



THE McENERY COMPANY

VALUATION & ADVISORY SERVICES

PREPARED FOR:

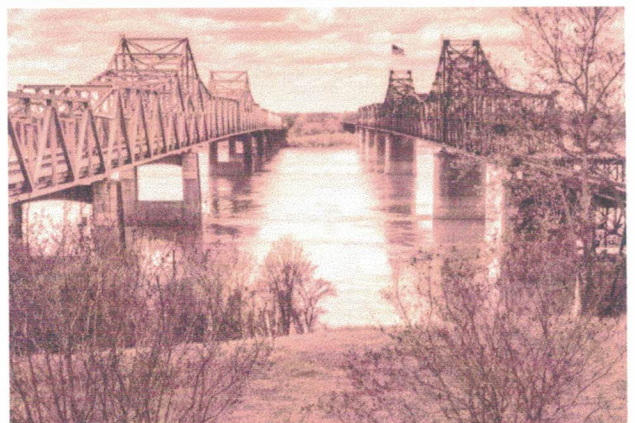
Ms. Jennifer Hymel
Gulf Coast Bank & Trust
1825 Veterans Blvd
Metairie, LA 70005

PREPARED BY:

Baldwin R. Justice
The McENERY Company
810 Union Street,
Fourth Floor
New Orleans, LA 70112
mceneryco.com

519 Hagan Avenue
New Orleans, LA 70119

EFFECTIVE DATE OF
MARKET VALUE: July 21, 2023

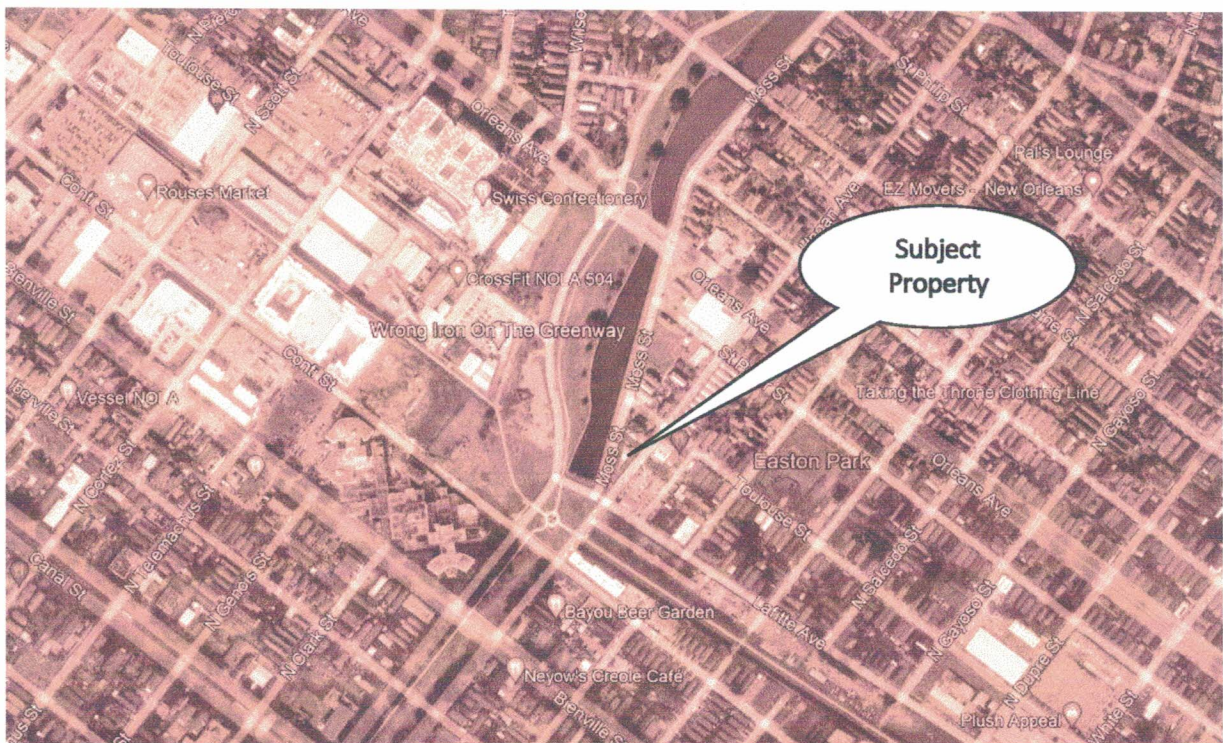


FILE # | 23-1481

APPRAISAL REPORT

Redevelopment Site

SUBJECT PHOTOGRAPHS





Exterior



Exterior



Exterior



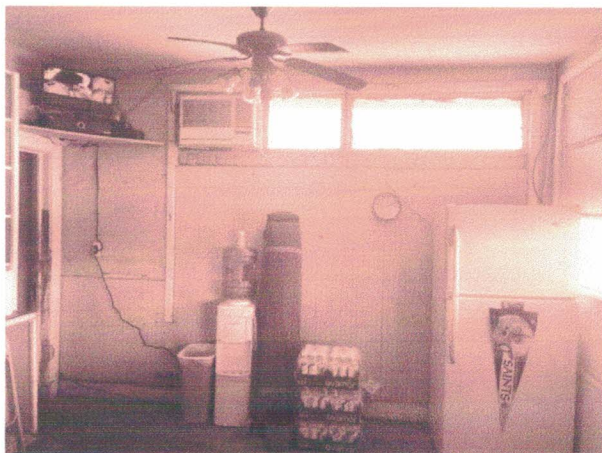
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Exterior



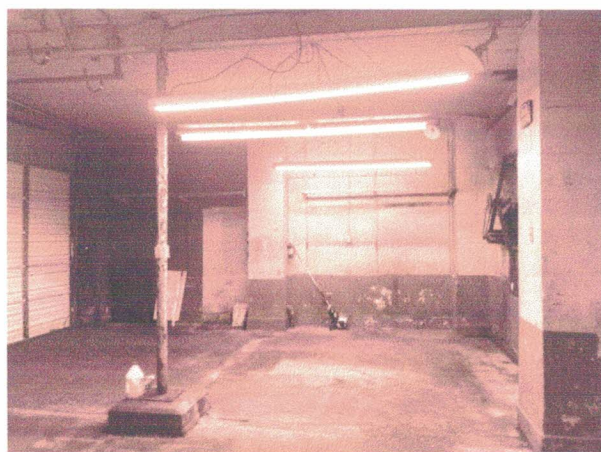
Interior



Interior



Interior



Interior



Interior



Interior

July 27, 2023

Ms. Jennifer Hymel
Gulf Coast Bank & Trust
1825 Veterans Blvd
Metairie, LA 70005

Re: 519 Hagan Avenue
New Orleans, LA 70119

Our File Number:23-1481

Dear Ms. Hymel:

In accordance with the terms outlined in your engagement letter, we have conducted an examination of the subject property and analyzed factors relevant to the determination of the requested market value(s). Attached is our report, which outlines our methodology and presents the data gathered and used to arrive at a final value estimate. This appraisal report comprises a total of 62 pages.

Summary of Subject Property:

The subject of this report is a 6,623 square foot redevelopment site located at the corner of Hagan Avenue and Moss Street in the Mid-City neighborhood of New Orleans, Louisiana. The site is currently improved with a concrete block structure containing approximately 1,297 square feet and in overall fair condition. Furthermore, the property is zoned HU-MU, which allows for a variety of commercial applications. Given the age and condition of the building, it is our determination that the highest and best use is for redevelopment of the property for a mixed-use development. The purpose of this appraisal is to determine the market value of the Fee Simple Interest in and to the subject property.

Values Reported:

- As Is Market Value

Approaches to Value Employed:

- Land/Site Valuation

Integral to the conclusions herein are the inferences drawn from the included level A market and marketability analysis.

Ms. Hymel
Page Two
July 27, 2023

USPAP Requirements Note:

This appraisal complies with the reporting requirements mandated by the 2022-2023 Edition of the United Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of The Appraisal Foundation. Additionally, as per Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) minimum appraisal standards, we HAVE completed previous appraisals of vacant land properties similar to the subject property in this area.

Client & Intended User:

The client and intended user of this report is Gulf Coast Bank & Trust, as represented by Ms. Jennifer Hymel. We are not responsible for the unauthorized use of this report.

Property Taxes Note:

According to the Orleans Bureau of the Treasury, the 2023 ad valorem taxes of the property have been paid. Assessment information can be found in the *Scope of the Appraisal* section of this report.

The following table summarizes our opinion(s) of market value based on the data and analyses contained herein.

VALUE TYPE	INTEREST	DATE OF VALUE	VALUE CONCLUSION
As Is Market Value	Fee Simple	July 21, 2023	\$1,160,000

This is to certify that we have no interest, present or contemplated, in the appraised property. Our opinions of value are subject to the General and Special Assumptions and Limiting Conditions, Certification, and Restriction Upon Disclosure and Use which are stated in the body of the report.

Respectfully submitted,



Baldwin R. Justice
Louisiana State Certified
General Real Estate Appraiser #G3000

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

GENERAL

Property Address:	519 Hagan Avenue New Orleans, LA 70119
Property Type:	Redevelopment Site
Client:	Gulf Coast Bank & Trust, as represented by Ms. Jennifer Hymel
Ownership:	R & S Auto Service Inc
Purchaser:	LYB Hospitality LLC
Borrower:	LYB Hospitality LLC
Interest Appraised:	Fee Simple
Type of Value:	Market Value
Date of Report:	July 27, 2023
Property Inspected By:	Trevor P. Laborde
Intended Use:	The intended use is for establishing market value for purposes related to collateral evaluation of the subject property as it may relate to current and/or prospective mortgage financing or loan monitoring related considerations.
Intended User(s):	The intended user is Gulf Coast Bank & Trust, as represented by Ms. Jennifer Hymel
Sale History:	The subject property has not changed ownership within the past three years; however, the subject property has been recently marketed for sale, and is known to be encumbered by a pending sale/purchase agreement. Except for the ongoing operations and potential mortgage loan considerations, we are unaware of any other transactions that may affect the property.

Current Listing/Contract(s):

The subject is under contract for sale for \$1,150,000.

Contract Date: June 30, 2023

Financing Terms: Conventional

Buyer: LYB Hospitality LLC

The subject was listed for sale and the seller released bid guidelines on April 15, 2023. The seller requested bids by June 15, 2023, and the borrower won the bid. The agent confirmed this is an arms-length transaction.

Land Summary				
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Topography	Shape
Main Site	0.15	6,623	Level	Triangular

Building Summary			
Building Name/ID	Condition	Number of Stories	Gross Building Area
Subject Improvements	Fair	1.0	1,297

Legal Description:

Lot N, Square 458, Second Municipal District of the City of New Orleans, Orleans Parish, State of Louisiana

Zoning:

HU-MU, Historic Urban Neighborhood Mixed-Use District
City of New Orleans Planning and Zoning

Flood Zone:

X & AE

Highest and Best Use (As Vacant):

speculative hold with eventual development towards a mixed-use application

Highest and Best Use (As Improved):

speculative hold with long term redevelopment potential

Estimated Marketing and Exposure Time:

Less than 12 months

VALUE INDICATIONS

Land Value:

\$1,060,000

VALUE TYPE	INTEREST	DATE OF VALUE	VALUE CONCLUSION
As Is Market Value	Fee Simple	July 21, 2023	\$1,160,000

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CERTIFICATION

We certify that to the best of our 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.
- We have no present or prospective interest in the property that is the subject of this appraisal report and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing 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.
- We **have** performed **no** other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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 Standards of Professional Appraisal Practice of the Appraisal Institute.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one other than associates in this office or outside consultants as noted provided significant professional assistance in the preparation of this report.
- Trevor P. Laborde made a personal inspection of the property that is the subject of this report.
- Baldwin R. Justice did not make a personal inspection of the property that is the subject of this report.
- Trevor P. Laborde has provided significant real property appraisal assistance to the persons signing this certification. A summary of this assistance may be found within the Scope of the Appraisal.

Date Signed: July 27, 2023



Baldwin R. Justice
Louisiana State Certified
General Real Estate Appraiser #G3000



SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is our responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, we must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

Appraisal Report Summary

The purpose of the appraisal is to estimate the current 'As Is' market value for financing purposes of the Fee Simple Interest in and to the subject property.

Client:	Gulf Coast Bank & Trust, as represented by Ms. Jennifer Hymel
Intended Use:	The intended use is for establishing market value for purposes related to collateral evaluation of the subject property as it may relate to current and/or prospective mortgage financing or loan monitoring related considerations.
Intended User(s):	The intended user is Gulf Coast Bank & Trust, as represented by Ms. Jennifer Hymel
Type of Value:	Market Value
Effective Date of Value:	July 21, 2023
Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary or description of the appraisal process, subject and market data and valuation analyses.
Inspection:	A complete interior and exterior inspection of the subject property has been made, and photographs were taken.
Market Analysis Level:	Level A



Valuation Summary

Land/Site Valuation:	A land/site valuation was developed as it is the only applicable approach to value is a land/site valuation.
Cost Approach:	A cost approach was not applied as it is not necessary to produce credible results with respect to the intended use and intended user.
Sales Comparison Approach: (As Improved)	A sales comparison approach was not applied as it is not necessary to produce credible results with respect to the intended use and intended user.
Income Approach:	An income approach was not applied as the subject is not an income producing property and this approach does not reflect market behavior for this property type.
Hypothetical Conditions:	➤ There are no hypothetical conditions for this appraisal.
Extraordinary Assumptions:	➤ There are no extraordinary assumptions for this appraisal.



Marketing and Exposure Time:

The definition of Market Value is based on a reasonable time allowed for exposure to the market. A reasonable time is a subjective period and will vary depending on the type of property, marketing effort, and price. Marketing Time is a prospective perspective or provides a perspective that is futuristic for the date of valuation with a presumed sale of the property under the assumption the property will sell at market value. Exposure Time is an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the open market before the hypothetical consummation of a sale at market value on the effective date of the appraisal. For purposes of this appraisal, it is assumed that the property would be reasonably priced and aggressively marketed.

- Less than 12 months if priced to the market and aggressively marketed.

Inspection Note:

Trevor P. Laborde visited the subject property on July 21, 2023. A complete interior and exterior inspection of the subject property has been made, and photographs were taken.

Analysis Note:

In the process of determining the market value, the undersigned appraisers have gathered and analyzed comparable sales, rental, and operating data. The assignment's scope is further expanded by the utilization of various approaches to value, resulting in value conclusion(s) that are contingent upon all known information about the subject property, market conditions, and available market data.

Assistance Note:

Trevor P. Laborde is a licensed appraiser trainee in the State of Louisiana (#T4971) and provided the following:

- Real Property Assistance in preparation of the report
- Comparable data research and confirmation
- Research on current market conditions and assistance in the determination of market value by the signatory appraiser
- Marketing and sales history
- Ad Valorem taxes, zoning designation, legal description, flood zone
- Assistance with subject photos, sketch, aerial imagery

All pertinent property data has been verified by a signatory appraiser.



Scope of Work Comments:

Marketability Note:

The subject property is currently improved with a 1,297 square foot retail building formerly operating as an auto repair shop. It is possible a purchaser would acquire the subject with intentions to continue utilizing the existing improvements in the short-term, however, the long-term highest and best use of the property is for redevelopment. This is largely driven by the fact that the underlying land value exceeds the value of the property "as improved" less demolition costs. The most impactful component to the subject property is the large underlying site area, which is commercially zoned with a central location in the Mid City market. Due to the scarcity of large development sites within the New Orleans market, these tracts of land generate substantial interest and pricing for development purposes, even despite current market conditions. As will be shown in the approaches to value, the highest and best use is for an interim speculative hold with future redevelopment. Pricing for the subject property would capture based on the underlying land value.

Underground Storage Tanks Note:

The subject used to have USTs but those were removed in 2000. Copies of the documents can be found in the addenda of this report.

Billboard Note:

There is also a billboard on site currently under a month-to-month lease. While the borrower has stated a possibility of demolishing the billboard, we have considered its contributory value into our final value reconciliation.



ASSESSMENT AND TAXES

Taxing Authority Orleans Bureau of the Treasury

Assessment Year 2023

Real Estate Assessment and Taxes					
Tax ID	Land	Improvements	Total Assessment	Tax Rate	Taxes
207204301	\$13,250	\$3,620	\$16,870	146.81	\$2,477

Notes:

According to the Orleans Bureau of the Treasury, the 2023 ad valorem taxes of the subject property have been paid.

R & S AUTO SERVICE INC
519 N HAGAN AVE
NEW ORLEANS , LA 70119

Property Values

Land Assessment: \$13250

Improvement Assessment: \$3620

*** Homestead Exemption:** \$0

Tax Bill No.

207204301

[View Property Information](#)

Property Location

519 HAGAN AV

Legal Description

SQ 458 LOT N HAGAN MOSS

TRIANGLE FRONT 194X73

Interest accrues at 1% per month on all delinquent taxes.

Year - Type	Delq Date	Tax or Lien Billed	Interest	City & Coll Fee	Tax Sale Costs	Tax or Lien Paid	Interest Paid	City or Coll Fee Paid	Total Due
Total Taxes Due As Of 7/20/2023									\$0.00



Orleans Parish, LA

Summary

Tax Bill Number	207204301
Municipal District	2
Location Address	519 HAGAN AV
Property Class	C - COMMERCIAL
Special Tax District	2 MDCY
	Show Special Tax District Map
Subdivision Name	
Zoning District	Show Viewer (41071442)
Land Area (sq ft)	6623
Building Area (sq ft)	1298
Revised Bldg Area (sq ft)	0
Square	458
Book	73
Lot/Folio	N/007
Line	016
Legal Description	1. SQ 458 LOT N HAGAN MOSS 2. TRIANGLE FRONT 194K73
Assessment Area	BAYOU ST JOHN COM 21
	Show Assessment Area Map
Parcel Map	Show Parcel Map



Owners

R & S AUTO SERVICE INC
519 N HAGAN AVE
NEW ORLEANS LA 70119 0

Notices

[2022 Assessment Notice \(PDF\)](#)

[2023 Assessment Notice \(PDF\)](#)

Quick Links

[Enderstate Taxes](#)

[Tax Information](#)

Valuation

	2024 Uncertified	2023 Certified	2022 Certified
Land Value	\$119,200	\$132,500	\$132,500
+ Building Value	\$24,100	\$24,100	\$22,900
= Total Value	\$143,300	\$156,600	\$155,400
Assessed Land Value	\$11,920	\$13,250	\$13,250
+ Assessed Building Value	\$3,620	\$3,620	\$3,440
= Total Assessed Value	\$15,540	\$16,870	\$16,690

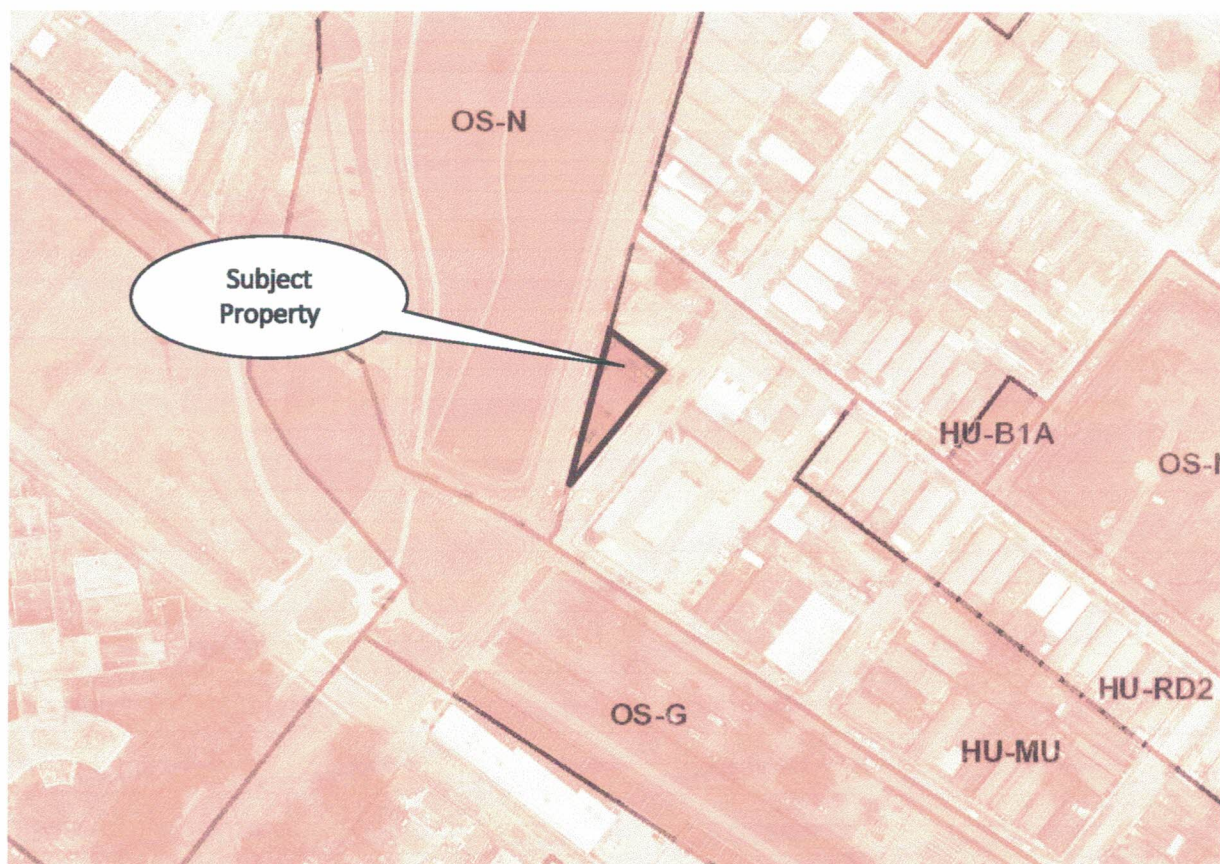


THE MCENERY COMPANY
REAL ESTATE APPRAISAL, BROKERAGE AND CONSULTING

Assessment and Taxes

ZONING

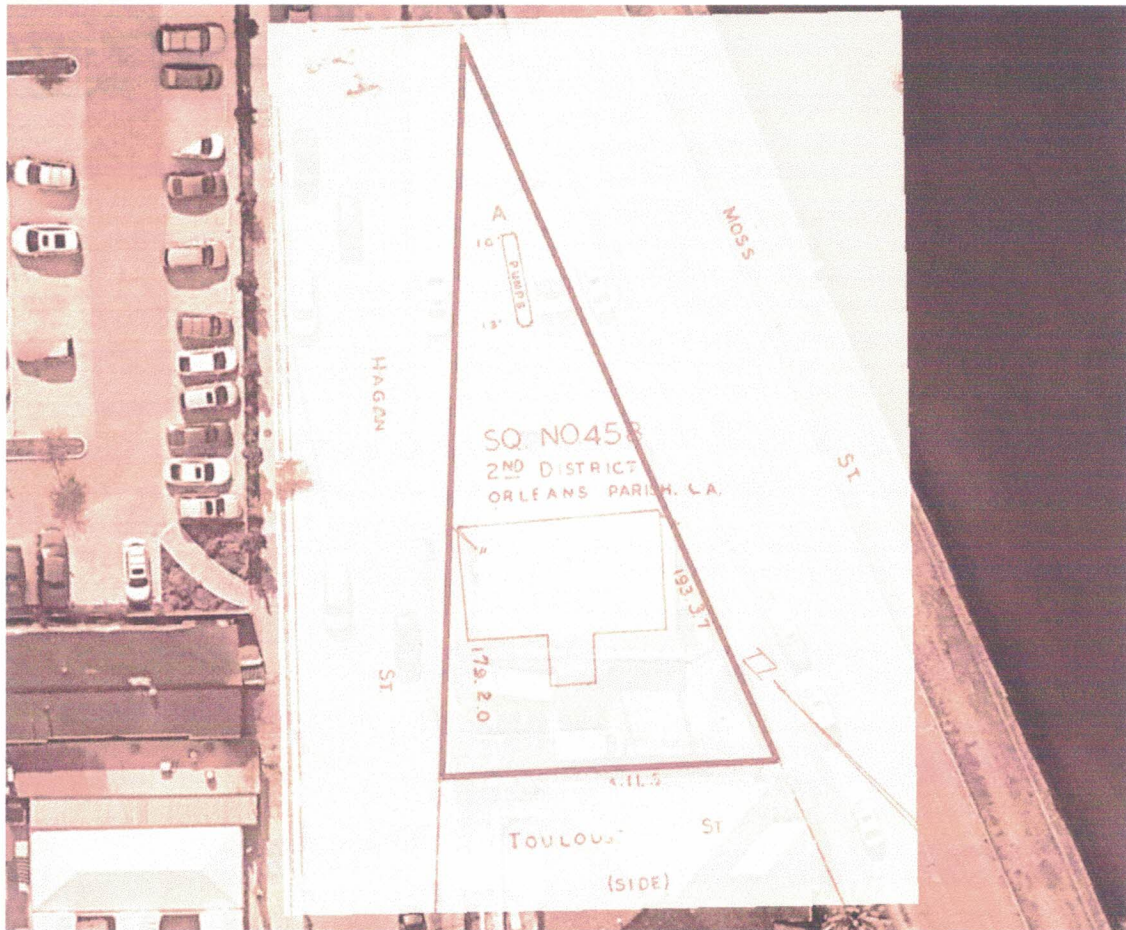
According to the City of New Orleans Planning and Zoning Department, the subject property is situated in a HU-MU, Historic Urban Neighborhood Mixed-Use District. The HU-MU Neighborhood Mixed-Use District is intended for areas of mixed-use development that are close to residential neighborhoods. The district regulations are designed to encourage mixed-use areas that are compatible with adjacent or nearby land uses and pedestrian-oriented in character. In the HU-MU District, active retail and personal service uses along the ground floor with residential uses above are encouraged. A variety of residential dwellings are also allowed. This district also allows higher residential densities when a project is providing significant public benefits such as long-term affordable housing. The current use of the subject property is a conforming use. A copy of the district regulations is located in the *Addenda* to this report. A zoning map is below.



Permitted uses include multi-family, grocery store, medical clinic, micro-brewery, office, restaurant, retail, and short-term rental.



SUBJECT PROPERTY DESCRIPTION



SITE ANALYSIS

Location:	The subject property is situated on the northwest corner of Hagan Avenue and Lafitte Avenue in the Mid-City neighborhood of New Orleans, Louisiana
Current Use of Property:	Redevelopment Site
Site Size:	Total: 0.15 acres; 6,623 square feet
Shape:	Triangular
Frontage/Access:	<p>The subject property has Average access with frontage as follows:</p> <ul style="list-style-type: none"> • Hagan Avenue: 179 feet • Moss Street: 193 feet <p>The site has an average depth of 73 feet. It is a corner lot.</p>



Topography:	Level
Utilities:	<p>Electricity: Entergy</p> <p>Sewer: City sewer</p> <p>Water: Municipal Supply</p> <p>Natural Gas: Entergy</p> <p>Underground Utilities: The site is serviced by above-ground and underground utilities.</p> <p>Adequacy: The subject's utilities are typical and adequate for the market area.</p>
Flood Zone:	<p>The subject is located in FEMA flood zone X & AE, which is not classified as a flood hazard area.</p> <p>FEMA Map Number: 22071C0227F</p> <p>FEMA Map Date: September 30, 2016</p> <p>Zone X (areas outside of 100 Year flood plain and areas of 500 year flood plain) is the flood insurance rate zone that correspond to areas outside the 1-percent annual chance floodplain, areas of 1-percent annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1-percent annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1-percent annual chance flood by levees. No base flood elevations or depths are shown within this zone. Insurance purchase is not required in this zone.</p>
Wetlands/Watershed:	The subject site does not appear to be encumbered by areas of wetlands based on the US Fish & Wildlife Service National Wetlands Inventory Map included in this report's Addenda.
Environmental Issues:	We were not provided a Phase I Environmental Impact Assessment. However, no adverse environmental conditions were noted upon inspection.
Encumbrance/Easements:	There are no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.
Opportunity Zone	The subject property is not located in an opportunity zone.
Comments/Conclusions:	The site has average and typical utility. The site is of adequate size and shape to accommodate a variety of small scale uses.



IMPROVEMENTS ANALYSIS

Property Type: Retail Commercial

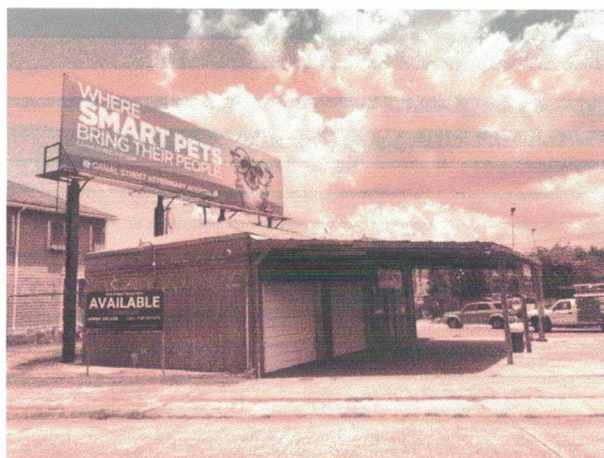
Overview: The subject improvements consist of a 1,297 square foot retail building situated along Hagan Avenue in New Orleans, Louisiana. The building is built atop a poured concrete slab foundation and incorporates masonry and wood frame construction with a pitched shingle roof. Overall, the property is viewed to be in fair condition.

The building formerly operated as an auto repair business and has an interior layout as such. Interior finishes include concrete and tile flooring with concrete and wood panel walls. Ceilings are a mixture of wood and drywall.

Site improvements include a paved concrete surface lot in the front and a grass yard in the rear that together could accommodate roughly 8 vehicles. Additionally, there is a billboard on site.

Building Summary			
Building Name/ID	Condition	Number of Stories	Gross Building Area
Subject Improvements	Fair	1.0	1,297





Exterior



Exterior



Exterior



Exterior



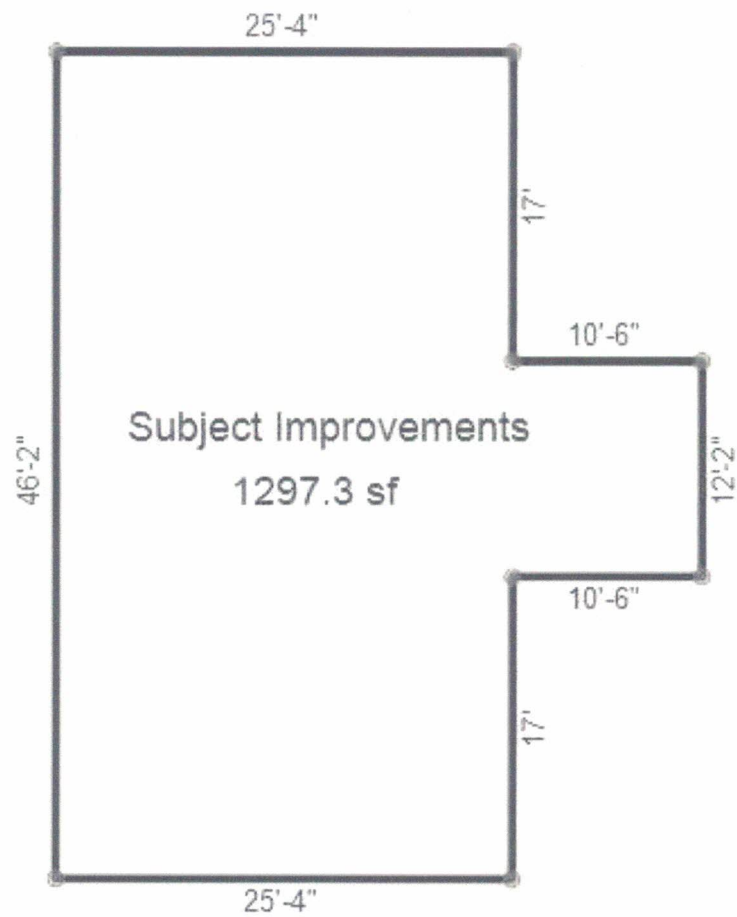
Interior



Interior



SKETCH



GENERAL - MAIN

Construction:	Masonry and Wood
Construction Quality:	Average
Year Built:	1940
Renovations:	None noted
Effective Age:	30 years
Remaining Useful Life:	10 years
Condition:	Fair
Gross Building Area:	1,297 square feet
Net Rentable Area:	1,297 square feet
Number of Stories:	1.00
Number of Units:	1

FOUNDATION, FRAME & EXTERIOR - MAIN

Foundation:	Poured concrete slab
Structural Frame:	Masonry and Wood
Exterior:	Brick, concrete, wood siding
Roof/Cover:	Pitched/Shingle
Service Access/ Overhead Doors:	The building is served by (2) overhead doors



INTERIOR - MAIN

Interior Layout:	Office, shop area, storage space
Floor Cover:	Concrete, tile
Walls:	Concrete, wood siding
Ceilings & Ceiling Height:	Wood and drywall/~9'
Lighting:	A mix of fluorescent and incandescent lighting.
Restrooms:	One half-restroom

MECHANICAL SYSTEMS - MAIN

Heating:	Window units
Cooling:	Window units
Electrical:	Assumed to be adequate as per code
Plumbing Condition:	Assumed to be adequate as per code
Sprinkler:	None observed
Security:	Mounted cameras

PARKING

Parking Type:	Paved concrete surface lot in front and grass surface lot in rear
Parking Spaces	Approximately 8
Parking Condition	Average



MARKET AREA ANALYSIS

The market area analysis is a crucial component of the appraisal process, as it allows us to evaluate the economic health of the subject property's surrounding neighborhood, local, and regional markets. The analysis involves reviewing relevant economic and demographic data to assess the potential for economic growth, stability, or decline within the local market. By quantifying these changes and identifying trends, we can better predict shifts in demand for housing, office, and retail space within specific market segments.

Market Area Definition:

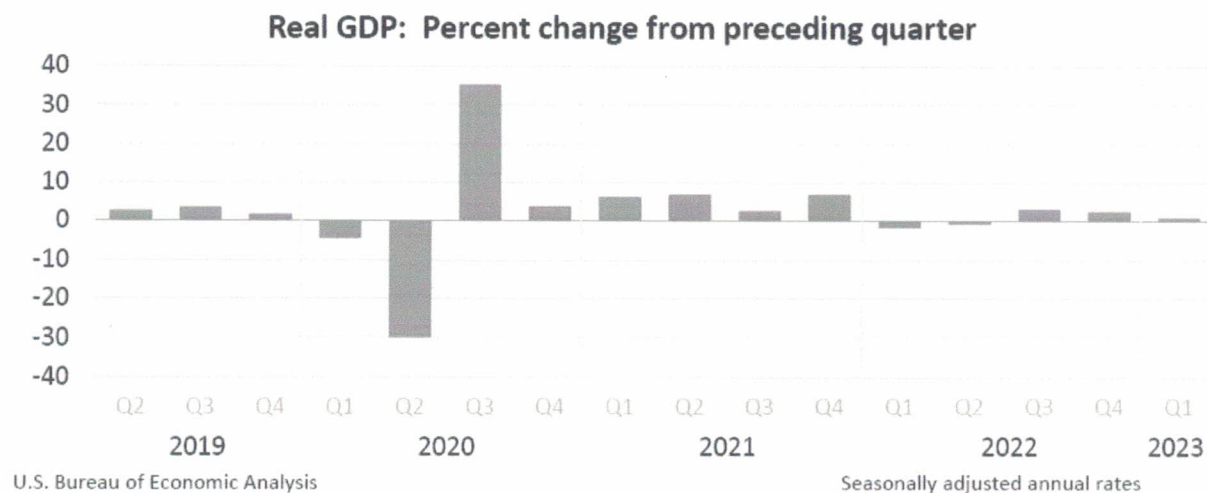
A "market area analysis" is defined as: "The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors." Under the hedonic model testing for the market and the marketability of the subject property, the four sets of considerations that influence value are then analyzed using any of four analysis levels commonly known as Level A, B, C, or D.

Levels A and B are inferred analyses in which we may analyze fundamental data sets and draw inferences regarding value. Inferred analyses are applicable within a static data set or without significant shifts in trend lines. Levels C and D analyses are more complex. They are foundational because they draw on confirmed and verified data, which relates to the four considerations impacting value from which obvious conclusions result and are not dependent on inference alone. Based on the *Scope of Work*, we have performed a Level A Analysis.

National Economic Trends - GDP

The COVID-19 pandemic resulted in a significant impact on real gross domestic product (GDP) growth, with a contraction of 30% observed from April to June 2020. However, there was a subsequent rebound in growth with a 35% increase in the following quarter. Despite this recovery, the U.S. economy experienced two consecutive quarters of negative growth in 2022, technically placing it in a recession during the first half of the year. Nevertheless, the real GDP growth rate improved to 2.6% in Q4 2022, which slowed to 1.1% in Q1 2023. While it may be subject to debate whether the current market can be classified as a recession, the available economic data does not indicate a strong economy. The most recent GDP growth rates are presented in the figures below.

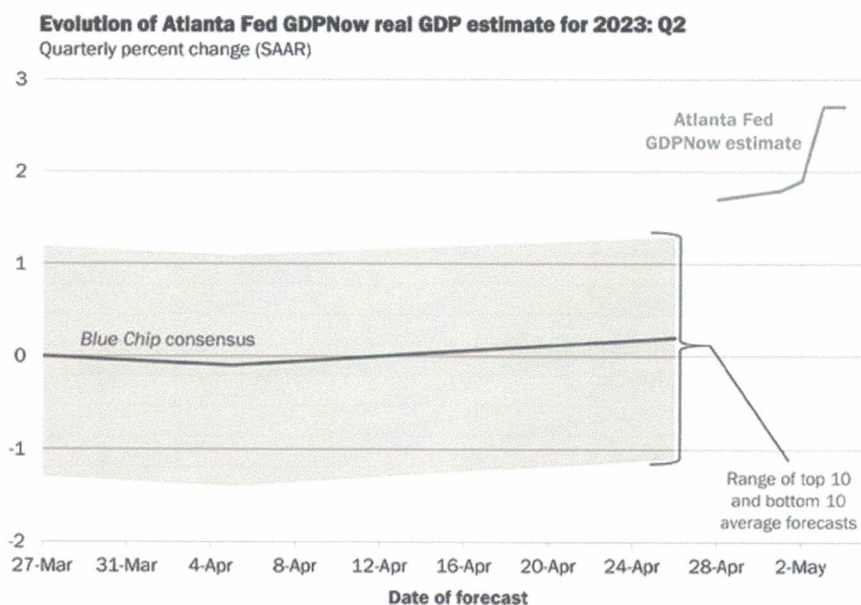




Q1 2023 (Adv) +1.1%

Q4 2022 (3rd) +2.6%

The Atlanta Federal Reserve has recently projected a 4th Quarter GDP growth rate of 2.8%, which continues the economy's pivot out of a recession.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

When looking at 2022's overall GDP growth, the modest rates are associated with the global implications of the Ukraine-Russia war, the waning impacts of reopening and pandemic fiscal support, and increasing interest rates.



Looking towards 2023—recession or soft landing? Some forecasters predict a recession in 2023, although many do not think the reset will be a severe recessionary event. This readjustment is perceived as an effect of the excesses of the pandemic. Many industries, such as tech, are poised to be in the crosshairs of recessionary trends and experience the most significant contractions.

We note the following GDP forecasts by the Congressional Budget Office (CBO) in their November 2022 report:

Source	Date of Forecast	Change in Real GDP	
		2023	2024
CBO's Likely Range ^b	Nov. 2022	-2.0 to 1.8	0.7 to 4.2
Survey of Professional Forecasters' Middle Two-Thirds ^c	Nov. 2022	-0.4 to 1.8	n.a.
Federal Reserve's Central Tendency ^d	Sept. 2022	0.5 to 1.5	1.4 to 2.0
Memorandum:			
CBO's Most Recent Baseline	May 2022	2.2	1.5

CBO expects real GDP growth in 2023 to be between -2.0% to 1.8%, which is a more conservative projection than previous reports in 2022. CBO cites slower growth at the year's end and increasing interest rates as justification for their below-baseline GDP predictions.

National Economic Trends – Stock Market Performance

Following a crash at the onset of the pandemic, stocks soared in 2021 and 2022. The stock market has exhibited a volatile pattern, and many risks remain in 2023. A five-year trailing performance history of the S&P 500 is included below and illustrates the dramatic decline in 2020, followed by a strong bull run and several months of ups and downs.

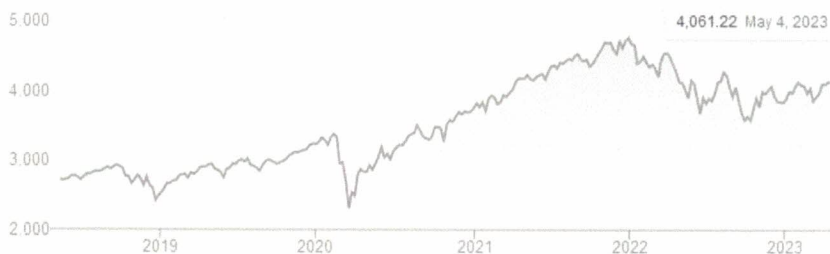
Market Summary > S&P 500

4,061.22

+1,333.50 (48.89%) ↑ past 5 years

May 4, 5:25 PM EDT • Disclaimer

1D 5D 1M 6M YTD 1Y 5Y Max



Open	4,082.55	Low	4,048.28	52-wk high	4,325.28
High	4,082.61	Prev close	4,090.75	52-wk low	3,491.58



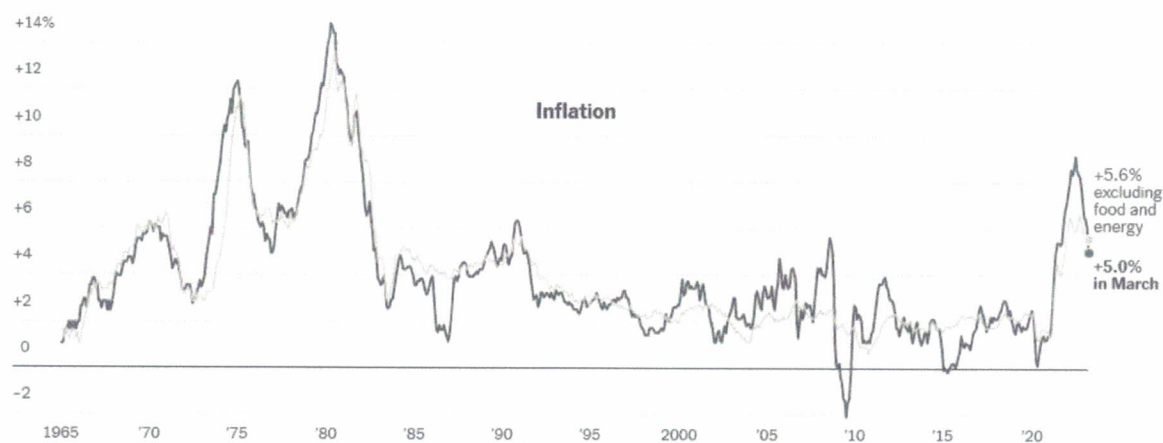
Market ups and downs are typical from the long-term perspective of returns, but financial assets have faced headwinds from interest rate hikes and inflation. Major benchmarks like the S&P 500 and the Dow Jones Industrial Average ended 2022 in the red.

"This proverbial snowball should continue to gain momentum next year as consumers and [companies] more meaningfully cut discretionary spending and capital investments," Dubravko Lakos-Brujas, global head of equity macro research at JPMorgan.

Trends zig and zag before the bottom line becomes apparent, and some analysts are optimistic about the stock market's potential by the end of 2023. Investors with a long-term mindset may have a decent entry point during a downcycle with compelling pricing.

Inflation

Over 2022, inflation and price instability were tempered but remained too high. The inflation problem expanded beyond the initial pandemic-driven instability to overheating, with labor demand exceeding supply. A press release from the Bureau of Labor Statistics in April 2023 noted that all items index increased 5.0% over the last 12 months before seasonal adjustment. Historical and current inflation growth rates are illustrated in the below graph as reported by the New York Times.



Year-over-year percentage change in the Consumer Price Index Source: Bureau of Labor Statistics By Lazaro Gamio



In a November 2022 speech outlining the path ahead for inflation, Fed chairman Jerome Powell highlighted the need to raise interest rates:

"We anticipate that ongoing increases will be appropriate...for now, I will simply say that we have more ground to cover.

We are tightening the stance of policy to slow growth in aggregate demand. Slowing demand growth should allow supply to catch up with demand and restore the balance that will yield stable prices over time. Restoring that balance is likely to require a sustained period of below-trend growth."

Price increases are not tempering across the board but moderating in critical services and goods like gas and meat. Many price-slowng categories are tied more to the pandemic and healing supply chains than to Fed policy. As inflation begins to curb, investors are wondering just how high the Fed will raise interest rates in 2023—and how long the cost to borrow will remain elevated.

Inflation Projections

Percent

Source	Date of Forecast	PCE Inflation		Core PCE Inflation	
		2023	2024	2023	2024
CBO's Likely Range	Nov. 2022	2.2 to 4.7	1.3 to 4.2	3.6 to 5.8	2.1 to 6.2
Survey of Professional Forecasters' Middle Two-Thirds	Nov. 2022	2.5 to 4.3	n.a.	2.6 to 3.7	n.a.
Federal Reserve's Central Tendency	Sept. 2022	2.6 to 3.5	2.1 to 2.6	3.0 to 3.4	2.2 to 2.5
Memorandum:					
CBO's Most Recent Baseline	May 2022	2.3	2.1	2.5	2.2

The CBO expects the PCE and core PCE inflation rates in 2023 and 2024 to be greater than the rates the agency projected in May 2022. The revisions stem mainly from stronger growth in the prices of housing and other services than projected previously.



Labor Market & Unemployment

Inflation is largely tied to rising wages and the steep drop in unemployment following the COVID-19 pandemic. The U.S. unemployment rate over the past 20 years is shown below.

Unemployment rate

3.5%

Updated Mar 2023

Total unemployed people

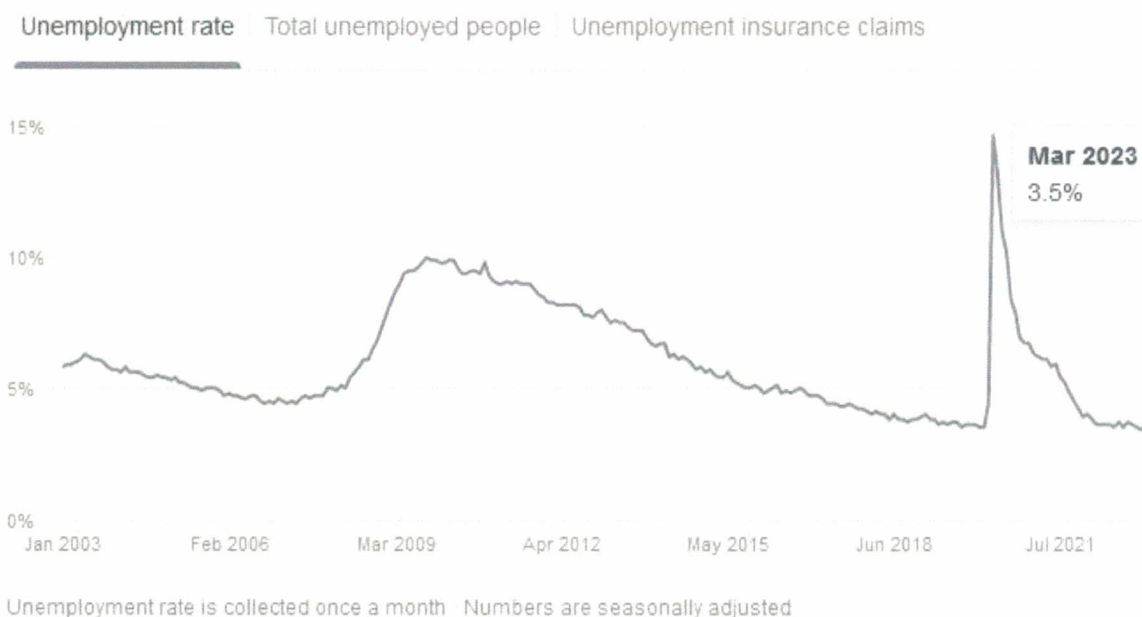
5.8M

Updated Mar 2023

Unemployment insurance claims

1.9M

Updated Apr 29, 2023



We returned to pre-pandemic unemployment in July 2022 and once again added jobs in March 2023.

Note that many of these job gains have come in the form of professional and business services which offset the continued losses in the leisure and hospitality, retail trade, healthcare, and transportation and warehousing sectors. Many economists argue that the unemployment statistic is somewhat misleading as it does not capture those that no longer wish to work or have given up trying to find a job.

Furthermore, the BLS stated in their most recent report in January 2023, “the labor force participation rate was little changed at 62.3 percent Both measures have shown little net change since early 2022. These measures are each 1.0 percentage point below their values in February 2020, prior to the coronavirus (COVID-19) pandemic.”



Though this trend appears to be in a positive direction, it does refute the narrative of a strong labor market, as indicated by the low unemployment rate.

The CBO had correctly projected the unemployment rate to fall to 3.6% - 3.8% in 2022 or 2023:

Source	Date of Forecast	Unemployment Rate ^a	
		2023	2024
CBO's Likely Range ^b	Nov. 2022	3.8 to 6.4	3.2 to 6.4
Survey of Professional Forecasters' Middle Two-Thirds ^c	Nov. 2022	4.0 to 5.0	n.a.
Federal Reserve's Central Tendency ^d	Sept. 2022	4.1 to 4.5	4.0 to 4.6
Memorandum:			
CBO's Most Recent Baseline	May 2022	3.6	3.8

The unemployment rate, CBO currently expects, is more likely to be above the ranges of projections from the Survey of Professional Forecasters and the Federal Reserve than below them. CBO expects the unemployment rate in 2023 and 2024 to be greater than the rate the agency projected in May 2022. The revision stems mainly from the estimate of slower economic growth in 2023.

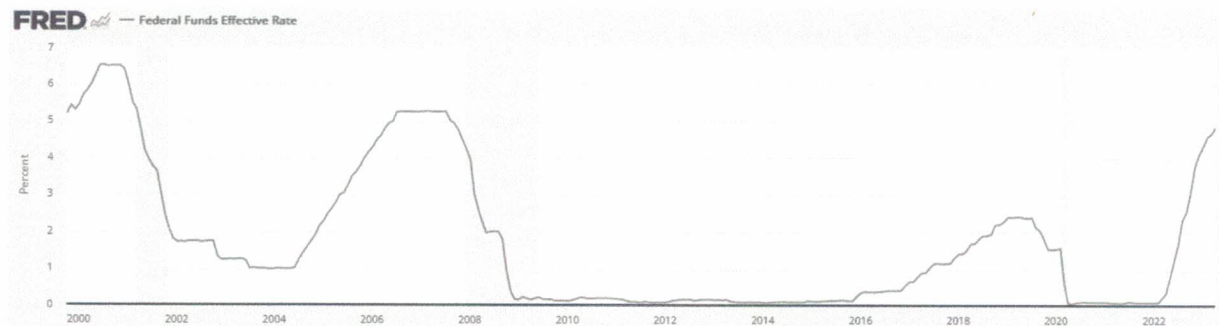


Interest Rates

Over the past decade, interest rates have remained relatively low with intermittent increases until the Federal Reserve lowered the Fed Funds Rate in 2019 to 2.0%. The Fed then slashed rates to a range of 0%-0.25% in Q1 2020 due to the economy shutdown amid the COVID-19 pandemic. During 2020, the Fed repeatedly indicated that they intend to keep rates near 0% through at least 2023. **Instead, the Fed raised interest rates in 2022 at the most aggressive pace in the past 15 years. The Fed did this in an escalating effort to slow 40-year high inflation.**

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
May 3, 2023	+25	5.00% to 5.25%
March 2, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

Below is the target federal funds rate since 2000, which demonstrates the historically low interest rates set in 2020 and the recent uptick in interest rates.



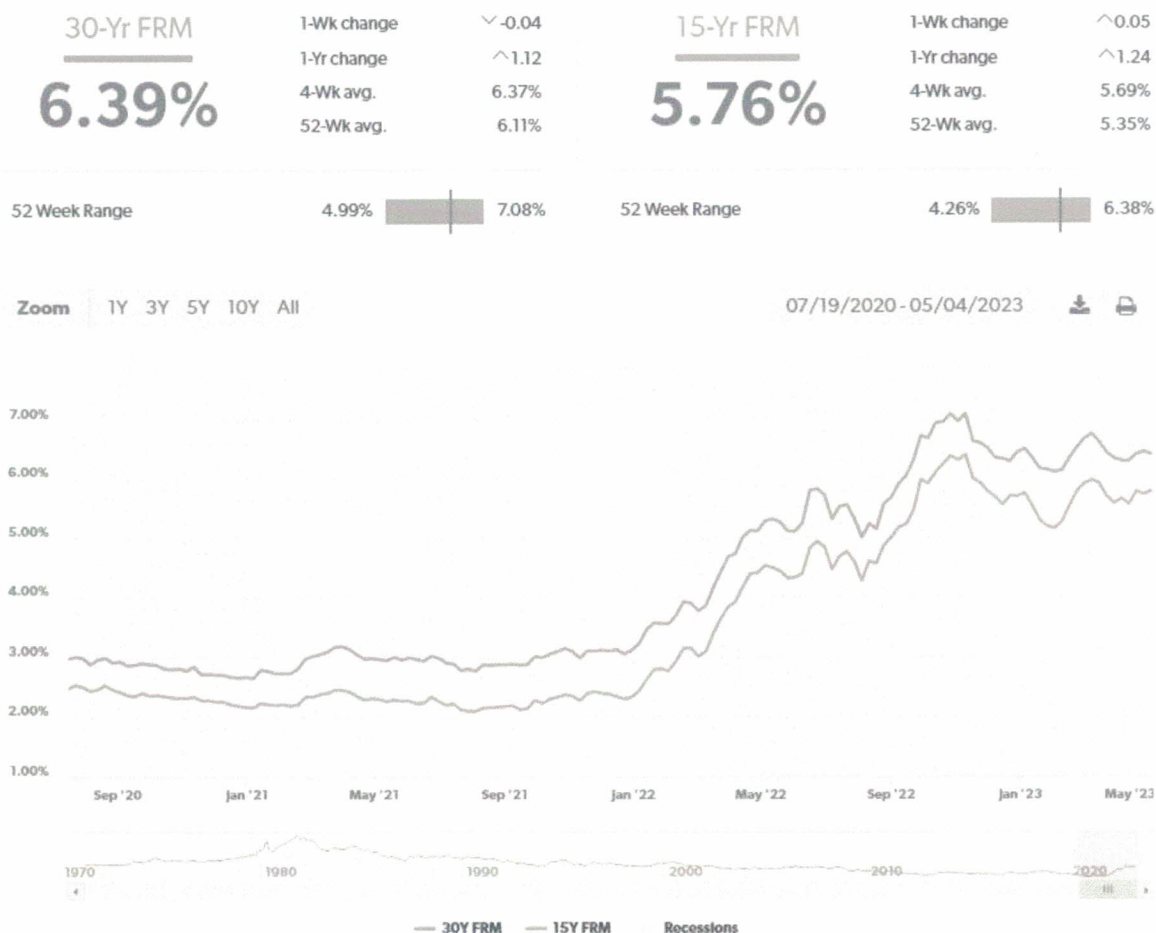
Initially, residential, and commercial real estate loan mortgage rates remained level following the slashing of rates in 2020 due to the sheer volume of refinancing requests by local, regional, and national banks. In the immediate short-term, the supply and demand were commanding the mortgage yield rate. This trend was also due to the significant lift that community and regional banks had to make to service the Paycheck Protection Program enacted by congress.



Once banks could catch their breath, the cost of borrowing did elevate. The image below is taken from Freddie Mac and shows average rates through May 2023. The cost of borrowing has increased dramatically within just a short period.

Primary Mortgage Market Survey®

U.S. weekly averages as of 05/04/2023



The rise in interest rates has resulted in a significant slowdown in the residential home construction market, which has historically remained a bellwether for the trend of the national housing economy. As pricing and sales have declined, economists view this as a negative trend in the overall economy.



Regional Banking Crisis:

In March 2023, a regional banking crisis began in the U.S. and is still ongoing. The crisis has resulted in the failure of several small- to mid-size U.S. banks and was triggered by a number of factors, including the collapse of the cryptocurrency market, rising interest rates, and concerns about the health of the global economy.

Silicon Valley Bank was the first FDIC-insured bank to fail in the last two years. SVB was previously one of the largest banks serving the tech startup industry — and the 16th largest bank in the U.S. overall. After the bank was forced to sell bonds at a loss, its stock price plummeted and depositors panicked, leading to a classic bank run. This was the second-largest bank failure in U.S. history. The third largest came just days later when Signature Bank ceased operations. The FDIC took control of the bank's branches and deposits before First Citizens acquired SVB. And as this played out, New York Community Bankcorp acquired a significant portion of Signature Bank's assets.

Shortly after the failure of SVB, was the failure Silvergate Bank, a cryptocurrency-focused lender. Silvergate had been heavily exposed to the cryptocurrency market, which has been in a state of decline since late 2022. As the cryptocurrency market continued to fall, Silvergate was forced to sell off its assets at a loss, which led to a sharp decline in its share price. Silvergate is currently in a state of insolvency and has been shut down.

The failure of Silvergate Bank triggered a wave of bank runs, as depositors become concerned about the health of other regional banks that are also exposed to the cryptocurrency market. Signature Bank, another cryptocurrency-focused lender, faced a similar run on its deposits. Silicon Valley Bank and First Republic Bank, large regional banks with a significant presence in the technology sector, shared a similar fate.

The failure of these banks sent shockwaves through the global financial system. Global bank stocks are plummeting, and investors are beginning to fear that the crisis could spread to larger banks. In response, regulators are taking several steps to stabilize the financial system, including providing emergency funding to banks and easing regulatory restrictions.

The 2023 regional banking crisis is having a significant impact on the U.S. economy and is leading to a decline in lending, which is slowing economic growth. The crisis is also causing a loss of confidence in the financial system, which is making it more difficult for businesses to raise capital.

In early of May of 2023, First Republic Bank faced a similar situation as SVB and saw a rapid decline in its solvency status, as well as a 75% decline in its market value. This regional bank faced similar issues as SVB with a loss in confidence in its financial viability and a massive bank run ensued. This resulted in a substantial decline in its deposits and its overall market value.



Barely a week later, California regulators on Monday seized First Republic and put it into FDIC receivership alongside the sale of its assets, marking the third major U.S. bank failure in two months and the largest since Washington Mutual in 2008. The bank was acquired by JP Morgan at a reported price of \$10.6 billion.

In May 2023, a planned \$13.4 billion merger between TD Bank and regional bank First Horizon was called off, suggesting additional weakness to regional banks. It has since become clear that investors are not convinced that the regional lenders left standing can remain viable or at a minimum there is some level of a loss in confidence. And though there is no reason for any company to be immediately toppled by falling share prices, the outlook remains uncertain, with investors still bruised from March's initial round of turbulence.

The bigger worry is that the bank failures might lead to doubts about relatively healthy banks, creating a financial contagion that could impact the wider economy. Averting that scenario was the reason the U.S. put tighter restrictions on major banks following the financial crisis 15 years ago.

The Federal Reserve's fight against inflation has played a key role in the banking turmoil. The Fed once again raised its key interest rate by a quarter-point to the highest level in 16 years in May, its tenth consecutive rate hike.

The higher rates have prompted depositors to move money into higher-paying certificates of deposit and money market funds. Prior to the rise in interest rates, many banks were flush with capital and deposits. With historic low interest rates, banks opted to deploy their cash on hand into long-term U.S. Bonds with low rates of return, relative to today. As a result, these long-term bonds were categorized as unrealized losses given their marked down value due to the rise in interest rates. As deposits began to be stripped from lenders and moved to higher-earning investments, banks have been forced to sell off bonds at a loss in order to meet their loan to deposit ratio obligations. Thus, these unrealized losses were then categorized as realized losses and the value of many banks began to fall from a market perspective. Once investors recognized these realized losses on the balance sheet of certain financial institutions, a classic bank run ensued, which has resulted in a total of three bank failures in 2023 with several more on the brink.

The 2023 regional banking crisis is a reminder of the fragility of the financial system. The crisis is being caused by several factors, including the collapse of the cryptocurrency market, rising interest rates, and concerns about the health of the global economy. The 2023 regional banking crisis is a wake-up call for the financial system with many concerned that a contagion effect could occur due to a loss in confidence in the bank system. Many historically strong regional banks that are integral to the flow of capital in the commercial real estate sector are facing a lack of deposits in order to properly lend capital, which has resulted in a slow-down in the lending sector. This coupled with the historically high federal funds rate has resulted in a situation in which banks are trapped.



Without the ability to borrow funds from the federal reserve at low interest rates or a surplus of capital on hand, they are left with limited ability to lend in the commercial real estate sector.

Oil Prices

Oil plunged to its lowest price level in more than 17 years amid concerns about the economic impact of the COVID-19 outbreak in April 2020 and was further weakened due to production level due to the oversupply, lack of storage, and lack of demand given global economic shutdowns. Oil prices spiked in early 2022 as part of a reopening economy and war in Ukraine and hovered around \$75 per barrel at the year's end. Through 2023, oil prices have seen steady declines back to 2021 levels.



Russia's invasion of Ukraine and the barrage of sanctions left oil traders anticipating price escalations; however, new sanctions on Russia have not initially proven to be as big a hit on crude supplies. Sanctions have not removed Russia from the market but encouraged them to produce and sell at market-low prices.



Analysts calculate that global oil demand may decline as central bank interest rate hikes could stifle global economic growth and reduce oil demand. This theory is tied to the assumption that the world's largest energy importer, China, will only gradually rev up and reopen its economy. Another potentially destabilizing concern surrounds the extension of E.U. embargos to Russian-refined products, including diesel, in February 2023.

In the U.S., the Strategic Petroleum Reserves (SPR) sold nearly 200 million barrels of oil in 2022, leaving SPR with the least amount of crude oil since December 1983. But the Biden administration announced plans to acquire three million barrels of crude for the reserve, signaling an end to the administration's effort to bolster the supply and control prices following February's bottoming out.

Russian oil sanctions could still result in a sizeable decline in Russian production, and Moscow may become less receptive to accepting lower prices and consider actions to push them higher. The perceptions of oil markets are altering daily.

Consumer Debt

According to the Federal Reserve of New York report dated November 2022, aggregate household debt balances increased by \$351 billion in the third quarter of 2022 with a total aggregate debt of \$16.51 trillion, a \$2.36 trillion increase from the late 2019 recession.

Other pertinent information is shown below:

Housing Debt

- There was \$633 billion in newly originated mortgage debt in 2022Q3. After two years of historically high volumes of mortgage originations, the Q3 volume more closely resembles pre-pandemic volumes.
- Although the foreclosure moratoria have been lifted nationally, new foreclosures have stayed very low since the CARES Act moratorium was put into place. About 28,500 individuals had new foreclosure notations on their credit reports.

Student Loans

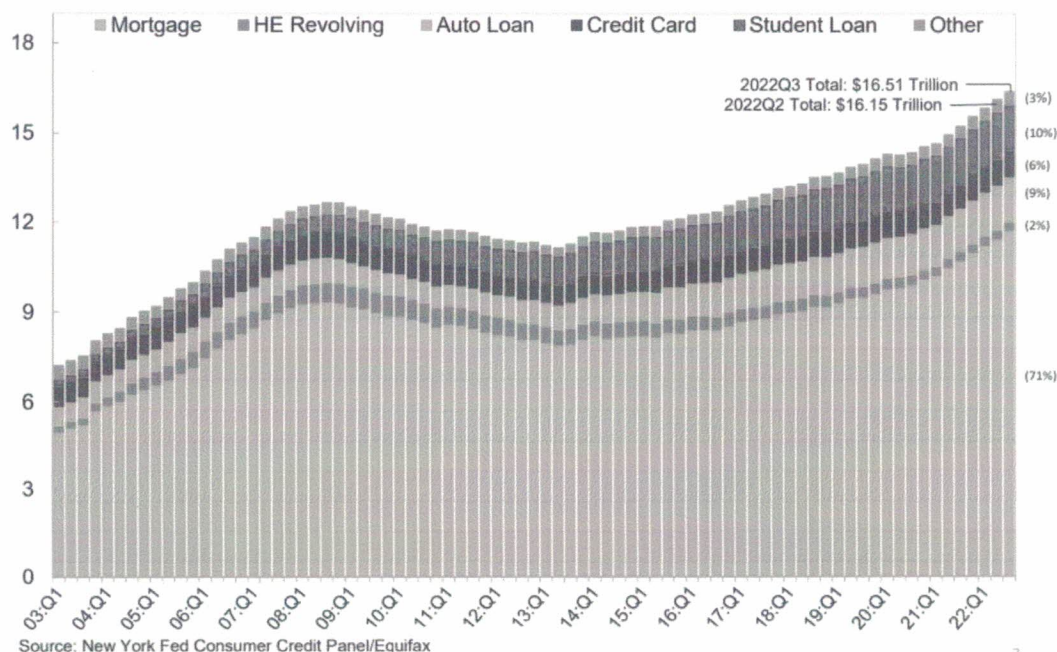
- Outstanding student loan debt stood at \$1.57 trillion in the 2022Q3. The decline likely reflects some of the discharged debt due to Closed School Discharge and Public Service Loan Forgiveness offsetting the typical seasonal academic year originations
- About 4% of aggregate student debt was 90+ days delinquent or in default in 2022Q3.² The lower level of student debt delinquency reflects the continued repayment pause on student loans, which is scheduled to end on January 1, 2023.

Below is a graph depicting household debt through Q3 2022:



Total Debt Balance and its Composition

Trillions of Dollars



As of November 2022, mortgage balances, the largest component of household debt, shown on consumer credit reports stood at \$11.67 trillion, a \$282 billion increase from September 2022. Balances on home equity lines of credit (HELOC) increased, reversing a downward trend for two consecutive quarters – a trend that had been in place since 2009. These loans now stand at \$322 billion.

A note from the Federal Reserve May of 2022 report states the following on delinquencies:

Delinquency & Public Records

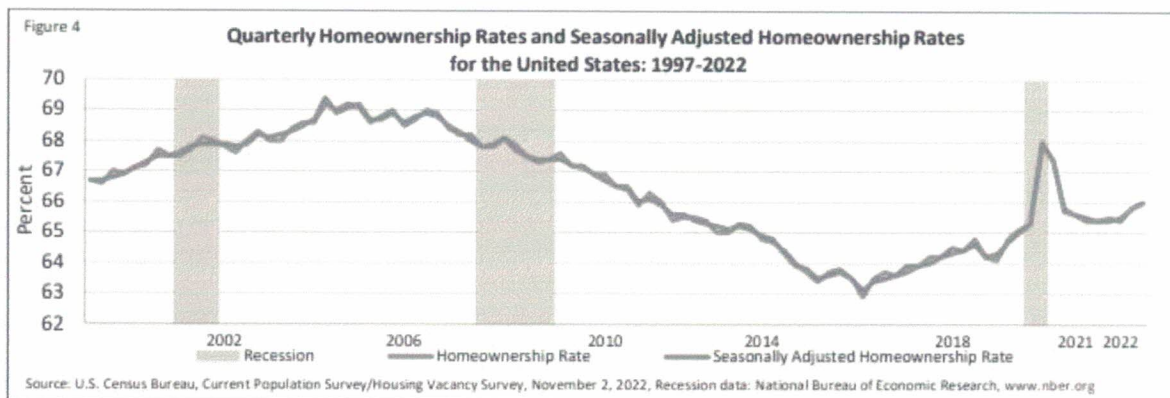
Aggregate delinquency rates were unchanged in the third quarter of 2022 and remained very low, after declining sharply through the beginning of the pandemic. As of September, 2.7% of outstanding debt was in some stage of delinquency, a 2.1 percentage point decrease from the last quarter of 2019, just before the COVID-19 pandemic hit the United States

The share of debt newly transitioning into delinquency increased for nearly all debt types, following two years of historically low delinquency transitions. Transition rates into early delinquency for credit cards and auto loans have increased by about a half of a percentage point, following similarly sized increases in the second quarter.

About 99,000 consumers had a bankruptcy notation added to their credit reports in 2022Q3. New bankruptcy notations dipped below 100,000 for the first time one year ago have remained at historical lows since. The share of consumers with a 3rd party collection declined slightly from 2022Q2 and is at a historic low; approximately 6% of consumers have a 3rd party collection account on their credit report, with an average balance of \$1,266.

According to the US Census Bureau, the 3Q 2022 homeownership rate of 66.0% was a slight increase from the Q2 2022 rate of 65.8%, and a decline from 2020 numbers hovering around 67.9%





Conclusion

Our analysis points to significant and persistent adverse effects of the pandemic, rapid inflation, and rising interest rates on the world economy, with no market area escaping unscathed. Employment and the stock market were quick to rebound after COVID; however, as time has gone on – these figures have been revised downwards, while other metrics, like GDP, will likely remain depressed. The rising interest rates, persistent inflation, and lower labor participation rate could be a bellwether for a forthcoming recession – if not already here. Low homeownership rates and rising consumer debt also suggest negative market conditions. We currently view the macroeconomic outlook with cautious optimism, given the recessionary trends, which could result in a slowdown in our market's commercial real estate sector.



MARKET AND MARKETABILITY ANALYSIS (Level A Analysis)

In 2021 and 2022, the U.S. economy experienced a somewhat unpredictable recovery, characterized by lowered expectations and forecasts for GDP growth and employment, as well as inflationary trends across the country. Despite these fluctuations, the commercial real estate market remained strong, with historic low interest rates, stable pricing, and growth in asset values across most sectors. As we move into 2023, optimism has given way to concerns of an impending recession, due to the widespread inflation affecting the national economy, which has led to an increase in the federal funds rate and the cost of borrowing. In Louisiana, the overall outlook is cautious, with a slow rise in tourism; however, the expansion of the port sector and oil and gas market provide some level of optimism.

Over the past few years, the energy sector has shown signs of recovery, which has been further strengthened by the increase in oil and gas prices. Our analysis focuses on the market for comparable vacant land properties in the New Orleans market. To properly contextualize the national economic landscape, it is essential to consider the regional economic foundation. Given

sector, natural resources, agriculture, port industry, and tourism.

The broader subject neighborhood is one of the most active areas of new development within New Orleans – including the \$1.5 Billion LSU /VA Hospital that will anchor the Bio Medical District as well as the Mid-City Marketplace. The work taking place in the Bio Medical District is the most important and impactful real estate development currently underway in the City of New Orleans. The campus, which is a joint venture between LSU and VA Hospitals, is slated for completion by the end of this year, and the project will provide a significant presence and anchor for the Mid-City and Downtown markets.

The methodology employed to evaluate the market and marketability of the subject property includes the following five steps:

- *Market Area Delineation*
- *Property Productivity Analysis*
- *Supply and Demand Analysis*
- *Interaction of Supply and Demand*
- *Forecast of Subject Capture*

The analysis is presented in three main categories, following the truncation of the data sets. These categories include: market area delineation, assessment of the property's productivity and competitive strengths and weaknesses, and an analysis of supply and demand, including an estimation of absorption and capture rate for the subject property.

