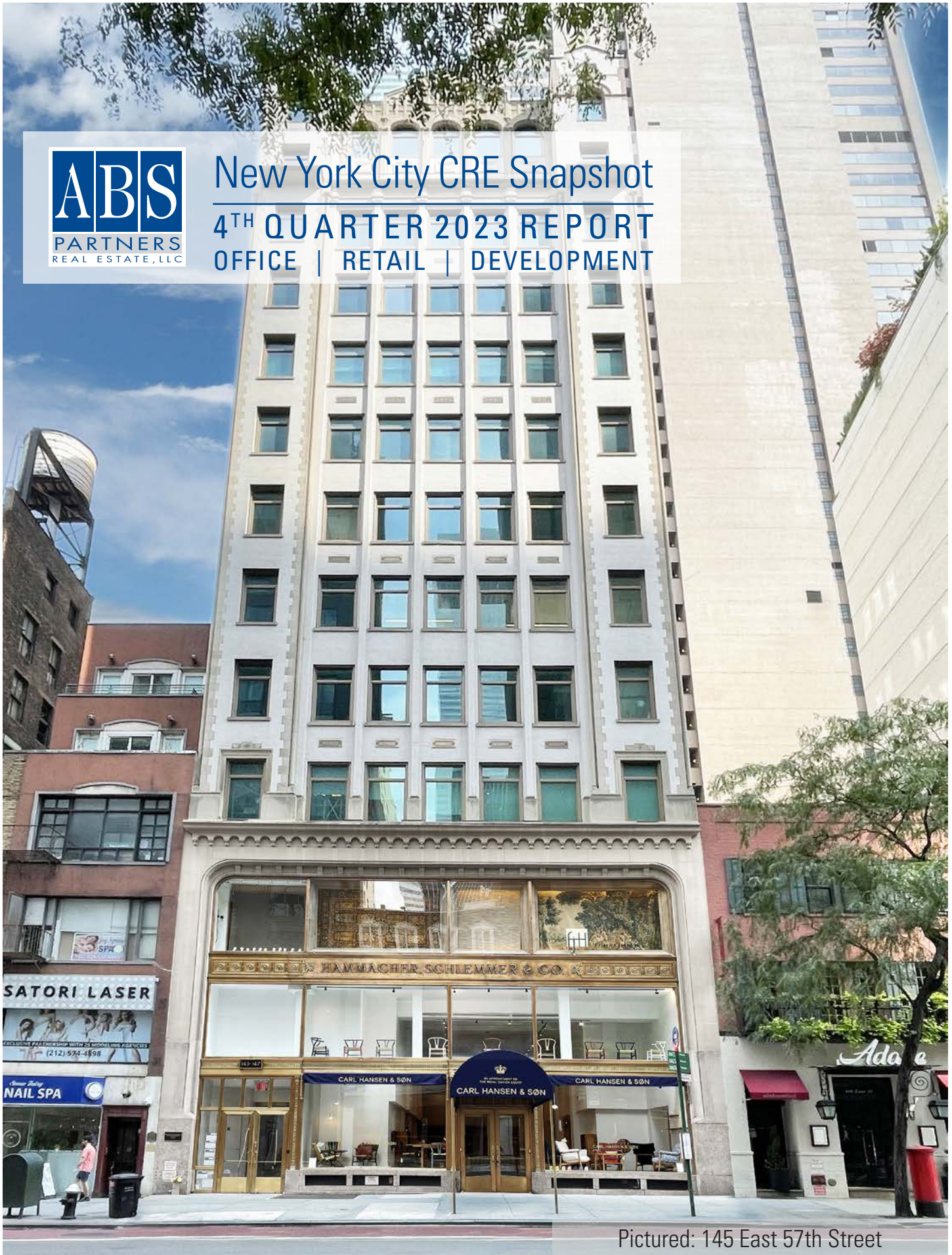




New York City CRE Snapshot

4TH QUARTER 2023 REPORT

OFFICE | RETAIL | DEVELOPMENT



Pictured: 145 East 57th Street



Midtown - View of Ed Koch Queensboro (59th Street) Bridge

Quarterly News Highlights*

General News

At a Time of Economic Uncertainty Real Assets a More Favorable Investment | October 3, 2023

The nation's economic situation remains unclear as government spending remains high at 44% of gross domestic product, and likely to remain elevated because 2024 is a critical election year. It is similarly anticipated that monetary policy will become more accommodative, with the Federal Reserve expected to feel intense pressure to cut interest rates resulting in the U.S. dollar taking a hit after seeing gains from the Fed's tight monetary policy. Taking to these two trends together, Michael Hartness, chief investment strategist at Bank of America Merrill Lynch Global Research indicated that investors should focus more on investments in precious metals, real estate, and infrastructure, which "tend to perform best when inflation picks up" versus financial assets.

Sources: <https://www.barrons.com/articles/dollar-inflation-real-assets-oil-gold-f2b8bc19>

News Highlights (cont'd)

Impact on City Coffers as Private Colleges Expand | October 16, 2023

Private colleges in New York City currently own approximately 25 million square feet of land, or close to 600 acres citywide. Although small in comparison to the 200,000 acres that make up New York City, the footprint of property owned by the city's private colleges is expanding. It has been estimated that the "city foregoes about \$4 billion a year in revenue" as a result, with the number of college tax-exempt properties jumping 8% from 1,140 to 1,234 properties in 2023 versus 2014 while lost tax revenue from these properties rising more steeply by 81% from \$435 million to \$788 million in the same period. Despite economic benefits of having "world-known colleges in the city's backyard," plus their contribution "in terms of student spending, job creation, hospital services, intellectual property and cultural assets" — which many of the top colleges say justifies the tax-free status as a nonprofit they benefit, it has been questioned by some that believe the city's overall property tax system is "massively socially inequitable," yet efforts to reform the system remain in limbo.

Among the larger private colleges, the 35,000-student, 19,000-employee Columbia University, which has an endowment of about \$13 billion, owns 210 sites spread across nearly 15 million square feet of land. Columbia paid about \$70 million in property taxes in 2023 since some sites include other uses such as retail. However, according to city tax officials Columbia's portfolio has a level of assessment of "nearly \$1.9 billion against which a tax bill would be calculated if held by a for-profit entity." Following closely behind is New York University's (NYU) portfolio which has a total assessed value of about \$1.8 billion, of which only \$120 million is taxable; and while NYU's 113 sites spread across 2.4 million square feet is significantly smaller than Columbia's vast holdings, the total assessed value is higher since the core of the properties are located in affluent Greenwich Village versus Upper Manhattan. Benefitting from a nearly \$6 billion endowment, NYU closed on the \$210 million acquisition of a Kips Bay apartment building — one of 2023's priciest sale transactions. Although on a national level cities have begun to pressure large non-paying institutions to chip in at least something for the municipal services such as sanitation and security that they benefit from, it is insignificant compared to the tax revenue that would be otherwise collected in property taxes, citing Yale University which pays \$13 million in payments in lieu of taxes (PILOTS) versus the \$130 million in property taxes the university would be on the hook for if not benefitting from its nonprofit tax exempt status.

Sources: <https://www.crainsnewyork.com/real-estate/new-york-city-loses-4b-property-taxes-exempt-private-colleges>

NYC Continues Gradual Return to Prepandemic Levels | October 25, 2023

Signs of recovery continue to paint a positive picture as New York City gradually returns to prepandemic activity. "Subway ridership hovers around 70% of prepandemic levels, return to the office numbers are slowly but surely inching up, and Broadway attendance is within striking distance of where it was in 2019." In addition, foot-traffic data recently released in a report by location analytics firm Placer.ai revealed that the overall gap between quarterly visits in Manhattan during Q3 2023 has narrowed to 22.5% below the volume in Q3 2019; and upon taking a closer look, the gap further narrows to 15.1% in neighborhoods south of 14th Street, with some neighborhoods — the West Village, Lower East Side, Greenwich Village, and the East Village surpassing Q3 2019 levels. Contributing to the trend is the easier commute for people in parts of Brooklyn and New Jersey to Lower Manhattan and a higher volume of "super trendy, hip and chic" establishments where people come to get drinks on a Friday or Saturday night versus the areas that "rely more heavily on office commuters and continue to feel the hurt from lingering remote work trends."

Sources: <https://www.crainsnewyork.com/economy/lower-manhattan-foot-traffic-data-shows-strong-recovery>

OSC Report: NYC Economic and Demographic Indicators in Relation to NYS | October 26, 2023

The recently released reference document by the New York State Comptroller's Office (OSC) includes "major demographic, economic and fiscal indicators that highlight New York City's contribution to the state." Highlights within the report indicate that the city's population, which has long accounted for more than 40% of the state's population lowered from a share of 43.6% in 2020 to 42.4% in 2022, representing a 2.8% decrease in percentage. While the city's share of households rose above the 2019 percentage following a lowering in 2021, the city's share of owner cost burden rose from 31.7% in 2019 to 33.2%. In contrast, the city's 2022 rent burden share lowered to 2019 levels following an increase in 2021. On an economic level, indicators provided by the OSC revealed a 40.4% lowering in the city's share of jobs added — the city's share falling from 102.1% in 2019 to 60.9% in 2022. Although the city's share of total statewide wages lowered nominally from 59.7% in 2019 to 59.3% in 2022, there was a 27.5% increase in share of unemployed numbers during the same period. Wall Street wages, which is a critical driver of local and state personal income tax revenue rebound to 2019 levels after lowering in 2020, but the sector's share of statewide employment lowered in both 2021 and 2022, reversed the rising percentage seen in 2019 and 2020.

Sources: <https://www.osc.state.ny.us/files/reports/pdf/report-11-2024.pdf>



Brooklyn - View of DUMBO from Brooklyn Bridge

News Highlights (cont'd)

NYS Comptroller Report: Asylum Seeker Spending Report | October 31, 2023

A new tool is available on the New York State Comptroller's website that provides monthly updated documentation of New York State and New York City emergency spending related to people seeking asylum. On the state level, emergency spending specifically coded by agencies as spending related to asylum seekers through September 30, 2023 totaled \$316.2 million; and the State Fiscal Year (SFY) 2023-24 Enacted Budget Financial plan includes \$1.5 billion in planned spending that is expected to occur over two fiscal years. Although New York City has yet to finalize expenses for FY 2023, during the same period, the city recorded preliminary expenditures in Fiscal Year (FY) 2023 of \$1.47 billion and nearly \$420 million in FY 2024. A breakdown by city agency indicated that spending thus far in 2023 ranged from \$779,506,150 at the high by the Department of Homeless Services and Social Services to a low of \$2,943 by the Department of Transportation.

Sources: <https://www.osc.state.ny.us/reports/asylum-seeker-spending-report>

Brokers that Survive a Difficult CRE Market Likely to be Better Professionals | November 6, 2023

Although turnover in commercial real estate is nothing new, the trend that became commonplace in 2020 with the onset of the COVID-19 pandemic has continued three years later. The combination of low office attendance and high interest rates has heightened challenges for the CRE sector with some companies in the industry going out of business as departures both voluntary and otherwise not only hit brokerage firms, but some lending platforms and construction firms as well. Many companies are moving forward with cost-cutting plans as transaction volume slowed when interest rates started rising. Several of the real estate industry's larger brokerage firms have spent millions on severance and other employment-related costs. Heightened pressure on real estate has led to voluntary mass exits at some firms, particularly among the young brokers that find the market too difficult to continue and those near retirement age that decide they had enough, while others have taken advantage of the market slowdown and transitioned to different firms. It is anticipated by some industry people that although there's probably going to be fewer CRE brokers in two years, there is "one major silver lining to a downturn: Those that stay will likely be better professionals because of the difficult market."

Sources: <https://commercialobserver.com/2023/11/commercial-real-estate-layoffs-turnover-2023-2024/>

News Highlights (cont'd)

Added and Expanded NYC Programs Drive Increasing Budget Gap | November 7, 2023

Over the past decade, New York City-funded spending increased more than 50% while “recurring revenues has not kept pace.” Although the billions of dollars the city will spend on the influx of asylum seekers is a significant contributor to the fiscal shortfall, another major underlying cause of the widening budget gap “comes from years of added and expanded city programs that — at best — were supported only for a short time by non-recurring revenue or — at worst — not funded at all. Projections by the NYS Comptroller’s Office and the Citizens Budget Commission indicate that the budget gap for “next year could be \$9.9 billion and possibly up to \$13.8 billion.” Citing as an example, while the city and its unions agreed to reasonable raises for city workers, funding for the \$16 billion added to the budget as a result was not identified. Mayor Eric Adams has approached the city’s impending “fiscal cliff” by rightly “directing city agencies to propose a round of 5% savings and be prepared for another two, amounting to nearly 15% in total;” and although “Adams’ four previous savings plans were helpful, new spending that was simultaneously added amounted to more than double the planned savings.” The two public and private watchdogs over New York City’s fiscal health provide a further course of action to “stabilize the budget and minimize any pain from cuts,” pointing out that “the challenges are real, the solutions tough, but a path is at hand.”

Sources: <https://www.crainsnewyork.com/op-ed/op-ed-new-york-teetering-fiscal-cliff>

NYC’s Newest Civic Hall Facility Opens in Union Square | November 10, 2023

New York City’s new 85,000-square-foot tech and digital training hub recently opened its doors within Union Square’s Zero Irving building located at 124 East 14th Street. Managed by Fedcap, the Civic Hall facility that spreads across seven floors within the 21-story building is positioned to enhance the city’s “technology sector by providing skill-building and educational opportunities to diverse and underserved communities.” Supported by tenants and training providers, including LaGuardia Community College and The Data School New York, many among the range of tech training programs will be offered at affordable rates or at no cost. During the facility’s inaugural year, approximately 750 individuals are anticipated to take part in the comprehensive training programs” with the goal of creating an inclusive pipeline for sustainable, family-supporting jobs within the tech industry.”



Sources: <https://newyorkyimby.com/2023/11/civic-hall-at-union-square-celebrates-grand-opening-at-124-east-14th-street-in-union-square-manhattan.html>

BLS News Release Delivers Optimism as CPI Holds Steady in October | November 14, 2023

According to the latest news release by the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for all Urban Consumers (CPI-U) held steady in October, after increasing 0.4% in September, while the so-called core consumer price index, which excludes food and energy, rose 0.2 percent after rising 0.3 percent in the previous month. The positive indication led to the S&P 500 index opening higher and Treasury yields significantly declining as “traders essentially wiped out the chance of another rate hike,” as well as placing “forward bets on when rates the Fed will first cut rates into the first half of next year.” Furthermore, shelter prices, which account for about a third of the overall CPI index rose 0.3% — or about half the prior month’s pace with the sustained moderation in this category key to bringing core inflations down to the Fed’s 2% target. Despite Americans’ wages rising for the first time in three months, when adjusted for inflation, household budgets remain strained as grocery prices continue to rise along with motor-vehicle insurance. The length at which Americans can sustain spending levels, which has kept inflation elevated and driven broader growth, will depend upon the direction of the labor market which saw an increase in the unemployment rate to the highest level since early 2022 in October. Concerns have also arisen of a possible government shutdown by the end of this week, which comes less than two months after the nation’s lawmakers avoided one in the eleventh hour.

Sources: <https://www.crainsnewyork.com/economy/us-inflation-broadly-slows-erasing-bets-more-fed-rate-hikes>

Stopgap Bill Passed by U.S. Senate to Temporarily Avert Government Shutdown | November 16, 2023

The 87-11 vote cast by the U.S. Senate on Wednesday, November 15th has removed the risk of an impending partial government shutdown. The passage of the stopgap spending bill “marks the end of this year’s third fiscal standoff in Congress,” and comes in time for President Biden to sign into law before the upcoming weekend deadline. Had a shutdown occurred, it would have put Washington on the “brink of defaulting on its more than \$31 trillion in debt this spring and twice within days of a partial shutdown that would have interrupted pay for more than 4 million federal workers” and closed national parks. The bill gives Congress just over two months of “breathing room” with the next deadline January 19th.

Sources: <https://www.reuters.com/world/us/us-senate-takes-up-bill-avert-partial-government-shutdown-2023-11-15/>



Midtown - Grand Central

News Highlights (cont'd)

Proposed Zoning Changes Would Significantly Expand Eligible Sites for Casinos | November 27, 2023

Eligible locations for the three casino licenses being offered through a New York State-led process that several developers are vying for could significantly increase in numbers if recently proposed zoning changes by Mayor Adams' administration are approved. While the proposal intended to be more accommodating to the gambling industry restricts casinos in residential areas, they would be allowed in "any medium- to high-density commercial district citywide. Since "two of the three licenses are expected to go to existing racetrack casinos in Queens and Yonkers, just one license appears to be genuinely up for grabs among the contenders in the city and Nassau County. In support of the zoning proposal, "Council Speaker Adrienne Adams said last month that passing the plan will ensure the city's applicants are not at a 'competitive disadvantage' compared to other downstate bidders." However, despite still requiring that casino proposals go through the "state's monthslong review that includes binding votes by six-person councils composed of local officials," the open-ended language of the proposed zoning changes released "quietly just after Thanksgiving" has sparked concerns since it "puts no restrictions on casinos' size and allows developers to tack on 'related' facilities such as hotels and restaurants." The zoning changes as currently written cede all planning power that the city has in terms of location or structure design according to critics, while allowing things that would not otherwise be permitted without any City Planning oversight by eliminating the city's own monthslong Uniform Land Use Review Procedure (ULURP).

Sources: <https://www.crainsnewyork.com/politics-policy/new-york-citys-casino-zoning-plan-puts-no-limits-size>

News Highlights (cont'd)

High Level of U.S. Debt Sets Stage for Dangerous Economic Situation | November 28, 2023

A huge amount of cash was injected into U.S. markets as a result of the “enormous amount of debt that the U.S. has taken out since the pandemic, including around a trillion distributed in stimulus checks and the \$4 trillion doled out by the Federal Reserve to buy government bonds.” According to JPMorgan’s Jamie Dimon, these actions led to more company profits and rising stocks in 2021, and ultimately inflation that prompted the Federal Reserve to “apply the brakes on ultra-loose monetary policy,” resulting in “stocks struggling in 2022 and markets seeing big bouts of rate-fueled volatility throughout 2023.” Despite efforts by the Fed to tame current inflation, Dimon anticipates that it is likely to remain elevated, partly due to high levels of government spending. The nation’s current record high \$33 trillion total debt pile is “edging closer to \$34 trillion as lawmakers spar over the federal budget.” Elevated concerns exist among economists of the U.S. potentially defaulting on its debt in 20 years if the U.S. doesn’t change course — a situation, should it come to pass, that “could end up having catastrophic consequences on the U.S. economy.”

Sources: <https://www.yahoo.com/finance/news/jpmorgan-boss-jamie-dimon-says-025506966.html>

Discretionary Spending Cutbacks by Americans Signals Anticipated U.S. Economic Slowdown| December 1, 2023

Higher interest rates and diminishing savings have finally caught up with consumers’ discretionary spending, as signs increase of a long-awaited U.S. economic slowdown as the nation heads into 2024. Government data at the start of the 4th quarter of 2023 revealed a “cutback in discretionary categories like cars, furniture and gym memberships;” and while Black Friday spending declined at a number of the country’s largest retail chains, there was a “record amount of online purchases made using buy-now-pay-later schemes on Cyber Monday,” with some consumers using credit cards and a Home Equity Line of Credit (HELOC) to maintain spending. Retail sales are projected to increase 3% over the next year — the lowest level in almost a decade aside from the pandemic lows according to a survey conducted by the Atlanta Fed in October. Additional signs of an economic slowdown are the slowing of job growth “with continuing weekly jobless claims climbing to a two-year high,” while wages and salaries rose a nominal 0.1% in October, marking the smallest advance this year.

Sources: <https://www.fa-mag.com/news/americans-are-finally-turning-frugal-after-splurging-over-summer-75598.html>

Proposed Investor Accreditation Change Would Democratize Real Estate Investment | December 4, 2023

Currently investor accreditation is only achievable for individuals “having a net income of over \$1 million or more than \$200,000 in net earned income during the last two years.” However, a recently proposed congressional change will allow investors to achieve accreditation by taking a test that proves their “financial savvy” administered by FINRA Financial Industry Regulatory Authority, a government-authorized not-for-profit organization that oversees broker-dealers. Current accreditation laws primarily limit real estate investment opportunities to institutional investors and high-net-worth individuals. A relaxation of the current criteria would significantly expand the capital pool available for developers and real estate companies, thereby opening the door to the flexibility to explore a broader range of projects from “affordable housing and green buildings to tech-integrated commercial spaces.” Furthermore, the recent stifling of real estate crowdfunding platforms that experienced a remarkable rise in the past decade could gain an influx of investors which would not only increase investment opportunities, but also support smaller, innovative real estate projects that might have been overlooked by larger institutional investors.

Sources: <https://www.kiplinger.com/real-estate/real-estate-investors-what-would-accreditation-change-mean>

Berkshire Hathaway Leader Suggests Quick Resolution to U.S. Deficit | December 5, 2023

In fiscal year 2023 the U.S. deficit rose to \$1.7 trillion, representing a significant 23% rise over the \$1.4 trillion figure in 2022. According to the Bipartisan Policy Center, during the same period, revenues decreased by \$457 billion (9%) while outlays decreased by only \$83 billion (1%). “The Fed’s interest rate hikes and changes in student loan policies, as payments resumed” were two main reasons for the widening deficit; while outlays were impacted by rising debt servicing costs to \$177 billion (33%) as a result of the “Federal Reserve’s six interest rate hikes since October 2022, which pushed the federal funds rate to a 22-year high of 5.25% to 5.5%.” On a CNBC interview, investing legend Warren Buffet’s response when questioned “what he might do to solve the growing problem” was “I could end the deficit in five minutes. You just pass a law that says that anytime there is a deficit of more than 3% of GDP, all sitting members of Congress are ineligible for reelection,” he said, “Now you’ve got the incentives in the right place. So it’s capable of being done. ... A more effective threat would be just to say, if you guys can’t get it done, we’ll get some other guys to get it done.”

Sources: <https://www.thestreet.com/personalities/warren-buffett-has-a-genius-plan-to-end-u-s-deficit-in-5-minutes>



Queens - View from FDR Drive of Long Island City

News Highlights (cont'd)

NYC's Economic Recovery Further Burdened by Migrant Crisis | December 27, 2023

New York City's claim as a "sanctuary city" may have worn out its welcome mat. Large waves of asylum seekers over that last several months has not only had an impact on the city's budget, but its economy as well. The "right to shelter" agreement made by the city 40-years ago may no longer be sustainable, or as Governor Kathy Hochul said on September 21, 2023, "the right to shelter was 'never meant to house the entire world.'" The offering of shelter on demand to anyone who asks for it has led to the closure of retailers in the area surrounding the 1,025-key Roosevelt Hotel which has been turned into a "welcome center" for migrants. Among the 16 retail spaces around the hotel's ground level, nine are completely vacant, while at least two of the remaining stores have suffered steep drops in sales. In addition, the planned closure of two eateries by prominent restaurateur Danny Meyer at the Redbury Hotel in Manhattan was announced in August after the historic hotel became a migrant shelter.

Based on a Depression-era state constitutional amendment, "a provision within Article 17 of the New York State constitution states that 'aid, care and support of the needy are public concerns.'" It was not until 1979 that the right to shelter arose in the case of *Callahan v Carey* — a class action on behalf of all homeless men in New York City, when a state trial judge agreed with the argument made by attorney Robert Hayes that "the plaintiffs were 'entitled to board and lodging,' placing the provision at the center of the case and resulting in the city thereafter entering "into a consent decree that required it to 'provide shelter and board to each homeless man' who needs it." According to the State Court Report, a nonpartisan news source, the extent to which the government is obligated to help those in need was not clearly delineated in Article 17, Section 1, but left discretionary.

Furthermore, interpretations of the state of the law that has come into question are not aligned. In October 2023, Hayes contended that "there's a statewide right-to-shelter," but Governor Hochul "rejected this position and sought to confine the obligation to provide emergency shelter to New York City." As of the State Court Report's October 25, 2023 article, the state's highest court had yet to weigh in on the scope of the right in response to the city maintaining that due to "extraordinary circumstances," it is requesting a temporary suspension of its obligation to provide shelter to those who need it at a time when the city's homeless population has surged amid the influx of asylum seekers — a volume that has reached a level to create a national issue, putting the responsibility on the federal government to secure the border so that "no town in America is overwhelmed."

Sources: <https://nypost.com/2023/12/27/opinion/the-migrant-crisis-isnt-just-socking-new-yorks-budget-but-its-economy-too/>
<https://statecourtreport.org/our-work/analysis-opinion/contentious-history-behind-new-york-citys-right-shelter>



Midtown - Grand Central Area

News Highlights (cont'd)

Office Market

Starrett-Lehigh Building Retains Anchor Tenant | October 15, 2023

High-end fashion brand Ralph Lauren recently secured a renewal at the Starrett-Lehigh building, 601 West 26th Street. The deal will retain the 2.3 million-square-foot tower's anchor tenant on a long-term basis; however, the 250,000-square-foot signing represented a significant downsizing from the approximately 350,000 square feet Ralph Lauren leased in 2018. Asking rents at the Chelsea building that spans the entire block of 11th And 12th Avenues between West 26th and 26th Streets range from the low-\$60s per square foot to the upper-\$70s per square foot. Tenants enjoy more than 100,000 square feet of amenities including Marcus Samuelsson's Hav + Mar restaurant, the Olly Olly food hall, and the 601 Athletic Club.

Sources: <https://nypost.com/2023/10/15/ralph-lauren-renews-lease-at-upgraded-starrett-lehigh-building/>

Lower Manhattan William Street Building Secures 530K-sf Tenant Extension | October 16, 2023

According to the Department of Citywide Administrative Services (DCAS), which handles leases for the New York City, the NYC Administration for Children's Services (NYC ACS) recently signed a 2-year extension for the 19-floors the city agency occupies at the Royal Insurance Building, 150 William Street. The extension for the 530,000-square-foot space included a backdating of the lease to September 1st, 2023, pushing the expiration date through August 2025. A tenant in the majority of the approximately 587,831-square-foot full block building since 1996, NYC ACS will be paying monthly installments of \$1.3 million per month of its \$16 million annual rent.

Sources: <https://commercialobserver.com/2023/10/nyc-ac-150-william-street-lease-530k-sf/>

News Highlights (cont'd)

Global Investment Firm Signs 100K-sf Lease at 57th St Tower | October 23, 2023

The nearing completion of \$45 million in upgrades is paying off at the 9 East 57th Street tower. Davidson Kempner Capital Management recently agreed to a long-term lease for nearly 100,000 square feet that will see the global investment firm relocate from its current 75,000-square-foot office at 520 Madison Avenue. Davidson Kempner's new office will spread across the entire 24th, 28th and 29th floors within the 50-story tower at asking rents of \$130 per square foot for the 24th floor and \$180 per square foot for the 28th and 29th floors. New tenant amenities included in the building upgrades are a 150-person video room meeting space and an 11,000-square-foot fitness area with natural light and hot and cold plunge pools.

Sources: <https://therealdeal.com/new-york/2023/10/23/soloviev-group-inks-davidson-kempner-to-lease-at-9-west-57th/>

California-based Startup Expands Manhattan Footprint in Relo Deal to Chelsea Building | October 25, 2023

The six-story building located in the Chelsea neighborhood at 115 West 18th Street will be adding online corporate travel and expense manager Navan to its tenant roster following a recently signed lease for the entire 6th floor. The size of the floor plates within the pair of conjoined buildings — 115 West 18th Street and 123 West 18th Street, provided the California-based startup with 40,650 square feet on a single floor; and reportedly represents an expansion from their current office near Bryant Park on the 14th floor at 1450 Broadway. Formerly a portion of co-working space provider WeWork's headquarters, the space comes with an existing high-end installation and excellent natural light and air flow. Navan will be joining the event venue Metropolitan Pavilion which currently occupies 68,000 square feet in the Wasserstein Enterprise-owned property where both management and leasing are handled by ABS Partners Real Estate. The terms of the lease were not released but asking rent for the space was \$65 per square foot.

Sources: <https://commercialobserver.com/2023/10/navan-lease-115-west-18th-street/>

Pair of Big Block Midtown Deals Announced in the Final Days of October | October 26-29, 2023

After months of indecision, it appears that some tenants are finally signing on the bottom line of larger leases. Over the past week networking platform LinkedIn signed a 10-year lease for 143,778 square feet at the Empire State Building located at 350 Fifth Avenue. As part of the deal, the Microsoft-owned company relocated 118,646 square feet of existing space from the tower floors to base floors within the building and added another 25,132 square feet. A tenant at the iconic tower since 2011, expansions across multiple floors over the years has brought LinkedIn's footprint to 526,541 square feet. Asking rents at the tower range from \$69 to \$87 per square foot. The second lease took place in the Plaza District at 575 Lexington Avenue. The 30-year deal secured by Weill Cornell Medicine represented a renewal and expansion that brings the research and educational institution's footprint within the 745,000-square-foot tower at East 51st Street to 300,000 square feet spread across eight full floors and a portion of the ground level, of which 200,000 square feet was a renewal of Weill Cornell's existing administrative space, and the 100,000-square-foot expansion to serve as patient-care facilities. The deal "reflects a growing trend of landlords' flexibility to accommodate non-traditional tenants in office buildings."

Sources: <https://commercialobserver.com/2023/10/linkedin-expansion-starbucks-leases-office-empire-state-building-2023/>

Sources: <https://nypost.com/2023/10/29/business/weill-cornell-to-expand-midtown-footprint-at-lexington-avenue-tower/>

Amenities and Easy Commute Spark Heightened Tenant Interest in Grand Central Area | October 27, 2023

Today's tenant market has fueled more aggressive competition among landlords as they vie for tenants in the market. All the competition is making relocation less expensive than a renewal; while brokers are "achieving strong deal packages" at buildings where owners are "desperate to keep their larger tenants" as exemplified by a possible relocation by large law firm Davis, Polk & Wardwell that ultimately ended in a retention and expansion deal at 450 Lexington Avenue following promises of \$300 million in capital improvements by the landlord. Efforts to attract tenants "has led to the creation of exciting spaces — especially in the area surrounding Grand Central Terminal." Cited in example is the array of restaurants and seating within the interior public atrium at 335 Madison Avenue, aka 22 Vanderbilt Avenue; and a basketball court and rock-climbing facility within the basement amenity dubbed the Playground at the Seagram Building, 375 Park Avenue. Above average amenities combined with the recent addition of the extension of the Long Island Rail Road to the east side creating seamless connection to Grand Central Terminal has even lured the interest of tech companies away from traditional tech areas like Midtown South to the "glass buildings in Midtown proper" or around Penn Station near their clients — citing the slated December reopening of Penn 2 with a below-grade fun zone and access to "acclaimed amenities" at the adjacent Penn 1 building where rents "are now averaging \$90 a foot."

Sources: <https://nypost.com/2023/10/27/real-estate/companies-are-seizing-office-space-deals-in-renters-market/>



Midtown - High Line Extension West to Manhattan West complex

News Highlights (cont'd)

NoMad Building Attracts 70K-sf Tenant Following \$100M Redevelopment | October 29, 2023

Iconiq Capital has signed a relocation and expansion deal at 360 Park Avenue South, representing the first office lease since the 440,000-square-foot 1913-vintage building underwent a \$100 million redevelopment since changing ownership in 2021. Terms of the 70,000-square-foot were not disclosed, but the recent signing will see the San Francisco-based wealth management provider relocate from its current 30,000-square-foot office at nearby 15 East 26th Street.

Sources: <https://nypost.com/2023/10/29/business/boston-properties-lands-finance-firm-at-park-avenue-south-tower-after-100m-revamp/>

A View of the Challenges Facing the Office Market from a Different Perspective | November 2, 2023

Although remote work has been frequently publicized as the primary driver fueling stalled office leasing, at least one landlord has taken on a different perspective and blaming the economy instead. Despite news of “the U.S. economy shattering growth expectations with record-low unemployment and surging gross domestic product,” Boston Properties, one of the nation’s largest office landlords, contends that “the rosy economic picture is misleading as it does not accurately reflect the market tone and operating environment” for many of the company’s clients, further pointing out that “strengthened GDP growth, for example has been consumption related, and a majority of the recent job growth has been in the leisure, hospitality, healthcare and government sectors, ‘not in the office-using sectors such as information and financial services.’” Boston Properties CEO Owen Thomas believes that although remote work isn’t helping, it’s “difficult for users to reduce space if all employees are expected in the office on specific days of the week;” but “in the face of inflation, rising capital costs and increased priority for profitability, large employers across the country are putting their real estate expansions on the back burner until the economic uncertainty begins to clear.”

Sources: https://www.absre.com/broadcast/news/Costar_Economy_NotRemoteWork_StalledOfficeLeasing_110223.pdf

News Highlights (cont'd)

Chapter 11 Filing by WeWork Deals Another Hard Blow to the Already Fragile Office Market | November 7, 2023

The one-time behemoth of the coworking sector that grew rapidly and spent extravagantly filed for Chapter 11 bankruptcy protection on Monday, November 6th. Although highly anticipated for some time, the impact of WeWork's filing to an already challenged office market will be significant with several of New York City's biggest landlords among WeWork's list of 30 of the largest unsecured creditors. Although lead shareholder and creditor Softbank has agreed to convert the "lion's share of approximately \$3 billion in debt to equity, relieving a huge source of financial pressure," it is extremely unlikely that any of the 15 New York City landlords listed in the filing will be able to collect anything close to the approximately \$53.2 million owed in primarily unpaid rent as well as a mix of related litigation and lease termination fees.

In addition, 47 of the 69 leases that the firm is seeking the authority to reject are in New York City. Furthermore, the "figures in the creditor list may represent sums owed in the short term and understate the actual amounts owed landlords," citing as example "a California landlord listed as being owed nearly \$8 million has sued WeWork for walking away from \$250 million in long-term obligations at a San Francisco location." WeWork's current CEO, David Tolley optimistically "said in a declaration about the coworking giant's bankruptcy protection filing," that "he is confident the firm will emerge from this period as a profitable, viable concern after years of false dawns" — but at what cost to the broader office market as a result of significant financial loss caused by the fallout!

Sources: <https://www.crainsnewyork.com/real-estate/wework-owes-15-nyc-landlords-more-50m-breakdown>

Office Market Challenges Remain High Despite Recent Office Stock Rally | November 21, 2023

News of lower than anticipated inflation data on November 14th by the Bureau of Labor Statistics (BLS) combined with rising expectations that further interest rate increases by the Fed were done, sparked the "biggest one-day rally in 3-years of office real estate investment trust (REIT) shares on average by 11.5%. However, the one-day gains were short lived by most office stocks. Reasons for the rally included the less burdensome appearance of highly leveraged office owners "after bond yields fell alongside the lower inflation numbers;" many office shares had "a lot of room to bounce" since they were "trading around multiyear lows;" and "technical trading issues such as short covering" also played a role. The office market still has a long road to recovery as demand for office space remains well below pandemic levels with companies reducing their space requirements as hybrid and remote work schedules continue.

Sources: <https://www.wsj.com/real-estate/commercial/officestocks-post-biggest-rally-in-three-years-their-real-estate-problems-remain-277d6260>

NoMad's Textile Building Secures 132K-sf Tenant Following \$350M Renovation | November 27, 2023

Global law firm Quinn Emanuel Urquhart & Sullivan will be relocating a few blocks south following a recently signed long-term lease at the Textile Building, 295 Fifth Avenue. Currently located on the 22nd floor at 51 Madison Avenue, the law firm's new 132,000-square-foot office will spread across the entire 8th through 10th floors within the 19-story tower that recently completed \$350 million in renovations. Full details of the deal were not released but asking rents at the building range \$94 to \$135 per square foot.

Sources: <https://www.crainsnewyork.com/real-estate/law-firm-quinn-emanuel-urquhart-sullivan-inks-massive-office-lease-newly-renovated>

Boutique Investment Bank signs 270K-sf Deal at Park Ave Tower | December 4, 2023

PJT Partners will be expanding its footprint at 280 Park Avenue, following the recent signing of a 15-year renewal and expansion deal. As part of the deal, the global boutique investment bank converted an 80,000-square-foot sublease into a 130,000-square-foot direct lease, simultaneously renewing its existing 140,000-square-foot space. The entire 269,905-square-foot office spreads across six floors within the 1.25 million-square-foot tower spanning the entire Park Avenue block-front between East 48th and 49th Streets. The building underwent a \$150 million redevelopment and modernization that included the creation of an expansive lobby, modernized amenities package, and environmental sustainability enhancements. Financial terms of the lease were not released.

Sources: <https://nypost.com/2023/12/03/business/sl-green-boosts-portfolio-with-deals-at-park-ave-office-towers/>



Midtown South - Union Square Area

News Highlights (cont'd)

Pair of Big Block Deals Announced in the Final Days of November | November 28, 2023

Recent news of a pair of big block deals during the final days of November carries welcomed optimism for New York City's office market. Leading the way is the announced purchase by Wells Fargo of the former Neiman Marcus space on the upper floors of 20 Hudson Yards. Currently occupying an approximately 500,000-square-foot condominium unit at 30 Hudson Yards that the California-based lender acquired in 2019 for an estimated \$650 million according to press at the time, the expansion of 445,000 square feet brings Wells Fargo's footprint at the complex to about 950,000 square feet in total. The space that spreads across the 5th through 7th floors of the retail component, and connected internally to both 30 Hudson Yards and 10 Hudson Yards, fetched a price of about \$550 million. As part of the deal Wells Fargo will have a dedicated entrance on 10th Avenue as well as naming rights on the exterior of the property. Landlord Related Companies has been engaged to convert the former department store for office use; and in late 2026, Wells Fargo will begin relocating about 2,300 employees housed in an over 433,000-square-foot space at 150 East 42nd Street according to online real estate platform Costar data, adding to the roughly 2,000 employees currently based at Hudson Yards.



20 Hudson Yards - Rendering

The second deal will result in Weill Cornell Medicine establishing a new 200,000-square-foot research facility at 1334 York Avenue spanning the top five floors of the 10-story building. Currently the home of renowned auction house Sotheby's, occupancy of more than 700 faculty and staff will take place in phases as Sotheby's vacates the space and floors are gut renovated to make way for the construction of new lab space with an anticipated opening in the fall of 2026. The building, which is ideally suited for research space, is also conveniently located one block from Weill Cornell's main campus between East 68th and 70th Streets. Full details of the transaction were not released.

Sources: <https://product.costar.com/home/news/521836085>

<https://news.weill.cornell.edu/news/2023/11/weill-cornell-medicine-to-open-medical-research-center-at-1334-york-avenue>



Midtown - Columbus Circle Area

News Highlights (cont'd)

Final Days of 2023 End on a High Note as Pair of Big Block Midtown Deals Close | December 21, 2023

Just days before the we ring in the New Year a pair of big block deals reached the finish line. Leading the way is one on the largest U.S. office leases signed by international law firm Paul, Weiss, Rifkind, Wharton & Garrison. The relocation deal will see the firm expand from its current office of about 538,000 square feet at 450 Lexington Avenue to 765,000 square feet under a 20-year lease at 1345 Avenue of the Americas. Paul Weiss to initially occupy 18 floors within the 50-story, approximately 2 million-square-foot tower that recently completed a \$120 million major overhaul. The second deal will keep MetLife at its namesake tower following the signing by the insurance company of an 11-year extension to 2038 for its 400,000-square-foot headquarters that spread across five floors within 200 Park Avenue, making it this year's 6th largest office lease in New York City. The financial terms of both transactions were not disclosed.

Sources: <https://commercialobserver.com/2023/12/metlife-extension-metlife-tower/>

<https://product.costar.com/home/news/237222470>



Midtown South - Chelsea Area

News Highlights (cont'd)

Retail Market

Domino Sugar Refinery Building to Welcome its First Tenant | October 9, 2023

Just over two weeks following the unveiling of the completed conversion of the historic Domino Sugar Refinery Building into a state-of-the-art office building announcements arrived of the first lease being signed. High-end fitness chain Equinox will be opening a 42,000-square-foot facility within the Williamsburg waterfront location. Full details of the deal were not released.

Source: <https://nypost.com/2023/10/08/equinox-first-signed-lease-at-former-domino-sugar-refinery/>

“Future of Fifth” Plans Advance Fueled by Success of 2022 Holiday Open Street Boosting Local Businesses | October 10, 2023

For the first time in a half-century popular pedestrian-focused areas around Rockefeller Center returned, opening 11 city blocks to pedestrians during December of 2022. Touted as New York City’s “largest-ever holiday season-specific Open Street,” the “dramatic expansion of public space in one of the busiest neighborhoods” during the holiday season boosted sales revenue for local businesses along the pedestrianized streets. According to the study conducted by Mastercard, in partnership with the New York City Office of Technology and Innovation (OTI) and Chief Public Realm Office YA-Ting Liu, there was an estimated \$3 million in additional spending. The Holiday Open Street program along 5th Avenue was in effect on the first three Sundays in December 2022, and closed roadways to vehicular traffic from noon through 6:00 PM between 48th and 52nd Streets. In addition, on non-Open Street days, barriers were placed on each side of 5th Avenue, repurposing a lane of traffic to create widened pedestrian space beginning in the early afternoon on weekdays and in the morning on weekends along with a range of scheduled performances and public seating for all to enjoy. The success of the initiative has prompted the establishment by Mayor Adams of the “Future of Fifth” public-private partnership between New York City and four key business improvement districts and civic organizations — Fifth Avenue Association, Grand Central Partnership, Bryant Park Corporation, and Central Park Conservancy. The goal of the newly created partnership is to reimagine 5th Avenue as “a safer, less congested, pedestrian-centered boulevard that also prioritizes public space, mass transit, and cyclists.”

Source: <https://www.nyc.gov/office-of-the-mayor/news/757-23/mayor-adams-holiday-season-open-streets-boosted-local-businesses-millions-dollars>

News Highlights (cont'd)

Former Hermès Flagship on Madison Secures New Tenant | October 13, 2023

Dolce & Gabbana will be planting another flag on Madison Avenue, having signed a lease for approximately 23,000 square feet at 695 Madison. The 4-story building formerly housed Hermès' women's store until last year upon relocating to 706 Madison Avenue. "Annual rent for the entire building is roughly \$12 million a year, according to people familiar with the market." The four floors plus lower-level range in size from 4,234 square feet to 5,010 square feet with ceiling heights ranging 9'-7" to 12'-4" and the 3rd floor features a 734-square-foot terrace according to marketing material. Located on the corner of East 62nd Street, the 120' of wraparound frontage is split between Madison Avenue and 62nd Street. It is unclear if Dolce & Gabbana plans to consolidate any existing locations in the area, having leased an 18,400 square foot flagship at 717 Fifth Avenue in 2011 under a 15-year lease, with other stores located at 820 and 827 Madison Avenue according to the Italian fashion brand's website.



Source: <https://therealdeal.com/new-york/2023/10/13/dolce-gabbana-leases-at-695-madison/>

Rules for NYC's Permanent Outdoor Dining Released by Mayor's Office| October 19, 2023

New York City's new "Dining Out NYC" program was recently revealed by Mayor Eric Adams which will provide restaurant regulations and application links for the city's new permanent outdoor dining program that allows for year-round sidewalk dining and roadway dining from April through November. The Intro. 31-C law that was signed by the Mayor in mid-August created the nation's largest permanent outdoor dining program and expanded upon the temporary program launched during the pandemic that despite saving 100,000 jobs citywide and "making the streets more welcoming, vibrant, and joyful public spaces, led to quality-of-life issues due to restaurant owners being "unable to maintain loosely regulated outdoor dining setups" according the press release by the Mayor's office. The New York City Department of Transportation's (DOT) Dining Out NYC online portal currently provides a hub for ongoing education and outreach efforts to help eligible restaurants owners become familiar with the currently proposed rules and application process before the application portal is launched in early 2024. Currently the DOT is accepting comments on the rules, with the next public hearing scheduled for November 30th, 2023.

Source: <https://www.nyc.gov/office-of-the-mayor/news/598-23/mayor-adams-signs-bill-create-nation-s-largest-permanent-outdoor-dining-program#/0>
<https://www.diningoutnyc.info/>

Chick-fil-a's Largest NYC Outpost Trades for \$38M | October 26, 2023

The 5-story, approximately 12,000-square-foot retail building located in Lower Manhattan adjacent to the Fulton Transit Hub has traded for \$38 million, or about \$3,140 per square foot. Seller Crown Acquisitions had acquired the 3-story, 8,071-square-foot property in 2015 for \$25 million, securing a \$19 million loan from Singapore-based lender United Overseas Bank to close on the transaction. Reports at the time indicated that the building offered over 45,000 buildable square feet of potential redevelopment. In 2016, fast food chain Chick-fil-a leased the building in its entirety under a term that runs through 2038; and in 2017 began buildout construction at the property that now features a rooftop terrace, a skylight, floor-to-ceiling windows, and spreads across 5-stories totaling 12,000 square feet — three floors for dining and two for food preparation, creating the franchisee-run brand's largest outpost in the city.

Source: <https://therealdeal.com/new-york/2023/10/26/crown-acquisitions-sells-chick-fil-a-building-in-fidi/>

RevPAR at NYC Hotels Sees Highest Increase Nationwide| October 23, 2023

A report recently released by research firm Evercore ISI indicated that revenue per available room, or Rev PAR, at New York City hotels rose sharply by 16% during the summer, not only representing the highest increase nationwide, but one of only three other cities — Washington and Houston, to post double-digit increases. It has been suggested that the city's new Airbnb rules requiring hosts to register their homes and city contracting of some existing hotel stock to house the influx of migrants could be contributing to the surge. In September, nearly 20,000 listings were removed on Airbnb according to analytics firm AirDNA data. However, Vijay Dandapani, president of the Hotel Associations of New York City contends that the approximately 13% decline in hotel inventory due to the more than 15,000 rooms currently contracted to the city is the principal reason for the RevPar spike since the Airbnb rules went into effect too recently to affect hotel traffic. Dandapani further noted that despite diminished hotel inventory and surges in tourism, occupancy rates remain below pre-pandemic levels and employment remains depressed.

Source: <https://www.crainsnewyork.com/real-estate/new-york-hotel-rates-soar-amid-airbnb-crackdown-and-migrant-crisis>

News Highlights (cont'd)

Upper East Side Madison Avenue Condo Trades for \$11M | November 21, 2023

The retail condo unit that houses a new Chase Bank branch has traded for \$11 million — a nearly 11% discount of the \$12.328 million asking price. Patriot Real Estate Holdings has acquired the 3,024-square-foot unit at the base of the mixed-use 1295 Madison Avenue condominium on the corner of East 92nd Street. The Chase branch occupies the space under a 15-year triple-net (NNN) lease that commenced March 15, 2023, at an annual base rent of \$616,500 with 10% escalations every 5-years throughout the base term and in each of the 2, 5-year renewal options. Wells Fargo assumed an existing \$5.04 million as part of the transaction.

Source: <https://www.crainsnewyork.com/real-estate/nyc-deals-day-nov-21-2023>

CUF Report: State of the Chains, 2023 | December 11, 2023

Center for an Urban Future (CUF) recently released its 16th annual State of the Chain's report — a ranking of national retailers in New York City. Findings of CUF's tracking of chain retail trends reveals that over the past year the number of chain stores throughout New York City declined 3.1%, representing the "second-largest single-year decline since 2008 when CUF began tracking chain retailers, surpassed only by the first year of the pandemic (2020); while reversing the modest increase in store numbers seen in the previous two years (2021-2022). As of November 2023, the overall number of chain stores citywide was 13.8% lower, or 1,098 stores fewer than late 2019's pre-pandemic volume; and among the retailers tracked in CUF's 2019 report, more than 50% have fewer locations, including 11.2% who no longer have any stores in the city despite increases in people returning to the office and subway ridership.

Among the five boroughs, the Bronx experienced the largest year-over-year decline of 4.4%, while Manhattan saw the lowest decline of 2.7%. However, despite less losses in 2023, Manhattan's losses of 545 store, or 183% during the 2019 to 2023 period was the highest among the five boroughs, while Staten Island is down just 5.5% of pre-pandemic totals. Leading the way of store closures was T-Mobile, which closed 62 stores this year, followed by Rite Aid's closure of 55 locations and a filing for bankruptcy in October. The 10 largest retailers saw a mix of contraction and moderate growth – Popeye's and Starbucks added 7 and 6 stores respectively in 2023, in contrast to T-Mobile and Subway where store closures totaled 62 and 39 respectively. Trends among the different sectors reveal a continued outsized share of chain store declines among merchandise retailers which began well before the pandemic, with cell phone stores and pharmacies accounting for the greatest losses. But despite continued challenges, dozens of retailers, including many newer chains are expanding their presence in New York City.

Source: https://nycfuture.org/pdf/CUF_StateoftheChains_2023.pdf

Prada Agrees to Purchase 5th Ave Building Housing its Flagship Store | December 20, 2023

The 12-story 65,010-square-foot building located at 724 Fifth Avenue will be trading hands for the first time in 11 years. Italian luxury fashion house Prada has agreed to purchase the property for \$425 million. The property located between West 56th and 57th Streets has housed Prada's longtime flagship of approximately 13,648 square feet at its base since 1997. News of the sale comes at a time when "demand from American consumers holds up against inflation and high borrowing costs."

Additional info: Sellers SL Green and Wharton Properties acquired the Plaza district building in 2012 for \$223 million according to city records, the transaction partially financed with a 5-year \$120 million floating-rate provided by Wells Fargo, bearing an interest rate of 235 basis points over the 30-day LIBOR. Prada's lease dates back to 1997 and runs through June 30, 2028 with a 4-year extension option; and includes approximately 4,182 square feet on the ground level, 1,259 square feet on the mezzanine, 4,137 square feet on the 2nd floor plus 4,070 square feet of basement space, as well as 4,137 square feet of office space on the 5th floor according to city records.

Source: <https://www.crainsnewyork.com/retail/prada-buys-fifth-avenue-space-425m>



Brooklyn - View of DUMBO from Brooklyn Bridge

News Highlights (cont'd)

Investment Sales

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>



View of Midtown from Williamsburg

News Highlights (cont'd)

Property Valuations are More Obscure as Comparable Sales Availability Diminishes | November 16, 2023

Traditionally, comparable investment sales play a big part in the determination of property values by appraisers, in contrast to lenders that focus more on “debt service coverage ratio, a measure of whether a property is bringing in enough money to make its debt payments.” However higher interest rates and a sizable gap between the expectations of buyers and sellers led to a lowering volume of sales transactions, thereby increasing appraisers’ difficulty to put a price on real estate and increasing already existing subjectivity of predicting things like income, occupancy, and economic cycles. Heightened uncertainty has shifted investors’ interest away from offices assets “and instead to more stable asset classes such as top-of-the-line apartment buildings and warehouses, whose valuations are clearer.”

The current situation has led to a significant increase in non-judicial foreclosures with some large office owners handing lenders the keys to some office buildings despite many lenders not wanting to take back these assets; while other owners are willing to put the building up for sale with the expectation of taking a big loss, citing in example 222 Broadway in Lower Manhattan that is being sold by Deutsche Bank’s asset management arm. Acquired in 2014 for nearly \$500 million, Deutsche Wealth Services is eyeing a price somewhere between \$150 million and \$200 million. While the retail portion of the 780,000-square-foot tower is almost entirely leased, the office portion is currently about 31% occupied, a large portion of which is leased to WeWork, and although included in the co-working space provider’s bankruptcy, not among the 69 locations rejected as part of the filing.

Source: <https://therealdeal.com/new-york/2023/11/16/real-estate-valuation-uncertainty-cripples-dealmaking/>
<https://therealdeal.com/new-york/2023/11/16/deutsche-bank-shopping-buyer-for-222-broadway/>

Plaza District Tower on Madison Ave Trades for \$633M | December 4, 2023

An undisclosed global real estate investor is in contract to purchase 625 Madison Avenue. The 17-story, 563,000-square-foot building spanning the entire Madison Avenue blockfront between East 58th and 59th Streets fetched a gross sale price of \$623.5 million, or about \$1,123 per square foot according to a press release by seller SL Green Realty. The REIT and its partners will originate a \$234.5 million preferred equity investment in the property that is just 63% occupied but boasts luxury retailers Eton Shirts and Givenchy housed in the building’s base as well as the restaurant and nightclub LAVO which is slated to close in January 2024. SL Green had acquired the former Nabisco headquarters building in 2004 for \$102 million; and in 2013 Ashkenazy acquired the land beneath (fee) the tower for \$400 million. SL Green acquired a piece of a \$195 million mezzanine loan Ashkenazy borrowed against the property in an effort to head off an anticipated ground rent hike due to the steep price paid for the fee. Subsequently in 2022 the ground rent was raised from \$5 million to \$20 million per year, however the holding of a foreclosure auction after Ashkenazy fell behind on 625 Madison’s mezzanine loan payments opened the door to SL Green gaining control of the entire property.

Source: <https://www.crainsnewyork.com/real-estate/sl-green-unloads-midtown-tower-632-5m-one-2023s-largest-deals>
<https://slgreen.gcs-web.com/news-releases/news-release-details/sl-green-announces-sale-625-madison-avenue>



Brooklyn Heights

News Highlights (cont'd)

Residential Market

NYC Responds to Lack of 421A Program with MIMI Proposal | December 26, 2023

The Adams administration has proposed a city-funded version of the long-time expired New York State 421a Tax Abatement program that incentivized affordable housing development. While expected to be effective on its own, the administration described it as a complement to and not a replacement of the state's program which it is pressing Albany to reinstate. Dubbed the **Mixed Income Market Initiative** (MIMI) program, the subsidy designed for "high-opportunity" neighborhoods, "meaning wealthy areas where market-rate rents are high enough to subsidize affordable ones," will be awarded on a case-by-case basis, in contrast to 421a which was as-of-right; and will also "require developers to provide high levels of affordability." Although the city has yet to "say how much public money is being set aside for it," it will not use Low Income Housing Tax Credits, of which the city has a limited supply, and instead "aims to use public resources more effectively by combining city subsidy with Article XI property tax exemptions with private financing sources and revenue from market-rate units." In January and February city officials will collect feedback from the real estate industry about how to design the subsidy.

Source: <https://therealdeal.com/new-york/2023/12/26/nyc-unveils-new-rental-housing-subsidy-after-demise-of-421a/>



Midtown - Hudson Yards | Manhattan West

News Highlights (cont'd)

Development

Major Greenway Expansion Planned for Outer Boroughs | October 23, 2023

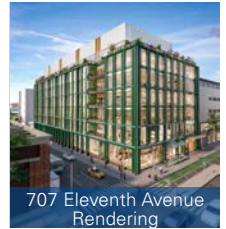
Further efforts by Mayor Eric Adams as part of the administration's "goal to enhance protected bike infrastructure and promote safer, greener transportation options" in the outer boroughs includes recently revealed plans for a "substantial greenway expansion totaling over 40 miles across five distinct corridors in the outer boroughs. The project that is a collaborative initiative between New York City's Department of Transportation, the Parks and Recreation Department, and the Economic Development Corporation will be funded by the "Bipartisan Infrastructure Law through the Rebuilding American Infrastructure with Sustainability and Equity RAISE) grant." Over the coming years, the planning and implementation for the greenway paths will be conducted, with work on the Harlem River Greenway in the Bronx already in progress.

Source: <https://newyorkyimby.com/2023/10/extensive-greenway-expansion-launched-by-mayor-adams-across-five-outer-boroughs.html>

News Highlights (cont'd)

Plans Announced for Manhattan's First in Over a Decade Purpose Built Life Science Development | October 29, 2023

A recently announced collaborative initiative will give rise to a 7-story, 185,000-square-foot life science facility in Manhattan's Hell's Kitchen neighborhood at 707 Eleventh Avenue. Supported by the New York City Economic Development Corporation (NYCEDC), developers Georgetown Company and Beacon Capital Partners, in collaboration with ZoE Life Sciences, are planning to construct what represents Manhattan's first ground-up, purpose-built life science property in over a decade. In addition to laboratory, research, and office spaces, the project aiming for LEED and WELL certification will also feature rooftop solar panels, private terraces, floor-to-ceiling windows, plus an array of amenities including a day-to-night café and wine bar.



Source: <https://newyorkyimby.com/2023/10/new-life-science-facility-announced-at-707-eleventh-avenue-in-hells-kitchen-manhattan.html>

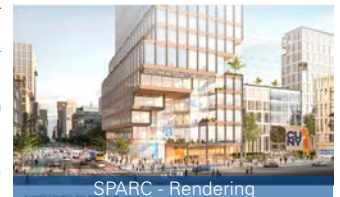
Strong Construction Activity Remains Steady in Q3 2023 | November 06, 2023

Based on permit filings with the New York City Department of Buildings (DOB), construction activity citywide in the 3rd quarter of 2023 represented a "continuation of the development momentum from the spring when total filed-for square footage rose 73%" according to NY Yimby's latest report. Total filings from June through August increased 3% quarter-over-quarter to 986 filings, however total square footage filed lowered 21% to 18.3 million square feet during the same period. Similarly, the total number of filed-for residential and hotel units lowered 14% quarter-over-quarter. Queens boasted the highest increase in permit filings among the five boroughs, ending the 3rd quarter at a 7% increase quarter-over-quarter at the high of 350 filings, in contrast to Manhattan, which saw a 23% decrease with just 23 filings at the low. Permit filings for residential and hotel units rose 7% in The Bronx and Queens, while Manhattan, Brooklyn and Staten Island saw 22%, 23% and 61% decreases respectively.

Source: <https://newyorkyimby.com/2023/11/new-york-yimbys-2023-third-quarter-construction-report-shows-sustained-strong-permit-filing-activity.html>

Kips Bay Science Park and Research Campus Plans Revealed | November 18, 2023

The master plan for a Science Park and Research Campus (SPARC) was recently revealed by Governor Hochul and New York City Mayor Eric Adams. The new life sciences hub will transform an entire city block on Hunter College's Brookdale Campus at East 25th Street and 1st Avenue in the Kips Bay neighborhood. The project is expected to generate an economic impact of \$42 billion over 30 years and create over 15,000 jobs. Focusing on workforce and educational opportunities, the up to 2 million square feet of space will offer state-of-the-art dedicated academic, public health, and life sciences facilities for institutions like the Hunter College School of Nursing and the City of New York (CUMY) Graduate School of Public Health, as well as public spaces to ensure community engagement and accessibility. Expected to break ground in late 2025 with anticipated construction completion by 2031, a Request for Proposals (RFP) has been issued for the first phase of the project that aligns with New York State's \$620 million Life Science Initiative.



Source: <https://newyorkyimby.com/2023/11/master-plan-revealed-for-sparc-life-science-and-public-health-innovation-hub-in-kips-bay-manhattan.html>

<https://edc.nyc/press-release/mayor-adams-governor-hochul-unveil-plan-first-its-kind-job-and-education-hub>

St. Patrick's Cathedral Air Rights Fetch \$325/sf | December 11, 2023

Co-developers Vornado Realty Trust and Rudin Management, along with Citadel's Ken Griffin have agreed to purchase air rights above St. Patrick's Cathedral from the Roman Catholic Archdiocese on New York. The contract enables the development team to buy up to 525,000 square feet of unused development rights at \$312.50 per square foot and includes the requirement to contribute \$62.50 per square foot to the Public Realm Improvement Fund. Pending needs for a planned 51-story tower at 350 Park Avenue, the purchase could range from \$98.4 million up to \$164 million, with annual options to take more air rights and a deadline to take the full 525,000 square feet at the end of 2026. Renderings revealed in January 2023 depict a proposed 1,350-foot-tall commercial tower yielding 1.7 million square feet of office space, of which Citadel is slated to occupy roughly 54 percent. If plans proceed as proposed, both the Vornado-owned building at 350 Park Avenue and the Rudin-owned 40 East 52nd Street would be demolished to make way for new construction.

Source: <https://therealdeal.com/new-york/2023/12/11/citadel-agreed-to-buy-air-rights-for-350-park-ave-office-tower/>



Williamsburg - View from NYC Ferry

News Highlights (cont'd)

Skybridge Proposed for a Pair of 5th Avenue Flatiron Buildings | December 13, 2023

Not-for-profit Simons Foundation has submitted proposals to construct a skybridge connecting a pair of boutique office buildings located at 160 and 162 Fifth Avenue in the Flatiron District. The corner buildings are separated by West 21st Street and the addition of the proposed \$40 million glass skybridge would facilitate staff and visitors traversing between the two buildings, as well as the transport of equipment. Although not mimicking the historical style of either of the two buildings — 160 Fifth Avenue's Neo Renaissance style (1892) and 162 Fifth Avenue's Beaux Arts style (1903), the glass pedestrian skybridge to be designed by architectural firm Perkins Eastman "will still blend elegantly into New York's dreamy skyline." Proposals for the skybridge were prompted by Simons' rapid expansion leading to "programmatic activities now taking place across both buildings." Permission from both the city's Department of Transportation (DOT) and Landmarks Preservation Commission (LPC) will be required prior to the foundation that focuses on science and math research can proceed with construction, that contingent upon city approvals Simons hopes to complete by 2026.

Source: <https://www.chelseanewsny.com/home/simons-foundation-proposes-40m-sky-bridge-and-rooftop-center-in-flatiron-district-AM2961301>

Office Conversions Take Center Stage Nationwide | December 26, 2023

Increased vacancy within office buildings has fueled a growing number of developers and property investors that are considering a repositioning of aging and obsolete office buildings into "new uses that better cater to changing work and living habits." Currently there are about 100 such conversion projects underway across the U.S., representing a sharp increase compared to the "annual average of about 40 office conversions between 2016 and 2022," with "more than 200 office conversion developments planned or anticipated to be completed in the next three years." Multifamily conversions account for nearly half of the conversion projects underway or planned, followed by office-to-life science conversions at about 20%, with mixed-use and industrial conversions representing a much smaller share of the pipeline. However, conversions aren't always feasible due to multiple hurdles including complicated financing, environmental challenges, and the properties' physical attributes. In addition, office-to-residential conversions cost an average of about 20% more than ground-up development, increasing the possible necessity for public incentives.

Source: <https://product.costar.com/home/news/1701136262>

World's Tallest Life Science Tower Envisioned for Far West Side | December 28, 2023

A 37-story, 650,000-square-foot life science development has been revealed by SGA Architecture – making it the world's tallest laboratory building. The firm's vision for the "Eleventh Avenue BioTech Tower" brings "the benefits of an expansive R&D campus into a vertical framework," highlighting a possible future for urban development. The structure's design features landscaped outdoor terraces within tall atrium spaces that separate three stacks of glass-clad research and development space.

Source: <https://newyorkyimby.com/2023/12/proposal-revealed-for-the-worlds-tallest-life-science-facility-in-hudson-yards-manchattan.html>



Eleventh Avenue BioTech Tower - Rendering



Downtown - View of Hudson Yards from Robert Wagner Park

News Highlights (cont'd)

Lending

Slow Recovery of Bank Stocks Following Regional-Banking Crisis Raises Red Flag | October 9, 2023

Despite deposits at U.S. banks stabilizing and easing fears of more banks going under following the regional-banking crisis sparked in part by rising interest rates, the fallout has kept bank stocks in the doldrums. Since mid-March when regulators took control of Silicon Valley Bank (SVB), the KBW Nasdaq Bank Index has fallen 6.5%, in contrast to the S&P 500's gain of 12% over the same period. Further challenges banks are confronting are the higher yields on 10-year Treasury notes has "forced banks to pay out more interest on deposits and other funding sources," while "returns from lending at higher rates have been slower to catch up."

Back in mid-August a Fitch Ratings analyst warned that the banking industry has inched closer to the "risk of sweeping rating downgrades on dozens of U.S. banks that could even include the likes of JPMorgan Chase." News of the warning comes following a previous assessment cut of the industry's health by Fitch in June. Fallout from another one-notch downgrade of the industry's score to A+ from AA- "would force to reevaluate ratings on each of the more than 70 U.S. banks it covers," and since "banks can't be rated higher than the environment in which they operate — as would be the scenario for JPMorgan and Bank of America, the ripple effect of a cut to top institutions would lead to Fitch at least considering downgrades on all their peers' ratings, potentially pushing "some weaker lenders closer to non-investment-grade status."

Sources: <https://www.wsj.com/finance/banking/higher-rates-have-bank-stocks-on-the-mat-5e1d27a2>

RXR Realty Provides \$220M in Equity to Secure \$1.2B Loan Extension | October 27, 2023

At a time when landlords are facing heightened challenges to refinance office building loans, the recently secured extension of a \$1.2 billion loan by RXR Realty represents what "could serve as a model for borrowers." Morgan Stanley and AIG are the lenders on the modified loan on the fully leased 1285 Sixth Avenue property. RXR put in \$220 million of equity as part of the deal to provide for reserves and pay down the loan's balance to \$980 million; and while the 6% interest rate for the 5-year extension is higher than the senior loan's original 4% rate, it "provides a \$60 million facility to pay for future capital costs" and gives the building "some time to get through this liquidity period," with the hope that upon term completions "we'll be in a better environment to refinance." In a similar scenario, RFR Realty secured an extension of its \$1 billion loan at the Seagram Building at 375 Park Avenue upon agreeing to pay down \$40 million on the loan over the next two years.

Sources: <https://therealdeal.com/new-york/2023/10/27/rxr-modifies-1-billion-mortgage-at-1285-sixth-avenue/>

News Highlights (cont'd)

Financial Challenges Sparked by Persistent Remote Work Spreads Beyond Real Estate Sector | October 18, 2023

Although several news headlines announce banks calling the loudest for getting workers back to the office, the result of increasing office space vacancy and likelihood of lowering office building values has prompted banks to increasingly move to the sidelines when it comes to office lending and commercial real estate (CRE) exposure. Higher interest rates have further accelerated the developing trend since office loans make up a substantial part of banks' loan or investment portfolios. The level of distressed commercial real estate has risen for five consecutive quarters, reaching nearly \$80 billion at the end of September according to CRE and infrastructure data provider MSCI Real Assets. Stagnant and falling cash flows at office properties has sharply increased net charge-offs for bank-held CRE loans in the 2nd quarter of 2023. Simply explained, net charge-offs occur "when a CRE loan on a bank's balance sheet is showing signs of serious trouble, the bank will 'charge-off' all or part of the loan by absorbing the expected future losses on their balance sheet." The Q2 2023 report released by Trepp, a data provider to the structured finance, commercial real estate, and banking markets indicated that the "net charge-off amount for the office sector more-than-tripled consecutively in the previous two quarters," increasing from \$49 million in Q4 2022 to \$149 million in Q1 2023, and to \$459 million in Q2 2023.

Similarly, the delinquency rate within the office sector increased from 2.7% in Q1 2023 to 4.9% in Q2 2023. The shifting of office space from what has been described as a "necessity to a liability" in just a few short years sparks concern about a "collapse in commercial real estate values across the country," that could potentially leave many office buildings no longer "economically viable." At the same time, it leaves banks to "navigate tighter credit conditions, refinancing needs for maturing debt, and property performance uncertainties putting pressure on bottom-lines." The Q2 2023 stats in Trepp's report suggest that a "longer duration of pressure from exposure to CRE may be in store for banks, especially if expectations for higher-for-longer interest rates are to play out," sparking concerns of the possibility that more regional banks may fail.

Sources: <https://www.wsj.com/finance/banking/higher-rates-have-bank-stocks-on-the-mat-5e1d27a2>

Sale of Signature Bank Loans Expected to Attract Bids up to 40% Below Face Value | November 7, 2023

The Federal Deposit Insurance Corp. (FDIC) is auctioning off \$33 billion in Signature Bank commercial-property loans as a result of the March 2023 closure of the lender by regulators following a run on its deposits. The sale comes at a time when "many firms have assembled huge war chests to take advantage of distressed opportunities," but have yet had few chances to spend it. Although most of the loans are performing, they were made when interest rates were a lot lower than current rates, partially contributing to the need to sell them at discounts which are expected to range between 15% and 40% on average and likely to affect values of New York commercial property for a number of years, while also offering new evidence of how much property prices have eroded.

Among the three Signature pools being auctioned, loans on office buildings, retail properties, hotels, and nonregulated apartment buildings have attracted the most attention from big private-equity firms. In contrast, pools with rent-regulated loan portfolio have attracted the least attention since many of these buildings "have rapidly declined in value since 2019, when the New York State Legislature ended special exceptions that had allowed landlords to increase rents in excess of the city board's level." However, the "FDIC has said it plans to retain a 95% stake in the pools with rent-regulated loan portfolio, partly because of its statutory obligation to preserve affordability for low- and moderate-income renters."

News of the sale comes just one day following reports that Mclean, Virginia-based Capital One Financial Corp. is accepting bids for loans totaling nearly \$200 million as banks continue working to lower their exposure to commercial-property debt. Included in the sale is a "\$120 million non-performing loan backed by five office buildings in NoMad" and a "nearly \$71 million portfolio consisting of nine performing loans backed by pre-wars mixed-use properties in Manhattan."

Sources: <https://www.wsj.com/real-estate/commercial/signature-loan-sale-likely-to-lower-commercial-property-values-298edc31>

<https://www.crainsnewyork.com/real-estate/capital-one-looks-sell-200m-nyc-commercial-real-estate-debt>



Queens - View of Long Island City from the FDR

News Highlights (cont'd)

Discounted Bids for Signature's Apartment-backed Loans Reflects Value Decline of Rent-Regulated Sector | November 19, 2023

The sale of Signature Bank loans backed by New York apartments signals the ongoing deterioration of property values within the rent-regulated sector as leading bidders offer less than 70 cents of the loans' face value. Legislation enacted in 2019 by New York State imposed tighter regulation making it much tougher for multifamily property owners to raise rent on rent-regulated units, thereby reducing the ability to cover repair and renovation costs, and combined with rising interest rates, has reduced the value of this property type. About half of the \$33 billion in Signature Bank's real estate loans being auctioned fall within the rent-regulated category; while the remaining half consists of assets backed by a range of commercial property including nonregulated apartment buildings. The resulting prices paid for the loans will "provide the market critical data points in determining how far values have fallen."

Sources: <https://www.wsj.com/real-estate/signature-banks-apartment-loans-selling-at-a-steep-discount-73e4e741>

Difficulty Securing Office Property Financing Intensifies | November 20, 2023

A growing number of office property owners are unable to pay back their maturing loans because they can't secure new mortgages. According to Moody's Analytics, "only one out of every three securitized office mortgage that expired in the first nine months of 2023 was paid off by the end of September," representing the "smallest share for the first nine months of any year since at least 2008" as well as the rate before the pandemic. Among the commercial mortgage-backed securities (CMBS) that didn't get paid during that period, about 50% ended up in default. The rising number of delinquent CMBS loans has tripled over the past year, fueled by remote work and rising vacancies reducing building profits, making it harder to pay interest. At the same time, "higher interest rates have pushed debt costs up and building values down" with many banks no longer issuing new office loans, while many insurance companies and debt funds have become more cautious. According to Trepp's statistics, the share of delinquent office CMBS loans has tripled over the past year to 5.75%.

Sources: <https://www.wsj.com/real-estate/commercial/office-landlords-cant-get-a-loan-anymore-ee8a0b08>

Fed's Benchmark Interest Rate Holds Steady Sparking Rejoice as 2023 Nears its Closure | December 14, 2023

March 16, 2022 marked what would be the first of eight enacted hikes by the Federal Open Market Committee (FOMC) of the Federal Reserve's benchmark interest rate in order to tame inflation which had reached an annual rate of 8.5%. Although remaining above the Fed's target rate of 2%, the actions by the Fed, at least for now, have successfully lowered inflation to 3.2% as measured by Fed officials' "preferred gauge, [which is] the index of personal consumption expenditure, excluding food and energy," representing a lower rate than the 3.9% figure projected in June 2023. The better than anticipated progress has enabled the Fed to ease its focus solely on inflation and return attention to both of its mandates — inflation and unemployment, meaning that as the Fed readies to backstop the economic recovery, although it doesn't rule out a recession, it makes one less likely. The FOMC's press release on Wednesday, December 14, 2023 announcing decisions to leave the target rate range of 5-1/4 to 5-1/2 unchanged for the third consecutive time sparked a rally in the market with the S&P 500 rising 12% since October 25th, while the Treasury 10-year yield lowered "back below 4% after touching 5% just two months ago." However, Fed Chair Jerome Powell "cautioned that the economy may have more surprises ahead" and remains unsatisfied with inflation, so officially the Fed is "more likely to raise rates than cut them at their next few meetings."

Sources: <https://www.wsj.com/economy/central-banking/the-fed-underwrites-the-recovery-0573826c>



Upper West Side - Riverside Park

News Highlights (cont'd)

FDIC Completes Multiple Sales of Signature Bank Loan Portfolios | December 15, 2023

On Thursday, December 14th, the Federal Deposit Insurance Corporation (FDIC) announced the completion of the \$1.2 billion sale of a 20% equity interest in the newly formed venture “SIG CRE 2023 Venture LLC,” which comprises approximately \$16.8 billion of CRE loans collateralized by office, retail and market-rate multifamily properties only. Hancock JV Bidco LLC (Hancock), an entity indirectly controlled by Blackstone Group, along with the Canada Pension Plan Investment Board and Rialto Capital were the winning bidders. The transaction represents the “completion of one of several transactions following the marketing of \$33 billion Commercial Real Estate (CRE) loan portfolio retain in receivership after the failure of Signature Bank.” The management, servicing, and liquidation of the Venture’s assets comprised of more than 2,600 commercial loans, will be the responsibility of the Hancock team.

In a separate pair of transactions, the joint venture of a Related Companies affiliate and affordable housing organizations Community Preservation Corp. and Neighborhood Restore HDLC won the bid for a 5% equity interest in about \$5.8 billion in loans backed by rent-regulated and rent-stabilized loans. Included in the terms of both transactions are “requirements that facilitate the financial and physical preservation of underlying collateral.” In addition to the responsibility of servicing and liquidating each Venture’s assets, the joint venture team will be “required to manage the portfolios in accordance with terms of the transactions, subject to comprehensive monitoring and oversight by the FDIC-Receiver as part of its “statutory obligation to maximize the preservation of the availability and affordability of residential real property for low- and moderate-income individuals.”

And finally, the most recent transaction to emerge was an all-cash acquisition of \$789.5 million by San Diego-based bank holding company Axos Financial and the New York nonprofit multifamily finance company Community Preservation Corp. The two performing loan portfolios acquired comprise 58 multifamily loans that are current on principal and interest payments; and were sold at a 37% discount of the \$1.25 billion unpaid principal balance. “The most recent appraisals received from the FDIC indicated that the overall weighted average loan-to-value (LTV) ratio is about 59%, according to Axos,” or 67% for just the multifamily loans and 50.2% on nonresidential commercial loans.

Sources: <https://www.crainsnewyork.com/real-estate/blackstone-led-joint-venture-pays-12b-stake-signature-bank-commercial-real-estate>
<https://www.crainsnewyork.com/real-estate/winners-emerge-bidding-war-signature-banks-apartment-loan-portfolio>
<https://product.costar.com/home/news/52906458>



Downtown - View from Brooklyn Bridge Park

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 4.7% (not seasonally adjusted) at the end of November 2023 represented a 6% decrease year-over-year, and a 16.1% decrease over the three month period from August 2023 when the rate was 5.6%.
- Comparatively, unemployment on the National and State level at the end of November 2023 was 3.5% and 4.0% respectively, representing year-over-year increases of 6.1% nationwide and 5.3% statewide.
- Employment activity in New York City's private sector resulted in a gain of 79,500 private sector jobs over the year to 4,177,100 jobs in November 2023. Among the major sectors, Education and Health Services gained 91,300 jobs at the high over the 12 month period, followed by more moderate gains of 15,500 jobs and 5,600 jobs in the Leisure and Hospitality and Professional and Business Services sectors. In contrast the Information and Financial Services sectors lost 24,900 jobs and 400 jobs respectively.

Weekly Wages

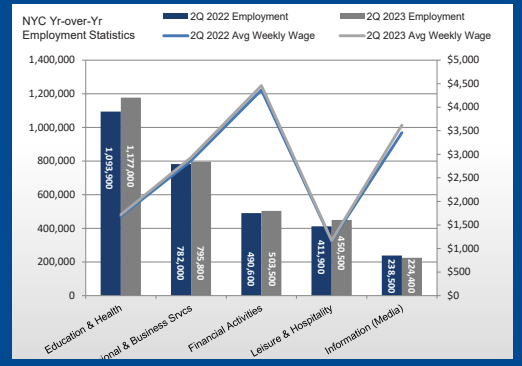
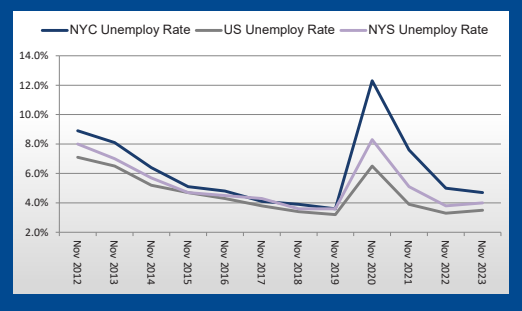
Overall weekly wages in New York City averaged \$2,590 in the 2nd quarter of 2023, representing a 1.9% increase year-over-year according the recent report released by the U.S. Department of Labor. Among the major sectors all (5) saw overall weekly wages increases quarter-over-quarter. The Information sector saw the largest increase of 4.65% in contrast to the Leisure & Hospitality sector that saw a nominal 0.52% increase. The remaining (3) sectors — Professional and Business Services, Financial Services, and Education & Health saw increases of 2.44%, 2.18%, and 2.08% respectively.

Vacancy for Class A & B office buildings over 75,000 square feet reached 15.7% in the 4th quarter representing a 2.0% increase over the 15.4% vacancy rate in the 3rd quarter. Class A vacancy rose quarter-over-quarter by 1.4% to 15.7% after essentially holding steady in the previous quarter, while Class B vacancy rose more sharply by 3.5% to 15.6%.

Absorption closed the 4th quarter at negative 1,541,647 square feet, representing an steep reversal of the negative 274,106-square-foot absorption in the 3rd quarter, as the pace of deal making slowed during the period. Office space absorption was negative in all three major commercial submarkets, Midtown saw a sharp reversal of positive 540,168-square-foot absorption in the 3rd quarter, ending the year at negative 975,046 square feet, while Downtown and Midtown South ended the period at negative 289,897 square feet and negative 276,704 square feet respectively.

Face Rents for office space in the 4th quarter rose 2.1% to an overall average of \$73.33 per square foot versus the \$71.82 per square foot figure in the 3rd quarter. Class A face rents lowered moderately from the previous quarter's \$80.67 per square foot to \$80.08 per square foot at the end of December; while Class B rents were essentially unchanged at \$67.81 per square foot in comparison to the \$67.68 figure at the end of September.

4Q 2023	Total	Downtown	Midtown South	Midtown
Vacancy	↑	↑	↑	↑
Face Rent	↑	↓	↑	↑
Absorption	↓	↓	↓	↓

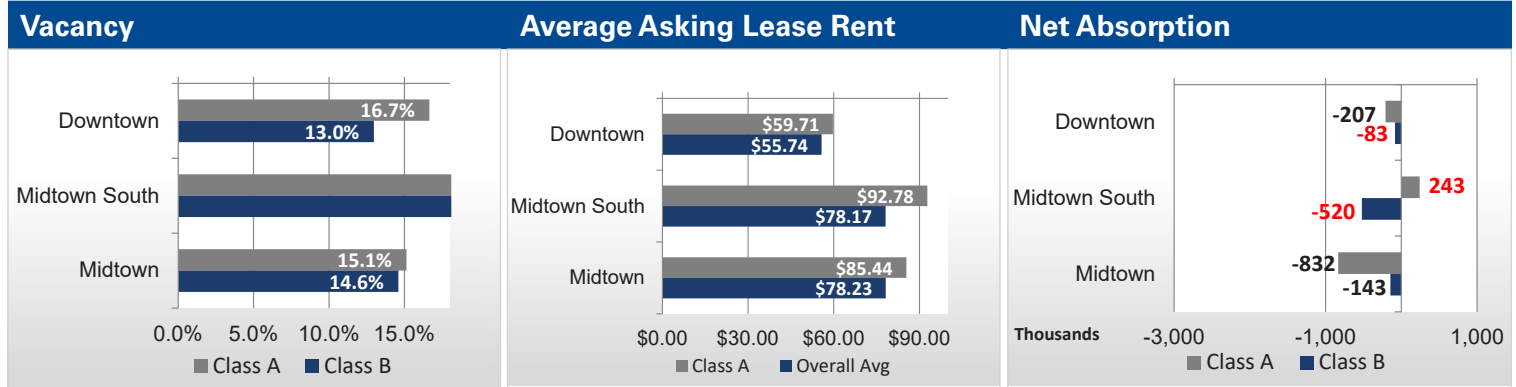


Source: NYS Department of Labor and US Department of Labor, Bureau of Labor Statistics

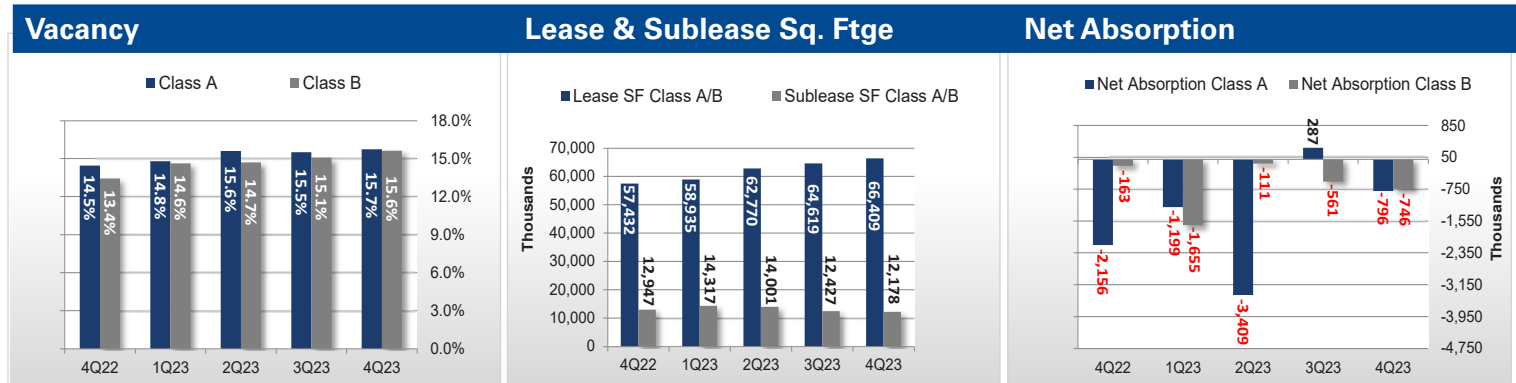
Class A & B Statistics At A Glance



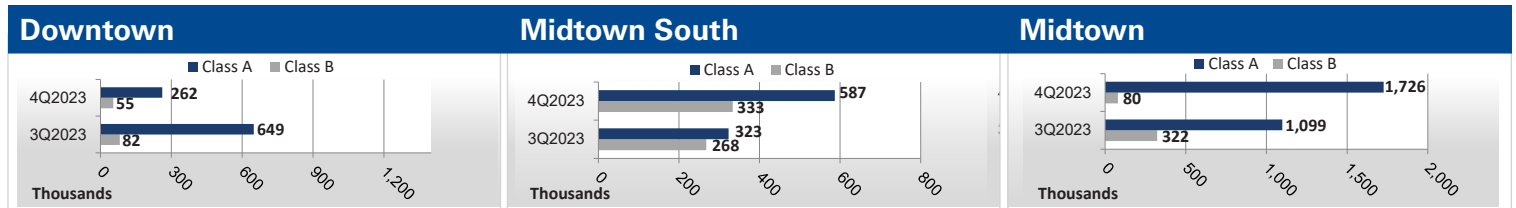
4th Quarter 2023



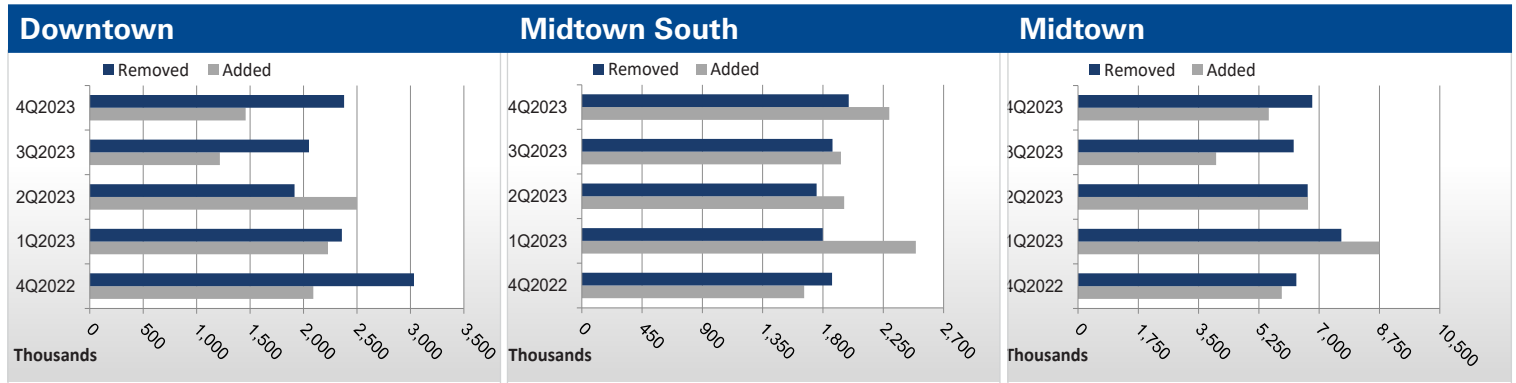
Quarter-over-Quarter



Sublease Space Newly Listed in 4Q 2023



Year-over-Year Inventory Changes





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	111,572,012	14,589,698	3,038,880	17,628,578	13.1%	2.7%	15.8%	\$55.74	-1,297,778
City Hall	14,120,338	931,646	32,249	963,895	6.6%	0.2%	6.8%	\$50.83	-102,570
Financial District	39,537,779	7,205,313	1,337,808	8,543,121	18.2%	3.4%	21.6%	\$52.41	-1,191,687
Insurance District	12,599,650	2,064,357	314,769	2,379,126	16.4%	2.5%	18.9%	\$50.52	354,329
TriBeCa	7,424,297	714,011	34,685	748,696	9.6%	0.5%	10.1%	\$64.61	-114,368
World Trade Center	37,889,948	3,674,371	1,319,369	4,993,740	9.7%	3.5%	13.2%	\$65.40	-243,482
Midtown South	75,999,208	11,668,216	2,240,600	13,908,816	15.4%	2.9%	18.3%	\$78.17	-2,885,987
Chelsea	18,999,321	3,761,786	837,648	4,599,434	19.8%	4.4%	24.2%	\$72.72	-651,510
Flatiron	23,387,814	4,335,327	215,057	4,550,384	18.5%	0.9%	19.5%	\$76.02	-689,027
Gramercy/Union Sq	9,796,196	665,505	290,615	956,120	6.8%	3.0%	9.8%	\$81.24	-103,981
Greenwich Village	5,548,904	717,701	153,687	871,388	12.9%	2.8%	15.7%	\$111.72	-179,031
Hudson Square	12,738,058	1,519,188	599,449	2,118,637	11.9%	4.7%	16.6%	\$84.78	-1,123,868
SoHo	5,528,917	668,709	144,144	812,853	12.1%	2.6%	14.7%	\$72.21	-138,570
Midtown	313,065,470	40,151,351	6,898,060	47,049,411	12.8%	2.2%	15.0%	\$78.23	-4,005,068
Columbus Circle	33,670,579	2,935,153	635,771	3,570,924	8.7%	1.9%	10.6%	\$69.32	-243,846
Hudson Yards	55,589,173	7,355,659	1,499,952	8,855,611	13.2%	2.7%	15.9%	\$67.46	-653,366
Grand Central	13,300,148	2,433,203	328,036	2,761,239	18.3%	2.5%	20.8%	\$57.60	148,286
Murray Hill	73,515,522	10,247,325	2,878,766	13,126,091	13.9%	3.9%	17.9%	\$110.38	-3,543,290
Penn Plaza/Garment	85,751,522	10,862,539	861,587	11,724,126	12.7%	1.0%	13.7%	\$93.30	489,939
Plaza District	46,798,225	5,996,127	693,948	6,690,075	12.8%	1.5%	14.3%	\$75.48	-93,064
Times Square	4,440,301	321,345	0	321,345	7.2%	0.0%	7.2%	\$71.25	-78,596
U.N Plaza									
Grand Total	500,636,690	66,409,265	12,177,540	78,586,805	13.3%	2.4%	15.7%	\$73.33	-8,188,833

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



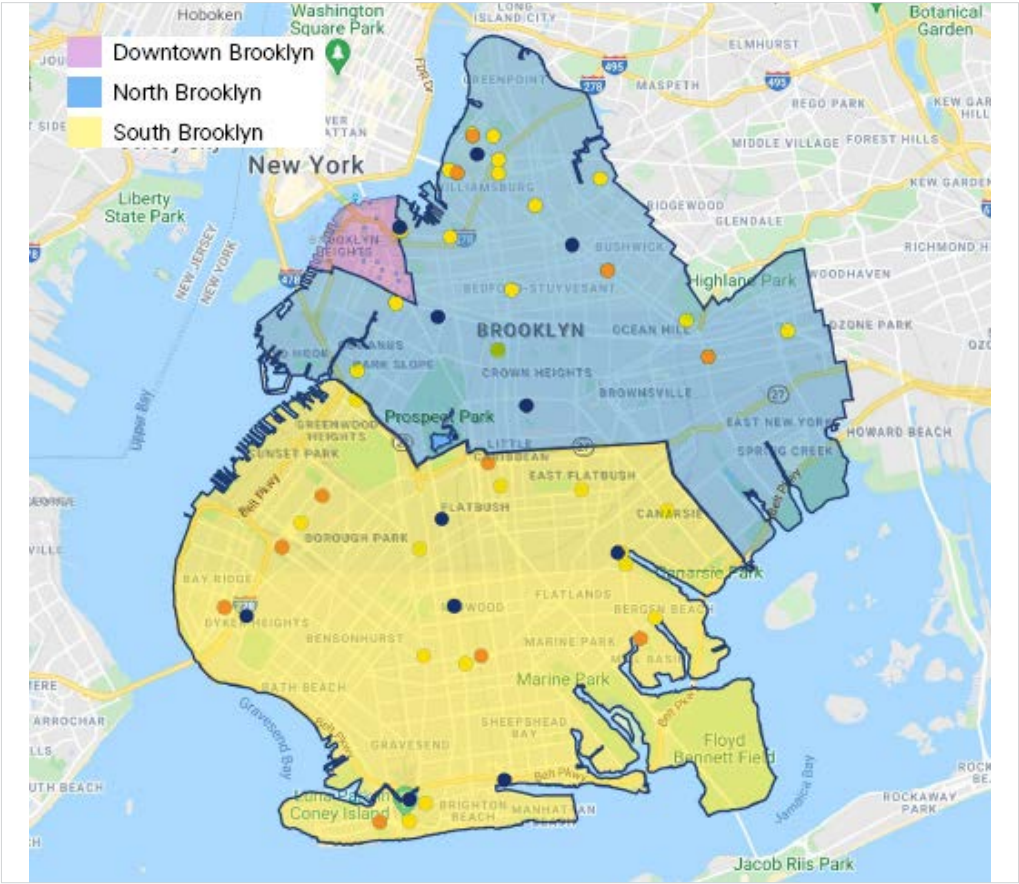
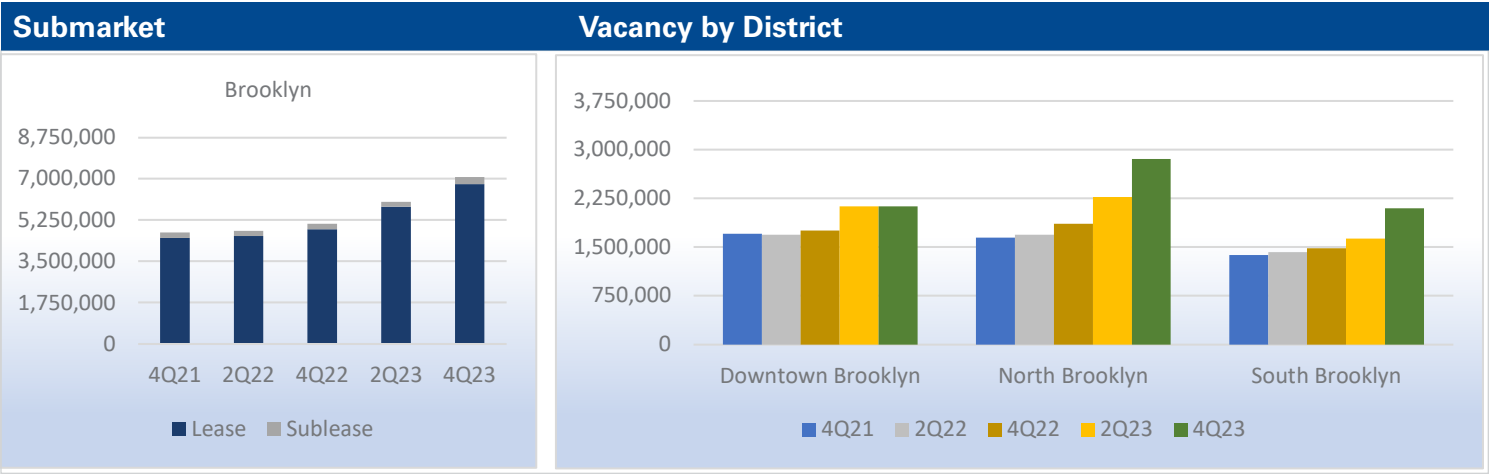
4Q 2021 - 4Q2023



Retail Bi-Quarterly Vacancy Statistics At A Glance



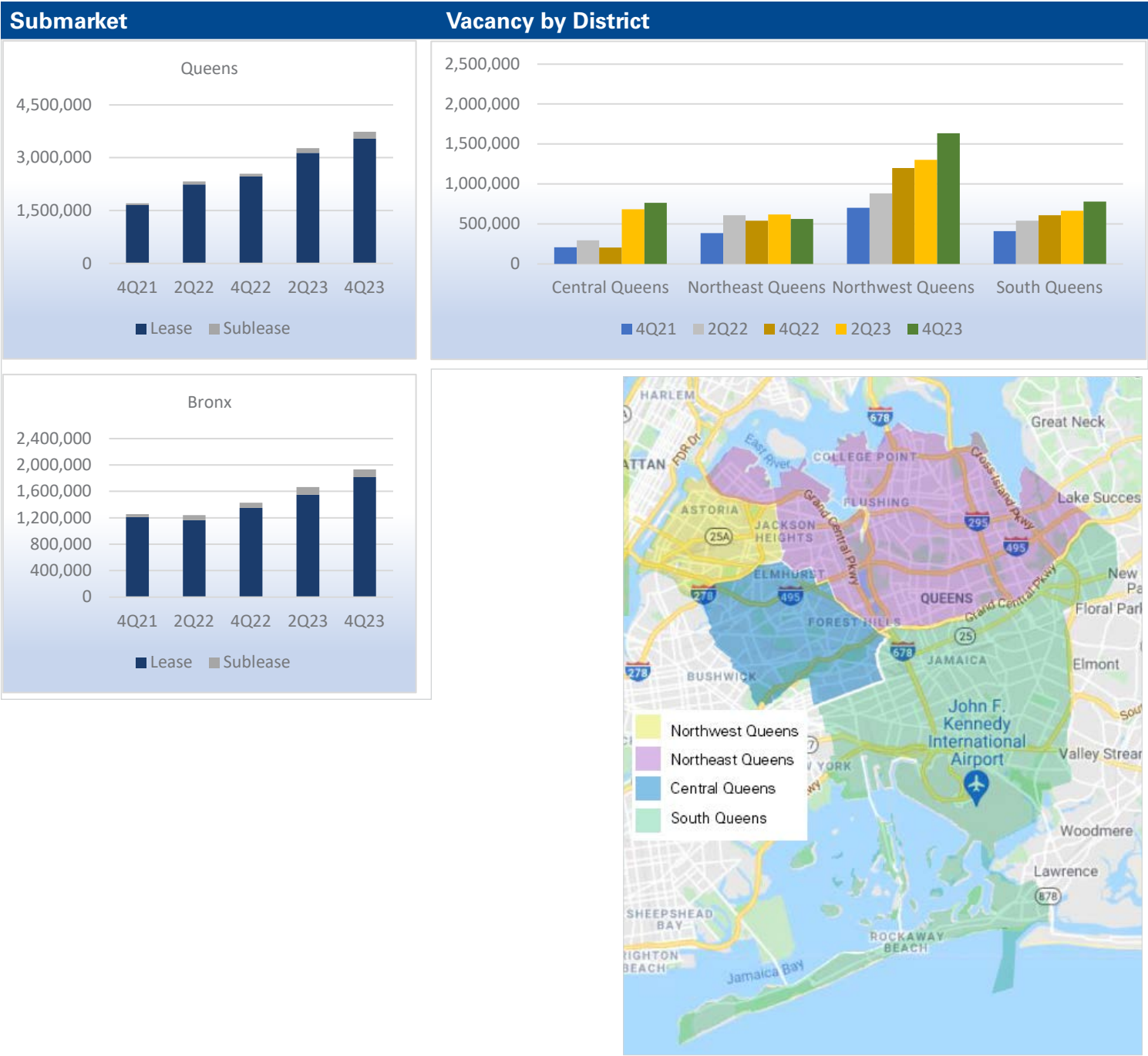
4Q 2021 - 4Q2023



Retail Bi-Quarterly Vacancy Statistics At A Glance



4Q 2021 - 4Q2023



Center for an Urban Future – State of the Chains, 2023

Center for an Urban Future (CUF) released its 16th annual State of the Chain's report in December, providing a ranking of national retailers in New York City. Findings of CUF's tracking of chain retail trends between October 13, 2023 and November 29, 2023 reveals that over the past year the number of chain stores throughout New York City declined 3.1%, representing the "second-largest single-year decline since 2008 when CUF began tracking chain retailers, surpassed only by the first year of the pandemic (2020); while reversing the modest increase in store numbers seen in the previous two years (2021-2022). As of November 2023, the overall number of chain stores citywide was 13.8% lower, or 1,098 stores fewer than late 2019's pre-pandemic volume; and among the retailers tracked in CUF's 2019 report, more than 50% have fewer locations, including 11.2% who no longer have any stores in the city despite increases in people returning to the office and subway ridership. Among the five boroughs, the Bronx experienced the largest year-over-year decline of 4.4%, while Manhattan saw the lowest decline of 2.7%. However, despite less losses in 2023, Manhattan's losses of 545 store, or 183% during the 2019 to 2023 period was the highest among the five boroughs, while Staten Island is down just 5.5% of pre-pandemic totals.

CUF's Methodology:

- National retailer defined as one that has at least (2) New York City locations and at least (1) location outside the city limits.
- Locations numbers obtained from the store locators on each retailer's website, except in cases where other available resources were used for companies were on the verge of closure and had shut down their websites or otherwise did not have a website. For mobile communications stores, only those locations that use the exact name of the retailer were counted, excluding authorized providers operating under a different name.
- A retailer is only removed from the lost on the year after the one in which it closed all New York City locations. National retailers removed this year include Sears, Wichcraft and Strawberrrt
- Year-over-year growth in chains is calculated based on the national retailers CUF included in last year's report. Retailers being added this year total 108-chains, but are not yet included to ensure an accurate comparison

Number of Chain Stores by Borough

Borough	2023	2022	% Change
Manhattan	2,975	3,059	-2.7%
Brooklyn	1,672	1,722	-2.9%
Queens	1,706	1,765	-3.3%
Bronx	891	932	-4.4%
Staten Island	465	480	-3.1%
Total	7,709	7,958	-3.1%

Net Change in number of NYC Store locations in 2023 from 2019 for this year's 20 biggest national retailers

National Retailer	# of Stores 2023	# of Stores 2019	2019/2023 Change#	National Retailer	# of Stores 2023	# of Stores 2019	2019/2023 Change#
Dunkin'	619	636	-17	7-Eleven	105	141	-36
Starbucks	322	351	-29	Chipotle Mexican Grill	104	79	25
Metro by T-Mobile	269	468	-199	AT&T	101	136	-35
Subway	215	287	-72	UPS Store	101	87	14
Duane Reade	211	317	-106	Key Food	98	108	-10
McDonald's	185	203	-18	Burger King	97	104	-7
Baskin-Robbins	183	217	-34	Domino's Pizza	92	88	4
T-Mobile	171	245	-74	Verizon Wireless	88	27	61
CVS/Pharmacy	170	170	0	Taco Bell	82	40	42
Popeye's	144	105	39	FedEx Office	74	64	10

State of the Chains, 2023 (cont'd)

Top 10 National Retailers in Each Borough

Manhattan	Brooklyn	Queens	Bronx	Staten Island
Starbucks (192)	Dunkin' (136)	Dunkin' (194)	Dunkin' (89)	Dunkin' (37)
Dunkin' (163)	Metro by T-Mobile (99)	Baskin-Robbins (65)	Metro by T-Mobile (62)	CVS/Pharmacy (18)
Duane Reade (89)	McDonald's (50)	Subway (61)	McDonald's (39)	Subway (16)
Subway (66)	Starbucks (49)	Metro by T-Mobile (60)	Subway (31)	Starbucks (15)
CVS/Pharmacy (66)	Popeye's (48)	T-Mobile (58)	T-Mobile (28)	Metro by T-Mobile (13)
FedEx Office (61)	Duane Reade (43)	Starbucks (51)	Popeye's (27)	Carvel (12)
Chipotle Mexican (56)	Baskin-Robbins (42)	Duane Reade (51)	Baskin-Robbins (42)	7-Eleven (10)
UPS Store (51)	Subway (41)	CVS/Pharmacy (42)	Duane Reade (19)	T-Mobile (9)
McDonald's (48)	T-Mobile (38)	McDonald's (42)	Burger King (18)	Duane Reade (9)
Baskin-Robbins (43)	Key Food (36)	7-Eleven (42)	Domino's Pizza (18)	Verizon Wireless (9)

2023 Change by Borough of the 10 Largest National Retailers in New York City

National Retailer	Store Count 2023	Difference 2023-22	Manhattan	Brooklyn	Queens	Bronx	Staten Island
Dunkin'	619	-1	2	0	-1	-1	-1
Starbucks	322	6	1	3	2	-1	1
Metro by T-Mobile	269	-26	-2	-9	-6	-7	-2
Subway	215	-39	-18	-5	-10	-6	0
Duane Reade	211	-16	-7	-5	-3	0	-1
McDonald's	185	-6	-1	0	-3	-1	-1
Baskin-Robbins	183	1	-1	-1	4	0	-1
T-Mobile	171	-62	-12	-20	-13	-16	-1
CVS/Pharmacy	170	-4	0	3	-6	-1	0
Popeye's	144	7	3	2	-2	1	3

NYC's Largest Chain Retailers Still Below Pre-Pandemic Levels

Net change in # of store locations for NYC's twenty-five largest national retailers (2019-2023)





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BID Market Snapshots

Downtown Alliance - Lower Manhattan Real Estate Market Report | Q3 2023

Leasing activity in Lower Manhattan's office market during the 3rd quarter returned to post-pandemic trends, after a single 641,000-square-foot lease by the NYC Administration for Children's Services lease inflated activity in the 2nd quarter. Remaining tenants opting to take advantage of favorable market conditions drove leasing activity between July and September, and relocation transactions to the Downtown neighborhood increased slightly. However, Downtown's vacancy rates remain high across all asset classes. Median residential reach \$4,798 per month, representing a 6% increase since the beginning of the year and about 9% higher than Manhattan's overall median rent of \$4,399 per month. Continued increasing tourist volume pushed hotel occupancy to near pre-pandemic levels and occupancy growth in Lower Manhattan hotels outpaced the citywide average; and daily room rates (ADR) of \$300 per day were 60% higher compared to the citywide average of \$188 per day rate. A notable highlight during the quarter was the opening of the new Ronald O. Perelman Performing Art Center in the World Trade Center campus and the reopening of Delomónico's Steakhouse at 56 Beaver Street after shuttering during the pandemic.

Source: <https://downtownnyc.com/research/lower-manhattan-real-estate-overview-q3-2023/>

Union Square Partnership - Biz + Broker Quarterly Report | Q3 2023

Union Square welcomed 13 new businesses during the quarter — the highest quarterly volume of new openings since 2019. The opening of Target's new 33,000-square-foot store at 10 Union Square East, which represents the largest space leased in the neighborhood since 2019. The anchor store is expected to create more than 100 jobs, bringing the promise to invigorate Union Square's economic landscape. In addition, the opening of Petco's new flagship "heralds a resurgence of retail activity on the east side of Union Square Park," having relocated from 860 Broadway on the corner of Union Square West/Broadway to an approximately 30,000-square-foot space at 44 Union Square East. Some of the highlights in the coming months include the reopening of Upright Citizens Brigade in its new location at 242 East 14th Street, and the unveiling of the renovated W New York - Union Square hotel and Seahorse Restaurant.

Source: <https://www.unionsquarenyc.org/s/2023-Union-Square-Q3-Biz-Broker.pdf>

Flatiron/NoMad - Flatiron & NoMad Economic Snapshot | Q3 2023

Demand for affordable, non-Class A office space helped keep office availability rates within the district relatively stable. The neighborhood welcomed fintech startup Ramp, which more than doubled its office footprint to 66,000 square feet at 28-40 West 23rd Street. By the end of September, foot-traffic by visitors/shoppers and full-time-employees reached 81% and 63% of pre-pandemic levels, while residential foot-traffic surpassed 2019 levels by 17%, with Wednesdays seeing the highest volume.

Source: https://flatironnomad.nyc/wp-content/uploads/2023/10/Q3-2023-Report_Updated_FINAL.pdf



Brooklyn - Brooklyn Heights Area

Development Activity

REBNY Report: Quarterly New Building Construction Pipeline - Q3 2023

The Real Estate Board of New York (REBNY) released a report in October providing statistics based on examined new building job application filings submitted to the NYC Department of Buildings in the 3rd quarter of 2023, analyzing data for the three month period of July through September; and draws historical comparisons to provide an understanding of the current state of development in New York City.

Key Takeaways - Q3 2023							
Borough Breakout	Q3 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF	Borough	Q3 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF
Manhattan	9	13%	16%	Queens	111	-16%	26%
Bronx	28	-26%	20%	Staten Island	106	-36%	7%
Brooklyn	69	-22%	31%				
New Building Filings in Q3 2023	TTL Filings	% Change Qtr-over-Qtr / Yr-over-Yr		TTL Proposed Sq. Ft.		% Change Qtr-over-Qtr / Yr-over-Yr	
Citywide	323	-14% / -25%		6 MM		0% / -14%	
Construction Projects 300K-sf Plus	Q3 2023 Filings	TTL Proposed Sq. Ft.		% of Q3 2023 TTL Proposed SF		Qtr-over-Qtr Change of TTL %	
Citywide	3	1.2MM		20%		-42.9%	
Multiple Dwelling Residential Q3 2023	Proposed Units	% Change Qtr-over-Qtr / Yr-over-Yr			New Buildings	% Change Qtr-over-Qtr / Yr-over-Yr	
Citywide	4,277	39% / 19%			66	22% / -15.4%	
Borough Breakout	Proposed Units / % of TTL			Borough	Proposed Units / % of TTL		
Manhattan	742 / 17%			Queens	1,346 / 32%		
Bronx	1,036 / 24%			S.I.	0 / 0%		
Brooklyn	1,153 / 27%						
Largest Proposed Projects by Borough - Q3 2023							
Borough	Address	Neighborhood	Sq. Ft.	Description			
Manhattan	364 West 54th Street	Hell's Kitchen	383,525	Development with 112 residential units			
Bronx	1099 Webster Avenue	Morrisania	251,597	100% Affordable housing development with 259 residential units			
Brooklyn	1709 Surf Avenue	Coney Island	421,740	Mixed-use development with 430 residential units, 12,000 sf of retail a community facility and 76-car onsite parking. Phase 3 of a city-sponsored affordable housing project			
Queens	3541 Shore Front Parkway	Rockaways	379,105	Development with 320 residential units			
Staten Island	930A West Fingerboard Road	Old Town	43,918	Development with no proposed residential units			



10 Biggest Project Filings of 2023

Large Block Availabilities

Address	Sq. Ft.	Developer	Comments
30/35 Inspiration Lane East New York, Brooklyn	930,781	Gotham Organization	Mixed-use development with 15 and 14-story towers; proposed 846 residential units which although unverified possibly affordable housing.
39-02 Northern Boulevard Long Island City, Queens	883,470	Goodman	Space within a 5-story warehouse and only new project among the ten biggest filings with office space.
895 Erskine Street 888 Fountain Avenue East New York, Brooklyn	563,312	L+M Development Partners	A pair of 14-story buildings, proposed 634-units of affordable housing; part of a \$1.2 billion state-backed "Alafia" development which plans to create 2,400-units over six construction phases.
356 West 58th Street Manhattan	454,756	CSC CoLiving	Conversion of the Hudson New York Hotel into 438-unit rental building.
1709 Surf Avenue Coney Island, Brooklyn	421,740	BFC Partners	Mixed-use development; proposed 430-units of affordable housing that completes the final phaes of a three-part city-sponsored affordable housing project
116 Beach 36th Street Far Rockaway, Queens	370,000	NYC Dept. of Housing Preservation & Development	10-Story mixed-use development (full project details not provided)
440 West 57th Street Manhattan	301,971	Yellowstone Real Estate Investments	600-Key Watson Hotel to undergo partial residential conversion of its north tower into 249-units; while the south tower will continue to operate as a hotel.
1710 Broadway Manhattan	292,456	Riu Hotels & Resorts	Planned 54-story, 294,456-square-foot hotel
1959 Jerome Avenue Bronx	285,216	Atlantic Development Group	15-story mixed-use development; proposed 333-units of likely affordable housing, 29,000 square feet of commercial space, and a 43,000-square-foot community center; project to replace a garage and auto-body shop.
871 Seventh Avenue aka 147-153 West 55th St. Manhattan	251,062	Extell Development	Renovation of the century-plus-old 27-story former 618-key Wellington Hotel that shuttered in December 2021; plans to keep existing structure as is.



Midtown - Hudson Yards

Office Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
150 William St	Downtown	Insurance	530,000	Admin. for Children's Services (extension)
4 World Trade Center	Downtown	World Trade Center	85,666	Duolingo (sublease)
1345 Sixth Avenue	Midtown	Columbus Circle	765,000	Paul Weiss Rifkind Wharton et al. (relocation)
MetLife Building 200 Park Avenue	Midtown	Grand Central	400,000	MetLife (extension)
575 Lexington Avenue	Midtown	Plaza	300,000	Cornell Univ. Weill Medical College (renewal/expansion)
280 Park Avenue	Midtown	Plaza	269,905	PJT Partners (renewal/expansion)
350 Fifth Avenue	Midtown	Penn Plaza	143,778	LinkedIn
650 Madison Avenue	Midtown	Plaza	133,000	Ralph Lauren (renewal/downsize)
295 Fifth Avenue	Midtown	Murray Hill	132,000	Quinn Emanuel et al. (relocation)
1290 Sixth Avenue	Midtown	Plaza	101,000	Selendy Gay Elsberg (Previous sublet/expansion)
601 West 26th Street	Midtown South	Chelsea	250,000	Ralph Lauren (renewal/downsize)
620 Sixth Avenue	Midtown South	Flatiron	72,000	Current
360 Park Avenue South	Midtown South	NoMad	69,114	Iconiq Capital (relocation)
28-40 West 23rd Street	Midtown South	Flatiron	66,000	Ramp

Lease - Outer Boroughs

Address	Borough	District	Sq. Ftge	Tenant
500 Bergen Avenue	Bronx	Mott Haven	20,000	Rising Ground

Manhattan Investment Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
20 Hudson Yards	Midtown	Hudson Yards	445,000	\$550,000,000	Wells Fargo Properties
ACRIS lists Deed purchase from MTA for \$24,268,587 and RPTT/RETT transaction of \$321,731,413 = \$346MM					
720 Fifth Avenue	Midtown	Plaza	113,292	\$397,395,000	Prada
724 Fifth Ave	Midtown	Plaza	65,014	\$425,000,000	Prada
Building divided into 3 condo units Prada occupies 13,648 SF retail unit and 4,137 SF 5th floor, deal also included remaining 36,692 SF office space					
6 West 48th Street	Midtown	Midtown West	60,500	\$34,700,000	Minako Realty LLC
1708 Broadway	Midtown	Midtown West	52,150	\$172,800,000	Riu Hotels & Resorts
Office property sold for land value as a redevelopment opportunity sale, will be future site of the Spain-based hospitality brand's 3rd NYC hotel					



Midtown - Times Square

Retail Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
691-695 Madison Avenue	Midtown	Plaza	23,339	Dolce & Gabbana
Savoy Shops 1011-1029 Third Avenue	Midtown	Plaza	11,000	Blinds to Go
867 Madison Avenue	Uptown	Upper East Side	28,000	Ralph Lauren (renewal)
375 West 207th Street	Upper Mnhtn	Inwood	37,000	Food Bazaar

Lease - Outer Boroughs

Address	Borough	Neighborhood	Sq. Ftge	Tenant
292-314 Kent Avenue	Brooklyn	Williamsburg	42,000	Equinox
Broadway Plaza 171 West 230th Street	Bronx	Kingsbridge	7,832	Penix Salon Suites

Manhattan Investment Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
144 Fulton Street Entire 5-story building leased to Chick Fil A	Downtown	Insurance	12,100	\$38,000,000	Claus Zellner
44 West 8th Street	Midtown South	Greenwich Village	11,450	\$10,000,000	44 West 8th Owner LLC
722 Madison Avenue Lease nearing expiration by current tenant Oscar de la Renta, the Swiss luxury fashion house to occupy the space upon vacancy	Uptown	Upper East Side	3,867	\$38,578,000	Akris
1295 Madison Avenue	Uptown	Upper East Side	3,024	\$11,000,000	Patriot Real Estate Holdings



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