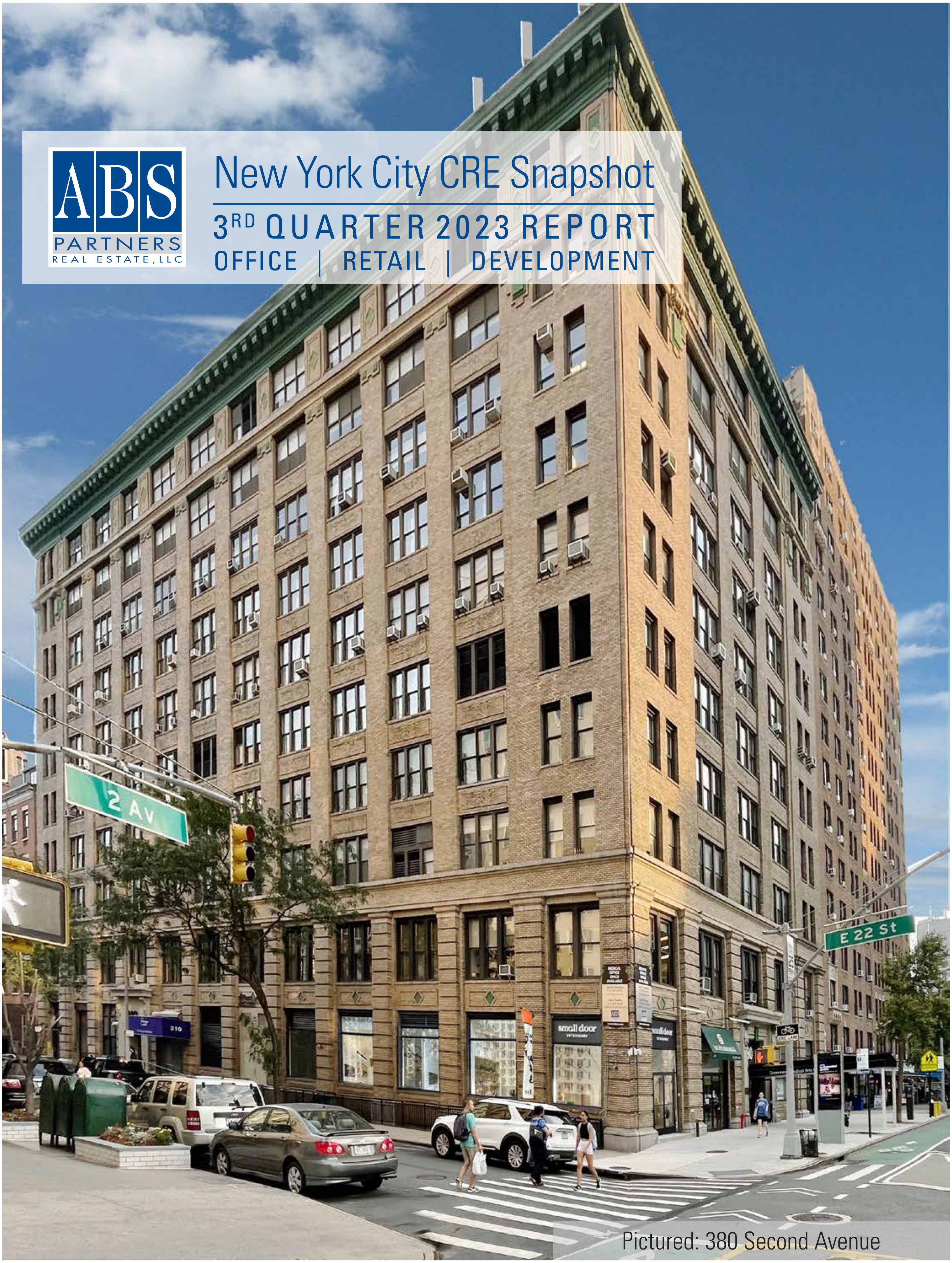
New York City CRE Snapshot

3RD QUARTER 2023 REPORT

OFFICE | RETAIL | DEVELOPMENT



Pictured: 380 Second Avenue

Downtown - South Street Seaport area

Quarterly News Highlights*

General News

Northeast U.S. Lost About $60B in New Income as People Relocate South | July 5, 2023

Although the warmer weather, lower taxes, looser regulations, and cheaper housing have lured companies and retirees in recent decades, the pandemic-era shift of people heading south is wider in scope. For the first time since government figures going back to 1990, "six fast-growing states in the South — Florida, Texas, Georgia, the Carolinas, and Tennessee — are contributing more to the national GDP than the Northeast, with its Washington-New York-Boston corridor" — a trend that shows no signs of reverting. The relocation of people to the Southeast in 2020 and 2021 alone helped generate about $100 billion in new income, in contrast to the income loss of $60 billion in the Northeast based on an analysis of recently published Internal Revenue Service data.

In addition, the Southeast accounted for more than two-thirds of nationwide job growth since early 2020, almost doubling pre-pandemic share; and it was home to 10 of the 15 fastest-growing American large cities, with population growth translating into more congressional seats. "Over the past five decades, 12 states in the Southeast including Texas collectively added 33 more congressional seats, roughly the same number that the Northeast and Midwest each lost over the same period. A record number of corporations are also moving south since the pandemic according to Census Bureau data. Cited in example was Dun & Bradstreet, which recently relocated from New Jersey to Jacksonville, Florida; and although the firm would have been happy to stay in the New York area and despite Jacksonville's industrial feel, the $100 million package of cash and tax incentives included in the deal was too hard to refuse.

Sources: https://www.crainsnewyork.com/economy/millions-move-south-us-economy-favors-its-wealth-job-opportunities

Full Impact of Shrinking its Balance Sheet in 2019 Not Foreseen by Central Bank | July 10, 2023

In the coming months, the full impact of the Federal Reserve's quantitative tightening (QT) program is set to be felt, the central bank not foreseeing the impact of shrinking its balance sheet four years ago as admitted by Federal Reserve Chair Jerome Powell. QT, which involves letting Fed bond holdings mature without replacement, thereby draining cash from the financial system, remains complex and hard to predict according to Wall Street economists and strategists. "There are still $3.2 trillion in bank reserves parked at the Fed" and although representing an estimate with low conviction by analysts, "at least $2.5 trillion is needed by the banking system to function smoothly." While the Fed is "committed to avoiding a repeat of 2019" — when the repo (repurchase agreement) market seized up, how it handles the process "could shape its political latitude to keep using its balance sheet as a key tool in the future."

Currently shedding its bond holdings at an annual pace of roughly $1 trillion, which is much faster than in 2019 but from a much bigger base, the process has been moving smoothly with "no indication that the gauge of liquidity has shrunk to a level that would cause problems in money markets as happened in 2019." Further benefiting the process is the reverse repo facility (RRP) account which is a big element of liquidity on the Fed's balance sheet and stands at more than $1.8 trillion. However, concerns exist among some economists and strategists, predicting that "things will start tightening on the liquidity side because "QT could end up mainly draining RRP" which has already receded to its lowest level since May 2022; while others point out that "it's unclear how the Treasury's bill sales will be funded. And that in turn leaves the impact of the Fed's QT a question mark." In addition, the potential exists of money market funds starting to buy slightly longer-dated assets to lock in yields for longer as the Fed approaches the end of interest rate hikes, which could put downward pressure on short-term rates, sending them above the Fed's target rate.

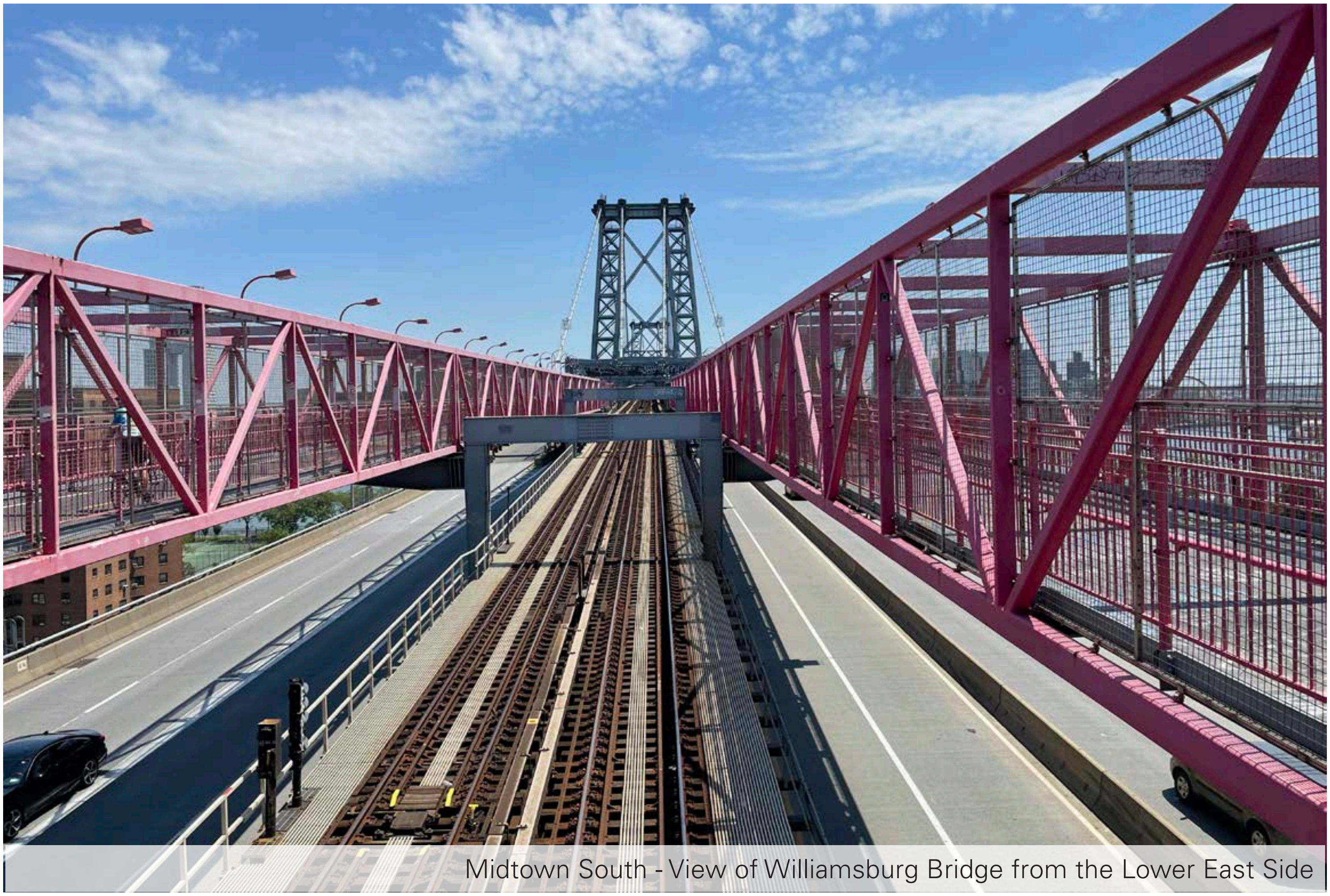
Sources: https://fortune.com/2023/07/10/jerome-powell-federal-reserve-trillions-balance-sheet-unwinding-quantitative-tightening/

IBO Report Concludes that Tax Revenue Loss from MSG's Tax Exemption Not Beneficial | July 11, 2023

Since 1982 Madison Square Garden (MSG) has enjoyed the benefit of a property tax exemption that was granted by the New York State Legislature, and unless repealed from state law, the exemption applies in perpetuity. At the time the exemption was granted, it was contingent upon "MSG continuing to host home games for both a professional basketball and hockey team, with the goal of incentivizing the Knicks and Rangers not to relocate outside the city" according to the recently released report by the Independent Budget Office (IBO). Based upon Department of Finance (DOF) estimates provided by the IBO, which is tasked with providing periodic evaluations of the New York City's economic development tax expenditure programs, the estimated value of the MSG tax exemption in 2023 is $42.4 million, equating to a property tax exemption over the years of more than $946.7 million as measured in 2023 dollars.

The IBO views the DOF's estimate as conservative since the agency doesn't devote extensive resources to estimating the value of the arena. It has been further pointed out that since "MSG ownership is not required to report any data — such as number of jobs created and wages paid — to any government agency," nor undergo a legally mandated review period, there is no oversight to track the necessity and effectiveness of the exemption over time. It has been concluded by the IBO that not only does the MSG tax expenditure not align with stated city economic development policy, determining factors for retaining the Knicks and Rangers in the city are more likely reliant upon potential relocation options being "limited by current market saturation within the leagues" as well as the economic benefits of MSG's existing location directly above Penn Station — the busiest transit hub in North America, rather than the property tax exemption.

Sources: https://www.ibo.nyc.ny.us/iboreports/an-examination-of-the-madison-square-garden-property-tax-exemption-july-2023.pdf



Midtown South - View of Williamsburg Bridge from the Lower East Side

News Highlights (cont'd)

Climate Change and its Impact on Levels of Extreme Precipitation | July 20, 2023

The frequency and intensity of events of extreme precipitation has increased since the 1950s in the U.S. and across many regions of the world according to the Center for Climate and Energy Solutions (C2ES). Annual precipitation in the contiguous U.S. has increased at a rate of 0.2 inches per decade since 1901, with extreme precipitation events outpacing this trend. The strongest increase in heavy precipitation events have been experienced in the Midwest and Northeast. The trend that scientist expect to continue is due to the rising warmth of the planet which increases the air's capacity for water vaper by about 7% for each degree Celsius of warming; and "an atmosphere with more moisture can produce more intense precipitation events." The potential of flooding is the most immediate impact of heavy precipitation, particularly in urban areas where non-permeable pavement forces water to quickly run off into sewer systems; as well as the risk of landslides due to the terrain in some states such as Washington. It has become critical to address greenhouse gas emissions to reduce the likelihood of extreme precipitation events occurring.

More frequent severe storms have increased pressure on property-casualty insurers as a growing number of insurance claims are filed due to weather-related losses. In the past two years, the number of weather events causing severe insurance losses has been the highest since at least 2010. It has led to an ongoing boosting of premiums by insurance companies to off-set the big upturn in claims. According to a spokesperson for Travelers, "numerous severe wind and hail storms in multiple states" sent it into the red in the three months through June, resulting in a posted a net loss of $14 million compared with a $551 million net income for the same period in the previous year; and a reported "near-doubling of catastrophe losses to $1.5 billion for the second quarter, up from $746 million for the same period last year."

Sources: https://www.c2es.org/content/extreme-precipitation-and-climate-change/

https://www.wsj.com/articles/facing-big-storm-losses-insurers-aim-to-boost-rates-f70211d6

Projection of Demand for Urban Real Estate by 2030 Paints a Gloomy Picture | July 20, 2023

The McKinsey Global Institute, an independent provider of fact-based research and analysis, created a detailed model that incorporates "long-term population trends, employment, and employment-mix trends, migration, office attendance patterns, shopping trends, and city-specific elements (such as physical structure and home price gradients), as well as information from a large global survey" the company conducted to project future demand for office, residential, and retail real estate in global "superstar cities." Results of the research projected that demand for office space will fall by a range of 9% to 20% by 2030 at the high among seven of the nine global cities studied with a disproportionate share of the world's urban GDP and GDP growth — New York, Houston, San Francisco, London, Paris, Munich, Beijing, and Tokyo.

Significantly fueling the trend is remote and hybrid work schedules with a "preponderance of evidence" suggesting that hybrid work is here to stay" prompting a shift in people's behavior as many became less fearful to move away from urban cores. Between mid-2020 and mid-2022, New York City's urban core (the dozen densest counties in the metropolitan area) lost 5% of its population, while the urban core of San Francisco (San Francisco County, Alameda County, and San Mateo County) lost 6%. A second behavioral change has resulted in a decline in brick-and-mortar shopping by consumers with foot-traffic near metropolitan area stores remaining 10% to 20% below pre-pandemic levels, leading to a projected reduction in demand of retail real estate by as much as 22% depending on the city. In contrast, demand for residential space is projected to be higher in 2030 than it was in 2019 by up to 26% depending on the city. While the path forward is not clear or simple, dealing with the problems by ignoring them stands in the way of finding possible solutions.

Sources: https://fortune.com/2023/07/20/demand-for-urban-real-estate-will-be-challenged-for-the-rest-of-the-decade-heres-how-the-worlds-superstar-cities-are-projected-to-fare/

New Plan Intended to Tighten NYC Construction Shed Rules Unveiled | July 24, 2023

While it is recognized that sidewalk sheds are an important public safety tool, decade-old rules governing construction sheds have "incentivized property owners to leave them up for long periods of time. As a result, there are "approximately 9,000 active, permitted construction sheds with an average age of nearly 500 days and spanning more than 2 million linear feet, or nearly 400 miles" according to the recent news release from Mayor Eric Adams' office.

The plan dubbed "Get Sheds Down" has been unveiled by the mayor in collaboration with New York City Department of Buildings (DOB) Commissioner Jimmy Oddo calls for multiple changes including increased penalties and permit fees that would start 90 days after permitted; a possible reduction of the number of sidewalk sheds that are installed in the first place, by outlining when façade netting can be used in place of sheds; a reduction in shed permit duration from 12 months to 90 days; elimination of DOB granted penalty waivers for expired shed permit violations; a move to promote new shed design ideas for the city's construction codes will be made, in part by removing the required "hunter green" color from building code; as well as conducting a reevaluation of Local Law 11 inspections by the DOB to determine if inspections can be made less frequently without risings pedestrian safety.

Overall response to the plan by several business improvement districts (BIDs), the Real Estate Board of New York and local legislative representatives was favorable, all applauding the aggressive initiative to further beautify the city's sidewalks and make them more pedestrian friendly.

Sources: https://www.nyc.gov/office-of-the-mayor/news/537-23/mayor-adams-dob-commissioner-oddo-plan-remove-unsightly-sheds-scaffolding-nyc#/0

News Highlights (cont'd)

Mayor Adams Outlines $485M Safety Plan to Address Gun Violence| July 31, 2023

The outline of a roadmap to address gun violence citywide was released on July 31st at a press conference by Mayor Eric Adams, First Deputy Mayor Sheena Wright, and the New York City Gun Violence Prevention Task Force. Dubbed "A Blueprint for Community Safety," the $485 million plan, of which New York State contributed $6 million for the overall blueprint, provides seven strategies that "use a public health and community development model to address the root causes of gun violence," with an allocation of funds dedicated to build an infrastructure to measure progress on the strategies.

Encompassing both new and existing investments, the strategies include early intervention and mentorship opportunities for young people; improving existing housing conditions — especially for public housing residents; increasing assistance to help New Yorkers access the public benefits they are eligible for; investment in public spaces and community centers to make neighborhoods safer and more vibrant; skills training for young New Yorkers and justice-involved individuals to give them pathways to sustainable, well-paying jobs; bolstering mental health resources to ensure appropriate crisis response to those suffering with mental health episodes; and increasing collaboration on neighborhood safety initiative to strengthen bonds of trust between police and communities.

The strategies and recommendations were shaped in part by months of engagement with both the communities most impacted by gun violence and critical feedback from young people. The initiative demonstrates the city's commitment to partnering with communities to take aggressive action to address the complexities of this issue with both determination and compassion.

Sources: https://www.nyc.gov/office-of-the-mayor/news/555-23/mayor-adams-gun-violence-prevention-task-force-release-a-blueprint-community-safety-#/0

Sales Revenue of NYS' Legalized Cannabis Market Below Expectations | August 1, 2023

The legalization of recreational marijuana two years ago by the New York State legislature was passed with the intent to "create a network of carefully located dispensaries to be safely run by people who had been incarcerated for selling weed in the past." However, according to estimates by Washington research firm New Frontier Data, most of the approximately $7.5 billion in total sales expected to be generated in New York State this year are taking place "within thousands of unlicensed bodegas, delis and other retailers in the city selling flowers, edibles and extracts," having the advantage of being cheaper since most of the unlicensed smoke shops aren't collecting the 13% tax levied on cannabis sales.

According to the NYS Cannabis Control Board, statewide licensed dispensaries generated $33 million is sales during the first half of 2023 — a figure that New Frontier Data forecasts will reach $2 billion by the end of the year considering business at the state's legal dispensaries got off to a slow start. A study by the industry group Coalition for Access to Safe and Regulated Cannabis indicated that monthly tax revenue through mid-May was $3.3 million, versus the $4.7 million projected by the Governor Hochul administration. In New York City the vast majority of stores are unlicensed, with estimates ranging from 1,500 to close to 8,000 shops citywide — significantly overrunning the city's nascent legal marijuana business.

Additional challenges confronting the opening of legalized dispensaries by ex-offenders is the tightening of financial conditions. In New York City, "it costs up to $2 million upfront" according to insiders, a member of the Cannabis Control Board commenting that "We took people who were the most economically unable to handle the burden of being first." While it has been suggested that the state should "create an easy and cheap pathway for unregulated delivery services to become legal," those in opposition point out that" dishing out licenses like that would mean sacrificing the [intended] social-justice goals."

Sources: https://www.crainsnewyork.com/cannabis/new-york-illegal-weed-sales-hurts-tax-revenue-legal-program

Currently Operating NYS Casinos Fall Short on Gaming Tax Projections | August 1, 2023

A report recently released by the by the NYS Comptroller's Office (OSC) identifies some benefits of the four casinos currently operating in New York State, such as the additional revenue generated for the state, of which at least some is earmarked for education as well as a portion of the state collected tax revenue going to the local governments where the gaming establishments are located. Awarded licenses in 2015 and 2016, none of the four existing casinos "met their 2019 projected gaming tax distributions in 2019, and only one (Tioga Downs) met it in 2022; but have provided nearly $176 million in local government gaming and taxes from 2017 to 2022. As the state prepares to award three additional licenses that became available following the approval by NYS voters in 2013 of a constitutional amendment authorizing up to seven commercial casinos, the OSC's report focuses on "the local government impact of and lessons learned from the first four casinos."

The report points out that competition of other nearby gaming options is also a factor of a casino's overall performance, citing the state's del Lago Resort in Seneca County, which is within 50 miles of three other gaming facilities in the state; while casinos located near the state's border, such as Tioga Downs, also face competition from neighboring states and Canada; and a possible reduction of in-person playing exists if a potential state policy change moves forward that would authorized online interactive gaming and enable players to wage online. Other concerns highlighted in the report following conducted audits by the OSC include the need for local officials to be "realistic and reasonable" about potential gaming revenue, particularly in the smaller host municipalities where it could account for a large percentage of their total revenues; proper use designation of the funds, particularly in towns that have a village, to ascertain that town and village residents are treated equitably when levying taxes; and lastly, the "need for proper planning in order to use the funds most wisely, including setting aside appropriate amounts for future purposes." Even though most of the communities being considered for the three downstate licenses are much larger that the three upstate host towns, the highlighted concerns still hold true, with emphasis on keeping in mind that "local gaming revenue is not always a "sure bet."

Sources: https://www.osc.state.ny.us/files/local-government/publications/pdf/2023-casinos.pdf

Queens - View from FDR Drive of Long Island City

News Highlights (cont'd)

One of the World's Most Expensive Cities, Costs in the Big Apple Continue to Rise | August 2, 2023

Although New York City's high apartment rents are among one of the top items of residents' concerns, two new increases will be adding to the strain on New Yorkers' wallets. Before the end of August, subway and bus fares will increase 15 cents — the Metropolitan Transportation Authority's first increase since 2015; the average cost of electricity will be increasing by 9.1% in August, equating to an estimated $15 per month on average, with additional rate increases slated for early 2024 and 2025 to enable Con Edison to meet higher costs and improve operations. Also, for those who enjoy regularly eating out, the cost of dining out rose 7% year-over-year in June according to the Bureau of Labor Statistics (BLS).

Sources: https://www.crainsnewyork.com/economy/new-york-city-electricity-bills-subway-fare-will-rise-august

Downgraded U.S. Debt Credit Rating Provides a Wakeup Call | August 2, 2023

Fitch Ratings has described the key drivers to justify its recent decision to downgrade its U.S. credit rating from AAA to AA+ in the firm's recent report — "expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance relative to 'AA' and "AAA' rated peers over the last two decades that has manifested in repeated debt limit standoffs and last-minute resolutions" which have "eroded confidence in fiscal management." Although the commentary by Fitch cites "several structural strengths that underpin the nation's ratings — a large, advanced, well-diversified and high-income economy, supported by a dynamic business environment; and "the world's preeminent reserve currency giving the government extraordinary financing flexibility," Fitch projects that "tighter credit conditions, weakening business investment, and a slowdown in consumptions will push the U.S. economy into a mile recession in 4Q23 and 1Q24." One of only three private credit rating firms along with Moody's and Standard & Poor's (S&P), the lowering of its long-term rating of the U.S. by Fitch marks the second time in the nation's history following a previous downgrade in 2011 when S&P similarly lowered its U.S. credit rating from AAA to AA+. In response to the downgrade, an article released by the Congressional Budget Committee delivers the warning that "with debt this high and rising, we simply cannot absorb a future disaster or crisis."

Sources: https://www.fitchratings.com/research/sovereigns/fitch-downgrades-united-states-long-term-ratings-to-aa-from-aaa-outlook-stable-01-08-2023

https://budget.house.gov/resources/staff-working-papers/us-debt-credit-rating-downgraded-only-second-time-in-nations-history

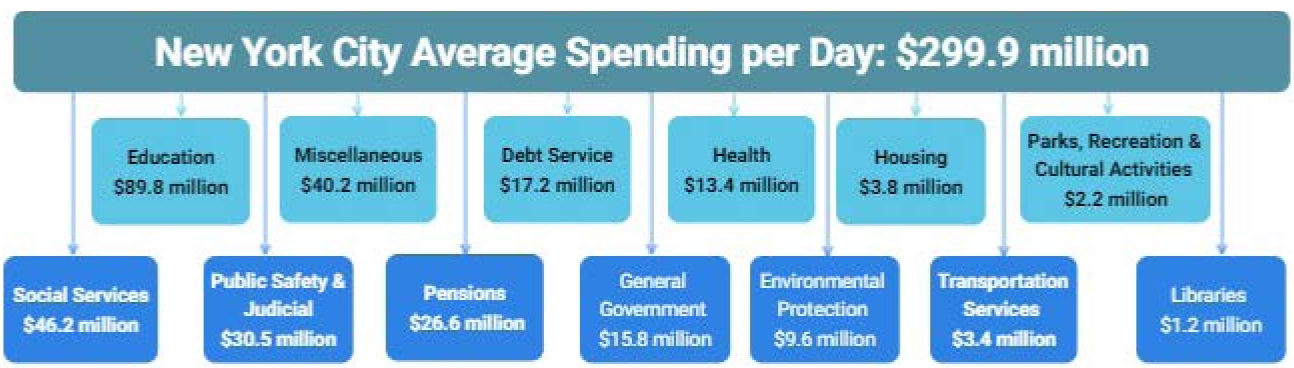
NYC Budget Gaps Expected to Rise to $7.9B in FY 2027 | August 10, 2023

Due to New York City being able to generate strong positive financial results in Fiscal Year (FY) 2023, despite about $1.45 billion in unanticipated costs for managing an influx of asylum seekers and the settlement costs of collective bargaining agreements exceeding the 1.25% set aside for raises, the FY 2024 budget is balanced using the FY 2023 surplus to prepay expenses of $5.5 billion in FY 2024 according to the latest **Review of the Financial Plan of the City of New York** by the Office of the New York State Comptroller (OSC). However, budget gaps are expected to rise from $5.1 billion in FY 2025 to $7.9 billion in FY 2027. An analysis completed by the OSC suggests the combined costs for asylum seekers and an expansion of the CityFHEPS rental assistance program could reach $5.4 billion in FY 2027. Although the city has overcome similar gaps in the past, including in recessions, unfunded programs and substantial uncertainty over volatile expenditures are likely to create continued spending pressure. The budgetary gaps that face the city are the largest at this point in the budget process since the adoption of the FY 2012 budget, with the most significant risk a recession that would negatively impact both revenues and expenses. The OSC further points out that since the FY 2025 through FY 2027 budgets don't reflect many potential risks, the city will have to remain vigilant in tracking the economy on its effect on revenues, while making sure that required spending is funded and discretionary expenses align with available resources.

Sources: https://www.osc.state.ny.us/files/reports/osdc/pdf/report-6-2024.pdf

Average Daily Cost of Running NYC is $299.9M | August 23, 2023

Based on New York City's Fiscal Year 2022 (FY22), the average daily cost of running New York City is $299.9 million. The results generated by the New York city Independent Budget Office at the request of the head of the New York City Council Finance Committee represent one way to calculate the daily cost of running the city, since there are many ways to break down the budget. Among the 13 categories created, Education has the highest daily spending average of $89.8 million, while the Libraries category spending is the low at $1.2 million. As part of the calculation, purchases between city agencies was also included.



Sources: https://www.ibo.nyc.ny.us/iboreports/cost-of-running-nyc-for-a-day-august-2023.html

NYC's Economic Health Reflected in Rising Tax Receipts | September 5, 2023

Cash balances in New York City's Fiscal Year 2023 (FY23) that ended June 30, 2023 averaged $11.122 billion, or about 48% higher compared to $7.524 billion during the same period in 2022 according to the recently released report by the New York City Comptroller's Office. In contrast, cash-on-hand of $8.159 billion at the start of the fiscal year was about 4% lower year-over-year than the $8.469 billion last year. City collections of $127.999 billion in revenues versus $123.77 billion of incurred expenditures resulted in a net gain of $4.228 billion; and on April 21st, the city's cash balance reached its highest amount on record of $18.699 billion. Tax receipts of $74.6 billion were $3.3 billion more than in FY22, fueled by strong property sales and sales taxes, unexpectedly high banking tax receipts from audits, and growth in the leisure and hospitality sector. From September 1st through December 29th, the city's cash balances are projected to remain high. Rising expenditures associated with housing and providing services to over 58,000 asylum seekers currently in shelters and humanitarian emergency response and relief centers are also a forecast assumption, with overall cash flow balances during the next four months estimated to average $8.122 billion, or about 21% higher year-over-year compared to the $6.691 billion in 2022.

Sources: https://comptroller.nyc.gov/reports/new-york-city-quarterly-cash-report/

Sources: https://comptroller.nyc.gov/reports/new-york-city-cash-balance-projection/

News Highlights (cont'd)

Financial Burden of Asylum Seekers Prompts Adams Request to Agencies for Proposed 5% Cuts | September 9, 2023

By law New York City cannot turn away those who need housing, however, the financial burden on taking in a wave of 110,000 migrants is taking a toll on the city's finances. In an effort to reduce overall city expenses, Mayor Eric Adams has asked city agencies to "submit proposed annual budget cuts of 5% by November." It is expected that both long-time New Yorkers and asylum seekers will feel the impact of the potential cuts despite the mayor's office seeking to minimize disruptions to programs while avoiding layoffs. It is estimated by the city administration that the cost may reach $12 billion over the next three fiscal years with an estimated 10,000 asylum seekers arriving each month. New York City as well as other sanctuary major cities across the U.S. are struggling to find the resources to shelter new migrants, prompting the Biden administration to request $4 billion in emergency funding for border and migration management, but it is "whether Congress can reach consensus on a plan."

Sources: https://www.crainsnewyork.com/politics-policy/eric-adams-asks-nyc-agencies-5-percent-budget-cuts-blaming-migrant-crisis

Emissions Reduction Strategy 'Getting 97 Done" Launched by Mayor Adams | September 12, 2023

A new comprehensive mobilization strategy to reduce greenhouse gas emissions in large New York City buildings was launched by Mayor Eric Adams. Dubbed **Getting 97 Done** includes four key elements: 1] Identifying and targeting city, state, federal, and utility-based financing and funding for upgrades; 2] providing buildings with needed technical advice through the NYC Accelerator; 3] implementing key enforcement mechanisms via a New York City Department of Buildings (DOB) rule package; and 4] decarbonizing central systems in partnership with New York State. Greenhouse gas emission limitations in large buildings start in 2024 under Local Law 97; and fines of $268 per ton of carbon dioxide emitted above a building's allowance will be issued as the city administration pushes to meet an aggressive target of carbon neutrality by 2050. Recently the DOB proposed rules to provide some leeway for buildings that don't meet 2024 thresholds by documenting a '**Good Faith Effort.**' Owners that qualify will be able to invest would-be fines into decarbonization projects in return for extended deadlines. However qualifying buildings are prohibited from purchasing renewable energy credits as part of reaching their emissions reduction targets. Another helpful incentive is credits for early electrification. Mayor Adams further pointed out that while compliance of Local Law 97 and the Getting 97 Done plan addresses climate change, going green will also save building owners money in the long run.

Sources: https://www.nyc.gov/office-of-the-mayor/news/656-23/mayor-adams-launches-getting-97-done-comprehensive-mobilization-strategy-reduce-building

Midtown South - Little Island

News Highlights (cont'd)

Mount Sinai Beth Israel Campus in Gramercy Park to Shutter | September 13, 2023

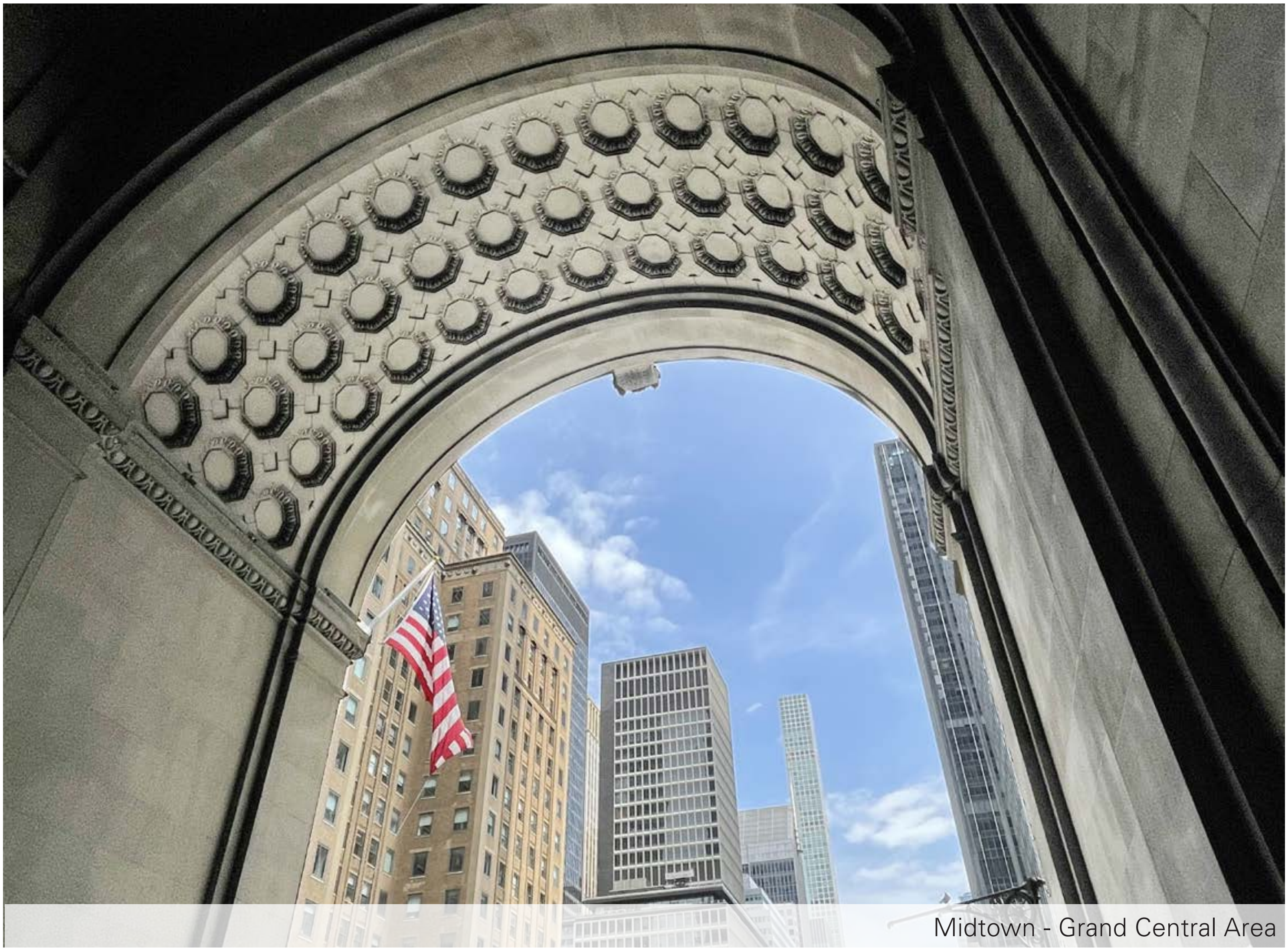
Increasing financial losses have prompted decisions by Mount Sinai to close the Mount Sinai Beth Israel (MSBI) hospital campus spanning East 16th and 17th Street between 2nd and 1st Avenue. Although a timeline for the planned initial reduction of the 696-bed teaching hospital's inpatient bed count and final closing completion were not provided, the decision brings a closure to "years of agonizing debate and analysis" prompted by mounting financial pressures. Over the past 10 years, MSBI has sustained an excess of $1 billion in losses, with increasing labor and supply costs and a lowering of the hospital's inpatient census a major contributing factor. Currently running at 20% capacity, the hospital recorded nearly a $200 million operating loss in 2022 and is on track to lose an additional $150 million this year. Through the Mount Sinai Behavioral Health Center at 45 Rivington Street and the New York Eye & Ear Infirmary of Mount Sinai based on 14th Street, the health system will continue to maintain a presence downtown. Impacted, unionized staff roles will be offered positions with the same titles and pay at other locations within the system; and Mount Sinai also plans to further evaluate options for opening a smaller hospital downtown, engaging the community and elected official to determine the health system's next steps.

Sources: https://www.crainsnewyork.com/health-care/mount-sinai-close-beth-israel-campus-financial-losses-mount

Federal Reserve Transparency Lacking as Cash Operating Losses Surpass $100B | September 26, 2023

At the end of the federal fiscal year on September 30, 2023, the Federal Reserve will have spent about $110 billion to cover cash losses — about $9 billion in operating expenses and just over $100 billion in net interest expense; and will continue accumulating about $2.5 billion per week in losses as long as interest rates remain at current levels. In contrast, for most of the Federal Reserve's history, the agency made operating profits and remitted them to the U.S. Treasury which reduced federal expenditures and net federal budget interest outlays. As a result, it comes into question as to whether or not the "Fed's quantitative easing policies created economic benefits sufficiently large to justify the taxpayer costs being realized by the Fed today." The just under $8 trillion in Treasury and mortgage-backed securities owned by the Fed earn on average about 2 percent interest, while the Fed currently pays more than 5 percent interest on the money it borrows to help pay for these securities. However, since the operating losses of the Federal Reserve are "not treated symmetrically in federal budget accounting conventions, in part perhaps because no one likely ever imagined that the Federal Reserve system would lose money," a lack of transparency exists "because the Fed's losses and associated indebtedness are not currently reported in the federal budget and debts statistics.

Sources: https://thehill.com/opinion/finance/4221960-the-feds-100-billion-cash-losses-should-be-a-far-bigger-story/



Midtown - Grand Central Area

News Highlights (cont'd)

Office Market

Brookfield Properties' U.S. Office Portfolio Transitioning to Zero Emissions Electricity by 2026 | July 1, 2023

In an aggressive move, Canada-based Brookfield Properties announced its commitment to transition the entire, more than 70-million-square-foot U.S. office portfolio it manages to zero emissions electricity by 2026, of which 65% will transition by 2024. Expected to reduce the portfolio's carbon emissions by approximately 80%, Brookfield will use three sources to procure its electricity requirement — hydropower (49%), solar and wind (33%), and nuclear (18%). Brookfield's office tenants will also benefit from the transition since it will eliminate Scope 2 carbon emissions (indirect greenhouse gas emissions from the purchase and use of electricity, steam, heating and cooling), "assisting them with measurable progress that can be included in their own environmental, social, and corporate governance (ESG) reporting.

Similar to what Brookfield is already doing at its One Manhattan West tower, electricity will be purchased from hydropower facilities located throughout New York State for the New York portfolio; and through bundled Purchase Power Agreements (PPAs), Brookfield will receive Energy Attribute Certificates issued as proof of electricity produced by renewable sources. In the U.S. and Canada, the Renewable Energy Certificate System (RECs) are the main tool and used both for compliance reporting as well as voluntary consumption and comply with Greenhouse Gas Protocol.

Sources: https://rew-online.com/brookfield-properties-announces-entire-u-s-portfolio-to-be-powered-by-zero-emissions-electricity/

Nonprofit Tenants and Office Buildings Prove to be a Win-Win Combo | July 7, 2023

Although high profile law firms and finance companies are best known as the type of tenant landlords generally seek to fill Midtown office buildings, for those landlords thinking outside of the box, especially in a weak office market, nonprofits have become increasingly sought after. Nonprofits are eligible for a real estate property tax exemption when they own their space; and with that in mind, nonprofit deals are structured as leasehold condominiums which “essentially allow nonprofits to be viewed as owning their space on a long-term lease of at least 30 years.” However, some nonprofits may not be able to make a multi-decade commitment, but according to James Caseley, a partner at ABS Partners Real Estate, and a fan of the leasehold condo structure, ABS is trying to align itself with a method of accommodating even shorter commitments.

In the past, due to higher rents nonprofits have avoided the city’s higher quality buildings, but more recently able to take advantage of the high volume of office vacancy and generous concessions as well as relocation costs being offered by some landlords. The flexibility to downsize is also playing a significant role, since “nonprofits have been struggling more than other types of companies to get their employees back to the office” and an upgrade to a smaller space in a better-quality building could help entice employees and increase the frequency of office attendance. A recent deal completed by ABS Partners secured the New York Public Library (NYPL) as a tenant at its 270 Madison Avenue building; and while the NYPL benefited from an aggressive deal, the landlord gained the occupancy of a credit tenant, making it a “win-win” for both.

Sources: https://www.crainsnewyork.com/commercial-real-estate/nonprofits-benefit-new-york-office-market-struggles

Tribeca Building Secures 184K-sf Lease Extension for Trio of City Agencies | July 10, 2023

The Department of Citywide Administrative Services (DCAS) has signed a 5-year extension for a trio of city agencies currently located at 255 Greenwich Street. As a result of the deal, the Office of Management and Budget, the Mayor’s Office of Contracts, and the New York City Office of the Actuary will retain their offices spread across the entire 6th through 9th floors within the Lower Manhattan building. According to the notice in The City Record, the lease has an annual rent of $8 million, or about $44 per square foot, and extends the term from July 1, 2028 through June 30, 2033.

Sources: https://commercialobserver.com/2023/07/nyc-budget-contract-and-actuary-offices-renew-183k-sf-in-tribeca/

PENN 1 Secures 75K-sf Lease with Financial Firm | July 23, 2023

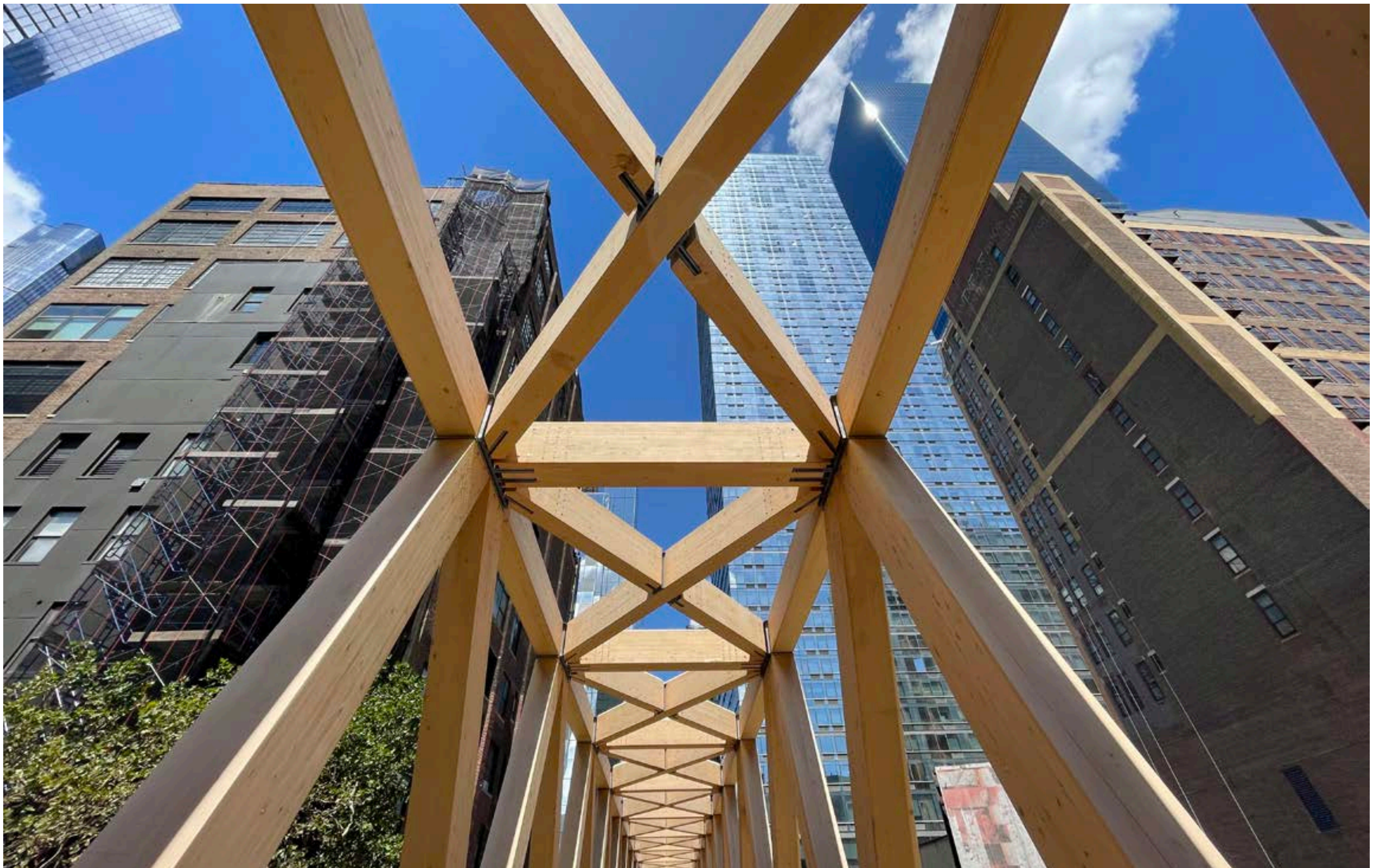
Currently undergoing a $450 million redesign and repositioning the 1970s-vintage PENN 1 tower located at 250 West 34th Street will be welcoming Canaccord Genuity Group next year. The financial services firm signed a 15-year lease according to Crain’s New York for 75,000 square feet spanning two floors within the tower at an asking rent of $103 per square foot — a jump from the mid-$60s asking rent just two years ago. The new space will enable Canaccord to consolidate offices at 535 Madison Avenue and 33 Whitehall Street. The deal further substantiates that office tenants do not always gravitate to brand new towers in their pursuit of the frequently noted “flight to quality;” and that demand continues to exist for properties “built in the ancient 20th Century” that have undergone major reinvestment.

Sources: https://nypost.com/2023/07/23/penn-station-tower-lands-high-paying-tenant-after-450m-fixup-sources/

Amazon Renews 210K-sf Space at WeWork Location | August 3, 2023

At a time when leasing activity across the overall technology sector has declined, e-commerce giant Amazon has renewed its 210,000-square-foot lease within a WeWork location at 1440 Broadway. An existing enterprise member of the co-working firm, Amazon also agreed to lease an additional 90,000 square feet within WeWork’s location at 75 Rockefeller Plaza. News of the latest signings follows recent decisions by the Seattle-based firm to call employees back to the office at least three days per week. Full details of the two deals were not released. Until the long-term impact of hybrid work patterns on office use is determined, demand for flexible workspace is expected to increase due to its nature to be “turned around quickly with favorable lease terms for occupier.”

Sources: https://product.costar.com/home/news/76357602



Midtown - High Line Extension West to Manhattan West complex

News Highlights (cont'd)

ESD Signs 117K-sf Lease for Parallel Midtown Move | August 8, 2023

The Empire State Development (ESD) agency has signed a 20-year lease to relocate within the Grand Central area to 655 Third Avenue. The state agency's new office will span across five full floors at the 30-story Midtown building. The space that had an asking rent of $69 per square foot was previously occupied by global conglomerate Mitsubishi International Corporation, which recently relocated to a downsized 68,370-square-foot space at One Five One, 151 W 42nd Street (formerly 4 Times Square). The deal will see the ESD relocate about one block north from an approximately comparable size office at 633 Third Avenue.

Sources: https://commercialobserver.com/2023/08/empire-state-development-lease-655-third-avenue-durst/

Law Firm Signs Over 700K-sf Extension Deal on Lexington Ave | August 16, 2023

A 25-year lease extension was signed by Davis Polk & Warwell LLP (Davis Polk) at 450 Lexington Avenue. As part of the deal the global law firm is adding an additional 30,000-square-foot floor to its existing 23 floors resulting in a footprint of more than 700,000 square feet. Representing the largest New York City office transaction in 2023 to date, landlord RXR Realty agreed to invest over $300 million in extensive capital improvements in connection with the lease. In addition to major common area and elevator upgrades, Davis Polk's space will gain numerous amenities "focused on improving employees' day-to-day experiences" including new gathering and meeting spaces, new indoor/outdoor space, and culinary options throughout. The financial details of the lease were not disclosed.

Sources: https://rew-online.com/largest-nyc-office-lease-of-2023-signed-at-rxrs-450-lexington-avenue/

Potential CRE Impact Amid Uncertainty of WeWork's Financial Turnaround | August 16, 2023

Many eyes within the commercial real estate market around the globe are focused on WeWork's efforts for a financial turnaround as the flexible space provider looks to renegotiate or cancel leases to gain profitability. Existing challenges have intensified amid an uncertain economic outlook combined with ongoing remote and hybrid work schedules tempering demand for office space in major markets from London to New York to San Francisco. Back in August, the company stated in its earnings report that "there is 'substantial doubt' that the company can continue operating," and that "its lease obligations continue to be the 'primary challenge and obstacle' to it cash flow."

There exists heightened concern among owners of Class B and Class C buildings since WeWork primarily leases within older buildings; and the possibility of a filing of Chapter 11 or Chapter 7 bankruptcy would give WeWork the right to terminate its leases which would not only add a significant amount of office vacancy to an already struggling market, but the ripple effect would impact lenders as well as many of WeWork's tenants. Within the commercial mortgage-back securities market, $2.4 billion in CMBS loans backed by office properties have WeWork as a top-five tenant with New York City, where WeWork is headquartered, facing about 38% of the total CMBS exposure.

A total of about 43.9 million square feet of space globally was operated by WeWork as of the end of 2022, of which 18.3 million square feet was in the U.S. according to an SEC filing; and per the company's June 30, 2023 10-Q Securities and Exchange Commission (SEC) filing, WeWork's longest lease terms extend through 2034; workstation capacity was 906,000, Enterprise memberships (companies with a minimum of 500 employees) accounted for 43% of membership and service revenue, and occupancy rate was 72%. Claiming the title as the largest leaseholder in New York City at one point, WeWork occupies about 6.4 million square feet across 70 Manhattan office buildings according to estimates provided to Crain's New York Business. Notable leases reported in 2019 include a 362,187-square-foot lease at 437 Madison Avenue, a 213,358-square-foot lease at 620 Avenue of the Americas, and a 201,231-square-foot lease at One Seaport Plaza, 199 Water Street.

It has been speculated that a buyout from a commercial real estate firm will be the likely fate of WeWork, pointing out that "the brand and its reach are still incredibly valuable" and "with the right capital structure the business model works." Reported data provided by Scoop Technologies, which helps firms manage hybrid workforces, the share of companies offering location flexibility "increased to 61% in July from 51% in January.

Sources: https://therealdeal.com/national/2023/08/10/wework-bankruptcy-would-ripple-across-real-estate-industry/

Remote Workers Increasingly Shift from Home to the Local Gym or Coffee Shop | August 16, 2023

A growing number of remote workers are leaving the four-walls of their in-home office in search of a nearby environment that offers the social buzz they crave. Although initially appearing to be an ideal situation, the work-from-home option appears to have lost some of its luster, resulting in local cafés, coffee shops, libraries, and gyms being overrun with workers that don't want to be at home or commute to the office. In the past, gyms were wary of opening their doors to the remote-worker masses. However, more recently they realize that the concept creates opportunity in part from the increased portion of the day spent around the gym leading to bigger spending in the facilities' cafés and wellness services too.

Some gyms are creating co-working spaces to separate the remote workers from the exercise crowd; while others "are charging extra and offering entire floors for clients to stay and work all day," providing a convenient place that remote workers already frequent and enjoy spending the extra time. The new 60,000-square-foot Chelsea Piers fitness center in Brooklyn's Prospect Heights neighborhood includes 4,000 square feet of co-working space featuring a fireplace and privacy booths — a build-out the fitness brand plans to incorporate into its other locations; while high-end brands such as Life Time offer co-working space with audio visual equipment, conference rooms, and a full kitchen at a monthly cost lower than the upfront cost of setting up a similarly appointed space in a more traditional office setting.

Yet as the concept grows in popularity, the hive of activity of people walking about in athletic gear may require the use of a privacy booth or a neutral backdrop against a wall and a noise-cancelling headset for some remote workers when joining colleagues on a video call in case questioned as to where they are.

Sources: https://www.wsj.com/lifestyle/workplace/forget-the-office-gym-welcome-to-the-gym-office-d12dd9ad

Midtown South - Union Square Area

News Highlights (cont'd)

Take 4: Post Labor Day Return-to-Office | August 29, 2023

Growing signs of optimism are surfacing as efforts for a post Labor Day return-to-office (R-T-O) push escalate. Although having yet to meet with greater success over the past three years, some studies are indicating that the Great Resignation is over and that the pendulum is beginning to swing the other way giving employers increased leverage as employees begin to feel less confident about easily replacing their current job, while others are experiencing remote-work fatigue. A recent study found that "2.5 million office-based employees in the U.S. will face return-to-office mandates through the end of the year," with most of these policies "set to take effect in September as school resumes and summer winds down."

Further supporting indications of an increase in R-T-O policies are the findings of another study showing that "national demand for office space has stabilized, but New York City's office demand index increased by 7.4% year-over-year — the most of any market in the study." Some recent headlines have further substantiated a stronger stand by companies including Meta's warning to employees falling short of a "looming three-day-per-week requirement" leading to the potential loss of their jobs; Goldman Sachs recently "embarking on a fresh effort to enforce its policy of working in the office five days a week;" and even Zoom, "the company that powered the remote work revolution during the pandemic" is now enforcing a "structured hybrid approach" requiring employees who live near an office to be onsite two days a week.

However, it is expected that even if an R-T-O surge materializes, if would likely be on Tuesday through Thursday – but the writer of this post suggests a staggering of the three-day week should be considered with some work teams in the office Monday through Wednesday and others Wednesday through Friday to help boost office space use and foot traffic for local businesses on Mondays and Fridays which continue to see significantly lower activity.

Sources: https://therealdeal.com/new-york/2023/08/29/offices-primed-for-comeback-data-and-mandates-predict-shift/

Uptown - Upper West Side View from Central Park

News Highlights (cont'd)

Lease at 450 Park Ave Fetches $165/sf rent | August 24, 2023

BlueCrest Capital Management has signed a lease for 21,640 square feet spanning the entire 30th and 31st floors at 450 Park Avenue. The significance of the 15-year deal is the $165 per square foot rent that the hedge fund will be paying. As a result of the deal, BlueCrest will be relocating and downsizing from its current 34,490-square-foot office at 767 Fifth Avenue.

Sources: https://product.costar.com/home/news/1828449169

Financial Firm Signs 122K-sf Lease in FiDi Tower | September 7, 2023

Tower Research Capital recently signed a 15-year lease for 122,000 square feet at Lower Manhattan's Equitable Building located at 120 Broadway. The deal that had an asking rent of $70 per square foot will enable the financial trading firm to consolidate offices at 377 Broadway and 148 Lafayette Street. Upon relocating late next year, Tower Research Capital's new global headquarters will spread across the 37th through 39th floors in the 40-story tower that recently underwent a $50 million renovation.

Sources: https://therealdeal.com/new-york/2023/09/07/silversteins-120-broadway-lands-another-big-office-lease/

Potential CRE Impact Amid Uncertainty of WeWork's Financial Turnaround | September 20, 2023

Many eyes within the commercial real estate market around the globe are focused on WeWork's efforts for a financial turnaround as the flexible space provider looks to renegotiate or cancel leases to gain profitability. Existing challenges have intensified amid an uncertain economic outlook combined with ongoing remote and hybrid work schedules tempering demand for office space in major markets from London to New York to San Francisco. Back in August, the company stated in its earnings report that "there is 'substantial doubt' that the company can continue operating," and that "its lease obligations continue to be the 'primary challenge and obstacle' to it cash flow." There exists heightened concern among owners of Class B and Class C buildings since WeWork primarily leases within older buildings; and the possibility of a filing of Chapter 11 or Chapter 7 bankruptcy would give WeWork the right to terminate its leases which would not only add a significant amount of office vacancy to an already struggling market, but the ripple effect would impact lenders as well as many of WeWork's tenants. Within the commercial mortgage-back securities market, $2.4 billion in CMBS loans backed by office properties have WeWork as a top-five tenant with New York City, where WeWork is headquartered, facing about 38% of the total CMBS exposure.

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Sources: https://therealdeal.com/national/2023/08/10/wework-bankruptcy-would-ripple-across-real-estate-industry/

Other reference articles: https://product.costar.com/home/news/359467008

https://www.crainsnewyork.com/real-estate/wework-bankruptcy-would-hurt-manhattan-office-landlords

https://commercialobserver.com/2023/08/wework-substantial-doubt-survial-nyc-office-market/

https://commercialobserver.com/2023/08/wework-substantial-doubt-survial-nyc-office-market/

https://www.crainsnewyork.com/workplace/flexible-work-still-favor-despite-wework-zoom-news

Pershing Square has Success with New Hybrid Work Concept | September 23, 2023

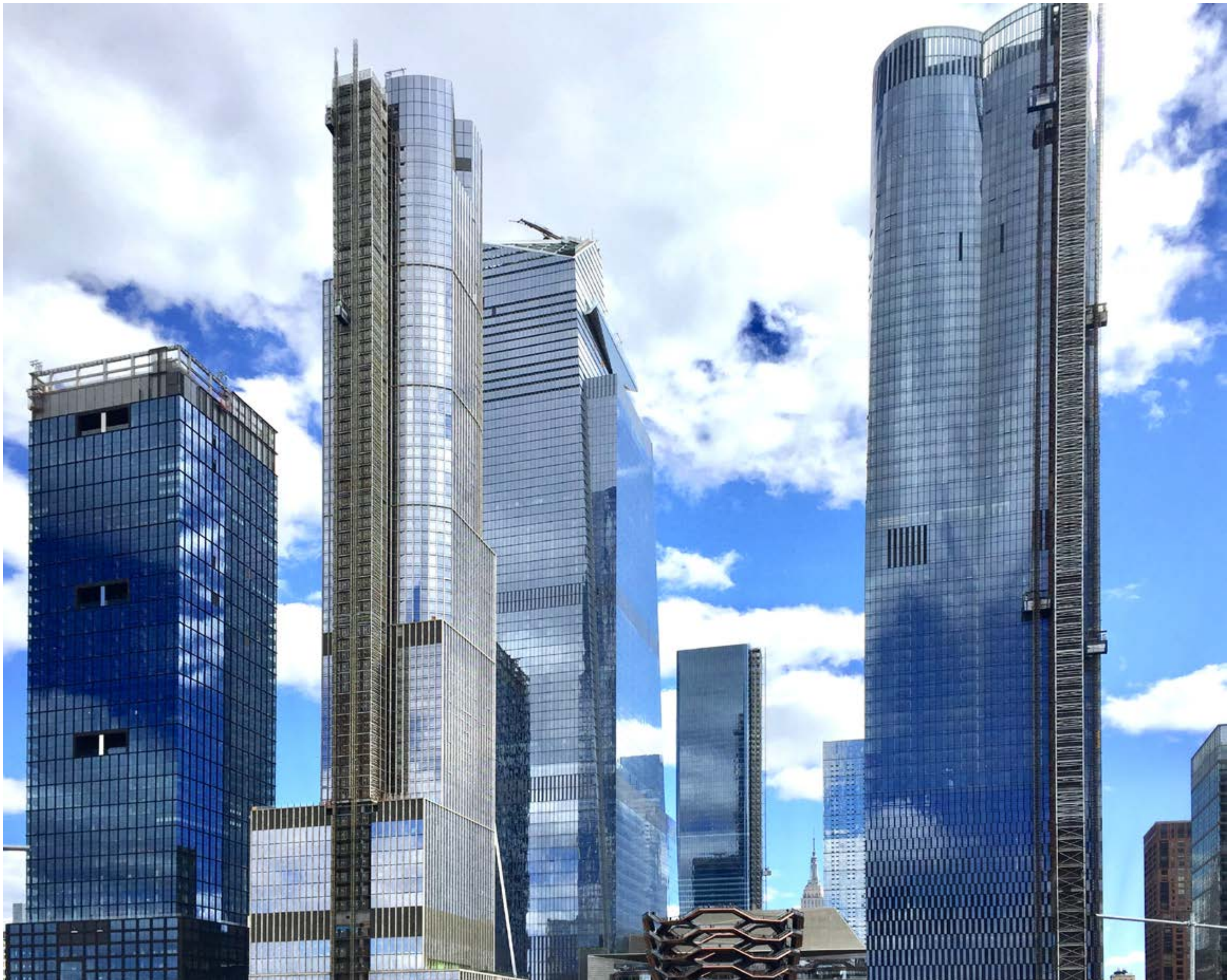
For the past two years, Pershing Square has experimented with a new hybrid work concept that has met with success. While flexibility still exists for occasionally working remotely should an employee have a doctor's appointment or other personal need that requires them to be home, Pershing Square's employees have returned to the office five days per week for 10 months of the year, and in July and August they can work from anywhere with the caveat that if there's something were the company needs to bring everyone together, "you show up." The concept has provided more balance, while still giving remote work advocates some ground — although not as much as they'd like, but "meshes the belief held by many CEOs, that in-office work is vital to mentoring your talent and fostering a strong corporate culture."

Sources: https://www.aol.com/finance/bill-ackman-remote-policy-answer-183107766.html

Mounting Challenges for the U.S. Commercial Property Market Heighten Concerns | September 24, 2023

Industry experts are keeping their eyes focused on the nation's commercial real estate (CRE) industry at a time when office vacancy rates have hit all-time highs, consumer savings are dwindling, and interest rates are rising. Heightening concerns are the "massive" debt refinancings that the sector faces at a time when interest rates are at their highest level since 2001; the potential for U.S. banks to "lose up to $250 billion on their exposure to commercial offices, which makes up about 10% of their combined $2 trillion in equity;" and risk damage to some of America's largest cities should the office property market crash.

Sources: https://finance.yahoo.com/news/us-commercial-property-concerns-keep-174501992.html



Midtown - Hudson Yards

News Highlights (cont'd)

Latest News at Hudson Yards Delivers Signs of Optimism for the Office Market | September 27, 2023

The approximately 400,000-square-foot multi-level space at the Hudson Yards complex that previously served as the home of high-end department store Neiman Marcus will soon have a new occupant. California-based lender Wells Fargo is paying $550 million for the space that spans the entire 5th through 7th floors within the Shops & Restaurants at Hudson Yards. Located at 20 Hudson Yards, Wells Fargo plans to convert the space for office use, expanding the bank's presence at the complex, having acquired a 500,000-square-foot office condo unit in 2015 within the 30 Hudson Yards tower for an estimated $650 million according to reports at the time. The complex that opened about 4 years ago initially failed to produce the expected revenue, putting "New York taxpayers on the hook between 2010 and 2015 for $359 million worth of interest payments, 40 times higher than projected." However, despite fears of the shuttering of the Neiman Marcus store, as of Tuesday, September 27, 2023, S&P Global "deemed Hudson Yards is now generating more than enough cash on an ongoing basis to pay debt-holders," and upgraded the bonds used to build the 18 million-square-foot complex from AA- to AA — the same rating as New York City. Currently paying payments in lieu of taxes, or PILOTs, revenue generated by the Hudson Yards PILOTs grew by $40 million between fiscal 2020 and 2023, to $160 million, while interest expense in fiscal 2023 were $20 million less than three years ago, lowering to $95 million according to financial statements from city agency the Hudson Yards Infrastructure Corp (HYIC).

Sources: https://nypost.com/2023/09/27/wells-fargo-to-buy-neiman-marcus-space-in-nyc-for-550m/


Midtown South - Chelsea Area

News Highlights (cont'd)

Retail Market

Permanent Outdoor Dining Secures City Council Approval | August 3, 2023

Building on previous sidewalk café law and the emergency pandemic-era program, the city council voted to establish a newly revised permanent outdoor dining program on August 3rd. In addition to being accessible and inclusive to more restaurants by making the participation costs more affordable and reduce the timeline of the required processes to receive approval, guidelines established by Introduction 31-C will allow sidewalk cafés to operate year-round, and for the first time permanently allow roadway cafés to operate during the 8 months of April through November. According to Crain's New York Business, the city plans to create a flexible modular "kit-of-parts" by partnering with design experts that could include "key pieces of outdoor dining" such as "barriers to provide diner protection, signage to promote accessibility and seating that can adapt to many kinds of roadways." In addition, the "kit can be vetted, code-compliant and pre-reviewed by relevant city agencies," while allowing for customization with assurance that the setup would be entirely legal. A further convenience of the kit design would be its ability to collapse for easy storage in the off season and add built-in trash containers.

Source: https://council.nyc.gov/press/2023/08/03/2452/

Versace Anchored Retail Co-op Trades for $135M | August 15, 2023

Weybourne Holdings, the family office of Dyson, has purchased the retail co-op units at 747 Madison Avenue totaling approximately 11,000 square feet. The sale by the joint venture of Jeff Sutton and the Reuben brothers fetched a price of $135 million. Currently occupied by luxury fashion brand Versace and Alexander McQueen, Sutton's Wharton Properties had initially purchased the ground floor retail for $66 million in 2011, subsequently investing an additional $2.6 million to add the 2nd floor duplex to create a high-ceiling storefront. In 2013 Sutton's buyout of his partners valued the retail co-op at $160 million; and earlier this year Reuben Brothers joined Sutton, acquiring a stake — terms of the transaction were not released.

Source: https://therealdeal.com/new-york/2023/08/15/jeff-sutton-reubens-sell-madison-ave-retail-to-james-dyson-for-135m/

Midtown South - Union Square

News Highlights (cont'd)

Consumer Spending Expected to Tighten as College Loan Repayment Restarts | September 18, 2023

Following a three-year hiatus during the pandemic, roughly 27 million borrowers will restart making student loan payments in October. The timing couldn't be worse for the retail market as the holiday season approaches; as well as consumers that are facing shrinking savings, a cooler job market, and higher price levels after two years of rapid inflation. It has yet to be determined what impact it could have on retail sales and discretionary spending as people need to budget once again for student loan payments. If a large share of consumers cut back simultaneously, the hit to the overall economy could be substantial, but not so big that it would push the U.S. into a recession according to what most economists think.

In an effort to ease some of the added financial burden, the Biden administration is "allowing for people with lower incomes to repay their loans more slowly and creating a one-year grace period in which missed payments will not be reported to credit rating agencies," as well as enrolling in a new income-based repayment program that would "decrease monthly payments for people earning low and moderate incomes." Although estimates of the added cost to households are very rough, with some analysts thinking they are overstated, uncertainties of the potential impact remain — particularly if a significant scaling back of consumer spending coincides with major strikes if they last and a government shutdown if Congress fails to reach a funding agreement by the end of September.

Source: Source: https://www.nytimes.com/2023/09/15/business/economy/restart-student-loan-payments.html

Rising Retail Theft Prompts Closure of Target's Big Box Harlem Store | September 27, 2023

Since the onset of the pandemic, New York City has seen a well-documented spike in shoplifting with complaints in 2022 reaching a record number of more than 63,000. Driving the increase in numbers is the rise of "organized retail crime" — groups that systematically steal from stores and resell the products elsewhere according to some law enforcement officials and retail trade groups. The inability to operate its Harlem store safely and successfully, despite efforts to change the situation, has prompted decisions by discount retail chain Target to close its 174,000 big box store at the East River Plaza shopping center in East Harlem. Opening in 2010, the deal represented Target's New York City debut. The Harlem store is among a list of 9 stores that the retailer plans to close across the U.S. for similar reasons. However, remaining committed to the city, Target will be opening its new 33,000-square-foot store in Union Square in late October, with other planned locations in Harlem, Chelsea, Astoria, the East Bronx, and Mill Basin, Brooklyn.

Source: https://www.crainsnewyork.com/retail/targets-east-harlem-closure-marks-grim-chapter-new-yorks-shoplifting-struggle

Brooklyn - View of DUMBO from Brooklyn Bridge

News Highlights (cont'd)

Investment Sales

NYC Claims #1 Spot as Preferred U.S. City Among Foreign Investors | July 7, 2023

Overall U.S. foreign investment accounted for 18% of total sales dollar volume in the Q1 2023, representing the highest level since 2015 according to Real Capital Analytics (RCA) data. Fueling the increase in activity are some foreign investors that "have stepped up their game and are taking advantage of this challenging marketplace." Canadian buyers led the way during the past 24 months, accounting for 41% of purchases made by the top 20 foreign investors. Foreign investment in New York City more than doubled year-over-year in Q1 2023, increasing from 5% to 12% and accounting for $1,881,857,688 in sales dollar volume according to the Q1 2023 Pulse Report by the Association for International Real Estate Investors (AFIRE). Among the top 20 foreign investors Korea was the most active in New York City, accounting for 31% of the purchases. In contrast, China accounted for a mere 2% of the purchases during the last two years, representing a significant decline in activity in New York City from the nearly one-third percent in the past. Overall investment sales have slowed, but looking ahead, "there is a potential upside for those who can enter a market now and wait for it to recover" — particularly in places such as New York City that have historically performed well.

Source: https://rew-online.com/foreign-investment-increases-in-u-s-with-new-york-city-attracting-most/

https://www.afire.org/survey/q12023pulse/

News Highlights (cont’d)

Mack Real Estate Forecloses on the Brill Building | July 14, 2023

According to city records, the landmarked Brill Building at 1619 Broadway has a new owner. Brookfield Asset Management has turned over the approximately 177,892-square-foot office building to lender Mack Real Estate Capital for roughly $216.103 million, having provided a $144.429 million loan to Brookfield to refinance and consolidate existing debt in 2019. Brookfield’s real estate debt fund had similarly foreclosed on the full ownership interest back in 2017 for just over $213.165 million — typically the amount of the existing total debt, upon the owners at the time failing to make a $5.6 million payment on a $60 million mezzanine loan provided by the Toronto-based firm.

Documents on file with city records indicate that in February 2019, a lease for 15 years and 6 months was signed by CVS Pharmacy for space on the ground, 2nd floor and basement. The deal includes two consecutive 5-year extension options. In addition, co-working space provider WeWork signed a lease in July 2018 for a total of 75,462 rentable square feet spread across the entire 5th through 7th floors plus the 10th and 11th floors under a term that extends through August 31, 2034. The deal includes two 5-year renewal options plus a right of first offer to lease additional space, as well as the option to purchase the building during the first (9) months following the date of the lease — which was never exercised by WeWork, but a right of first offer to a proposed sale or transfer by the landlord extends through the lease term.

Source: https://therealdeal.com/new-york/2017/03/20/brookfield-forecloses-on-brill-building/

Vornado to Reap $20M Gain following Sale of a Commercial Portfolio and The Armory Show in New York | July 27, 2023

A portfolio of four commercial properties and The Armory Show in New York have been sold by Vornado Realty Trust for a combined total of $124.4 million to an undisclosed buyer(s). Expected to close in the 3rd quarter of 2023, the REIT will see an approximately $20 million gain from the pair of transactions. Among the Midtown South commercial properties, the three buildings located in SoHo include 148 and 150 Spring Street — 4-story buildings approximately 5,968-square-foot and 6,400-square-foot respectively; and 443 Broadway, an approximately 18,139-square-foot retail condominium. The fourth property is located in NoHo at 692 Broadway, and per city records Vornado owns the five commercial condominium units at the base of a 12-story mixed-use condominium.

Source: https://investors.vno.com/news-releases/news-release-details/vornado-sell-four-manhattan-retail-properties-and-armory-show

North Face 5th Ave Flagship Trades for $50M | August 23, 2023

Reuben Brothers closed on the $50 million acquisition of 510 Fifth Avenue. The 4-story building split between office and retail space was the last of a 4-building retail portfolio sold by Vornado Realty Trust. Outerwear brand North Face currently occupies the approximately 26,405 square feet of retail space, having signed an 8-year sublease for the flagship location in 2016 from fashion brand Joe Fresh. The other three transactions within the portfolio include the $20 million purchase of the commercial condo at the base of the mixed-used building at 443 Broadway; $15 million for the pair of 4-story office and retail buildings at 148 and 150 Spring Street; and $15 million for five commercial condominiums at the base of the Silk Building located at 692 Broadway with an alternate address of 14 E 4th Street, bringing the combined total acquisition price of the portfolio to $100 million.

Source: https://www.crainsnewyork.com/real-estate/reuben-brothers-close-final-vornado-retail-property-50m

Midtown South - Union Square Park

News Highlights (cont'd)

Investors Seeking Bargain CRE Prices May be Jumping the Gun | August 30, 2023

Hungry for a replay of the fortunes made by savvy investors following the 2008 market crash by purchasing commercial real estate (CRE) at distressed prices, some market trends appear to indicate that the bargain deals during the current CRE downturn may not be available for another 6 to 12 months. For those bargain-hunters itching to use some of the approximately $205.5 billion of cash earmarked for U.S. commercial real estate investment, current trend signals suggest "the best strategy is to buy property stocks but wait to purchase physical real estate."

- Although U.S. commercial property prices have fallen 16% on average since their March 2022 peaks, some types of properties have been impacted much harder than others in contrast to the 2008 crisis when the lack of credit hurt the value of real estate across the board. Office properties have lost 31% of their value at the high, in contrast to warehouse values which are down just 8% from peak values at the low. However, multi-family assets which have fallen by 20% in value may be worth keeping an eye on since some owners that purchased at high prices with short-term, floating-rate financing during the pandemic may find mortgage repayments unmanageable when their interest rate hedges expire.

- The bid-ask spread, which reflects the gap between the prices sellers are seeking and what buyers are willing to pay reached 11% in July for multifamily properties — the widest gap since early 2012, followed by an 8% spread for office and retail properties, with price expectations for industrial warehouses having the narrowest bid-ask spread of 2%. It is anticipated that the length of time it will take for sellers and buyers to see eye-to-eye on prices will be much faster than the five years it took on the hardest-hit assets following the 2008 crash.

- Key to bargain-hunters is the number of properties that fall into distress. As of the 2nd quarter of 2023, only 2.8% of all office deals in the U.S. were forced sales, however the low percentage may be because loans haven't matured yet since the value of U.S properties in distress — in default or special servicing — rose an additional $8 billion in the 2nd quarter to a total of $71.8 billion.

- At the end of August, real estate offers a 1.3 percentage point premium over the yield on investment-grade corporate debt compared the return premium of 1.9 percentage points U.S. real estate investors have required for at least the past 20 years, further signaling that real estate prices need to fall another 10% to 15%

- Publicly traded real estate stocks, which provide a "live read of sentiment toward property markets." In the U.S., listed property companies are currently trading at a 10% discount to gross asset values, offering a "good proxy for the size of the price falls that investors still expect in private real estate values." Property stocks are also another good indicator for signs of improvement. REITs were 13% above their lowest point in the 3rd quarter of 2022 as a result of rising values for three consecutive quarters.

Source: https://www.wsj.com/real-estate/how-to-play-the-property-meltdown-in-five-charts-8bd765a0

Brooklyn Heights

News Highlights (cont'd)

Residential Market

Workaround to 421-a Abatement Program Tested in Gowanus by Gov. Hochul | July 18, 2023

Since expiring in June 2022, a replacement for the Affordable New York Housing Program (ANYHP) that provided a tax incentive to developers in exchange for affordable housing construction is being tested in the Brooklyn neighborhood of Gowanus by Governor Hochul. Previously known as the 421-a Tax Abatement program, it was replaced with revisions in 2017 by ANYHP. Under the arrangements of Hochul's program, the "state would take over the Brooklyn sites and rent them back to developers through long-term ground leases. Property owners would then make payments in lieu of taxes, or PILOTS, at a discount to what they would normally pay in property taxes." The only eligible developments are those that got their footings in the ground prior to the sunset of the 421-a program but might not meet the required 2026 completion deadline. The initiative, which may eventually be expanded to other areas of the city, is one of a series of initiatives recently announced by the governor to support more housing construction.

Source: https://therealdeal.com/new-york/2023/07/18/hochul-allows-421a-alternative-in-gowanus/

AMI Falls Short for Determining Affordable Housing Eligibility in NYC | July 26, 2023

News related to the lack of affordable housing in New York City regularly appears in the press, however, some people question whether affordable housing in New York City is really affordable for the New Yorkers who need it most. Since the 1937 U.S. Housing Act, area median income (AMI) has served as the yardstick to "define the middle class and determine the maximum income people could earn to be eligible for public housing." According to the city-based affordable housing nonprofit the Association for Neighborhood Housing and Development, "AMI has consistently been about $20,000 higher than the actual median income in the city over the past decade." Contributing to the higher figure is the inclusion in the area defined by the U.S. Department of Housing and Urban Development (HUD) of the wealthy suburban counties of Westchester, Putnam and Rockland; and although federal legislation was introduced in 2022 by local city legislators targeting this issue directly, it seems the bill has not advanced since its introduction.

However, multiple housing experts point out that "because New York's AMI figure is based more on rents than incomes;" and since "rents in the city itself have long been notoriously high," the elimination of the three other counties from the equation would barely change the region's AMI. As a designated high-cost area — a place that has particularly expensive rents in relation to the median income, HUD's calculation represents the income a person would need to earn so that the rent paid would be no more than 35% of income; and because rents have far outpaced wage growth in recent years, the dollar amount for affordable housing income limits is significantly higher than the median income for New Yorkers. In 2021, the median household income for the city was $71,000 according to the U.S. Census Bureau, which is $23,400 lower than HUD's median family income figure for New York, which is $94,400, and $27,900 lower than the figure for an individual earning 100% of the AMI, which is $98,900. It has been further pointed out that although AMI has long been a statistic set at the federal level, the door is open for the city to choose to set income levels lower than the federal AMI; but further lowering of rents at a building would require more government subsidies to be financially feasible.

Source: https://www.crainsnewyork.com/real-estate/area-median-income-how-new-york-sets-price-affordable-housing

Interest to Build Along the Gowanus Canal Following Rezoning Remains Strong Among Developers | August 1, 2023

Brooklyn's toxic Gowanus Canal waterway continues to attract the interest of developers since rezoning was approved by the city in November 2021, putting the area "on track to deliver its promised housing years ahead of schedule" with more than 8,000 residential units in the works and the "toxic waterway on its way to becoming a public amenity." However, some of the filed projects have yet to secure financing, and a "completion deadline for the 421a tax break essential to all the multifamily development planned;" and although Governor Hochul recently announced an alternative tax study for Gowanus projects, "insiders say getting it will not be a walk in the park."

Source: https://therealdeal.com/new-york/2023/08/01/gowanus-poised-to-smash-citys-housing-goals-years-early/

Chelsea Residential Tower Trades for $185M | August 8, 2023

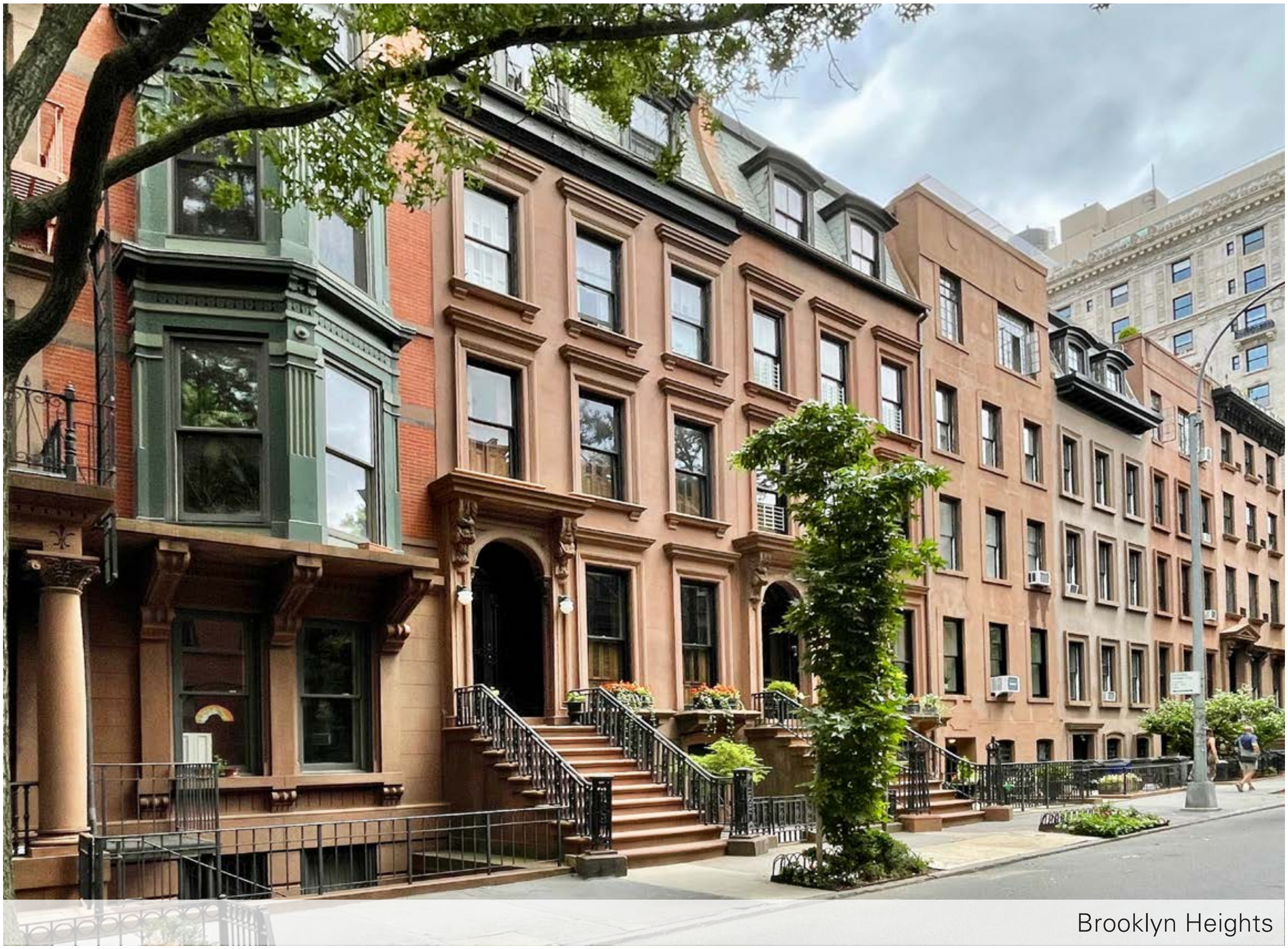
Urban Investors has purchased the 213-unit luxury rental tower at 130 West 15th Street. The sale by Related Companies and Orda Management fetched a price of $185 million, or $870,000 per unit, reflecting a cap rate of 4%. Although overall investment sales have slowed dramatically, the recent off-market transaction could be a sign of strength in the multifamily market.

Source: https://therealdeal.com/new-york/2023/08/08/related-companies-orda-management-sell-chelsea-apartments/

Stake Sale of 11-Building Manhattan Multifamily Portfolio Trades at Discount | August 31, 2023

An Atlas Capital Group affiliate has acquired a 51% interest in a nearly 640-unit, 11 building mid-rise multifamily portfolio spread across multiple neighborhoods of Manhattan including in and around the Upper East Side and Chelsea. The price of $142.4 million for the stake, which equates to about $279.2 million for a 100% interest is below the $355 million the portfolio was appraised for in March 2023. A 200-unit complex known as The Grove, located at 250 West 19th Street, was the largest property within the portfolio. Decisions to sell the majority stake by seller Blackstone Group were prompted by the need for a significant capital investment required to bring the 60-plus-year-old product up to Blackstone's standards and the nearing maturity of a $270 million floating-rate commercial mortgage-backed securities (CMBS) loan. The CMBS loan maturity was extended by Blackstone until March 2024 following the sale to give new ownership additional time to refinance the senior loan that because of the extension, moved out of special servicing. In addition, Blackstone repaid $93.3 million in mezzanine debt on the properties the firm acquired in 2015 for roughly $486.895 million according to city records.

Source: https://product.costar.com/home/news/1157314117



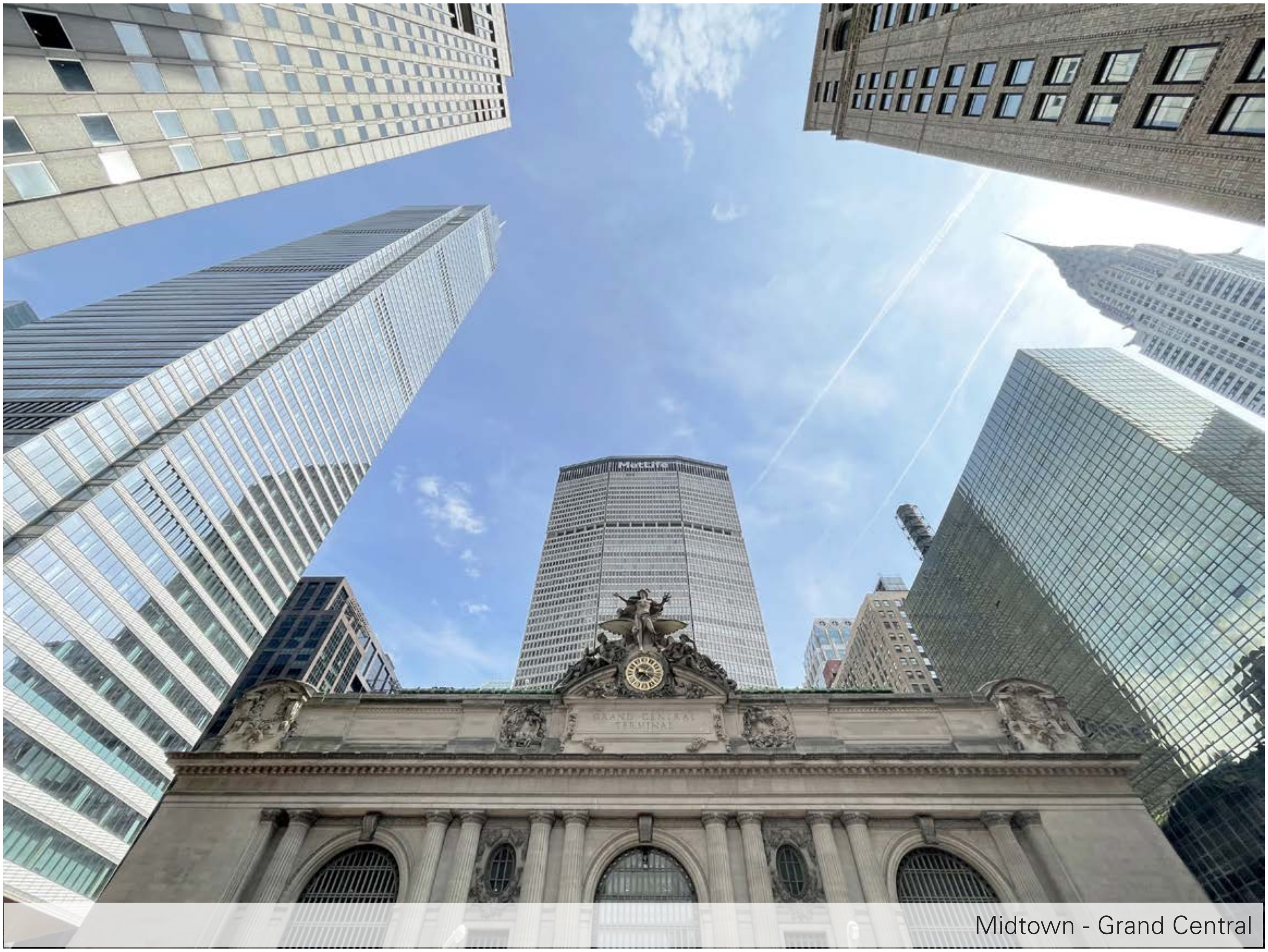
Brooklyn Heights

News Highlights (cont'd)

Multi-Phase Initiative to Create 4K Apartments in Brooklyn Announced by Mayor Adams | September 10, 2023

The construction of up to 4,000 new residential units along Atlantic Avenue in Central Brooklyn are projected as part of a multi-phase initiative recently announced by Mayor Eric Adams. Dubbed the **Atlantic Avenue Mixed-Use Plan,** as part of the initiative more than 1,500 income-restricted homes are anticipated to be created along a 13-block stretch of Atlantic Avenue. If the proposed initiative secures approval, a rezoning of the area that is primarily zoned for industrial use would open the door to the construction of dense residential buildings up to 18-stories tall. The proposed development plan will be required to go through the Department of City Planning's lengthy Uniform Land Use Review Process (ULURP), which the mayor's office is hoping will begin as early as next spring.

Source: https://newyorkyimby.com/2023/09/mayor-eric-adams-announces-development-plan-to-create-4000-new-apartments-in-central-brooklyn.html



Midtown - Grand Central

News Highlights (cont'd)

Development

Gateway Tunnel Project to Begin Full Construction Following Federal Grant | July 6, 2023

The Federal Transit Administration (FTA) has provided a $6.9 billion dollar grant to help finance the crucial Gateway Tunnel project. The tunnel is a critical part of Amtrak's busiest route that carries more than 2,200 daily trains stretching from Washington to Boston. The grant provided through the agency's capital investments and grants program is the largest allocation ever from the program; and provides a key piece of funding to allow the long-awaited project to begin full construction. Over the years, the cost of the new tunnel to be constructed under the Hudson River has ballooned to $16.1 billion—an estimate 14% higher than a 2021 projection. Remaining federal funding for the project that also includes the replacement of the existing tunnel that was damaged in 2012 by Hurricane Sandy will come through a $4 billion federal-state partnership. It had been expected that half of the cost would be covered by New York, New Jersey with contributions from Amtrak and the Port Authority of New York and New Jersey. Major construction is expected to begin in 2024.

Source: https://www.crainsnewyork.com/transportation/gateway-hudson-river-tunnel-project-secures-69b-federal-grant

Groundbreaking for the Second Avenue Subway Extension Draws Closer | July 6, 2023

Metropolitan Transportation Authority (MTA) officials have begun preparing to formerly solicit contract bids for Phase 2 of the Second Avenue Subway project that will expand service to 125th Street in Harlem. Thanks to New York State's bailout of the authority's operating budget, and the greenlight given by the federal government for congestion pricing—a key funding mechanism, the MTA is close to securing federal funding through capital grants for the $6.9 billion, 1.5-mile expansion project. In addition to linking the subway line's 96th Street station on the Upper East Side to three new stations at East 106th, 116th, and 125th Streets, it will create a connection point to the Metro-North Railroad for New York City's suburban commuters. Once breaking ground, the extension which the MTA estimates will service an additional 100,000 riders is expected to take up to 8 years to complete construction.

Source: https://www.crainsnewyork.com/transportation/7b-second-avenue-subway-expansion-break-ground-year-end

Permit Filings for New Buildings Rise in Q2 2023 | July 13, 2023

New building permit filings rose nearly 14% quarter-over-quarter, increasing to a total of 957 filings between April and June. Similarly, total filed square footage nearly doubled at 23.2 million square feet spread across 956 buildings in comparison to the 1st quarter's 13.4 million square feet and a total of 840 new buildings. Overall, the number of new building filings in each borough rose by double digits. Among the five boroughs, Queens led the way, accounting for 327 filings, followed by Brooklyn with 287 filings; and although only 30 of the filings were for new buildings in Manhattan, it represented the greatest relative growth of 76% over the 17 permits filed in the previous quarter. Residential and hotel development activity rose sharply quarter-over-quarter. The total 16,202 residential and hotel units filed between April and June represent a 77% increase over the previous quarter's 9,138 units. Residential projects accounted for the majority of the 737 new buildings filed, of which, projects delivering under 50 residential or hotel units represented the majority of new units to be created. A total of 6,672-units will be added in Brooklyn at the high, with Staten Island gaining 851-units at the low; while new units filed in Manhattan, The Bronx, and Queens ranging from 2,552-unit to 3,236 units.

Source: https://newyorkyimby.com/2023/07/new-york-yimbys-2023-q2-report-counts-16202-residential-and-hotel-unit-filings-a-77-percent-increase-over-previous-quarter.html

Penn Station LIRR Concourse Modernization Completed | July 14, 2023

A modernized Long Island Rail Road (LIRR) concourse will welcome more than 600,000 people that travers its corridors, following the long-awaited completion of the $414 million project. As part of the project that centered on the station's 33rd Street corridor, the concourse has been widened, ceiling heights increased, lighting and digital screens have been upgraded, and much-needed mechanical and electrical upgrades have been done. In addition, a new elevator has been constructed on West 33rd Street, as well as rebuilt stairs and newly installed handrails for improved ADA access. The project that had been awarded to the team of Skidmore, Owings, AECOM, and Skanska in 2020 broke ground in January 2021, and its completion brings Penn Station one step closer to becoming a world-class transportation hub.

Source: https://newyorkyimby.com/2023/07/construction-finishes-on-penn-stations-long-island-rail-road-modernization-in-midtown-manhattan.html

Initial Phase of Fordham Landing Megaproject to Break Ground in September | July 18, 2023

Developer Dynamic Star recently revealed new details about the initial phase of what has been described as "one of the most ambitious projects planned for the Bronx in recent history." Plans had been filed in 2021 for a 17-story, 602-unit residential development that will now host 505-units of which 153-units will be designated for affordable housing. Awarded a tax break under the now-expired 421-a incentive, but to receive it, construction of the building to rise at 320 West Fordham Road must be completed by 2026. A second 23-story, 350,000-square-foot community facility known as 1 Fordham Landing will also be constructed along the Harlem River primarily for medical and educational tenants. A new station entrance and pedestrian bridge to the Metro-North University Heights station, a public waterfront esplanade, and a landscaped outdoor roof are also planned.

Source: https://www.crainsnewyork.com/real-estate/fordham-landing-developers-reveal-new-details-about-bronx-megaproject

Midtown South - NoMad Area

News Highlights (cont'd)

5 World Trade Center Project Takes Major Step Forward | July 27, 2023

After a long delay, the New York State Public Authorities Control Board has signed off on the planned development of 5 World Trade Center, marking an important milestone for the project. The tower that will rise on a portion of the site of the former Deutsche Bank building at 130 Liberty Street will be constructed by the team of Silverstein Properties, Omni NY, Dabar Development and Brookfield Properties, having been awarded the contract in February 2021 according to the news release by Governor Hochul's office. The building will include 1,200 residential units, of which one-third will be permanently affordable, 10,000 square feet of non-profit community space to be occupied by Educational Alliance, and more than 190,000 square feet of commercial retail and office space.


5 World Trade Center - Rendering

Upon construction completion, the building will be the largest affordable housing development in Lower Manhattan and the only residential site in the World Trade Center complex. A portion of the funding for the development will be comprised of $60 million from New York State and an additional $5 million from Battery Park City Authority's Joint Purpose Fund. In addition, approvals for a short-term rent deferral is being sought from the Board of Commissioners by the Port Authority of New York and New Jersey (PANYNJ) to enable the transaction to proceed.

Source: https://www.governor.ny.gov/news/governor-hochul-and-local-leaders-reveal-major-housing-breakthrough-bringing-affordable-units

Developer Pushes Ahead with Large Madison Ave Office Development | August 2, 2023

The 99-year ground lease for the Metropolitan Transportation Agency (MTA)-owned site at 343 Madison Avenue has been finalized by Boston Properties. An undisclosed "leading global real estate investor" will be partnering on the project as a 45% stakeholder. Despite the sluggish office market, Boston Properties is pushing forward with the project, and reportedly having "preliminary discussions with potential anchor tenants." A 49-story, 982,000-square-foot tower reaching a linear height of 812-feet is planned for the site according to filed plans in August 2022, somewhat smaller than the special permit the City Council approved in November 2021 for a 55-story, 1,050-foot-tall tower. As part of the ground lease requirements, the project will also include the construction of a direct entrance to Grand Central Madison's Long Island Rail Road concourse.

Source: https://www.crainsnewyork.com/real-estate/boston-properties-finalizes-ground-lease-madison-avenue-tower

Office-to-Residential Conversions Could Have Positive Environmental Impact | August 8, 2023

The recent heightened push for office-to-residential conversions that has been spurred in part by the higher levels of office space vacancy due to ongoing remote work schedules and coupled with the increased need for affordable housing, now has another reason to be subsidized — the environment. A recently released working paper by the National Bureau of Economic Research (NBER) "found the upgrading and converting so-called brown office buildings — energy efficient class B and C offices — into green apartments can decrease greenhouse gas emissions by 1.5 million tons, representing an 80% reduction," which assumes that the resulting apartment buildings are 25% under the 2030 New York City emission cap under Local Law 97. The report further points out that "the rehabilitation of existing buildings produces 50-75% fewer carbon emission than new construction."

Two key takeaways from the analysis completed by NBER are [1] between 11% and 15% of office buildings in districts of the 105 largest cities in the U.S. are physically suitable for conversion, opening the door to potentially creating up to 171,470 additional housing units of 875 square feet per unit after incorporating a 30% loss factor, including nearly 40,000 in New York City; and [2] based on the assumption that the building is structurally viable without requiring major re-engineering and all necessary regulatory approvals have been granted, in cities such as New York City, San Francisco, San Jose, Boston, Washington, D.C., and Denver where rents are high enough to overcome building purchase and conversion costs, office conversions to market-rate residential are financially feasible if the building trades at a substantially depressed value compared to pre-pandemic values, however inducing an owner to sell at such reduced prices is likely to be a challenge.

Further reducing financial feasibility would be a mandate to include affordable housing units. NBER's scenario without subsidies finds that a requirement of 20% affordable units without any subsidies would lower the internal rate of return (IRR) from 16.8% to 12.1%, resulting in the Net Present Value (NPV) dropping from $4.1 million to negative $8.6 million.

While conversations can pave the way for restoring asset values and tax revenues, alleviating housing shortages, and meeting climate goals, the executing of such conversions requires the "concerted efforts from local and federal policymakers to implement local zoning regulation modifications, building code adjustments, local property tax abatements and debt subsidies as well as the activation of federal programs such as the Inflation Reduction Act (IRA) which dedicates $369 billion over 10 years to promote clean energy, pollution reduction, and environmental justice.

Source: https://www.nber.org/system/files/working_papers/w31530/w31530.pdf

Midtown South - Union Square

News Highlights (cont'd)

First of Its Kind Film and Production Studio Campus Coming to Pier 94 | August 29, 2023

Manhattan's first public-private partnership venture for the development of a purpose-built state-of-the-art film and production studio campus at Pier 94 located off the Hudson River waterfront at West 54th Street, further expanding New York City's current production infrastructure and cementing the city as "one of the preeminent places for the film and television industry." Among the partnership that includes the New York City Economic Development Corp. (NYCEDC), Vornado Realty Trust, Blackstone, and real estate investment trust Hudson Pacific Properties, Vornado will be responsible for development of the site while Hudson Pacific will provide design oversight and manage the facility's leasing and operations.

Dubbed **Sunset Pier 94 Studios**, the planned 266,000-square-foot campus will house multiple soundstages, several of which will have the technological infrastructure for adaptation to virtual production, 145,000 square feet of production support space and offices, and ample onsite parking. In alignment with the broader Sunset Studios portfolio, the project's design is targeting LEED Gold and Fitwel certification which focuses on optimizing energy efficiency and health within a building as well as plans for operations to be powered by 100% renewable energy. In addition to reactivating this currently underutilized site, the estimated $350 million investment will further drive the city's economic recovery through the expected creation of more than 1,300 construction jobs, 400 permanent jobs, a program to support workforce development and training programs to connect local residents to opportunities within the film and media industries, while contributing $6.4 billion to the local economy over the next 30 years.

The general public will also benefit from the addition of several new amenities and safety improvements to the bikeway along the Hudson River Greenway as part of project plans. Groundbreaking is slated for the third quarter of 2023, utilizing $183 million in construction financing led by the Royal Bank of Canada (RBC), with delivery expected by the year-end of 2025.

Source: https://investors.vno.com/static-files/dd8fe422-d92c-41c9-a32f-ada6c1d9ad24

Complexities of Office Conversions Exemplified by Former Lord & Taylor Repositioning | September 12, 2023

The conversion of aging and under-utilized office and retail buildings is being considered by some landlords and investors however, it can open the door to several complex challenges. Cited as an example is the conversion of the former early 1900s-era Lord & Taylor building nearing completion at 424 Fifth Avenue. Acquired by Amazon in 2020 for $978 million, the building has been repositioned from a flagship department store into a modern office building that will house approximately 2,000 tech employees. Since many of the large parts of the building's 55,000-square-foot floors are far away from windows, there was a lack of daylight. While some developers are cutting courtyards into buildings to add windows, Amazon opted to "build a staircase with plants and daylight-mimicking lamps, giving the illusion of a courtyard" to minimize the loss of valuable office space, and instead use the interior for meeting rooms which don't need windows as badly. In addition, bathrooms, kitchens, new elevators, and stairs wide enough for a rush of office workers had to be constructed, while a vertical expansion added two floors on top of the building's roof.

Source: https://www.wsj.com/real-estate/commercial/amazons-makeover-of-lord-taylor-building-shows-challenge-of-office-conversions-11855bf4

Perelman Performing Arts Center Makes its Public Debut | September 16, 2023

The 16-acre World Trade Center site welcomed the opening of the Perelman Performing Arts Center (PAC NYC) on Friday, September 15th at noon when the newly constructed building made its public debut. Located at 251 Fulton Street between One World Trade Center and yet-to-be-built 2 World Trade Center, the 138-foot-tall, 129,000-square-foot structure features a translucent "book-matched marble façade" that produces a "soft lantern-like glow and diffused light" visible from both the interior as well as the exterior in the evenings. The building's three theatres — the 450-seat John E. Zuccotti Theater, 250-seat Mike Nichols Theater, and 99-seat Doris Duke Foundation Theater, have 60 different possible configurations with movable walls, stages, and audience seating. In addition, there is an outdoor terrace and the Metropolis restaurant by Chef Marcus Samuelsson that is expected to be opened this fall. Scheduled performances for the 2023-2024 Inaugural Season start on September 19, 2023.


View of Metropolis Restaurant

View of Outdoor Terrace

Source: https://newyorkyimby.com/2023/09/perelman-performing-arts-center-opens-to-the-public-at-the-world-trade-center-in-financial-district.html

Brooklyn - Williamsburg - Domino Sugar Refinery Building

News Highlights (cont'd)

Transformed Historic Domino Sugar Refinery Reopens Its Doors as a Net-Zero Carbon Emissions Building | September 29, 2023

The historic Domino Sugar Refinery has once again reopened its doors along Williamsburg's waterfront within the multi-building, mixed-use Domino Sugar Factory complex as a 15-story, 460,000-square-foot office building. Over 10-years in the making the adaptive-reuse of the former refinery structure preserves the 1800s-era historic structure while delivering modern-day commercial space by inserting a "contemporary building in the sleeve of the historic structure." An energy-efficient LED replica of the iconic "Domino Sugar" neon sign has retaken its place on the building's exterior; and the building's all-electric mechanical system establishes it as "one of only a handful of large buildings city-wide to have net-zero carbon emissions. In addition, all the wastewater generated by The Refinery at Domino is treated through its private water reused system and reused onsite.

Source: https://newyorkyimby.com/2023/09/landmarked-office-building-the-refinery-at-domino-opens-on-the-williamsburg-waterfront.html

Downtown - View of Hudson Yards from TriBeCa

News Highlights (cont'd)

Lending

Fed Raises Benchmark Rate After June Pause | July 26, 2023

The decision by the Federal Open Market Committee (FOMC) to raise the Fed's benchmark interest rate was announced on Wednesday, July 26th after a brief pause in June. According to the FOMC news release, the target range was increased 25 basis points to 5-1/4 to 5-1/2 percent as the committee continues efforts to achieve maximum employment and inflation rate of 2% over the longer run. Indications that the Fed's move is gradually working, according to the July news release by the Bureau of Labor Statistics (BLS), the all-items index increased 3.0% for the 12 months ending June 2023— the smallest 12-month increase since the 2.6% increase in the period ending March 2021; and down from an all-items index increase high of 9.1% in June 2022. As part of the decision-making process related to the "extent of additional policy firming," the FOMC will "take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments," as well as adjusting their stance on monetary policy if risks emerge that could impede the attainment of the FOMC's goals.

Source: https://www.federalreserve.gov/newsevents/pressreleases/monetary20230726a.htm

Lending Further Tightens as Mortgage REITS Pull Back | August 3, 2021

Typically originating an average of about $10 billion in loans a quarter, some of the biggest names in the mortgage REIT sector "have all but turned off the spigot," further increasing the challenges of financing within the real estate industry. In contrast to equity-oriented REITs that buy and develop real estate, mortgage REITs lend to property owners. Among the biggest mortgage real-estate investment trusts, Blackstone Mortgage Trust and KKR Real Estate Finance Trust did not originate any new loans during the first half of 2023 but continue to provide financing related to existing loans; and Starwood Property Trust has greatly decreased lending volume. The projected $504 billion in total commercial and multifamily mortgage lending for 2023 is 38% lower year-over-year according to the Mortgage Bankers Association, with a decline in investors purchasing further attributing to the lower lending volume. The total $83.6 billion of commercial property transactions in the 2nd quarter of 2023 represents a 63% decline year-over-year according to data firm MSCI Real Assets. Sparking the pull back by mortgage REITs is the priority to "protect their balance sheets during one of the most troubled commercial real-estate markets in decades" amid rising default rates for lenders due to higher interest rates making it tougher for borrowers to secure refinancing and higher vacancy rates for many properties, especially office buildings. Furthermore, since mortgage REITs "have to pay most of their taxable income as dividends," they are highly vulnerable to economic downturns.

Source: https://www.federalreserve.gov/newsevents/pressreleases/monetary20230726a.htm

News Highlights (cont’d)

NYC Lenders Increase Caution Amid CRE ‘Distress Grip’ | September 5, 2023

The current lending landscape has pushed New York City real estate lenders and borrowers into a precarious situation. The rapid rise of interest rates after more than a decade of hovering near zero combined with a lowering of property values in some sectors has prompted most lenders to stick with existing customers while being extremely cautious about adding new ones. As a result, property owners that have incurred declining values due to high vacancies are experiencing heightened challenges to refinance expiring debt. Suggested options from lenders on how to proceed are essentially non-existent since they are trapped themselves between decisions to either foreclose on the properties or allow borrowers to buy time in hopes that macro conditions improve since there is a likelihood that a foreclosure sale wouldn’t cover the debt and “most banks don’t have the bandwidth, financial flexibility or expertise to hold, renovate and re-tenant office properties to improve their valuations.” An analysis of mortgages recorded on city records between July 2022 and July 2023 revealed a 14% decline in issued dollar volume by the top 20 lenders in the city from $30.2 billion in the previous year to $26 billion. Similarly, the total number of loans during the same period fell from 16,682 to 12,080, representing a 28% decline.

Source: https://therealdeal.com/magazine/national-september-2023/nervous-lenders-retreat-in-nyc/

Market Snapshot: Class A & B

New York City's Unemployment

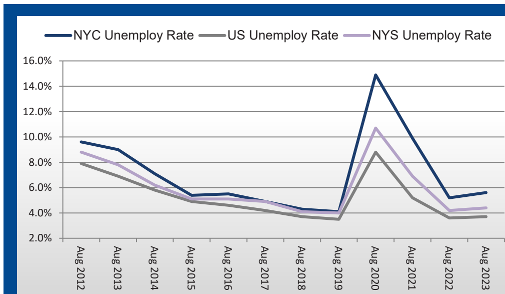
- According to the New York State Department of Labor's figures, the city's unemployment rate of 5.6% (not seasonally adjusted) at the end of August 2023 represented a 7.7% increase year-over-year, and an 9.8% increase over the three month period from May 2023 when the rate was 5.1%.
- Comparatively, unemployment on the National and State level at the end of August 2023 was 3.7% and 4.4% respectively, representing year-over-year increases of 2.8% nationwide and 4.8% statewide.
- Employment activity in New York City's private sector resulted in a gain of 114,200 private sector jobs over the year to 4,086,100 in August 2023. Among the major sectors, Education and Health Services gained107,300 jobs at the high over the 12 month period, in contrast to the 4,300 job gain in the Financial Activities sector at the low. The Leisure and Hospitality sector added 32,800 jobs, in contrast to the Professional and Business Services and Information sectors which incurred job losses of 7,000 and 27,300 respectively.

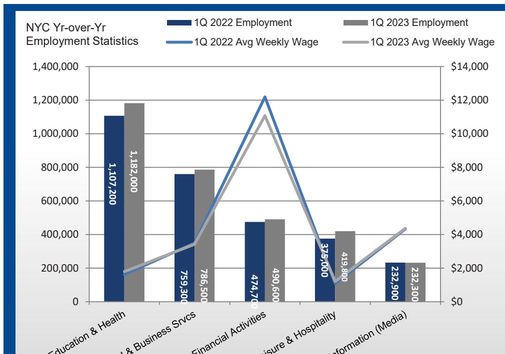
Weekly Wages

Overall weekly wages in New York City averaged $3,922 in the 1st quarter of 2023, representing a 3.5% decline year-over-year according the recent report released by the U.S. Department of Labor. Among the major sectors (2) of the (5) saw overall weekly wages increases of 11.92% and 10.48% respectively during the quarter — Leisure and Hospitality and Education and Health. The Financial sector saw a decline of 9.14%, followed by the 2.17% lowering in the Professional and Business Services sectors; while the Information sector saw a moderate 0.71% increase.

Vacancy for Class A & B office buildings over 75,000 square feet essentially remained unchanged quarter-over-quarter at 15.3%. Class A vacancy fell slightly quarter-over-quarter by 0.6% to 15.4% during the quarter, in contrast to Class B vacancy which rose 2.8% to 15.1%. Midtown saw a 1.2% improvement, with vacancy lowering moderately to 14.7% in contrast to the 6.4% vacancy increase in Midtown South, ending the quarter at 18.1%; while Downtown held steady at 15.4%.

3Q 2023	Total	Downtown	Midtown South	Midtown
Vacancy	—	—	↑	↓
Face Rent	↓	↓	↓	↓
Absorption	—	—	↓	↑





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

Absorption closed the 3rd quarter at negative 322,512 square feet, representing a significant improvement of the negative roughly 3.389 million-square-foot absorption in the 2nd quarter, as the pace of deal making improved during the period. Leasing activity was strongest in Midtown, resulting in a positive 520,362-square-foot absorption, helping to offset the negative 866,931-square-foot absorption in Midtown South partially due to the delivery of 555 Greenwich Street adding 235,548 square feet of new office space inventory. The positive 24,057-square-foot absorption in Downtown held the submarket's vacancy rate steady.

Face Rents for office space in the 3rd quarter lowered 3.9% to an overall average of $71.82 per square foot versus the $72.12 per square foot figure in the 2nd quarter. Class A face rents lowered moderately from the previous quarter's $79.59 per square foot to $79.18 per square foot at the end of September. Average direct asking rents lowered by 0.7% quarter-over-quarter to $74.76 per square foot, in contrast to sublease rents which fell more sharply by 1.7%, lowering from $60.00 per square foot in the 2nd quarter to $59.00 per square foot.

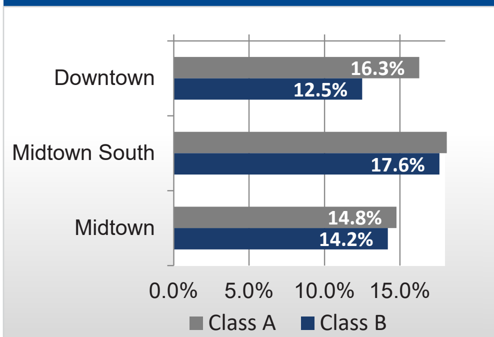
Sources: https://dol.ny.gov/labor-statistics-new-york-city-region • https://www.bls.gov/bls/news-release/cewqtr.htm • https://dol.ny.gov/labor-data

Class A & B Statistics At A Glance

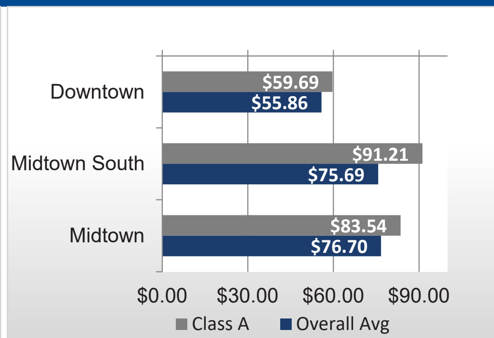
3rd Quarter 2023

Vacancy | Average Asking Lease Rent | Net Absorption

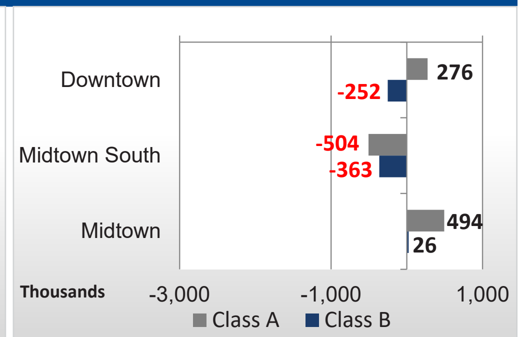
Vacancy



Average Asking Lease Rent

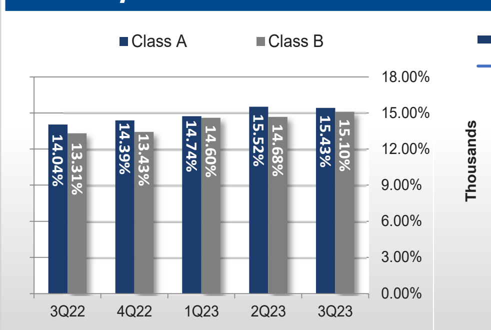


Net Absorption

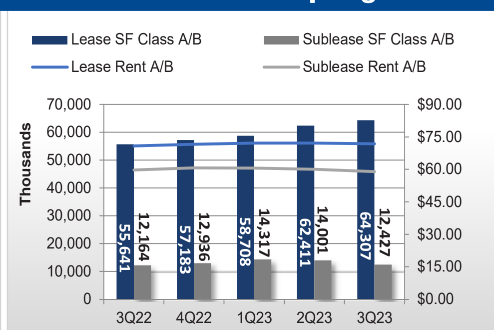


Quarter-over-Quarter

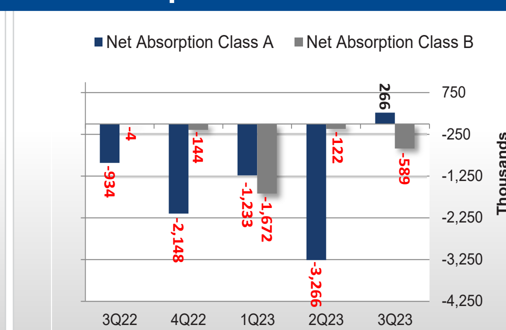
Vacancy



Lease & Sublease Sq. Ftge

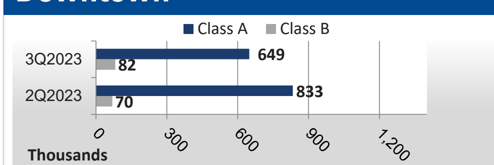


Net Absorption

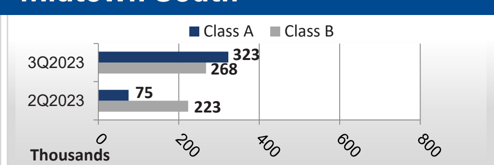


Sublease Space Newly Listed in 3Q 2023

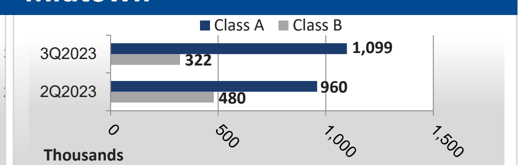
Downtown



Midtown South

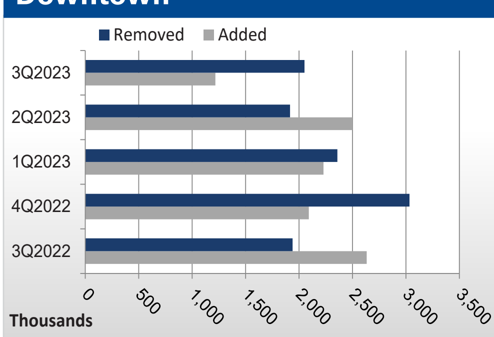


Midtown

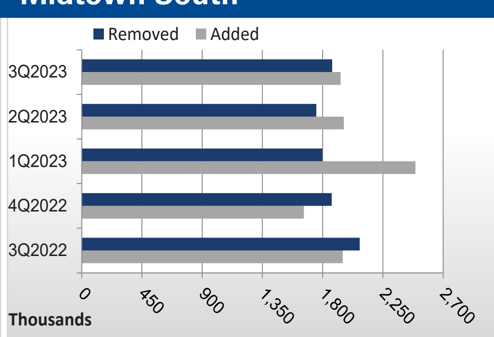


Year-over-Year Inventory Changes

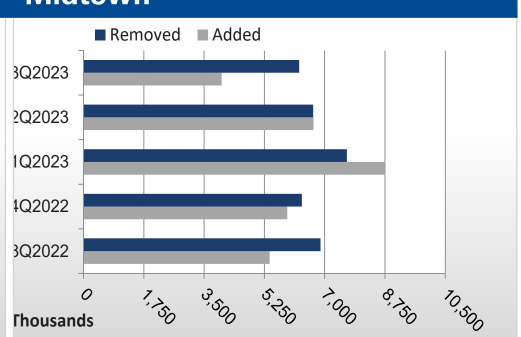
Downtown



Midtown South



Midtown



Source: Costar - 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

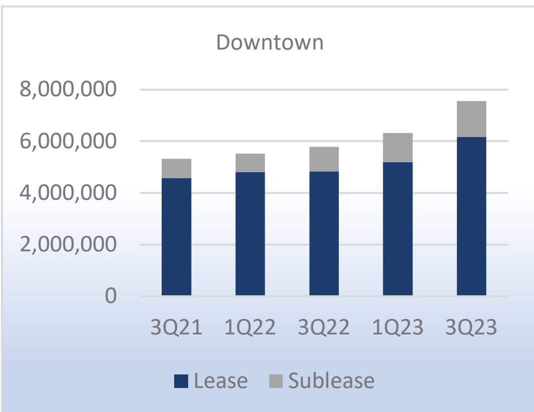
Manhattan	Inventory	Vacant Sq. Ftge.			Vacancy Rate			Avg. Face Rent PSF	Absorption
Submarkets Districts	Total RBA*	Direct Sq. Ftge.	Sublet Sq. Ftge.	Total Sq. Ftge.	Direct Vacancy	Sublet Vacancy	Overall Vacancy	Overall Asking	Year-to-Date Sq. Ftge
Downtown	112,017,303	14,145,619	3,104,947	17,250,566	12.6%	2.8%	15.4%	$55.86	-1,018,726
City Hall	14,038,272	990,657	45,637	1,036,294	7.1%	0.3%	7.4%	$50.10	-174,969
Financial District	39,469,833	7,085,908	1,372,334	8,458,242	18.0%	3.5%	21.4%	$52.09	-1,106,808
Insurance District	12,837,755	1,753,123	274,673	2,027,796	13.7%	2.1%	15.8%	$51.63	617,541
TriBeCa	7,343,797	687,220	89,080	776,300	9.4%	1.2%	10.6%	$64.50	-152,814
World Trade Center	38,327,646	3,628,711	1,323,223	4,951,934	9.5%	3.5%	12.9%	$65.60	-201,676
Midtown South	75,488,290	11,498,667	2,134,178	13,632,845	15.2%	2.8%	18.1%	$75.69	-2,480,336
Chelsea	18,877,032	3,901,148	845,002	4,746,150	20.7%	4.5%	15.1%	$74.02	-777,592
Flatiron	23,326,402	3,801,579	384,460	4,186,039	16.3%	1.6%	17.9%	$68.90	-324,682
Gramercy Park	9,728,839	704,063	227,593	931,656	7.2%	2.3%	9.6%	$83.43	-79,517
Greenwich Village	5,456,817	890,449	139,019	1,029,468	16.3%	2.5%	18.9%	$106.76	-251,601
Hudson Square	12,532,744	1,506,250	527,597	2,033,847	12.0%	4.2%	16.2%	$83.36	-1,039,078
SoHo	5,566,456	695,178	10,507	705,685	12.5%	0.2%	12.7%	$76.56	-7,866
Midtown	312,908,479	38,663,048	7,188,337	45,851,385	12.4%	2.3%	14.7%	$76.70	-3,116,426
Columbus Circle Hudson Yards	33,804,944	2,848,551	348,608	3,197,159	8.4%	1.0%	9.5%	$72.21	129,919
Grand Central	55,044,072	6,877,595	1,585,461	8,463,056	12.5%	2.9%	15.4%	$67.69	-318,641
Murray Hill	13,303,918	2,446,007	516,426	2,962,433	18.4%	3.9%	22.3%	$57.36	-52,908
Penn Plaza/Garment	73,919,979	9,469,885	2,961,983	12,431,868	12.8%	4.0%	16.8%	$107.10	-2,987,129
Plaza District	86,043,857	10,847,202	1,019,322	11,866,524	12.6%	1.2%	13.8%	$96.16	302,209
Times Square	46,351,408	5,860,707	756,537	6,617,244	12.6%	1.6%	14.3%	$76.34	-119,524
U.N Plaza	4,440,301	313,101	0	313,101	7.1%	0.0%	7.1%	$71.04	-70,352
Grand Total	**500,414,072**	**64,307,334**	**12,427,462**	**76,734,796**	**12.9%**	**2.5%**	**15.3%**	**$71.82**	**-6,615,488**

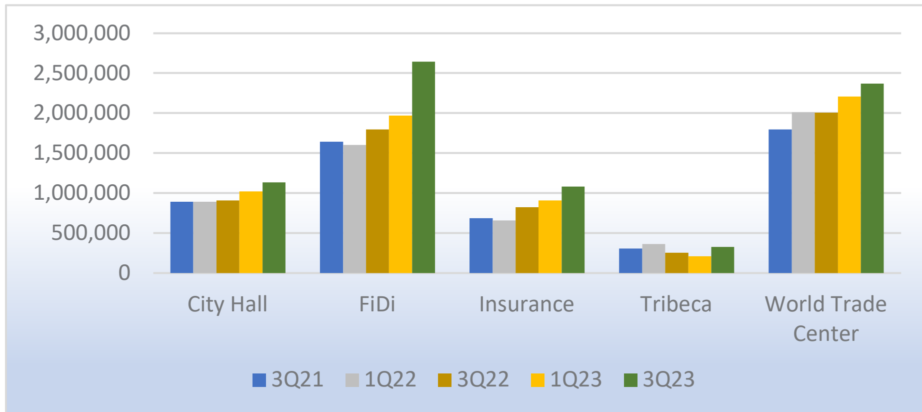
Source: Costar - Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date
Newmark, Cushman & Wakefield

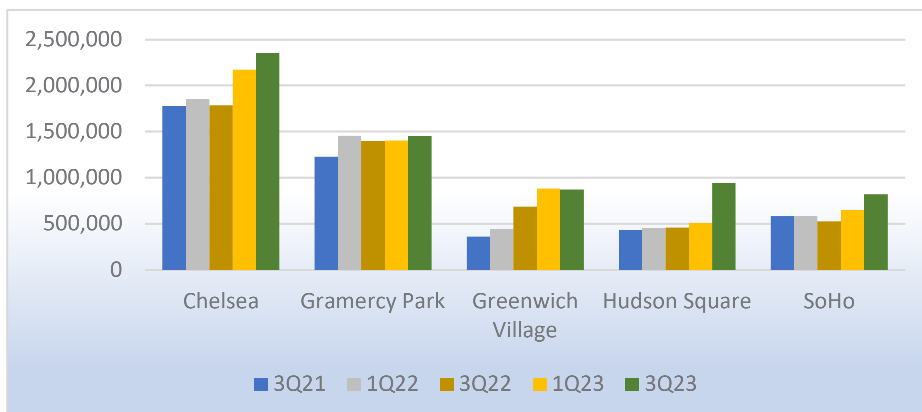
Retail Bi-Quarterly Vacancy Statistics At A Glance

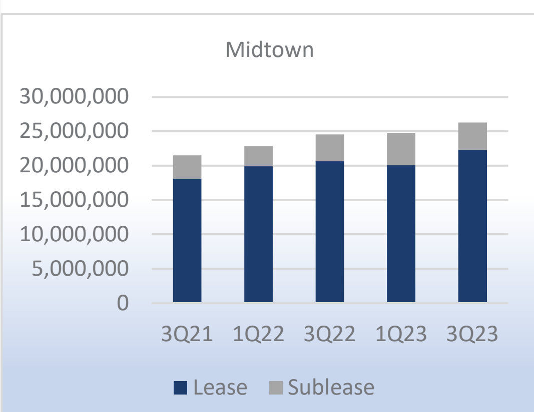
3Q 2021 - 3Q2023

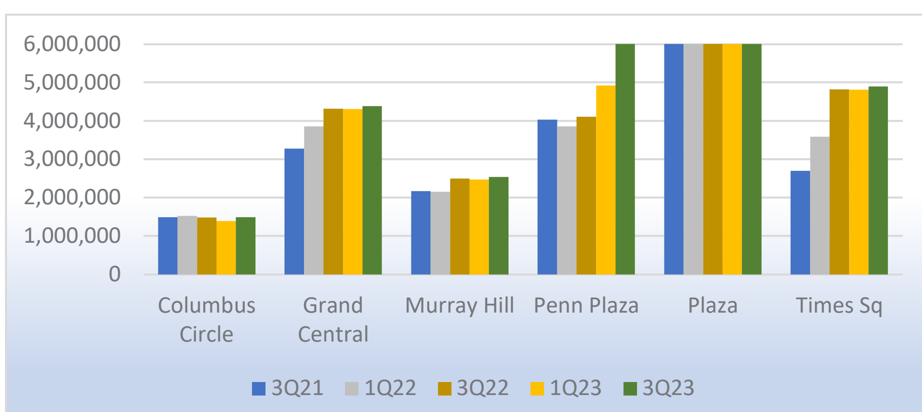
Submarket	**Vacancy by District**









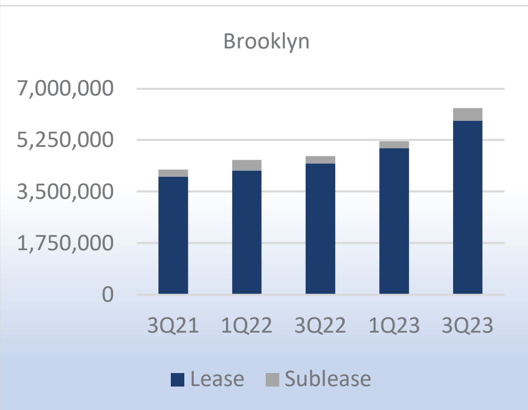


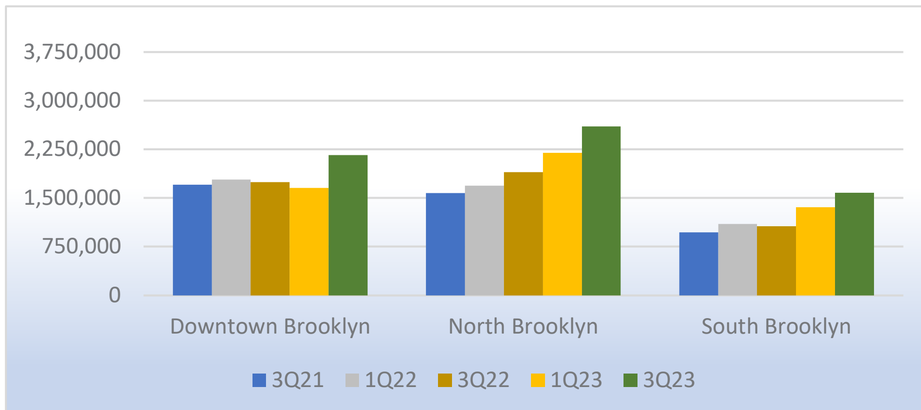
Source: Costar data

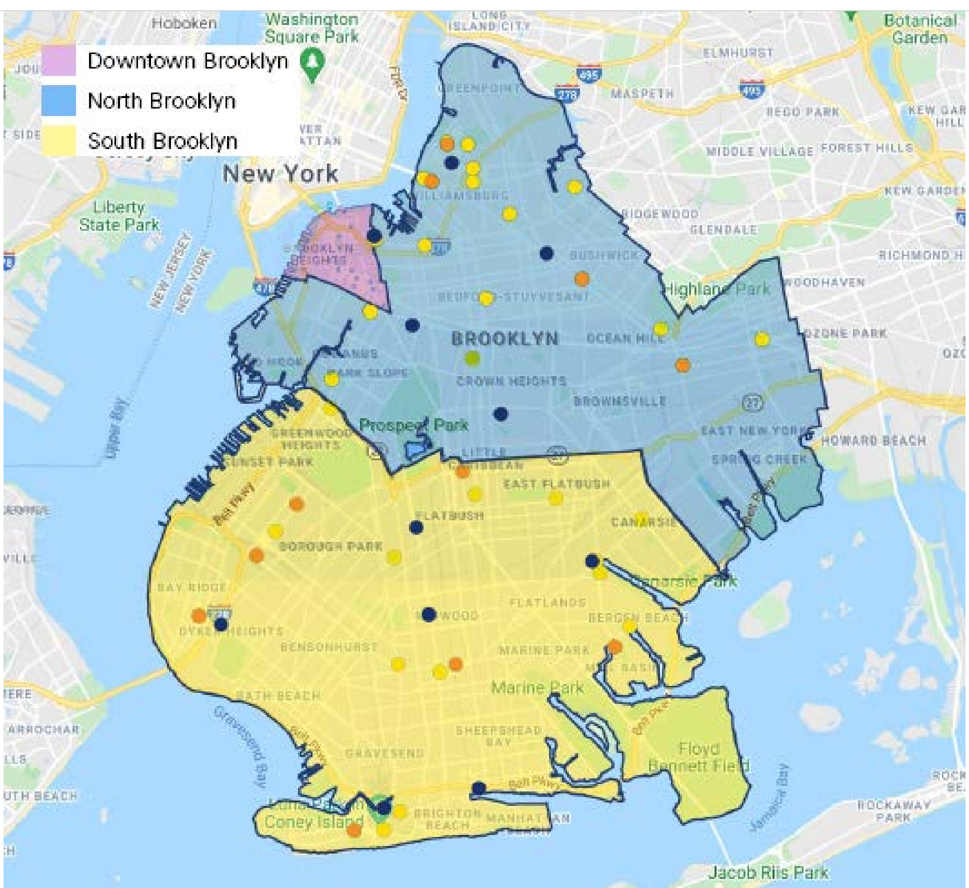
Retail Bi-Quarterly Vacancy Statistics At A Glance

3Q 2021 - 3Q2023

Submarket	Vacancy by District



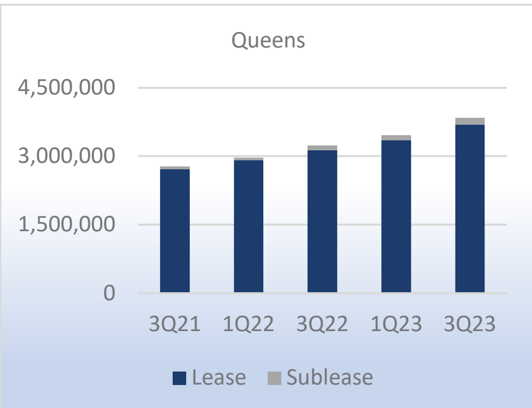


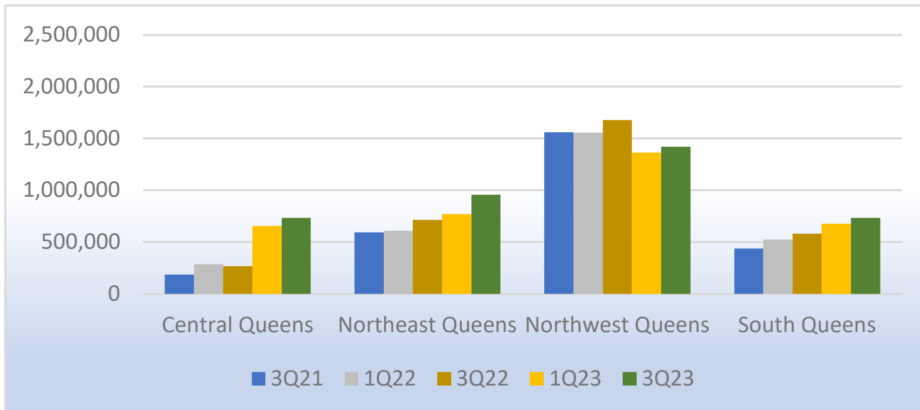


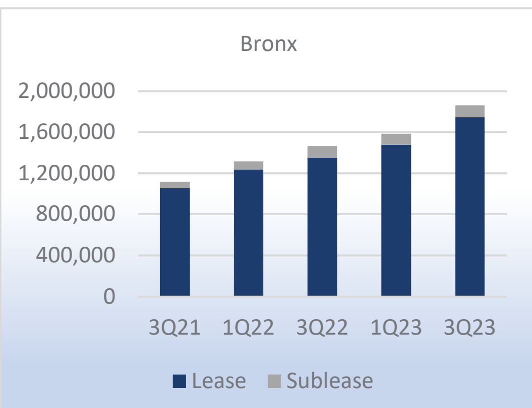
Retail Bi-Quarterly Vacancy Statistics At A Glance

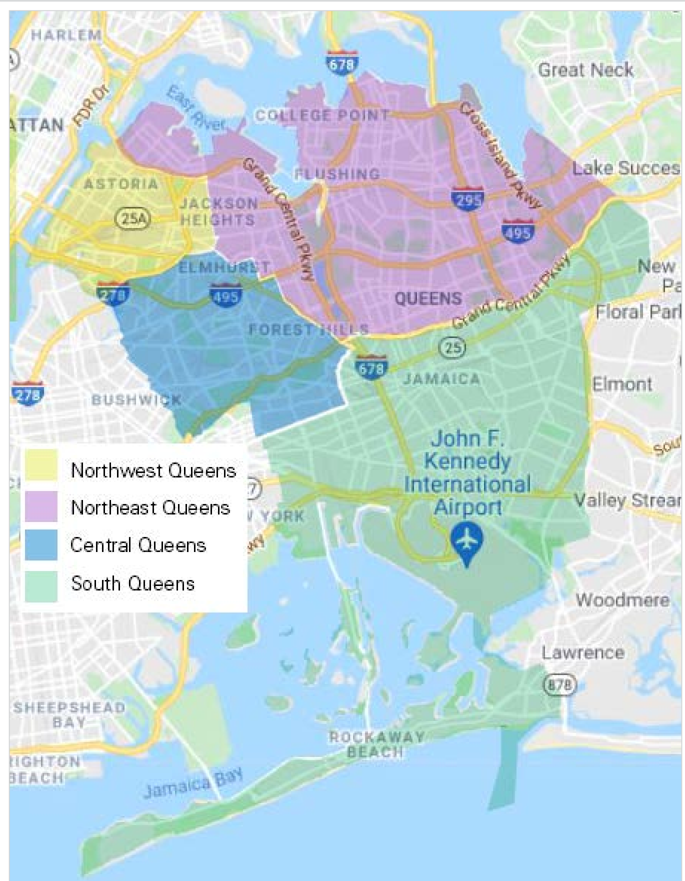
3Q 2021 - 3Q2023

Submarket	Vacancy by District

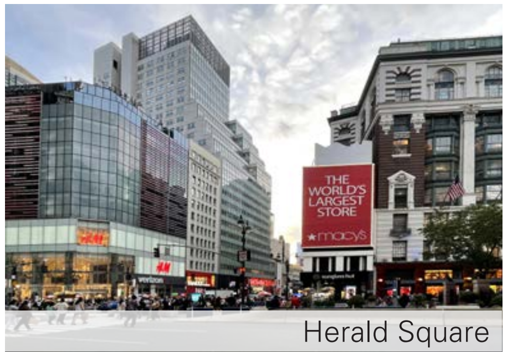








Source: Costar data



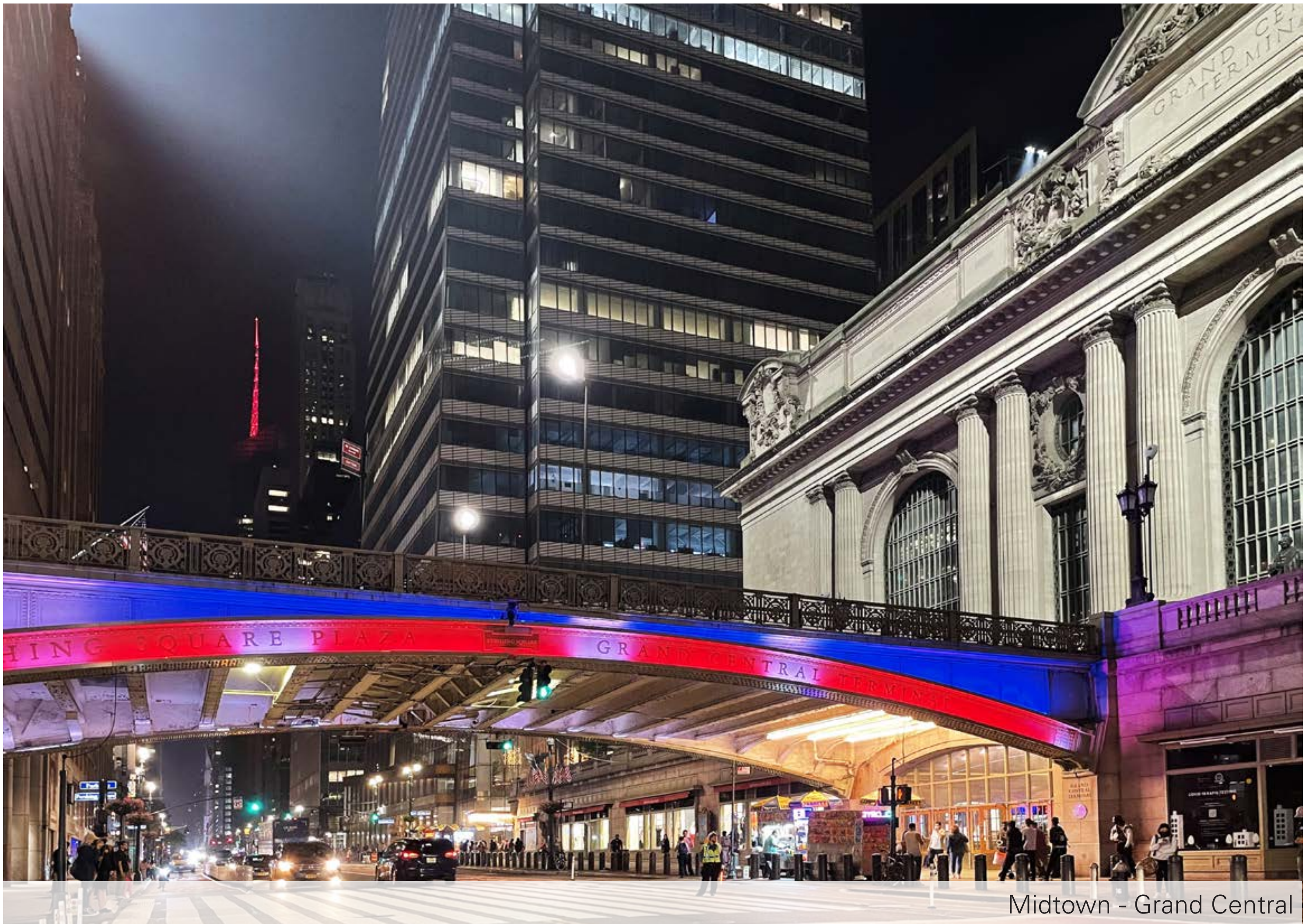
Real Estate Board of New York's Manhattan Spring 2023 Retail Report

Retail leasing activity in Manhattan over the past six months brings a renewed confidence among luxury retailers, underscored by announcements of several significant flagship leases and developments according to the Real Estate Board of New York's (REBNY) July release of the Manhattan Spring 2023 Retail report. Many tenants have returned to the market, but with "revised business models that include a rightsized footprint and a focus on margins." While the extreme discounts, concessions, and flexible lease structures prevalent 12 to 18 months ago have been disappearing, asking rents in 13 of the 17 corridors tracked by REBNY remain at least 30% below peak levels, with 10 of the corridors seeing slight rent increases compared to the fall of 2022. Flatiron, SoHo, and Madison Avenue have become the tightest markets, in contrast to the most office dependent areas such as Midtown East, 3rd Avenue, and 6th Avenue where leasing still lags pre-pandemic trends.

The corridors profiled in REBNY's report represent Manhattan's top tier retail corridors, and the asking rents quoted reflective of available ground level space. All data is sourced from the respective firms of each REBNY Manhattan Retail Advisory Group member.

Corridor	Spr 2023 Avg.Asking	Spr 2023 Asking Range	Maximum Avg. Asking/Yr	% Yr-over-Yr Change	% Change Fall 2022
Eastside					
East 86th St: Lexington-2nd Aves	$288	$200 - $390	$550 / S-2013	3.6%	-3.0%
Madison Ave: 57th – 72nd Sts	$834	$295 - $1,005	$1,709 / F-2014	8.5%	20.0%
Third Ave: 60th – 72nd Sts	$258	$125 - $400	$371 / S-2016	15.2%	19.6%
Westside					
Broadway: 72nd – 86th Sts	$229	$100 - $375	$434 / F-2013	-5.0%	-8.0%
Columbus Ave: 66th – 79th Sts	$310	$200 - $351	$447 / S-2015	-3.0%	5.1%
Midtown					
East 57th St: 5th – Park Aves	$313	$150 - $604	$1,625 / S-2016	N/A	12.2%
Fifth Ave: 49th – 59th Sts	$2,750	$2,500 - $3,000	$3,900 / S-2018	-0.9%	6.5%
Fifth Ave: 42nd – 49th Sts	$639	$500 - $750	$1,368 / S-2016	-1.7%	8.7%
Broadway & 7th Ave: 42nd – 47th Sts	$980	$300 - $2,250	$2,416 / S-2015	-11.9%	-1.0%
Herald Square					
West 34th St: 5th – 7th Aves	$415	$170 - $1,000	$1,000 / S-2015	-8.6%	-6.7%
Flatiron					
Fifth Ave: 14th – 23rd Sts	$299	$175 - $533	$456 / S-2017	16.8%	19.4%
Broadway: 14th – 23rd Sts	$393	$245 - $750	$510 / F-2015	13.6%	-1.0%
SoHo					
Broadway: Houston – Broome Sts	$376	$275 - $510	$977 / S-2015	14.6%	9.6%
West Village					
Bleecker St: 7th Ave South – Hudson St	$226	$128 - $350	$540 / S-2013	0.0%	0.0%
Meatpacking					
14th St: 9th – 10th Aves	$274	$195 - $350	$462 / S-2008	6.3%	6.2%
FiDi					
Broadway: Battery Park – Chambers St	$298	$135 - $425	$417 / S-2020	-5.7%	5.3%
Harlem					
125th St: 5th – Morningside Aves	$155	$105 - $205	$165 / F-2022	8.2%	-6.1%

Sources: https://www.rebny.com/content/dam/rebny/Images/Resources/REBNY_2022_Report_ManhattanRetail_Spring_FINAL.pdf


Midtown - Grand Central

Manhattan Retail Leases Highlights in Q2 2023

Tenant	Address	Sq. Ftge.	Lease Type	Submarket	Sector
Life Time	Penn 1 250 West 34th Street	53,000	New	Midtown	Fitness
PC Richard	2220 Boadway	30,000	New	Uptown	Electronics/Appliance
Lidl U.S.	355 Eighth Avenue	27,779	New	Midtown South	Grocery
Arc'teryx	114 Crosby Street	14,980	New	Midtown South	Apparel
Heavenly Market & Deli	311 Eleventh Avenue	13,609	New	Midtown South	Food & Beverage
Mario Arcari (Yet-to-be-name)	147-149 West 46th Street	10,400	New	Midtown	Restaurant
Miniso	5 Times Square	9,655	New	Midtown	Retail Trade
YankeeKicks	666 Broadway	8,204	New	Midtown South	Footwear
Schutz	78 Crosby Street	8,000	New	Midtown South	Footwear
Bogner	753-755 Madison Avenue	3,000	New	Uptown	Apparel

Sources: https://product.costar.com/home/news/920646370

Midtown - Times Square

Manhattan Office Lease Highlights in Q2 2023

Tenant	Address	Sq. Ftge.	Lease Type	Submarket	Sector
Dept of Citywide Administrative Srvcs	110 William Street	928,157	New	Downtown	Gov't Agency
Paul Hastings	Metlife Building 200 Park Avenue	256,840	Renewal	Midtown	Law
HPS Investment Partners	40 West 57th Street	159,000	Sublease	Midtown	Finance
Clayton, Dubilier & Rice	550 Madison Avenue	143,528	New	Midtown	Finance
Scotiabank	250 Vesey Street	131,048	Renewal	Downtown	Bank
GIC Real Estate	280 Park Avenue	99,431	Renewal	Midtown	Sovereign Wealth Fund
Child Mind Institute	825 Third Avenue	81,810	New	Midtown	Nonprofit
EQT Partners	245 Park Avenue	76,204	New	Midtown	Finance
Bank of America	1 Bryant Park	69,206	New	Midtown	Bank
ExodusPoint Capital Management	65 East 55th Street	57,333	Sublease	Midtown	Finance

Sources: https://product.costar.com/home/news/1277754944

Downtown - City Hall Area

Manhattan Investment Sales Highlights in Q2 2023

Buyer	Address	Sq. Ftge.	Sale Price	Submarket	Seller
Brookfield Asset Management	One Liberty Plaza	2,346,000	$490,000,000	Downtown	Blackstone (49% stake)
	Blackstone had acquired the stake in 2017 for $742 million				
Go Partners	Solow Tower Apartments 1261-1281 Second Avenue	490,652 322-units	$402,625,000	Uptown	Soloviev Group
Reliance Industries Limited	Mandarin Oriental NY 80 Columbus Circle	231,125 244-keys	$215,330,000	Midtown	Investment Corp of Dubai (73.4% stake)
Slate Property Group, Avenue Realty Capital, KABR Group	Columbus Townhouse 600 Columbus Ave	175,500 166-units	$120,000,000	Uptown	KB Companies
Stonehenge Partners The Carlyle Group	RiverEast 408 East 92nd Street	194,212 196-units	$114,000,000	Uptown	UBS Asset Mgmt
Sovereign Partners	Tower 56 126 East 56th Street	171,591	$113,000,000	Midtown	Pearlmark Real Estate
Empire Capital Holdings	529 Fifth Avenue	271,266	$107,608,985	Midtown	Silverstein Properties
New York University	400 Lafayette Street 11 East 4th Street	140,878	$97,500,000	Midtown South	Sands Associates
Beacon Capital Partners Kaufman Organization	Greeley Square Building 875 Sixth Avenue	265,000	$92,500,000	Midtown South	Sierra Realty & Mgmt
Vistria Group	Promenade Apartments 150 West 225th Street	461,475 318-units	$70,258,065	Upper Mnhtn	Nelson Mgmt Group
	Vistria acquired L+M Fund Mgmt & JPMorgan's undisclosed stakes in the rent-stabilized property				

Sources: https://product.costar.com/home/news/576424379

BID Market Snapshots

Downtown Alliance - Lower Manhattan Real Estate Market Report | Q2 2023

Leasing activity in Lower Manhattan's office market continued to show mixed indicators during the 2nd quarter. Although the pace of leasing remained slow and the neighborhoods vacancy rate continued to remain "stubbornly high, particularly in Class B properties, government leasing from the beginning of the year provided a boost, helping to significantly increase quarter-over-quarter leasing activity and finish 13% above the five-year quarterly average. Fueling the increase was the 641,000-square-foot lease by the NYC Administration for Children's Services at 110 William Street. The closing of 11 retailers during the 2nd quarter was somewhat offset by the opening of 21 retailers during the same period, of which nearly two-thirds were food and beverage businesses. A notable highlight was the highly anticipated reopening of the Century 21 store at 22 Cortlandt Street which has downsized 50% from its previous 200,000-square-foot size. The ongoing recovery of tourism volume in Lower Manhattan has pushed hotel average daily (ADR) rates to $305 per night — 14% higher than in spring 2019 and 7% higher year-over-year with occupancy rates similarly rising 6% higher than in the 2nd quarter of 2022. Residential statistics indicate that the median rent of $4,500 is now nearly 13% higher than the pre-pandemic level, in comparison to Manhattan's overal median rent of $4,300 per month — a new record high, which marks the 6th consecutive quarter above the pre-pandemic rent amid high demand, tight supply, and competition from would-be homebuyers remaining in the rental market due to increased interest rates. Similarly, the residential sales market saw median sales prices for co-ops and condos rise 7% quarter-over-quarter to $1.275 million, but remained 10% lower year-over-year and nearly 39% below the record high at the end of 2022. Co-op and condo sale activity during the quarter was nearly double the quarter-over-quarter volume with 121-units sold between April and June, driven by sales at One Wall Street and 130 William Street.

Source: https://downtownny.com/research/lower-manhattan-real-estate-overview-q2-2023/

Union Square Partnership - Biz + Broker Quarterly Report | Q2 2023

During the 2nd quarter, UnionSquare welcomed 12 new ground floor businesses, representing the best performing quarter since the start of the pandemic with anticipated openings by national brands Target and Crate & Barrel. Between January 2023 and August 2023 over 405,000 square feet of office space was leased across a mix of industries including technology, finance, and publishing. Spending on entertainment, arts, and culture doubled between 2019 and 2023, and visits in the district rose by 10% between 2022 and 2023 according to data platform Replica.

Source: https://static1.squarespace.com/static/58b4791ad2b857c893179e34/t/64dc0687b701333098139695/1692141191591/2023+Q2+Biz+Broker+%281%29.pdf
https://static1.squarespace.com/static/58b4791ad2b857c893179e34/t/64dc059c9d70b40a304af855/1692140957244/2023+Commercial+Market+Report+%281%29.pdf

Flatiron/NoMad - Flatiron & NoMad Economic Snapshot | Q2 2023

Continuing to recover from the economic disturbances sparked by the pandemic, the Flatiron and NoMad neighborhoods are ahead of the citywide recovery curve. Employee foot traffice stabilized between 65% and 70% during the 2nd quarter, well above the overall New York City average of 49%; and visitor and shoping foot traffic flutated between 75% and 85% recovery. Spending across major economic sectors in the Flatiron District has nearly reached or outpaced 2019 levels, making the neighborhood one of the fastest commercial submarkets to rebound citywide and across the country. A total of 18 new ground floor businesses have opened between January and June 2023 along Broadway between 25th and 31st Street; and "despite the 'flight-to-quality' narrative, Class B office space comprised of 60% of Flatiron and NoMad leases year-to-date. Hotel average daily rates (ADR) as of June 2023 was $290.50, representing a more than double increase of the $123.14 ADR in June 2020.

Source: https://flatironnomad.nyc/wp-content/uploads/2022/05/Q2-2023-Report_Final_7.26.pdf

Brooklyn - Brooklyn Heights Area

Development Activity

REBNY Report: Quarterly New Building Construction Pipeline - Q2 2023

The Real Estate Board of New York (REBNY) released a report in August providing statistics based on examined new building job application filings submitted to the NYC Department of Buildings in the 2nd quarter of 2023, analyzing data for the three month period of April through June; and draws historical comparisons to provide an understanding of the current state of development in New York City.

Key Takeaways - Q2 2023							
Borough Breakout	Q2 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF	Borough	Q2 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF
Manhattan	10	-55%	3%	Queens	131	-26%	35%
Bronx	34	-58%	9%	Staten Island	115	-3%	31%
Brooklyn	84	-37%	22%				
New Building Filings in Q1 2023	TTL Filings	% Change Qtr-over-Qtr / Yr-over-Yr		TTL Proposed Sq, Ft.		% Change Qtr-over-Qtr / Yr-over-Yr	
Citywide	374	7% / -30%		6 MM		46% / -41%	
Construction Projects 300K-sf Plus	Q2 2023 Filings	TTL Proposed Sq, Ft.		% of Q2 2023 TTL Proposed SF		Qtr-over-Qtr Change of TTL %	
Citywide	4	2.1 MM		35%		30%	
Multiple Dwelling Residential Q1 2023	Proposed Units	% Change Qtr-over-Qtr / Yr-over-Yr			New Buildings	% Change Qtr-over-Qtr / Yr-over-Yr	
Citywide	3,088	41% / -60%			55	-21% / -73%	
Borough Breakout	New Buildings	Proposed Units / % of TTL		Borough	New Buildings	Proposed Units / % of TTL	
Manhattan	6	389 / 13%		Queens	11	527 / 17%	
Bronx	12	639 / 21%		S.I.	2	5 / 0.2%	
Brooklyn	24	1,514 / 49%					

Largest Proposed Projects by Borough - Q2 2023				
Borough	Address	Neighborhood	Sq. Ft.	Description
Manhattan	871 Seventh Avenue	Midtown	338,193	Proposed 27-story, 214,000 SF hotel
Bronx	1185 River Avenue	Highbridge	275,540	Residential development with 276 proposed units
Brooklyn	12074 Flatlands Avenue	East New York	470,902	Residential development with 460 proposed units
Queens	39-02 Northern Boulevard	Douglaston	883,470	Proposed 218-foot-tall, 688,340 SF warehouse/office development
Staten Island	1221 Forest Hill Road	New Springville	25,800	Residential development with 14 proposed units

Sources: https://www.rebny.com/content/dam/rebny/Documents/PDF/News/Research/ConstructionPipeline/REBNY_2022_Report_ConstructionPipeline_Q2_Final.pdf

Midtown - Hudson Yards

Office Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
255 Greenwich Street	Downtown	TriBeCa	182,255	(3) NYC Agencies (extension)
120 Broadway	Downtown	FiDi	122,000	Tower Research Capital (relo/consolidation)
22 Cortlandt Street	Downtown	World Trade Center	93,500	Municipal Credit Union (renewal)
199 Water Street	Downtown	Insurance	72,091	Legal Aid Society (renewal)
450 Lexington Avenue	Midtown	Grand Central	700,000	Davis Polk & Wardell (extension/expansion)
1440 Broadway	Midtown	Penn Plaza	210,000	Amazon (renewal)
655 Third Avenue	Midtown	Grand Central	117,181	Empire State Development (relocation)
75 Rockefeller Plaza	Midtown	Plaza	90,000	Amazon (WeWork enterprise member)
The Spiral 66 Hudson Boulevard	Midtown	Hudson Yards	79,000	Marshall Wace (relocation)
1 Penn Plaza	Midtown	Penn Plaza	75,000	Canaccord Genuity Group (relo/consolidation)
51 Astor Place	Midtown South	Greenwich Village	42,232	Intuit (sublease from 1stdibs)

Manhattan Investment Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
Brill Building 1619 Broadway	Midtown	Times Square	175,000	$216,103,378	Mack Real Estate Capital
	Brookfield Asset Management turned over the building to the lender Mack Real Estate Capital, having similarly acquired the building via foreclosure in 2017 for $213.165 million				
875 Sixth Avenue	Midtown	Penn Plaza	270,000	$92,500,000	Kaufman Investments Beacon Capital Partners
55 Broad Street	Downtown	FiDi	425,000	$172,500,000	Silverstein Properties Metro Loft
	New ownership planning a residential conversion				
110 Wiliam Street	Downtown	Insurance	208,841	$87,100,00	Invesco Real Estate (22.5% stake)
	Invesco converted its mezzanine loan to equity, owners defaulted on debt June 2022				
110 West 32nd Street	Midtown	Penn Plaza	113,000	$37,000,000	MediaWill & Tony Park

Midtown - Times Square

Retail Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
2220 Broadway	Uptown	Upper West Side	30,000	PC Richards & Sons (relocation)
731 Ninth Avenue	Midtown	Hell's Kitchen	15,000	Amish Market (renewal)
Virgin Hotel 1205-1227 Broadway	Midtown South	NoMad	10,372 9,810	Electric Shuffle (new) Salvaje (new)
145 East 57th Street	Midtown	Plaza	9,063	Carl Hansen & Son (new)
360 Park Avenue	Midtown South	NoMad	7,000	Saga Hospitality (new)

Lease - Outer Boroughs

Address	Borough	Neighborhood	Sq. Ftge	Tenant
24-11–24-19 Jackson Ave.	Queens	Long Island City	72,000	Chelsea Piers (new)
523-545 Fulton Street	Brooklyn	Downtown Brooklyn	21,000	Fresh Grocer (new)
67-09 Fresh Pond Road	Queens	Ridgewood	14,000	Met Fresh (new)
1041 Coney Island Ave.	Brooklyn	Flatbush	6,500	Delight Bazar Supermarket (new)
25 Kent Avenue	Brooklyn	Williamsburg	6,168	Othership (new)

Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
510 Fifth Avenue	Midtown	Penn Plaza	52,177	$50,000,000	Reuben Bros.
	26,405 square feet of retial space occupied by North Face under a sublease from Joe Fresh secured in 2016, Office space on 2nd floor				
747 Madison Avenue	Midtown	Plaza	11,000	$135,000,000	Weybourne Holdings (Dyson family office)
	Retail currently occupied by luxury fashion brands Versace and Alexander McQueen				

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