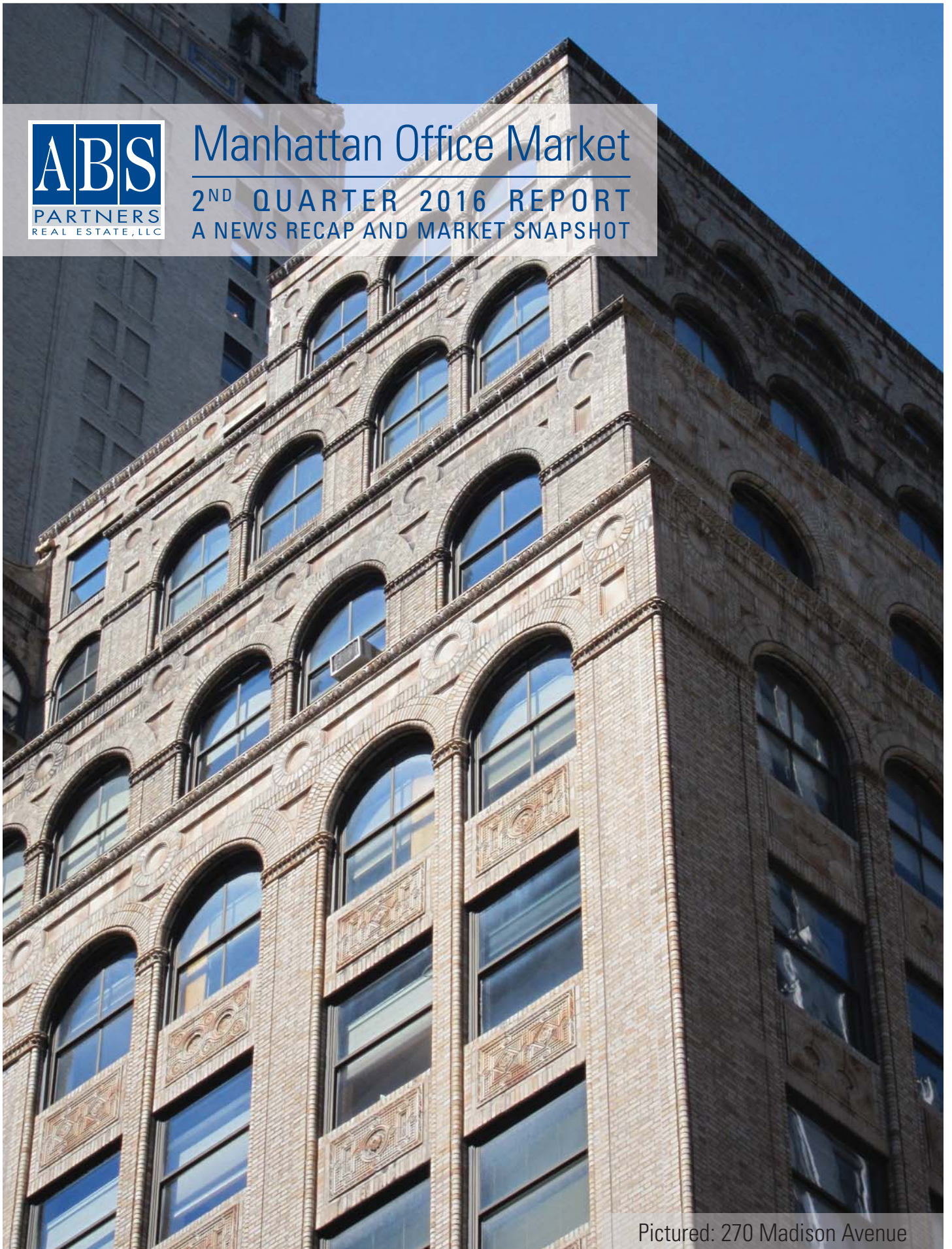




Manhattan Office Market

2ND QUARTER 2016 REPORT
A NEWS RECAP AND MARKET SNAPSHOT



Pictured: 270 Madison Avenue



Looking Ahead (cont'd)

NYC Comptroller's Office: NYC Quarterly Economic Update 1Q16

The report released in May revealed a continued positive growth of the city's economy during the 1st quarter, but signs of a slowdown are surfacing. Although the growth of the real gross city product (GCP) was the fastest since the 1st quarter of 2015; and the quarterly gains of the city's employment role were the largest since at least 1990, other aspects of the city's economy slowed. Despite a continued increase in new jobs, low-wage sector job creation dominated, which along with a decrease in Wall Street profits in 2015 diminished personal income tax (PIT) revenue growth.

On the national level, the 0.5% growth on the U.S. economy in the 1st quarter represented the smallest gain since the 1st quarter of 2014. Declining corporate profits amid a global economic slowdown and collapsing energy prices, as well as a reduction in exports amidst an increase in imports due to the stronger dollar partially attributed to the slowdown that was somewhat offset by a 1.9% increase in consumer spending which contributed 1.27 percentage points to the GDP growth.

1st Quarter 2016 - Key Economic Indicators NYC Compared with U.S. for 4Q15 and 1Q15				
		3Q15	2Q15	3Q14
Gross City Product (GCP)*	NYC	3.4%	2.2%	4.3%
Gross Domestic Product (GDP)*	U.S.	0.5%	1.4%	0.6%
Payroll-Jobs Growth*	NYC	4.0%	1.0%	2.7%
	U.S.	1.9%	2.0%	2.1%
Personal Income Taxes (PIT) Withheld, Growth**	NYC	3.1%	1.8%	3.3%
	U.S.	6.0%	1.8%	4.9%
Inflation Rate*	NYC	0.7%	0.6%	-0.2%
	U.S.	1.1%	0.5%	-0.1%
Unemployment Rate***	NYC	5.4%	5.2%	6.2%
	U.S.	4.9%	5.0%	5.6%
*Seasonally adjusted annual rate				
**Not seasonally adjusted				
*** Seasonally adjusted				

- Venture Capital Investment (VC)** – Totaled about \$1.4 billion in the 1st quarter in the New York metro area, resulting in a 6.2% decrease year-over-year; and representing the first year-over-year decline since the 3rd quarter of 2012, despite at a more moderate rate than the nation and Silicon Valley which incurred an 11.3% and 19.5% decline respectively. Although the increase in the number of VC deals in the New York Metro area rose to 133 in the 1st quarter, in comparison to the year-over-year total of 113, dollar volume was smaller. VC investment in the New York metro area accounted for 11.3% of national VC investment which totaled \$12.1 billion spread across 969 deals.
- Hospitality Market** – The city's hotel occupancy improved moderately during January and February 2016, increasing 1.1% from the year-over-year average of 73.9%. Average daily room rates continued to lower during the same 2-month period, dropping to \$204.9 from the \$216.7 figure in the previous year.



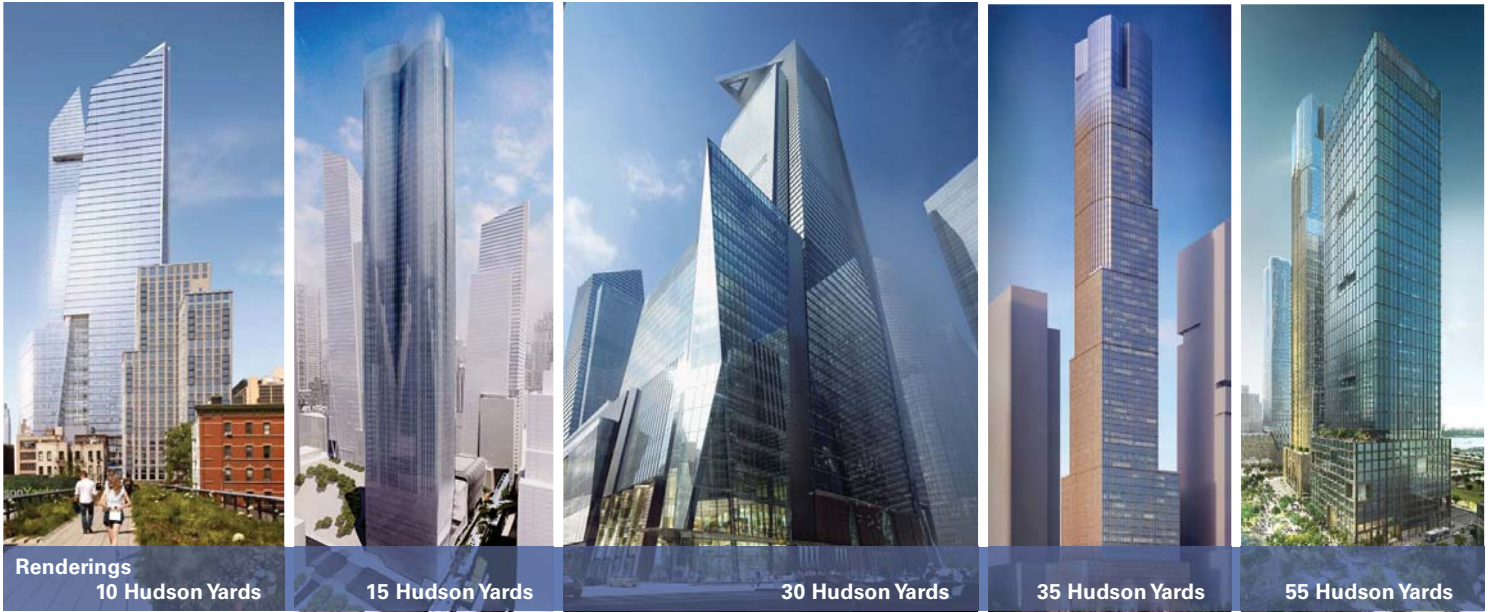
Looking Ahead (cont'd)

Hudson Yards Project – Future City GDP & Tax Revenue Projections

The over \$20 billion multi-building, mixed-use development by Related Companies and Oxford Property Group rising above the rail yards on the Far West Side is expected to be completed by 2025. Upon full delivery the complex will comprise:

- 5 Office buildings totaling 10.4 million gross square feet;
- 8 residential buildings totaling 4.6 million gross square feet with a mix of over 3,900 sale and rental units;
- 1 million square feet of retail space;
- A mixed-use building that will house 137 condominium units, a 200-key Equinox-branded hotel, a 60,000-square-foot Equinox health club, 175,000 square feet of office space, and 20,000 square feet of retail space;
- A 200,000-square-foot cultural center dubbed **The Shed**
- A 750-seat public school
- 14-Acres of public open space
- Up to 1,900 parking spaces

The reported results of an economic analysis that was commissioned by the developers and conducted by the Manhattan consulting firm **Appleseed** projected that the project will contribute \$18.9 billion annually to the city's gross domestic product (GDP). The projections within the study are contingent upon several economic indicators, such as a continued demand for Class A office space that will be sufficient to lease the remaining approximately 6.4 million square feet of office space. Currency expectations are reportedly based upon 2018 forecasts — representing the mid-point of construction.



Looking Ahead - Hudson Yards Project (cont'd)

During the 14-year construction period from 2011 through 2025:

- Over 98,360 person-years of work in New York City, with over \$10.6 million in earnings; and over \$25.6 billion in economic output;
- A total of \$1.784 billion in revenue will be generated by the Metropolitan Transit Authority (MTA) which owns the rail yards upon which the majority of the complex sits. The generated revenue could help fund both small- and large-scale projects such as Phase II of the **Second Avenue Subway** project that would extend the line to 125th Street/Lexington Avenue in Harlem; and
- \$237 Million in tax revenues for the city will be generated, including income taxes paid by city residents employed on the projects and business taxes paid by contractors and suppliers.

Upon full completion and occupancy of the project in 2025:

- A total of 55,752 full-time employees are expected to be employed by businesses at the complex once fully operational, earning an annual income total of \$9.8 billion — an average of \$175,000 per full-time worker;
- Rent payments of \$89 million annually will be generated in ground lease payments and dedicated MTA taxes that effectively could help fund renovations to 4 subway stations, the purchase of 35 new subway cars, the purchase of 136 new buses, or replace 3.5 miles of track and switches;
- A total of \$68 million in payments in lieu of taxes (PILOTs) will be paid annually to the MTA which the city will use to pay down the debt service for the 7-train extension which delivered last year; and
- A total of \$477 million in New York City tax revenues will be generated annually by the ongoing operations of companies doing business at the complex.



Looking Ahead - Hudson Yards Project (cont'd)

However some reported commentary following the study's release points out that the economic analysis of the project leaves some questions unanswered; and makes some projections based upon some assumptions that may not be realistic. It has been suggested that perhaps a truer picture of the economic impact of the building of the Hudson Yards complex could have been made by presenting projections across multiple time spans of 1-year, 5-years or 10-years after completion.

Vacancy – The \$18.9 billion annual figure that was projected to be the complex's contribution to the city's GDP was based upon the assumption that vacancy for all new office space, once fully built and occupied, would be 5% — a figure that some feel may be overly optimistic in light of a higher overall average vacancy rate within the Midtown submarket. Furthermore, signs of softening leasing activity are surfacing giving rise to the question of whether or not there will be sufficient tenant demand for new higher rent office space to achieve the assumed 5% vacancy figure for the total 10.4 million square feet of office space at the complex, despite commitments for virtually 100% of the space at both the 10 and 30 Hudson Yards towers; and projections released in 2013 by the city's Independent Budget Office that New York City will need to add 52 million square feet of office space by 2040 to meet tenant demand.

Vacancy Shift – It is likely that many of the tenants projected to fill the complex' new office space will be relocation deals primarily from Midtown, resulting in a reduction of annual input from the submarket that will likely offset the gain of the projected \$42.1 billion in output of the Hudson Yards complex; and potentially resulting in a zero net benefit to the city initially, a time period that could realistically stretch to 10-years according to some sources. Yet it can be argued that while that deal commitments at the 10 Hudson Yards and 30 Hudson Yards towers substantiate a likelihood of relocation; and the commitments for the purchase of condo units at 30 Hudson Yards giving rise to a significant increase in a big block vacancy shift within Midtown, the lease deals at 10 Hudson Yards will result in a shifting by tenants that will be somewhat more distributed amongst the 3-major commercial markets.

10 Hudson Yards			
Tenant	Relocation From	Sq.Ftge.*	Submarket
Intersection & Sidewalks Labs	Woolworth Building 233 Broadway	N/A	Downtown
SAP America Inc	95 Morton Street	47,000	Midtown South
VaynerMedia	315 Park Avenue South	33,468	Midtown South
L'Oreal	575 Fifth Avenue	295,640	Midtown
Boston Consulting Group	430 Park Avenue	96,500	Midtown
*Square footage approximate			

30 Hudson Yards			
Tenant	Relocation From	Sq.Ftge.*	Submarket
Wells Fargo	150 East 42nd Street	373,326	Midtown
Time Warner	60 Columbus Circle	1,000,000	Midtown
Kohlberg Kravis Roberts**	9 West 57th Street	191,800	Midtown
*Square footage approximate			
**Condo commitment at 30 Hudson Yards still pending			



In the News:

Britain to Secede from European Union

The global shockwave of the June 23 decision by the United Kingdom (U.K.) — England, Scotland, Wales, and Northern Ireland to end the country's 43-year European Union (E.U.) membership sent global markets tumbling while the British pound sterling dropped 10% to a 31-year low. Investors under a false sense of optimism had reportedly sent the “Dow 230 points higher and the Standard & Poor's 500 (S&P 500) index to within 1% of a new record close” on Thursday, anticipating that the so-called '**Brexit**' would not move forward. However Friday morning trading brought a totally different picture as the Nasdaq composite declined 2.8%, followed by a 2.4% and 2.2% drop on the S&P 500 and Dow Jones Industrial Average respectively.

The vote to secede from the 28-member E.U. was victorious by a narrow 4% margin, winning 52% to 48%; and likely to heighten tension within the U.K. between the “exit” and “remain” sides according to reports. While England and Wales voted to secede, Scotland and Northern Ireland voted to remain, Northern Ireland now confronted with the need to secure the border it shares with E.U. member the Republic of Ireland. The UK Government and Parliament have reportedly released a petition requesting a 2nd vote.

It will take a minimum of 2-years before the U.K. actually exists the E.U. The vote to leave will not become legally binding until the **Article 50 of the Lisbon Treaty** is officially invoked by the U.K.'s government; and if the notification moves forward it will reportedly be the first time Article 50 has been invoked. Once triggered negotiators have 2-years from the date of the notification to negotiate the terms of U.K.'s exit of the trade bloc¹ and a new treaty to replace the terms of its current EU membership. An extension can only be given if every one of the remaining E.U. states approves it. Some economists have projected that the country's domestic product will fall by 1.3% over the next 2-years as the U.K. begins to renegotiate its trade, business and political links, possibly becoming subject to the **World Trade Organization** (WTO)² rules.

Britain to Secede (cont'd)

As the 2nd-largest economy in the bloc — preceded only by Germany, the loss of Britain as an E.U. member will reportedly have an enormous impact on the credibility of the bloc that is already challenged by slow growth, high unemployment, a migrant crisis, Greece's debt woes, and the ongoing conflict in the Ukraine. Although there is some speculation that Scotland will now follow through with a demand for a new independence referendum to remain in the E.U., the U.K.'s exit may prompt other members to make a similar move; and perhaps trigger the beginning of the end of the E.U. The recent addition of 10 new members which are economically weak will potentially put "significant pressure on the delicate balance within the system," giving rise to concerns of the future of Europe's overall stability.

The Bank of England, which serves as the central bank of the U.K., reportedly has a contingency plan to shield Britain's economy from the initial impact, "working closely with Her Majesty's Treasury, other domestic authorities and overseas central banks." Similarly on the domestic front it was announced by the Federal Reserve that it is "monitoring developments in global financial markets, in cooperation with other central banks" and "is prepared to provide dollar liquidity through its existing swap lines with central banks, as necessary, to address pressures in global funding markets."

The full implications of the 'Brexit' if it moves forward have yet to be seen, but uncertainty about the long term impact on the global economy is likely to significantly impede investment and business hiring at least in the immediate short term.

- **Lending** – It is anticipated by some that Europe-based banks that have been active lenders of senior debt for commercial real estate transactions "will take a step back and reevaluate their U.S. strategy." Due to the volatility of the currency markets "Europe-based banks providing debt in dollars could freeze their lending initiatives in the U.S." until a re-stabilization to some extent.
- **Exports** – The likely strengthening of the U.S. dollar will negatively impact exporting businesses in the U.S. — aerospace, agriculture and technology typically the hardest hit.
- **Tourism** – The high volume of tourism that New York City has enjoyed in recent years will likely lessen at a time when the city's hospitality market is already showing signs of softening, the U.K. reportedly accounting for about 10% of all international visitors. The plummeting value of the British pound is likely to prompt trip cancellations and general big-ticket purchases of all kinds.
- **Investment** – Confidence reportedly remains high amongst U.S. investors of "the long-term fundamentals of the U.K. in general and London in particular." It is projected by some that for those investors willing to weather the volatility there is a lot of potential upside of buying at a discount.

If the world economy is able to re-stabilize thereby thwarting an economic crisis in Europe, the New York City real estate market has the potential of seeing some benefits of the 'Brexit'

- **Continued Low Interest Rates** – The Feds have already backtracked on plans for further interest rate increases this year until a clearer picture of the overall impact on the U.S. is determined; and concerns of a potential global recession eased. An expected lowering of mortgage rates will likely stop spreads between bond yields and commercial real estate caps from shrinking, potentially pushing property prices higher.
- **Foreign Investment** – London and New York City have long competed for foreign investment money, with London typically having the leading edge over Manhattan. However it is likely that in situations where investors have the option, more funds will now be directed towards New York in light of rising concerns of the impact of the 'Brexit' on London's property market. Furthermore, heightened stock and bond market volatility will increase the appeal of real estate as a more stable global asset class.

¹Trade Bloc – A type of intergovernmental agreement, often part of a regional intergovernmental organization, where regional barriers to trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states.

²World Trade Organization - The WTO is a place where member governments try to sort out the trade problems they face with each other; and the rules – the agreements – are the result of negotiations between the members. The General Agreement on Tariffs and Trade (GATT) is the WTO's principal rule-book for trade in goods, which spells out membership's rights and their obligations. (https://www.wto.org/english/res_e/download_e/inbr_e.pdf)



In the News (cont'd):

Manhattan's Hotels Diverge in Strategies to Maintain Competitive Edge

As competition intensifies in the face of a softening market within New York City's hotel industry, a wide diversity of efforts by operators begins to surface. There are nearly 91,500-guest rooms throughout Manhattan, a figure that has surged by 26% since 2010 according to reported statistics compiled by hospitality analytics firm STR. The overall success of a hotel is determined by supply and demand as well as the performance metric **RevPAR** — revenue per available room, which can partially be controlled by room rates levels that fluctuate based upon the percentage of occupancy. Amongst the 3-key hotel sectors, each is reportedly dealing with current market challenges in a unique way.

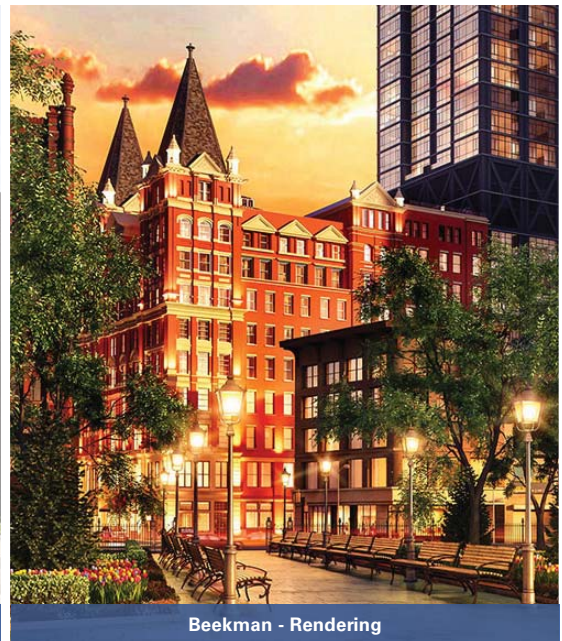
- **Limited-Service Hotels:** While typically offering a wide range of amenities such as fitness centers, pools and meeting spaces, most limited-service hotels don't include a restaurant. The fastest growing sector over the past 3-years amongst the 3-key hotel sectors, room rates that currently range from about \$200 to \$300 per night are being discounted sharply to continue to maintain the near-record occupancies limited-service hotels have enjoyed despite increasing competition from competitors as well as the global room-share hub Airbnb. In addition, many offer rewards programs that allow guests to accumulate points towards free hotel stays. Reimbursement rates of free stays to hotel operators by the corporate flag are based upon occupancy levels, making it more advantageous to maintain high occupancy when reimbursement rate levels are at their highest. Some of the larger hotel brands within this sector include Marriott's Courtyard and Hilton's Hampton Inn, as well as several other smaller brands that are filling the side streets of neighborhoods such as Chelsea and the Garment District. Recent additions include the 125-key **Aloft Hotel**, 49-53 Ann Street (FiDi), a 300-key **Hampton Inn**, 220 West 41st Street (Times Square), and the 150-key **EVEN Hotel**, 321 West 35th Street (Garment).

Manhattan's Hotels Diverge (cont'd)

- **Luxury Hotels:** Manhattan's top-tier hotels typically offer the highest-level of service, incurring high payroll costs due to the numerous valets, concierges and housekeepers on staff for every occupied room. High-end hotels such as the Plaza, Ritz-Carlton, and the Four Seasons tend to be less concerned with occupancy rates, focusing more on room rate growth to cover the high payroll costs of maintaining the numerous valets, concierges and housekeepers on staff for every occupied room. As a result it tends to be more cost effective to operate fewer rooms as long as room rates are kept at high enough levels, operators generally reluctant to reduce room rates since they are hard to increase once cutback. New inventory last year grew at a slower pace comparatively to the limited-service sector with recent openings including the 114-key **Baccarat Hotel**, 28 West 53rd Street (Plaza) and the 330-key **Knickerbocker**, 6 Times Square at West 42nd Street (Times Square).
- **Boutique Markets:** Operators of boutique hotels generally focus on establishing a trendier and relevant appeal, while maintaining a middle-of-the-road approach to room rate and occupancy levels in comparison to the luxury and limited-service sectors. Some operators see the installation of a trendy restaurant as being key to creating a competitive edge that will keep occupancy levels steady and generate repeat business. The **Beekman**, a hotel conversion underway at 5 Beekman Street (FiDi) will be featuring 2-restaurants to be run by restaurateur Keith McNally and celebrity chef Tom Colicchio, known for popular eateries such as Pastis, Balthazar and Gramercy Tavern.

The surge in New York City tourism that has driven hotel construction over the last few years has sparked concerns of an oversupply that may potentially signal trouble in the next few years for some commercial mortgage-backed securities (CMBS) investors. The record number of tourists visiting the city has helped fuel hotel development to unprecedented levels, adding nearly 19,000 new hotel rooms throughout the city since 2009; plus another 10,000 expected to come online in 2016 and 2017 according to reported statistics compiled by research firm Morningstar Credit Ratings. However despite the continued high volume of tourism, reaching 58.3 million visitors in 2015 with projections of the figure rising to 59.7 million in 2016, signs of a softening hotel market in Manhattan are beginning to surface as 2015 marks the first down year since 2009.

While some hotel operators disagree that the drop in hotel occupancy is due to an oversupply, and more of a need to readdress marketing strategies, Morningstar's analysis concludes that "incomes at new and existing hotels are unlikely to hit industry projections." Amongst the roughly \$3.68 billion in Manhattan hotel-backed CMBS, about \$731 million worth of loans are reportedly seeing elevated default risk over the next 2-years. It has been projected that occupancy rates will decrease to 80.5% by 2017, a figure that is nearly 7% below the 86.4% in 2015. RevPAR, the industry's key metric will similarly drop by about 11% during the same period with 2017 rates averaging \$221.45. In response to the downturn in occupancy rates the pace of hotel construction will likely slow as reflected in the 1st quarter 2016 permit filings for new hospitality projects with at least 10-units which totaled only 6, delivering a total of 512-units.





In the News (cont'd):

Millennials Are Changing New York City Real Estate

The city's real estate industry is taking a closer look at the preferences of the generation of young adults born between 1981 and 1987 known Millennials, "which are impacting everything from residential development to the high-stakes office market, retail and hotels. According to reported statistics compiled by the U.S. Census Bureau, 1 in 5-New Yorkers is a millennial, a figure that continues to grow due to an influx in millennial immigrants to the U.S. Although many developers and landlords have begun to recognize the strength in numbers of today's young adults as the trendsetters, there is a reluctance among many to build for one singular demographic although most industry people would concur that millennials have undoubtedly become a force in the city's real estate game.

Rental Development – Although condominium development has taken center stage in recent years, New York City still remains a "city of renters." The purchasing of residential real estate has reached much higher levels, making it unaffordable for most of today's young adults. Home ownership by millennials residing in the city averages roughly 25% in comparison to the national average of 64%. As a result, the majority of the city's young adults are renters, prompting landlords of rental buildings to include amenities that will attract millennial tenants. Features that improve residents' lifestyle such as extra bike storage, USB charging ports in apartments, and co-working space are being added. Some new developments such as the **Urby Staten Island** project in Staten Island will feature an urban garden and communal kitchens, with a chef-in-residence to assist residents that are cooking for large dinner parties; as well as a farmer-in-residence and director or programming.

Residential Sales Market – It is anticipated that in the next few years, millennials will have the financial wherewithal to shift from renters to homeowners. The city's strong finance, legal and TAMI (technology, advertising, media, and information) sectors have generated a class of future homebuyers amongst today's young adults. According to reported statistics, over 100,000 New York City millennials had jobs in law and finance in 2014, and about 2.8% earn over \$350,000. For those seeking homeownership, millennials are reportedly willing to move to less established neighborhoods if priced out elsewhere; potentially opening up new areas in the city for developers. However in contrast to the previous generation, the deferral of marriage, family, and home buying which is reportedly typical of millennials has raised some concerns within the real estate industry.

Millennials (cont'd)

Co-working – One of the strongest drivers of today's co-working space market is the fact that one-third of all millennials are self-employed according to sources. Co-working space accounts for about 5.3 million square feet of office space in Manhattan, plus about another 1-million in Brooklyn. Although only about 1.4% of Manhattan's overall 395 million square feet of office space, landlords are taking notice. While WeWork and Regus are currently the largest players in the New York City market, several other smaller co-working startups such as The Yard, Grind, NeueHouse and Cowork|rs are flourishing. Co-working space has matured from empty rooms with desks and WiFi, to higher-end facilities prompting some larger scale, high-end projects such as **Dock 72 at the Brooklyn Navy Yard**.

NYC Office Market – Currently the city's fastest growing office tenants are amongst the creative and technology sectors which are generally associated with millennials; and have become the driving force behind today's evolving office space environment. Some older buildings are being retrofitted with more communal amenities and outdoor spaces to appeal to today's young adults, landlords hoping to attract the increasing number of companies run by and/or employing millennials. Recently 50% of the 45th floor at **One World Trade Center** was fitted out with brushed concrete floors, exposed industrial-style ceilings and an open work-space environment as a speculative "creative" work space. Creative and technology companies are also increasingly factoring in where employees live when determining office locations; and square-footage requirements are shrinking, in part due to a higher density of employees per square foot. According to reported statistics compiled by the city's Economic Development Corporation, the square feet per employee averaged 135 in 2013.

Hotels – It is anticipated that twice as many millennials are likely to travel for pleasure or entertainment than older travelers; and while discretionary income may limit "leisure" travel, they will seek bargains to fit their budget. Furthermore, today's young adults are projected to comprise about 50% of business travelers by 2020. However a preference of young travelers to stay among locals is resulting in a shift away from hotel stays to room-share services such as Airbnb. Responding to the trend, Hyatt Hotels was amongst a group that invested \$40 million in **Onefinestay**, a U.K.-based company that reportedly describes itself as an upscale Airbnb.

Some millennial-focused brands are reportedly being created by the major hospitality companies, offering smaller rooms, lower rates, and trendy bars as exemplified by Marriott's Moxy, Starwood's Aloft, and Hilton's Canopy. Boutique hotels such as **The Ace**, 20 West 29th Street (NoMad) created an art gallery in the lobby while also featuring a farm-to-table restaurant, coffee bar and event space in the hope of attracting young travelers. Another recent newcomer is **Pod Hotels** which offer rooms that are about 110 square feet featuring amenities such as free WiFi, in-room media center or iPod dock, and personal climate control.

Retail – Shopping practices by millennials have forced the city's retailers to rethink the way their stores operate. Since millennials are more likely to buy online, some retailers are beginning to think outside the box for their brick-and-mortar outposts. Samsung's concept space located at 837 Washington Street (MePa) which doesn't sell any products on-site, offers a digital playground to test the company's products while featuring a café curated by Brooklyn's popular Smorgasburg, a theater for viewing events like the Oscars, and a "selfie station" for the projection of snapped images on a big screen.

Establishing themselves as key demographic for retailers, today's young consumers shop significantly different than their predecessors. Eateries offering locally-sourced and sustainable food, artisanal restaurants, trendy fitness studios and bike shops have reportedly benefitted from the millennial consumer. Some landlords have begun to curate retailers based upon how those tenants will drive consumer traffic to their buildings. Recognizing that a building's retail can also establish a competitive edge for attracting creative and technology tenants to fill the office space above, some landlords have negotiated deals with retailers that will offer something different and more aspiring despite securing a lower rent than a traditional credit tenant.

Co-living – The concept that is beginning to establish a foothold in the city is geared towards "the millennial population who can't afford to live alone and have embraced a communal living mentality." Currently in its infancy, co-living offers a similar environment to college dorms with shared kitchens, common spaces and sometimes bathrooms. WeWork has led the way with the April debut of the company's first Manhattan **WeLive** facility at Lower Manhattan's 110 Wall Street. A more recent newcomer is the co-living startup **Ollie**, which in addition to offering furnished micro-units and co-living suites has organized programming and events for residents, ranging from community meals to ski trips. Some landlords are joining the trend, as in the example of the rental building at 509 East 87th Street which now includes a communal living space dubbed the Hive created by Youngwoo & Associates repositioning of the building's top floor.



In the News (cont'd):

Waldorf Astoria to Close for Partial Residential Repositioning

The landmarked 47-story hotel will reportedly be closing next spring for up to 3-years as new ownership prepares to convert a portion of the guest rooms into residential condominiums. The partial repositioning of the 85-year-old building located at 301 Park Avenue (Plaza) will result in a 20-35% reduction of the current 1,413-keys, as about 1,100 guest rooms are converted into an undisclosed number of high-end residential condominiums. The project that is expected to cost over \$1 billion will include a renovation of the hotel rooms that are retained, with Hilton Worldwide International, LLC continuing to operate the hotel component. Condominium declaration documents posted on city records in March 2015 reveals that the building will be divided between 53,645 square feet of retail use, approximately 1.2 million square feet of residential use, and 300,350 square feet dedicated for hotel use. Beijing-based Anbang Insurance Group acquired the hotel last year for \$1.95 billion (\$1.38 million per key).

Although the condo conversion could potentially help raise \$4 billion in sales, a large number of hospitality-related positions at the hotel will be eliminated. However last year Hilton along with the Blackstone Group, as a 46% owner of the hotel chain, reportedly negotiated a \$149 million severance deal to be paid out over 2-years with the **New York Hotel and Motel Trades Council** as representatives of the hotel's 1,221 union workers.

Last March the city council passed a bill imposing a **2-year moratorium on hotel-to-condo conversion**, affecting all hotels with over 150-rooms. Under the new policy, hotel owners are prohibited from converting over 20% of their rooms to residential units without petitioning the Board of Standards and Appeals to obtain a variance. The city council intended to use the time to further study the effect of hotel conversions on jobs and the city's economy; and at the time of the bill's passing appeared likely to affect Anbang's plans. However a stipulation that purchases made within the past 24-months prior to the bill's passage ,with conversion intentions expressed ,had exempted the Waldorf Astoria from the restrictions mandated under the bill.



Market Snapshot: Class A & B

New York City's Unemployment

- According to the New York State Department of Labor's figures, the city's unemployment rate fell to 4.43% (not seasonally adjusted) at the end of May; in comparison to 5.72% at the end of the 1st quarter. Year-over-year figures resulted in a roughly 22.96% improvement from the 5.75% rate last May.
- Unemployment on the National level fell to 4.4% at the end of May, decreasing roughly 0.12% from the 1st quarter figure of 5.0%. Year-over-year figures resulted in a 15.38% improvement from the 5.2% rate in May 2015.
- Employment activity in New York City's private sector resulted in the gain of 52,200 jobs for the 3 month period between February 2016 and May 2016. Year-over-year figures resulted in a 2.2% gain of 80,900 jobs; in comparison to 1.0% and 1.9% year-over-year growth for New York State and the nation respectively. Educational and Health Services continued to lead the way, followed by Professional and Business Services. Job numbers rose at a slower pace in comparison to that of the previous year's 3.5% improvement.

Weekly Wages

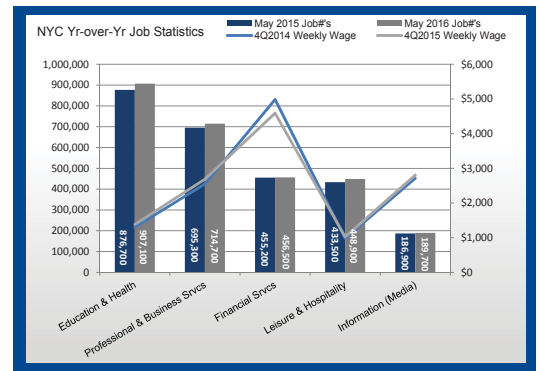
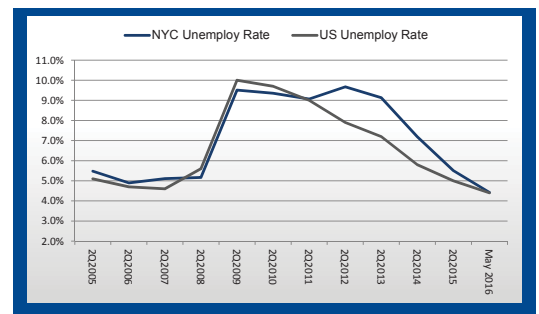
Overall weekly wages in New York City averaged \$2,235 at the end of the 4th quarter 2015, representing a positive 4.5% improvement year-over-year according to the recent report released by the U.S. Department of Labor. The Education & Health sector boasted a 6.38% increase year-over-year at the high, in contrast to the Finance sector where wages fell 7.85%.

Vacancy for Class A & B office space declined 2.57% over 1st quarter's 7.91% figure, resulting in a 7.71% vacancy at the end of the 2nd quarter. Downtown accounted for the strongest quarter-over-quarter improvement, vacancy declining sharply from the previous quarter with a 9.16% reduction resulting in a vacancy of 8.25%. Midtown South followed with a more moderate 1.50% improvement and a vacancy rate of 4.66%, while Midtown's vacancy held steady at 8.17% despite 382,714 square feet being introduced to the market upon 10 Hudson Yards (501 West 30th Street) delivering at the end of May.

Absorption closed the 2nd quarter at a positive 756,609 square feet, representing a rebound over 1st quarter's negative 958,414 square feet. Downtown's positive absorption of 889,450 square feet accounted for the majority of improvement, while Midtown South rebounded moderately by positive 42,324 square feet. Only Midtown incurred a continued negative absorption, however at a significantly diminished rate of 175,165 square feet in comparison to the 1st quarter's 850,732-square-foot figure.

Rental Rates fell slightly for the 3rd consecutive quarter. The overall weighted average asking rent for Class A & B office space of \$59.46 per square foot represented a 0.26% decrease over the previous quarter. Downtown rents fell sharply by 10.44% quarter-over-quarter, falling to \$48.38 per square foot, which was offset slightly by Midtown's 3.82% increase to \$65.14 per square foot. Asking rents in Midtown South fell more moderately by 1.68% for an end of quarter figure of \$67.51 per square foot. Overall Class B rents rose 2.30%, reaching \$58.78 per square foot; in contrast to Class A rents which fell moderately to \$59.85 per square foot, representing a 1.48% decline.

2Q 2016	Total	Class A	Class B
Vacancy	↓	↓	↓
Rental Rate	↓	↓	↑
Net Absorption	↑	↑	↑

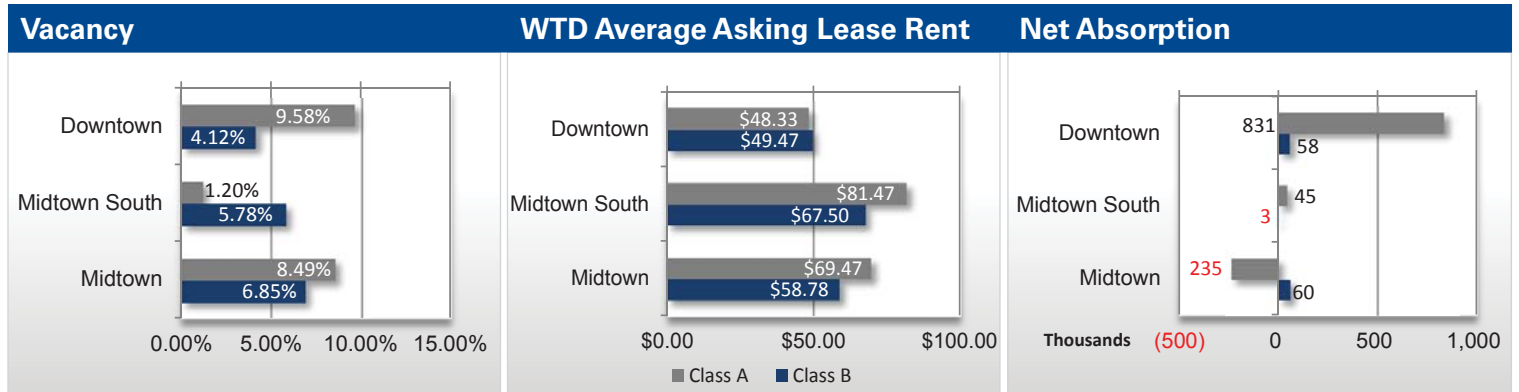


Source: NYS Department of Labor and US Department of Labor, Bureau of Labor Statistics

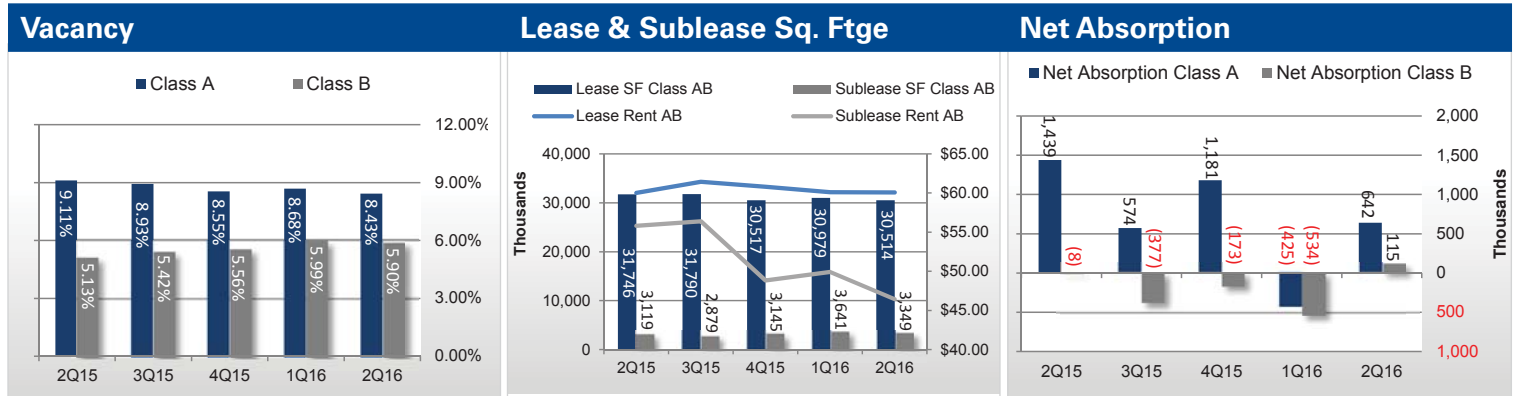
Class A & B Statistics At A Glance



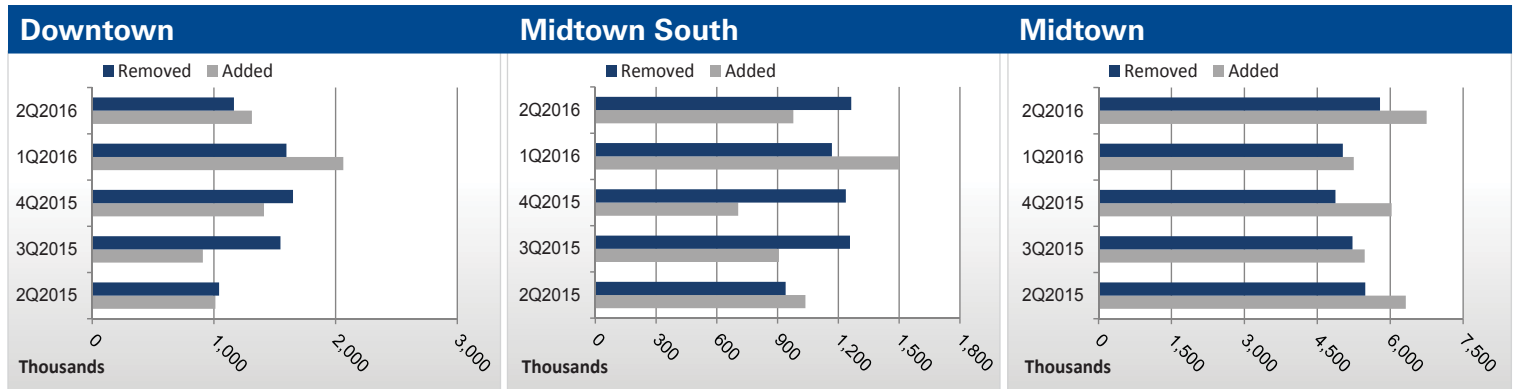
2nd Quarter 2016



Quarter-over-Quarter



Quarter-over-Quarter Inventory Changes



*Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date



Submarket Statistics Overview: Class A & B Office

Manhattan Submarkets Districts	Inventory Total RBA*	Vacant Sq. Ftge.			Vacancy Rate			WTD Avg Rent PSF Direct Asking	Net Absorption Year-to-Date Sq. Ftge
		Direct Sq. Ftge.	Sublet Sq. Ftge.	Total Sq. Ftge.	Direct Vacancy	Sublet Vacancy	Overall Vacancy		
Downtown	106,922,798	8,327,820	493,109	8,820,929	7.79%	0.46%	8.25%	\$48.59	1,035,126
City Hall	14,327,021	950,130	10,815	960,945	6.63%	0.08%	6.71%	\$46.79	-8,370
Financial District	40,420,751	3,196,004	306,222	3,502,226	7.91%	0.76%	8.66%	\$49.49	345,831
Insurance District	11,195,306	209,305	21,796	231,101	1.87%	0.19%	2.06%	\$51.46	25,328
TriBeCa	6,522,455	192,601	19,673	212,274	2.95%	0.30%	3.25%	N/A	-13,900
World Trade Center	34,457,265	3,779,780	134,603	3,914,383	10.97%	0.39%	11.36%	\$48.93	686,237
Midtown South	60,132,741	2,410,250	393,092	2,803,342	4.01%	0.65%	4.66%	\$68.55	-211,134
Chelsea	10,640,522	356,380	83,391	439,771	3.35%	0.78%	4.13%	\$55.78	-85,837
Flatiron	21,589,773	727,474	163,035	890,509	3.37%	0.76%	4.12%	\$69.50	-66,961
Gramercy Park	10,212,834	638,074	27,884	665,958	6.25%	0.27%	6.52%	\$70.78	39,168
Greenwich Village	4,353,399	68,632	19,100	87,732	1.58%	0.44%	2.02%	\$60.04	-22,874
Hudson Square	9,393,521	543,092	88,557	631,649	5.78%	0.94%	6.72%	\$70.10	-128,630
SoHo	3,942,692	76,598	11,125	87,723	1.94%	0.28%	2.22%	\$60.61	44,282
Midtown	272,321,470	19,776,215	2,462,942	22,239,157	7.26%	0.90%	8.17%	\$66.20	-1,025,897
Columbus Circle	31,650,142	1,870,228	349,434	2,219,662	5.91%	1.10%	7.01%	\$63.91	76,806
Grand Central	52,163,263	4,266,306	513,554	4,779,860	8.18%	0.98%	9.16%	\$67.95	197,364
Murray Hill	11,144,764	663,889	151,586	815,475	5.96%	1.36%	7.32%	\$64.26	-209,445
Penn Plaza/Garment	48,699,835	3,256,168	580,168	3,836,484	6.69%	1.19%	7.88%	\$59.71	-58,951
Plaza District	80,777,762	6,271,117	613,763	6,884,880	7.76%	0.76%	8.52%	\$67.88	-952,633
Times Square	44,323,129	3,404,038	254,289	3,658,327	7.68%	0.57%	8.25%	\$73.39	-1,857
U.N Plaza	3,562,575	44,469	0	44,469	1.25%	0%	1.25%	\$59.41	-17,281
Grand Total	439,377,009	30,514,285	33,349,143	33,863,428	6.94%	0.76%	7.71%	\$60.08	-201,905

*Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date



Leasing Activity

TAMI Sector a Key Player in NYC Office Leasing Market

The growing number of small incubating companies within the technology, advertising, media and information (TAMI) sectors has made the collective group a significant player in the city's office leasing market. According to reported statistics, over 100 TAMI companies are currently seeking in the neighborhood of 4.3 million square feet of space typically ranging in size from 10,000 to 100,000 square feet. A few companies are seeking over 100,000 square feet, while others are reportedly new entrants to the New York City market.

Between 2011 to 2014 lease deals over 10,000 square feet by TAMI tenants averaged a total of 4.8 million square feet each year. In 2015 totals reached 5.1 million, with projections by some industry sources of a further increase to about 6-million square feet by the end of 2016. No longer limiting their search to Midtown South, notable deals such as the 176,201-square-foot lease by California-based technology firm Yahoo in 2013 at Midtown's 229 West 43rd Street (the former NY Times Building), and software firm MediaMath's lease for 106,000 square feet at Lower Manhattan's 4 World Trade Center in 2014 reveal a growing trend by TAMI tenants to expand search boundaries into both Midtown and Downtown as well as reportedly Brooklyn, Queens and New Jersey.

Selections of location is partially determined by where employees and company heads are based, as well as proximity to subway or NJ PATH lines. Last year's decision by publishing firm Time Inc. to lease 55,000 square feet at Brooklyn's Industry City (Sunset Park) was prompted by the complex' easy subway access to the company's new headquarters at Lower Manhattan's 225 Liberty Street in the Brookfield Place complex.

Ongoing robust leasing activity by the TAMI sector continues to prompt some property owners to renovate and reposition their buildings to attract today's burgeoning creative tenants, as exemplified by Herald Square Properties intentions to renovate the 16-story, 120,000-square-foot loft building the company recently acquired with a focus on attracting tech firms seeking space between 5,000-8,000 square feet; and the city's request for proposal (RFP) released in November for the redevelopment of the former P.C. Richards & Sons location at 114-124 East 14th Street (Union Square) into an office property that will attract technology and creative tenants that are either startups or at the stage of graduating from incubator and co-working spaces.

Although the TAMI sector has continually made headline news as the driving force in today's office leasing market, the finance, insurance, and real estate (FIRE) sectors are expected to remain the dominant contender for Manhattan office space in the coming years. According to reported findings of a recent analysis, amongst the 508 tenants currently in the market the FIRE sector accounts for roughly 31.5% of the approximately 27.6 million being sought as of June, with companies such as HSBC, AllianceBernstein, and BlackRock amongst the 10-companies seeking the largest blocks of space.

Tenant Sectors Seeking Manhattan Office Space

Tenant Sector	# of Tenants	Sq. Ftge.
FIRE	129	8.7 Million
TAMI	106	4.3 Million
Legal / Accounting	45	2.4 Million
Apparel / Textile / Manufacturing	35	2.3 Million
Other	193	9.9 Million
Totals	508	27.6 Million

Source: The Real Deal Analysis of data provided by industry sources

Leasing Activity (cont'd)

Big Block Tenants in the Market

Macmillan Publishers – The publisher is reportedly considering a possible relocation of its current headquarters at the Flatiron Building, 175 Fifth Avenue upon lease expiration in a few years, where they are paying below market rents. Currently the sole tenant of the nearly 176,000 square feet of office space at the 21-story tower, alternative options for 150,000 square feet are being explored. While all submarkets are being considered, the publisher's education arm Macmillan Science & Education relocated to Lower Manhattan's 1 New York Plaza, consolidating several offices into 176,121 square feet as a result of the 17-year deal secured in 2014. If decisions to relocate move forward, the Flatiron's ownership will for the first time in over 100 years have an opportunity to renovate and/or reposition the 183,449-square-foot building; at one time reportedly considering converting the landmarked building into a hotel.

Business Insider – The rapidly-growing news site is reportedly in the market for about 70,000 square feet for a new headquarters location in New York City. The media company's search is primarily targeting Midtown South and the Penn Plaza area. Currently located in about 41,000 square feet at 150 Fifth Avenue (Flatiron) through a sublease from music publisher EMI Group that expires in 2018. Launched in 2007, the company was valued at \$442 million in September following a controlling stake acquisition by German publisher Axel Springer.

New York Presbyterian Hospital – The hospital is rumored to be in the market for as much as 500,000 square feet to house a new administrative center. The search has likely been prompted at a time when the city's hospitals are looking to expand medical space by moving administrative and support functions into office buildings. Brookfield Office Property's One Liberty Plaza is an option being considered, where talks of a possible commercial condo purchase have reportedly taken place. The 54-story, 2.3 million-square-foot tower located in Lower Manhattan currently has about 418,000 square feet available for lease. Other sites reportedly being considered are RXR Realty's 237 Park Avenue (Grand Central) and Fosun International's 28 Liberty (FiDi). Earlier this year the hospital secured a 10,000-square-foot expansion at 463 Seventh Avenue (Penn Plaza), increasing administrative office space at the building to a total of 55,580 square feet.

Sothebys – The auction house is once again returning to the market, intending to secure a new headquarters location followed by the sale offering for their current 490,000-square-foot building at **1334 York Avenue**. Although details of the square-footage being sought were not released, some viable options reportedly include 60 Columbus Circle, as Time Warner's relocation to 30 Hudson Yards draws closer; and 550 Madison Avenue which was recently acquired by the Olayan Group with intentions of continuing to operate the iconic building for office use.

NYC Economic Development Corporation – The non-profit organization that manages about 60 million square feet of New York City real estate is reportedly in the market for 250,000 square feet, focusing their search to either the Financial District or Downtown Brooklyn. The NYCEDC currently houses over 500 employees at 110 William Street (Insurance), where the agency has been a tenant since 1992. The "quasi-city" agency's current 262,500-square-foot space spans 7-floors at the 928,000-square-foot tower on the corner of John Street through a lease that expires in August 2019 according to sources. However due to a number of challenges such as a lack of natural light and uneven distribution of heating and air conditioning, the NYCEDC is hoping to secure a new space in a more modern building by the end of this year.

Large Vacancy on the Horizon

717 Fifth Avenue (Plaza) – Merrill Lynch is reportedly expected to vacate the 138,000 square feet the financial firm currently occupies upon lease expiration in 2017, planning to relocate to 75 Rockefeller Plaza. The vacated space the spans entire floors 5-8 will be marketed at an asking rent of \$95 per square foot according to reports.

60 Columbus Circle (Columbus Circle) – Time Warner Cable will be vacating its 75,000-square-foot headquarters on the 16th and 17th floors at the tower upon lease expiration in mid-2019 according to sources. As a result of the cable company's recent acquisition by Connecticut-based Charter Communications for \$55.1 billion, Time Warner will be relocating to Charter's headquarters in Stamford; and eventually shed its name as well as, part of an intended rebranding as Spectrum. The cable telecommunications company was a subsidiary of Time Warner Inc. until being spun-out as a separate company in 2009. Asking rent for the space that offers Central Park views will reportedly be \$150 per square foot.



Leasing Activity (cont'd)

Large Vacancy on the Horizon (cont'd)

5 Times Square (Times Square) – Accounting firm EY, formerly Ernst & Young is reportedly considering vacating up to 170,000 square feet of the current nearly 1-million square-foot office space the London-based company currently occupies at the 37-story tower through a lease that expires in 2022. There have been some ongoing discussions to take space across the Hudson River at 121 River Street in Hoboken, NJ according to recent reports. It is anticipated that plans for a bigger shift from the Midtown tower are potentially being explored with rumors that the company intends to begin searching for space in Lower Manhattan beginning next year; but likely that some space will either be retained at EY's current location or a new location in Midtown. While reasons behind the potential move were not revealed, it is likely just simple economics. New Jersey's **The NJ Grow Program** reportedly provides as much as \$15,000 in tax credits for every employee a company moves into the state; and rents for office space in Lower Manhattan being generally less expensive than Midtown.

Large Blocks of Space that became Vacant in the 2nd Quarter

10 Hudson Yards aka 501 West 30st Street (Hudson Yards*) – 382,174 square feet was introduced to the market as the first tower within the multi-building project delivered. The 52-story, 1.7 million-square-foot building constructed by the Related Companies and Oxford Property Group welcomed its anchor tenant **Coach** on May 31st.

Notable Move-ins During the 2nd Quarter

450 West 33rd Street (Penn Plaza) – 139,332 square feet was absorbed upon financial data provider Markit Group Limited relocating to the space that spans the entire 5th floor. The 16-story building dubbed **5 Manhattan West** has been undergoing a major renovation and will serve as the gateway tower to the currently rising Manhattan West complex. The 15-year lease enabled the London-based company to consolidate offices at 101 Park Avenue and 620 Eighth Avenue.

300 Park Avenue (Plaza) – 109,631 square feet formerly occupied by anchor tenant Colgate-Palmolive will serve as a new co-working space facility for WeWork. The sublease term will reportedly run to June 2023 for the space that spans the entire 12th through 14th floors at the 26-story tower.

225 Liberty Street / 250 Vesey Street (World Trade Center) - 399,000 square feet in total will serve as Hudson's Bay new headquarter location in New York City. The 20-year deal announced the late 2014 allowed the Canada-based retail trade company to consolidate offices. Comprised of 233,000 and 166,000 square feet between the 2-buildings located within the 4-building **Brookfield Place** complex. A new Saks store will be opening later this year in addition to a men's standalone location for the luxury retailer. Although details were not disclosed, incentives reportedly offered by the state and city were one of the contributing factors that resulted in the decision by the company to remain in the Manhattan, versus relocating to either New Jersey or Connecticut.

*Hudson Yards has been included in the Penn Plaza district for quarterly statistics purposes



Submarket ReCap: Midtown

Lease Deals to Watch For

ICAP / 4 Times Square (Times Square) –The financial securities brokerage firm reportedly has a lease out for 150,000 square feet. If the deal finalizes it will absorb a portion of the 840,000-square-foot spanning floors 4-24 left vacant upon publisher Condé Nast relocating to One World Trade Center. The electronic-trading firm plans to take 4-floors at the base of the tower where asking rents are reportedly \$85 per square foot. Currently located in about 106,000 square feet at Harborside Plaza Five along New Jersey’s waterfront through a lease that reportedly expires this year. The building is currently undergoing a makeover despite being constructed only 16-years ago; and ownership is considering keeping Condé Nast’s cafeteria as an amenity for tenants.

Midtown		Class A and B
Vacancy	↑	8.17%
Rental Rate	↑	\$65.14 per sq. ft.
Net Absorption	↓	175,165 sq. ft.

National Hockey League (NHL) / 1 Manhattan West, 400 West 33rd Street (Penn Plaza) – The sports organization is reportedly in discussions to lease about 160,000 square feet at the new office tower under construction by Brookfield Property Partners. The news comes just 4-months after it was announced that the NHL was considering its options. The NHL is currently located in a 5-level, 133,000-square-foot space at 1185 Sixth Avenue (Times Square) where they also have a nearly 7,000-square-foot store at its base. The 42-story tower at the corner of West 47th Street has served as the sport organization’s home since 2008, having relocated there from an 80,000-square-foot office at nearby 1251 Sixth Avenue. If the deal moves forward, the NHL will be joining law firm Skadden Arps Slate Meagher & Flom which committed to 550,000 square feet as anchor tenant last year. Construction of the estimated \$2.1 billion, 67-story tower is expected to be completed in 2019.

Lease Deal Highlights - 2nd Quarter 2016

Merrill Lynch Wealth Management / 75 Rockefeller Plaza (Plaza) – The finance company owned by the Bank of America leased 125,000 square feet at the 623,000-square-foot tower. Details of the reportedly long-term deal were not released, but the new space will spread across the entire 2nd through 5th floors at the 33-story tower which is currently undergoing a \$150 million renovation and expected to re-open before the end of the year. Merrill Lynch will be relocating from their current 138,000-square-foot office at 717 Fifth Avenue (Plaza) upon lease expiration in 2017 as a result of the signing.

WeWork / 135 East 57th Street (Plaza) –The co-working office space provider is expanding once again, reportedly leasing 60,000 square feet spanning 4-floors at **Tower 57**. The 13-year deal represents the company’s debut in the high-end Midtown office market. WeWork has grown into one of the largest tenants in the city, reportedly leasing in the neighborhood of 3 million square feet; and another roughly 2 million square feet globally.



Submarket ReCap: Midtown (cont'd)

Lease Deal Highlights (cont'd)

NYU Langone Medical Center / 222 East 41st Street (Grand Central) – The healthcare provider will be opening a new facility on the east side, having signed a 30-year deal for the entire 25-story tower. NYU Langone will take possession of the 389,522-square-foot space before the end of the year, absorbing the 353,541-square-foot vacancy being created by the nearing relocation of law firm Jones Day to 250 Vesey Street, Brookfield Place upon lease expiration in October. As part of the deal the new medical center that will be a mix of medical offices and ambulatory care facilities, will also occupy the building's lobby, common areas and parking garage.

PricewaterhouseCoopers / 90 Park Avenue (Grand Central) – The auditing firm recognized as one of the “Big Four” will be expanding its presence in the city, news in April bringing the announcement of the 17-year lease for 240,000 square feet. The deal represents an expansion of the company's existing 800,000-square-foot headquarters at 300 Madison Avenue about 2-blocks away, plus an ancillary 2-floor office of approximately 46,800 square feet at 101 Park Avenue. As part of the deal, PwC will have a dedicated entrance at the building that recently underwent a \$30 million renovation. The new space that will spread across the entire 2nd through 4th floors, as well as the 6th, 8th, and 9th floors will open in the first-half of 2017. News of the potential lease was initially reported in February, asking rents at the time for lower floors at the tower ranged from the high-\$60s to low-\$70s per square foot. A portion of the space was previously occupied by Capital One which began relocating in 2014 to a 250,000-square-foot space at 299 Park Avenue, consolidating the bank's Manhattan locations.

Wells Fargo Capital Finance / 100 Park Avenue (Grand Central) – The division of San Francisco, CA-based bank Wells Fargo will be extending its stay at the 36-story tower. The finance firm will remain in the 103,000-square-foot space that spans 3-floors for another 5-years and 7-months as a result of the lease renewal. Relocating to the building in 2009, over the years the company has reportedly expanded its footprint from its original office size of 57,000 square feet. Details of the deal announced in April were not released.

New York Life Insurance Company / 420 Lexington Avenue (Grand Central) – The mutual life insurance company will be expanding their presence to a total of 114,709 square feet at the 30-story Graybar Building. The 10-year deal announced in June was comprised of an early renewal of the company's existing 87,944 square feet spread across the entire 15th floor and a portion of the 14th floor, and a 26,765-square-foot expansion on a portion of the 14th floor that will be phased in over 2017 and 2018. The complicated transaction had a reported asking rent of \$65 per square foot; involving the use of temporary swing space, tenant relocations, and infrastructure upgrades.

Federal Home Loan Bank of New York / 101 Park Avenue (Grand Central) – The community bank will be expanding its presence at the 46-story tower upon relocating from their existing space on the entire 5th floor totaling roughly 42,700 square feet in the fall of 2017. A tenant at the building since 2002, the new 15-year lease will see the bank occupy the entire 7th floor and a portion of the 6th floor, increasing their footprint to about 68,000 square feet.



Submarket ReCap: Midtown (cont'd)

Lease Deal Highlights (cont'd)

UBS AG / 1285 Sixth Avenue (Columbus Circle) – The Zurich-based global bank will be extending their stay in about 900,000 square feet spread across entire floors 8-20, 37, 38 and 39. The renewal deal announced in May was made in conjunction with RXR Realty and real estate investor David Werner's acquisition of the tower; and will keep UBS as the anchor tenant at the 39-story tower through 2032. Last October it had been reported that UBS was seeking new space since the renewal of its existing lease expiring in 2020 was denied due to the building being sold. Ongoing intentions to downsize its footprint in Manhattan will likely result in the consolidation of employees currently housed in 120,000-square-foot space at the adjacent 787 Seventh Avenue which was sold to the California public employee's pension fund CalPERS earlier this year. In 2013 the Swiss bank introduced 382,000 square feet of sublease space to the market at 299 Park Avenue, of which 250,000 square feet was subsequently leased to Capital One with UBS retaining 130,000 square feet at the Plaza district tower.

Vedder Price / 1633 Broadway (Columbus Circle) – The law firm will remain at the 48-story tower, signing an 11-year lease for 52,555 square feet spread across the entire 31st floor. Vedder was reportedly nearing final negotiations to relocate to a nearby building upon the 2017 expiration of their existing lease for the entire 47th floor, but decided to remain after the option to relocate to the lower floor presented itself. The new turn-key, fully furnished space was recently renovated and built-out by the previous tenant Dickstein Shapiro, offering a significant cost savings opportunity. The now defunct law firm had reportedly negotiated a \$10.9 million lease termination, landlord Paramount re-leasing the space to Vedder at an initial cash rent of \$80 per square foot according to sources.

Cardiovascular Research Foundation / 1700 Broadway (Columbus Circle) – The non-profit organization will be relocating its headquarters to a 47,394-square-foot space this fall as a result of the 15-year lease at a reported asking rent of \$59 per square foot. Currently located at 111 East 59th Street (Plaza), the new space will allow the addition of amenities, an expansion of the organization's in-house television studio, and the convenience of being on contiguous floors.

D.E. Shaw Group / 1166 Sixth Avenue (Times Square) – The hedge fund has renewed its lease for the 195,375-square-foot office that spans entire floors 5-9 at the 44-story tower. Details of the deal were not released, but per square foot asking rents at the tower range from the high-\$70s to mid-\$80s depending on the floor level. Located between West 45th and 46th Streets, planned building renovations will include a redesign of the lobby, lighting, outdoor canopies and security, as well as upgraded telecom that will achieve WiredScore Gold status.

Chubb Corporation / 1133 Sixth Avenue (Times Square) – The publicly traded property and casualty insurer will be expanding its footprint at the 44-story tower, signing an 8-year lease for 45,910 square feet. The new space will increase the company's total square footage to about 184,000 square feet. Asking rents for the entire 11th and 35th floor deal were \$77 and \$93 per square foot respectively according to the reports. Chubb which was acquired by Ace Limited in January for \$29.5 billion has reportedly been a tenant at the tower since 1998.

Submarket ReCap: Midtown (cont'd)

Lease Deal Highlights (cont'd)

Engine Group / 229 West 43rd Street (Times Square) – The advertising holding company leased a 57,929-square-foot space spread across the entire 8th floor at the former New York Times Building. The new space had previously been occupied by technology firm Collective Media, which due to a downsizing of staff reportedly negotiated a buy-out of the 10-year lease announced in early 2014; subsequently relocating to a smaller space at 250 Hudson Street (Hudson Square). Launched in 2010 as the stateside company of the U.K.-based firm with the same name, Engine will be relocating and expanding from their current 20,000-square-foot space at 460 Park Avenue South (Murray Hill).

Schroder Investment Management North America / 7 Bryant Park (Penn Plaza) – The U.S.-based arm of the London-based global financial services firm has leased 74,000 square feet at the 28-story tower. The 15-year deal will see the company relocate in 2017 from their current 53,500-square-foot office at 875 Third Avenue (Plaza). The new space that carried an asking rent above \$100 per square foot will span entire floors 17-21, and a portion of the 16th floor.

Salesforce / 3 Bryant Park aka 1095 Sixth Avenue (Penn Plaza) – The software and cloud computing company will reportedly be consolidating its New York operations in a 210,496-square-foot space at the 41-story tower. Originally rumored to be considering sites in the Hudson Yards back in 2014, the search apparently shifted back east leading to the decision by the San Francisco-based company to establish its regional headquarters at the edge of Bryant Park. The new space was secured through a roughly 3.5-year sublease from insurance provider MetLife, and will result in the renaming of the tower to **Salesforce Tower New York** as well as the Salesforce logo replacing MetLife's at the top of the building. News of a possible deal was first announced last summer for a portion of the roughly 380,000-square-foot sublease introduced to the market about 1-year ago as MetLife prepares to relocate to their namesake building at 200 Park Avenue.

Founded in 1999, Salesforce is planning to further expand its presence in the city with intentions of adding "hundreds" of jobs in New York according to reported comments by a company spokesperson. Salesforce will be consolidating their 3-current Manhattan locations — 140 East 45th Street and a 74,349-square-foot space at 685 Third Avenue (Grand Central) leased in 2012 through a 10-year deal; plus a 30,000-square-foot space at 155 Sixth Avenue (Hudson Square) leased in 2014 through a 5-year deal, inherited in 2012 as a result of the acquisition of Buddy Media.

55 Hudson Yards aka 550-570 West 34th Street (Hudson Yards)

- **Milbank Tweed Hadley & McCloy** – The law firm will be heading to the Far West Side as a result of a letter of intent (LOI) announced in the final days of April, expecting to complete the lease for 250,000 square feet "by the end of the summer" according to reported joint comments by parties involved. Milbank will be diminishing its footprint by over 100,000 square feet upon relocating when their lease expires in 2018 from their current 256,774-square-foot Lower Manhattan office at 28 Liberty Street (the former Chase Manhattan Plaza) where they have had a presence since the 1960s. The decision to downsize their office space requirement in the move comes amidst advances in technology that will allow the law firm to digitize library files that will reduce storage space needs, as well as intending to design the space with a more efficient layout. The new office that will span entire floors 30-38 includes an outdoor terrace that will connect to space to be used for conference rooms.

The deal represents the 2nd tenant commitment for the tower, law firm **Boies Schiller & Flexner** leased 83,000-square feet in mid-2015. Part of the multi-building Hudson Yards complex being developed by Related Companies and Oxford Property Group, the 51-story, 1.3 million-square-foot tower is being co-developed along with Mitsui Fudosan as a result of the 90% stake acquired for \$258.8 million (\$221 per square foot) by the U.S. arm of the Japanese development firm just prior to its ground-breaking in mid-January 2015.

- **Point72 Asset Management** – The investment fund founded by billionaire Steven A. Cohen has reportedly signed a letter of intent (LOI) for 175,000 square feet spread across 6-floors at the 51-story tower currently under construction. Although details of the deal were not disclosed, Point72 is hoping to finalize the terms of the lease by the end of the year. The Connecticut-based company will be consolidating 2-existing Manhattan offices while shifting about 1,000 employees from 510 Madison Avenue (Plaza) and 330 Madison Avenue (Grand Central), reportedly expanding its presence in the city by about 20% as a result of the intended relocation. The new space will offer a more open and collaborative environment featuring panoramic views of the Hudson River and new Hudson Park, as well as a private outdoor terrace on the 10th floor. Point72 is expected to move simultaneously with the tower's expected delivery in 2018.



Submarket ReCap: Midtown South

Flatiron 23rd Street Partnership – Q1 2016 Snapshot

Leasing activity remained steady in the Flatiron District during the 1st quarter according to the report released by the BID in April. The district’s continued attraction of TAMI sector tenants (technology, advertising, media, information) which has established the neighborhood as the “heart of New York’s startup scene,” has more recently attracted the interest of a number of big-name established firms. The 1st quarter welcomed electronics giant **Sony Corporation of America** to its new 520,000-square-foot headquarters at 11 Madison Avenue, having relocated from its former location at Midtown’s 550 Madison Avenue as a result of the 16-year deal announced in 2014; cloud computing and storage provider **DropBox** will be relocating within the Flatiron area during the 2nd quarter to 50 West 23rd Street, having secured a 5-year lease for 31,270 square feet earlier this year; and Paris-based app developer **Criteo** which relocated from SoHo to a 40,238-square-foot space at 387 Park Avenue South through a 10-year deal.

The Flatiron district also now boasts the city’s only real estate technology accelerator which is housed at 18 West 21st Street. **Metaprop NYC** which was launched last year offers a growth program for early stage companies, reportedly intending to invest up to \$5 million in dozens of real estate-related startups over the next 5-years; and has recently completed its first 22-week program. The 1st quarter also welcomed luxury gym chain **Equinox**, which signed a 20-year lease for 44,458 square feet at 315 Park Avenue South. The deal announced in early 2016 will further establish the Flatiron district as a growing hub for health and wellness, the area already serving as the home of several other gym chains and boutique fitness studios such as Bikram Yoga NYC and Chaise Fitness.

Midtown South		Class A and B
Vacancy	↓	4.66%
Rental Rate	↓	\$67.51 per sq. ft.
Net Absorption	↑	42,324 sq. ft.



Submarket ReCap: Midtown South (cont'd)

Lease Deal Highlights - 2nd Quarter 2016

Credit Suisse / 11 Madison Avenue (Flatiron) – The Swiss-based finance firm signed a lease extension for 186,396 square feet spread across 2-floors at the tower that has served as its Manhattan headquarters since 1997, opting to forego its option to vacate the space earlier than the rest of its space as part of a negotiated re-consolidation in 2014. The deal represents a portion of the 1.2 million square feet Credit Suisse currently leases at the 30-story tower, downsizing in 2014 from about 1.8 million square feet which allowed an approximately 520,000-square-foot relocation deal with electronics firm Sony to move forward.

Grind / 1214-1216 Broadway (NoMad) – The co-working space provider will add a 4th facility to its roster of Manhattan locations, signing a 12-year lease for 18,000 square feet. The space spanning the 2nd and 3rd floors at the 4-story building located at the corner of West 30th Street features an outdoor terrace. The significance of the signing is in the structure of the deal amid some developing concerns of an oversupply of co-working space should there be an economic downturn. In an effort to reduce risk, Grind will reportedly pay a below market rent in exchange for granting the building's landlord a share of Grind's profits at the location. A similar arrangement was used last year for a 10,000-square-foot lease from Verizon at Lower Manhattan's 140 West Street as part of an initiative by the telecommunications company to connect with the city's tech community. The partnership-like model will potentially provide a win-win situation that will help safeguard Grind will generating a higher level of income for the landlord as compared to a traditional lease at market-rate rent.

Galvanize Inc. / 315 Hudson Street (Hudson Square) – The Denver, CO-based company that offers coding and programming training will be making its debut on the East Coast as a result of the 54,590-square-foot lease recently announced. The deal for the entire 2nd floor at the 10-story building includes a 3,000-square-foot private entrance and coffee bar that will be created by repositioning one of the building's loading docks. The 485,577-square-foot building that spans the entire block-front between Vandam and Spring Streets will feature the added tenant amenity of a green roof upon completion of the \$65 million renovation program currently underway.



Submarket ReCap: Downtown

Downtown Alliance: Q1 2016 Real Estate Market Overview

The report released in May by the BID revealed a slowdown of leasing velocity during the 1st quarter, while the trend of rising overall asking rents came to a halt. The TAMI (technology, advertising, media and information) sector continues to be a noteworthy player in the Lower Manhattan leasing market. Perhaps one of the most notable trends in recent years is a shifting away by some larger companies from traditional Midtown roots in favor of Downtown. Some of the key corporate relocations completed and/or anticipated between 2014 - 2017 include: financial firm **McGraw Hill Financial**, publishers **Condé Nast** and **Time Inc.**, retail trade firm **Hudson's Bay**, and media company **Associate Press**.

Large blocks of space on the market include:

- 3 World Trade Center – 1.81 million square feet
- One World Trade Center – 990,000 square feet
- 28 Liberty (former Chase Manhattan Plaza) – 911,000 square feet
- Brookfield Place – 680,003 square feet at the 4-building complex, with largest blocks at 200 Vesey Street (297,661 square feet) and 300 Vesey Street (150,080 square feet)
- 180 Maiden Lane – 725,000 square feet
- 375 Pearl Street - 495,000 square feet
- 1 Liberty Plaza – 418,000 square feet

Downtown		Class A and B
Vacancy	↓	8.25%
Rental Rate	↓	\$48.38 per sq. ft.
Net Absorption	↑	889,450 sq. ft.

Submarket ReCap: Downtown (cont'd)

Tenant	Address	Sq. Ftge.	Lease Type	Sector
McGraw Hill Financial	55 Water Street	900,027	Renewal	FIRE
American Express	200 Vesey Street	74,439	Renewal	FIRE
The financial services firm occupies a total of 1,329,911 square feet — about 53% of the building				
Lovell Safety Management	110 William Street	25,398	Renewal	FIRE
The Waterfront Commission of NY Harbor	39 Broadway	21,200	Renewal	Government
Port Authority of NY & NJ	115 Broadway	20,734	Renewal	Government
The agency occupies a total of 124,514 square at the building, plus 600,000 square feet at 4 World Trade Center				
ABM Industries	1 Liberty Plaza	44,025	Relo/Midtown	Professional Srvc
Rocket Fuel	195 Broadway	41,982	Relo/Midtown	TAMI
Mic Network	One World Trade Ctr	36,099	Relo/Midtown South	
Partnership for Children's Rights	88 Pine Street	11,671	Relo/Midtown	Nonprofit
Druga5	120 Wall Street	106,000	Expansion	TAMI
The advertising agency now occupies a total of 208,000 square feet at the building				

Tourism:

A high volume of tourist activity is predicted to continue throughout the year, the area south of Chambers Street boasted 14.2 million unique visitors in 2015.

Hotel Development:

The total number of hotel rooms in Lower Manhattan increased by 12% over the past year, reaching 5,688 guest rooms spread across 27 hotels by the end of the 1st quarter. Although representing less than 5% of New York City's total hotel inventory of 107,000-keys, Lower Manhattan holds claim to about 20% of the total hotel rooms that are currently under construction throughout the city. Hotels that opened during the 1st quarter added a total of 318-keys, with another 3,100-keys spread across 18-hotels currently in the development pipeline. By the end of 2016, guest room inventory is expected to reach 6,700-keys if projects meet current deadlines including:

- AKA Wall Street, 84 William Street – 140-keys
- The Beekman Hotel, 5 Beekman Street – 287-keys
- Courtyard by Marriott, 133 Greenwich Street – 317-keys
- Four Seasons Downtown, 27 Barclay Street – 189-keys
- The Artezen Hotel, 24 John Street – 89-keys

Hotel occupancy rates were down quarter-over-quarter at the end of the 1st quarter. However despite reaching only 75%, the occupancy rate remained above the 1st quarter performance of recent years. The acceleration of new hotel room inventory has added supply at a faster pace than demand, partially attributing to the decline in occupancy rates, coupled with a growing supply of limited-service hotels and an increasing popularity of Airbnb. It is anticipated that demand will rebound as new office and residential buildings come online, as well as the opening of major retail destinations such as Westfield World Trade Center and the South Street Seaport's Pier 17.

Residential Market:

Lower Manhattan has a total of 30,000 housing units spread across 321 mixed-use and residential buildings. An additional 4,500 units spread across 28 buildings are in different stages of planning and construction comprised of 62% condominiums, 32% rental and 6% where tenure is yet to be determined. Expected deliveries this year include:

- 70 Pine Street – 644 rental units as part of a 132-room extended-stay hotel as part of the conversion of the landmarked former AllLife office tower;
- 110 Wall Street – 232 units delivering WeWork's community-driven living concept dubbed **WeLive**;
- 5 Beekman Street – 68 condo units as part of the 287-room Beekman Hotel;
- 30 Park Place – 157 condo units as part of 189-key Four Seasons Hotel;
- 100 Barclay Street – 166 condo units being created through the conversion of the upper 22-floors at the former Verizon building;
- 50 West Street – 191 condo units



Submarket ReCap: Downtown (cont'd)

Lease Deals to Watch For

Zurich North America / 4 World Trade Center (World Trade Center) –The Swiss insurer is reportedly in negotiations to lease about 70,000 square feet at the tower. If the deal moves forward Zurich would relocate from its existing headquarters at nearby 1 Liberty Plaza upon lease expiration in May 2017, downsizing from nearly 170,000 square feet. The new space will house the company's operations, while remaining staff would be relocated to New Jersey where they are currently searching for space in Jersey City according to reports.

Lease Deal Highlights - 2nd Quarter 2016

Hudson River Trading / 4 World Trade Center (World Trade Center) –The high-frequency trading firm will be relocating from their current office at 32 Old Slip (FiDi) next year, having signed a 69,000-square-foot lease at the 72-story tower. Although details of the deal were not disclosed, the new space will span the entire 57th and 58th floors; and feature a 5,000-square-foot outdoor terrace created by a setback on the 57th floor.

Paradigm Talent Agency / 140 Broadway (FiDi) –The Hollywood talent agency will be relocating to Lower Manhattan as a result of the 10-year lease for 50,600 square feet. The new space will span across the entire 26th and 27th floors at the landmarked 51-story tower. The deal had a reported asking rent of \$65 per square foot, and will result in a consolidation of a 22,500-square-foot office at 360 Park Avenue South (Gramercy Park) and a smaller Brooklyn space at 55 Washington Street (DUMBO). The property will be adding several thousand feet of ground and lower level retail space according to reports of planned renovation work by ownership intended to enhance the building's offerings of amenities to its tenants.



Bathgate Industrial Park, Bronx

Port Authority – Push for Sale of Non-core Real Estate Assets Resurfaces

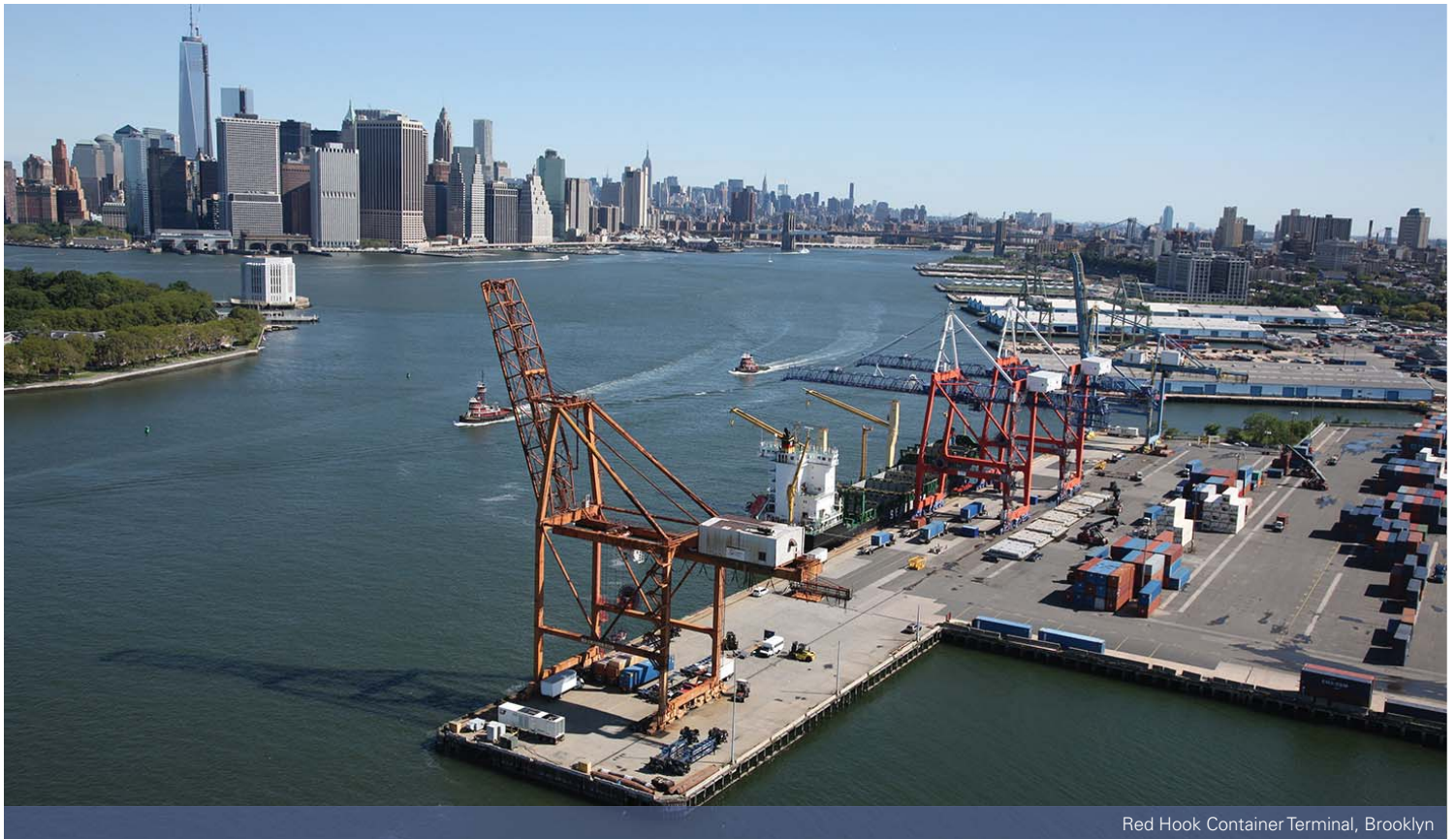
Some of the leaders of the joint venture agency that oversees much of the regional transportation infrastructure throughout New York and New Jersey are reportedly once again discussing the potential sale of the Port of Authority of New York & New Jersey's (PANYNJ) non-core real estate holdings. Revenue generated by the sales would help fund core mission projects such as the new rail tunnel under the Hudson River that is part of **Amtrak's Gateway Program**, with an estimated price tag of \$20 billion of which the PANYNJ reportedly allocated \$70 million in capital; and the estimated \$10-11 billion cost to construct of a new **Port Authority Bus Terminal**.

Per reports in 2014, leadership was focused more closely on the potential divesting and re-examination for possible uses of 7-waterfront and industrial properties. Steps have already been taken to sell the agency's interests in:

- **Teleport**, a 100-acre business park in Staten Island which the PANYNJ controls through a ground lease expiring in 2024. The agency's board has already approved the carving out of 9-acre division from the lease to sell to a private developer for \$3.6 million. Proceeds from a sale would be split between the PANYNJ and the New York City Economic Development Agency (NYCEDC).
- **Bathgate Industrial Park**, the 20-acre, 454,000-square-foot complex in the Bronx is controlled by the PANYNJ through a leasehold interest that the agency's board approved to sell for \$16.5 million in March.

Other real estate interests reportedly include:

- **Brooklyn, NY** – The waterfront shipping terminal **Red Hook Container Terminal** sits on a portion of a 110-acre assemblage at the southern edge of Brooklyn Park. Although the terminal sits near some planned residential developments it is zoned for manufacturing, and a sale would likely be for the development of commercial uses — however residential use is a possible 2nd option. A portion of the terminal is currently leased to the NYCEDC, but along with the adjacent Brooklyn Marine Terminal, operated at a combined loss of \$13.37 million according to reports of the agency's 2015 financial statements. Both terminals offer about 4.5 million square feet of development rights valued at approximately \$675 million (\$150 per buildable-square-foot) according to some sources. Although a sale offering would give rise to huge redevelopment potential, it has been suggested that smaller divisions would more likely facilitate sales.
- **Staten Island, NY** – The 311-acre **Howland Hook Marine Terminal** is currently under a long-term lease with the city that expires in 2058. However despite operating at a reported loss of \$30 million, it is unlikely to be sold since a 2014 report by a special panel of Port Authority leaders and gubernatorial advisors identified it as "important to the Port Authority's core mission."
- **Hoboken, NJ** – A 50-acre mixed-use site located along the waterfront that hosts 2-office buildings.
- **Essex County, NJ** – 526-Residential units, a 265-key hotel, and a waste-to-energy plant.
- **Elizabeth, NJ** – Partial ownership of a 12-acre industrial park.
- **Newark, NJ** – A legal-and-communications center that is controlled by a private operator under a 50-year lease.



Red Hook Container Terminal, Brooklyn

Port Authority (cont'd)

Although suggestions to sell the **World Trade Center** have arisen, it is not in the foreground of discussions. Taking a closer look at the PANYNJ's options of selling its interests in the complex gives rise to anticipated complications that would make viability questionable according to some industry people.

- **Fee Position Sale** – The World Trade Center sits on a 16-acre site that is a state-owned property. As a result the PANYNJ is making Payments in Lieu of Taxes (PILOT), a benefit that is not transferrable in an outright sale. The agency has about \$24 billion in outstanding bond liabilities, about 50% of which had been issued to finance the trade center.
- **Lease Sale** – The leases with Silverstein Properties on Towers 3,4, and the yet to be constructed Tower 2 generated a total of \$264.54 million in income revenue last year according to reports of the agency's 2015 financial statements.
- **Stake Sale** – The PANYNJ currently owns a 90% interest in the 3 million-square-foot One World Trade Center tower that had a construction cost of reportedly \$3.8 billion (about \$1,266 per square foot). The building which is currently about 66% leased with roughly 1 million square feet vacant operated at a net loss of \$219.4 last year according to reports of the agency's 2015 financial statements. Under these conditions it is likely that finding a buyer would not be easy, despite expectations of the tower turning a profit in years to come at which time the agency would likely be reluctant to give up the asset.

Offering more potential would be a considered sale of the **Tower 5 site** at 130 Liberty Street which formerly hosted the **Deutsche Bank Building**. The 41-story building located just south of the World Trade Center complex incurred heavy damage as a result of the September 11 attacks, and has since been demolished. Currently owned by the Lower Manhattan Development Corp (LMDC), the site can accommodate 1.5 million square feet of commercial development under current zoning. In 2006 the LMDC reportedly struck an agreement with the PANYNJ, swapping the Liberty Street parcel for a site on the World Trade Center campus where the Performing Arts Center is expected to rise; however a dispute between both groups over the swap agreement has kept the Tower 5 site in limbo.



Chinese Investment in U.S. Real Estate Sparks Mixed Projections

Chinese investment continues to play a significant role in U.S. and New York City's real estate market. While some of the city's industry leaders project that the current rate of activity will continue as Chinese investors seek to secure their money in a safe haven, a report released in May by the non-profit Asia Society reveals that investment activity is expected to slow over the next 2-years while the Chinese government tries to right its economy. Although some \$58 billion is expected to be invested in U.S. real estate between 2016 and 2020, an 18- to 24-month "hiatus" is expected as a result of the Chinese government changing its short-term strategy.

A snapshot of some of the report's findings include:

- \$8.5 Billion invested in 2015, ranking China as the 3rd largest investor in U.S. real estate behind Canada and Singapore which invested \$24.6- and \$14.6 billion respectively;
- \$17.1 Billion was invested in U.S. commercial real estate between 2010 and 2015 of which \$9.56 billion was invested in New York commercial real estate during the same 5-year period;
- \$93 Billion was invested in U.S. residential properties between 2010 and 2015 of which \$28.6 Billion was invested in 2015, ranking China as the most active last year followed by Canada and India which invested \$11.2- and \$7.9 billion respectively;
- \$9.5 Billion was invested via the federal government's EB-5 Foreign Investor Program;
- A \$207.9 Billion position in U.S. government-backed mortgage bonds; and
- \$8 Billion in loans originated by Chinese banks for U.S. commercial real estate projects.
- Between 2010 and 2015, Chinese investment represented 56% of the total transaction volume in New York.



Sale Activity

New York City Investment Sale Activity Slows

The number of investment sale transactions throughout the city declined during the first-half of the year, resulting in a nearly 16% year-over-year reduction according to a reported data analysis of activity in Manhattan, Brooklyn, Queens and the Bronx. While the 3-boroughs that sit along the East River incurred a similar rate of decline, the city's northernmost borough saw a slight improvement due to a strong multifamily market.

\$31.6 Billion – The total dollar volume of investment sales during the 6-month period which were spread across 2,938 transactions — also down by about 24%.

Manhattan – \$23.6 Billion in sales, declining nearly 17.5% year-over-year. There were (4) 10-digit deals comprised of office building sales during the 6-month period totaling roughly \$6.76 billion or about 28% of Manhattan's total dollar volume.

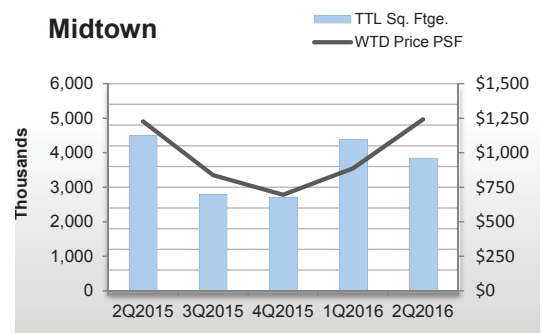
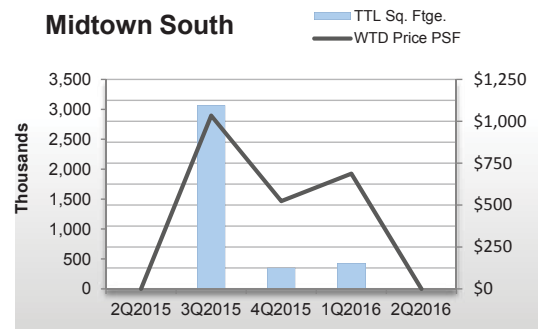
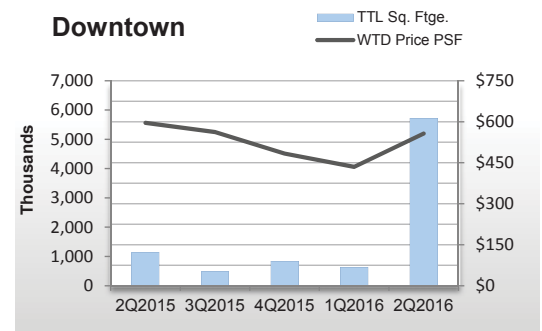
- \$1.95 Billion: CalPERS' acquisition of the Equitable Building, 787 Seventh Avenue (Columbus Circle)
- \$1.76 Billion: Citigroup exercised its option to acquire 388-390 Greenwich Street (TriBeCa)
- \$1.65 Billion: RXR Realty's acquisition of 1285 Sixth Avenue (Columbus Circle)
- \$1.4 Billion: Olayan America and Chelsfield purchased the former Sony Building, 550 Madison Avenue (Plaza)

Brooklyn – \$4.53 Billion in dollar volume spread across 1,160 transactions, declining approximately 15% and 25% year-over-year respectively. The multi-family and retail sectors enjoyed the strongest activity, accounting for nearly 60% of total sales.

Queens - \$2.08 Billion in dollar volume, representing an approximately 15% reduction year-over-year

Bronx – \$1.34 Billion in dollar volume spread across 422 deal, and although the number of transactions declined by just under 10%, dollar volume rose nearly 3%.

Quarter-over-Quarter Sale Statistics



Data reflects a sample of sold buildings over 100,000-square-feet

Sale Activity (cont'd)

New to Market

Midtown

145-147 East 57th Street (Plaza) – The U.S. subsidiary of Brazilian investment firm Grupo Victor has reportedly introduced the 13-story, 62,500-square-foot building to the market. Sources anticipate a sale to fetch about \$75 million (\$1,200 per square foot). The boutique office-and-retail building is named after gadget retailer **Hammacher Schlemmer Building**, which has been located at the tower's base for 90-years; and is currently housed in 8,000 square feet, of which 3,700 square feet is on the ground level, through a lease that reportedly expires in 2023. The building will be delivered with 5-floors vacant, and reportedly offers the potential of a commercial or residential condominium. Last trading in 2010 for \$34 million (\$544 per square foot), an additional investment of about \$10 million was made for renovations. In addition, a 2,600-square-foot penthouse was recently constructed at the top of the tower; and is currently awaiting final certification from the city.

1221 Sixth Avenue (Times Square) – The Canada Pension Plan (CPP) has reportedly introduced to the market its 45% stake in the 51-story, 2,652,712-square-foot tower that is controlled by remaining 55% stakeholder the Rockefeller Group. CPP had acquired the minority interest in 2010 for about \$576 million (\$483 per square foot) from SL Green. The building is currently anchored by law firm White & Case, along with other major tenants including Comcast and Morgan Stanley. Other sale activity in the area includes the 1.71 million-square-foot **1285 Sixth Avenue** which was recently acquired by RXR Realty and real estate investor David Warner for \$1.65 billion (\$965 per square foot).

1100 Sixth Avenue aka 51 West 42nd Street (Times Square) – Longtime owners the Nickerson family introduced the offering of a leasehold of the 15-story, 349,205-square-foot tower that could stretch to a 99-year term. Anticipation of anchor tenant HBO vacating the entire office component upon lease expiration in 2019 prompted the decision to pass-on control of the building located on the corner site that the family has reportedly owned since the 1800s. The cable network will be relocating its headquarters to 30 Hudson Yards after a 32-year tenure, joining parent company Time Warner Inc. which acquired a 1.6 million condo-unit in the Far West Side tower that is currently under construction.

The property located at the perimeter of Bryant Park offers a repositioning opportunity to attract higher rents, both for the office space as well as the approximately 21,000 square feet of retail space at its base. In addition, up to 60,000 square feet of unused development rights could open the door to a potential vertical expansion to create a new penthouse level; of which "40,000 square feet of those development rights are available to a builder who will make transit improvements."

619-627 West 54th Street aka 618-628 West 55th Street (Hell's Kitchen) – Taconic Investment Partners has introduced the offering of a stake in the 10-story, 326,863-square-foot building. Although details were not released, the offering was prompted by a proposed recapitalization that would value the property at \$220 million (\$673 per square foot). The building that runs block-through last traded in 2012 for \$112 million (\$343 per square foot), Taconic investing an additional \$10 million in renovations. Asking rents reportedly range from the high-\$50s to high-\$60s, and is currently about 80% leased with a Volvo dealership currently occupying the ground floor. Constructed as a Warner Bros. post-production editing facility in 1930, the building was later known as the "**Movie Lab.**" In 2014 Taconic had introduced the building to the market, hoping to fetch \$160 million as the area began to grow in popularity attracting developers. The sale offering was subsequently withdrawn a few months later; Taconic opting to lease the building instead, predicting at the time that the growing trend of tenants migrating west could lead to greater future profits at the building.

10 East 33rd Street / 12 East 33rd Street (Murray Hill) – Dalan Management & Associates has introduced to the market the pair of adjacent 12-story, 29,400-square-foot office buildings at an asking price of \$60 million (\$1,020 per square foot). Since acquiring both buildings in early 2015 for \$36 million (\$612 per square foot), Dalan has invested about \$5 million in upgrades to spaces as they became vacant — including the installation of new air conditioning systems and windows. In addition, asking rents were increased to the \$50s from the previous \$20s and low \$30s to per square foot rang; having secured leases from new tenants totaling about 45,000 square feet. The properties potentially offer some additional upsides for a buyer including the flexibility to demolish walls to join floors, or a possible residential conversion which is allowed under the sites' current zoning.



Sale Activity (cont'd)

New to Market (cont'd)

Midtown (cont'd)

240-246 West 35th Street (Penn Plaza/Garment) – The RPW Group has introduced the 161,983-square-foot office building to the market, sources expecting a sale to fetch about \$120 million (\$741 per square foot). The 18-story tower located between 7th and 8th Avenues is currently about 95% leased with a tenant mix comprised of fashion and TAMI firms, with about two-thirds of the existing leases due to expire after 2020 according to reported details of an offering memorandum. RPW acquired the property in 2014 for \$80.18 million (\$495 per square foot) from Hidrock Realty. The sale would become part of a 1031 exchange, the Westchester County-based firm recently going into contract to acquire the 336,000-square-foot 275 Madison Avenue (Grand Central).

Midtown South

530-534 Broadway aka 85-87 Spring Street / 536-538 Broadway (SoHo) – Wharton Properties and SL Green Realty have introduced the 3-building portfolio to the market, sources anticipating a sale of the roughly 170,000-square-foot package could fetch about \$450 million (\$2,648 per square-foot). Currently being marketed for either an outright purchase, or the option of acquiring the office and retail components separately. The buildings are nearly fully occupied; and the retail component spread across the bottom 2-levels currently serves as home to shoe brand Vince Camuto, apparel chain Club Monaco and AT&T. The 2-level, 18,000-square-foot vacant retail space at the corner of Spring Street was formerly occupied by sportswear retailer Eastern Mountain Sports which shuttered in February.

The portfolio last traded in 2014 for \$326 million (\$1,917 per square foot), SL Green reportedly investing \$100 million into the joint venture acquisition that was financed by a \$200 million mortgage from Morgan Stanley. The properties have continued to increase in value, the 2014 deal fetching a price more than double the \$190 million (\$1,118 per square foot) paid by Thor Equities in 2007. The buildings are located directly across from 529-533 Broadway (aka 89-97 Spring Street), a retail redevelopment project that upon delivery will be fully occupied by athletic footwear retailer Nike.

127-131 West 25th Street (Chelsea) – Foremost Real Estate has introduced the 12-story, 104,424-square-foot building to the market, sources anticipating that a sale could attract an over \$100 million (\$958 per square foot) price. The building located between 6th and 7th Avenues is currently controlled by the government subsidized **Bowery Residents' Committee** through a 33-year ground lease secured in 2010 for roughly \$8.783 million according to city records. Built in the early 1900s, the building was renovated in 2010 to create a mix of retail space, storage space, dining facilities, transient housing, and office space to accommodate the needs of the non-profit organization. Last trading in 2008 for \$32 million (\$306 per square foot), the property offers investors a steady and long-term income stream until the leasehold expires in 2043.

Uptown

1334 York Avenue (Upper East Side) – The auction house has reintroduced a sale offering of their 490,000-square-foot flagship location that some sources anticipate could fetch in the neighborhood of \$500 million (\$1,020 per square foot). Initially introducing the 10-story building to the market in 2013 in an effort to give back more cash to its shareholders, the offering had reportedly generated some buyer interest from pharmaceutical companies intending to reposition the building into a medical facility. However due to market and board issues the planned sale and short-term leaseback never moved forward. Acquired in 2009 for \$370 million (\$755 per square foot) from RFR Realty, the structure that spans the entire block-front between East 71st and 72nd Streets and dates back to 1921 was redesigned and modernized in 2000. The \$150 million project resulted in a 6-story vertical expansion featuring ceiling heights ranging up to 24-feet.

Sale Activity (cont'd)

New to Market (cont'd)

9-Property Portfolio – Thor Equities has reportedly introduced several properties to the market including:

Address	District	Sq. Ftge	Last Traded Price / Year
1231-1237 Third Avenue aka 201 East 71st Street	Upper East Side	33,300 SF / 4-stories	\$52.5 Million (1,577 PSF) / 2013
The mixed-use building host 30-residential units and about 9,300 square feet of ground level retail space. The building was acquired from Allen Realty Company. Family-run Grace's Marketplace was housed in the retail space for 30-years prior to relocating to 215 East 68th Street.			
494 Broadway	SoHo	14,895 SF / 4-stories	\$22 Million (\$1,477 PSF) / 2012
The mixed-used office and retail building is located between Broome and Spring Streets.			
164 Fifth Avenue	Flatiron	19,000 SF / 4-stories	\$23 Million (\$1,211 PSF) / 2014
The building located between West 21st and 22nd Streets was acquired from the American Institute of Graphic Arts (AIGA)			
57-63 Greene Street	SoHo	13,854 SF / 1-story	\$17.25 Million (\$1,245 PSF) / 2012
The retail condo is situated at the base of a 6-story, 32-unit residential condominium located between Broome and Spring Streets.			
155 Mercer Street	SoHo	15,000 SF / 3-stories	\$27.3 Million (\$1,820 PSF) / 2013
The former fire house located between West Houston and Prince Streets was introduced to the market in February; and is being repositioned to house fashion brand Dolce & Gabbana, having signed a triple-net lease in 2015 for the entire building.			
25-33 West 39th Street	Penn Plaza/Garment	205,000 SF / 16-stories	\$53 Million (\$259 PSF) / 2005
Thor Equities is reportedly considering the sale of the 205,000-square-foot building located between 5th and 6th Avenues. Sources anticipate that a sale of the 16-story building could fetch over \$200 million (\$976 per square foot). Currently about 91% occupied by tenants including apparel retailer Polo Ralph Lauren, watchmaker Movado and clothing retailer Seven for all Mankind, a total of 45,000 square feet spread across 3-floors currently serves as Thor's headquarters — of which the company reportedly has no plans to vacate. The building originally constructed as the home to the Engineering Society dates back to 1907. Thor acquired the building along with the Chetrit Group in 2005 for \$53 million (\$259 per square foot) from fashion house Tommy Hilfiger, subsequently buying Chetrit out the following year for \$80 million according to sources.			
Scribner Building 597 Fifth Avenue	Plaza	72,552 SF / 13-stories	\$99 Million (\$1,365 PSF) / 2011
Located at the corner of East 48th Street, the property features 12,000 square feet of retail space and about 58,000 square feet of office space			
590 Fifth Avenue	Plaza	97,896 SF / 19-stories	\$90 Million (\$919 PSF) / 2007
The office building has about 5,314 square feet of ground level retail space. The property located between West 47th and 48th Streets was acquired from the Feil Organization.			
530 Fifth Avenue	Times Square	59,839 SF / 3-levels	\$295 Million (\$15,096 PSF*) / 2014
The multi-level retail condo was acquired by the partnership of Thor Equities and General Growth Properties. The unit is comprised of 19,541 square feet of ground level space plus 19,130- and 21,168 square feet on the 2nd and cellar levels. Originally agreeing to acquire the entire 26-story office and retail building for \$595 million, the 386,839-square-foot office component was subsequently sold to RXR Realty the same year for \$300 million.			
*based on 19,541 square feet total ground level space			

Some reportedly speculate that the surge in sale offerings may be prompted by a planned shift in the company's portfolio with a heavier focus on residential properties at a time when the retail market appears to be softening; or due to longtime investment partners looking to cash in on their investments. Other recent activity by the developer has resulted in the sale of **138 Greene Street** (SoHo), a 5,500-square-foot retail co-op unit that was sold for \$38.5 million (\$7,000 per square foot) earlier this year, the deal represented an over 200% increase in value above the \$15.93 million (\$2,896 per square foot) that Thor paid in July 2014; and **693 Fifth Avenue** (Plaza), a 20-story, 105,422-square-foot building that is reportedly in contract for \$525 million, 4-times the \$142 million paid in 2010.

Sale Activity (cont'd)

Sale Deals to Watch For

23-Building Portfolio – Maryland-based JBG Companies will be combining with New York REIT, Inc. (NYRT) as a result of the October 2015 sale offering of NYRT’s real estate assets. Upon finalization of the deal JBG equity holders will own 65.2% of the combined entity that will be a publicly traded landlord known as JBG Realty Trust to be headquartered in Chevy Chase, MD, with New York REIT stockholders owning the remaining 34.8%. The combined current assets total roughly \$8.4 billion and over 14.5 million square feet according NYRT’s press release. About 22% of the portfolio by rentable square feet will be located in New York City and the remainder in the D.C. metro area comprised of over 9.7 million rentable square feet of office space, 1 million rentable square feet of retail assets, and approximately 4,500 residential units. Under the agreement for the combination transaction, which has yet to be fully approved and triggering some opposition, “JBG will receive 319.9 million shares of common stock and operating partnership units of NYRT in exchange for the direct and indirect interest in the contributed JBG properties and the contribution of its management company.”

Following in NYRT’s footsteps, Houston-based Hines is also exploring a potential sale of nearly \$5 billion in holdings as a possible strategic alternative for (2) of its sponsored non-traded REITs, reportedly hoping to cash in of some of their longer-held investments at a time when property values are high. Hines Global REIT owned interests in 43 real estate investments as of the end of March, of which a total of 21 office and commercial buildings are located in the U.S.; and the Hines Real Estate Investment Trust owned direct and indirect investments in 27 properties in the U.S. comprised of a mix of office buildings and grocery-anchored shopping centers according to sources.



#	Address	Gross Leasable Area	Type
1	306 East 61st Street	81,082	Office
2	Viceroy Hotel 120 W 57th St	9,767	Hotel
Part of 240-key, 129,000-square-foot hotel			
3	Centurion Parking Garage 33 W 56th St	12,856	Garage
4	1440 Broadway	747,854	Office
5	Worldwide Plaza 825 Eighth Ave (49% stake)	2,055,579	Office
6	350 W 42nd St (4 units)	42,774	Retail Condo
7	256 W 38th Street	117,043	Office
8	229 W 36th St	149,231	Office
9	333 W 34th St	346,728	Office
10	218 W 18th St	165,670	Office
11	245-249 W 17th St	281,294	Office
12	387 Bleecker St	792	Retail Condo
13	382-384 Bleecker St	4,206	Retail Condo
14	367-369 Bleecker St	4,726	Retail Condo
15	350 Bleecker St	14,511	Retail Co-op
16	One Jackson Sq, 122 Greenwich Ave	8,392	Retail Condo
17	416 Washington St	9,001	Retail Condo
18	50 Varick St	158,573	Office
	2061-2063 86th St, Brooklyn	6,118	Retail
	1623 Kings Highway, Brooklyn	19,960	Retail
	1100 Kings Highway, Brooklyn	61,318	Retail
	163 Washington Ave, Brooklyn	41,613	Residential
	Cross Bay Boulevard, Queens	9,767	Retail

Sale Activity (cont'd)

Sale Deals to Watch For (cont'd)

Midtown

685 Fifth Avenue (Plaza) – City's Property Development New York reportedly signed contracts in March for the purchase of the 89,910-square-foot office component of the 20-story, 115,300-square-foot tower owned by the partnership of Thor Equities and General Growth Properties. As part of the approximately \$160 million deal, the New York property development arm of Turkish jewelry company the Gulaylar Group will develop the planned 5-story expansion that will create floors 21-25, and raise the building's linear height 65-feet from its current 227-foot stature. Due to the new space being created from a redistribution of lower floor space, the building's existing commercial square footage will reportedly remain unchanged. Last November it was announced that developer Michael Shvo was in contract to acquire the existing 89,910-square-foot office component, subsequently backing out; but reports noted that there is a possibility that Shvo could remain involved in the deal should the Gulaylar affiliate not close as expected before the end of the year.

200 East 42nd Street aka 655 Third Avenue (Grand Central) – The Visiting Nurse Service of New York (VNS) is reportedly finalizing negotiations to acquire a 308,000-square-foot **leasehold condominium interest** at the 28-story Daily News Building that spans the entire block-front between East 41st and 42nd Streets. Terms of the pending 30-year deal have yet to be released for the space that spreads across entire floors 2, 3 and 5 through 7, plus a portion of the ground floor. The 123-year-old non-profit will relocate from its current location of 22-years at 1250 Broadway (Penn Plaza), where they currently lease 320,000 square feet at reportedly below market rents through a lease that expires in 2018. In April it was announced that Jamestown Properties had introduced the 718,481-square-foot Broadway tower to the market, sources expecting its sale to fetch about \$600 million (\$835 per square foot).

275 Madison Avenue (Grand Central) – Westchester County-based RPW Group is reportedly in contract to acquire the 43-story, 336,000-square-foot tower for over \$270 million (\$804 per square foot) from RFR Realty. The announcement of the pending deal that is expected to close this summer comes about 2 months after the sale offering was announced for the landmarked building located at the corner of East 40th Street. Although currently about 91% leased, nearly 50% of the tower's current leases are set to expire over the next 5-years according to reported details of the offering memorandum. Base level retail space is partially occupied by a Dig Inn eatery with an additional 4,000 square feet that is vacant, and being marketed at a reported asking rent in excess of \$400 per square foot. The contract vendee is reportedly intending a long-term ownership with plans to renovate the lobby and other common areas. The 98-year leasehold of the property that also goes by alternate addresses of 273-277 Madison Avenue and 22-26 East 40th Street was acquired by RFR in 1998 for \$42 million, subsequently acquiring the fee interest as well for \$22.8 million in 2004 per reports.

7 West 34th Street (Penn Plaza) – South Korea-based investment fund Korea Post is reportedly nearing a deal to acquire a **49% stake** in the 477,000-square-foot tower from Vornado Realty Trust. The sale slated to close in June will value the property at close to \$600 million, or over \$1,200 per square foot according to sources. Introduced to the market last year, a sale offering of up to 90% of the building was being considered by the REIT. Online retailer Amazon currently occupies the entire 470,000-square-foot office component through a 17-year deal secured in 2014 at a reported per square foot base rent in the low \$60s. The lease term could extend to 2047 if the company exercises its (3) 5-year lease options. Amazon also has the option to acquire the 12-story building, but has yet to exercise the option.

Korea Post, which serves as the state-run postal service in South Korea, established their first Manhattan office last year through a 3,000-square-foot lease at 150 East 52nd Street (Plaza). The fund's savings division, known as Korea Post Savings, reportedly oversees \$90 billion in global investments; and although U.S. investments have been infrequent, plans to commit \$400 million to real estate acquisitions in the U.S. and Canada per recent reports.

1250 Broadway (Penn Plaza) – Monaco-based Global Holdings is reportedly in contract to acquire the 718,481-square-foot tower for over \$565 million (\$786 per square foot) from Jamestown Properties. The announcement of the pending deal comes about 2-months following news of the sale offering which sources had anticipated would fetch about \$600 million (\$835 per square foot). The 39-story tower that spans the entire block-front between West 31st and 32nd Streets last traded in 2008 for \$310 million (\$431 per square foot) upon Jamestown along with Murray Hill Properties acquiring the property from SL Green Realty, investing an additional \$3 million in renovations. Currently about 84% leased, the tower's anchor tenant **The Visiting Nurse Service** occupies about 320,000 square feet spread across 15-floors through a lease that runs through 2018. VNS will be vacating the space, the home healthcare provider nearing final negotiations to acquire a 308,000-square-foot leasehold condominium interest at the Daily News Building, 200 East 42nd Street (Grand Central). An additional 440,000 square feet of space set to expired in the next 5-years, providing an upside for new ownership.



Sale Activity (cont'd)

Sale Deals to Watch For (cont'd)

Midtown South

797-799 Broadway aka 72-84 East 11th Street (Greenwich Village) – Normandy Real Estate Partners is reportedly in contract to acquire the 6-story, 97,500-square-foot building for about \$100 million (\$1,026 per square foot) from longtime owner Cambridge Associates. The corner building originally constructed in 1853 formerly served as the **St. Denis Hotel**, subsequently converted to an office building in the early 1920s. Currently nearly 100% occupied, the building offers a mix of 82,275 and 14,625 square feet of office and retail respectively.

Downtown

1 New York Plaza aka 1 Water Street (Financial) – The sovereign wealth fund China Investment Corp. (CIC) is reportedly nearing the closure of the purchase of 49% stake in the 2.587 million-square-foot tower from Brookfield Property Partners. The deal in the neighborhood of \$700 million (\$552 per square foot) values the 50-story tower at around \$1.4 billion. A \$750 million loan was recently secured from Wells Fargo to refinance the Lower Manhattan property that is currently about 97% leased. OSP Group leased 157,210-square feet last year in a deal that resulted in the e-commerce apparel retailer relocating from 463 Seventh Avenue (Penn Plaza). Other large tenants include financial firm Morgan Stanley and law firm Fried Frank Harris Shriver & Jacobson LLP.

Sale Highlights

Midtown

693 Fifth Avenue (Plaza) – French billionaire Marc Ladreit de Lacharrière, chairman and CEO of French holding company Fimalac has reportedly closed on the purchase of the 105,422-square-foot building for \$525 million (\$4,980 per square foot) from Thor Equities. A \$250 million acquisition loan was provided by lender JPMorgan Chase at closing. The sale of the 20-story building located between East 54th and 55th Streets has attracted a price that is 4-times the \$142 million (\$1,347 per square foot) paid in 2010. Fashion designer Valentino and London-based art gallery Carpenters Workshop Gallery are currently the largest office tenants at the building that is about 63% leased. In 2013 Valentino leased the building's roughly 20,000-square-foot retail space that formerly served as the home of Takashimaya department store. The retail space that spans the ground, lower level, 2nd and 3rd floors of the tower reportedly commanded a ground level rent in the neighborhood of \$3,000 per square foot, following Thor's investment of \$5 million in upgrades.

Sale Activity (cont'd)

Sale Highlights (cont'd)

Midtown (cont'd)

550 Madison Avenue (Plaza) – In an unexpected change of directions the partnership of the Chetrit Group and Clipper Equity have reportedly sold the trophy tower for \$1.4 billion (\$1,691 per square foot) to Olayan America, a division of the Saudi-based conglomerate Olayan Group, along with asset manager Chelsfield. A \$570 million bridge loan was secured from a U.S. subsidiary for Dutch bank ING Group, the short-term senior loan backed by the first mortgage on the property with the balance of the purchase reportedly paid in cash. Initial news of the deal was released in April upon Olayan entering contract to acquire the iconic tower.

New ownership led by Olayan as the majority stakeholder intend to continue operating the 37-story, 827,686-square-foot trophy tower as an office building, shifting away from the seller's plans to convert the former **Sony Building** into a mixture of 96-residential condominiums, a 170-key, 5-star hotel intended to be operated by Germany's Oetker Collection, and 25,451 square feet of retail space. Delivered "effectively 100% vacant" other than the 5,000-square-foot retail space occupied by Prime Grill kosher steakhouse, the building will be rebranded with plans to create value by renovating and reconfiguring existing space.

The opportune sale came at a time when securing the \$1.4 billion of new debt sought by the co-developers was becoming increasingly more challenging, as banks continue to pull-back from high-end residential projects; and concerns of the projected \$1.9 billion residential component sellout not being achieved began to surface. The building last traded in 2013 for \$1.1 billion, the first 10-digit deal since Google's \$1.77 billion acquisition of 111 Eighth Avenue in 2010.

1285 Fifth Avenue (Columbus Circle) – RXR Realty has reportedly closed on the \$1.7 billion (\$994 per square foot) purchase of the 1.710 million-square-foot tower from co-owners AXA Financial and JPMorgan Chase. RXR reportedly agreed to acquire the 39-story tower just about 4-months after the sale offering was announced. Located between West 51st and 52nd Street, the building is nearly 100% leased; a renewal deal with anchor tenant UBS AG secured in conjunction with RXR's acquisition will retain the Swiss bank in about 900,000 square feet through 2032. Although details were not released, financing for the purchase was provided by AIG and Morgan Stanley.

1211 Sixth Avenue (Times Square) – Ivanhoe Cambridge, the real estate arm of Canadian pension fund manager Caisse de Depot et placement du Quebec, in partnership with U.S. investment partner Callahan Capital Partners acquired the remaining 49% stake in the 1,876,972-square-foot office tower from Beacon Capital Partners. The recent \$913 million (\$993 per square foot) acquisition gives the partnership 100% control of the 44-story building, having previously acquired a 51% stake in mid-2013 for roughly \$857.497 million (\$896 per square foot) from Beacon Capital Partners and Lehman Bros. The entire building last traded in 2006 for \$1.52 billion (\$810 per square foot); and currently serves as the home of media companies NewsCorp and 21st Century Fox, which will remain at the tower following decisions earlier this year to abandon plans of a possible relocation to the yet-to-be constructed 2 World Trade Center in Lower Manhattan.

18-22 East 46th Street (Grand Central) – The Nightingdale Group has acquired the ground lease of the 15-story, 89,000-square-foot building for \$27.675 million (\$311 per square foot) from Extell Development. The leasehold which reportedly has 27-years remaining was originally introduced to the market in 2012 at an asking price of \$25 million, last trading for \$17.35 million (\$195 per square foot) upon Extell acquiring the leasehold from fee-owner the Estate of Sol Goldman via Solil Management Corporation in 2006. Nightingdale entered the Manhattan sale market last fall, acquiring the long-term leasehold for 645 Madison Avenue (Plaza) along with Friedland Properties for \$76 million.

Midtown South

11-Building Hudson Square Portfolio (Hudson Square) – Houston, TX-based Hines has won the bid offered by Trinity Real Estate to acquire a 1% stake in the portfolio in exchange for an investment of roughly \$35 million based upon the portfolio's estimated \$3.55 billion value. As part of the deal, Hines will operate the buildings and collect undisclosed fees to manage and lease space at the properties. Last year Norway's sovereign wealth fund Norges Bank Investment Management joined Trinity as a partner in the portfolio that has a combined total of 4,992,800 square feet, having acquired a 44% stake as a 75-year leasehold for \$1.56 billion (\$710 per square foot).

330 Hudson Street (Hudson Square) – Ivanhoe Cambridge, the real estate arm of Quebec's public pension fund manager Caisse de Depot et Placement du Quebec and U.S firm Callahan Capital Properties acquired the remaining 51% stake in the 467,000-square-foot tower for \$317.8 million (\$1,334 per square-foot) from Beacon Capital Partners. The deal fetched a per square foot price that was double the \$150 million paid in 2014, upon the partnership acquiring a 49% stake in the 19-story building that spans the entire 203-foot block-front between Charlton and Vandam Streets.



Sale Activity (cont'd)

Sale Highlights (cont'd)

Midtown South (cont'd)

61 West 23rd Street (Flatiron) – Italy-based Ermenegildo Zegna, owner of the eponymous luxury men's fashion brand, and Taconic Investment Partners have acquired the 52,751-square-foot building for \$65 million (\$1,323 per square foot) from longtime owners the Drachman family and extended family members in an off-market deal. The 7-story cast-iron building located between 5th and 6th Avenues is currently fully leased.

620 Sixth Avenue aka 43-65 West 18th Street (Chelsea) – 32BJ SEIU acquired the 4-commercial condo units that currently house its NYC headquarters location from RXR Realty. The roughly \$143.89 million (748 per square foot) purchase of 192,374 square feet by the property service workers union was comprised of 4-condo units primarily spread across floors 4-6 at the 7-story building according to city documents. The property's retail component is currently occupied by homeware retailer Bed, Bath & Beyond and clothing discount chains Marshalls and TJ Maxx.

251-255 West 30th Street (Chelsea) – Herald Square Properties has acquired the 16-story, 120,000-square-foot loft building for \$52 million (\$433 per square foot) from Justin Management. New ownership plans to renovate the loft building that dates back to 1927 with a focus on attracting tech firms seeking spaces ranging 5,000-8,000 square feet at asking rents in the mid- to upper-\$50s per square foot. A \$49.2 million acquisition loan was reportedly secured from lender CapitalSource to close the transaction.

Downtown

44 Wall Street (Financial) – The Blackstone Group recently closed on the acquisition of the 341,980-square-foot building through its European real estate fund Blackstone Real Estate Partners IV. The sale which likely values the building at well above \$100 million (\$292 per square foot), is part of the all-cash acquisition of a \$2.7 billion Nordic real estate portfolio from 10-funds managed by Oslo-based Obligo Investment Management AS. The sale's closing has been delayed due to ongoing litigation between Obligo and the property's 2-minority stakeholders; and although the involved parties settled in May, a separate lawsuit initiated by Time Equities claiming an agreement was reached to acquire the building located at the corner of William Street continues to delay the Blackstone deal. The 24-story building last traded in 2004 for \$65 million upon a partnership including Swig Equities, Zamir Equities, and KFS acquiring the building from Lend Lease Real Estate according to sources.

1 Battery Park Plaza aka 24 State Street (Financial) – The U.S. branch of Munich-based investment firm Allianz has reportedly acquired a 49% stake in the 35-story tower from Rudin Management, now valuing the 870,000-square-foot building at \$365 million (\$420 per square foot). Developed in the early 1970s by a partnership of Rudin and Rose Associates, Rose subsequently sold its 49% stake for reportedly \$80 million (\$188 per square foot) in 2012. Currently nearly fully leased, major tenants include law firms Hughes Hubbard & Reed and Seward & Kissel, business trade group Partnership for New York, insurance firm Liberty Mutual Insurance Company, and Meridian Capital Group.

Residential Sale Activity

Residential Market: A Snapshot of Some Trends and Projections

An interview hosted in June by investment publication Barron's with research firm Zelman & Associates revealed the following trends and projections for the housing market:

- Large builders have recently begun shifting to more-affordable production.
- Nonbanks such as Quicken Loans, Freedom and Stearns are seeing a surge in the volume of FHA loans (mortgages insured by the Federal Housing Administration) compliant with government requirements of a minimum 580 FICO score and 3.5% down payment. The increase in activity has increased nonbank market share by over 50%, versus roughly 20% in 2012.
- Multifamily starts are at normalized levels; however a market flattening is anticipated. Class A Urban markets have exceeded demand, and rents are projected to decelerate with a longer, more pronounced downturn or market correction that could extend over a multi-year period. Net operating income growth is expected to slow from 5.6% in 2016 to 4.3% in 2017.
- Foreign buyers of condominiums in New York were primarily from countries within Europe, Brazil, Asia and Canada, although the strengthening of the U.S. dollar has slowed foreign activity. Recently reported findings from a survey released by the National Association of Realtors revealed that U.S. residential purchases by non-U.S. residents dropped \$10 billion; and despite recent turmoil in the global economy did not boost foreign investment as hoped for, generating only \$44 billion at the end of March — the lowest level since 2013 according to the report.
- Sales of high-end condo units where prices are above \$4 million are facing the greatest challenges, while sales for the sub-\$2 million price-point are holding steady. It is expected that the overall luxury market will correct by as much as 10-20%.

Multifamily Sale Activity - an Indicator of Broader Sale Market

Ongoing efforts to determine the direction of the city's real estate sale market has led some sources to take a closer look at activity within the multifamily sector. Current trends in sale volume and property values, in conjunction with existing dynamics within the multifamily market seem to further substantiate signs of a transitional market that is indicative of a nearing correction of the broader sale market. Yet despite these indications, a clear determination of the market's direction remains pending.

According to findings of a reported analysis of property values within the overall sale market during the first 5-months of the year, land and hotels have incurred a sharper decline in value; while office buildings and multifamily assets have continued to perform well. Retail property values lie somewhere in the middle as high sale prices hold steady, but the volume of bidders at the highest end of the bidding range has diminished.

Multifamily sale volume slowed during the 5-month period as both the number of properties sold and dollar volume lowered, however property values continued to rise. The sector is divided between elevator buildings and walk-up buildings — the prior asset incurring a larger drop is sale volume comparatively to walk-ups. The pattern of falling volume and rising values within the sector is typically indicative of a nearing market downturn. Total multifamily sale volume throughout New York City for 2016 is projected to result in a 24% reduction year-over-year with the number of buildings and total units sold sharply diminishing by 28% and 48% respectively. In contrast, cap rates continue to compress as the average price per square foot within the sector continues to rise due to increasing gross rent multiples (GRM);¹ however the rate of increase of multifamily asset values is slowing.

Lending

One Columbus Place, 400 West 59th Street (Hell's Kitchen) – The Brodsky Organization has secured a \$250 million loan from lender Wells Fargo to refinance the 729-unit rental property near Columbus Circle and the adjacent Speyer Legacy School at 925 Ninth Avenue. The new debt will provide the developer with \$81.19 million as well as consolidate the balances of two existing loans, including a \$142.3 million debt issued by the New York City Housing Development Corporation in 1997.

¹Gross Rent Multiplier – the ratio of the price of a real estate investment to its monthly rental income before expenses such as property taxes and insurance.

Residential Sale Activity (cont'd)

Sale Highlights - Multiple Markets

Stone Street Properties is reportedly in contract to acquire the **9-building, 210-unit residential rental portfolio** for \$86 million (\$409,524 per unit) from family-operated Charles Birdoff & Co. The residential package is comprised of:

- 131-units spread across 6-buildings in the Upper East Side at 309 East 75th Street, 351 East 82nd Street, 335 East 65th Street, 484 East 74th Street, 528 East 85th Street, and 512 East 81st Street. The 5- and 6-story buildings also include a combined total of 6-retail units; and
- 79-units spread across 3-buildings in Brooklyn's Clinton Hill neighborhood at 250 Washington Avenue, 260 Washington Avenue and 309 Washington Avenue.

Other recent multi-family acquisitions by the Manhattan-based firm reportedly include a 2-building, 208-unit rental portfolio in Gramercy Park for \$123 million (\$591,346 per unit) in September 2015, and a 47-unit rental property in Hell's Kitchen for nearly \$24 million (\$510,638 per unit) earlier this year.

Midtown

Stonehenge has reportedly introduced to the market the 43-story **Ritz Plaza** residential building at **227-247 West 48th Street** that hosts **479-free market units**. The building located between Broadway and 8th Avenue in Times Square features amenities including an indoor pool, tenant lounge, fitness center and rooftop deck, plus an indoor 160-car parking garage. The retail and 20,000 square feet of office space are currently leased to Italian restaurant La Masseria and the U.S. General Services Administration (GSA).

Rockpoint Group and **60 Guilders** have reportedly introduced the sale offering for the 30-year leasehold of the **180-unit rental building** at **300 East 46th Street** in Midtown's Turtle Bay neighborhood. A sale is expected to fetch around \$40 million (\$222,222 per unit), a figure that is about 50% above the \$27 million paid in 2013 upon the sellers acquiring the leasehold from Schneider and Schneider. Primarily comprised of un-renovated units divided between 96 market-rate and 70 rent-stabilized units, with the remaining 14-units having been recently renovated according to sources. A Duane Reade pharmacy is located at the base of the 190,000-square-foot tower along with a parking garage.

Midtown South

Non-profit developer **Phipps Houses** has reportedly released an offering memo for the **894-unit Kips Bay Court** complex comprised of 8-buildings. Some sources anticipate a sale could fetch in the neighborhood of \$600-\$700 million (\$671,141 - \$782,998 per unit). The former Henry Phipps Plaza West complex that borders 2nd Avenue between East 26th and 29th Street was originally constructed under the Mitchell-Lama housing program which caps profits and rents, but was allowed to exit the program in 2002. Currently about 520-units are occupied by free market tenants, with the remaining approximately 374-units housing renters under the Section 8 program.

The **Lightstone Group** has acquired the **6-building, 181-unit residential portfolio** located in the East Village for over \$127 million from Pan Am Equities.

- 112-120 East 11th Street - 75-units spread across (5) 5-story buildings, paying \$52.1 million (\$694,667 per unit);
- 85 East 10th Street – 106-unit spread across the 6-story building, paying \$75.4 million (\$711,321 per unit).

Black Spruce Management is reportedly in contract to acquire the **14-building residential portfolio** spread throughout the Chelsea district from West 19th to 29th Street. The **135-unit package** totals 80,000 square feet, and represents the entire portfolio of seller Tempo Management which has owned the properties since the 1970s. According to sources, units will require extensive renovations; and about 30% of the properties are rent-stabilized. The sale transaction was expected to close in May at around \$80 million (\$1,000 per square foot / \$592,593 per unit). Properties within the package reportedly include 341 West 19th Street, 348 West 21st Street, 310, 431, 454 and 456 West 22nd Street, 416-418 and 466 West 23rd Street, 307, 309 and 313 West 29th Street.

Residential Sale Activity (cont'd)

Downtown

Rockpoint Group is reportedly in contract to purchase the residential conversions at **63 and 67 Wall Street** which house a combined total of **810-units** for over \$430 million (\$545,000 per unit) from DTH Capital and Metro Loft Management. The adjacent buildings that date back to the 1920s comprise an entire triangular-shaped city block bound by Hanover and Beaver Streets. Converted to residential use in 2004, the Financial district buildings feature 20,000 square feet of retail space, and are connected with 10,000 square feet of amenity space.

- Crest, 63 Wall Street – Formerly the headquarters for Brown Brothers Harriman & Co. which is now located at 140 Broadway, the building houses about 334-units as a result of the 2004 conversion;
- Crest Loft, 67 Wall Street – The one time home base for the Munson Shipping Company, the 25-story building houses 476-units

Uptown & Upper Manhattan

Fairstead Capital and the **Blackstone Group** have introduced a **4-building Upper East Side residential package** that is part of the 24-building **Caiola portfolio** which is spread across Chelsea, Murray Hill and the Upper East Side. The partnership acquired the **979-unit package** for \$690 million less than a year ago, having secured a \$592 million mortgage from Annaly Capital Management. Details of the sale offering were not released, but according to sources the **19-story, 69-unit property at 449-451 East 83rd Street** is included. Earlier this year it was announced that Fairstead and Blackstone were exploring options to sell the entire 800,000-square-foot portfolio, launching market tests to see if a sale would fetch in the vicinity of \$800 million (\$1,000 per square foot); however if a further sale offering is pursued, the portfolio will likely be divided into smaller packages.

Starrett Corp., a division of Pembroke Cos. has introduced a **block of 146 rent-regulated condominium units** to the market at an asking price of \$105 million (\$719,178 per unit). The 27-story, 235,426-square-foot building located in the Upper West Side at **169-177 West 95th Street aka 721-739 Amsterdam Avenue** was converted from a rental property in 2013 and houses a total of 229-units — 80 market-rate condos have already sold, plus 3-commercial units at its base. Constructed in 1971 as Mitchell-Lama¹ housing, longtime ownership of the property formerly known as the Axton has been undergoing the process of removing the building from the housing program.

Thor Equities and **Imperial Companies** are reportedly in contract to acquire a block of **71 sponsor units** at the **Apthorp, 380-390 West End Avenue** aka 2211 Broadway for \$120 million (\$1,690,140 per unit). The former rental building that spreads across an entire city block bound by West 78th and 79th Streets between Broadway and West End Avenue in the Upper West Side was converted to high-end condominiums in 2006. New ownership plans to initially market the 10 vacant units that formerly operated as market-rate rentals, subsequently selling as condos the remaining 61 rent-stabilized units as tenants move out. The sale is expected to close mid-summer according to reports.

Bonjour Capital has reportedly acquired the **265-unit rental property at 1731-1735 York Avenue** (aka 435-439 East 90th Street) in the Upper East Side from longtime owner Glenwood Management for \$150 million (\$566,038 per unit). The sale of the 37-story, 280,000-square-foot corner property was expected to close in May, Bonjour securing a 7-year, \$104 million in acquisition financing from Signature Bank. The balance-sheet mortgage carries a 3.625% fixed-rate interest and 3-years of interest-only payments according to reports. New ownership plans to invest \$20 million in renovations, and will rebrand the tower that is currently dubbed the **Hamilton**, as the **Serrano**. Constructed by Glenwood in 1986, current amenities at the building include a fitness center, outdoor patio, rooftop deck, children's playroom, and a greenhouse.

WHP LLC, a consortium of private investors has acquired the **9-building mixed-use portfolio** for \$165 million representing a figure that was \$20 million below the reportedly \$185 million asking price when introduced to the market last fall by longtime owner Intervest Development Corporation. The elevator buildings are primarily situated on corner locations along St. Nicholas Avenue between West 164th and 192nd Streets in Washington Heights. In addition to some office space and 48-ground level retail stores, the properties house **413-residential units** comprised of 383-rent stabilized units, 25-rent-controlled units, and 5-free market units according to reports.

¹Mitchell-Lama Housing: Government program that provides affordable rental and cooperative housing to moderate- and middle-income families.



Residential Sale Activity (cont'd)

Uptown & Upper Manhattan (cont'd)

Investor **Isaac Kassirer** is reportedly in contract to acquire the **47-building, 1,181-unit East Harlem portfolio** for over \$350 million (\$296,359 per unit) from Fairstead Capital and Galil Management. News of the pending sale comes about 2-months after the sale offering of the **Dawnay Day Portfolio** was announced, the sellers hoping to fetch approximately \$350,000 per unit (\$400 million). The once-distressed package primarily comprised of rent-stabilized units had been saved from a looming foreclosure in 2009 upon Fairstead and Galil (formerly E&M Associates and SG2 Properties) acquiring it for an undisclosed price, previously trading for \$225 million (\$190,517 per unit) in 2007 upon its acquisition by U.K.-based Dawnay Day. Properties within the package reportedly include 112-116 East 103rd Street, a 6-story, 30-unit building; 233 East 111th Street, a 4-story, 16-unit building; 1567 Lexington Avenue, a 6-story, 33-unit building; 291 Pleasant Avenue, a 5-story, 16-unit building; and 411 East 118th Street, a 6-story, 41-unit building.

Bronx

Chestnut Holdings has recently acquired a **10-Building residential rental portfolio** that spreads across several Bronx neighborhoods from South Bronx to Fordham Manor. Details of the \$46.6 million purchase from San Francisco, CA-based Prana Investments were not released, but it is one of several Bronx acquisitions that the Bronx-based investment company has made in recent years. In 2013 Chestnut Holdings acquired a 6-building, 300-unit portfolio in the borough's Grand Concourse area for \$29 million (\$96,667 per unit). Multi-family property sale activity has surged in the Bronx, the Related Companies in partnership with New York City pension funds purchased a 737-unit multi-neighborhood portfolio near the end of 2015 for \$112.5 million (\$152,646 per unit).

Investor **Isaac Kassirer** acquired the **7-building, 265,400-square-foot residential portfolio** located in the Bronx for \$44.5 million (\$145,902 per unit) from Black Spruce Management. The **305-unit package** mainly comprised of rent-stabilized units was originally part of a 42-building portfolio sold by Normandy Real Estate Partners and Westbrook Partners. Black Spruce was the primary buyer of properties within the 1,700-unit portfolio known as **Three Borough Pool** that spanned the Bronx, Brooklyn and Manhattan; and were sold over a period of months last year through a series of several smaller deals.



CMBS Bill Expected to Ease Issuance Restrictions

The bill dubbed **Preserving Access to CRE Capital Act of 2016** that was introduced to the House of Representatives in February was reportedly passed by the House Financial Services Committee — overseers of the nation's economy. The new bill expected to take effect in December would reportedly ease restrictions on commercial mortgage-backed securities (CMBS). The bill comes at a time when the **Section 15G** of the **Dodd-Frank Wall Street Reform and Consumer Protection Act** is expected to go into effect near the end of the year, impacting the CMBS market.

Intended to bolster risk retention and discourage the type of risky lending that proliferated during the housing bubble prior to the 2008 economic downturn, Section 15G requires the issuer of a CMBS pool to maintain 5% of the deal on its balance sheet for the entire life of the loan, "as opposed to selling all of it in the form of bonds." Although issuers can pass the retained 5% share to B-piece bondholders, they must agree not to sell the CMBS for at least 5-years according to report. Profit margins will be reduced as a result of the Section 15G, restricting the volume of loans that can be issued which will likely push loan costs higher. The health of the CMBS market has already faltered due to the spreads on CMBS deals becoming less favorable, and the instability in bond yields adding pricing challenges.

The new bill which has yet to be voted on in the House of Representatives would reportedly exempt single-asset or single-borrower CMBS from the Section 15G retention rule; as well as facilitate CMBS that are pooled together from different borrowers to also get exemption — for example by eliminating term requirements. The CMBS market has played a significant role in the real estate market, offering less expensive financing over the last few years. Although the full impact of the Section 15G ruling has yet to be seen, advocates of the pending bill anticipate that if Section 15G is not "modified before going into effect, borrowers across the country could experience significant reductions in access to credit, unwarranted increases in borrowing costs, and reduced liquidity, which could impair economic development and job creation in areas that need it most."

How Today's Construction Financing Stacks Up as Lender Caution Rises

Growing signs of a nearing real estate market correction has heightened challenges for developers trying to secure financing for construction projects in the pipeline as lenders and other financial firms become more selective about the kinds of projects they are willing to finance; while more frequently capping loans at \$50 million. Criteria such as the developer having a well-established reputation and percentage of equity investment have become key components in the formula for securing project funding. In addition, the level of space demand, the inclusion of street-level retail, and what recourse the lender has should the project go south are closely scrutinized during the decision-making process.

Office Developments

There has reportedly been a shifting preference by lenders to issue debt for the redevelopment of existing buildings, versus new office product which often requires:

- **Pre-leasing** of up to 50% of the development's rentable square feet before securing construction financing. For projects being constructed on speculation, recourse is paramount as a financial backstop for lenders to reduce risk due to potential construction cost overruns and design changes, or construction not going to completion. Furthermore in order to verify that the new office building is meeting existing demand, lenders are "studying census data for job growth information and population levels, and market data for absorption rates."
- **Developer Equity** of at least 15% of the project's estimated value is required due to the 2011 implementation of international banking reforms known as **Basel III**¹. Recently it was announced that in addition to a \$1.5 billion construction loan that SL Green Realty was close to securing for its One Vanderbilt (Grand Central) project, the REIT is intending to seek a joint venture partner for a 50% stake in the estimated \$3.14 billion tower that would cover roughly \$820 million of the required equity for the project.

Residential Condominium Developments

Growing concerns of a softening market and potential oversupply of high-end condominium product has triggered an increased level of caution amongst many traditional lenders. Now viewed as higher risk, developers of ultra-luxury residential developments have had to seek out non-traditional lenders and EB-5 investors to bridge the financing gap; or have modified original plans, toning down the "luxury level" to make the project more attractive to lenders. Earlier this year Extell Development reduced the sellout projection for its One Manhattan Square project at 250 South Street (Lower East Side) by \$207.3 million.

As the amount of money that U.S. banks are willing to lend reportedly decreases for ground up residential condominiums — particularly for the ultra-luxury projects, the financing of projects has become more complicated. The array of lending sources has widened beyond traditional banks to include additional equity partners, high-yield debt funds, hedge funds, and foreign investors. As a result, the number of tranches making up a construction financing package can be inclusive of sponsor equity, mezzanine debt, preferred equity, EB-5 funds, and even crowdfunding.

Capital Stacks have reportedly been shifting from what was more typical prior to the 2008 market collapse when in 2006 banks routinely lent 60-70% of the condo project cost, mezzanine debt often brought the loan-to-cost (LTC) ratio up to 90%, and the developer provided the remaining approximately 90% in equity. While the LTC on many projects began to rebound in 2011 as the market recovered — reaching up to 65% in 2014 and 2015 according to sources, the first-half of 2016 saw the return of a downward trend leading in some cases to upwards of 4-layers of mezzanine debt and preferred equity among other sources of funding.

Residential development has been driving construction activity in recent years, however some industry people welcome the scarcity of funding, commenting that it will likely start to reduce the number of new condos in the pipeline and bring about "a much-needed correction in the condo construction market."

¹Basel III – A comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation supervision and risk management of the banking sector

Nontraditional Lenders Increase Market Share as Banks Grow Cautious

The rising number of the city's developers and landlords that are entering the lending market is being further driven at a time when banks are becoming hesitant to provide loans for certain types of real estate projects, and high land prices combined with a slowing real estate market are making it more difficult to earn favorable profits as a developer or outright buyer of properties. Attracted to the potential of generating stable returns and capitalizing on the impact of market volatility, firms such as RXR Realty, ATCO Properties, Clarion Partners, and Dalan Management have ventured into the lending market and are providing a mix of mezzanine debt and preferred equity.

Several family-operated firms are also joining the mix as alternative lenders; and although private lenders are experiencing increased government scrutiny, they still enjoy the advantage of not being subject to the same stringent regulations that banks must adhere to. However the financing from family-led lenders comes at a price due to the generally higher risk deals that are being funded. According to reports interest rates typically range 7%-8%, and sometimes as high as 18% in comparison to banks that generally offer rates ranging 3%-4% in today's market.

Some of the more recent additions to the growing roster include:

Kushner Companies – A real estate lending platform was launched earlier this year, the company reportedly planning to issue senior loans, mezzanine debt and preferred equity ranging from \$20 - \$500 million in value with terms up to 5-years.

- **340-366 Flatbush Avenue Extension** (Downtown Brooklyn) – Although loan details were not released, Kushner is a mezzanine lender on the planned supertall mixed-use development. The over 400-unit rental tower is being co-developed by JDS Development Group and the Chetrit Group, having recently received approvals from the Landmarks Preservation Commission to make the necessary changes to the adjacent landmarked 9-31 DeKalb Avenue allowing the project to move forward.

Moinian Group – The development company is reportedly now offering senior real estate loans of \$15 million and larger, as well as mezzanine debt and preferred equity of \$10 million and more through the company's recently launched real estate lending platform.

Mack Real Estate Group – The family-operated real estate firm financed several deals over the last year through the company's lending arm **Mack Real Estate Credit Strategies** (MRECS). Currently an active lender in New York City's real estate market, MRECS reportedly closed on a total of around \$1 billion in lending since the platform's launch last fall, intending to double that figure in 2016.

- **866 United Nations Plaza** (U.N. Plaza) – A \$200 million loan was provided to Meadow Partners for the refinancing of the 477,000-square-foot mixed-use commercial condominium tower. The 38-story tower that spreads across an entire city block bound by East 48th and 49th Streets between 1st Avenue and the FDR Drive was acquired from Vornado Realty Trust in 2013 for \$200 million. Collateral backing the new debt reportedly included the 6-story office and retail component, which includes a parking garage at the base of the tower, with the residential component the fills the tower's upper levels excluded.
- **143-161 East 60th Street** (Upper East Side) – A \$200 million loan was issued earlier this year for the acquisition and pre-development costs of the 6-parcel assemblage where Kuafu Properties is planning to construct a residential tower.
- **88 University Place** (Union Square) – A capital improvement loan in the amount of \$70 million was reportedly provided to the investment group led by fashion designer Elie Tahari. Co-working space provider WeWork is expected to ultimately occupy the entire 11-story office building as a result of the lease signed last year.
- **1300 Flushing Avenue** (Bushwick, Brooklyn) – The 3-year, \$51.2 million floating-rate loan was issued to the joint venture of Lincoln Property Company and Alcion Ventures for the office conversion of the 6-story warehouse to be called **455 Jefferson**.



EB-5 Foreign Investor Program Financing

215-219 West 28th Street / 223-227 West 18th Street (Chelsea) – HAP Investments is reportedly seeking to raise \$60 million in construction funding through the federal government’s EB-5 Foreign Investment program to help finance a planned \$387 million development. The 2-building project will be split at the base by an existing tenement building, delivering a combined total of 290,000 square feet.

- 215-219 West 28th Street – The 21-story, 183,293-square-foot tower will host 112-residential units and 8,202 square feet of ground level retail space. The building will cantilever over existing tenement buildings that will remain on each side of the tower. The 3-parcel assemblage totaling 7,370 square feet was acquired in 2013 for \$50.25 million, simultaneously securing a \$40 million first mortgage at closing. The deal reportedly included additional development rights from 2-adjacent properties, in part including 18,664 square feet of air rights from 221 West 28th Street which were previously acquired by the seller in 2012 for \$2 million according to city records.
- 223-227 West 18th Street – Although plans have yet to be filed, the smaller tower that will be constructed on the 2-parcel assemblage is expected to be about 100,000 square feet. Earlier this year HAP acquired the property at 223 West 28th Street for \$13.6 million. However any change of ownership of the 2nd parcel at 225-227 West 28th Street since last trading in 2005 has yet to hit city records.

217-225 West 57th Street (Midtown West) - Extell Development is reportedly seeking to raise \$190 million through the EB-5 Foreign Investment program to help finance the 95-story tower that is currently rising along the corridor now commonly known as “Billionaires Row.” The mixed-use tower that will reach a linear height of 1,550-feet dubbed **Central Park Tower** (formerly Nordstrom Tower) will partially house the flagship location for luxury department store Nordstrom, topped off by a 183-residential condominium component spread across 934,990 square feet. A total of 380 investors at a minimum of \$500,000 each are reportedly being sought to help finance the nearly \$3 billion residential component that has yet to secure full construction financing.



215-219 West 28th Street / 223-227 West 28th Street - Rendering



217-225 West 57th Street - Rendering



TASE Bond Issuing: A Behind the Scenes Look

As an increasing number of New York City developers turn to Israeli's Tel Aviv Stock Exchange (TASE) for project funding, curiosity grows about the underlying process developers undergo to tap into Israeli bond market capital. The bond issuance which is "in fact an initial public offering" is typically a months-long process that includes "a host of financial advisors, lawyers, accountants, underwriters, credit ratings authorities and government regulators."

Consultants serve as overseers of the entire process, and are instrumental in "positioning the situation and telling the [company's] story." For this reason it is crucial that the selected consultant has in-depth familiarity with the issuing company's profile and leadership, as well as the financial and market analysis of the assets within the created portfolio package. Consultants are reportedly compensated via commissions which typically range from 2 to 3% pending the size of the issuance. In addition to travel expenses, other fees incurred by the developer for services such as legal, accounting and appraisal can range \$500,000 to \$1 million. Due to the overall expense incurred for an initial bond offering, the issuing company typically does not intend a one-off deal.

- **Portfolio Package** – The consultant advises on the selection of the portfolio of assets that the developer packages within an offshore corporate entity typically in the Virgin Islands to back the bonds issued on TASE. The corporate entity which is comprised of multiple holdings and its own balance sheet offers the advantage of spreading risk and enabling developers to raise debt at lower interest rates in comparison to U.S. mezzanine debt. Interest rates secured for the bond offering are partially reliant upon the portfolio package's credit rating. Established by the two major Israeli ratings agencies — **S&P Maalot**, a wholly-owned subsidiary of Standard & Poor's, and **Midroog**, an affiliate of Moody's, the assigned ratings may or may not be similar.

Portfolio packages comprised of properties with simple ownership structures and strong cash-generating assets that give evidence of the entity's ability to service the bond debt are the most highly sought, with multifamily rental housing offering the most attractive assets, followed by retail properties, hotels and office buildings. In contrast, condominiums and development sites which are considered riskier assets tend to lower the portfolio's credit rating.

- **Financial Transparency** – The corporate entity created is required to undergo a level of scrutiny and due diligence that is typical for any public company, making the transition challenging and somewhat uncomfortable for developer's that generally operate private companies — sometimes discouraging prospective issuers. Despite the public entity becoming subject to macroeconomic forces, some developers have discovered that by establishing a corporate infrastructure it has benefitted them in the U.S. as well for attracting private equity investors that are generally more comfortable with the heightened transparency requirements.

Audits – The company's financials must be converted from the "generally accepted accounting principles, or US GAAP, into the International Financial Reporting Standards, or IFRS — a standardized global system that Israel adopted in 2008."

Prospectus – The regulatory document "spells out the product being offered to investors: the organization, the assets it holds, the scope of debt issuance and what it seeks to use the funds for." As a legal document it must be filed with the Israel Securities Authority (ISA), which is similar to the U.S. Securities and Exchange Commission (SEC), for examination by ISA regulators. The window for filing a prospectus with ISA comes up 4-times each year, and is within 90-days after each fiscal quarter completion in Israel. A meeting between ISA regulators and involved parties for the issuing entity is arranged primarily to verify that the required disclosures have been met so that the public and investors are protected.

Credit Rating – Almost simultaneously to the prospectus being drafted, the credit rating agencies begin to evaluate the portfolio package which typically entails meeting the issuing company's corporate principals, visits to the property sites, as well as establishing a familiarity with the development firm's other holdings. Cash-flow models are created by the credit rating agencies, and via "stress tests," simulates the company's assets ability to generate the level of income needed to repay investors. At the onset of evaluation, U.S. issuances have the advantage of the nation currently holding the title of the lowest level of country risk according to reported comments from an S&P source. In addition, the New York market is viewed as very strong and stable.
- **The Roadshow** – Once the prospectus is made public, trips to Israel by principals of the issuing company are crucial since it offers the firm an opportunity to negotiate with bondholders its covenants that can reportedly range from "the minimum equity included in the portfolio, to the leverage ratios on the portfolio's 'balance sheet,' to net operating income on the assets." Throughout the negotiation period, the prospectus is modified as needed. The covenants play a significant role as they are reportedly the only thing that protects investors since the bonds are typically unsecured. Upon completion of the "roadshow," the final prospectus is sent to the ISA for regulatory approval.
- **Bond Offering** – Prior to the actual bond offering, final credit ratings for the corporate entity are received from the 2-agencies. In the event that the ratings are dissimilar, the company has the option of selecting the one that is more favorable. Bond offerings are done in 2-phases —
 - **Institutional tender** – The first offering is open to accredited investors only and represents a majority of the total debt issuance. Mutual funds are reportedly the most active players on the Israeli bond market since they are restricted to Israel investment only, followed by pension funds and insurance companies. In contrast, private equity firms and hedge funds are the least active since the returns on publicly traded bonds are reportedly not high enough for them.
 - **Public Tender** – The second offering is open to the general public as securities offered on TASE. The issuing company has, "through a portfolio of assets bundled and securitized via Israel's public bond market, become a publicly traded entity in Israel."



Softening Residential Market Sparks Hesitancy Amongst Israeli Investors

Despite the growing popularity amongst the city's developers of Israeli's Tel Aviv Stock Exchange (TASE) as an alternative for raising funds to finance projects, increasing signs of a softening residential condominium market has begun to spark some skepticism amongst Israeli investors as evidenced by a recent widespread selloff of Israeli bonds led by Extell Development and backed by U.S. real estate assets. The offering of the 2-bond series by the developer was triggered as a result of a delay in the closing of \$463.2 million in mezzanine financing from RXR Realty. Extell's bonds were trading at around 15% on May 19 after prices fell a total of around 10% over a 2-day span with Israeli market sources reportedly describing Extell's performance as "distressed." Funds from the selloff are intended to help finance the company's One Manhattan Square condominium (Lower East Side) and 2-rental projects at 500 East 14th Street (East Village) and 555 Tenth Avenue (Hudson Yards).

Although Extell is currently the largest U.S. issuer in Israel, other New York real estate companies have been similarly affected. GFI Capital Resources Group incurred a lowering of its bond prices which were trading at nearly 10% yield-to-maturity¹ on May 19, while Brookland Capital, Delshah Capital, Lightstone Group and All Year Management all saw their bonds drop further below par value² according the reports.

TASE Bond Offering Activity - 2nd Quarter 2016

Princeton Holdings – The real estate investment firm is the latest entrant in the Tel Aviv Stock Exchange (TASE), seeking to raise \$100 million through a public debt issuance. The bond offering will be backed by real estate assets valued at roughly \$300 million — of which 4-properties are in Manhattan and the Bronx. The offering package represents a portion of the company's entire portfolio of over \$1 billion in value according to sources. Proceeds are expected to finance the acquisition of new assets, upgrade or redevelop existing properties, and replace previous debt on assets.

¹Yield-to-Maturity: The total return anticipated on a bond if the bond is held until the end of its lifetime

²Par Value: The state value of the financial instrument at the time it is issued, also known as face value



Lending Activity - 2nd Quarter 2016

Seeking Financing

Downtown

45 Broad Street (FiDi) – The development team of Madison Equities, Italy-based Pizzarotti Group, and AMS Acquisitions are reportedly in the market for a 5-year, \$287 million interest-only construction loan to help finance the planned mixed-use project. In June, China-based Gemdale Properties and Investment joined the project, making it the company's first involvement in a New York development.

Hoping to break ground this fall, the \$442 million tower will deliver a mix of office and residential space. According to reported details of an offering memorandum the 206-residential condominium component is projected to have a gross sell-out of \$560.6 million and another \$55 million for the 6-floor, 57,800-square-foot office component. The developers will contribute \$100 million in equity, while an affiliate of Gemdale will raise up to \$55 million through the federal government's EB-5 Foreign Investor Program. Bridge capital up to \$55 million will be provided by Gemdale should the EB-5 funding not be secured upon the construction loan's closing.



45 Broad Street - Rendering

The vacant 13,202-square-foot parcel was acquired in 2015 for \$86 million, having secured a \$75 million acquisition loan from a group of lenders reportedly including Mack Real Estate Credit Strategies. Swig Equities had originally purchased the property in 2006 for \$29 million (\$110 per buildable-square-foot), demolishing the existing 56,000-square-foot office building to make way for a planned Nobu Hotel project. Swig's development plans were ultimately abandoned at the onset of the economic downturn, resulting in a foreclosure of the property back to lender Lehman Brothers Holdings. Lehman later sold the site to LCOR in 2012 for \$14 million (\$53 per buildable-square-foot).

Reported Loans Secured

Midtown

27-31 West 52nd Street aka 40 West 53rd Street (Plaza) – The Paramount Group has secured a 10-year, \$500 million loan to refinance the 30-story, 786,647-square-foot office building from AXA Equitable Life Insurance Company and Metropolitan Life Insurance Company. The interest-only loan that reportedly carries a fixed 3.8% interest rate will replace a \$413.5 million loan carrying a weighted average interest rate of 4.23% that is due to expire in December 2017. Paramount will realize a total of \$65 million in net proceeds after repayment of the existing loan, swap breakage costs (prepayment penalties), and closing costs. In September a \$230 million acquisition of the 36% stake owned by the property's joint venture partner was acquired, giving Paramount 100% ownership interest of the tower located between 5th and 6th Avenues.

Lending Activity (cont'd)

Midtown (cont'd)

1285 Sixth Avenue (Columbus Circle) – RXR Realty and real estate investor David Werner reportedly secured a 7-year, \$1.2 billion financing package to close on the \$1.65 billion (\$965 per square foot) acquisition of the 39-story tower. Lenders AIG and Morgan Stanley split the \$1.025 billion senior loan, with Morgan Stanley exclusively providing the \$1.75 million mezzanine debt. The new debt did not include an extension option according to reports. New ownership had reportedly agreed to acquire the 1.71 million-square-foot tower last December, about 4-months following news of the sale offering by co-owners AXA Financial and JPMorgan Chase. Anchor tenant UBS AG extended their lease that was due to expire in 2020 as part of the deal, and will now remain in about 900,000 square feet through 2032 as a result.

One Vanderbilt, 317-331 Madison Avenue aka 51 East 42nd Street (Grand Central) – SL Green Realty is reportedly close to securing a 5-year, \$1.5 billion construction loan for the planned over 1.7 million-square-foot mixed-use tower. The pending financing package to be issued by a consortium of Bank of China, Bank of New York Mellon, JPMorgan Chase, TD Bank and Wells Fargo is expected to close by the end of the summer. The REIT is intending to seek a joint venture partner for a 50% stake which would cover roughly \$820 million of the required equity for the project according to reported comments at a June 7 earnings call.

The estimated \$3.14 billion tower will reach a linear height of 1,514-feet; and is expected to deliver in 2021. Toronto-Dominion Bank (TD Bank) agreed to lease 200,000 square feet in 2014. The deal, which includes a flagship retail space in addition to a sizable office, will allow the Canadian financial firm to consolidate citywide offices. Plans for the long awaited development were filed last fall, receiving city approvals in May 2015 that allowed the tower's increased density in exchange for \$220 million in transit improvements. Demolition is already underway for existing structures on the block-wide site bound by East 42nd and 43rd Streets between Madison and Vanderbilt Avenues.



866 United Nations Plaza (U.N. Plaza) – Meadow Partners has secured a \$200 million loan to refinance the 477,000-square-foot mixed-use commercial condominium tower from Mack Real Estate Credit Strategies (MRECS). The 38-story tower that spreads across an entire city block bound by East 48th and 49th Streets between 1st Avenue and the FDR Drive was acquired from Vornado Realty Trust in 2013 for \$200 million. Collateral backing the new debt reportedly included the 6-story office and retail component, which includes a parking garage at the base of the tower, with residential component the fills the tower's upper levels excluded.

MRECS, the lending arm of family-operated Mack Real Estate Group has become an active lender in New York City's real estate market, joining the growing roster of the city's landlord's that are jumping into the lending market. In 2015 the company reportedly closed on a total of around \$1 billion in lending, and reportedly intends to double that figure in 2016.

4 East 34th Street / 10 East 34th Street (Midtown East/Murray Hill) – Caerus Group has secured a \$50 million floating rate loan from mortgage REIT Apollo Commercial Real Estate Finance to help fund this year's purchase of both buildings, of which a total of \$44.8 million was provided at closing. The new debt has an initial 2-year term plus a 6-month extension option.

- 4 East 34th Street – The 6-story, 29,162-square-foot property was acquired in May for \$38.2 million from the Zionist Organization of America plus an additional 52,300 square feet of additional development rights that reportedly brought the total purchase price to about \$70-\$80 million. Located steps from the Empire State Building, the assemblage can accommodate about 100,000 buildable square feet which the developer plans to redevelop into a residential condominium with ground level retail per earlier reports.
- 10 East 34th Street – The 10-story, 55,000-square-foot building was acquired in February for \$51.7 million from Brause Realty. New ownership intends to reposition the asset that features high ceilings and floor-through office lofts as a boutique office building.

334-344 West 36th Street (Penn Plaza/Garment) – The McSam Hotel Group has secured a 5-year, \$115 million construction loan from the Bank of Ozarks. The new debt will help finance the developer's planned 28-story, 191,000-square-foot hotel project that will host a total of 566-keys. Marriott will operate the hotel under 2-brands — a 280-key **Spring Hill Suites** spanning the base 12-floors, and a 286-key **Fairfield Inn & Suites** spanning the upper 14 floors.

Lending Activity (cont'd)

Midtown South

76 Eleventh Avenue (Chelsea-High Line) – Recent news revealed 3 more names that have been added to the growing roster of lenders for the close to 800,000-square-foot condominium development planned by HFZ Capital Group. The trio of companies Vornado Realty Trust, Oxford Properties Group and SL Green Realty reportedly split the stake in a \$138.2 million mezzanine debt as part of the financing package led by lender JPMorgan Chase for the \$870 million acquisition that closed in May 2015. Formerly known as **501-515 West 17th Street**, the entire square-block site of a currently operating parking lot will give rise to 2-buildings atop a shared podium comprised of a mix of 242,750 square feet of commercial space to house a mix of hotel and retail space. According to reports of EB-5 filings earlier this year, the developer is hoping to raise in the neighborhood of \$250 million through the program; and regional center U.S. Immigration Fund will reportedly be handling the fundraising that will be split into 2-phases of over \$120 million each, currently raising cash under the first phase.



300 Lafayette Street (SoHo) – Co-developers LargaVista and the Related Companies have secured an \$88 million loan from lender Duetsche Bank for the 7-story, 83,000-square-foot mixed-use office and retail development. The financing package was comprised of a \$69 million construction loan and a \$19 million project loan. The new \$200 million tower will rise on the site of a former BP Gas Station and house 50,000 square feet of office space and 30,000 square feet of retail space upon delivery. Construction of the now fully capitalized project is expected break ground in the nearing months, the development team deciding to move ahead on speculation versus earlier plans to hold-off construction until an anchor tenant was secured.



69-79 Kenmare Street aka 196-204 Mulberry Street (NoLita) – The partnership of DHA Capital, AMS Acquisitions, and First Atlantic Capital has secured a \$100.5 million construction loan from lender Deutsche Bank for the planned 7-story, 55,484-square-foot mixed-use development. The estimated \$127 million development that will house 35-residential condominiums and 8,122 square feet of ground level retail space will result in the vertical expansion of the existing 3-story, 36,159-square-foot garage. The development team was reportedly in contract last year to acquire the corner property for reportedly over \$50 million (an estimated \$901 per buildable square feet).

63 Madison Avenue (NoMad) – The joint venture of Jamestown Properties, George Comfort & Sons and Loeb Partners has secured a \$313.5 million loan from lender Bank of China. Although details of the financing package were not released, the new debt will reportedly replace a pre-existing loan and provide the borrowers with additional funds to complete renovations on the 15-story tower. Earlier this year Jamestown paid \$293 million for a 49% stake in the 870,000-square-foot building that occupies the entire city block between East 27th and 28th Streets; and is currently fully leased.



NOMA, 50 West 30th Street (NoMad) – Alchemy Properties and the Carlyle Group have secured a \$67.8 million construction loan issued by M&T Bank. The new debt will help finance the planned 24-story, 105,973-square-foot mixed-used development filed with the city's Department of Buildings (DOB) in late 2014. The new building will house 55-residential condominiums and 10,363 square feet of retail space.

Uptown

207 West 79th Street (Upper West Side) Anbau Enterprises secured a \$66.6 million construction loan from the Bank of Ozarks. The new debt will help finance the developer's planned 13-story, residential condominium project that will host 19-units plus 5,000 square feet of retail space. The 10,437-square-foot site located adjacent to the landmarked Lucerne Hotel was acquired in 2015 for \$39 million (\$549 per buildable-square-foot).

Lending Activity (cont'd)

Downtown

225 Liberty Street (World Trade Center) – Brookfield Property Partners secured a 10-year \$900 million loan package from a consortium of lenders including Citigroup, Deutsche Bank and Wells Fargo in February to refinance the 44-story tower that is part of the 4-building Brookfield Place complex. The new debt that carries a fixed interest rate of 4.66% will retire a former \$800 million loan originated in 2013 by Deutsche Bank.

The Canada-based firm completed a total of \$2 billion in asset refinancings during the 1st quarter. In addition to the Vesey Street building a \$750 million loan was secured to refinance One New York Plaza (aka 1 Water Street), where a deal to sell a 49% stake in the 50-story tower for around \$700 million (\$552 per square foot) is nearing a closure according to the company's press release in May. A 2nd Brookfield Place tower at 250 Vesey Street had also been successfully refinanced late last year through a 10-year \$600 million debt secured from a syndicate of insurance companies led by MetLife.

61 Broadway (World Trade Center) – RXR Realty has secured a \$290 million financing package comprised of a \$240 million mortgage originated by the Bank of China and \$50 million in mezzanine debt from real estate investment trust SL Green Realty. The new debt recapitalizes the 33-story tower, and will retire a \$200 million acquisition loan provided by HSBC to close on the \$330 million purchase of the 780,000-square-foot tower by RXR in 2014 from Broad Street Development. An affiliate of China Orient Asset Management agreed to acquire a 49% stake in the tower last year; and the transaction that reportedly closed in April sold for roughly \$215.6 million based upon a gross valuation of the property of \$440 million. Since trading in 2014, the building that runs block-through to Trinity Place has undergone upgrades and executed over 100,000 square feet in leases at higher rents according to reported comments by ownership.

1 Beekman Street aka 33-34 Park Row (FiDi) – Urban Muse secured a \$67 million construction loan from Arkansas-based Bank of Ozarks for the planned 72,287-square-foot mixed-use development. The finance package is reportedly comprised of a \$35 million building loan and a \$5.89 million project loan with a \$26.2 million senior loan. New construction will replace 2-existing low-rise structures that were acquired in 2014 for \$52 million (\$719 per buildable-square-foot).

43-51 Park Place (World Trade Center) – Soho Properties has secured a \$219 million construction loan for the planned 43-story, 665-foot-tall residential condominium project that will host 48-units along with a 3-story Islamic museum on a portion of the 2-parcel assemblage. The new debt is reportedly comprised of a \$174 million senior construction loan issued by Malaysian bank Malayan Bank Berhad (Maybank) and Kuwait-based Warba Bank, with Italian bank Intesa Sanpaolo serving as documentation agent; and a \$45 million mezzanine debt to be provided by MASIC, the Saudi investment firm led by the Al Subeaei family.

Deviating from a traditional financing structure reportedly due to a lack of interest from U.S. lenders, the developer's financing deal utilized **Murabaha** which is the Islamic financing structure where the "lender buys the asset, and agrees to sell it to the borrower for a pre-agreed markup (generally determined based on a benchmark such as LIBOR plus a margin)." Repayment is typically made in installments, providing immediate funds to the borrower while generating a profit for the lender. The debt cannot be sold, but "if a borrower runs into economic distress, the lender is open to working it out." Murabaha is **shariah-compliant**¹ and reportedly commonplace in Europe; and although currently uncommon for construction financing in New York City, the \$585 million acquisition of **1 Wall Street** by Macklowe Properties was reportedly partially financed through a shariah-compliant loan from Qatar National Bank.

The Woolworth Building, 233 Broadway (City Hall) – Alchemy Properties has secured a \$220 million loan from lender Overseas Bank Limited to help finance the 33-unit residential condominium conversion of the upper floors of the landmarked tower. The developer acquired the top 30-floors of the 57-story art deco office tower in 2012 for \$68 million (\$369 per square foot) The redeveloped residential component has been dubbed **Woolworth Tower Residences**, and will go by the address 2 Park Place. Since acquiring the approximately 184,483-square-foot space, Alchemy has reportedly invested millions into renovations which in most cases were required to secure approvals from the Landmarks Preservation Commission. Ongoing work has in part resulted in the creation of outdoor spaces on the 29th floor and a separate entrance with lobby and elevator access in cars made using "casts of the building's original 1913 elevator cars," as well as a restoration of the Woolworth pool.



43-51 Park Place - Rendering

¹Sharia – the Muslim or Islamic law which regulates many aspects of a Muslim's life including the type of investments allowed.



Notable Transactions

Lease

Address	Submarket	District	Sq. Ftge	Tenant
4 World Trade Center	Downtown	World Trade Center	69,000	Hudson River Trading (relocation)
140 Broadway	Downtown	FiDi	50,600	Paradigm Talent Agency (relocation)
1285 Sixth Avenue	Midtown	Columbus Circle	900,000	UBS AG (renewal)
222 East 41st Street	Midtown	Grand Central	389,522	NYU Langone Medical Center
55 Hudson Yards	Midtown	Hudson Yards	250,000	Milbank Tweed Hadley & McCloy (relocation)
90 Park Avenue	Midtown	Grand Central	240,000	PricewaterhouseCoopers
1166 Sixth Avenue	Midtown	Times Square	195,000	D.E. Shaw Group (renewal)
55 Hudson Yards	Midtown	Hudson Yards	175,000	Point72 Asset Management (relocation)
75 Rockefeller Plaza	Midtown	Plaza	125,000	Merrill Lynch Wealth Management (relocation)
11 Madison Avenue	Midtown South	Flatiron	186,396	Credit Suisse (extension)
315 Hudson Street	Midtown South	Hudson Square	54,590	Galvanize

Sale

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
388-390 Greenwich Street	Downtown	TriBeCa	2,700,000	\$1,760,000,000	Citigroup
1 New York Plaza*	Downtown	FiDi	1,267,630	\$700,000,000	Chinese Investment Corp. (49% stake)
125 Broad Street	Downtown	FiDi	525,000	\$202,000,000	Sullivan & Cromwell (condo)
1 Battery Park Plaza*	Downtown	FiDi	426,300	\$179,046,000	Allianz (49% stake)
1285 Sixth Avenue	Midtown	Columbus Circle	1,710,000	\$1,650,000,000	RXR Realty
1121 Sixth Avenue	Midtown	Times Square	919,716	\$913,000,000	Ivanhoe Cambridge (49% stake) Callahan Capital Partners
550 Madison Avenue	Midtown	Plaza	827,686	\$1,400,000,000	Olayan America & Chelsfield
693 Fifth Avenue	Midtown	Plaza	105,422	\$525,000,000	Marc Ladreit de Lacharrière

*Estimated price



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