,241 | 8% | 5,548 | 8% | |
| Generations (2022) | | | | | | | |
| Generation Alpha Population (Born 2017 or Later) | | | | 3,943 | | 6% | |
| Generation Z Population (Born 1999 to 2016) | | | | 14,254 | | 21% | |
| Millennial Population (Born 1981 to 1998) | | | | 12,925 | | 19% | |
| Generation X Population (Born 1965 to 1980) | | | | 14,239 | | 21% | |
| Baby Boomer Population (Born 1946 to 1964) | | | | 16,761 | | 25% | |
| Silent & Greatest Generations Population (Born 1945/Earlier) | | | | 4,645 | | 7% | |
| Age (2022) | | | | | | | |
| 2022 Child Population (Age <18) | | | | 14,100 | | 21% | |
| Working-Age Population (Age 18-64) | | | | 38,645 | | 58% | |
| Senior Population (Age 65+) | | | | 14,015 | | 21% | |
| Median Age (Esri) | | | | 45.2 | | N/A | |

Source: ACS, Esri, Esri-Data Axle, U.S. Census



Monmouth County Municipal Market Report

Middletown, NJ

Prepared by Esri

Housing

| | 2022 | | 2027 | |
|-------------------------------|-----------|-----|-----------|-----|
| Housing Units | | | | |
| Owner Occupied Housing Units | 20,960 | 85% | 21,222 | 86% |
| Renter Occupied Housing Units | 3,746 | 15% | 3,550 | 14% |
| Total Housing Units | 25,994 | N/A | 26,197 | N/A |
| Home Values | | | | |
| Less than \$50,000 | 71 | 0% | 45 | 0% |
| \$50,000-\$99,999 | 22 | 0% | 8 | 0% |
| \$100,000-\$149,999 | 68 | 0% | 26 | 0% |
| \$150,000-\$199,999 | 209 | 1% | 111 | 1% |
| \$200,000-\$249,999 | 678 | 3% | 443 | 2% |
| \$250,000-\$299,999 | 773 | 4% | 548 | 3% |
| \$300,000-\$399,999 | 4,848 | 23% | 4,123 | 19% |
| \$400,000-\$499,999 | 4,419 | 21% | 4,512 | 21% |
| \$500,000-\$749,999 | 7,713 | 37% | 8,970 | 42% |
| \$750,000-\$999,999 | 1,747 | 8% | 2,049 | 10% |
| \$1,000,000-\$1,499,999 | 209 | 1% | 200 | 1% |
| \$1,500,000-\$1,999,999 | 49 | 0% | 55 | 0% |
| \$2,000,000 or greater | 153 | 1% | 133 | 1% |
| Median Home Value | \$486,230 | N/A | \$522,171 | N/A |
| Average Home Value | \$531,489 | N/A | \$555,664 | N/A |



Monmouth County Municipal Market Report

Middletown, NJ

Prepared by Esri

Income & Employment

| | 2022 | | 2027 | |
|---|-----------|-----|-----------|--------|
| Household Income | | | | |
| Less than \$15,000 | 900 | 4% | 635 | 3% |
| \$15,000-\$24,999 | 887 | 4% | 543 | 2% |
| \$25,000-\$34,999 | 1,100 | 4% | 765 | 3% |
| \$35,000-\$49,999 | 1,114 | 5% | 846 | 3% |
| \$50,000-\$74,999 | 2,348 | 10% | 1,977 | 8% |
| \$75,000-\$99,999 | 2,544 | 10% | 2,055 | 8% |
| \$100,000-\$149,999 | 5,056 | 20% | 6,234 | 25% |
| \$150,000-\$199,999 | 3,496 | 14% | 3,830 | 15% |
| \$200,000 or greater | 7,261 | 29% | 7,869 | 32% |
| Median Household Income | \$129,677 | N/A | \$142,300 | N/A |
| Average Household Income | \$182,582 | N/A | \$203,215 | N/A |
| Per Capita Income | \$67,593 | N/A | \$75,739 | N/A |
| Labor Force | | | | |
| Civilian Population Age 16+ in Labor Force (Esri) | 32,931 | 50% | 35,264 | 35,264 |
| Employed Civilian Population Age 16+ (Esri) | 33,615 | 51% | 33,708 | 96% |
| Unemployed Population Age 16+ (Esri) | N/A | N/A | 1,556 | 96% |
| Unemployment Rate (Esri) | N/A | N/A | N/A | 4.4% |
| Occupation | | | | |
| Management | 4,501 | 13% | 5,344 | 16% |
| Business/Financial | 3,287 | 10% | 3,216 | 10% |
| Computer/Mathematical | 989 | 3% | 1,473 | 4% |
| Architecture/Engineering | 784 | 2% | 675 | 2% |
| Life/Physical/Social Science | 275 | 1% | 364 | 1% |
| Community/Social Service | 386 | 1% | 410 | 1% |
| Legal | 666 | 2% | 541 | 2% |
| Education/Training/Library | 2,379 | 7% | 2,709 | 8% |
| Arts/Design/Entertainment/Sports/Media | 835 | 2% | 527 | 2% |
| Healthcare Practitioner/Technician | 1,865 | 6% | 2,300 | 7% |
| Healthcare Support | 670 | 2% | 648 | 2% |
| Protective Service | 1,018 | 3% | 1,053 | 3% |
| Food Preparation/Serving Related | 1,736 | 5% | 1,372 | 4% |
| Building/Grounds Cleaning/Maintenance | 550 | 2% | 514 | 2% |
| Personal Care/Service | 846 | 3% | 566 | 2% |
| Sales and Sales Related | 4,081 | 12% | 3,314 | 10% |
| Office/Administrative Support | 3,722 | 11% | 3,353 | 10% |
| Farming/Fishing/Forestry | 68 | 0% | 76 | 0% |
| Construction/Extraction | 1,656 | 5% | 1,988 | 6% |
| Installation/Maintenance/Repair | 801 | 2% | 797 | 2% |
| Production | 688 | 2% | 806 | 2% |
| Transportation/Material Moving | 1,812 | 5% | 1,663 | 5% |

Source: ACS, Esri, Esri-Data Axle, U.S. Census

Demographics

Population

Middletown's resident population remained somewhat steady from 66,522 people in 2010 to 67,106 in 2020, increasing less than one percent. Table 1 shows the greatest growth rate in Middletown Township over the last 80 years occurred during the post-World War II suburban boom years (1950-1960) when the population increased by 143 percent from 16,203 to 39,375. In 1990, the Township's population peaked at 68,183, and steadily decreased through 2020.

Table 1: Middletown Population, 1940-2020

| Year | Population | % Change |
|------|------------|----------|
| 1940 | 11,018 | |
| 1950 | 16,203 | 47.1 |
| 1960 | 39,375 | 143.0 |
| 1970 | 54,623 | 38.7 |
| 1980 | 62,574 | 14.6 |
| 1990 | 68,183 | 9.0 |
| 2000 | 66,327 | -2.7 |
| 2010 | 66,522 | 0.29 |
| 2020 | 67,106 | 0.88 |

Source: US Census Bureau

Household Size

Middletown's average household size has continued to shrink over the past 30 years, and is down from 2.83 in 2010 to 2.7 in 2020. The average household size of owner-occupied units have also continued to shrink in size down from 2.95 in 2010 to 2.79 in 2020.

Table 2: Household Size

| | 1990 | 2000 | 2010 | 2020 |
|--|------|------|------|------|
| Average household size | 2.95 | 2.84 | 2.83 | 2.7 |
| Average household size of owner-occupied unit | 3.09 | 2.96 | 2.95 | 2.79 |
| Average household size of renter-occupied unit | 2.19 | 2.09 | 2.06 | 2.16 |

Source: 2020 ACS 5 year estimate, 2010 ACS 5 year estimate

Age

Indicators continue to suggest Middletown Township is a maturing community. The median age in Middletown increased from 42 in 2010 to 44.9 in 2020, surpassing the median age in both Monmouth County (43.4) and the State (40). Additionally, there was a 24.1% increase in those aged 55 to 64, and a 25.8% increase in those aged 65 to 84.

Table 3: Population by Age

| | 2020 | 2010 | % Change |
|--------------------|--------|--------|----------|
| Under 5 | 3,148 | 4,015 | -21.6 |
| 5 to 14 | 7,487 | 9,782 | -23.5 |
| 15 to 19 | 4,811 | 4,587 | 4.9 |
| 20 to 34 | 9,662 | 8,572 | 12.7 |
| 35 to 54 | 17,938 | 21,825 | -17.8 |
| 55 to 64 | 10,682 | 8,606 | 24.1 |
| 65 to 84 | 10,142 | 8,064 | 25.8 |
| 85 years and over | 1,446 | 1,258 | 14.9 |
| Median age (years) | 44.9 | 42 | |

Source: 2020 ACS 5 year estimate, 2010 ACS 5 year estimate

Household Income

Middletown's median household income increased by 23% from \$96,190 in 2010 to \$119,013 in 2020. Between 2010 and 2020 (in absolute and percentage terms) the income range of \$200,000 or more increased the most by 2,840 households and 11.4%.

Table 4: Household Income

| | 2010 (#) | 2010 (%) | 2020 (#) | 2020 (%) | % Change |
|-----------------------------------|-----------------|----------|------------------|----------|----------|
| <i>Total Number of Households</i> | | | | | |
| Less than \$10,000 | 705 | 3.0 | 507 | 2.1 | -0.9 |
| \$10,000 to \$14,999 | 540 | 2.3 | 266 | 1.1 | -1.2 |
| \$15,000 to \$24,999 | 1,268 | 5.4 | 1,159 | 4.8 | -0.6 |
| \$25,000 to \$34,999 | 1,245 | 5.3 | 1,038 | 4.3 | -1.0 |
| \$35,000 to \$49,999 | 1,949 | 8.3 | 1,231 | 5.1 | -3.2 |
| \$50,000 to \$74,999 | 3,124 | 13.3 | 3,163 | 13.1 | -0.2 |
| \$75,000 to \$99,999 | 3,499 | 14.9 | 2,560 | 10.6 | -4.3 |
| \$100,000 to \$149,999 | 5,261 | 22.4 | 4,950 | 20.5 | -1.9 |
| \$150,000 to \$199,999 | 2,748 | 11.7 | 3,284 | 13.6 | 1.9 |
| \$200,000 or more | 3,124 | 13.3 | 5,964 | 24.7 | 11.4 |
| Median Household Income | \$96,190 | | \$119,013 | | |

Source: 2020 ACS 5 year estimate, 2010 ACS 5 year estimate

Number of Housing Units and Vacancy Rates

Between 2010 and 2020 the number of occupied and vacant housing units remained relatively stable, at 96% occupied and 4% vacant. According to 2020 ACS 5 Year Estimates Data, the rental vacancy rate was 4.5% compared to 3.9% in 2010.

Table 5: Occupied and Vacant Housing Units, 2010 and 2020

| | 2010 | | 2020 | |
|----------|--------|---------|--------|---------|
| | Units | % Total | Units | % Total |
| Occupied | 23,962 | 96.0 | 24,710 | 96.6 |
| Vacant | 997 | 4.0 | 1,149 | 4.5 |
| Total | 24,959 | | 25,589 | |

Source: US Census Bureau, 2010 and 2020 Redistricting Data

Number of Units in Structure

In 2020, there were a total of 25,107 housing units in Middletown Township. The majority of the Township's housing units remain single family detached (78.2%) but that has been decreasing over time from 80.6% in 2000. There was an increase (275) in the number of structures housing more than five units.

Table 6: Number of Units in Structure, 2010 and 2020

| | 2010 | | 2020 | |
|----------------------|--------|---------|--------|---------|
| | Units | % Total | Units | % Total |
| Total Housing Units | 24,555 | | 25,107 | |
| 1-unit, detached | 19,420 | 79.1 | 19,638 | 78.2 |
| 1-unit, attached | 1,929 | 7.9 | 1,837 | 7.3 |
| 2 units | 398 | 1.6 | 444 | 1.8 |
| 3 or 4 units | 534 | 2.2 | 601 | 2.4 |
| Greater than 5 units | 2,242 | 9.1 | 2,517 | 10.0 |
| Mobile home | 32 | 0.1 | 70 | 0.3 |
| Boat, RV, van, etc. | 0 | 0.0 | 0 | 0.0 |

Source: 2020 ACS 5 year estimate, 2010 ACS 5 year estimate

Age of Housing

The majority of Middletown Township's housing stock was constructed between 1950 and 1979. This is typical of post-war development trends in the United States, and certainly matches Middletown's population trends. Slightly over 9% of the Township's housing stock has been built since 2000.

Table 7: Housing Stock Age

| Year Built | Number | % Total |
|-----------------------|--------|---------|
| Total Housing Units | 25,107 | |
| Built 2014 or later | 458 | 1.8 |
| Built 2010 to 2013 | 418 | 1.7 |
| Built 2000 to 2009 | 1,454 | 5.8 |
| Built 1990 to 1999 | 1,243 | 5.0 |
| Built 1980 to 1989 | 4,043 | 16.1 |
| Built 1970 to 1979 | 4,639 | 18.5 |
| Built 1960 to 1969 | 3,460 | 13.8 |
| Built 1950 to 1959 | 5,226 | 20.8 |
| Built 1940 to 1949 | 1,059 | 4.2 |
| Built 1939 or earlier | 3,107 | 12.4 |

Source: 2020 ACS 5 year estimate

Housing Values: Owner Occupancy & Affordability

The 2020 median housing value in Middletown Township was \$433,800 remaining relatively stable from the 2010 median value of \$433,500. The greatest percentage (43.9%) of owner-occupied units by housing value was in the \$300,000 to \$499,999 range. Housing units valued in the range of \$200,000 to \$299,999 are becoming rare; only 13.5% of the 2020 owner-occupied housing inventory were valued in this range, compared to 15.2% in 2010.

Table 8: Housing Values, Owner-Occupied Units, 2010 and 2020

| | 2010 | | 2020 | |
|----------------------------|-----------|---------|-----------|---------|
| | Units | % Total | Units | % Total |
| Total Owner-Occupied Units | 20,230 | | 20,490 | |
| Less than \$50,000 | 104 | 0.5 | 256 | 1.2 |
| \$50,000 to \$99,999 | 91 | 0.4 | 107 | 0.5 |
| \$100,000 to \$149,999 | 399 | 2.0 | 354 | 1.7 |
| \$150,000 to \$199,999 | 653 | 3.2 | 577 | 2.8 |
| \$200,000 to \$299,999 | 3,080 | 15.2 | 2,770 | 13.5 |
| \$300,000 to \$499,999 | 8,510 | 42.1 | 9,005 | 43.9 |
| \$500,000 to \$999,999 | 6,719 | 33.2 | 6,910 | 33.7 |
| \$1,000,000 or more | 674 | 3.3 | 511 | 2.5 |
| Median Housing Value | \$433,500 | | \$433,800 | |

Source: 2020 ACS 5 year estimate, 2010 ACS 5 year estimate

Table 9: Income Breakdown of Owner-Occupied Households, 2015-2019 and 2014-2018

| Income Categories | Total Owner Households | % Total | Total Owner Households | % Total | Change 2015-19 and 2014-18 | % Change 2015-19 and 2014-18 |
|---------------------------------------|------------------------|---------|------------------------|---------|----------------------------|------------------------------|
| | 2015-2019 | | 2014-2018 | | | |
| Household Income <= 30% HAMFI | 1,350 | 6.7 | 1,255 | 6.3 | 95 | 7.6 |
| Household Income >30% to <=50% HAMFI | 1,290 | 6.4 | 1,115 | 5.6 | 175 | 15.7 |
| Household Income >50% to <=80% HAMFI | 1,725 | 8.6 | 1,750 | 8.9 | -25 | -1.4 |
| Household Income >80% to <=100% HAMFI | 1,560 | 7.8 | 1,320 | 6.7 | 240 | 18.2 |
| Household Income >100% HAMFI | 14,170 | 70.5 | 14,325 | 72.5 | -155 | -1.1 |
| Total | 20,090 | | 19,765 | | | |

Source: HUD CHAS data based on 2015-2019 and 2014-2018 ACS 5-year estimates

Contract Rents & Affordability

In 2015-2019 the median contract rent for rental units was \$1,209 with 43.8% of renters paying \$1,000 to \$1,499 monthly.

Table 10: Contract Rents, 2020

| | # of Rental Units | % Total |
|--------------------|-------------------|---------|
| Less than \$200 | 27 | 0.7 |
| \$200 to \$299 | 102 | 2.8 |
| \$300 to \$499 | 169 | 4.6 |
| \$500 to \$749 | 268 | 7.3 |
| \$750 to \$999 | 474 | 13.0 |
| \$1,000 to \$1,499 | 1,602 | 43.8 |
| \$1,500 to \$1,999 | 561 | 15.3 |
| \$2,000 or more | 377 | 10.3 |
| No cash rent | 77 | 2.1 |
| Total Units | 3,657 | |

Source: 2020 ACS 5 Year Estimates

Table 11: Income Breakdown of Renter-Occupied Households, 2015-2019 and 2014-2018

| Income Categories | Total Renter Households | % Total | Total Renter Households | % Total | Change 2015-19 and 2014-18 | % Change 2015-19 and 2014-18 |
|---------------------------------------|-------------------------|---------|-------------------------|---------|----------------------------|------------------------------|
| | 2015-2019 | | 2014-2018 | | | |
| Household Income <= 30% HAMFI | 795 | 21.4 | 825 | 21.0 | -30 | -3.6 |
| Household Income >30% to <=50% HAMFI | 830 | 22.3 | 860 | 21.9 | -30 | -3.5 |
| Household Income >50% to <=80% HAMFI | 495 | 13.3 | 360 | 9.2 | 135 | 37.5 |
| Household Income >80% to <=100% HAMFI | 505 | 13.6 | 410 | 10.4 | 95 | 23.2 |
| Household Income >100% HAMFI | 1,090 | 29.3 | 1,465 | 37.3 | -375 | -25.6 |
| Total | 3,715 | | 3,925 | | | |

HAMFI=Hud Area Median Family Income

Source: HUD CHAS data based on 2015-2019 and 2014-2018 ACS 5-year estimates

Employment Characteristics

Resident Employment

Due to the increase in population 16 years and older, Middletown's total labor force remained steady from 2010 to 2020 at 66%, along with the number of employed persons in the civilian labor force. The unemployment rate decreased from 7.2% in 2010 to 5.6% in 2020.

Table 14: Employment Status, 2020 and 2010

| | 2020 | % Total | 2010 | % Total |
|---|--------|---------|--------|---------|
| Total Population (16 years and over) | 53,780 | | 51,842 | |
| In labor force | 35,652 | 66.3 | 34,386 | 66.3 |
| <i>Civilian labor force</i> | 35,614 | 99.9 | 34,346 | 99.9 |
| <i>Employed</i> | 33,615 | 94.3 | 31,876 | 92.7 |
| <i>Unemployed</i> | 1,999 | 5.6 | 2,470 | 7.2 |
| Armed Forces | 38 | <1% | 40 | <1% |
| Not in labor force | 18,128 | 33.7 | 17,456 | 33.7 |

Source: 2020 and 2010 ACS 5 Year Estimates

Occupation

In 2020, the top four industry groups based on employment in Middletown were: 1) Educational services, and health care and social assistance (21.5%); 2) Professional, scientific, and management, and administrative and waste management services (16.7%); 3) Finance and insurance, and real estate and rental and leasing (12.1%); and 4) Retail Trade (10.5%).

Table 15: 2020 Employed Civilian Labor Force by Industry

| Industry | Number | Percent |
|--|---------------|---------|
| Agriculture, forestry, fishing and hunting, and mining | 109 | 0.3 |
| Construction | 2,210 | 6.6 |
| Manufacturing | 1,813 | 5.4 |
| Wholesale trade | 967 | 2.9 |
| Retail trade | 3,515 | 10.5 |
| Transportation and warehousing, and utilities | 1,828 | 5.4 |
| Information | 982 | 2.9 |
| Finance and insurance, and real estate and rental and leasing | 4,066 | 12.1 |
| Professional, scientific, and management, and administrative and waste management services | 5,606 | 16.7 |
| Educational services, and health care and social assistance | 7,224 | 21.5 |
| Arts, entertainment, and recreation, and accommodation and food services | 2,813 | 8.4 |
| Other services, except public administration | 1,139 | 3.4 |
| Public administration | 1,343 | 4.0 |
| Total Civilian Employed Population | 33,615 | |

Source: 2020 ACS 5 Year Estimates

Housing Projections

Following is an examination of past and anticipated residential and non-residential development patterns for the years 2009 to present.

Table 16: Completed and Anticipated Residential Development since 2009 through 2028

| Development | Status | Housing Type | Total |
|---|---------------------------------------|--------------|-------|
| Heritage* | Complete | Multifamily | 176 |
| Four Ponds | Complete | Multifamily | 228 |
| Conifer* | Complete | Multifamily | 160 |
| Harmony Glen* | Complete | Multifamily | 90 |
| Cottage Gate* | Complete | Multifamily | 118 |
| Navesink Woods* (formerly known as Atlantic Pier) | Complete | Multifamily | 40 |
| Village at Chapel Hill* | Complete | Multifamily | 150 |
| Bayshore Village* (rebuilt after Sandy) | Complete | Multifamily | 110 |
| Browns Landing / Middletown Crossing* | Complete | Multifamily | 21 |
| Park Avenue Condos* | Complete | Multifamily | 6 |
| Supportive Housing at Cottage Gate* | Complete | Multifamily | 5 |
| Supportive and Special Needs Housing* | Complete | Detached | 8 |
| Supportive Housing at Impact Oasis* | Complete | Detached | 10 |
| 33 Vanderbilt* | Complete | Multifamily | 15 |
| Accessory Apartments* | Complete (13) and Anticipated (5) | Detached | 18 |
| Bamm Hollow | Complete (181) Under Construction (9) | Detached | 190 |
| Middletown Walk* | Under Construction | Multifamily | 350 |
| Meadowview* | Anticipated | Multifamily | 35 |
| Whirl* | Anticipated | Mixed Use | 3 |
| Misc. Minor Subdivisions | Anticipated | Detached | 15 |
| Veterans Housing* | Anticipated | Multifamily | 12 |
| DeFelice Farm | Anticipated | Detached | 11 |
| North Middletown Redevelopment Plan* | Anticipated | Multifamily | 20 |
| Exit 109 Redevelopment Plan* | Anticipated | Multifamily | 398 |
| Eastpointe Shopping Center* | Anticipated | Multifamily | 60 |
| Port Belford Redevelopment Plan* | Anticipated (Phase 1) | Multifamily | 200 |

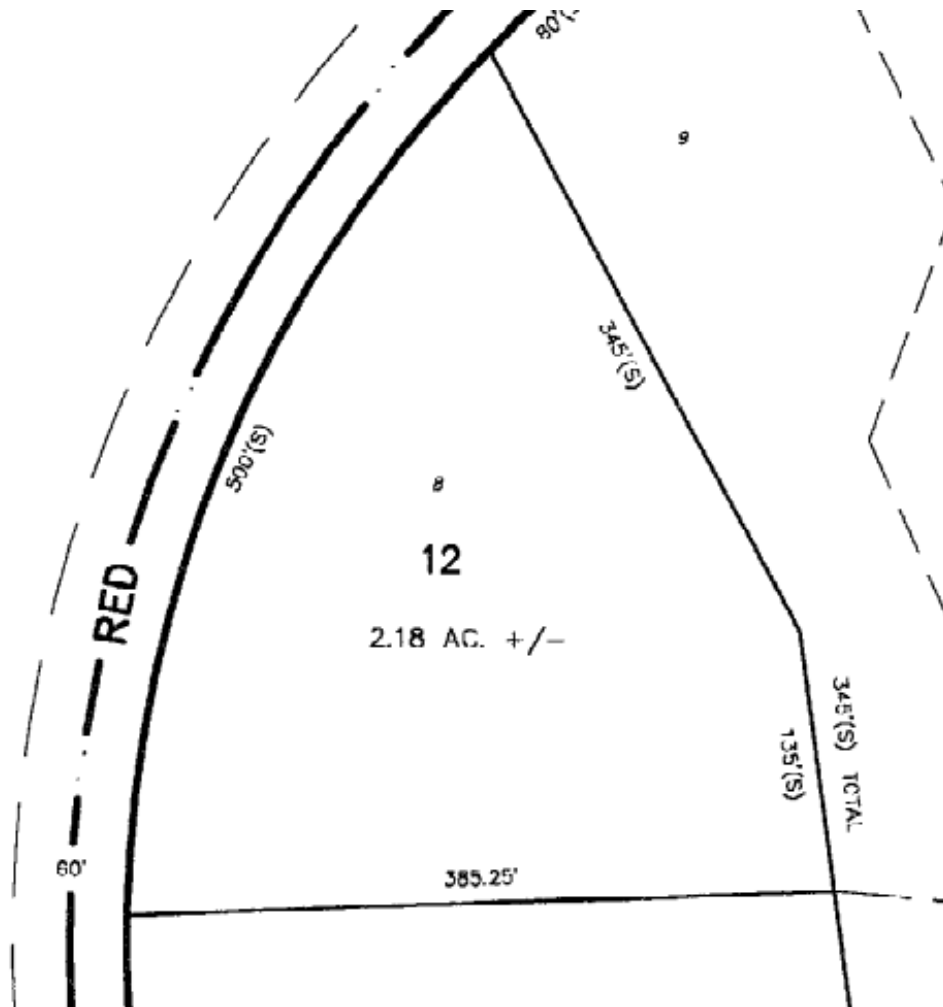
*Includes Affordable Housing Units

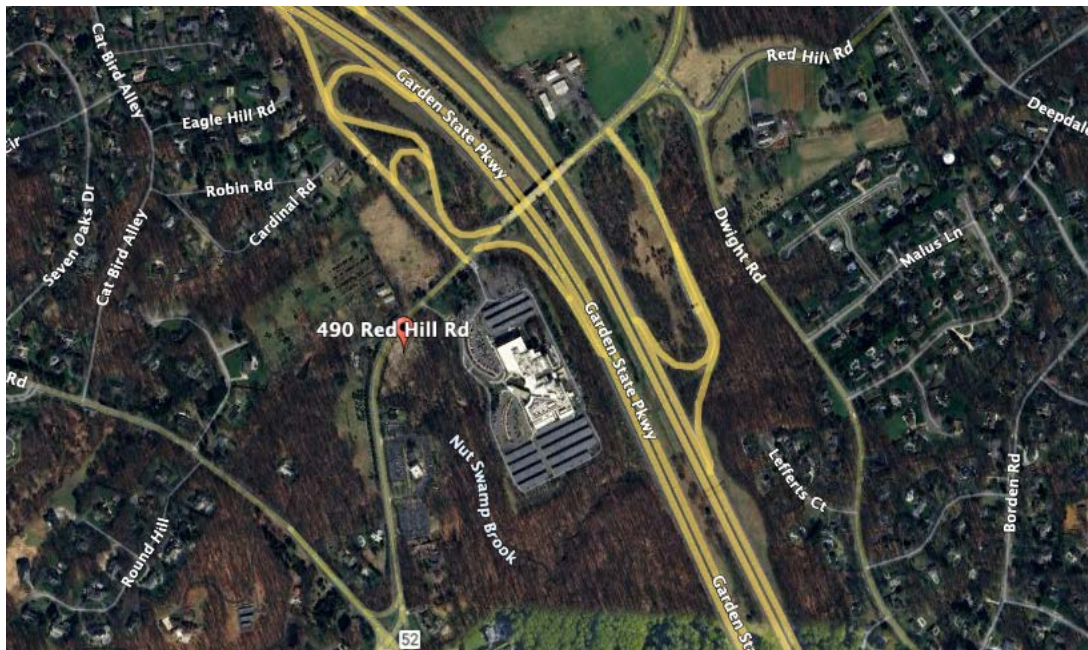
In review of the data presented in Tables 16 and 17, more than 700 additional housing units have been completed since 2009, and 300-500 units anticipated over the next 5 years. The overwhelming majority of completed and anticipated housing development includes housing units that are affordable to low and moderate income households. This projection has been made without specific knowledge of future housing market demands.

The subject's neighborhood, a bucolic setting, is predominately residential in nature, largely developed with upscale single-family homes, as evidenced by the 4,794 sf home at 7 West Nut Swamp Road, erected circa 2019, that sold in 2020 for over \$1.4 million. In addition, the neighborhood features the 120,000 sf, Memorial Sloane Kettering Cancer Center at 480 Red Hill Road, situated just off Exit 114 of the Garden State Parkway.

Property Description

As indicated below and on the following page, the subject property is legally designated as Lot 12 in Block 1045 and involves a large tract of land with extensive frontage along Red Hill Road.





Zoning

According to the Township's current zoning map, the subject property is currently located within the R45: Low-Density, Single-Family Residence Zone. General excerpts from the current ordinance have been reproduced as follows:

*Township of Middletown, NJ
Wednesday, September 20, 2023*

Chapter 540. Planning and Development Regulations

Article IX. Zoning District Regulations

§ 540-908. Standards and regulations affecting R-45 Zone.

A. Minimum standards.

(1) Lot area:

- (a) Interior lots (gross): 45,000 square feet.
- (b) Corner lots (gross): 48,375 square feet.
- (c) Buildable lot area: 30,000 square feet.

(2) Building setbacks.

| | Principal (feet) | Accessory (feet) |
|-------------|---------------------|---------------------|
| Front | 50 | 50 |
| Side | 25 | 25 |
| Street side | 25 | 25 |
| Rear | 50 | 20 |
| Street rear | 50 | 50 |

(3) Lot frontage: 200 feet.

(4) Gross floor area: 1,800 square feet.

(5) First floor area: 1,300 square feet.

B. Maximum regulations.

(1) Dwelling unit density: N/A.

(2) Lot coverage.

- (a) Buildings: 8%.
- (b) Total: 15%.

(3) Floor area ratio: N/A.

(4) Building height: 2 1/2 stories; 35 feet.

C. Other regulations.

- (1) Temporary construction trailers shall be permitted where active construction work is proposed. Such trailers shall not be placed on site until building permits have been issued, and in no case more than seven days prior to the commencement of work. Trailers shall not remain on site more than seven days after completion of all work. Temporary construction trailers shall not be placed within the right-of-way of any improved public road.

[illegible][illegible]

MIDDLETOWN CODE

[illegible]

PLANNING AND DEVELOPMENT REGULATIONS

[illegible]

PLANNING AND DEVELOPMENT REGULATIONS

540 Attachment 2

Township of Middletown

Appendix B
Schedules of Area, Yard and Building Requirements
(§ 540-902C)

Single-Family Residential Zones

[Amended by Ord. Nos. 2000-2889, 2003-2723, 2003-2744, 2005-2815, 2005-2825, 2006-2879, 2006-2885, 2007-2900, 2007-2916, 2010-3002, 2011-3046, 2012-3071, 2012-3073; at time of adoption of Code (see Ch. 1, Art. II)]

| Zone | Minimum Lot Size | | | | | Minimum Required Yard Areas (feet) | | | | | | | | | | | | | | | | Max. Height Prim. Building (ft) | Minimum Gross Floor Area (square feet) | | Max. Gross Floor Area (square feet) | Maximum FAR (%) | Maximum Density |
|---|--|--------------------|--------------------------|--------------------|-------------------------------------|------------------------------------|---------------|--------------|------------------------|--------------|------------------------|--------------------|--------------|------------------------|--------------|------------------------|-------------------------------------|---------|------|------------------------------------|---------|---------------------------------------|--|----------|---|-----------------------|--------------------|
| | Interior Lots | | | Corner Lots | | Principal Building | | | | | | Accessory Building | | | | | | Stories | Feet | | | | | | | | |
| | Area in Square Feet | Frontage (feet) | Area (square feet) | Frontage (feet) | Min. Circle Diameter (OHP) | Buildable Lot Area | Front Yard | Side Yard | Street Side Yard | Rear Yard | Street Rear Yard | Front Yard | Side Yard | Street Side Yard | Rear Yard | Street Rear Yard | Max. Building Coverage (%) | | | Max. Lot Coverage (%) (K) | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | Stories | | Feet | Total | | | |
| R-220 | 220,000 | 325 | 220,000 | 325 | 158 | 2.5 acres | 115 | 75 | 115 | 125 | 115 | 115 | 75 | 115 | 75 | 115 | 5% (A) | 10% (B) | 2.5 | (Q) | 3,000 | 2,000 | 20,000 | 0.06 (G) | 1 du/ 5 acres | | |
| R-130 | 130,000 | 275 | 130,000 | 275 | 158 | 1.5 acres | 85 | 50 | 85 | 100 | 85 | 85 | 50 | 85 | 50 | 85 | 5% (A) | 10% (B) | 2.5 | (Q) | 2,000 | 1,500 | 12,000 | 0.07 (G) | 1 du/ 3 acres | | |
| R-110 | 110,000 | 250 | 110,000 | 250 | 153 | 1.25 acres | 75 | 40 | 75 | 75 | 75 | 75 | 40 | 75 | 40 | 75 | 5% (A) | 10% (B) | 2.5 | (Q) | 2,000 | 1,500 | 10,000 | 0.07 (G) | 1 du/ 2.5 acres | | |
| R-90 | 90,000 | 225 | 90,000 | 225 | 140 | 1 acre | 70 | 35 | 70 | 60 | 60 | 60 | 30 | 60 | 30 | 60 | 7% (A) | 12% (B) | 2.5 | (Q) | 1,900 | 1,400 | — | 0.08 (H) | — | | |
| R-45 | 45,000 | 200 | 48,375 | 200 | 125 | 30,000 SF | 50 | 25 | 50 | 50 | 50 | 50 | 25 | 50 | 25 | 50 | 8% (A) | 15% (B) | 2.5 | (Q) | 1,800 | 1,300 | — | — | — | | |
| R-45A | 15,000 | 100 | 16,000 | 115 | — | 15,000 SF | 35 | 15 | 17.5 | 60 | 60 | 35 | 10 | 17.5 | 30 | 35 | 25% (A) | 30% (B) | 2.5 | (Q) | 1,300 | 900 | — | — | — | | |
| R-30 | 30,000 | 150 | 34,000 | 170 | 99 | 23,000 SF | 50 | 20 | 50 | 50 | 50 | 50 | 20 | 50 | 20 | 50 | 10% (A) | 15% (B) | 2.5 | (Q) | 1,650 | 1,150 | — | — | — | | |
| R-22 | 21,875 | 125 | 23,825 | 135 | 77 | 15,000 SF | 40 | 20 | 20 | 40 | 40 | 40 | 20 | 20 | 10 | 40 | 15% (A) | 20% (B) | 2.5 | (Q) | 1,500 | 1,000 | — | — | — | | |
| R-22A | 8,500 | 75 | 10,000 | 75 | — | 8,000 SF | 25 | 7.5 | 12.5 | 20 | 25 | 25 | 7.5 | 12.5 | 7.5 | 25 | 30% (A) | 35% (B) | 2.5 | (Q) | 900 | 800 | — | — | — | | |
| R-15 (I) | 15,000 | 100 | 17,250 | 115 | 63 | 10,000 SF | 40 | 15 | 20 | 30 | 40 | 40 | 15 | 20 | 10 | 40 | 20% (A) | 25% (B) | 2.5 | (Q) | 1,200 | 900 | — | — | — | | |
| R-15 Nonconforming 10,000+ SF lots | ≥ 10,001 ≤ 14,999 | — | ≥ 10,001 ≤ 14,999 | — | — | — | 35 | 15 | 20 | 30 | 35 | 40 | 10 | 20 | 10 | 40 | — | 25% (B) | 2.5 | (Q) | 1,300 | 900 | — | — | — | | |
| R-15 Nonconforming 5,001 -10,000 SF lots | ≥ 5,001 ≤ 10,000 | — | ≥ 5,001 ≤ 10,000 | — | — | — | 30 | 10 | 15 | 30 | 30 | 30 | 10 | 15 | 10 | 30 | — | 30% (B) | 2.5 | (Q) | 1,000 | 800 | — | — | — | | |
| R-15 Nonconforming ≤ 5,000 SF lots | ≤ 5,000 | — | ≤ 5,000 | — | — | — | 25 | 5 | 10 | 25 | 25 | 25 | 5 | 12.5 | 5 | 25 | — | 35% (B) | 2.5 | (Q) | 800 | 800 | — | — | — | | |
| R-10 | 10,000 | 100 | 12,500 | 110 | 50 | 7,000 SF | 25 | 12 | 12.5 | 25 | 25 | 25 | 12 | 12.5 | 10 | 25 | 20% (A) | 25% (B) | 2.5 | (Q) | 1,200 | 900 | — | — | — | | |
| RTP | 12,000 | 100 | 14,250 | 120 | — | 10,000 SF | 40 | 15 | 20 | 30 | 40 | 40 | 15 | 20 | 10 | 40 | 25% (A) | 35% (B) | 2.5 | (Q) | 1,200 | 900 | — | 0.33 | — | | |
| R-7 | 7,500 | 75 | 9,000 | 90 | 50 | 5,000 SF | 20 | 10 | 10 | 20 | 20 | 20 | 10 | 10 | 10 | 20 | 35% (A) | 40% (B) | 2.5 | (Q) | 900 | 800 | — | — | — | | |
| R-5 | 5,000 | 50 | 6,000 | 60 | 32 | 4,000 SF | 20 | 7 | 10 | 20 | 20 | 20 | 5 | 10 | 5 | 20 | 35% (A) | 40% (B) | 2.5 | (Q) | 800 | 700 | — | — | — | | |
| R-O | 10,000 | 100 | 12,500 | 120 | 30 | 7,500 SF | 25 (L) | 15 | 17.5 | 35 | 35 | 25 (L) | 15 | 17.5 | 10 | 35 | 30% (A)(F) | 50% (B) | 2.5 | (Q) | 1,300 | 900 | — | 0.4 (G) | — | | |
| RR | See § 540-907, RR Rural Residential Single-Family Zone | | | | | | | | | | | | | | | | | | | | | | | | | | |

540 Attachment 2.1

12 - 01 - 2016

PLANNING AND DEVELOPMENT REGULATIONS

Schedule of Area, Yard and Building Requirements

Multifamily Residence Zones

[Amended by Ord. Nos. 2000-2605, 04-2753, 04-2754, 04-2755, 2004-2772, 2004-2791, 2004-2792, 2004-2794, 2004-2796, 2005-2810, 2009-2979, 2009-2992, 2010-2999; 10-6-2014 by Ord. No. 2014-3118; at time of adoption of Code (see Ch. 1, Art. II)]

| Zone | Minimum Regulations | | | | | | | | | | | | Maximum Regulations | | |
|-------|--|-----------------------------|--------------------------|------|------|----------------------------------|--------------------|-------------------|---|---------------------------------|--------------------------------|--|---|--------------------------------------|--|
| | Tract Area (acres) | Tract Frontage (feet) | Building Setbacks (feet) | | | | | | Building to Building Distance (feet) | | | Open Space (in % of Gross Tract Area) | Recreation Area | Density (Units Per Gross Acre) | Impervious Surface/ Building Coverage (in %) |
| | | | Yard Area | | | Arterial or Collector Road | Internal Street | Tract Boundary | Window Wall to Window Wall | Window Wall to Blank Wall | Blank Wall to Blank Wall | | | | |
| | | | Front | Side | Rear | | | | | | | | | | |
| R-1 | 150 | 400 | — | — | — | — | 20 | — | 25 | 25 | 25 | 40% | Required | 6 | ● 25% |
| R-2 | 75 | 200 | — | — | — | — | □ 18 | 50 | 50 | 25 | 20 | 40% | Required | 5 | ● 25% ● 35%/20% |
| RTH | 10 | Δ 300 | 18 | 15 | 20 | 120 | □ 18 | 50 | 75 | 30 | 20 | 40% | One acre + 10% of* | 5 | 35%/20% |
| RTH-1 | 5 | Δ 300 | 18 | 15 | 20 | 120 | □ 18 | 50 | 75 | 30 | 20 | 50% | One acre + 10% of* | 3 | ● 30%/15% |
| RTH-2 | 10 | 150 | 50 | 50 | 50 | 75 | 18 | 50 | 50 | 25 | 20 | 50% | 10% of* | 5 | 40% |
| RTH-3 | 10 | 150 | 50 | 50 | 50 | 75 | 18 | 50 | 50 | 25 | 20 | 50% | 10% of* | 8 | 40% |
| RG4 | 12 | ● 100 | — | — | — | ● 180 80 | 20 | 60 | 75 | 30 | 20 | 35% | One acre + 10% of* | 9.25 | ● 38%/20% |
| RG4-1 | 10 | 150 | 50 | 50 | 50 | 75 | 12 | 50 | 50 | 25 | 20 | 40% | 10% of* | 10 | 40% |
| RG4-2 | 10 | 150 | 50 | 50 | 50 | 75 | 12 | 50 | 50 | 25 | 20 | 40% | 10% of* | 9 | 40% |
| RG4-3 | 1 | 75 | 5 | 15 | 20 | 5 | 5 | — | — | — | — | 20% | — | 20 | 70% |
| RHA | 5 | — | 10 | 25 | 60 | — | — | — | — | — | — | 25% | 100 square feet per dwelling unit | 20 | 35% |
| RHA-1 | 5 | 100 | 150 | 50 | 100 | 150 | — | — | — | — | — | — | — | 35 | 60% |
| PD | See § 540-941, Standards and regulations affecting PD Planned Development Zone | | | | | | | | | | | | | | |
| RTH-4 | See § 540-947, Standards and regulations affecting RTH-4 Zone | | | | | | | | | | | | | | |
| RTH-5 | See § 540-949, Standards and regulations affecting RTH-5 Zone | | | | | | | | | | | | | | |
| RTH-6 | See § 540-950, Standards and regulations affecting RTH-6 Zone | | | | | | | | | | | | | | |
| RTH-7 | See § 540-951, Standards and regulations affecting RTH-7 Zone | | | | | | | | | | | | | | |
| RTH-8 | See § 540-952, Standards and regulations affecting RTH-8 Zone | | | | | | | | | | | | | | |
| RTH-9 | See § 540-953, Standards and regulations affecting RTH-9 Zone | | | | | | | | | | | | | | |
| RG4-4 | See § 540-948, Standards and regulations affecting RG4-4 Zone | | | | | | | | | | | | | | |
| R-3 | See § 540-954, Standards and regulations affecting R-3 Zone | | | | | | | | | | | | | | |
| RMF-1 | See § 540-956, Standards and regulations affecting RMF-1 Zone | | | | | | | | | | | | | | |
| RMF-2 | See § 540-957, Standards and regulations affecting RMF-2 Zone | | | | | | | | | | | | | | |
| RMF-3 | See § 540-958, Standards and regulations affecting RMF-3 Zone | | | | | | | | | | | | | | |
| RMF-4 | See § 540-959, Standards and regulations affecting RMF-4 Zone | | | | | | | | | | | | | | |
| RMF-5 | See § 540-960, Standards and regulations affecting RMF-5 Zone | | | | | | | | | | | | | | |

Highest & Best Use

Essentially, the concept of highest and best use boils down to the reasonably probable use of a property that results in the highest value. To be *reasonably probable*, a use must be:

- Physically possible;
- Legally permissible; and,
- Financially feasible;

Uses that satisfy these three reasonably probable conditions are tested for economic productivity, and the reasonably probable use with the highest value is the highest and best use. Evaluating the highest and best use of an improved property considers three possible actions:

1. Retain the improvements;
2. Modify the improvements, i.e. conversion, renovation or alteration, and,
3. Demolish the improvements and redevelop the land.

Alternatives should be studied in sufficient detail to allow an appraiser to make a logical, supportable decision about the use, timing (demand) and identification of market participants (most likely buyer/user). Ultimately, in evaluating highest and best use, appraisers typically seek answers to the following questions:

- “Should the land be developed or left vacant?
- If left vacant, when would future development be financially feasible?
- If developed, what kind of improvements should be built?”

Testing the financial feasibility of alternative uses requires the cost of construction (including an estimate of entrepreneurial incentive), the forecasted timing for the use, and the expected value of the property when completed and stabilized. In addition to examining current zoning, evaluating reasonably probable uses also requires consideration that a rezoning or reasonable probability of approval may exist for variances necessary to permit the ideal improvement on a particular site. First, I considered the following proposed development concept and engineering evaluation provided by the property owner:



Second, in evaluating legal permissibility, I note the Township adopted a comprehensive Master Plan in October 2004, Reexamination Reports in 2009, 2011, 2014, and most recently in March 2023, to address recommended zoning changes. Examples are summarized below:

| DATE OF ADOPTION | ORDINANCE NUMBER | REVISION PREPARED BY | DESCRIPTION |
|------------------|------------------|---------------------------------------|--|
| 02-17-04 | 2004-2753 | Maser Consulting/B.W. | RTH-4 Zone Established |
| 02-17-04 | 2004-2754 | Maser Consulting/B.W. | RGA-4 Zone Established |
| 02-17-04 | 2004-2755 | Maser Consulting/B.W. | RTH-5 Zone Established |
| 04-07-04 | 2004-2760 | Maser Consulting/S.Z. | AAC Zone Replaced by PD Zone |
| 07-19-04 | 2004-2772 | Maser Consulting/S.Z. | RTH-6 Zone Established |
| 04-07-05 | 2005-2810 | Maser Consulting/B.W. | RTH-7, RTH-8, RTH-9 Zones Established |
| 07-18-05 | 2005-2823 | Maser Consulting/S.Z. | Rezoning: B-2 to R-10, Block 187, Lots 15-21 |
| 08-01-05 | 2005-2824 | Maser Consulting/S.Z. | Rezoning: B-3 to R-3, Block 600, Lots 34Q, 35.01Q & 35.02 |
| 08-15-05 | 2005-2830 | Maser Consulting/S.Z. | Rezoning: R-7 to R-22, Block 531, Lots 5-17 |
| 05-21-07 | 2007-2916 | Maser Consulting/B.W. | Rezoning: R-22 to B-1, Block 646 Lot 27 |
| 07-20-09 | 2009-2979 | Maser Consulting/J.T. | Added PD, RMF-1 & RMF-2 Zones |
| 11-16-09 | 2009-2992 | Maser Consulting/J.T. | Added RMF-3, RMF-4, RMF-5 Zones |
| 02-16-10 | 2010-2999 | Maser Consulting/J.T. | Rezoning: M-1 to PD, Block 825 Lots 58 & 70 |
| 11-21-11 | 2011-3046 | Maser Consulting/B.W. | Rezoning: R-220 Split into RR& R-130, Bamm Hollow Property |
| 04-18-16 | 2016-3164 | Middletown Planning Department/T.M.I. | Zoning Map Correction: Rezoning R-130 to R-45, Block 1048 Lot 51 |
| 09-19-16 | 2016-3180 | Middletown Planning Department/T.M.I. | Rezoning: B-2 to R-22, Block 605 Lots 27, 27.01, 28, 59 and 60. |
| 10-16-17 | 2017-3209 | Middletown Planning Department/T.M.I. | Rezoning: R-10 to B-1 Block 496 Lots 5 and 6.01; Ordinance Number 2015-3153 North Middletown Redevelopment Plan; Ordinance Number 2017-3197 Belford Redevelopment Plan; and Ordinance Number 2017-3200 Municipal Complex Redevelopment Plan |

According to the professional conclusions developed by the property owner's planning expert Nazzaro-Cafore, which was subsequently validated by special adjudicator Burgis, the Township's has not satisfied its Third-Round obligation to provide affordable housing units.

The subject property is a relatively large tract of available land capable of producing 11 affordable housing units. Middletown Township has attempted to deny development of the subject property for affordable housing based on the argument that the subject was deemed "unsuitable" for affordable housing for a variety of reasons that do not appear to be based on accurate information or market-based limitations. In sharp contrast, a Site Suitability Analysis conducted by Christine A. Nazzaro-Cafone, AICP, PP, dated October 5, 2023 concluded that the subject property satisfied key requirements 1) the land is "available", 2) the proposed inclusionary affordable housing development is "approvable", 3) the land is "developable" and 4) the land use is "suitable" for the area.

Furthermore, after considering the DMR report issued on behalf of the municipality, special adjudicator Joseph H. Burgis, AICP, PP determined that Middletown Township remains deficient in its Third Round Obligation by an order of magnitude ranging from approximately 600 to 850 credits. It is important to note that the Township's *updated* appraisal report, effective November 3, 2023, fails to include any consideration of the subject's site suitability for an inclusionary affordable housing project. Instead, the appraisal appears to be solely based on a T&M "Build Out Analysis" reportedly prepared on January 9, 2023 and updated on October 24, 2023 (T&M report is not legible in the updated appraisal report) that ostensibly limits the economic productivity of this 2.58 acre site to two (2) single family residential building lots without considering the probability of a zoning change for the subject to satisfy part of the Township's affordable housing obligations through the approval of the proposed inclusionary affordable development.

Probability of a Zoning Change

In investigating the reasonable probability of a zoning change, appraisers consider zoning trends and the history of rezoning requests in the market area as well as documents such as the community's comprehensive plan (or master plan). Appraisers can usually eliminate the following from consideration as potential highest and best uses:

- Uses that are not compatible with the existing land uses in the area, such as a gas station in the middle of an exclusive single-unit residential subdivision
- Uses for which zoning changes have been requested but denied in the past, such as an industrial use in an area where several industrial zoning changes have been turned down in the past two years

On the other hand, a zoning change from residential use to commercial use may be reasonable if other properties in the market area have received a similar zoning change recently or if a community's comprehensive plan designates the property for a use other than its current use. For example, consider a site zoned for single-unit residential use in a transitional neighborhood where the zoning on several similar sites has been changed recently to commercial. Also, the city's comprehensive plan designates the property as lying within a future commercial corridor. Both of these factors may support an appraiser's conclusion that there is a reasonable probability of rezoning the subject site for commercial use.

Market evidence supporting the possibility of new zoning can include rezoning applications, zoning hearings, actions by municipalities, and interviews with planning and zoning officials. Even if there is no current market evidence of a zoning change, documented interviews with officials and discussions of zoning practices and histories can be helpful in evaluating the possibility of a zoning change. These interviews, like any other market evidence, may, however, not be "proof" of a likely change or the denial of a change in zoning but rather only support the estimate of the probability of a change in zoning. Decisions on zoning ordinances are made by elected officials, and the processes are often heavily contested, costly, and time-consuming. The outcomes are not known for certain until official actions are taken.

The probability of a zoning change is never 100%, which presents appraisers with two challenges in highest and best use analysis:

- To determine if the economic demand for an alternative use of the property being appraised under a potential zoning change is greater than the economic demand for the real estate under the current zoning
- To provide market support for that conclusion

To manage their risk, most developers contract to buy property "subject to" rezoning approval rather than "as is." Many pending sales never close because they are subject to rezoning that could not be obtained within the developer's desired time frame or could not be obtained at all.

If appropriate for the intended use of the appraisal, a current opinion of market value may be based on the hypothetical condition that the property has already been rezoned as of the current date of value. (However, as stated earlier, some clients will not accept appraisals subject to that sort of hypothetical condition, instead requiring that the property be valued "as is" with the existing zoning and, if appropriate, reflecting any additional value due to the likelihood of a zoning change.) If the date of value is prospective, the opinion of value could be based on the extraordinary assumption that the rezoning will have occurred by the prospective date of value. A current opinion of market value that reflects the existing zoning but also reflects any premium that market participants would pay because of the likelihood of a future zoning change would be the "as is" value. This value would not be based on a hypothetical condition or extraordinary assumption relating to the zoning status.

Based on the results of my independent investigation with respect to the legal instruction provided with respect the likely outcome of the developer's Builder's Remedy lawsuit, I determined the proposed 70-unit, multi-family development enjoys a reasonable probability of approval.

Judicial precedence such as *State v. Gorga* and *State v. Caoili* has recognized that an adjustment, whether viewed as a premium over the current, as-of-right zoning price, or a discount from the price for a fully approved site, is appropriate to reflect the "as-is" value of the larger parcel's unapproved status on the date of value. Therefore, from an appraiser's perspective, a discount must be applied as part of the valuation process to account for the fact that approvals required for the ideal use and development, although reasonably probable, were not an accomplished fact on the date of value. Accordingly, I applied a 10% discount to compensate a prospective purchaser for uncertainty associated with this reasonable probability of approval determination, over and above typical approval costs.

Last, to evaluate financial feasibility, I considered a Land Residual Analysis. According to the Dictionary of Real Estate Appraisal – 7th Edition, the Land Residual Technique is defined as: "A method of estimating land value in which the net operating income attributable to the land is capitalized to produce an indication of the land's contribution to the total property value." The first step of a Land Residual Analysis is to determine the prospective market value of the property "When Completed & Stabilized" using Direct Capitalization, tempered to the extent necessary by the price points gleaned from relevant sale transactions.

Below is a summary of the financial assumptions supporting a prospective market value
 “When Completed & Stabilized” of \$335,000 as of May 1, 2024

| | | | |
|---|---|------------|----------------|
| The Franklin at Middletown – Inclusionary Affordable Housing | | | |
| Direct Capitalization Method – May 1, 2024 | | | |
| “When Completed & Stabilized” – 59 Market Rate Units | | | |
| 70 Rental Units (59 Market-Rate, 11 Affordable) | | | |
| <i>Potential Gross Annual Income</i> | | | (\$ USD) |
| • | Market Rate – Apartment Rent (\$2,500/unit/mo. – average) | | 30,000 |
| • | Market Rate - Other Income (\$300/unit/mo.) | | <u>3,600</u> |
| • | Subtotal | | 33,600 |
| Less: | Vacancy & Collection Loss Allowance | 5.00% | <u>1,680</u> |
| | Effective Gross Annual Income | | 31,920 |
| Less: Stabilized Operating Expense & Reserves Budget | | | |
| • | General Operating Expenses | 5,000/unit | 5,000 |
| • | Management | 2.5% | 798 |
| • | Replacement Allowance | 250/unit | <u>250</u> |
| | Total Operating Expenses | | 6,048 |
| | Net Operating Income | | 25,872 |
| | Real Estate Tax Load (Effective Tax Rate) | | 1.72% |
| | Overall Capitalization Rate | | <u>6.00%</u> |
| | Loaded Capitalization Rate | | 7.72% |
| | Prospective Market Value/Unit (Rounded) | | 335,000 |

Next, project costs i.e., hard and soft costs, were provided and measured against construction cost data provided by Marshall Valuation Service. Project costs \$250,000/unit (rounded) appropriately reflect today’s market.

Accordingly, I determined the proposed, 70-unit, inclusionary multi-family development proposed for the subject represents the most economically productive alternative, and, therefore, constitutes the subject’s current highest and best use.

The Valuation Process

The ultimate goal in all appraisal assignments is to develop a well-supported value conclusion that reflects all of the pertinent factors that influence the market value of the property being appraised. To achieve this goal, an appraiser studies a property from three different viewpoints, which are referred to as the approaches to value. According to the Appraisal of Real Estate, 15th Edition, published by the Appraisal Institute, the fundamental approaches are described as follows:

Cost Approach

"The cost approach is based on the understanding that market participants relate value to cost. In the cost approach, the value of a property is derived by adding the appraiser's opinion of the value of the land to an estimated current cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation (i.e., deterioration and obsolescence) in the structures from all causes. This approach is particularly useful in valuing new or nearly new improvements and properties that are not frequently exchanged in the market. Cost approach techniques can also be employed to derive information needed in the sales comparison and income capitalization approaches to value, such as cost-related adjustments to account for specific building features and cost-to-cure adjustments to address deferred maintenance."

Sales Comparison Approach

"The sales comparison approach is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property's market. Using this approach, an appraiser produces a value indication by comparing the subject property with similar (i.e., comparable) properties. The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall."

Income Capitalization Approach

"In the income capitalization approach, the present value of the anticipated future benefits of property ownership is measured. Income capitalization converts periodic future income expectations into a lump-sum capital amount. The future income expectations include both a property's income and resale value. There are two methods of income capitalization: (1) direct capitalization and (2) yield capitalization. In direct capitalization, the relationship between one year's income and value is reflected in either a capitalization rate or an income multiplier. In yield capitalization, several years' income and a reversionary value, if any, at the end of a designated period are forecasted and converted to present value using a yield rate. The most common application of yield capitalization is discounted cash flow analysis. Given the significant differences in how and when properties generate income, there are many variations of both direct and yield capitalization procedures. Like the sales comparison and cost approaches, the income capitalization approach requires extensive market research. Data collection and analysis for this approach are conducted against a background of supply and demand relationships, which provide information about trends and market anticipation."

The sales comparison approach was applied. The cost approach and income capitalization approach are not applicable methods for this type of appraisal assignment.

Land Valuation

The supply of land is generally fixed. Land has value because it provides potential utility as the site of a structure, recreational facility, agricultural tract, right-of-way for transportation routes, etc. If land has utility for a specific use and there is demand for that use, the land has value to a particular market segment. Land value is substantially affected by the interplay of supply and demand, but it is the economic use of the site that determines its value in a particular market. The principal of substitution, which holds that a buyer will not pay more for one site than for another that is similar or equal, applies to land values and indicates that the greatest demand will be generated for the lower-priced sites. The physical characteristics of land, the utilities available, and the site improvements affect land use and value. Land is said to *have value*, while improvements *contribute to value*. Land value must always be considered in terms of highest and best use. According to the Appraisal Institute, four methods are used for land or site valuation:

- Sales comparison approach

The sales comparison approach is the most commonly used and preferred method of valuing land. Data on sales of similar parcels of land is collected, analyzed, compared, and adjusted to reflect the similarity or dissimilarity of those parcels to the site of the subject property. The appraiser must identify units of comparison (e.g., price per potential dwelling unit, per acres, etc.) and *elements of comparison* that explain market behavior. They generally include:

- Property rights;
- Financing terms;
- Conditions of sale;
- Expenditures immediately after purchase;
- Market conditions (sale date);
- Location;
- Physical characteristics;
- Available utilities; and,
- Zoning.

- Allocation

The allocation method is based on the premise that a constant relationship exists between the land value and the total property value, for special types of real estate in certain locations. This premise must be supported before the method can be used. It has its theoretical foundation in the principles of balance and contribution. It can be useful in estimating land value in areas where land sales are scarce, but improved property sales are readily available. It depends on the availability of land sales and the corresponding improved property sales in other areas.

- Extraction

In this method, the unit prices for comparable land are extracted from improved sales by deducting the estimated value of the improvements from the sale prices. The accuracy of this method often depends on the quality of the depreciation estimate, for that reason, it is generally used only for property with new improvements that suffer from no obsolescence, or for properties where the improvements represent a small component of the total value. One application is the valuation of farm properties. This method only has rare application.

- Income capitalization

Two subcategories include direct capitalization of ground rent, land residual technique and yield capitalization for subdivision analysis (development approach)

The Appraisal of Real Estate – 15th Edition, published by the Appraisal Institute also provided additional guidance in the form of an Applicability and Limitations of Land Valuation Methods table, which has been reproduced on the following page.

In this instance, the Sales Comparison Approach was applied as the primary approach, tempered by the results of a secondary, Land Residual Analysis.

Table 19.1 Applicability and Limitations of Land Valuation Methods**Sales Comparison**

| | |
|---------------|--|
| Procedure | Sales of similar, vacant parcels are analyzed, compared, and adjusted to provide a value indication for the land being appraised. |
| Applicability | Sales comparison is the most common technique for valuing sites, and it is the preferred method when comparable sales are available. |
| Limitations | A lack of sales and the comparability of the available data may weaken support for the value estimate. |

Market Extraction

| | |
|---------------|---|
| Procedure | An estimate of the contributory value of improvements is deducted from the total sale price of a property to arrive at an indicated land value for the comparable. The indicated land values of the comparables are then compared to provide a value indication for the land being appraised. |
| Applicability | This technique is most applicable when the contribution of the improvements to total property value is generally small and relatively easy to identify. (The technique is frequently used in rural areas.) |
| Limitations | The appraiser must be able to determine the value contribution of the improvements. |

Allocation

| | |
|---------------|---|
| Procedure | A ratio of site value to property value is extracted from comparable sales in competitive locations and applied to the value of the improved subject property or comparable properties to develop the site value. |
| Applicability | This technique is applicable when <ul style="list-style-type: none"> Valuing one-unit residential lots where ample sales of improved properties are available and the ratio of site value to improved property value can be supported. This method tends to be less accurate for commercial properties, especially when the number of vacant land sales is inadequate. For commercial properties or where relatively few sales are available, allocation can provide a test of reasonableness rather than a formal opinion of site value. |
| Limitations | The allocation method does not produce conclusive value indications unless ample sales data is available. The method is rarely used as the primary land valuation technique for properties other than residential subdivision lots. Also, land-to-property value ratios can be difficult to support. |

Land Residual Analysis

| | |
|---------------|---|
| Procedure | The net operating income attributable to the land is capitalized or the cost to construct an improvement is deducted from the value as if completed to produce an indication of the land's contribution to the total property. |
| Applicability | This technique is applicable in the financial analysis of alternative uses of a particular site in highest and best use analysis and when land sales are not available. |
| Limitations | When used as an income capitalization technique, the following conditions must be met: <ol style="list-style-type: none"> 1. Building value is known or can be accurately estimated. 2. Net operating income to the property is known or can be estimated. 3. Both building and land capitalization rates are available from the market. When using a cost-based technique, the appraiser must be able to determine the value contribution of the improvements, estimated at their depreciated cost. |

Ground Rent Capitalization

| | |
|---------------|---|
| Procedure | A market-derived capitalization rate is applied to the ground rent of the subject property. |
| Applicability | This method is useful when comparable rents, rates, and factors can be developed from an analysis of sales of leased land or sales of unleased land for which the market rent can be credibly determined. |
| Limitations | An adjustment to the value indication for property rights may be necessary. |

Subdivision Development Analysis (Discounted Cash Flow Analysis)

| | |
|---------------|---|
| Procedure | Direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots or units, and the net sales proceeds are discounted to present value at a market-derived rate over the development and absorption period. If entrepreneurial incentive is not deducted as a line-item expense, then the discount rate must reflect the full effect of any profit. |
| Applicability | This technique is applicable when subdivision development is the highest and best use of the land and there is market support for immediate absorption. |
| Limitations | Discounted cash flow analysis requires significant amounts of data such as development costs, profit margins, sales projections, and the pricing of developed lots or units, together with a supportable forecast of market absorption. |

Note: Certain US states do not recognize subdivision development analysis as an acceptable valuation method for purposes of litigation valuation.

Multi-Family Land Sale No. 1

Property Identification

| | |
|-------------------|--------------------|
| ▪ Street Address: | 910 Highway 36 |
| ▪ Block/Lot: | 68.13/26 & 69.01/8 |
| ▪ Municipality: | Hazlet |
| ▪ County: | Monmouth |
| ▪ State: | New Jersey |

Transaction Data

| | |
|-------------------|---|
| ▪ Grantor: | The Church of The Holy Family Union Beach |
| ▪ Grantee: | Hazlet Residential Development, LLC |
| ▪ Closing Date: | January 16, 2020 |
| ▪ Deed Book/Page: | 9398/2525 |
| ▪ Sale Price: | \$4,000,000 |
| ▪ Financing: | All cash to seller |

Site Description

| | |
|---------------|--------------------------|
| ▪ Land Area: | 17.96 acres (782,338 sf) |
| ▪ Shape: | Irregular |
| ▪ Topography: | Generally level |
| ▪ Utilities: | All available |
| ▪ Zoning: | AH-1 |

Units of Comparison

| | |
|---------------------------|----------------|
| ▪ Proposed Density: | 9.5 units/acre |
| ▪ Price/Market Rate Unit: | \$27,397 |
| ▪ Price/Acre: | \$222,717 |

Comments

Purchased *subject to* approvals for a 172-unit, inclusionary affordable housing project comprised of 146 market-rate units and 26 affordable housing units. The Borough of Hazlet rezoned the former Holy Family School property and vegetable farm to accommodate its third-round affordable housing obligation as part of a Builder's Remedy suit filed by the buyer in 2015. The project, erected circa 2021, named The Landing, includes 8 – 3 story apartment buildings, club house, amenities, and surface parking. A 1.12-acre portion of the tract (Block 69.01, Lot 8) was dedicated to the Township.



Multi-Family Land Sale No. 2

Property Identification

| | |
|-------------------|---------------------------|
| ▪ Street Address: | 47 Old New Brunswick Road |
| ▪ Block/Lot: | 2101/11.06 |
| ▪ Municipality: | Piscataway Township |
| ▪ County: | Middlesex |
| ▪ State: | New Jersey |

Transaction Data

| | |
|-------------------|--------------------------|
| ▪ Grantor: | Lackland Holding Co. LLC |
| ▪ Grantee: | Avalon Piscataway LLC |
| ▪ Closing Date: | December 21, 2016 |
| ▪ Deed Book/Page: | 6924/692 |
| ▪ Sale Price: | \$14,000,000 |
| ▪ Financing: | All cash to seller |

Site Description

| | |
|---------------|----------------------------|
| ▪ Land Area: | 24.61 acres (1,115,571 sf) |
| ▪ Shape: | Irregular |
| ▪ Topography: | Generally level |
| ▪ Utilities: | All available |
| ▪ Zoning: | AH-2 |

Units of Comparison

| | |
|---------------------------|------------------|
| ▪ Proposed Density: | 14.62 units/acre |
| ▪ Price/Market Rate Unit: | \$43,887 |
| ▪ Price/Acre: | \$568,643 |

Comments

Purchased with prior approvals for a larger, 422-unit, inclusionary affordable housing project. After the closing, the buyer secured modified approvals for a smaller, 360-unit inclusionary affordable housing project comprised of 319 market-rate units and 41 affordable housing units. The Township of Piscataway rezoned the property as part of a municipal-wide settlement agreement to accommodate its unmet need, affordable housing obligation. The project, erected circa 2018, named Avalon Piscataway, includes 13 – 4 story apartment buildings, club house, amenities, and surface parking.



Multi-Family Land Sale No. 3

Property Identification

| | |
|-------------------|---------------------------|
| ▪ Street Address: | 37 Old New Brunswick Road |
| ▪ Block/Lot: | 2101/9.04 |
| ▪ Municipality: | Piscataway Township |
| ▪ County: | Middlesex |
| ▪ State: | New Jersey |

Transaction Data

| | |
|-------------------|-----------------------|
| ▪ Grantor: | JSR Properties, LLC |
| ▪ Grantee: | Fresh Air Condos, LLC |
| ▪ Closing Date: | September 9, 2019 |
| ▪ Deed Book/Page: | 17634/351 |
| ▪ Sale Price: | \$5,950,000 |
| ▪ Financing: | All cash to seller |

Site Description

| | |
|---------------|--------------------------|
| ▪ Land Area: | 9.390 acres (409,028 sf) |
| ▪ Shape: | Irregular |
| ▪ Topography: | Generally level |
| ▪ Utilities: | All available |
| ▪ Zoning: | AH-2 |

Units of Comparison

| | |
|---------------------------|------------------|
| ▪ Proposed Density: | 17.25 units/acre |
| ▪ Price/Market Rate Unit: | \$45,769 |
| ▪ Price/Acre: | \$633,653 |

Comments

Purchased *subject to* approvals for a 162-unit, inclusionary affordable housing project comprised of 130 market-rate units and 32 affordable housing units. The Township of Piscataway rezoned the property as part of a municipal-wide settlement agreement to accommodate its unmet need, affordable housing obligation. The project, erected circa 2021, named 30Seven ONB, includes 5 – 4 story apartment buildings, club house, amenities, garages and surface parking.



Multi-Family Land Sale No. 4

Property Identification

| | |
|-------------------|------------------------------|
| ▪ Street Address: | 141 Bodman Place |
| ▪ Block/Lot: | 3/2.01, 4.01, 6, 7.01 & 9.01 |
| ▪ Municipality: | Red Bank |
| ▪ County: | Monmouth |
| ▪ State: | New Jersey |

Transaction Data

| | |
|-------------------|--|
| ▪ Grantor: | Visiting Nurse Association of Central Jersey, Inc. |
| ▪ Grantee: | 176 Riverside, LLC |
| ▪ Closing Date: | January 2, 2018 |
| ▪ Deed Book/Page: | 9271/826 |
| ▪ Sale Price: | \$7,400,000+demo |
| ▪ Financing: | All cash to seller |

Site Description

| | |
|---------------|-------------------------|
| ▪ Land Area: | 2.44 acres (106,286 sf) |
| ▪ Shape: | Irregular |
| ▪ Topography: | Generally level |
| ▪ Utilities: | All available |
| ▪ Zoning: | WD-Redevelopment Area |

Units of Comparison

| | |
|---------------------------|---------------|
| ▪ Proposed Density: | 86 units/acre |
| ▪ Price/Market Rate Unit: | \$41,573+demo |
| ▪ Price/Acre: | \$3,032,786 |

Comments

Purchased without approvals. On December 12, 2018, after designating the property to be part of an Area in Need of Redevelopment, a Redevelopment Plan for the property was adopted. Approximately one year later, the Red Bank Planning Board approved a 210-unit, inclusionary affordable housing project comprised of a 5 story building containing 178 market-rate units, 32 affordable housing units, 9,000 sf of co-working space, a 2,350 sf café and 326 parking spaces (90 covered).



Multi-Family Land Sale No. 5

Property Identification

- Street Address: 1255 Magie Avenue
- Block/Lot: 405/15.01, 17.01 & 18.01
- Municipality: Union
- County: Union
- State: New Jersey

Transaction Data

- Grantor: Sherwood Group Associates, LLC
- Grantee: RMS Liberty Place Urban Renewal Entity LLC
- Closing Date: July 9, 2020
- Deed Book/Page: 6375/685
- Sale Price: \$6,002,559
- Financing: All cash to seller

Site Description

- Land Area: 5.78 acres (251,776 sf)
- Shape: Irregular
- Topography: Generally level
- Utilities: All available
- Zoning: SS-SSO: Schaefer Salt District/Overlay

Units of Comparison

- Proposed Density: 26.5 units/acre
- Price/Market Rate Unit: \$46,173
- Price/Acre: \$1,038,505

Comments

Purchased *subject to* approvals for a 153-unit, inclusionary affordable housing project comprised of 130 market-rate units and 23 affordable housing units. In 2005, after designating the property to be part of an Area in Need of Redevelopment, the property was rezoned to as part of a municipal-wide settlement agreement to accommodate its unmet need, affordable housing obligation. The project, erected circa 2021, a 3 story building named Canter Green, includes amenities and surface parking.



Multi-Family Land Sale No. 6

Property Identification

| | |
|-------------------|---------------|
| ▪ Street Address: | Lloyd Road |
| ▪ Block/Lot: | 143/1.02 & 12 |
| ▪ Municipality: | Marlboro |
| ▪ County: | Monmouth |
| ▪ State: | New Jersey |

Transaction Data

| | |
|-------------------|----------------------------------|
| ▪ Grantor: | Jaste Enterprises LP & Bilam LLC |
| ▪ Grantee: | KRE Lloyd Road, LLC |
| ▪ Closing Date: | March 21, 2022 |
| ▪ Deed Book/Page: | 9586/7727 |
| ▪ Sale Price: | \$14,000,000 |
| ▪ Financing: | All cash to seller |

Site Description

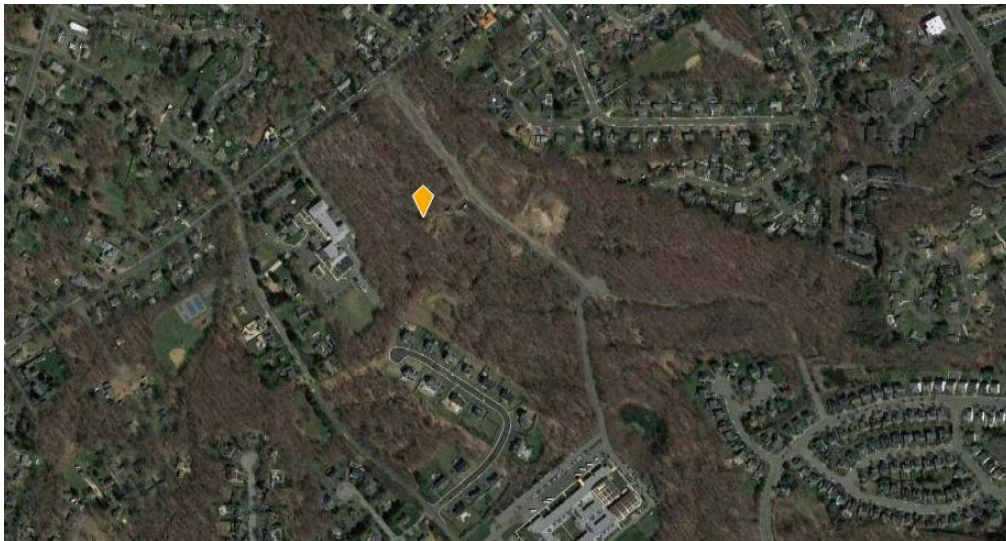
| | |
|---------------|----------------------------|
| ▪ Land Area: | 47.66 acres (2,076,070 sf) |
| ▪ Shape: | Irregular |
| ▪ Topography: | Generally level |
| ▪ Utilities: | All available |
| ▪ Zoning: | MFD: Multi-family District |

Units of Comparison

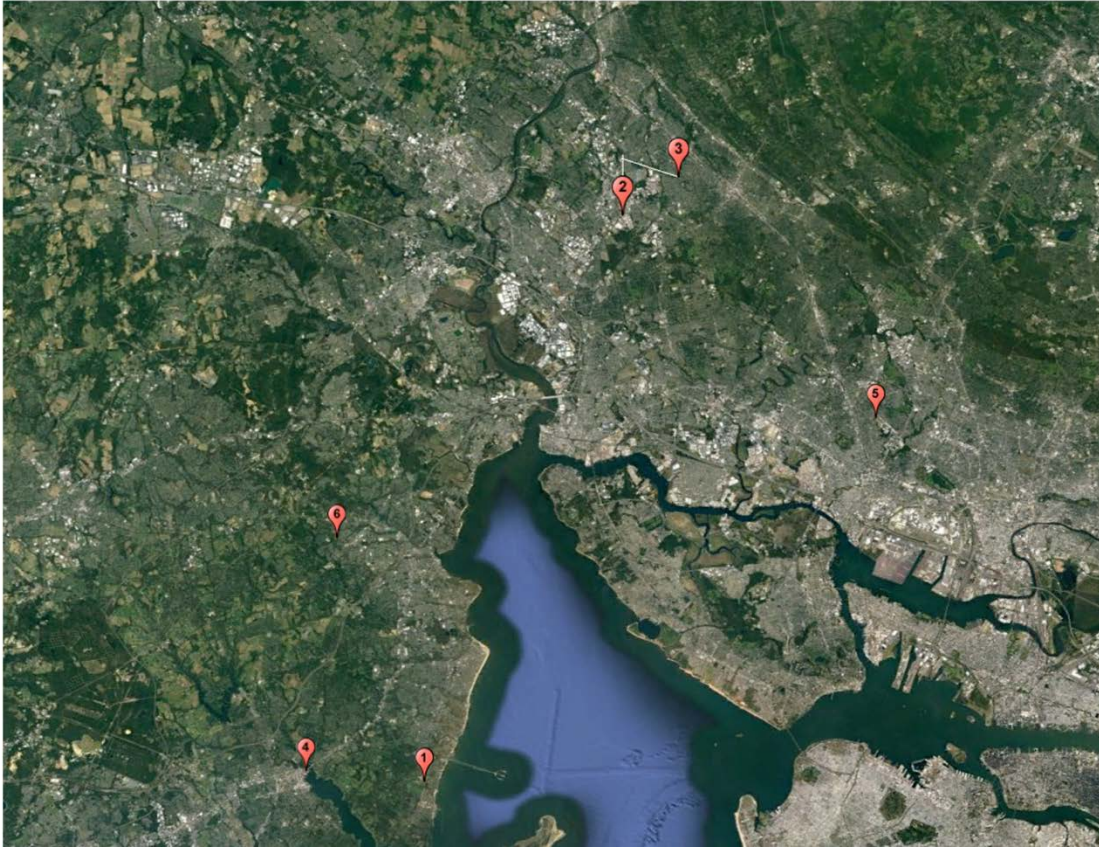
| | |
|---------------------------|--------------|
| ▪ Proposed Density: | 6 units/acre |
| ▪ Price/Market Rate Unit: | \$63,063 |
| ▪ Price/Acre: | \$293,747 |

Comments

Purchased with approvals for a 285-unit, inclusionary affordable housing project comprised of 222 market-rate units and 63 affordable housing units. The Township of Marlboro rezoned the property as part of a municipal-wide settlement agreement to accommodate its unmet need, affordable housing obligation. The project, originally named Regent Park, is approved for 13 – 3 story apartment buildings, club house, amenities, garages, and surface parking. The tract is a former brownfield site that is heavily wooded and encumbered by freshwater wetlands.



Inclusionary Affordable Housing Sites - Sales Location Map



Land Sales Analysis

Once the proper unit of comparison is selected for the appraisal problem, a systematic analysis begins by comparing all discernible differences between the comparable properties and the subject property that could affect their values.

In the valuation of real property, several elements of comparison should typically be considered sequentially for a sales comparison analysis, which are summarized and considered for this valuation on the following pages.

Expenditures Immediately After Purchase

The price a knowledgeable buyer agrees to pay normally reflects expenditures that will have to be made immediately after the purchase. These costs must be recognized to ensure proper application of the full consideration paid for the unit being compared to the subject.

Market Conditions

To reflect prevailing market conditions, comparable sales that occurred under different market conditions must be adjusted for any differences that affect their values. Based on my analysis of market, adjustments were required for market conditions.

Location

Location is the generally the most important factor influencing a transaction price. Based on my analysis of locational characteristics influencing price points, I determined appropriately scaled adjustments were justified for all the sale transactions.

Physical Characteristics

If the physical characteristics of a comparable property and the subject property differ from the subject in many ways, each of these characteristics may require separate comparison and adjustment. No adjustments were necessary.

Approvals

According to the Dictionary of Real Estate Appraisal – Seventh Edition, published by the Appraisal Institute, Entitlement (approvals) is defined as “In the context of ownership, use, and/or development of real property, the right to receive governmental approvals for annexation, zoning, utility extensions, construction permits, and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights, and may represent an enhancement to a property’s value.”

Based on my observations in the local and regional market, transactions involving development land can be negotiated under three different conditions:

1. “As-Is” with no specific entitlement other than the *as of right* (AOR) zoning designation which sets forth the permitted uses, area, yard and bulk requirements.
2. The offer is subject to a specified “Approvals Contingency” whereby the buyer typically incurs the time/supervision and cost associated with pursuing the specified development application. In this instance, the buyer’s exposure to financial loss is limited to time and cost. In the event the application is denied, the buyer has the option to terminate the contract for a full refund of the deposit; and,

3. The property is conveyed with final, non-appealable approvals for a specified development plan. Other than minor permits, a developer typically expects to break ground on the project immediately.

The cost, time and risk associated with securing all necessary, non-appealable approvals required to enable development of the land's highest and best use must be considered as part of the valuation process. In this assignment, a separate adjustment (discount) has been recognized to account for the fact that approvals required for the ideal use and development, although reasonably probable, were not an accomplished fact on the date of value. Accordingly, I applied a 10% discount to compensate a prospective purchaser for uncertainty associated with this reasonable probability of approval determination, over and above typical approval costs for sales purchased subject to approvals.

A quantitative adjustment procedure is presented within a grid below documenting the application of consistent price adjustments to reflect factors that influence market value. Based on my analysis of these results, I developed the professional opinion that the market value of the fee simple interest, effective May 1, 2024, equates to \$45,000 per market rate unit or \$2,650,000 (59 market rate units x \$45,000 per unit).

Site Comparison Adjustment Grid (Unit of Comparison - "Price/Unit")

| Element | Subject | Sale 1 | Sale 2 | Sale 3 | Sale 4 | Sale 5 | Sale 6 |
|---|----------------------------------|--------------------------|---------------------------------------|---------------------------------------|-------------------------|------------------------------|----------------------|
| Property Address | 490 Red Hill Road Middletown | 910 Highway 36 Hazlet | 47 Old New Brunswick Rd Piscataway | 37 Old New Brunswick Rd Piscataway | 141 Bodman Red Bank | 1255 Magie Union | Lloyd Rd Marlboro |
| Land Price/Market-Rate Unit | | \$27,397 | \$43,887 | \$45,769 | \$41,573 | \$46,173 | \$63,063 |
| Market Conditions (Deal Date) | May 2024 | Early 2015 | Mid 2016 | Mid 2017 | Late 2017 | Mid 2019 | Mid 2021 |
| Adjustment | | 50% | 40% | 30% | 30% | 25% | 0% |
| PRELIM ADJUSTED PRICE/UNIT | | \$41,095 | \$61,441 | \$59,499 | \$54,044 | \$57,716 | \$63,063 |
| Location Adjustment | Good | Inferior 10% | Similar 0% | Similar 0% | Superior -10% | Similar 0% | Inferior 5% |
| Physical Characteristics Adjustment | Suitable for Development | Similar 0% | Similar 0% | Similar 0% | Similar 0% | Similar 0% | Similar 0% |
| Reasonable Probability of Approval Adjustment | Yes - Inclusionary Affordable MF | Subject to -10% | Prior Approvals -10% | Subject to -10% | Purchased "As-Is" 0% | Subject to Approvals -10% | Approved -10% |
| Status of Approval / Approval Costs Adjustment | None / Required | None / Required 0% | Prior Approvals -10% | None / Required 0% | None / Required 0% | None / Required 0% | Approved -10% |
| NET ADJUSTMENT | | 0% | -20% | -10% | -10% | -10% | -15% |
| FINAL ADJUSTED PRICE/UNIT | | \$41,095 | \$49,152 | \$53,549 | \$48,632 | \$51,944 | \$53,603 |

Certificate of Value

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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- ☐ I have no present or prospective interest in the property that is the subject of this 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 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*;
- ☐ I have made an inspection of the subject;
- ☐ Unless otherwise stated, no other appraiser provided significant *professional real property appraisal assistance* to the person signing this certification;
- ☐ 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. Additionally, the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and,
- ☐ As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Respectfully submitted,
STACK, COOLAHAN & STACK, LLC



Maurice J. Stack, II, MAI, CRE
NJ State Certified Appraiser, RG 1087



STACK, COOLAHAN & STACK, LLC

90 Hudson Street, Hoboken, New Jersey 07030

(201) 659-4700 | mauricestack.com

PROFESSIONAL QUALIFICATIONS

Maurice J. Stack II MAI, CRE

PROFESSIONAL CERTIFICATIONS & AFFILIATIONS

- Member: Appraisal Institute (MAI)
- Member: Counselors of Real Estate (CRE) Chair, NJ Chapter 2022-2023
- Certified General Appraiser in the State of New Jersey
- Licensed Real Estate Broker in the State of New Jersey
- Member: International Right-of-Way Association (IRWA)
- Associate Member – Industrial & Office Real Estate Brokers Association of New York

PROFESSIONAL EDUCATION

Appraisal Institute Seminars/Webinars

- The Appraiser as an Expert Witness
- Real Property Appraisals for Condemnation Proceedings
- Case Studies in Commercial Highest and Best Use (Business v. Real Property Value)
- A Debate on the Allocation of Hotel Total Assets
- Uniform Appraisal Standards for Federal Land Acquisitions
- Fundamentals of Separating Real Property, Personal Property & Intangible Business Assets
- Complex Litigation Appraisal Case Studies
- Advanced Land Valuation: Sound Solutions to Perplexing Problems
- How Tenants Create or Destroy Value: Leasehold Valuation and its Impact on Value
- Case Studies in Partial Interests: An Overview of Local New Jersey and New York Examples

Continuing Legal Education Seminars

- Valuation of Contaminated Property in Real Estate Tax Appeals and Condemnation
- Strategies for Handling the Eminent Domain Case

Appraisal Institute Courses

- Standards of Professional Practice
- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Capitalization Theory and Techniques, Part A
- Advanced Income Capitalization
- Advanced Cost and Sales Comparison Approaches
- Report Writing and Valuation Analysis
- Highest and Best Use & Market Analysis
- Advanced Applications
- Condemnation Appraising/Basic Principles, Advanced Topics & Applications

PROFESSIONAL BACKGROUND

Vice President of Stack, Coolahan & Stack, LLC, a real property valuation and local property tax consulting firm that evolved as part of the third generation of Stack family real estate enterprise. Established in 1920, the founding Hoboken based firm, Stack & Stack, continues to provide a wide spectrum of services to the real estate community today. Active appraisal experience since 1983 includes the valuation of various types of residential, commercial, industrial, and special purpose properties. A partial list of property types appraised includes:

- Hotels & motels;
- Multi-tenanted office parks;
- Medical office buildings;
- Nursing homes and assisted living facilities;
- General hospitals;
- Community shopping centers;
- Cooperative apartment houses;
- Residential subdivisions and mixed-use development sites;
- Oil refineries;
- Natural gas pipelines;
- Petroleum storage terminals;
- Cogeneration plants;
- Marine container terminals;
- Multiplex movie theaters;
- Mobile home parks;
- Radio transmitting sites;
- Marinas;
- Self-storage facilities;
- Newspaper printing plants;
- Food processing plants;
- Distribution centers & truck terminals;
- Wetlands;
- Transportation corridors;
- Golf courses & country clubs; etc.

Specialized experience in property tax valuation, eminent domain (full and partial takings) and commercial litigation matters. Qualified and testified as an expert witness before the U.S. District Court, U.S. Bankruptcy Court, Superior Court of New Jersey, Tax Court of New Jersey, County Boards of Taxation, etc. Appointed Condemnation Commissioner by the Superior Court of New Jersey. Review Appraiser for the Port Authority of NY & NJ on various projects and for New Jersey Transit on THE Tunnel Project and Hudson-Bergen Light Rail Transit project.