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**CORNELL CLUB Bnai Brith PRESENTATION –
VALUATION OF 383 MADISON AVNEUE
BEAR STEARNS BUILDING
TO TYPICAL PURCHASER VS. JP MORGAN CHASE
April 2, 2008**

(NOTE: THIS ANALYSIS IS FOR EDUCATIONAL PURPOSES ONLY – THE APPRAISER HAS NOT INSPECTED THE SUBJECT PROPERTY- THE APPRAISER HAS NOT BEEN HIRED TO ESTIMATE THE VALUE OF THE SUBJECT)

- ***THIS IS A “Case Study” Exercise –***
- ***ALL RIGHTS RESERVED BY THE APPRAISER –***
- ***NO RIGHT OF PUBLICATION WHATSOEVER***

RELEVANT SUMMARY FACTS

1. ***383 Madison Avenue – a/k/a 31 East 46th Street***
2. ***NYC Public Records: 1,174,988 sq.ft. above grade***
3. ***NYC Public Records: Erected 1999-2001***
4. ***45 Stories***
5. ***Current Real Estate Tax: \$19,916,820***
6. ***Vacant Building – 7 years old – Excellent Condition – “as is” and vacant and ready for occupancy – class “A” office building***



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**383 Madison Avenue - BEAR STEARNS BUILDING
VALUATION EXERCISE**

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CAPITALIZATION OF INCOME APPROACH

SCENARIO A - @ \$50 per sq.ft. Average Throughout

**1,174,988 sq.ft. @ \$50 per sq.ft. average = \$58,749,400
(Estimated Gross Income)**

\$58,749,400 – 33% Operating Expenses =

NOI (Net Oper. Income) of \$39,362,098

- Capitalized @ 5% = \$787,241,960**
- Capitalized @ 10% = \$393,620,980**



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CAPITALIZATION OF INCOME APPROACH
(continued)

SCENARIO B - @ \$100 per sq.ft. Average Throughout

**1,174,988 sq.ft. @ \$100 per sq.ft. average = \$117,498,800
(Estimated Gross Income)**

\$117,498,800 – 33% Operating Expenses =

NOI (Net Oper. Income) of \$78,724,196

- Capitalized @ 5% = \$1,574,483**
- Capitalized @ 10% = \$787,241,960**

**RMG ESTIMATED VALUE VIA THE CAP. OF INCOME APPROACH: \$50 per
sq.ft. Average**

- @ 5% Cap Rate =**
- \$800,000,000**

**ESTIMATED VALUE VIA THE CAP. OF INCOME APPROACH TO JP MORGAN
CHASE:**

\$100 per sq.ft. Average

- @ 5% Cap Rate =**
- \$1,574,000,000 – Round to \$1.6 Billion**



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COST APPROACH

(ALTERNATIVE 130 LIBERTY STREET SITE – former Deutsche Bank Building - for JP Morgan Chase - Cost to Build a Class “A” Brand New 50-story 1,000,000 sq.ft. building)

- **LAND COST: 1,000,000 sq.ft. buildable @ \$200 per sq.ft.
= \$200,000,000**

- **CONSTRUCTION COST: @ \$500 per sq.ft. Downtown:
1,000,000 sq.ft. X \$500/sq.ft.
= \$500,000,000**

- **SOFT COSTS: Add 20% (Contingency, Architectural and
Financing Fees, etc.)
= \$100,000,000**

**RMG SUBJECT BUILDING ESTIMATED VALUE
VIA THE COST APPROACH: \$ 800,000,000**

NOTE: Projected Construction Timing: 2 Years



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COMPARABLE SALES APPROACH

Subject Comp #1 Comp #2 Comp #3

ADDRESS:

383 Madison 230 Park Avenue 118 Park Avenue 1177 Sixth Avenue

DATE OF SALE:

---- Dec. 24, 2007 March 25, 2008 Dec. 20, 2007

SQ.FT. ABOVE GRADE

1,174,988 1,212,576 600,000 912,955

AGE OF BUILDING:

2001 – 7 years 1929 – 79 Years 1981 – 27 Years 1988 – 20 Years

SALE PRICE:

---- \$1,150,000 \$524,000,000 \$1,000,000

PRICE / SQ.FT.

---- \$948.39 \$873.33 \$1,095

RMG SUBJECT BUILDING ESTIMATED VALUE

VIA THE COMP SALES APPROACH:

\$1,060,000,000 (April, 2008) 9equivalent to \$902 per sq.ft.)

- | |
|--|
| <ul style="list-style-type: none">• RMG FINAL RECONCILED VALUE: \$1,000,000,000 |
| <ul style="list-style-type: none">• RMG ESTIMATED VALUE TO JP MORGAN CHASE: \$1,600,000,000
(equivalent to (\$1,361 per sq.ft.) |

- **NOTE: JPMorgan Chase Has Commercial Bank Access to current April, 2008
2.5% interest financing via NY Fed Window**

- **LOCAL NYC NEWSPAPERS HAVE RECENTLY REPORTED (late March, 2008) ESTIMATED MARKET VALUE OF THE SUBJECT BUILDING RANGING FROM \$1.2 to \$1.4 Billion**

SUPPORTING RECENT LOCAL NYC ARTICLES

RECENT EVENTS RELATED TO BEAR STEARNS AND 383 MADISON AVENUE AS REPORTED IN THE **NY TIMES (NYT)**, **WALL STREET JOURNAL (WSJ)** AND **the REAL DEAL (TRD)**

MARCH 18, 2008 – WSJ –

“JP MORGAN’S GOOD OFFICE DEAL”

“On the face of it, it looks like the real estate deal of the century, J.P. Morgan Chase & Co. agreed to pay about \$236 Million for Bear Stearns Cos. And as part of the deal gets a well located Manhattan skyscraper valued at as much as \$1.4 Billion.”

. . . “Bear Stearns also has a complicated \$570 Million financing on the midtown Manhattan building . . . called a “synthetic lease,” which is comparable to debt.”

. . . . “But as part of the deal J.P. Morgan obtained an option to buy the headquarters for \$1.1 Billion if it isn’t able to buy Bear Stearns, according to the merger agreement.”

. . . . Bear shareholders could have counted on selling the building at auction, where it’s possible multiple bidders could have driven the price higher.”

. . . . “As part of the Bear Stearns buyout, J.P. Morgan also is getting 65 acres and five buildings with 673,000 square feet in Whippany, NJ. Still, J.P. Morgan is taking on more than two million square feet of leases that Bear Stearns had at offices in New York and around the world.”

MARCH 20, 2008 – NYT –

”AT BEAR STEARNS – MEET THE NEW BOSS”

“James Dimon tramped through the rain on Wednesday evening and strode into the headquarters of Bear Stearns, the embattled investment bank he hopes to buy for a mere \$2 per share.”

. . . “I don’t think Bear did anything to deserve this,” Mr. Dimon said, “Our hearts go out to you.”

MARCH 20, 2008 – TRD

‘JP MORGAN MIGHT FLIP WTC SITE’

“JP Morgan Chase, which scrapped plans to relocate its investment banking headquarters to Lower Manhattan earlier this week, might still acquire the former Deutsche Bank building site at 130 Liberty Street (5 World Trade Center) and flip the property, sources said.”

. . . . “JP Morgan entered an agreement in June 2007 . . . to develop a 1.3 Million square foot tower that would house 7,000 employees. That deal made JP Morgan the first firm to agree to relocate to the World Trade Center after the 2001 terror attacks.”

. . . .” The agreement calls for JP Morgan to pay \$290 Million to the Port Authority of New York and NJ for a 92-year lease. Under the plan, JP Morgan would have invested up to \$2 Billion in the project, but would have received hundreds of millions of dollars in government incentives and rent reductions to relocate to Lower Manhattan. The project ran into lengthy delays, the tower, contaminated and badly damaged on 9/11, required a complex dismantling that was only further complicated by a fire last August that killed two firefighters.”

SUPPORTING RECENT LOCAL NYC ARTICLES - (continued)

MARCH 24, 2008 – WSJ –

“JP MORGAN AGREES TO INCREASE BEAR PRICE”

“The revised deal, which was negotiated over the weekend and announced Monday morning values Bear Stearns at about \$2.65 Billion. JP Morgan agreed to pay \$10 a share, up from the \$2 a-share terms of the initial agreement reached eight days ago.”

... “The sweetened terms were approved in a hastily convened meeting of Bear’s directors held early Monday. The board also agreed to sell 95 million newly issued Bear Stearns shares to JP Morgan. That will give JP Morgan a 39.5% stake in the securities firm, putting the second-largest US bank in stock-market value within striking distance of the majority of votes it needs to win shareholder approval of the deal.”

... “The Federal Reserve Bank of New York on Monday said it would assume control of a portfolio of Bear Stearns assets valued at \$30 Billion to “facilitate” JP Morgan’s takeover, with any profit from those assets accruing to the Fed.”

... “JP Morgan will assume responsibility for the first \$1 Billion of any losses associated with the portfolio, the Fed said. Financing on the other \$29 Billion will be extended to JP Morgan at the discount rate, currently 2.5%.”

MARCH 31, 2008 – NYT –

“A NERVOUS WALL ST. SEEMS UNSURE OF WHAT’S NEXT”

“... the average diversified stock mutual fund has fallen 10.3% so far this year.”

“... the worst quarterly showing in five years”

“... But what investors fear is that financial companies’ pain will not end with the troubled mortgages, which by some estimates have already resulted in more than \$200 Billion of losses. Car loans, home equity loans, credit card debt, small business loans – any of that might run into trouble as the economy stalls.”

“... Banks’ appetite for risk has totally disappeared, said Peter Gumbel, a mortgage broker in Greenwich, CT ... “Regardless of how much the Fed lowers rates, banks just can’t price in enough of a premium to want to take a risk on some loans.”

“... The Fed has reduced the benchmark short-term interest rate seven times since September. Lowering it by a total of three percentage points to 2.25 percent and has made tens of billions of dollars available to Wall Street banks at low rates.”

APRIL 2, 2008 – NYT –

“AS A WEAKER OFFICE MARKET LOOMS, LANDLORDS BARGAIN”

“... Even before the failure of Bear Stearns, NYC lost about 8,000 financial services jobs since July”

“ . . . According to Studley about 3.3 million square feet of sublet space is currently on the market . . . a minuscule part of Manhattan’s office inventory of 412 million square feet.”

“ . . . Studley’s first quarter report also shows that the amount of office space that is empty now or will be available within a year has increased by 700,000 square feet since the fourth quarter of 2007, raising the so-called availability rate to 7.8 percent from 7.6 percent.”

“ . . . Annual asking rents are still rising – to \$70.88 a square foot for Manhattan as a whole, up 8.8 percent from the previous quarter.”

“ . . . In Midtown, two buildings are now under construction without anchor tenants – the 40-story 11 Times Square at 41st Street and 8th Avenue . . . and the 30-story 510 Madison Avenue at 53rd Street – but these days, similar projects are unlikely to secure financing industry specialists agreed.”