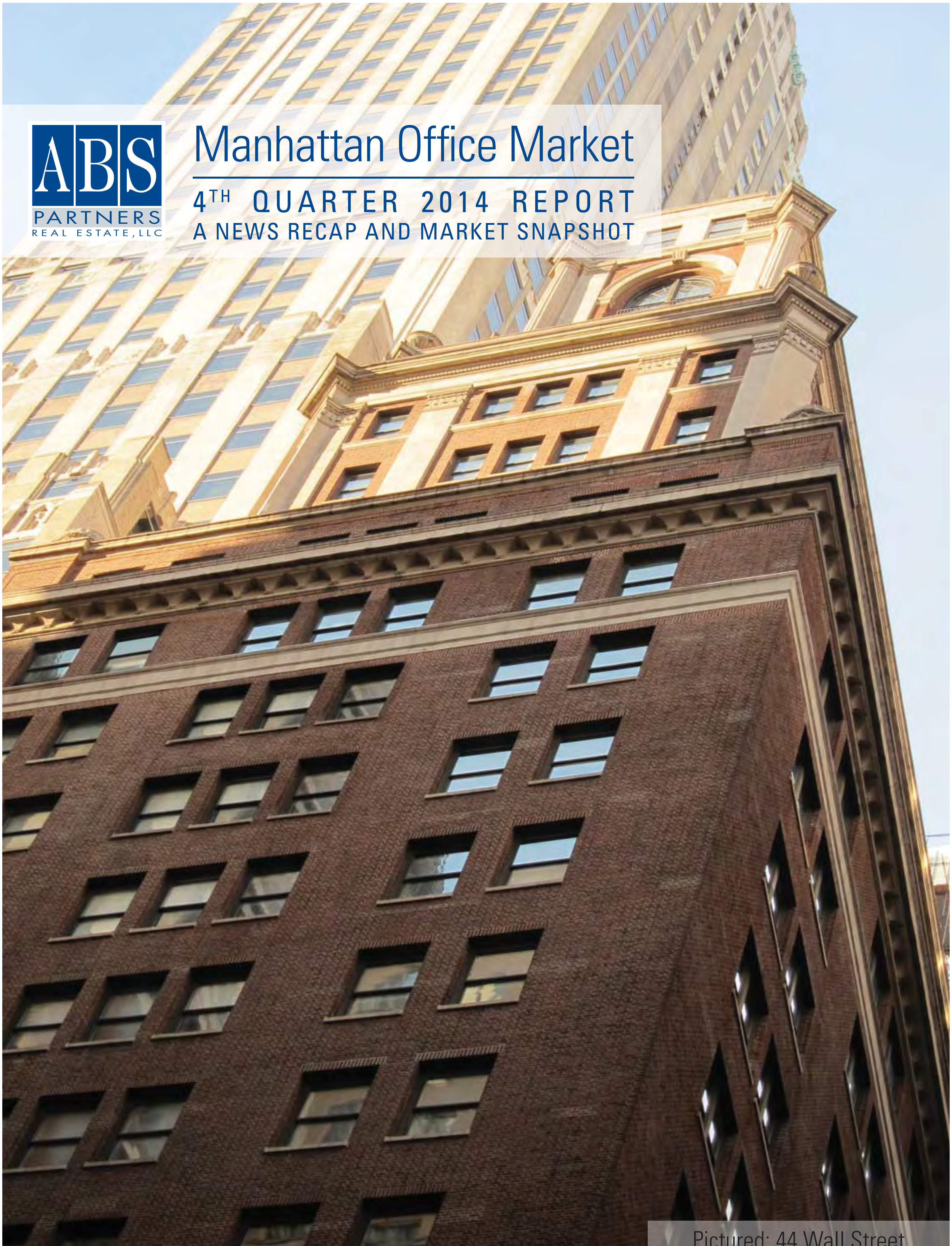
Manhattan Office Market

4TH QUARTER 2014 REPORT

A NEWS RECAP AND MARKET SNAPSHOT



Pictured: 44 Wall Street

Looking Ahead

Potential Challenges Facing the City's Administration

Nearing the completion of Mayor de Blasio's first year in office, the city's administration is reportedly confronted with some serious challenges on the real estate front that must be addressed to successfully achieve proposed goals.

Affordable Housing Preservation

A key promise of de Blasio's election platform that affordability to live in New York City would be ensured for lower- and middle income residents; and a pledge that 200,000 affordable units over the next 10 years would be achieved through the preservation of 120,000 units and new construction of the remaining 80,000 units.

Stuyvesant Town/Peter Cooper Village (Gramercy Park) – The 110-building residential complex has lost several thousands of affordable units, of which about 5,000 of the over 11,000 units are now reportedly market rate. Due to the 2010 foreclosure on the complex, CWCapital Asset Management, the special servicer representing the creditors for the property, had announced in May that they would foreclose on the property on June 13 and conduct a sale in late 2014 or early 2015. In an effort to preserve the remaining 6,000 affordable units, the city's administration entered into negotiations with CWCapital — negotiations which currently remain ongoing. In response to the mayor's efforts of preservation, the Federal Housing Finance Agency submitted a letter stating federal mortgage companies Freddie Mac and Fannie Mae would not consider an application for financing until the affordability issue was resolved to both the satisfaction of the city and the tenants' organization.

Roosevelt Island Putnam Portfolio – The 6-property multi-family portfolio was recently purchased by Brookfield Property Partners in October for $1.04 billion from New Jersey-based Urban American Management. The complex is comprised of 3,962 residential units of which about 50% are occupied by tenants holding Federal Section 8 housing vouchers[1]. Since the voucher remains with the tenant, when the tenant moves, the vacated apartment reverts to market rate. The city and Brookfield have been in talks, however no further information has been released.

Urstadt Law – The city's administration plans to push for an "effective repeal" of the law as part Mayor de Blasio's 10-year housing plan. Enacted in 1971 giving New York State power over rent regulation specifically, and thereby housing policy broadly in New York City, the suggested repeal of the 43-year old law has drawn some mixed response.

Community Preservation Corp. – A $350 million loan pool was arranged and contributed by the city to be administered by the non-profit organization to aid in the maintenance and refurbishing of private properties with 20-100 units. The funds will be offered as low-cost loans to landlords; and are expected to rehabilitate 7,500-units.

Looking Ahead (cont'd)

Affordable Housing Development

While going hand-in-hand with affordable housing preservation, development of new affordable housing comes with a different set of challenges in part due to higher capital demands for building new versus refurbishing existing. The aggressive goal of constructing 80,000 new units exceeds the Bloomberg administration's achieved 50,200 units constructed over the 12-year period by close to 60%. The city's mandate to include affordable housing in all rezoning projects under a policy known as mandatory inclusionary housing, has left land owners and developers with concerns.

- Real estate sales may become more complicated due to the permitting process being less predictable, since buyers won't know exactly what the city wants out of each parcel of land.
- Multiple levels of review, particularly for large projects, will add additional unpredictability to the development process; and further increase project costs.
- Specifics regarding new term sheets which have yet to be released, defining the conditions under which loans are made and what percentage the city will contribute towards units; and if the percentage of the required number of affordable units will increase — significantly impacting the economics of the project.

Office Development

Although the de Blasio administration has moved forward aggressively with Phase 1 of the Midtown East rezoning, carving out the 5-block Vanderbilt Avenue as an initial effort, the broader Midtown East rezoning proposal continues to dangle. Industry sources have stressed that the up-zoning is desperately needed to incentivize developers to invest in new construction to deliver the upgraded office supply needed to compete on a global level; and thwart the escalating migration of the Grand Central area tenants to the newer towers rising in the Far West Side and Downtown.

Neighborhood Development

The city's administration is looking to increase development in underutilized neighborhoods that is expected to include 15 neighborhoods throughout the boroughs. A comprehensive analysis of the first 2 neighborhoods — East New York, Brooklyn and an area dubbed Cromwell-Jerome in the western section of the Bronx is already underway, but the challenge will be to bring significant sustained development that incorporates community involvement in the process.

[1]Section 8 Housing Voucher – under the Federal government's Housing Choice Voucher Program, a housing subsidy is paid to the landlord directly by the local public housing agency (PHA) on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Sources: http://www.rew-online.com/2014/12/03/meridian-arranges-737m-loan-for-putman-portfolio-purchase/ • http://thesurrealestate.org/tag/roosevelt-island/
http://portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8

Looking Ahead (cont'd)

Congress Passes Spending Package in Effort to Avoid Government Shutdown

Ringing in the bell for the New Year will be a bit more peaceful as a result of the announced deal by Congressional leaders on a $1.1 trillion spending package that will fund most of the federal government through September 2015, avoiding a shutdown. The vote that resulted in a narrow margin was reached just hours before the midnight deadline; and the bill now heads to the Senate which is expected to pass it in the coming days.

Terrorism Risk Insurance Program not Extended

Amongst the roster of unfinished business, the Terrorism Risk Insurance Program (TRIP) that is due to expire at the end of the year was separated by the House of Congress from the main policy package. Despite the House passing an extension December 10th on a compromise version of the program, the Senate ended their session without extending the program.

The addition of an unrelated provision tied to the Dodd-Frank financial-regulation overhaul, complicated the bill's prospects and further risked TRIP's extension for 6-years. The changes made by the House required the Senate to take the bill up again, regardless of having already passed its own reauthorization of the program in July.

Modifications to the TRIP package voted on by the House resulted in the collective proposals from 3 members, raising the threshold of terrorism damage before the federal government kicks in from the current $100 million to $200 million; and an increase in companies' co-payments from 15% to 20%, as compared to an earlier proposal — Terrorism Risk Insurance Modernization Act of 2014 (TRIM) that suggested raising the threshold to $500 million through an extension period that would run through 2017. However, due to some discord within the Senate for a need to set up a regulatory body to supervise insurance agents and brokers; and concerns over the underlying policy placing the majority of burden on the taxpayers, the session adjourned without a vote.

News finally came on January 8th of the Senate sending the TRIA renewal bill to President Obama to reauthorize the federal program that expired on December 31st after a sweeping 93-4 vote, Congress already passing the measure the day before via its fast-track process. Concerns and unrest had proliferated amongst the city's property owners. The 30- to 45-day grace period that began December 31, 2014 did little for those with sunset clauses in their insurance contracts that caused them to expire until the Terrorism Risk Insurance Act (TRIA) is renewed. The President is expected to sign the bill into law despite reservations about an unrelated provision that the Congress had added that were tied to the Dodd-Frank bill.

The Terrorism Risk Insurance Act was first signed into law on November 26, 2002 (reauthorized 12/22/2005 and 12/26/2007), creating a temporary federal program administered by the Treasury Department that provides for a transparent system of shared public and private compensation for certain insured losses resulting from a certified act of terror.

Fallout from the Terrorism Risk Insurance Program's expiration would be significant due to insurers having the right to cancel terrorism policies after January 1 for fear of insolvency should a claim due to a massive terrorist attack take place with no government backup; further commenting that the 30- to 45-day grace period that began December 31, 2014 does little for those with sunset clauses[1] in their insurance contracts that caused them to expire until the Terrorism Risk Insurance Act (TRIA) is renewed. In addition, TRIA's expiration technically puts the majority of U.S. Commercial borrowers in default, since most documents require some form of insurance against acts of terrorism that could prompt lenders to begin pulling out of the market.

NYS Comptroller's Office: Review of the Financial Plan of the City of New York

The report released in December heightens signs of economic improvement throughout the city with updated forecasts resulting in significantly diminished budget gaps — an average of 36%, than had been previously forecast in June. The 4-year financial plan, which shows a $3 billion reduction of the city's projected budget deficits through 2018, could change due to the always present possibility of unexpected economic setbacks; for which the city has substantial reserves to help cushion the impact, according to a reported statement by State Comptroller Thomas DiNapoli.

Budget Surplus: In addition, it is anticipated that the city's fiscal year ending June 30, 2015 will result in a budget surplus larger than the city's Budget Office's forecast of $105 million, due to the city's conservative economic and revenue assumptions; and the continued strength of the local economy.

Healthcare Savings: Union contract agreements secured thus far, reportedly representing about 71% of the city's workforce, is expected to achieve a total of 3.4 billion in healthcare savings through 2018.

June 2014 Forecast City's Budget Office Projections	December 2014 Forecast NYS Comptroller's Office Projections	Healthcare Savings
		$400 Million – FY 2015
$2.6 billion – FY 2016	$1.8 billion – FY 2016	$700 Million – FY 2016
$1.9 billion – FY 2017	$1.2 billion – FY 2017	$1 Billion – FY 2017
$3.1 billion – FY 2018	$1.8 billion – FY 2018	$1.3 Billion – FY 2018

NYS Comptroller's Office: The Securities Industry in New York City

The report released in October reveals a sector that although contracted and still in transition, remains profitable and well compensated. What impact higher interest rates as a result of the Federal Government ending the quantitative easing (QE) bond buying program; and future regulatory changes from the Dodd-Frank Act[2] with over 50% of the rules completed — but many not yet in effect, will have on the sector remains to be seen.

- **Earnings** were $8.7 billion in the first-half of 2014, 13% lower than last year due to non-compensation expenses including rent, commissions, communications, and the rising cost of legal action settlements stemming from the financial crisis.

- **Employment** shrank 15% since before the financial crisis resulting in a 10,500 job loss since 2007, albeit an improvement from the 20,200 figure in 2012; as compared to the banking sector's smaller 4% decline. Overall, it has been estimated that 1 in 9 and 1 in 16 jobs are either directly or indirectly associated with the securities industry in the city and the state respectively.

- **Salaries** (including bonuses) averaged $355,500 in 2013, remaining stable over the last 3-year with a nominal 2% decline from the $362,950 figure in 2011. Accounting for only 5% of the city's private sector jobs in 2013, the securities industry accounts for over 1/5th of all private sector wages.

- **Taxes Collection** for the 2013-14 fiscal year accounted for by the securities industry was close to 9% of the state's collections; and close to 7% of the city's. In addition, the state expects to receive $4.5 billion in settlement payments during the 2014-15 fiscal year.

[1]A sunset clause in an insurance policy sets a deadline for filing claims once the policy has expired. Sunset clauses occur in what are known as claims-made liability policies – those that include a time limit on how long they will accept claims after the policy expires or is canceled

[2]H.R. 4173 (111th): Dodd-Frank Wall Street Reform and Consumer Protection Act – A bill to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Sources: https://www.govtrack.us/congress/bills/111/hr4173) • http://www.osc.state.ny.us/osdc/rpt9-2015.pdf • http://www.osc.state.ny.us/osdc/rpt11-2015.pdf

Port Authority Reform to Prompt One World Trade Center Sale

A report released by Governors Andrew Cuomo and Chris Christie during the final days of December put forth plans to overhaul the Port of Authority of NY & NJ (PANYNJ) with a central focus on shedding the agency of its real estate holdings — including the 90% interest in the recently opened One World Trade Center, and return back to its core mission of transportation projects; a plan that is not new but has been more gradually implemented over that past 15 years. However, Port Authority Chairman John Degnan reportedly noted that bond covenants[1] could add complications to asset sales; and the sale of One World Trade Center could take years to figure out if the agency is to realize the true value of the property in a sale.

A 103-page compilation of findings by the bi-state special panel on the future on the PANYNJ laid out a strategy for the agency to trim its holdings at the World Trade Center and other sites throughout the 5-boroughs as part of a broader reform program. Currently the PANYNJ reportedly controls 12,000 acres of land and 45 million square feet of office, industrial and technical space. It was not until the early 1960's and the development of the original Twin Towers that the PANYNJ shifted to real estate development that was not related to its core mission.

In the early 1970's the PANYNJ held lengthy debates regarding the possible privatization of the former Twin Towers, ultimately deciding to sign a 99-year leasehold with Silverstein Properties in mid-2001. Six weeks later upon the 9/11 destruction of the towers, the PANYNJ re-involved itself investing billions of dollars to rebuild the sites infrastructure and taking over development and ownership of the One World Trade Center project; leaving Silverstein with a 99-year lease on the remaining 3-buildings on the site. The PANYNJ still remains as owner of the 16-acres under the entire World Trade Center complex.

How much **One World Trade Center** is worth will depend upon its ability to near full occupancy in the coming years, a figure that currently stands at about 62.8%. Based upon projections of a 95% occupancy generating an operating income of $144 million and the continued current strength of the sales market, the tower would reportedly be worth at least $3 billion and perhaps substantially more.

In addition, a **sale of the land beneath the 3-towers currently leased to Silverstein Properties** offer a potential lump cash sum from an investor in place of the currently received tens of millions of dollars in annual rent that the 3-towers generate.

Currently hanging in limbo due to a dispute that remains in a stalemate between the PANYNJ and the Lower Manhattan Development Corp[2] (LMDC), **the site for a 5th towe**r which lies across the street from 4 World Trade Center could also be sold. The dispute lies in the ownership of the site which the LMDC claims, valuing it at a figure between $300-$500 million in September and now claiming that the PANYNJ pay the price which has now become significantly escalated due to the lengthy demolition of the neighboring asbestos laden Deutsche Bank building. However, the PANYNJ has argued the LMDC ownership claim, reportedly stating that as a result of a 2006 agreement[3] with the corporation, PANYNJ effectively became owner of the site since the LMDC was acting as the Port's agent.

Other real estate included in the list of 7-waterfront and industrial properties to be divested or re-examined for potential uses:

- **Teleport** – The 100-acre business park in Staten Island
- **Bathgate Industrial Park** – The 20-acre complex in the Bronx
- **Red Hook Container Terminal** – The waterfront shipping terminal in Red Hook, Brooklyn

[1]Bond covenants - A legally binding term of an agreement between a bond issuer and a bond holder. Bond covenants are designed to protect the interests of both parties.

[2]LMDC is a federally funded corporation formed by former Governor George Pataki with a Congressional grant of $2.783 billion after 9/11 to manage Downtown's recovery

[3]The 2006 agreement was a memorandum of understanding between the PANYNJ and the LMDC that involved a land swap of the Tower 5 site and the World Trade Center's Performing Arts Center site which is located on the northwest corner of Fulton and Greenwich Street next to One World Trade Center.

Landmark Preservation Commission Drops Proposal

The city Landmarks Preservation Commission's (LPC) proposal to remove over 100 buildings from the agency's protection without formal public input was dropped in early December after a release of the details November 27th, in order to consider feedback from several preservationist groups on aspects of the proposal.

The LPC's proposal affected 94 individual structures and 2-historical districts that had been "calendered"[1] since the 1965 formation of the commission. The roster of properties being considered as candidates for removal had been dangling in limbo for at least 5-years without a vote to determine whether or not to grant landmark status, of which 80 have been on the books for over 20-years including 26 remaining since 1966. While many of the buildings are little-known structures, some include more famous properties such as 5 Broadway theaters; Bergdorf Goodman, 754 Fifth Avenue; Union Square Park; Green-Wood Cemetery in Brooklyn; and The Pepsi-sign in Long Island City, Queens.

Bergdorf Goodman, Manhattan

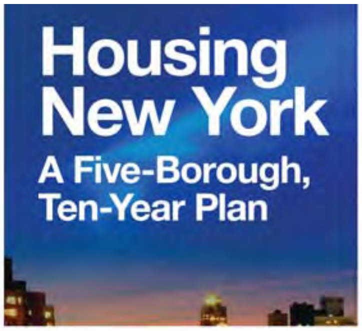

Union Square Park, Manhattan

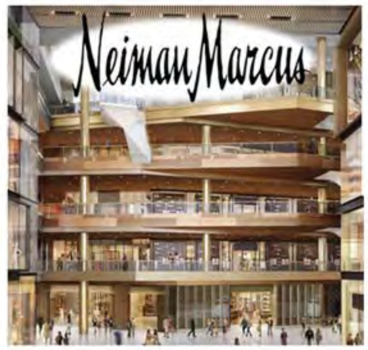

Green Wood Cemetary, Brooklyn

Pepsi-Cola Sign, Long Island City

[1]Calendering is the first step in the public review process, acknowledging that the property is worthy of landmark protection consideration, at which point public hearings and votes follow.

Sources: http://www.dnainfo.com/new-york/20141205/long-island-city/landmarks-pulls-plan-remove-100-sites-from-consideration
http://www.dnainfo.com/new-york/20141201/civic-center/nearly-100-sites-being-removed-from-landmarks-consideration-officials-say





2014 In Review

The year 2014 has drawn to a close, boasting several notable highlights and milestone advances that further exemplify the positive energy and determination of New York City, the city that never sleeps. The TAMI sector continues to drive the city's leasing market and both Downtown leasing and Far West Side development news remains robust. Positive progress made during the year has helped to create a solid foundation, as 2015 now takes center stage, for New York City's dynamic evolution and strengthening economy; however the real estate industry continues to watch as record residential condo sales and rising apartment rents further push affordability out of the ball park; and the looming renewal by Albany of the 421-A, program that provides tax-break incentives to developers of residential projects in exchange for affordable housing, that is coming up in June.

Some of the year's highlights include:

Mayor de Blasio Takes Over the Reins at City Hall – after the 12-year tenure of the Bloomberg administration, Bill de Blasio became the 109th mayor of New York City, bringing an agenda that includes some agressive programs.

10-Year Housing Plan – The city unveiled what has been described as the largest and most ambitious affordable housing program initiated by any city in the U.S. While de Blasio's housing goal has been known for the last year — 200,000 units of affordable housing over 10 years, presentation of a 116-page report detailing the $41 billion-plus housing plan, offered only a first glimpse of how the city's administration intends to accomplish the task.

New York City Universal Pre-K Program – The de Blasio administration took on the task of implementing an expanded city-wide program, seeking to more than double the currently reported 20,000 existing full-day, per-K seats to 56,000 by September; and reaching 73,250 seats by January 2016. The project that will cost a reported $750 million each year to operate, received Albany's promise of full funding; and also allows the mayor and New York City Council to raise taxes should they choose.

2014 In Review (cont'd)

$73.9 Billion Budget Plan - The Mayor's announcement of the plan prompted bond credit rating agency Moody to label the budget as "credit negative," further stating that, "The plan more than doubles the city's forecast budget gaps for the fiscal years ending 30 June 2016 and 2017, and tripled the gap for fiscal 2018." While the bond credit rating didn't affect the city's credit rating of "Aa2/stable," the budget outlook is reportedly one of the criteria that are factored in, affecting the city's credit and its ability to issue bonds to fund its capital program for infrastructure improvements.

Crowdfunding – The a new lending option that is growing in popularity within the real estate industry, offering flexibility in terms of the amount of placement, choice of timeline and returns, and speed in transaction processing, is predicted to give rise to challenging competition for banks and investment houses that must adhere to stricter government rules and restrictions. Growing interest prompted international real estate investment-banking firm Carlton Group to launch its own crowdfunding website for accredited investors in March. Currently about 70 real estate companies are reportedly using crowdsourcing to solicit investors, out of over 4,300 crowdfunding companies; with real estate boasting a 39% success rate for meeting fund targets in comparison to the overall 18% for all crowdfunding campaigns.

New York City Sustainability – In the wake of Hurricane Sandy in 2012, more aggressive initiatives for improving New York City's sustainability have been prompted with several studies being done to determine both financial and structural feasibility.

- **Seaport City** –. A request for proposal (RFP) of a feasibility study of the Bloomberg administration dubbed "Seaport City"by the collaboration of the New York City Economic Development Corporation (NYCEDC) and the Mayor's Office of Recovery and Resiliency was awarded to engineering firm ARCADIS. Findings within the 90.5-acre study area projected that construction of multi-purpose levees (MPLs) along the coast of Manhattan would be legally feasible within the existing regulatory framework and self-financing.

- **Rebuild by Design Contest** – The contest sponsored by the Department of Housing and Urban Development (HUD) awarded $335 million to Danish design firm Bjarke Ingels Group (BIG) to construct a "living barrier" along the Lower East Side. The estimated 5-year project dubbed "Big U" marks the beginning phase of the city's large scale plan to protect vulnerable neighborhoods across the 5 boroughs. Construction is projected to come at a price tag of $3.9 billion for the barrier that will ultimately extend 10 miles from West 57th Street along the West Side, to E42nd Street along the East Side.

Second Avenue Subway (SAS) – The project that has reportedly been 85-years in the making, began construction by the Metropolitan Transportation Authority (MTA) in 2007; and delivers the first major expansion of New York City's subway system in over 50 years. Upon full completion at an estimated cost of over $17 billion, the 2-track line will add 16 new subway stations, run from 125th Street in Harlem to Hanover Square in Lower Manhattan, and stretch 8.5 miles along the East Side. It was announced in December that the MTA has completed 76% of the work for the $4.45 billion Phase 1, which runs from 105th Street to 72nd Street, as finishing touches to the $332 million, 1,000-foot-long tunnel for the 86th Street station are done. The new line that the MTA predicts will be named the "T" train will significantly decrease the overburdened 4/5/6 trains as well as improve transportation access for the Far East Side of Manhattan.

Bitcoin – The controversial digital payment network that offers a kind of "virtual" money continues to make its way into the news since its emergence in 2009, as its acceptance continues to grow in popularity. Conventionally, the capitalized word "Bitcoin" refers to the technology and network, whereas lowercase "bitcoin" refers to the digital currency. The Bitcoin system which is not controlled by a single entity, like a central bank, has led the U.S. Treasury to call it a decentralized currency; although Bitcoin does not meet the generally recognized definition of a currency. Although the establishment of regulations for Bitcoin is a work-in-progress, the city's Department of Financial Services has proposed a "BitLicense" intended to help regulate Bitcoin and businesses that use it, with the intention of allowing the innovation process to proceed while protecting consumers. Under the proposed licensing, a 2-year transitional license would be granted to Bitcoin startup companies before they're subject to full regulation, thereby facilitating the establishment of their operations. Recent activity of U.S. involvement includes:

Chain – It was announced in August that the San Francisco-based startup that builds Bitcoin applications, closed on $9.5 million in a Series A funding round.

Bitcoin ATM - Manhattan's first Bitcoin ATM launched in August at the West Village vintage store FLAT 128, 15 Christopher Street. ATM manufacturer Lamassu constructed the ATM at a cost of about $5,000, and it will be operated by Bitcoin ATM operator PYC. Currently Bitcoin customers can deposit cash to purchase the digital currency, but future ATM's may also allow the deposit of bitcoins to withdraw cash.

2014 In Review (cont'd)

Bitcoin (cont'd)

PayPal – Web marketplace EBay Inc. announced in September that its global online payment service would begin accepting bitcoins through PayPal's **Braintree** unit which the company purchased in 2013 for $800 million; reportedly opening up the world's 2nd-largest internet network to virtual currency that could potential allow its approximately 152 million registered merchants to accept bitcoin payments. Both PayPal and Braintree will work with digital wallet service provider Coinbase Inc.

Time Inc. –The publisher announced in December that they will begin accepting bitcoins for subscription payment. As the first big U.S. Magazine publisher to step into the virtual currency marketplace, Time will initially offer a pilot program by restricting bitcoin payment to 4-titles — Fortune, Travel & Leisure, This Old House and Health.

Cornell NYC Tech - The engineering school slated for Roosevelt Island to be developed by winning bidders Cornell University and its partner, the Technion – Israel Institute of Technology. The city's Applied Sciences NYC competition held during the Bloomberg administration was an initiative seeking to increase the building or expansion of world-class applied sciences and engineering campuses. It will cost Cornell $2 billion, including $100 million allocated by Mr. Bloomberg. The project has been cited as perhaps one of the most ambitious and forward-looking economic development projects any city has ever undertaken.

Neiman Marcus – The Dallas, TX-based high-end department store committed in September to anchor the 7-story retail complex at co-developers Related Companies and Oxford Properties Group's Shops at Hudson Yards. The 250,000-square foot space at the large multi-building development project will span between 10- and 30 Hudson Yards on floors 5-7; and expected to open in 2018. The anchor deal represents confidence in the Far West Side project and is expected to trigger heightened interest from other high-end retailers.

Foreign Investment – The city's real estate market continues to attract foreign investors. The number of transactions has continued to rise due to developing economic instability of some countries, prompting its affluent people to seek an alternative safe haven to preserve their wealth — further driving the city's real estate values higher. With no slowdown of activity in the near future predicted, concerns of a real estate "bubble" continue to fade, with 2014 boasting several notable transactions including the pending sale of luxury hotel The Waldorf Astoria, 301 Park Avenue (Plaza) for $1.95 billion to Beijing-based Anbank Insurance Group Co. announced in October; and the 70% stake purchase of the large Brooklyn mixed-used development Pacific Park (formerly Atlantic Yards) by Greenland Holdings Group earlier this year.

Hudson Yards – The 5-tower project by co-developers the Related Companies and Oxford Properties Group; and Brookfield Office Properties' multi-building Manhattan West that lies to the east along Tenth Avenue, have triggered a hotbed of development between 10th- and 11th Avenues. The surge in development along the Far West Side has accounted for a significant increase in construction activity that has brought figures to an all-time high according the June report released by the New York Building Congress.

9 Million square feet spread over 9 development sites is anticipated to be delivered between 2013 and 2015; One World Trade Center, 4 World Trade Center, and 10 Hudson Yards accounting for over two-thirds of that figure.

10 Million additional square feet spread over 6 projects is projected to come online between 2016 and 2018; 30 Hudson Yards, 1 Manhattan West, and 2 and 3 World Trade Center leading the way. While anchor tenants and/or construction financing remain pending, necessary approvals as well as sites are either currently ready; or are being prepared for construction to begin. In addition, if approved and financing put in place, SL Green's One Vanderbilt Avenue would increase the figure by an additional 1.6 million square feet; although not currently projected to be complete prior to the end of 2018.

24.5 Million square feet total of new office construction is projected between 2010-2019, compared to the 19.4 million square feet and 10.7 million square feet delivered between 2000-2009 and in the 1990's respectively; although the $24.5 million figure reflects about 50% of the 49 million square-foot high in the 1980's.

2014 In Review (cont'd)

One World Trade Center – The anticipated opening the building finally came on November 3rd, marking a momentous occasion as a small group of employees from anchor tenant Condé Nast setup offices and the building once again took its place within the community.

Fulton Transit Center – The opening of the long awaited transportation hub in Lower Manhattan welcomed its first travelers just one-week following One World Trade Center's opening, currently connecting 9-subway lines that will ultimately see the addition of 2-more, plus seamless connection to the NJ PATH once the Santiago Calatrava-designed World Trade Center Transportation Hub opens in 2015.

3 World Trade Center – Construction of the tower that was temporarily stalled at the 8th floor since the summer due to lack of funding will move forward as a result of the injection of an additional $1.6 billion in construction financing from the successful sale of tax-exempt Liberty Bonds by Silverstein Properties in late November.

Lease Signings: An Impressive roster of large deals

Leasing activity throughout 2014 resulted in 49 leases over 100,000 square feet by mid-December according to industry sources, a figure that may rise before the final hour. While 12.5% below the 2013 figure, the year boasted several impressive deals with the finance, TAMI (technology, advertising, media, information), and professional service sectors accounting for the majority of deals.

Company	Address	Sq. Ftge.	Submarket	Sector	Lease Type
Time Warner	60 Columbus Circle	1,080,000	Midtown	Media	Sale/Leaseback
Credit Suisse	11 Madison Avenue	1,200,000	Midtown South	Finance	Renewal/Downsize
Time Inc.	225 Liberty street	700,000	Downtown	TAMI	Relocation/Downsize
Sony	11 Madison Avenue	520,000	Midtown South	Electronics	Relocation
Blackstone Group	345 Park Avenue	489,495	Midtown	Finance	Renewal/Expansion
Amazon	7 West 34th Street	470,000	Midtown	E-Commerce	Relocation/Expansion
Mount Sinai	150 East 42nd Street	448,819	Midtown	Healthcare	Consolidation
White & Case	1221 Sixth Avenue	440,000	Midtown	Law	Relocation/Expansion
Hudson's Bay	250 Vesey Street 225 Liberty Street	166,000 233,000	Downtown	Retail	Relocation/Consolidation
Weil Gotshal & Manges	767 Fifth Avenue (GM)	388,492	Midtown	Law	Renewal/Downsize
Neuberger Berman	1290 Sixth Avenue	355,000	Midtown	Finance	Relocation/Expansion
Bank of NY Mellon	225 Liberty Street	350,000	Downtown	Finance	Relocation/Downsize

[1]H.R. 4173 (111th): Dodd-Frank Wall Street Reform and Consumer Protection Act – A bill to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.

Sources: http://www.osc.state.ny.us/osdc/rpt9-2015.pdf • http://www.osc.state.ny.us/osdc/rpt11-2015.pdf

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 rose for the first time in 2014 to 6.59% (not seasonally adjusted) at the end of November; in comparison to 6.11% at the end of the 3rd quarter. Year-over-year figures resulted in a 17.31% improvement from the 7.97% rate of November 2013.

- Unemployment on the National level fell to 5.20% at the end of November, lowering 1.39% from the 3rd quarter figure. Year-over-year figures resulted in a 20% improvement from the 6.5% rate of November 2013.

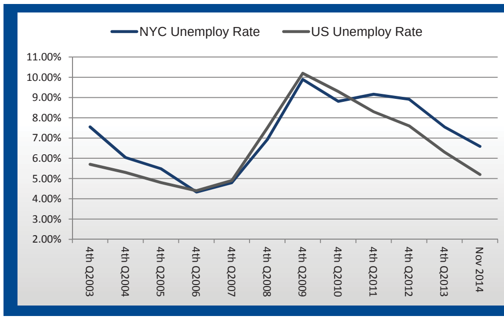
- Employment activity in New York City's private sector resulted in the gain of 170,300 jobs in the 3 month period between August 2014 and November 2014, and a 2.3% year-over-year gain of 81,100 jobs; in comparison to 1.3% and 2.3% year-over-year growth for New York State and the nation respectively. Leisure & Hospitality led the way in private sector job gains, followed by Professional & Business Services. In contrast, the Information sector incurred a 1.26% loss in jobs year-over-year.

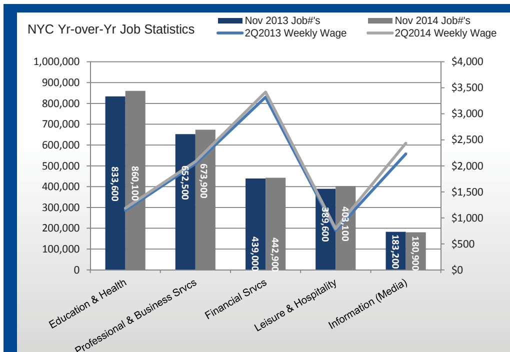
Weekly Wages

Overall weekly wages in New York City averaged $1,732 at the end of the 2nd quarter 2014, representing a positive 3.4% improvement year-over-year according the recent report released by the U.S. Department of Labor. The Information sector boasted the sharpest jump of positive 9.15% year-over-year, in contrast to the Professional & Business Services sector that saw a more moderate increase of 2.06%.

Vacancy for Class A & B office space diminished 3.46% over 3rd quarter's 8.38% figure, resulting in an 8.09% vacancy at the end of the 4th quarter. Midtown South accounted for the strongest quarter-over-quarter improvement and a drop in vacancy of 12.44%. Midtown and Downtown vacancy also declined, but at more moderate rates of 1.89% and 4.10% quarter-over-quarter respectively. Strong leasing activity in Downtown significantly offset the introduction of 1,582,749 square feet as a result of One World Trade Center coming online in November.

4Q 2014	Total	Class A	Class B
Vacancy	↓	↓	↓
Rental Rate	↑	↑	↑
Net Absorption	↑	↑	↑





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

Absorption closed the 4th quarter at positive 1,027,296 square feet, representing a significant slowdown over 3rd quarter's positive 2,181,196 square feet. Both Midtown and Downtown incurring decreased absorption, in contrast to Midtown South seeing a moderate rise.

Rental Rates rose more sharply in the 4th quarter. The overall weighted average asking rent for Class A&B office space of $58.72 per square foot represented a 3.88% increase over last quarter; as compared to 3rd quarter's nominal 0.30% quarter-over-quarter rise. Class A rents accounted for the more significant increase of 3.90%, as compared to the 2.16% for Class B space.

Sources: http://www.bls.gov/schedule/archives/all_nr.htm

Market Snapshot (cont'd)

Despite economic improvements, small business growth in New York City is slow; and although thriving, many are not looking to expand. According to statistics compiled by the Center for an Urban Future located at 120 Wall Street, there was a net gain of 31,421 jobs between 2000-2013 for companies under 5-employees. In contrast, the city's job-creating firms with over 500 employees incurred a 5,022 job loss. The study further revealed that the current number of 247,025 self-employed workers in New York resulted in a 31% increase during the same period; with Brooklyn seeing the greatest number totaling 72,503. The growing trend in New York is reflective of the national trend, with more and more small businesses creating jobs only for the owners; and less seeking to grow into the next big thing.

The high cost of housing in Manhattan continues to prompt an increasing number of people to seek more affordable domiciles within the outer boroughs. This growing shift continues to boost economies across the rivers creating a ripple effect as demand for retail and service jobs increase to fill the needs of the growing number of residents according to a report recently released by the Federal Reserve Board of New York. This ongoing trend has led to the outer-boroughs steadily outpacing Manhattan in private-sector employment growth by 8% between 2007 and 2013, resulting in an overall 11% improvement in the boroughs as compared to Manhattan's moderate 3% figure. In addition, income in the outer-boroughs has risen close to 4-times that of Manhattan's during the same 8-year period.

The success of the outer-boroughs has in part been due to the development of different strengths:

Bronx – The healthcare industry accounts for roughly 87,000 jobs, or more than 35% of borough-wide employment; as well as a slightly higher share of all wage and salary income.

Queens – Anchored by the city's 2 airports, employment growth is predicted to continue as a result of the forthcoming major overhaul planned for LaGuardia Airport and expansions at John F. Kennedy Airport. Queens may also benefit from the development of the Cornell NYC Tech facility on Roosevelt Island that may prompt a flow of tech companies south along the East River. Neighborhoods such as Long Island City and Hunters Point in Queens, as well as the Brooklyn Navy Yard and Industry City in Brooklyn offer lower rent options for tech companies in communities that bring promise of growing revitalization.

NYC Comptroller's Office - 3rd Quarter Report Released

The 3rd quarter 2014 report compiled by the Bureau of Fiscal & Budget Studies presented positive key economic indicators with a surge in venture capital investment, sharp job growth, and steady tourism that is estimated to reach 55.8 million this year significantly accounting for overall economic improvements.

- **Private-sector Employment** boasted a 5.4%[1] annual growth rate of private-sector jobs during the quarter — the sharpest increase since at least 1990; adding 47,000 jobs in the 3rd quarter.
- **City Personal Income Tax** (PIT) withholdings rose to $1.6 billion — the highest 3rd-quarter level ever.
- **Economic Growth** was 4% compared to the national figure of 3.5%.
- **Real Gross City Product** (GCP) grew at the sharpest rate since 3rd quarter 2013 resulting in a 4% annual rate.
- **Venture Capital Investment** in the New York Metro area surpassed $1.7 billion as compared to the year-over-year figure of $0.72 billion.

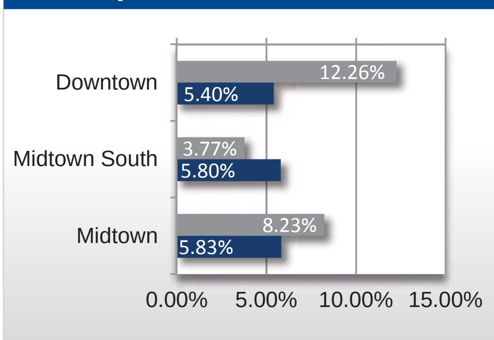
[1] Seasonally adjusted annualized growth rate (SAAR)

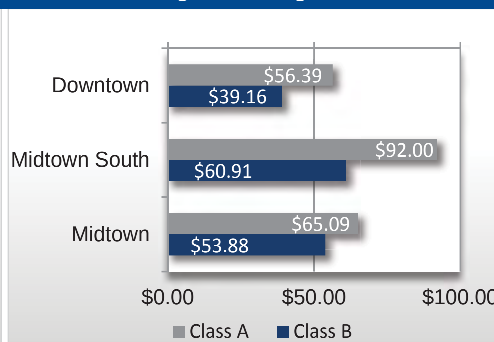
Sources: https://nycfuture.org/pdf/Small-Business-Success.pdf • http://comptroller.nyc.gov/wp-content/uploads/documents/Quarterly_Economic_Update_1114.pdf

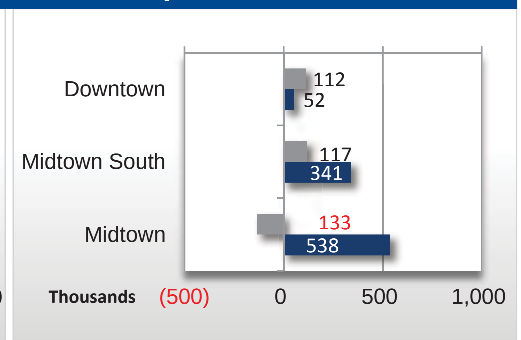
Class A & B Statistics At A Glance

4th Quarter 2014

Vacancy	WTD Average Asking Lease Rent	Net Absorption

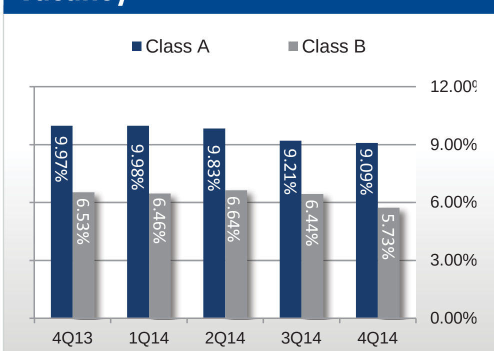


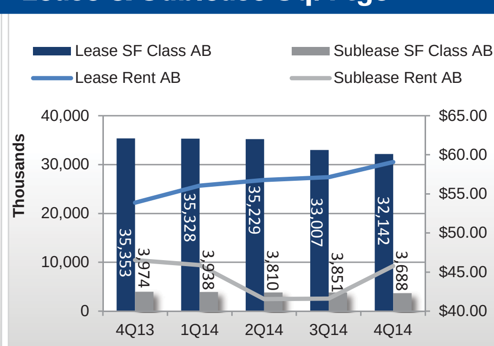


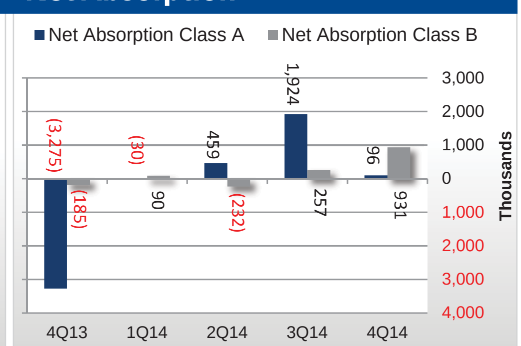


Quarter-over-Quarter

Vacancy	Lease & Sublease Sq. Ftge	Net Absorption

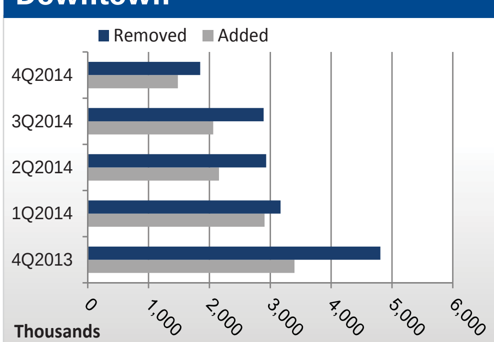


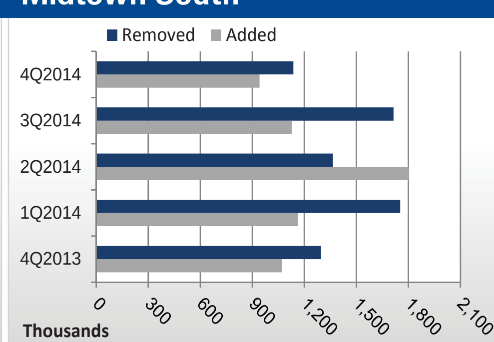


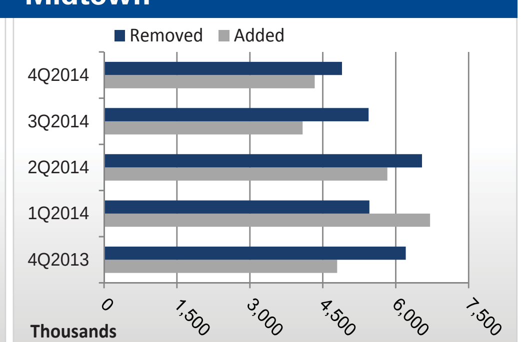


Quarter-over-Quarter Inventory Changes

Downtown	Midtown South	Midtown







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

Submarket Statistics Overview: Class A & B Office

Manhattan	**Inventory**	**Vacant Sq. Ftge.**			**Vacancy Rate**			**WTD Avg Rent PSF**	**Net Absorption**
Submarkets Districts	Total RBA*	Direct Sq. Ftge.	Sublet Sq. Ftge.	Total Sq. Ftge.	Direct Vacancy	Sublet Vacancy	Overall Vacancy	Direct Asking	Year-to-Date Sq. Ftge
Downtown	110,590,976	10,803,369	832,792	11,636,161	9.77%	0.75%	10.52%	$53.38	699,925
City Hall	14,746,021	832,022	280	823,302	5.64%	0.00%	5.64%	$50.79	28,030
Financial District	41,846,828	3,438,181	437,063	3,875,244	8.22%	1.04%	9.26%	$44.67	37,855
Insurance District	12,174,526	625,889	1,170	627,059	5.14%	0.01%	5.15%	$39.16	165,305
TriBeCa	6,647,455	203,073	122,500	325,573	3.05%	1.84%	4.90%	$67.00	67,913
World Trade Center	35,176,146	5,704,204	271,779	5,975,983	16.22%	0.77%	16.99%	$65.71	400,822
Midtown South	60,721,085	2,823,195	399,734	3,222,929	4.65%	0.66%	5.31%	$66.31	1,057,955
Chelsea	10,417,320	197,539	15,743	213,282	1.90%	0.15%	2.05%	$58.40	224,687
Flatiron	22,142,819	1,499,077	202,810	1,701,887	6.77%	0.92%	7.69%	$70.13	-27,409
Gramercy Park	10,288,334	513,308	20,461	533,769	4.99%	0.20%	5.19%	$58.77	480,145
Greenwich Village	4,536,399	218,501	0	218,501	4.82%	0.00%	4.82%	$58.57	352,137
Hudson Square	9,393,521	310,260	147,870	458,130	3.30%	1.57%	4.88%	$58.00	24,782
SoHo	3,942,692	84,510	12,850	97,360	2.14%	0.33%	2.47%	$69.82	3,613
Midtown	271,334,458	18,515,568	2,455,942	20,971,510	6.82%	0.91%	7.73%	$63.07	1,737,838
Columbus Circle	32,157,669	1,182,356	362,470	1,544,826	3.68%	1.13%	4.80%	$62.51	1,400,033
Grand Central	52,853,745	5,203,894	458,760	5,662,654	9.85%	0.87%	10.71%	$61.20	-22,522
Murray Hill	11,228,514	484,323	96,073	580,396	4.31%	0.86%	5.17%	$50.74	243,045
Penn Plaza/Garment	46,500,913	2,765,139	341,074	3,106,213	5.95%	0.73%	6.68%	$56.86	494,083
Plaza District	80,762,913	5,388,098	728,001	6,116,099	6.67%	0.90%	7.57%	$66.47	-349,044
Times Square	44,268,129	3,475,184	469,564	3,944,748	7.85%	1.06%	8.91%	$68.71	-37,710
U.N Plaza	3,562,575	16,574	0	16,574	0.47%	0.00%	0.47%	$57.93	25,339
Grand Total	**442,646,519**	**32,142,132**	**3,688,468**	**35,830,600**	**7.26%**	**0.83%**	**8.09%**	**$59.08**	**3,495,718**

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

Leasing Trends

New Construction Widens Rent Gap of Overall Asking Figures

Industry sources are seeing a widening gap in the average asking rents amongst Midtown Manhattan's top-tier office inventory and the submarket's overall average asking prices which are escalating at a sharper rate, particularly amongst the newest Class A buildings. A compilation of 3rd quarter deals resulted in figures that were twice the overall average, as compared to only about 60% during the previous market peak in 2007. A similar gap appears in the other 2 major commercial real estate markets, but not as significantly — Midtown South seeing a 50% differential, and Downtown about 15%.

Rents continue to maintain a moderate,but steady upward trend as landlords continue to offer concession packages, reducing tenant's net effective rent. Average concessions reportedly noted by some sources for the 3rd quarter:

Midtown – just under 9%

Midtown South – just under 8%

Downtown – just over 10%

Rent concessions are being further sweetened by a growing list of tenant amenities that at one time were only offered in residential buildings. Major landlords are reportedly boosting expenditure to create everything from gymnasiums to roof terraces. As the 9-to-5 workday and 40-hour week become obsolete, landlords are looking to create a more comfortable work environment to retain and attract new tenants.

- **75 Rockefeller Plaza** – RXR Realty's over $130 million renovation at the building is expected to include the conversion of several underused terraces into outdoor lounges.
- **635-641 Sixth Avenue** – SL Green recently added a rooftop bocce court as part of renovations completed this year.
- **510 Madison Avenue** – Macklowe Properties had built a swimming pool and health club into the concourse and ground levels of the building that is now owned by Boston Properties.


635-641 Sixth Avenue - Rooftop Rendering

- **125 Maiden Lane** – The Rockefeller Group built an exercise room and a 6,000-square-foot roof deck.
- **220 East 42nd Street** – SL Green is reportedly bringing a live/work concept to the former Daily News Building.
- **285 Madison Avenue** – The $65 million renovation by RFR Realty will include the addition of a gym, lounge and restaurant.
- **Empire State Building, 350 Fifth Avenue** – The Empire State Realty Trust (ESRT) added a 15,000-square-foot fitness center and restaurants on the concourse and ground levels as part of a $550 million renovation that is nearing completion.

Even some of the smaller properties are joining the trend, exemplified by Caspi Development's addition of a rooftop lounge at **161 Bowery** that will include a refrigerator designed to hold a beer keg.

Office Suite Demand Continues to Rise

As the number of entrepreneurs and startups with finances that don't provide solid credential to obtain traditional leases escalates, the demand for office suites continues to flourish; exemplified by the ongoing expansion of companies such as Regus and WeWork.

4 World Trade Center – In response, Silverstein Properties is reportedly considering an expansion of its Silver Suites division that was launched 2-years ago at the firm's **7 World Trade Center.** The successful venture would take an entire floor in the recently opened 4 World Trade Center, opening the door to establishing relationships with potential tenants of the future.

530 Seventh Avenue – A recent deal at Savitt Partners' Garment district building further exemplifies office suite installation potential. Empire & Branch, a fashion marketing firm in the building's Space530 — a $2.50 million co-working installation that converted the entire 2nd floor's 30,000 square feet into a new office space that offered soaring 20-foot ceilings, a mezzanine, conference rooms, and a coffee bar. The start-up company, having established enough financial credential, has now graduated from the co-work space location to a 5-year lease for 3,800 square feet on the building's 3rd floor.

One World Trade Center – The Port of Authority of NY & NJ (PANYNJ) was scheduled to vote by the end of the October on the expansion of the Durst Organization's pre-built program implemented on the 45th and 46th floors of the tower. The $21 million initial phase offers available space of 1,777-8,590 square feet; and provided multi-tenant uses for 3 other floors. If approved, the additional $23.5 million investment would provide for one-full additional floor to be divided into spaces under 20,000-square-feet; and multi-tenant renovations on 10 floors in the building with 32,000-48,000-square-foot floor plates. Recent lease signings by finance firm BMB Group, 2,191 square feet; Legends Hospitality LLC, 4,759 square feet, Cushman & Wakefield, 10,222 square feet, and Westfield Corp, 12,000 square foot further exemplify the success of the program.

1 World Trade Center - Prebuilt Rendering

New Jersey Incentives Challenges New York City Tenant Retention

New Jersey continues to reach across the river in ongoing efforts to lure firms away from Manhattan, offering significant tax credit incentives in addition to comparatively new infrastructure and lower energy costs, making the Garden State more attractive; and while the city has had success in retention, there have been losses as exemplified by the December announcement that apparel company **Charles Komar & Sons**, currently headquartered at 16 East 34th Street (Midtown East), recently signed a lease to relocate into approximately 159,000 square feet across the Hudson at 90 Hudson Street, Jersey City. The deal will see the company vacate up to 3 Manhattan locations, pending decisions of whether or not to retain a showroom in the city. Charles Komar reportedly received $37 million in tax credits that reduced the $30 per square foot rent to about $10. The modern, state-of-the-art Jersey City building is located just 2-blocks from the Exchange Place PATH station, making it a short trip into Herald Square.

The **Bank of New York Mellon** (BONY) was reportedly in discussions for a possible lease across the Hudson at 70 Hudson Street in Jersey City with nearly $100 million worth of tax credits being offered by the New Jersey Governor; ultimately deciding to remain in Manhattan, signing a 350,000-square-foot lease at 2 Brookfield Place, 225 Vesey Street in June.

Leasing Activity

Lease Deals To Watch For

Bank of America / 1133 Sixth Avenue (Times Square) – The North Carolina-based bank is reportedly in late-stage negotiations to expand their existing footprint of about 90,000 square feet on the upper floors at the tower, to over 240,000 square feet if a lease is signed. The deal would see the bank absorbing about 150,000 square feet of the over 285,000 square feet spread across entire floors 2-10 that the Internal Revenue Service (IRS) will be vacating upon the soon-to-be expiration of their lease. The announcement during the summer of online retailer Amazon in discussions to lease the entire IRS block of space broke down, shifting further east and signing a deal at 7 West 34th Street in December.

Skadden Arps Slate Meagher & Flom LLP / 1 Manhattan West (Hudson Yards) – Although details of the lease were not disclosed, it has reportedly been confirmed by both Skadden Arps and Brookfield Property Partners that the law firm has signed a letter of intent (LOI) to move into the planned 2 million-square-foot tower located on Ninth Avenue and West 33rd Street through a 20-year lease. Brookfield began construction of the deck that will lie above the rail tracks, serving as a sort of foundation for the building. The deal will see Skadden Arps vacating their current offices of approximately 644,671 square feet at 4 Times Square (Times Square) in the Spring of 2020; having been a tenant since 2000.

WebMD / 395 Hudson Street (HudsonSquare) – The online health information and news provider is reportedly nearing a deal to sublease 147,670 square feet at the building from sublandlord Kaplan Test Prep, a division of Fort Lauderdale, FL-based Kaplan Inc. The space has a remaining term of April 2024, and spans the entire 3rd floor's 84,300 square feet plus 63,370 square feet for the majority of the 4th floor. Asking rents at the building have reportedly risen to $72 per square foot. A deal would result in WebMD's relocation from Google's building at 111 Eighth Avenue (Chelsea-MaPa), vacating about 100,000 square feet that is due to expire towards the end of 2015.

Touro College / 500 Seventh Avenue (Penn Plaza-Garment) – The Jewish-sponsored private college is reportedly in advanced talks to lease an additional 230,000 square feet, on top of a 2-floor, 57,000-square-foot deal signed in December, at the 606,708-square-foot tower.

Large Vacancy on the Horizon

American Express Publishing Magazine Group / 1120 Sixth Avenue – Co-owners Edison Properties and Edison Investment Advisors are planning to invest $15 million in upgrades of over 100,000 square feet spread across as many as 10-floors at the Hippodrome Building. The large block of space is set to become vacant within the next 2-years for the first time in close to 35-years, in part due to American Express selling all 5 of its magazine titles to Time Inc. in 2013; which are expected to relocate upon lease expiration at the end of the year to Time's new offices at Brookfield Place, 225 Liberty Street.

Large Blocks of Space that became Vacant in the 4th Quarter

1 Liberty Plaza (Downtown/World Trade Center) - 145,350 square feet became vacant during the quarter as a result of **Scotiabank** relocating to 4 Brookfield Place, 250 Vesey Street.

One World Trade Center (Downtown/World Trade Center) - 1,582,749 square feet of new inventory was introduced during the quarter as a result of the tower coming online in November.

237 Park Avenue (Midtown/Grand Central) - 235,861 square feet as a result of space vacated by cosmetic firm Revlon upon relocation to 1 New York Plaza; and 131,485 square feet vacated by publisher Hachette Book upon relocation to 1290 Sixth Avenue.

Leasing Activity

Large Blocks (cont'd)

4 Times Square (Midtown/Times Square) - 800,000 square feet as a result of Condé Nast relocating to One World Trade Center. The entire relocation will be done in phases throughout the year. The Port Authority of NY & NJ (PANYNJ) agreed to buyout the publisher's remaining term that runs through 2019 for approximately $200 million as part of the relocation deal.

299 Park Avenue (Midtown/Plaza) - 147,559 square feet representing the residual sublease space being marketed by Swiss bank UBS; having downsized to 130,000 square feet at the tower. The original sublease offering of approximately 382,000 square feet, with a term that runs through April 2018, was diminished as a result of a direct lease negotiated with the Landlord towards the end of 2013 by Capital One Bank for about 250,000 square feet in a 15-year deal.

Notable Move-ins

4 Brookfield Place, 250 Vesey Street (Downtown/World Trade Center)

- **District Attorney of New York** - 111,334 square feet.
- **New York Organized Crime Drug Enforcement Strike Force** (DEA) - 56,859 square feet, relocating from 85 Tenth Avenue.

25 Broadway (Downtown/World Trade Center)

- Teach for America (TFA) - 172,775 square feet in an 18-year deal, consolidating offices at 315 West 36th Street and 519 Ninth Avenue.
- We Work - 42,371-square-foot expansion of the company's existing 86,322 square feet leased in 2013.

4 World Trade Center (Downtown/World Trade Center)

- **Port Authority of NY & NJ** (PANYNJ) - 800,000 square feet. The PANYNJ is expected to sublease a portion of the space, issuing a request for proposals (RFP) in November 2013. The agency will be consolidating offices, relocating from over 322,000 square feet at 115 Broadway (World Trade Center), of which online media site BuzzFeed will absorb about 50% as a result of a lease deal in December; and over 375,000 square feet at 225 Park Avenue South (Flatiron) which will undergo a complete overhaul by landlord Orda Management upon being vacated by the agency.
- **The City of New York, Human Resources** - 582,000 square feet.

114 Fifth Avenue (Midtown South/Flatiron)

- **First Look Media** - 58,062 square feet in a 10-year deal, relocating from 162 Fifth Avenue.
- **AKQA** - 40,000 square feet, relocating from 175 Varick Street.
- **Mastercard** - 57,978 square feet in a 10-year, 10 month deal at a base rent of $70 per square foot.

708 Broadway / 402-408 Lafayette Street (Midtown South/Greenwich Village) - **New York University** - purchased the vacant 2-building portfolio totaling 164,721 square feet after plans to redevelop the properties into a hotel were abandoned by the partnership of Chetrit Group and King & Grove.

330 West 34th Street (Midtown / Penn Plaza)

- **New York & Co.** - 185,000 square feet, relocating from 450 West 33rd Street as a result of negotiating an early termination of approximately 6 months early.
- **Yodle** - 85,000 square feet in a 10-year deal, relocating from 50 West 23rd Street.

1221 Sixth Avenue (Midtown / Times Square)

- **Mayer Brown LLC** - 186,804 square feet in a 15-year deal, relocating from 1675 Broadway.
- **MUFG Union Bank, N.A.** - 209,710 square feet, consolidating multiple offices including 1251 Sixth Avenue and 1633 Broadway.

Submarket ReCap: Midtown

Third Avenue Corridor Leasing Activity on the Rise

Signs of a rebound are developing for the Third Avenue corridor, in part due to the overall improving strength of the city's office market, where leasing activity has struggled in recent years. Typically regarded as a value alternative for tenants seeking space in Midtown, the corridor's tenant base is becoming more diversified, adding some creative, technology, and private finance companies to its predominantly law firms, accounting, and advertising constituency. The uptick in deals is further exemplified by the Lipstick Building, 885 Third Avenue (Plaza) where lackluster leasing activity over the last few years prompted ownership to reposition full floors into smaller pre-built units of 3,500-5,500 square feet; but is now seeing an increasing demand for larger, full floor 19,000-square-foot space.

Midtown		Class A and B
Vacancy	↓	7.73%
Rental Rate	↓	$62.70 per sq. ft.
Net Absorption	↑	404,604 sq. ft.

Large relocations over the last year:

Sumitomo Corporation of America / 600 Third Avenue (Grand Central) – The U.S. arm of the Japan-based asset manager vacated 74,000 square feet upon relocation to 98,454 square feet at 300 Madison Avenue (Grand Central).

Neuberger Berman / 605 Third Avenue (Grand Central) – The finance firm will be vacating 271,875 square feet when the finance firm relocates to a 355,000-square-foot office at 1290 Sixth Avenue.

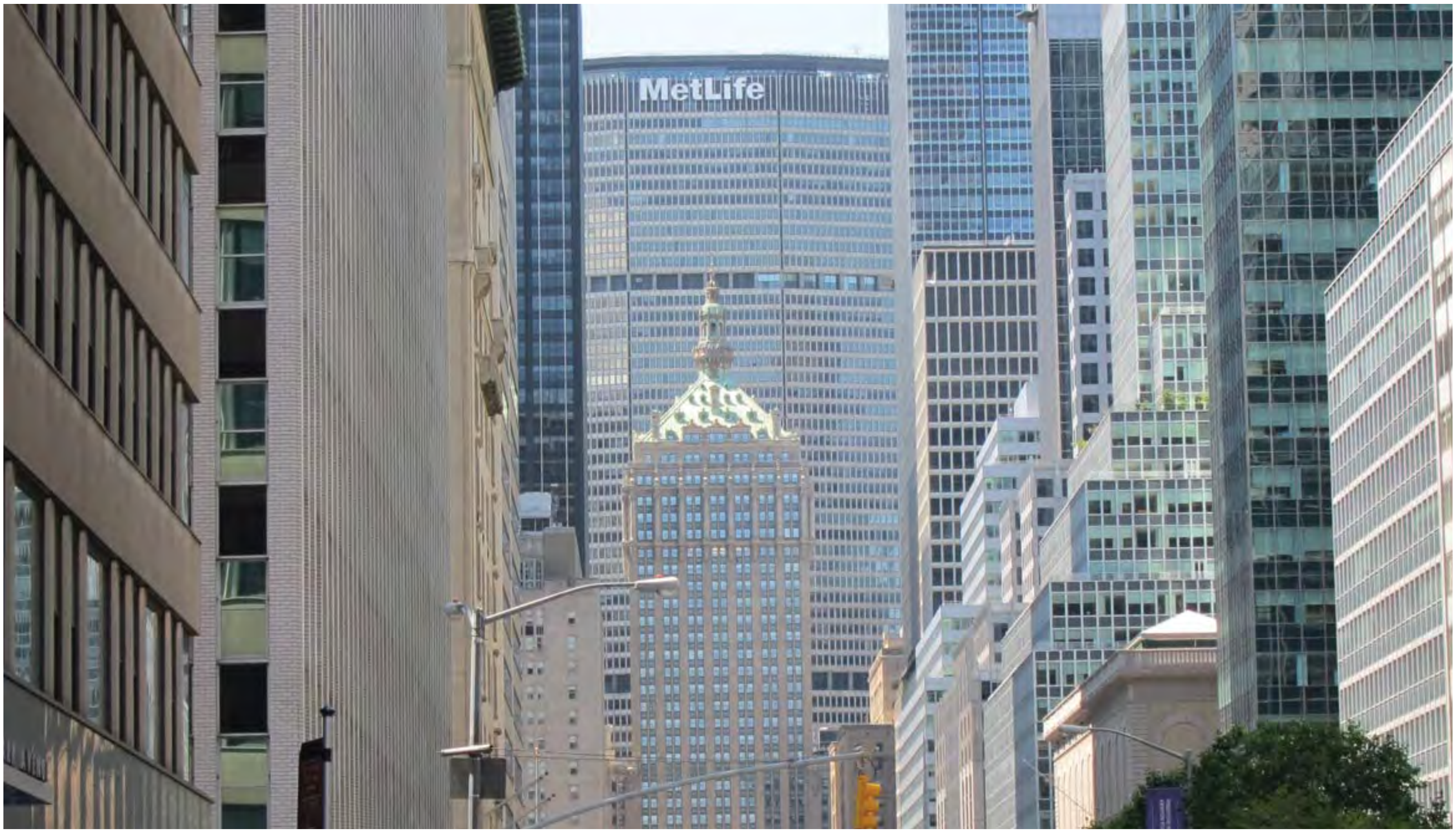
To further draw tenants to the corridor, some landlords have invested in significant capital improvements:

757 Third Avenue – RFR Realty LLC invested $10 million to revamp and reposition the 510,000-square-foot building upon professional services company KPMG, LLP vacating about 180,000 square feet in 2012. The building is currently over 96% occupied.

685 Third Avenue – TIAA-CREF invested $190 million upon purchasing the building in 2010 from pharmaceutical company Pfizer Inc. The building is currently over 72% leased.

Notable deals along the corridor over the last year:

Schultze Roth & Zabel / 919 Third Avenue (Plaza) – The law firm signed an early renewal for 284,000 square feet on entire floors 19-27 of its current footprint of about 350,589 square feet; further exemplifying the developing trend of law firms rethinking economics and reducing office sizes. The deal will add 15-years to the firm's current lease expiration in 2021, while locking in rents that continue to moderately climb at current rates that reportedly range from $50-$60 per square foot. The building owned by the Rockefeller Group is currently undergoing a major capital improvement program that upon completion in 2015 will be awarded the designation of LEED-EB Certification by the U.S. Green Building Council.



Submarket ReCap: Midtown (cont'd)

Third Avenue - Notable Deals (cont'd)

EisnerAmper / 750 Third Avenue (Grand Central) – The accounting firm signed an 8-year renewal for 150,000 square feet, expanding their footprint by 12,000 square feet.

Grant Thornton / 919 Third Avenue (Grand Central) – The tax and advisory services firm relocated within the corridor through a 130,357-square-foot deal that resulted in 103,486 square feet being vacated at 666 Third Avenue (Plaza) upon relocation.

NYC Empire State Development / 633 Third Avenue (Grand Central) – The government agency singed a 10-year renewal of its 104,200-square-foot office.

Troutman Sanders / 875 Third Avenue (Plaza) – The law firm signed a 15-year deal for 87,126 square feet. The company will diminish its footprint by over 57,000 square feet upon the expected 2015 relocation from 405 Lexington Avenue (Grand Central).

Navigant / 685 Third Avenue (Grand Central) – The global professional services firm signed a 10-year, 72,060-square-foot lease allowing a consolidation of multiple Midtown locations.

Lease Deal Highlights - 4th Quarter

JPMorgan Chase / 450 West 33rd Street (Penn Plaza) – The banking giant signed a 10-year lease for 123,000 square feet spread across the entire 9th floor at the building that has been rebranded as 5 Manhattan West, abandoning earlier considerations to relocate from the bank's current east side locations at 270 Park Avenue and 383 Madison Avenue; or more recently, to build 2-new towers in the Hudson Yards. The banking giant's exploration for a possible relocation brought them back home according to the late October announcement, and the decision to remain in their current East Side locations.

Like several other financial institutions, JPMorgan has been significantly shrinking its presence in the city over the last year, which sources feel signals the unlikelihood of its payroll increasing in the future:

- Selling 1 Chase Manhattan Plaza (FiDi) last year, shifting about 2,000 employees to buildings they own in Brooklyn's Metro Tech;
- Planning to relocate technical and operational employees to lower cost locations such as Delaware and New Jersey;
- Expanding its technology and operations hub in Jersey City by 1,000 jobs after receiving significant tax breaks from the state.

Submarket ReCap: Midtown (cont'd)

Lease Deal Highlights (cont'd)

Amazon / 7 West 34th Street (Penn Plaza) – After a 2-year search, the Seattle, WA-based online retailer signed a lease for 470,000 square feet in a 17-year deal at the building that is located just behind the Empire State Building, reportedly absorbing the entire office component to be used as corporate space. The deal included $5 million in tax credits from the NYS Excelsior Jobs Program[1] based upon the terms that the company creates 500 new jobs.

Amazon intends to sublease the ground floor retail to other tenants, despite rumors in October that the company would operate a storefront which would function as a mini-warehouse, with limited inventory for same-day delivery within New York, product returns and exchanges, pickups of online orders, and possibly a showcase for the company's devices. July had brought news of discussions to lease 285,582 square feet at 1133 Sixth Avenue (Times Square), but negotiations broke down in early November. As a result of the signing, Amazon will be vacating about 92,500 square feet at 1350 Sixth Avenue (Plaza) that will reportedly be expiring towards the end of 2015.

WeWork / 205 East 42nd Street (Grand Central) – The co-working office space provider will be opening the company's first Midtown location as a result of a 125,000-square-foot lease at the Durst Organization-owned tower, in a deal that exceeded October news of an anticipated 60,000 square feet. The 15-year deal at a reported average asking price of $58 per square foot will span 7-floors, including the building's 21st-floor penthouse that boasts access to an outdoor space; bringing the total of Manhattan locations to 12 for the rapidly growing firm that was founded in 2010. Now at 100% occupancy, the building had initially struggled to fill the large vacancy left by pharmaceutical company Pfizer Inc. when they vacated over half the building in 2010.

Tremor Video / 1501 Broadway (Times Square) – The digital web video firm signed a 10-year relocation deal for 50,965 square feet at the building which has recently completed a $50 million renovation. The space will span the entire 8th floor, and boasts 20-foot ceiling heights. Relocating from 53 West 23rd Street (Flatiron), the move will see the company more than tripling its footprint, expanding from 16,000 square feet.

Bloomberg L.P. / 731 Lexington Avenue (Plaza) – The financial information and media company signed a 5-year renewal of its 188,608-square-foot space owned by the real estate investment trust (REIT) Alexander's, Inc., which was due to expire 2015. Building landlord Vornado Realty Trust owns a 32.4% interest in the REIT that formerly housed Alexander's flagship location at the tower. Revenues generated by the lease account for about 45% of Alexander's total revenue of the 6 properties owned in the greater New York metropolitan area; generating $67.5 million in the first 3-quarters of 2014.

Sportswear Holdings Ltd / 9 W 57th Street (Plaza) – The private equity firm leased a 20,000-square-foot duplex office at the Sheldon Solow tower at rents that exceed $200 per square foot; taking 5,000 square feet on the building's top 50th floor and 15,000 square feet on the 49th floor. The deal comes following the company's recent sale of its founding share stake of 5.7% in fashion brand Michael Kors for about $890-$900 million.

The Sixth Avenue corridor has seen an uptick in leasing activity, notable deals this quarter include:

1133 Sixth Avenue – The piano manufacturer Steinway leased 40,000 square feet having sold its building at 111 West 57th Street known as Steinway Hall for a developer last year.

1251 Sixth Avenue

- **Sumitomo Mitsui Trust Group** — One of the largest asset managers in Japan, the company leased 45,838 square feet on the entire 22nd floor at the 54-story tower where asking rents reportedly range $85 per square foot on the lower levels; and in the low-$100's at the top.
- **Bernstein Litowitz Berger & Grossmann** – The law firm leased 51,200 square feet in a deal that will see the firm relocate from 1285 Sixth Avenue (Columbus Circle); the asking rent was reportedly in the $90s.

1211 Sixth Avenue

- **Nordea Bank** — The Scandinavian-based financial institution leased 42,000 square feet on the entire 23rd floor in a deal that will see the bank relocating from 437 Madison Avenue (Plaza).
- **RBC Capital Markets** — The investment banking arm of the Royal Bank of Canada signed an extension and expansion deal, increasing their footprint at the building by15,000 square feet for a total of 63,000 square feet.

1221 Sixth Avenue – Mitsubishi-owned MUFG Union Bank, N.A. signed a lease for 209,700 square feet that will span entire floors 6-8 at the building located along the 6th Avenue corridor. The deal will see the bank consolidate locations including 1251 Sixth Avenue and 1633 Broadway into the space formerly occupied by French financial company Société Générale which relocated to 245 Park Avenue (Grand Central) last year.

[1] NYS Excelsior Jobs Program is an incentive-based tax credit that encourages companies to create new jobs in New York

One Vanderbilt Signs Anchor Tenant

Toronto-Dominion Bank (TD Bank) / One Vanderbilt, 317-325 Madison Avenue aka 33-49 East 42nd Street (Grand Central) – The Canadian financial firm agreed to lease about 200,000 square feet as anchor tenant in SL Green's planned redevelopment project that is expected to deliver in 2020. The deal, which includes a flagship retail space in addition to a sizable office, will allow the bank to consolidate citywide offices. Currently headquartered in Cherry Hill, NJ, the bank made its New York City debut in 2001 with the opening of its first branch, and now boasts 124 citywide locations.

SL Green was bale to jump ahead of the planned 7-month Uniform Land Use Review Procedure (ULURP) approval process for the city administration's Phase 1 rezoning of the 5-blocks along the Vanderbilt Avenue corridor that was certified in October by the Department of City Planning. Permission was received to build a tower twice the size currently permissible for the block with the provision that the REIT invest $210 million in subway and pedestrian passageway improvements to alleviate anticipated increased congestion. Currently still undergoing approvals from URLURP — expected to be completed mid-2015, it is anticipated that the TD Bank deal should further assist the process. The lease signing that comes 5 years in advance of the estimated 2020 delivery of the project re-emphasizes the importance of the broader Midtown East Rezoning proposal, and the need for new, modern and efficient office space in the neighborhood.

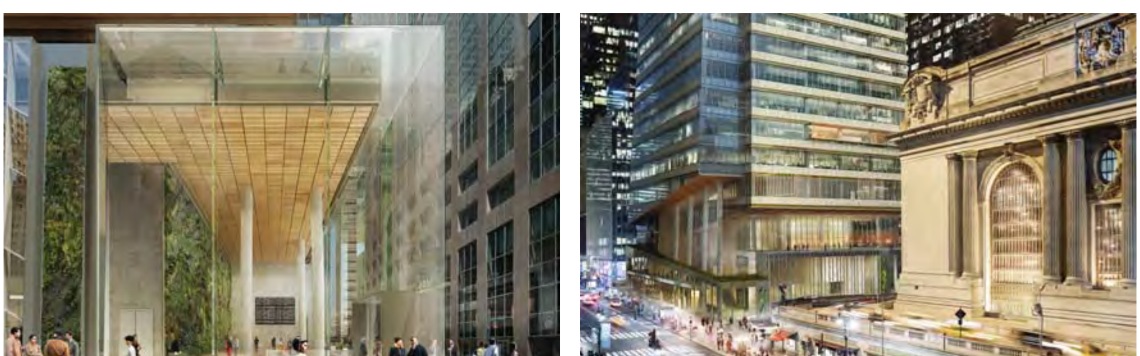

One Vanderbilt - Rendering

In preparation for demolition that could start as early as late spring 2015, some retailers will be vacating stores situated within the project's area that spans an entire city block between 42nd and 43rd Streets. Amongst the list, sporting goods retailer Modell's will be vacating its 14,000-square-foot outpost of 25-years at 51 East 42nd Street upon lease expiration in late February; independent book-seller Posman Books located in the lower concourse of Grand Central Station; as well as shoe wear company Easy Spirit, clothing store Conway, and Annie Moore's Irish Pub.

The Project Continues to Face Headwinds

However, the project and the Vanderbilt Avenue corridor rezoning have both met with strong challenge from Grand Central Station owner Argent Ventures, due to claims that SL Green was able to avoid purchasing any of the transportation hub's 1,285 feet of air rights as a result of the proposed Phase 1 rezoning which will allow the tower to rise about 672 linear feet above current zoning allowances without requiring the purchase of any additional development rights.

Argent reportedly purchased the 170,000-square-foot terminal and 82 miles of track for $80 million in 2006; and the air rights that came with the terminal that were purchased for about $61 per square foot, could fetch as high as $600 per square foot in today's market according to ownership. Based upon the $600 figure which was attributed to an appraiser's pending study of the terminal's air rights — reportedly about 44% higher than last year's $415 per square foot appraised figure, the cost for the estimated 537,000 square feet of additional development rights that the One Vanderbilt project would have required equates to about $322 million in value.


One Vanderbilt - Renderings

One Vanderbilt (cont'd)

September brought news of Argent Ventures' offer to take over the approximately 1.3 million-square-foot project from the New York-based REIT for $400 million; but has been dismissed.

October revealed full details of SL Green's $210 million subway and pedestrian upgrade proposal which is required to be completed prior to any tenants occupying the new 67-story tower. Cost estimates were prepared over a 17-month period by engineering firm Parson Brinckerhoff in conjunction with the Metropolitan Transportation Authority (MTA); and Tishman Construction Corp. and engineering firm Stantec provided additional consultation.

- 75% of improvements will go towards the 4,5,6 Lexington Line
- $139 million to be spent on platforms for 4, 5, and 6 subways and the connecting spaces
- $47 Million to improve circulation on the mezzanine level
- $37 Million on a new staircase underneath the Grand Hyatt Hotel
- $27 Million to narrow the existing staircases connecting the platform to the mezzanine
- $14 Million to replace a street entrance to Lexington Avenue
- $7.3 Million to reopen the long-shuttered "Mobil passageway" underneath the former Mobil building, 150 East 42nd Street
- $5.3 Million to construct a staircase to the mezzanine under 125 Park Avenue

In addition, SL Green has committed to invest in improvements to the Times Square shuttle and the East Side Access project to bring the Long Island Railroad to Grand Central that is still under construction:

- $16 Million to connect One Vanderbilt to East Side Access
- $15 Million on shuttle improvements
- $18 Million on a new "intermodal connection" that will run under One Vanderbilt
- $9.8 Million on a "waiting room" for the LIRR in the atrium of One Vanderbilt
- $11 Million (close to) on a public plaza on Vanderbilt Avenue

Looking Ahead - Vanderbilt Corridor Rezoning Proposal

While impending passage of the Phase 1 Vanderbilt Corridor rezoning proposal will help lead the way towards the broader rezoning of Midtown East, observers will be watching to see if the proposal is amended due to pressure by the Grand Central landlord partnership to include purchase of some of Grand Central Terminal's unused air rights; as well as the timing and extent of transit upgrades included in the provision that has given the increased density authorization for SL Green's project. Manhattan Community Boards (CB) 5 and 6 faced a December 29th deadline to submit a recommendation before the proposal can move forward for further review by the borough president, the City Planning Commission, and its final vote in the City Council. However, a recent news announcement anticipates a vote against the project by the preliminary combined CB 5/6 task force, due to objections about the location of the new public entrance to Grand Central Station; and dissatisfaction with its goals for LEED certification, changes which developer SL Green has reportedly noted as not currently feasible.

Area properties that could benefit from the Phase 1 passage would include the landmarked 1.295 million-square-foot **Helmsley Building**, **230 Park Avenue**, which was introduced to the market in October at an asking price of $1.4 billion ($1,158 per square foot) by the partnership of Monday Properties, Invesco, and South Korea's National Pension Service. The rezoning would raise floor-area-ratio (FAR) along the 5 block corridor from 21.6 to 30, benefitting a purchaser with the bonus of 81,538 square feet of additional air rights; which could reach up to 219,846 square feet if combined with unused air rights from neighboring 237 Park Avenue.

Potential buyers for the air rights could be the winning bidder of 99-year lease being offered by the MTA for the redevelopment of their headquarters buildings at **341, 345 and 347 Madison Avenue** that currently allows for a 375,575-square-foot project; or 753,130 square feet if Phase 1 rezoning is approved.

Submarket ReCap: Midtown South

Building Lobbies Take on a Creative Tone

An emerging trend has revealed a shifting away from a big corporate presence in the lobbies of some of Midtown South's office buildings, towards an aesthetic that is more engaging with its tenant community; adding almost a cultural component to the building's amenities. As the submarket's landlords continue to heighten the creative appeal of its TAMI-dense tenant base, lobbies which create a first impression have become a more significant factor in attracting the next generation of tenants.

Midtown South		Class A and B
Vacancy	↓	5.31%
Rental Rate	↑	$66.21 per sq. ft.
Net Absorption	↑	457,965 sq. ft.

915 Broadway (Flatiron) – A rotating art exhibit within the building's new 2-story lobby has been implemented as part of a $10 million renovation by ABS Partners Real Estate, LLC.

19 West 24th Street / 13 West 27th Street / 45 West 27th Street (Chelsea) – Glass-enclosed elevators that allow views of displayed art on each floor; and lobby walls with computerized wooden fins that create optical illusions as part of a capital improvement program that is in-progress at the 3-buildings formerly part of the F.M. Ring Portfolio. The Kaufman Organization purchased the 99-year net lease from Extell Development earlier this year.

2 Park Avenue (Murray Hill) – An urban square concept with retail-style display cases was implemented to feature beauty products in the lobby of tenant Coty, in addition to a home-like feel of the reception area which leads into the company's kitchen and living room.

210 Eleventh Avenue (Chelsea) – An exhibition installation dubbed "Reflections of New York" features a collection of photography, collages, and mixed media works by young artists from the city's public schools.

350 Hudson Street (Hudson Square) – The installation currently in progress will create an open flowing reception area that will lead directly to the café, conference center, and rooftop area for the office of cloud-based clinical development solutions provider Medidita Solutions.

Flatiron, TAMI Tenants, and Co-Working Space Providers Create a Good Recipe for Deals

Technology tenants continue to fill the office spaces in Midtown South's Flatiron District, drawn to the open, loft-style buildings that are akin to the creative tenant aesthetic and the proximity to other like-minded companies, as well as 9 venture capital firms. Leading the way this year is **11 Madison Avenue** with the 520,000-square-foot relocation of electronics company **Sony** that is expected to move in 2016; and the 151,200-square-foot lease by online review site **Yelp**, adding their names to the roster of digital and startup companies in the district that according to the Made in NY Digital Map totals about 300. The growing concentration of startup companies and the need for flexible and affordable space has prompted several co-working space providers to establish office centers in the Flatiron, and the newest arrival of **The Yard** brings the district's roster to a count of 18.

Lease Deal Highlights - 4th Quarter

U.S. Drug Enforcement Administration (DEA) / 99 Tenth Avenue (Chelsea-MePa) – The New York division of the federal law enforcement agency signed a 15-year renewal in May of its 570,000 square feet spread across the entire 10 floors of the building. The complex deal reportedly took a few years to finalize, and the new lease will take effect in 2016, having been a tenant at the building since 1991. The DEA will pay an aggregate rent of $341.9 million over the term of the renewal signing.

Google / 85 Tenth Avenue (Chelsea-MePA) – The technology giant continues to expand its footprint in Manhattan, leasing 180,000 square feet of the 360,000-foot-deal announced earlier this year; and plans to lease the remaining 180,000 square feet at the former Nabisco building in 2015, upon lease expiration of a large block of space currently occupied by the federal government.

Palantir Technologies / 450 West 15th Street (Chelsea-MePA) – The Palo Alto, CA-based analytics company signed a 15-year lease for over 77,000 square feet that spans entire floors 2-7, plus partial ground and lower level space at a reported asking rent of $90-$100 per square foot. The deal will expand the company's footprint in the neighborhood, adding to a 47,726-square-foot office at 15 Little West 12th Street. Palantir's client roster includes the Central Intelligence Agency (CIA), National Security Agency (NSA), and the Federal Bureau of Investigation (FBI).

BuzzFeed / 225 Park Avenue South (Flatiron) – The online media site leased 163,262 square feet spanning entire floors 11-16 at a reported asking rent of $85 per square foot. A large portion of the over 322,000-square-foot space that the Port Authority of NY & NJ will be vacating upon consolidation of the agency's offices to 4 World Trade Center will be absorbed as a result of the deal. The company was awarded a $4 million tax break from the state in exchange for creating 475 new jobs and the retention of current employment for 5-years.

BuzzFeed is currently in a 43,000-square-foot short-term sublease from AppNexus which is serving as a temporary location until the company moves into its permanent home. The company had also subleased 57,691 square feet at 200 Fifth Avenue (Flatiron) last year from high-end jewelry retailer Tiffany's that is due to expire towards the end of 2015.

Tudor Investment Corporation / 51 Astor Place (Greenwich Village) – Hedge fund Tudor Investment Corporation leased the entire 11th floor totaling approximately 25,000 square feet in a 10-year deal at a triple-digit starting rent that is reportedly just above $100 per square foot. The Class A speculation project that was completed in 2013 has been breaking rent records in the Midtown South submarket that has predominantly Class B office stock.

Sources: http://www.flatirondistrict.nyc/uploaded/files/PDFs/Where%20Then%20Meets%20Now%20FINAL.pdf • http://wearemadeinny.com/

Submarket ReCap: Downtown

Media Hub Grows in Lower Manhattan

Downtown		Class A and B
Vacancy	↓	10.52%
Rental Rate	↑	$53.00 per sq. ft.
Net Absorption	↑	164,727 sq. ft.

A trend that may have begun to unfold a few years ago resulting in the shift of publishing and media companies to Downtown from the traditional Midtown and Midtown South submarkets continues to pick up steam. Signings like American Lawyer Media's 90,000-square-foot lease at 120 Broadway were further bolstered by the dramatic decision of publishing giant Condé Nast to relocate its headquarters from Midtown's Times Square to an over 1 million-square-foot office Lower Manhattan's One World Trade Center in 2011; and HarperCollins' lease of 180,000 square feet at 195 Broadway in 2013. In addition, Lower Manhattan is growing into a mini-hub for architectural firms with several newcomers joining a current roster that includes:

- **Skidmore Owings Merrill**, 14 Wall Street
- **AECOM**, 125 Broad Street
- **Beyer Blinker Belle**, 120 Broadway
- **Shop Architects**, 233 Broadway
- **Pei Cobb Freed**, 88 Pine Street
- **Mathews Nielsen Landscape Architects**, 120 Broadway

Some newcomers include:

Company	Address	Sq. Ftge	Relocation From
AKF Engineers	1 Liberty Street	57,000	Midtown
Cooper Robertson Partners	123 William Street	32,356	Midtown
The RBA Group	32 Old Slip	18,646	Midtown South
Morris Adjimi Architects	60 Broad Street	12,679	Midtown South
Handel Architects	120 Broadway	21,286	Midtown South

The heightened draw of the Lower Manhattan neighborhood has been value as Downtown's rents continue to remain well below Midtown and Midtown South levels despite a rising trend. In addition, several incentives including tax credits, waivers, reductions and abatements are available to sweeten the already attractive rent prices. Existing transportation access has significantly been improved as a result of the recent opening of the new Fulton Transit Center that will seamlessly connect 10 subway lines and the NJ PATH.

Other notable leases during the last year include:

Company	Address	Sq. Ftge	Relocation From
Time Inc	225 Liberty Street	700,000	Midtown
GroupM	3 World Trade Center	516,000	Midtown
MacMillan Science & Education / Nature Publishing Group*	1 New York Plaza	176,121	Multi-offices

*Parent company MacMillan Publishing Group, currently located at 175 Fifth Avenue (Midtown South) is rumored to be considering a relocation of 150,000 square feet in Lower Manhattan

Submarket ReCap: Downtown (cont'd)

Downtown Alliance - 3rd Quarter Report

The 3rd Quarter report released by the Downtown Alliance in November further substantiates continued robust leasing activity in what is becoming a mixed-use business district, as the influx of tenants relocating to Lower Manhattan bring a rich diversity of companies. Headline announcements of the 3 largest deals during the 3rd quarter —

Jane Street Capital (Finance) – 117,000-square-foot relocation to 4 Brookfield Place, 250 Vesey Street;

MediaMath (Technology) – 106,000-square-foot relocation to 4 World Trade Center;

Hudson's Bay (Retail Trade) – Triple play relocation/consolidation signing for 399,000 square feet straddling 4 Brookfield Place, 250 Vesey Street and 2 Brookfield Place, 225 Liberty Street, the debut of Saks Fifth Avenue in 85,000 square feet at Brookfield Place, and Sak OFF 5TH in 55,000 square feet at 1 Liberty Plaza.

In addition, the quarter boasted several lease signings over 30,000 amongst a diversified group of industries:

Company	Sector	Sq. Ftge	Lease Type	Address
BCG Brokers	Finance	71,990	Renewal	199 Water Street
Engine USE	Marketing	64,298	Relocation	180 Maiden Lane
AKF Engineers	Engineering	57,018	Relocation	1 Liberty Plaza
NY County District Attorney's Office	Government	55,667	Expansion	250 Vesey Street
NYC Dept of Citywide Admin Srvcs	Government	40,610	Expansion	123 William Street
The Foundation Center	Non-profit	37,723	Relocation	32 Old Slip
Nielsen Media Research	Marketing	38,693	Expansion	85 Broad Street
Howard Hughes Corporation	Real Estate	36,985	Renewal/Expansion	199 Water Street
The Center for Reproductive Rights	Non-profit	35,995	Relocation within LoMa	199 Water Street
Servcorp	Office Center	32,356	Relocation within LoMa	123 William Street
Regus	Office Center	30,320	Renewal	80 Broad Street

Lease Deal Highlights - 4th Quarter

Hugo Boss / 55 Water Street (FiDi) – The fashion designer leased the entire 48th floor totaling 68,793 square feet, plus 4,897 square feet of sublevel space, in a 15-year deal at a reported asking rent of $54 per-square-foot. Building landlord, pension fund Retirement Systems of Alabama, invested over $100 million in repairs as a result of significant damage incurred by Hurricane Sandy; installing infrastructure improvements to better shield the building from a future occurrence. The signing will see the company relocate from the Starrett-Lehigh Building, 601 West 26th Street (Chelsea), expanding from about 50,000 square feet that is expiring in the fall of 2015; and positioning the company's headquarters closer to their new retail outpost in the Oculus at the World Trade Center retail complex.

Sources: http://www.downtownny.com/sites/default/files/Q3%202014%20Real%20Estate%20Market%20Report%20v2.pdf

One World Trade Center

One World Trade Center Rejoins Lower Manhattan

The final quarter of 2014 draws to a stellar close for Lower Manhattan as 2 significant development projects — One World Trade Center and the Fulton Transit Center re-enter the day-to-day activities of the community, serving as symbolic icons of the great strides the neighborhood has achieved since 2001.

Monday, November 3rd - One World Trade Center opened its doors welcoming the first group of tenants, as over 170 staff people initiated the long-anticipated relocation of publishing company Condé Nast began to set-up offices on 5 of the 25-floors that will eventually house their approximately 3,000 employees as a new headquarter location. The 2 other major tenants in the building, the government's General Services Administration (GSA) and the China Center will be amongst a growing roster of other companies in deals that have brought the over 3 million-square-foot tower close to 63% occupancy; reportedly representing the highest rate of occupancy at opening for 6 out of the last 7 speculative office towers opened since 2006 — including both 4- and 7 World Trade Center and 250 West 55th Street.

Leasing activity at the Tower Improves

High 5 Games / One World Trade Center (World Trade Center) – The technology company, a game developer and operator of a social casino on Facebook, signed a 15-year deal for 87,663 square feet that will spread across entire floors 58-59 at an asking rent that reportedly averages around $69 per square foot for mid-level floors below the 65th floor. High 5 Games is expected to relocate during the 2nd quarter, currently located at 770 Broadway (Greenwich Village) in a 58,370-square-foot space that social networking website Facebook holds an expansion option for the space, that if exercised in 2016 would force High 5 Games to vacate.

Sources: http://www.downtownny.com/sites/default/files/GOLDEN%20AGE%20TRANSIT%20LM_FINAL.pdf
http://www.oneworldobservatory.com/about-owo/

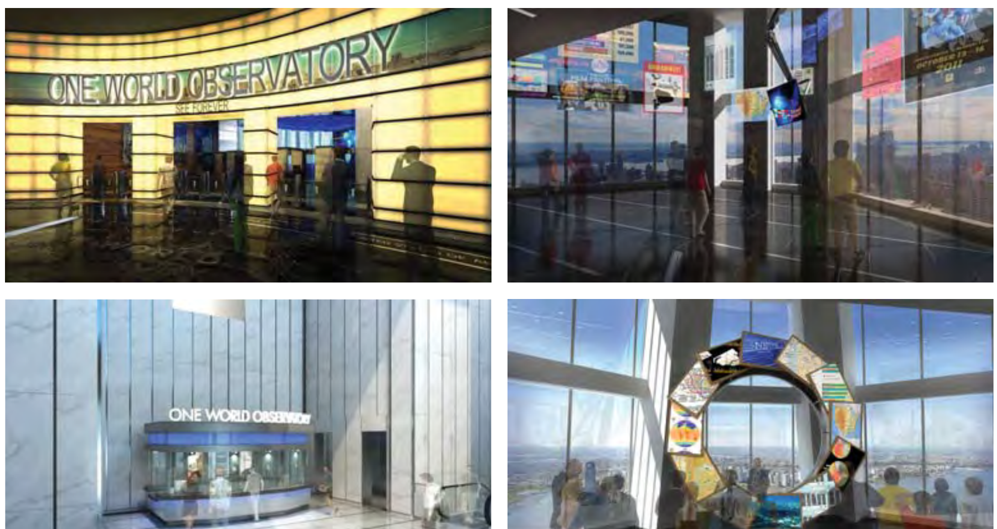
Leasing activity at the Tower (cont'd)

A second deal was announced just days after news of the High 5 Games deal, mobile advertising firm **xAd** leased the entire 60th floor's 43,489 square feet in a 10-year agreement at an asking rent of $69 per square foot. The company is based at 401 Park Avenue South (Flatiron/Gramercy Park) where they are expected to remain. xAd received tax credits through the award of a $3.4 million incentive by New York State's Empire State Development Excelsior program on the basis that the company retain 76 jobs and creates an additional 350 during the term of the lease.

The deal not only brings the tower up to a reported 62.8% occupancy, but potentially satisfies the 150,000-square-foot requirement of leased space that the Durst Organization needs to achieve in order to retain the 10% joint venture partnership in One World Trade Center — the deal bringing the total to about 230,234 square feet of a roster of companies that includes Sydney Australia-based retail management company Westfield Corp; Australia-based co-working space provider Servcorp; finance firm BMB Group, advertising firm Kids Creative; Legends Hospitality LLC, which is the developer & operator of the tower's observation deck; and Cushman & Wakefield, the leasing agent for the tower's office space.

One World Trade Center's observation deck which is scheduled to open in 2015, is expected to bolster rent revenue as high as 27% by 2019 according to the reported figure of $53 million based upon the roughly 3.5 million tourists that are expected. If the tower reaches 95% occupancy by 2019, the projected annual operating income is expected to be $144 million.

ONE WORLD OBSERVATORY
ONE WORLD TRADE CENTER



One World Observatory - Renderings

Other activity at the site has been at **4 World Trade Center** where the Port Authority of NY & NJ (PANYNJ), majority owner of One World Trade Center, began its own move into the building that will see the agency relocate from 223-225 Park Avenue South (Flatiron).

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY


4 World Trade Center

Fullton Transit Center

Fulton Transit Center Opens

Monday, November 10th

The opening of the new 180,000-square-foot transit hub in all its splendor at 200 Broadway marks one of the city's greatest developments in its history of transportation since the Grand Central Station took its place in Manhattan in 1913. The new hub currently provides direct access to 8 subway lines which will increase to 10 plus the NJ PATH upon connection via a new underground walkway to the Santiago Calatrava-designed World Trade Center Transportation Hub when it opens in 2015, creating a seamless East-West connection that will reach Brookfield Place along the Hudson River. A total of $6.4 billion in transit development over the past 10 years has significantly elevated the access and quality of transportation in Lower Manhattan.

The new structure funnels a wide band of light 2-stories below ground level from the 110-foot-high centerpiece of the hub, a "Sky-Reflector-Net" built into a conical dome on its rooftop, replacing the once dimly light labyrinth of corridors that connected 5-subway stations built in the 1900s. The pedestrian walkways that traverse the lower levels, connecting the different subway lines have been improved for quicker and easier transfer access; and the entire complex is now accessible to the disabled. The hub is encircled by a 2nd level corridor that will bring a mix of retail shops; and over 36,000 square feet of office space within the 3rd level corridor and the now adjoined and refurbished historic Corbin Building. Technology advances include 50 digital screens announcing routes and service changes that can be overridden in an emergency situation to broadcast information and instructions.

Currently serving an annual transit ridership of 127 million, Lower Manhattan boasts 12 Subway Lines, 30 Bus Routes/1 SBS Route, 6 Ferry Stops/20 Routes (including seasonal ferry routes), 2 PATH routes to New Jersey, 7 free Downtown Connection Buses, and 28 CitiBike Docking Stations

Project	Cost	Completion	Project	Cost	Completion
Staten Island Ferry Terminal	$130.00 M	2005	Pier 11 Ferry Terminal	$3.00 M	2011
WFC Ferry Terminal	$69.10 M	2008	Fulton Center**	$1.40 B	2014
South Ferry Subway Station*	$530.00 M	2009	WTC Transportation Hub	$3.94 B	2015
M15/Select Bus Service	$17.50 M	2010	Route 9A Improvements	$285 M	2016

*The subway is currently closed for repairs and improved resilience due to the effect of Hurricane Sandy

**Originally slated to open in 2007 at a cost of $750 million

Sources: http://www.downtownny.com/sites/default/files/GOLDEN%20AGE%20TRANSIT%20LM_FINAL.pdf

Office Market: Sale Activity & Investment Trends

New York City Offers Safe Harbor for Investment

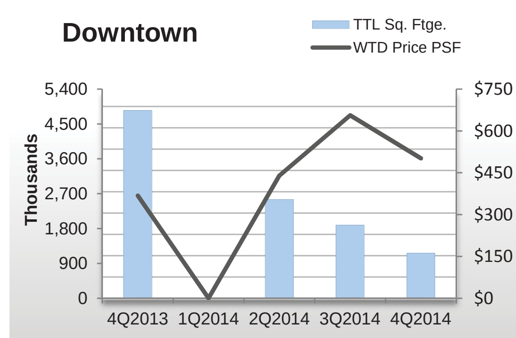
The continued relative economic stability of the U.S., particularly the New York City real estate market has established the nation as a safe harbor for investment, resulting in continued heightened activity. Furthermore, it has been noted that with sale activity not showing any signs of slowing in the near future, property values are climbing; an upward trend that has been predicted by some industry sources to continue for the following reasons:

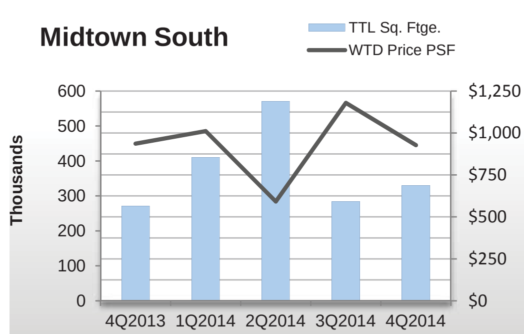
Supply & Demand – The historical driver of the city's real estate values, current demand is significantly exceeding supply. Ongoing robust property sales that drive property values higher has created what economist refer to as a positive feedback loop. Typically in the past, the supply of sale inventory has been the dominating factor in the supply / demand relationship in terms of determining sale volume; but what the industry is seeing in today's market is somewhat of an anomaly. Although a high volume of properties are coming available — owners seeking to take advantage of the escalating market, values remain high due to an unprecedented number of buyers absorbing the new supply almost as quickly as it arises; creating a re-occurring cycle that continues to loop, thereby avoiding a glut in property inventory which would ultimately result in a downward trend of property values.

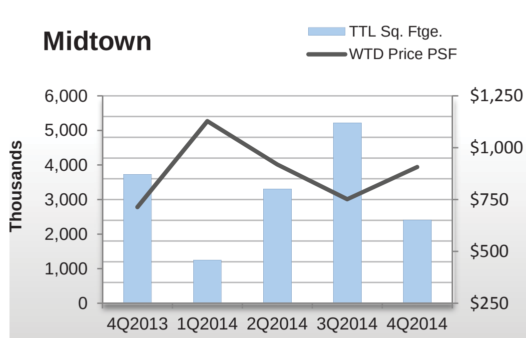
Interest Rates & Cap Rates – Due to the historic low interest rates, pressure to compress capitalization rates has been significant; but with capitalization rates remaining below lending rates, there still remains room for additional cap rate compression.

Investor Numbers Growing – Real estate having establishing itself as a more generally accepted class of investment, a new wave of non-real estate investors have been making their debut in the market. First-time buyers from throughout the nation have witnessed the city's high performance and are seeking to own their piece of the Big Apple. In addition, there has been the influx of an injection of new capital from first-time global buyers that are high-net worth investors focused more on higher transparency on investments; and capital preservation as a priority versus yield — income return on investment.

Quarter-over-Quarter Sale Statistics







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

Sale Activity Trends

Debt Investments on the Rise

Debt investments continue to gain traction as cap rates for purchasing top-tier real estate continues to diminish, with Manhattan's best office building stock reportedly yielding less than 4% — the lowest since at least 2002.

150 East 42nd Street (Grand Central) – The recently formed $1 billion joint venture of Seoul-based Korean Teachers Credit Union (KTCU) with 49% ownership and New York-based TIAA-CREF with 51% ownership, which is seeking to invest in mortgages backed by office towers rather than in equity purchases, secured their first deal by acquiring a $175 million loan on the landmarked Socony-Mobil tower that was purchased earlier this year for $855.2 million by an investment group led by New York investor David Werner. The mezzanine loan purchased by the 2-companies that manage teacher's savings in their respective countries, pays a higher yield to compensate for the higher risk of the loan that is junior to a first mortgage.

Furthermore, the new regulations that limit banks' capacity for holding commercial real estate debt is creating more opportunity for other lenders; exemplified by the $50 million mezzanine debt underwritten by KTCU for high-profile Manhattan tower Seagram Building, 375 Park Avenue.

Non-profit Condo Investment Rising

Commercial condos in New York City, while not a new concept, has reportedly seen a surge in sale activity over the last few years; offering an appealing investment vehicle that can appreciate and deliver a return upon resale. Activity has been robust despite increasing prices resulting in diminished cap rates.

Non-profits and educational institutions continue to take advantage of surging sale prices, selling off valuable real estate holdings to further bolster endowments while still benefitting from the 501(c)(3)[1] tax exemption privileges of ownership that can be cheaper than leasing due to the real estate tax expense savings.

Ackerman Institute – Sold a 10,000-square-foot building at 149-151 East 78th Street (Upper East Side) for $18.25 million ($1,825 per square foot) in 2013, purchasing a 14,500-square-foot office condominium at 936 Broadway (Flatiron) for $7.7 million ($531 per square foot).

NAACP Legal Defense Fund – Sold a 3-story, 34,700-square-foot condo unit at 99 Hudson Street (TriBeCa) for $18.5 million ($533 per square foot) in 2012; purchasing a 34,512-square-foot unit at 40 Rector Street (World Trade Center) for $10.391 million ($301 per square foot).

FedCap Rehabilitation Services – Sold a 20,000-square-foot building at 211 West 14th Street (Chelsea) for $26.75 million ($1,338 per square foot) in 2014; having purchased a 44,000-square-foot condo unit at 633 Third Avenue (Grand Central) for $26.53 million ($603 per square foot).

Federation of Protestant Welfare Agencies – Closed on the sale of its 6-story, 36,749-square-foot Church Mission House (Gramercy Park) for $50 million ($1,361 per square foot) to RFR Realty in December; purchasing a 17,786-square-foot condo unit at 40 Broad Street (FiDi) for $8.5 million ($478 per square foot) in 2014.

Recent Non-profit sales

553-559 West End Avenue (Upper West Side) – Non-profit St. Joseph's Seminary & College recently sold the 41,564-square-foot former St. Agnes Boys High School facility for $50 million ($1,203 per square foot) to architecture and development firm Tamarkin Co. The property includes an additional 39,000 square feet of air rights.

287 Park Avenue South (Flatiron) - Joint non-profit owners the Community Service Society of New York, Children's Aid Society, and New York City Mission Society sold the 93,300-square-foot building to Chinese-based development firm Cheerland Investments for $128 million ($1,372 per square foot). Known as the United Charities Building, current zoning allows for the addition of 30,000 square feet, raising the existing linear height of 130 feet to 210 feet according to reports. Cheerland plans to redevelop the property into high-end condominiums.

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[1]To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Sale Activity Trends (cont'd)

Industries with major infrastructure costs prefer to purchase their space as a result of significant upstart costs for medical offices; and high security businesses such as the jewelry industry's significant expense of vault installations led to the success of Extell Development's **International Gem Tower**, 50 West 47th Street in the Diamond district that is primarily comprised of office and commercial condo units.

Manhattan's Condominium[2] Inventory Statistics Snapshot for the first-half of 2014:

Inventory - 72 Office Buildings totaling 9.09 million square feet

- Midtown - 5.3 Million square feet
- Midtown South - 2.06 Million square feet
- Downtown - 1.88 Million square feet

Despite the average sale price rising to 11% above the 5-year average, availability has reportedly fallen 25% below the 5-year average. A 12,780-square-foot office unit that was purchased early in 2013 for $450 per square foot, is currently being marketed at an asking price of $795 per square foot.

Sales - $101,300,000 million total sold during the 1st-half of 2014, representing 30 units and 167,564 square feet

- Midtown - $46.3 Million totaling 77,530 square feet ($597 average per square foot) — about 47% of the total number of sales.
- Midtown South - $19.1 Million totaling 19,802 square feet ($965 average per square foot) — about 27% of the total number of sales.
- Downtown - $35.9 Million totaling 70,232 square feet ($511 average per square foot) —about 27% of the total number of sales.

It has been further commented by some sources, that the rise in commercial condominium sale activity is in part being driven by New York City investors preferring to place 1031-exchange proceeds into the purchase of retail condominiums in prime locations with strong credit-worthy tenants; rather than triple-net leaseholds.

Sale Highlights

183 Madison Avenue (Midtown/Murray Hill/B) – The partnership of Tishman Speyer Properties and The Cogswell-Lee Development Group have purchased the 257,414-square foot building for $185 million ($719 per square foot) from Argentinian investment company Inversiones y Representaciones Sociedad Anónima (IRSA). The deal represents another purchase that is banking on the strong retail market, with a significant increase in rent expected in 2020 when current furniture tenant Domus Design Collection's 20,000-square-foot lease expires; Domus currently paying around $30 per square foot in an area that reportedly fetches $150-$200 per square foot and still rising. IRSA in partnership with Rigby Asset Management had purchased the building from Rock New York at the downturn of the market in 2010 for $85.1 million ($331 per square foot), Rock New York having paid $107.5 million ($418 per square foot) in 2007.

21 Penn Plaza (Midtown/Penn Plaza/B) – Financial firm TIAA-CREF purchased the 353,052-square-foot building for $244 million ($691 per square foot) according to city records from co-owners Savanna and the Feil Organization. Introduced to the market in July at an asking price of $250 million ($708 per square foot), the building underwent $5 million in upgrades and was delivered with 98% occupancy.

570 Seventh Avenue (Midtown/Times Square/B) – American Realty Capital recently closed on the purchase of the 155,000-square-foot building for $170.3 million ($1,099 per square foot) from joint owners Carlyle Investment Management and Capstone Equities; paying over double the $83 million ($535 per square foot) figure paid less than a year-and-a-half ago in July 2013. New ownership will rename the building **200 West 41st Street** with the addition of a new entrance and a multi-million dollar repositioning that will include pre-built units to attract technology, advertising, media and information (TAMI) tenants. Work is scheduled to commence in January at which point the tower's vacancy is expected to rise to 70%.

Back in June, the sellers had considered creating a condo offering of the high visibility 3,178-square-foot LED signage and 5,852-square-foot static signage which at the time was being listed along with the building's 20,922 square feet of retail space for an annual rent of $8 million.

[2]Compiled statistics track only pure commercial condo buildings; and includes co-ops in the condo category.

Sources: http://www.rpgpublications.com/RPG_Office_Condominium_Report_MidYear_2014.pdf
(http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Exemption-Requirements-Section-501(c)(3)-Organizations)

Sale Highlights (cont'd)

402-408 Lafayette Street / 708 Broadway (Midtown South/Greenwich Village-NoHo/B) – New York University, one of the city's largest landowners, purchased the vacant 2-building portfolio totaling 164,721 square feet for $157 million ($953 per square foot) from the Chetrit Group under the entity 708 Broadway Del LLC. Previously purchased in 2005 for $39.5 million ($240 per square foot), plans to redevelop the site into a 127,064-square-foot, 24-key hotel by a co-development team of the Chetrit Goup and King & Grove were abandoned.

1 Wall Street (Downtown/FiDi/A) – Macklowe Properties closed on the $585 million ($502 per square foot) purchase of the 1,165,659-square-foot Art Deco building on September 30th, having secured $460 million in financing from Deutsche Bank which in May, the Qatar royal family became the anchor investor in the bank through its Paramount Services Holdings vehicle. Although permits have not been filed with the NYC Department of Buildings, sources anticipate the purchase from Bank of New York Mellon (BONY) will result in a repositioning of the tower into residential condominiums. BONY will be relocating to 2 Brookfield Place, 225 Vesey Street as a result of a 20-year lease signed in June that reportedly begins January 1, 2015; previously agreeing to leaseback its space at 1 Wall Street for a short term upon completion of the sale in order to facilitate a gradual transition to the bank's new headquarters.

Sale Highlights - Fee Sale

100 West 57th Street (Columbus Circle) – The partnership of David Werner, Rubin Schron, and the Carlton Associates purchased the land under the 354,652-square-foot Carnegie House residential cooperative building for $285 million ($804 per square foot). Currently under a ground lease that runs for another 51 years, a reset of the lease payments is coming due in 10-years, bringing the rent up to typically about 6% of current market values. Based upon the current $1,200-$1,500 per square foot noted by some industry sources, the land with 377,000 square feet of development rights would be worth $452 million ($1,274 per square foot), equating to an annual rent of $27 million per year. A $180 million loan was secured from lender Natixis Capital Markets to help finance the purchase.

Sale Deals to Watch For

Crown Building, 730 Fifth Avenue (Midtown/Plaza/A) – A partnership of Jeff Sutton and General Growth Partners is reportedly in contract to purchase the 366,200-square-foot building for $1.75 billion ($4,779 per square foot), less than 2-weeks after the sale by co-owners the Winter family and the Spitzer family was announced. Located on the southwest corner of 57th Street, reportedly the city's most expensive real estate crossroads with Bergdorf Goodman, Tiffany, and Louis Vuitton on the other 3-corners escalated the offering price due to the potential significant value of the approximately 35,000 square feet of retail space that is currently home to Bank of America, Piaget, Bulgari and Mikimoto. The sellers had purchased the building through an auction sale in 1991 for $93.6 million, which at the time was half-vacant. Famous for its golden top, the building is currently about 98% occupied.

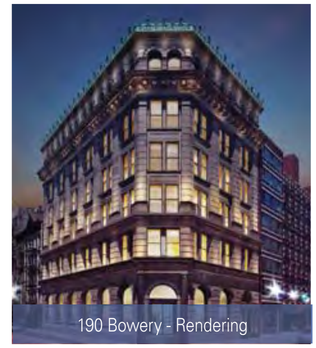
45- and 145 West 45th Street / 24 West 40th Street (Midtown/Times Square-Penn Plaza/B) – In a triple-play deal, Thor Equities stands to secure a profit in the neighborhood of $21 million after going into contract to purchase the 3-building portfolio totaling about 330,395 square feet for $218 million ($659 per square foot blended) from NY-based Samson Management; flipping the contracts just 4 months later for roughly $238 million, while retaining a 5% stake in 2 of the properties. The deal is expected to close before the end of the year.

- **45 West 45th Street** (Times Square) – Emmes Asset Management is reportedly purchasing 100% of the contract of the 142,677-square-foot building for $87 Million ($610 per square foot), about $6 million above Thor's initial in contract figure of $81 million ($568 per square foot).
- **145 West 45th Street** (Times Square) – Co-investors Isaac Chetrit and Aini Assets are reportedly purchasing a 95% stake in the contract for the 99,024-square-foot building for $60 million ($638 per square foot for the 95% stake), an average of $7.5 million above Thor's initial in contract figure of $50-$55 million.
- **24 West 40th Street** (Penn Plaza) – Virginia-based Harbor Group is reportedly purchasing a 95% stake in the contract for the 88,694-square-foot building for $91 million ($1,080 per square foot for the 95% stake), and average of $8.5 million above Thor's initial in contract figure of $80-$85 million.

1740 Broadway (Midtown/Columbus Circle/B) – Private equity firm Blackstone Group's core-plus real estate fund is reportedly in contract to purchase the 620,000-square-foot building for $605 million ($976 per square foot) from Vornado Realty. The deal is expected to close before the end of the year. Limited Brands, owner of national chains stores Victoria's Secret and Bath & Body Works is the largest tenant in the building with over 450,000 square feet expiring in 2022.

Sale Activity (cont'd)

Sale Deals to Watch For (cont'd)



190 Bowery - Rendering

190 Bowery (Midtown South/SoHo/C) – November's news brought the announcement of what appears to be a contract assignment of the 38,390-square-foot building that RFR Realty reportedly entered into contract to purchase in September. While the sale price of the contract that RFR is now seeking to flip was not disclosed, the property was valued in 2008 at about $50 million ($1,302 per square foot) by industry sources. The landmarked 6-story building, with its graffiti-covered façade that has served as residence for photographer Jay Maisel, is situated on the corner of Spring Street; and reportedly purchased in 1966 for $102,000 ($2.66 per square foot). The property which is currently in poor condition can be converted to a mix of residential condominiums and retail, offices, or an art gallery.

315 Park Avenue South (Midtown South/Flatiron/B) – An undisclosed New York-based publicly traded company is reportedly in contract to purchase the 320,000-square-foot building for $375 million ($1,172 per square foot) from Spear Street Capital. Recent sale activity includes the 2013 purchase for $234.3 million ($732 per square foot) by Spear Street Capital; and SL Green's $218 million ($681 per square foot) purchase of the mortgage that was bordering default by BCN Development in 2012.

386 Park Avenue South (Midtown South/Flatiron/B) – China company Heng Sang Realty is reportedly in contract to purchase the 260,000-square-foot building for $200 million ($769 per square foot) just 2 months after the sale was announced. The sellers, William Macklowe and Principal Financial Group had purchased the property in 2012 for $111.5 million ($429 per square foot). Leasing activity at the building resulted in several reported full floor deals totaling about 90,000 square feet over the last year. Asking rents at the building are currently ranging from $60-$80 per square foot, reportedly representing an increase of over $12 per square foot since 2012; and a $20 per square foot jump from the mid-$40's rents of existing tenants in the building at the time of purchase.

251 Park Avenue South (Midtown South/Flatiron/B) – The Feil Organization is reportedly in contract to purchase the 120,000-square-foot in a deal from Extell Development that is expected to close at a figure that will range from $850-$1,000 per square foot. The property which was part of the 14-building F.M. Ring Portfolio that Extell Development gained 100% control of earlier this year is predominantly vacant, and reportedly ripe for a residential conversion. Extell paid a total of $53,787,375 ($448 per square foot) spread amongst 3-transactions for the building.

- December 2011 – Purchased a 50% interest stake in the building for $19 million
- June 2013 – Acquired a 25% stake in the entire 14-building portfolio for $74 million as a result of Princeton Holdings and Bluestone Group abandoning their right to invest in a $112.5 million share — representing a 25% stake in the portfolio that included 251 Park Avenue South, for a total of $74 million; of which $9,787,375 represented the purchase in 251 Park Avenue South giving Extell 75% ownership of the building.
- January 2014 - $25 million for remaining 25% as part of the 14-building portfolio purchase that gave Extell 100% control for a total of $333.236 million.

Other activity involving the former F.M. Ring portfolio includes:

- **114 East 25th Street** (Gramercy Park/C) – The 52,000-square-foot building was sold to MetroLoft for $36.5 million ($702 per square foot). The building will be delivered vacant to MetroLoft who plans to convert the 12-story building into a residential development. Extell had paid $30 million ($577 per square foot) last year.

- **212 Fifth Avenue** (Flatiron/B) – The 223,500-square-foot building was reportedly sold to a group of investors, including Thor Equities, for over $200 million ($895 per square foot); having paid $90 million ($403 per square foot) as part of the entire portfolio acquisition completed in January.

- **Chelsea Portfolio** (Chelsea) – Extell Development closed on a net lease worth over $150 million with the partnership of the Kaufman Organization and Iowa-based Principal Real Estate Investors for 99-year ground leases for 4 of the buildings in April — 119-125 West 24th Street, 19 West 24th Street, 13-15 West 27th Street, and 45 West 27th Street, all situated in Chelsea.

Sale Deals to Watch For (cont'd)

85 Broad Street (Downtown/FiDi/A) – Beacon Capital Partners is reportedly investing tens of millions of dollars to purchase a minority stake in the tower just weeks after insurance company MetLife began marketing the sale of a stake interest in the 30-story, 1.1 million-square-foot building that is reportedly valued at a figure of $350-$550 million into today's brisk market. A long-term large vacancy exists at the tower, MetLife unable to-date to fill the space vacated in 2009 by financial firm Goldman Sachs upon their relocation to their new headquarters at 200 West Street (World Trade Center). Downtown property demand has escalated over the last year, further heightened by the recent opening of One- and 4 World Trade Center; and the anticipation of upcoming new retail in the area at the World Trade Center Mall and the Brookfield Place complex. The pending sale comes just a few days after Beacon Capital secured its own pending sale of **32 Old Slip** (FiDi/A) to RXR Realty for $675 million.

32 Old Slip (Downtown/FiDi/A) – RXR Realty is reportedly in contract to purchase the 1,132,340-square-foot building for $675 million ($596 per square foot) from Beacon Capital Partners. The property that is currently anchored by American International Group in a 260,000-square-foot lease that is due to expire at the end of 2017, was purchased by Beacon Capital at the height of the 2007 market for $751 million ($663 per square foot). Signing 2-lease deals in December — advertising firm Cement Bloc, 55,000 square feet; and non-profit Foundation Center, 37,864 square feet, the building is considered one of the highest-end office properties; and stands to help boost leasing activity on the east-side of Downtown's Lower Manhattan neighborhood, which has lagged behind the west-side due to inadequate transportation options.

New to the Market

590 Madison Avenue (Midtown/Plaza/A) – Pension fund The State Teachers Retirement System of Ohio (Ohio STRS) is offering as much as a 49% stake in the 1,007,651-square-foot tower. Originally developed as IBM's global headquarters back in the 1980's, the computer company has reduced its footprint over the years but continues to remain the largest tenant at the building which reportedly commands rents in the mid-$100s. Sources anticipate the sale to fetch a figure in the neighborhood of $735 million for a 49% interest, based on a likely commanded price of over $1.5 billion for its entirety.

757 Third Avenue (Midtown/Plaza/A) – RFR Realty is reportedly offering the 510,000-square-foot property for sale at an asking price in the neighborhood of $350 million ($686 per square foot). The property which recently underwent a $10 million renovation is currently over 96% leased. Notable lease signings this year include independent accounting advisory firm Grant Thornton, 130,357-square-foot relocation; and Berkley Insurance, 37,453 square feet.

11 Times Square (Midtown/Times Square/A) – A group of investors led by SJP Properties and investors announced the sale of a 49% stake in the over 1.1 million-square-foot LEED Gold-rated tower. Boasting the title as the newest office tower in the neighborhood, built in 2010, sources note that it has been slow to lease; and currently at about 85% occupancy in part due to technology firm Microsoft relocating their headquarters to the tower in March, absorbing 230,000 square feet.

1407 Broadway (Midtown/Penn Plaza-Garment/A) – The operating lease for the 1.1 million-square-foot building that occupies the entire blockfront between West 38th- and 39th Streets has been introduced to the market; and expected to fetch over $330 million ($300 per square foot). Abraham Kamber & Co. controls the master lease; and the Lightstone Group controls the operating sublease which the company purchased for $122 million in October 2006. Rents of an undisclosed amount are currently being paid to land owner Solil Management. Located within an area that is enjoying a renaissance, as the fashion sector begins to mix with an increasing migration of TAMI tenants, the building also boasts over 33,000 square feet of retail within the Times Square South corridor.

East West Bank Building, 77 Bowery (Midtown South/SoHo/B) – Keystone Equities is offering the 7-story, 27,700-square-foot office component featuring a rooftop terrace, through a bidding process on Auction.com which is expected to fetch about $30 million ($1,083 per square foot); and will be delivered vacant upon closing. The entire 8-story, 31,400-square-foot building was purchased by Keystone in partnership with an undisclosed private equity firm for $20 million ($637 per square foot) in 2012. The retail component comprised of 3,700 square feet of ground level space, a 2,026-square-foot mezzanine, a 7,850-square-foot cellar, and sub-cellar space that is home to East West Bank on a long-term lease was sold earlier this year for $12.5 million ($3,378 per square foot).

131-137 Spring Street (Midtown South/SoHo/C) – SL Green Realty introduced the 68,000-square-foot building to the market in December, which some sources anticipate could fetch a price of $300 million ($4,412 per square foot). The 6-story building is comprised of about 10,495 square feet of retail space currently home to clothing labels Diesel and Burberry; and office space above with about 11,000 square feet coming available in May at a current asking rent of reportedly $75 per square foot. Burberry's 6,000-square-foot lease will be expiring in 2016.

Sale Activity (cont'd)

New to the Market (cont'd)

837 Washington Street (Midtown South/Chelsea-MePa/A) – Thor Equities and Taconic Investment Partners have begun marketing the sale of the 6-story, 63,131-square-foot mixed-use building that was completed this year to a select group of investors. Located in the heart of the Meatpacking district near Google's 111 Eighth Avenue and Apple's 401 West 14th Street store, the building is totally occupied by South Korean technology company Samsung Electronics N.A. in a 10-year deal with two 5-year renewal options with 15-months' notice and annual rent escalations. Reportedly commanding asking rents of $100 per square foot for below-grade; $120 per square foot for floors 2-6; and $500 per square foot for the 9,225-square-foot ground level retail, the building features a glass and steel exo-skeleton with over 7,000 square feet of outdoor terraces and decks.

40 Exchange Place aka 25-29 William Street (Downtown/FiDi/C) – Brooklyn-based Weiss Realty is expected to offer the 237,000-square-foot building as a potential hotel or residential condominium conversion, which sources expect will fetch a price in the neighborhood of $140 million ($591 per square foot). The building is currently 90% leased and includes 10,000 square feet of ground level retail divided amongst 6 tenants, of which 5 leases are due to expire within 5-years. Sale activity heightened along William Street last year, particularly amongst buildings within close proximity of the new Fulton Transit Center:

- 123 William Street – The 569,160-square-foot sold for $133 million ($234 per square foot).
- 100 William Street – The 388,419-square-foot building sold for $170 million ($438 per square foot).
- 156 William Street – The 252,000-square-foot building sold for $62 million ($248 per square foot).
- 110 William Street – The 868,000-square-foot building sold for $261.5 million ($301 per square foot).
- 130 William Street – The 142,000-square-foot building sold for $60 million ($423 per square foot).

Possible Purchase on the Horizon

Samsung – The South Korean technology company whose current 230,000-square-foot U.S. headquarters is located in Ridgefield Park, NJ, is reportedly on the prowl for up to 1 million square feet to establish a Manhattan-based office. Locations to be considered for purchase will include both new developments and existing buildings – a request that could minimize options with many landlords primarily interested in leasing rather than selling. While some signs have reportedly surfaced of a slow-down of the company's growth and diminished profits, a Manhattan expansion follows the trend of other large tech companies, including Google, 111 Eighth Avenue and Facebook, 770 Broadway, that have established sizable outposts in the city to facilitate tapping into the large pool of talent.

The Plaza Hotel, 768 Fifth Avenue

Sale Activity (cont'd)

Plaza Hotel - A Shift from Selling to Mortgage Refinancing

Plaza Hotel, 768 Fifth Avenue (Plaza) – The future of one of Manhattan's great jewels that has been covered in a shroud of uncertainty due to the incarceration of its primary owner Sahara Group's Subrata Roy in New Delhi, India may have finally taken a giant step forward to stabilize the outlook for its future. Early December brought the announcement of the company's intention to refinance the landmark to avoid a distress sale, instead of earlier efforts of a sale in order to raise bail payment. Mirach Capital, which has about 10 investors and is funded primarily by a wealthy Indian family, reportedly agreed to a 1-year loan of $1.05-$1.55 billion at an interest rate of 11% to the Sahara Group in a move to gain control of the Plaza Hotel along with the Dream Hotel in Downtown Manhattan and London's Grosvenor House. The refinancing required approval of the Indian Supreme Court, which will now move forward per a January announcement that the 3-judge panel of the court voted in favor of the proposal. The final agreement with Mirach Capital reportedly needs to be executed by February 20th; and if the transaction is completed, it could signal an endgame for the properties.

Distribution of the funds would result in about $400-$900 million going towards the retirement of the debt on the 3-hotels held by the Bank of China; and the remainder as cash for the Sahara Group to use towards required approximately $1.6 billion bail money. If Sahara pays back the loan and interest without default, the company would be able to retain the properties; but if they default, Mirach Capital would be in a position to begin a process to take title of the 3-properties. The investment group is seeking to syndicate about $300 million of the new debt, and has been in talks with a number of lenders including, Highbridge Capital Management and an investment firm owned by JPMorgan Chase.

Amongst the Mirach Capital investors are music rapper and founder of the Fugees Pras Michel; and New York Sports agent David Sugarman who had submitted a $2.2 billion bid in September as part of the investment group to purchase the 3-hotel portfolio.

Foreign Investment Circle Broadens

While the Chinese, Canadian, and Latin American investors have for some time have been significant players in the U.S. sale market, some other groups of foreign investors are quickly joining their ranks.

India – Wealthy Indian investors are reportedly shifting investments as a looming real estate bubble in the major cities of India has raised concerns; and the Bombay Stock Exchange has been described as sometimes jittery, with Queens and New Jersey seeing the greatest activity within the New York area. In contrast to other foreign investors, India's affluent are reportedly focusing their purchases on apartments for family students attending college, which they can subsequently rent out post-graduation; versus purchasing trophy commercial properties.

Ukriane – The unsettled economy of the Eastern Europe country has prompted yet another group of foreign investors to join the growing roster of investors seeking a safe harbor to place their money, with some struggling to purchase hard assets and securities in the U.S. Currently one of the weakest currencies in the world, the country's affluent are rushing to find alternative investment vehicles to abate capital loss. Recent investments have reportedly included the $30 million purchase of a Midtown building, a large stake in McDonald's (MCD), and the purchase of a portfolio of 7-11 convenience stores. Atypical to the debut of other foreign investors entering the U.S. market, the Ukrainians more urgent situation is bringing them in droves; yet due to the small number of affluent, purchases are not expected to significantly drive the market.

Russia – Plunging crude oil prices and unsettled politics that continue to weaken the Russian ruble which was devalued by more than 50% against the U.S. dollar this year, leaves the country's affluent in pursuit of alternative investment avenues to preserve their wealth. Turning once again to Manhattan's real estate which has had a proven track record as a safe harbor. Its stock of prime inventory that is in strong demand has liquidity, with future product supply limited by its land mass restrictions of being an island prompting dismissal by some industry experts of a looming real estate "bubble."

It has been projected that reportedly $120 billion will leave Russia by the end of 2014, with an additional $80 billion by the end of 2015; anticipating that some portion of this money will filter into New York City real estate purchases, with continued strong demand keeping property values at levels high enough to offset any value decline linked to interest rates rising.

Sources: http://finance.yahoo.com/blogs/talking-numbers/new-york-city-real-estate--the-world-s--ultimate-safe-haven-142649777.html

Foreign Investment (cont'd)

Recent Foreign Investor Transactions

7 Bryant Park (Penn Plaza) – The Bank of China has reportedly agreed to purchase a long-term leasehold for the 473,672-square-foot tower upon delivery in 2015 for $600 million ($1,227 per square foot) from co-developers Houston, Tx-based Hines and JPMorgan Chase & Co's asset management arm. The deal does not include the land under the tower that began construction in 2013 on speculation, which is owned by minority-stakeholder Pacolet Milliken Enterprises; or the cost of building out the office space which typically runs $150-$200 per square foot. Currently headquartered at 410 Madison Avenue (Plaza/B), a 48,056-square-foot building the bank owns, the impending relocation deal represents a significant increased presence in Manhattan, earlier rumors indicating they are considering occupying about 200,000 square feet or more.

1095 Sixth Avenue (Times Square) – Canadian firm Ivanhoe Cambridge and Chicago-based Callahan Capital Partners are reportedly in contract to acquire the 1.2 million-square-foot building for $2.25 billion ($1,875 per square foot) from Blackstone Group; despite earlier reports of Norway's Norges Bank Investment Management's interest in purchasing. Part of the portfolio of properties that Blackstone acquired as a result of a buyout of Equity Office Properties Trust in 2007 prior to the economic downturn, the building underwent major redevelopment and is currently 95% leased — telecommunications company Verizon and insurance company Metlife are the major tenants. The impending sale further substantiates ongoing foreign investment in Manhattan, Ivanhoe Cambridge, the real estate arm of Canada's public pension fund manager Caisse de Dépôt et Placment du Québec having previously partnered with Callahan in the purchase of a 51% stake in 1211 Sixth Avenue, and a 49% stake in 330 Hudson Avenue. The company is currently seeking acquisition financing in the amount of $1.3 million to complete the transaction.

Americas Tower, 1177 Sixth Avenue (Times Square/A) – Swiss financial firm UBS Global Asset Management is reportedly in contract to purchase a minority stake in the 921,367-square-foot tower owned by Silverstein Properties and pension fund CalSTRS. Although neither the size of the stake or price was disclosed, California State Teachers' Retirement System's (CalSTRS) 47.5% interest is not expected to change. The partnership had purchased the building in 2007 for just over $1 billion from the Paramount Group, and is currently seeking a $360 million loan to restructure the building's mix of debt and equity.

In a move to recapitalize the property, Silverstein Properties secured a $360 million loan from lender Deutsche Bank and CCRE — interest rate and term were not disclosed. The 921,637-square-foot property was purchased by Silverstein in partnership with CalSTRS in 2008 for just over $1 billion ($1,085 per square foot); securing $700 million in financing from Germany-based Helaba Bank. Leading law firm Kramer Levin Naftalis & Frankel LLP is currently a major tenant in the building with approximately 307,000 square feet.

Chinese Investment: Forecast Predictions

Chinese investors have been a significant player in New York City's real estate market over the last several years, but since 2012 when the Chinese government allowed the country's insurers to invest in foreign markets, the anticipated surge in activity never materialized. The impending sale of Hilton's luxury hotel **The Waldorf Astoria** for $1.95 billion (approximately $1.4 million per key) to the 10-year old Beijing-based Anbank Insurance Group Co., not only ranks as reportedly the highest figure ever paid for a hotel; but also marks the first significant investment in New York City by a Chinese insurer. Typically taking a more conservative approach to capital outlays, Chinese insurers have reportedly been researching the city's real estate market, but up until the announcement of the Waldorf Astoria sale, made no commitments. Industry sources predict a gradual uptick in activity once the companies establish the best strategy of approach and connect with the right domestic partners.

Waldorf Astoria, 301 Park Avenue (Plaza) – The sale to Beijing-based Anbang Insurance Group is expected to close on the $1.95 billion purchase from Blackstone-owned Hilton Worldwide Holdings before the end of the year, although a March 31 extension date can be agreed upon by both companies. However, pending a possible investigation by the Committee on Foreign Investment (CFIUS) may thwart the sale; the agency having mixed opinions of the sale and a potential vulnerability of a spy threat due to the U.S. Ambassador to the United Nations residing there; as well as visiting stays by President Obama and U.N. dignitaries.

Potential Future Impact on Chinese Investment

Skyrocketing investment by Chinese investors has in part been due to Chinese Government deregulation and the U.S. EB-5 foreign investor program. As industry sources attempt to predict if the trend will continue, positive indicators noted this year include:

- Chinese agencies have streamlined and deregulated rules around outbound investment.
- China's National Development & Reform Commission increased the monetary threshold on outbound investment from $30 million to $1 billion.
- Beijing no longer requiring cross-border investments of $100 million or more to be approved by the Ministry of Congress in expected to take effect in early October.
- Real estate and property companies, which are big employers, are significant drivers of China's economy. As a result, there's an incentive to promote diversification and growth through capital investment abroad.
- China's ongoing effort to boost international recognition of its brands, includes its real estate developers.

Chinese Investment: EB-5 Overload Raises Concerns

Looking ahead, some concerns have begun to arise that could bring a slow-down to Chinese investment in the U.S.

EB-5 Foreign Investor Program - The U.S. State Department announced this summer that due to elevated activity,

- The 10,000 immigrant-investor visas allotted for the program were on track to run out this fiscal year;
- Visas are currently unavailable to Chinese individuals until the 2015 fiscal year — having accounted for about 80% of allotted visas;
- It is projected that by spring 2015, there will be an estimated 2-year wait for EB-5 applicants to obtain a visa; although some sources predict the slight pause in issuance will not significantly discourage Chinese investors.

EB-5 Program Push to Reinterpret Language – Some groups are currently lobbying President Obama to require all 10,000 allotted slots be awarded only to investors, versus the current language which allows issuance of a visa to 1.5 family members for every approved investor; meaning that of the 10,000 slots, only 4,000-4,500 awarded produce investment money.

Education - Many investors are reportedly attracted to the program as a means to secure a foothold in the U.S. for their families, thereby allowing their children to obtain an education in the U.S., rather than for the monetary return on investment. The U.S. faces competition from other countries offering excellent education opportunities with foreign investor programs such as:

- **Australia's Significant Investor Visa** – The plan provides permanent visas to foreigners who put 5 million AUD ($4.4 million) in certain types of investments for 4-years.

- **Portugal's Golden Visa** – An investment of 500,000 euros on property or 1 million euros in cash, foreigners can obtain a Portugal residency, allowing them to travel throughout the European Union, thereby providing access to European universities.

Institutional Investors – Deals in the U.S. have been nominal due to the complexity of the tax structure; and while there have been reports of Chinese insurance companies and large institutional investors scouting potential assets in the U.S., actual investments will likely be slow to rise. Current active Chinese investors are predominantly ultra-high-net worth individuals and large, sophisticated developers that have established a permanent presence in the U.S. and partnered with advisors and tax experts as an avenue to learn the U.S. market.

EB-5 Foreign Investor Program: How the Future Looks

The start of the eagerly awaited new fiscal year for the EB-5 foreign investor program already has industry sources predicting the return of restrictions for Chinese investors at some point during the 2014-2015 fiscal year, to come at an accelerated rate as a result once again, of a significant volume of activity from China. The program has become invaluable to both investors and developers, particularly since the downturn of the market in 2008. Previously banks were the predominant lenders, but the front-end financing for today's development projects requires the need for several different financing vehicles; furthering the importance of the availability of EB-5 funding. According to data from the U.S. Citizenship and Immigration Services, 10,928 foreign investors applied to invest through the program in the fiscal year ended September 30, up 72% year-over-year; and over 20-times the number of applicants in 2006.

It has been further suggested by some sources that EB-5 can play a significant role in filling the financing gaps to assist in the de Blasio administration achieving their affordable housing goal of the construction of 80,000 new units for projects that are not 100% financed, the EB-5 program offering a more efficient and less expensive option than alternatives such as mezzanine-level debt or equity. EB-5 financing typically carried an annual interest rate of 5-8% which the developer pays directly to the investor, as compared to riskier mezzanine debt at an interest rate that would have been about 7-8 percentage points higher; due to acquiring a green card being the primary reason for the investment, versus seeking a profit.

Currently the program that was first authorized in 1990 by Congress is on a 3-year renewal program, with the next review due in September 2015; but some legislators and Members of Congress have proposed establishing a permanent extension, while critics of the program site concerns of:

- Increased money laundering and fraudulent security offerings into nonexistent projects;
- Inadequate transparency for investors to discern safe investments from risky ones;
- Lack of an effective system for tracking the number of jobs created to accurately determine if the project has met the required criteria for green card issuance;
- Inadequate overseeing by both the U.S. Citizenship & Immigration Services and the U.S. Securities and Exchange Commission.

Notable projects securing funding through the EB-5 program:

Hudson Yard's Project – Related Companies raised $600 million in December to finance the construction of the foundation of 3-towers at the 17 million-square-foot residential and commercial complex being developed on the Far West Side at an estimated cost of $20 billion. While earlier reports noted that the developer was seeking up to $800 million, the $600 million figure is reportedly a record. Due to growing popularity, processing time has grown lengthy for both investors and developers, but Related had success expediting the approvals due to the size and significance of the project. In addition, the company recently won broker-dealer status in the U.S. to further facilitate processing for the $40-$50 million in funds being raised on a monthly basis to further supplement the majority of financing being secured through traditional debt and equity investments.

Brooklyn's Barclays Center – Developer Forest City Ratner Cos has raised over $475 million.

Projects currently seeking funding through the EB-5 program:

Four Seasons, 30 Park Place (TriBeCa) – Developer Silverstein Properties is reportedly seeking to raise about $250 million for the condo-hotel project currently under construction in Lower Manhattan.

112-118 West 25th Street aka 113-117 West 24th Street (Chelsea) – The planned 39-story, 330-key, 177,513-square-foot Renaissance Hotel being developed by Lam Generation, an off-shoot of John Lam's Lam Group.

Lending Remains Strong

3 World Trade Center aka 125 Greenwich Street (World Trade Center) – Taking center stage for financing during the 4th quarter is the successful $1.6 billion sale in tax-exempt Liberty Bonds by Silverstein Properties, which reportedly marks the largest-ever bond deal in the municipal market. The bond sale will allow construction of the 80-story, 2.8 million-square-foot office tower to move forward to its expected 2018 completion, after being stalled at the 8th floor since the summer.

The sale which was managed by Goldman Sachs, resulted in reportedly the highest yields paid for any sale of its size. Top-rated 30-municipal bonds currently yielding about 3.09% on October 28th, after setting a 21-month low of 2.78% on October 16.

- $1.1 Billion senior bonds were placed at a yield of 5%, or about 1.9 percentage points above benchmark debt, with a 30 year maturity to be backed by rents and secured by a mortgage on the building.
- $280 Million junior bonds drew initial yields of 5.3% and 5.5% with 2034 and 2040 respective maturities.
- $231 Million of 30-year subordinate debt priced at a preliminary 7.25%.

Currently about 20% leased as a result of the only lease signing to date of 516,000 square feet spread across 9-floors by advertising firm GroupM led to 118 investor risks sited on bond documents that could reduce revenue, including the tower not achieving completed construction, insufficient tenant leases within the timeframe contemplated in sizing reserves and funding backstops, the potential for terror attacks.

NYC Housing Development Corporation's Out-of-the-Box Bond Refinance

The city's Housing Development Corporation (HDC) has entered the commercial mortgage-backed securities (CMBS) market for the first time with an inaugural group of loans valued at $550 million, and can allow for up to $610 million, that will be secured by the market-rate residential tower New York by Gehry, 8 Spruce Street. Despite the fact that the tower has no affordable component, as the issuer of the original bonds, the HDC must be the originator in order to obtain the same tax-exempt status.

While not expected to become a frequent practice, the CMBS structure was reportedly useful in the refinancing of the floating rate bonds that the HDC had issued between 2008 and 2010 — including $8 million in Liberty Bonds, to promote commercial and residential development in Lower Manhattan after the September 11 attacks. According to some industry sources, the transaction is significant in that it exemplifies the HDC's willingness to implement creative structuring in order to diversify how the agency capitalizes projects. The city anticipates low-lending risk due to the strengthening of the CMBS market over the last 2-years; securing of a fixed-rate financing while rates remain low; and the $1.1 billion value of 8 Spruce Street based upon an appraisal obtained in July.

Significant CMBS Maturities Loom

However, while the CMBS market continues to strengthen, a significant number of maturities that are coming due raise some concerns.

According to a report released by Trepp, a leading provider of information, analytics and technology to the global CMBS, commercial real estate, and banking industries, issuance of commercial mortgage backed securities (CMBS) were at the highest levels during the 3-year period of 2005-2007; of which the far majority were made up of 10-year balloon loans. As a result, over $300 billion in Conduit[1] CMBS loan balance will mature, representing an aggregate figure that is more than 2.5 times the amount that matured in the previous 3-year period; and will be viewed by CMBS investors as a true test of the strength of recovering capital markets.

On the upside, property values are rebounding, interest rates remain low, foreign investment is boosting property values in gateway U.S. cities; however in contrast, big box retailers continue to close stores, big banks and law firms are shrinking office footprints, and new construction is slowing down multi-family appreciation. The dichotomy of economic fundamentals raises concerns of potential volatility in both CMBS prices and commercial real estate values as one of the highest volumes of maturing loans approaches.

Further compounding instability is the threat of rising rates due to the end of the Federal Reserve's Quantitative Easing (QE) bond buying program; and higher relative underwriting standards due to the recent approval by 6-federal agencies of new risk retention rules. Not scheduled to be enacted until January 2017, the new rules that are part of the Dodd-Frank Act's implementation require managers of collateralized loan obligations — including CMBS, to hold a larger portion of the deals on their balance sheets equating to 5% of the value of new deals. The new rules are expected to increase costs by around 40 basis points, but not scare away investors; and although the Commercial Real Estate Council (CREFC) had lobbied to exempt single-asset CMBS loans, regulators denied the exemption.

The majority 63% of the maturing CMBS loan balance is for office and retail loans, followed by 14% comprised of multi-family loans. A comparison of debt yields, cap rates, loan-to-value (LTV)[2] ratios, and debt service coverage ratio (DSCR)[3] of 2014 loans originated thus far with the loans coming due at an average new loan rate of 4.94%; and the assumption that lenders require at least a 1.5x DSCR, resulted in an 82.48% eligibility for refinance at current debt and income levels — 2015 having the highest percentage of eligibility at 86.33% in comparison to 2017's 78.77%.

CMBS Delinquency Rate

CMBS activity in 2014 picked up momentum in the 2nd-half, reaching almost $100 billion in deals leading industry sources to predict a greater volume in 2015.

The delinquency rate for US commercial real estate loans shrank 5 basis points (bps) in December to 5.75%, continuing a moderate rebound from a sharp 11 (bps) rise during the month of October to 6.14%. While over $700 million in loans were cured during the month for a 14 bps reduction, close to $1 billion in loans became newly delinquent resulting in a 19 bps rise. The $30.2 billion in total delinquent loans as of the end of December represents a lessening of about $500 million month-over-month, excluding loans that are past their balloon date but are current on their interest payments.

The lodging sector boasted the greatest year-over-year improvement, falling 314 bps; followed by industrial, office, and multi-family improving by 291, 205, and 201 bps respectively, with retail improving at a much slower rate of only 40 bps throughout 2014.

[1]Real Estate Conduit is a loan origination with the intent of securitization — the process of aggregating similar instruments, such as loans or mortgages, into a negotiable security.

[2]LTV is the ratio of a loan to the value of an asset purchased.

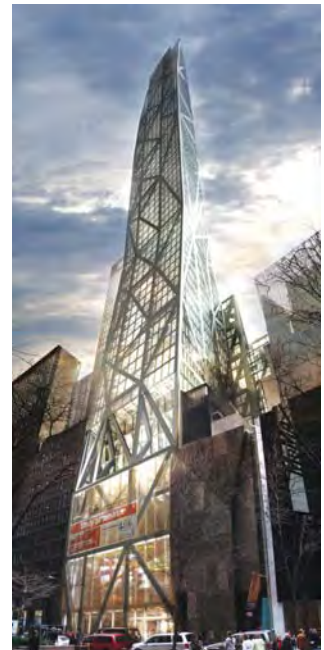
[3]DSCR is the ratio of cash available for debt servicing to interest, principal and lease payments.

[4]Basis Point is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

Sources: http://classic-migration-sandbox-157783.hs-sites.com/the-wall-of-maturities-somethings-gotta-give?submissionGuid=787e6fbc-015a-4554-bd6c-836ae8e32f54
http://cdn2.hubspot.net/hub/157783/file-2302645226-pdf/TreppDecember2014CMBSDelinquencyReport.pdf?t=1420650480641

Lending (cont'd)

Reported Loans Secured - 4th Quarter 2014


53 West 53rd Street - Rendering

3 Hudson Boulevard (Hudson Yards) – Developer Moinian Group is considering a $500 million bond issue on the Tel Aviv Stock Exchange (TASE) that is growing in popularity for financing by New York City developers. Which project the company would apply the proceeds to was not announced, but the 1.8 million-square-foot development is currently Moinian Group's largest. If the bond offering moves forward, it would reportedly represent one of the largest debt issuances by any U.S. real estate company in Israel in recent years. The growing roster of other developers considering or raising capital via the Israeli debt market include the partnership of the Witkoff Group and Lightstone Group, Extell Development and Brookland Capital.

53 West 53rd Street (Midtown West) The partnership of Houston, TX-based developer Hines, Goldman Sachs and Singapore-based developer Pontiac Land Group secured an $860 million construction loan for the planned 82-story tower from a group of 4 Asian banks — Singapore-based United Overseas Bank Limited, OCBC Bank and DBS Bank; and Kuala Lampur-based Maybank. The long-delayed project will include 140 residential condominiums, 28 "service apartments," and 39,000 square feet of public and MoMA gallery space on the tower's lower floors. $220 million each was lent by lead lender Singapore-based bank United Overseas Bank Limited and 2 other banks in the group, while the remaining $200 million was provided by the 4th bank.

530 Fifth Avenue (Times Square) – RXR Realty secured a $200 million loan to help finance the $300 million office condo acquisition from lender Morgan Stanley. The 5-year loan that reportedly closed in October gives RXR Realty an ownership stake in the 500,000-square-foot building that was purchased by Thor Equities for $595 million this year. Retail tenants at the building include J.P. Morgan Chase & Co, Desigual and Fossil.

International Gem Tower, 55 West 46th Street (Times Square-Diamond District) – SL Green Realty secured a total of approximately $190 million in non-recourse[1] acquisition loans from lender Wells Fargo to help finance the purchase of the 319,000-square-foot office condominium from Extell Development. The 3-year loans have (2) one-year extension options and include some debt assumed by the REIT.


135 West 52nd Street - Rendering

500 Fifth Avenue (Times Square) – L&B Realty Advisors secured a $200 million refinance loan for the 687,565-square-foot tower from lender Column Financial, a division of Credit Suisse. Funds from the loan were used to retire an existing $105.5 million loan originated in 2005 from the New York Life Insurance Company. The building is currently about 97% leased and major tenants include publisher W.W. Norton & Company, 63,693 square feet; and fashion design firm Vince, 33,000 square feet.

One Grand Central Place aka 60 East 42nd Street (Grand Central) The Empire State Realty Trust (ESRT) has reportedly refinanced the 1.2 million-square-foot tower through a 3-year, $91 million loan from lender Prudential Insurance Company of America. The floating rate loan is attached to LIBOR — current 1-year rate is 0.58, plus $1.35%.

260 West 39th Street (Penn Plaza-Garment) – Brooklyn-based Orbach & Associates secured a $42 million refinancing for the 155,000-square-foot tower from lender New York Community Bank. The 12-year, 3.875% fixed-rate loan is interest-only payments for the first 4-years, with a 30-year amortization schedule to follow.

135 West 52nd Street (Midtown West) Co-developers Chetrit Group and Clipper Equity secured a $228.5 million construction loan from lender Deutsche Bank. Terms of the 2-year, non-recourse[1] interest only loan with a floating LIBOR-based interest rate included a 1-year extension option. The planned $300 million project is a redevelopment of existing hotel Flatotel into a mixed-use building with 5-floors of office condominiums and 37-floors of luxury residential condominiums; having purchased the property in 2013 for $180 million. Sales for the units have already commenced, and completion is expected for some time in 2015.

[1]Non-recourse loan is a secured loan that is secured by a pledge of collateral, typically real property, but for which the borrower is not personally liable. If the borrower defaults, the lender can seize the collateral, but the lender's recovery is limited to the collateral.

Lending (cont'd)

Reported Loans Secured – 4th Quarter 2014 (cont'd)

101 Sixth Avenue (Hudson Square) – Edward J. Minskoff Equities secured a 20-year, $200 million refinance mortgage from primary lender Citibank and secondary lender Barclays. The funds from the fixed-rate mortgage will be used to pay off an existing $175 million loan from the Bank of America. The 23-story, 411,000-square-foot office building is currently about 97% leased.

625 West 57th Street (Clinton-Hell's Kitchen) – The Durst Organization secured a construction loan for the pyramid-shaped residential rental project totaling $411.5 million from a group of lenders. The 4-year loan that includes a 1-year extension was provided by Wells Fargo, $110 Million; BNY Mellon, $111.5 million; PNC Bank, $70 million; M&T Bank and TD Bank, $60 million each. The uniquely designed 80/20 development has topped out at a linear height of 450 feet; and will total 800,000 square feet comprised of 709 residential units and ground floor retail. Expected to deliver in 2016, tenant amenities will include an indoor swimming pool and indoor park.

606 West 57th Street (Clinton-Hell's Kitchen) – TF Cornerstone secured a 4-year, $384 million construction loan, including an option to extend for the 42-story, 992,938-square-foot mixed-use project from lenders Wells Fargo, M&T Bank, and Germany-based Helaba. The project will be comprised of 1,028-rental units, 40,000 square feet of retail space, and a public pre-K school.

160 West 62nd Street aka 51 Amsterdam Avenue (Clinton-Hell's Kitchen) – Long Island-based Glenwood Management secured a $260 million mortgage for the 339-unit, 339,000-square-foot mixed-use tower dubbed Hawthorn Park that began leasing in June from the NYS Housing Finance Agency. Funds are intended to finance a portion of the $125 million purchase cost, construction and improvements.


625 West 57th Street - Rendering


606 West 57th Street - Rendering


160 West 62nd Street - Rendering

44-54 Ninth Avenue / 351-355 West 14th Street / 362-364 West 15th Street (Chelsea-MePa) – The joint venture of Tavros Capital and Arel Capital secured a 2-year, $85 million fixed-rate loan that included three 1-year extension options from Blackstone Mortgage Trust. The $105 million purchase of the 3-property portfolio from Vectra Management Group is comprised of a total of 82 residential rentals under J-51 tax abatements that are due to expire over the next 18-months allowing for de-regulation of rents; and retail space currently leased to skincare retailer L'Occitane, restaurant Diner, and Solstice Sunglasses, with a 7,500-square-foot vacancy currently being marketed as a flagship opportunity. Retail rents in the neighborhood are on the rise due to surrounding amenities including the High Line, Chelsea Market, and the anticipated completion of the new Whitney Museum.

95 Horatio Street (Chelsea-MePa) – TF Cornerstone secured a 10-year, $165 million Freddie Mac loan through Capital One for the 318-unit market rated property located near the new Whitney Museum in the High Line neighborhood. The fixed-rate loan will replace a securitized debt from Morgan Stanley that was nearing maturity.

45 East 22nd Street (Flatiron) – New York development firm Continuum Company secured $420 million in financing for the construction of a proposed 64-story, 372,684-square-foot cantilevering[2] residential condominium that is expected to reach a linear height of 800 feet. A Goldman Sachs Group debt fund provided over $340 million; and the balance was provided as preferred equity from Dune Real Estate Partners and Fortress Investment Group.

[2] A cantilever is a beam anchored at only one end. The beam carries the load to the support where it is forced against by a moment and shear stress.[1] Cantilever construction allows for overhanging structures without external bracing

Lending (cont'd)

Reported Loans Secured – 4th Quarter 2014 (cont'd)


300 Lafayette Street - Rendering

300 Lafayette Street (SoHo) – Brooklyn-based LargaVista Companies secured a 20-year, $40 million mortgage for the fee simple interest that the company has owned for over 30-years, from American International Group. The project will be developed as a joint venture with the Related Companies, as a result of a $7.5 million investment in the project earlier this year; and will result in the redevelopment of the existing BP gas station into a 7-story, 83,000-square-foot mixed-use office and retail tower with 365 feet of frontage along Crosby, Lafayette- and Houston Streets. The project is expected to cost $300 million.

627 Greenwich Street (West Village) – Netherlands-based Brack Capital Real Estate USA secured a $87.3 million loan from lenders Apollo Commercial Real Estate Finance and Israel Discount Bank of New York, having recently purchased the 106,400-square-foot vacant building for $106 million ($996 per square foot) from Criterion Real Estate Capital. The building and its adjacent parking lot were slated for a condominium redevelopment, but fell into foreclosure during the recession; leaving the Royal Bank of Scotland with over $100 million in debt on the 2 properties as a result. In March, Criterion purchased the building for $75 million ($705 per square foot), flipping the property at a gain of $30 million in less than a year. Terms of the loan and future plans for the building by Brack Capital were not announced.

125 Greenwich Street aka 18-22 Thames Street (World Trade Center) – Co-developers Michael Shvo and Bizzi & Partners secured a total of $240 million in financing for the residential condominium project that is expected to reach a linear height of 1,356 feet and add 128-units. Funds were provided by multiple lenders, $170 million from a Singapore Bank and Indian private equity firm; $40 million from Indian billionaire Dilip Shanghvi, founder of global pharmaceutical company Sun Pharma; and an unspecified amount of funds from investment company New Valley and an undisclosed Chinese public company. The purchase from the joint venture of Fisher Brothers and Steven Witkoff closed in August for $185 million.


125 Greenwich Street - Rendering

520 Park Avenue (Upper East Side) – Zeckendorf Development secured a $450 million construction loan for the planned 51-story residential condominium from British hedge fund the Children's Investment Fund Management. Last year, the British fund also provided a construction loan of up to $660 million for Silverstein Properties' Four Seasons condo-hotel project at 30 Park Place in Lower Manhattan


520 Park Avenue - Rendering

Partnership for New York City - "NYC Jobs Blueprint"

Overview
(Part 3 of a 3 Segment Article)

The Partnership for New York City, a non-profit organization whose efforts are focused upon advancing the economy of New York City by contributing directly to projects that create jobs, improve economically distressed communities, and stimulate new business creation, has prepared the NYC Jobs Blueprint report that "intends to lay the groundwork for the actions and partnerships that local government, organized labor, the private sector and civic groups will need to undertake" in order to maintain the city's status as the center of world commerce, finance and innovation.

The report represents the collaborative input from several groups, resulting in findings that offer a fresh look at the comprehensive analysis of demographic and economic trends and developments of the last decade; offering projections that suggest how those will play out over the next 10 years.

While the study's findings reflect a current position of strength compared to global and domestic competitors, it could quickly change with 440 emerging market cities expected to generate close to 50% of global gross domestic product (GDP) growth by 2025. The study concludes that the city administration will need to put a plan and network of partnerships in place to allow it to respond quickly and effectively to the imminent challenges ahead, if New York City wants to maintain its status in a new world economy.

Where We Need to Go

Suggested Benchmarks for Future Growth

Recognizing that to some extent that New York City's government has little or no control over the pace of economic growth, due to federal policies and macroeconomic[1] forces — controlled by consumers and businesses, a working partnership with the business community, organized labor, and educational institutions can enable the city to anticipate and leverage market forces; and then apply municipal resources to sharpen its competitive edge. Furthermore, the NYC Jobs Blueprint report suggests the need to establish a more robust public-private and business-labor partnership through the creation of organizational structures for the primary purpose of advancing the opportunity agenda.

[1]Macroeconomics - A factor that is pertinent to a broad economy at the regional or national level and affects a large population rather than a few select individuals. Macroeconomic factors such as economic output, unemployment, inflation, savings and investment are key indicators of economic performance and are closely monitored by governments, businesses and consumers. The interplay or relationship between various macroeconomic factors is the subject of a great deal of study in the field of macroeconomics. While macroeconomics deals with the economy as a whole, microeconomics is concerned with the study of individual agents such as consumers and businesses and their economic decision-making.

"NYC Jobs Blueprint" (cont'd)

More and Better Jobs

Job growth is dependent upon the ability of startups and middle market firms to grow, particularly those in technology and other "tradable" sectors that export goods and services beyond the 5 boroughs; the increased productivity growth in healthcare, education and government sectors; and the stabilizing of legacy industries that anchor the city economy, particularly the financial services sector.

Build urban live-work "Tech Campus" developments in every borough, similar in concept to the Cornell-Technion's planned campus on Roosevelt Island. Ideal opportunities for campus development that would also resource underutilized properties include expanding the Brooklyn Tech Triangle surrounding Metrotech — an emerging cluster of tech activity in Downtown Brooklyn; the planned New York University/NYU Polytechnic Center for Urban Science & Progress (CUSP) in Downtown Brooklyn; as well as Sunset Park, Brooklyn, Long Island City waterfronts, Staten Island's North Shore, and the Port Morris and Eastchester sections of the Bronx. As incentive, the Partnership Fund will invest $20 million in the commercial component of a campus for entrepreneurs and tech startups.

Cornell -Technion NYC Tech Campus - Rendering

Center for Urban Science & Progress - Rendering

Replace Non-strategic Economic Development Programs with Job Tax Credits that will offer more effective incentives than the poorly targeted tax and bond financing incentives the city currently administers. These changes will require NYS government to curtail or redirect existing programs and authorize new ones — as was successfully achieved when the NYS Excelsior Program replaced the Empire Zone program.

Reinforce the Financial Services Sector which accounts for about 35% of the city's total private sector payroll through retention of current firms; attraction of new firms from the developing world and Europe where declining business climate and escalating regulatory pressures will prompt many firms to relocate operations in the next decade; and continued growth in financial technology businesses.

Accelerate Sector Diversity and Tech Startup Activity which is being driven by technological transformation of legacy industries such as financial technology and health information technology. These emerging sectors, where New York City enjoys a huge competitive edge, increased their share of the city's GDP by almost 3% in the last decade. Continued diversification can be supported by the city through marketing, promotional and programming activities, and increased venture capital investment activity. The Partnership for New York City has encouraged the State to create an Angel Investor tax credit as indication of the commitment to incentivize investment in startups.

Expand Export Intensity to around 10% of GDP, almost double the 2010 figure of 5.5%, which would add up to 162,000 new jobs in tradable sectors in the next decade. The increase could potentially be achieved by establishing a New York City Export Exchange to assist small and middle market businesses; enlisting the city's international corporations, banks, and financial firms to introduce their local supply chains to international markets; reaching out to the New York City tourism website, NYC & Company's foreign international offices as a possible resource to assist with promotion and facilitation of selling the city's produced goods in new markets; and the Department of Small Business Services (SBS) could further assist by coordinating outreach and intergovernmental assistance.

“NYC Jobs Blueprint” (cont’d)

Encourage New Manufacturing & Artisan Enterprise through highly focused, public-private partnerships that provide affordable space and support services. Some successful examples include:

- **Brooklyn Navy Yard**, the city-owned complex currently houses 330 tenants providing nearly 6,000 jobs — up from 3,600 in 2001 and includes plans for **New Lab**, a cutting edge center that incubates and encourages a renaissance of new manufacturing in the Brooklyn Navy Yard. Entrepreneurs, educators, and businesses in disciplines ranging from additive manufacturing, biotech, advanced robotics, architecture, and industrial design will work alongside one another in this unique space.

- **The Greenpoint Manufacturing and Design Center** (GMDC), a nonprofit organization that converted 6 obsolete manufacturing buildings into collective production centers for over 100 small and artisanal businesses with 775 employees;

- **Industry City’s** more recently planned $250 million refurbishment of the 16-building waterfront industrial complex in Brooklyn’s Sunset Park that will offer a mixed-use facility with affordable space intended to foster a variety of industries including designers, innovators, start-ups, manufacturers and artists while offering job placement resources, an events schedule, and ownership-sponsored networking opportunities.

Establish Industry Partnerships for Economic Development to implement end-to-end solutions for job creation and economic output in key tradable sectors, including finance services, technology, creative industries (media, fashion, the arts), and manufacturing.

Create a Commercial Rent Tax Credit that would offer new companies that hit the annual $250,000 rent threshold due to expansion that creates new, middle-income jobs a credit against the currently imposed 6% tax on base rent for business tenants south of 96th Street .

Establish a Resource Center for Job Creators in collaboration with the real estate brokerage and consulting community for the purpose of creating a gateway for companies seeking to locate in, or scale up in the city. The center would potentially offer a new source of data that could inform the city’s planning, tax and zoning policies about businesses that are seeking to grow and local government needs.

Create a Permanent Innovation Advocacy Organization to advocate for policies, programs and projects that promote the city’s status as a global capital in very sector.

Better Educated & Skilled Workers

The City is projected to gain 284,000 jobs through 2020 that require bachelor degrees or more; 201,000 jobs requiring associate-level degrees or some college; 72,000 jobs that will require a high school degree.

Launch NYC 2020 Jobs Challenge — A Partnership between Employers & Educators in which employers commit to coordinated engagement in a city-wide career and technical education initiative, agreeing to specific goals for providing work experience through mentoring, internships and employment opportunities; and the State, City and educators commit to working with employers to reform curriculum, credentialing and certification processes of educators to match demands of the 21st Century workplace.

Several programs to prepare students for employment in growth sectors where there is an unmet demand for skilled labor have been launched through a partnership of the City’s Department of Education, the City University of New York (CUNY), and the private sector.

- **3 New technology high schools** are expected to be established this fall through the collaborative efforts of the City and technology companies Microsoft and SAP, New York-Presbyterian Hospital, the American Association of Advertising Agencies, Omnicom Media, and Deutsch Inc.

- **The Academy for Software Engineering** (AFSE) that opened in 2012 will be serving as the model for a software engineering pilot program dedicated to computer science that will be established in 20 schools through the supportive efforts of technology companies including Google, eBay, Facebook and FourSquare.

"NYC Jobs Blueprint" (cont'd)

Further collaborative efforts have also led to the establishment of 6-year, 9-14 graduation and certification programs; but they must be expanded to reach a broader student population:

- **Pathways in Technology Early College High School** (P-TECH) – launched in 2011, created through the collaboration of IBM, New York City College of Technology, The City University of New York (CUNY), and the City's Department of Education.

- **Energy Tech** – an Early College and Career High School created through the collective efforts of Con Edison, National Grid, LaGuardia Community College, and the City's Department of Education.

Establish Outcome-Based Criteria for Education Funding for the public university system that is tied to meeting employer demands of an adequate supply of well-prepared candidates for job market demands.

- **Wage Reporting System** (WRS) – compiles data regarding graduate job placement and earnings statistics that other states have access to, while protecting individual privacy, as a resource for periodic review to determine best placement for public investment in education and workforce development.

- **A City-wide Market-based Skills Database** should be created to compile up-to-date information about the size, nature, and skills requirements of the relevant job market.

Coordinate Education, Workforce Development & Job Placement Functions under a Chief Talent Officer who would be responsible for overseeing workforce and career development functions, including those conducted by the Department of Education, post-secondary institutions, contractors and industry groups; and develop a single strategic plan to guide allocation of Federal, State, City and private funds, evaluation of service providers, industry relationships and job placement.

Greater Connectivity & Accessibility that is up-to-date, well maintained and resilient will require exploration of public-private partnerships that will increase access to private capital and help reduce construction costs.

Mass Transit System

- Recent years have seen an increase in capital dollars to expand the system, but the backlog of transit repair and maintenance of the MTA has been estimated at about $3.4 billion, of which 40% is currently unfunded.

- The Second Avenue "T" line and East Side Access under the Grand Central Terminal, while underway, do not have the funding in place to complete the 2 major projects.

Pursue Universal & Redundant Connectivity that will require an amendment to regulations that currently impede service providers from building-out the necessary infrastructure throughout the city that will deliver the broadband and wireless access necessary to align with current technology specifications and future technological advances; particularly in the outer boroughs where startups are looking for low cost space.

Advocate for Improved Airports that while not a direct responsibility of the City, are among the most important factors affecting the city's future growth.

- The city's Economic Development Corporation (EDC) and Port Authority of New York and New Jersey (PANYNJ), upon studying the declining volume of daily air cargo at JFK Airport, have recommended the establishing of a Cargo Village to provide better facilities for trucking operations and drivers; a commercial development zone providing incentives for trade-oriented activity; and improved airport access for large trailers as part of a proposal to reverse the trend. JFK's air cargo operations support 50,000 regional jobs, with $3 billion in wages and $8.6 billion in sales; and 35 new jobs are created for every 1,000 tons of freight moved.

“NYC Jobs Blueprint” (cont’d)

Redesign the Transportation Network by the city administration leading efforts to reconfigure the transportation system to meet changing commuting patterns, including cross-Hudson solutions, improved airport access, and regional freight movement.

- Accelerate implementation of the 16 planned Bus Rapid Transit (BRT) routes. The first 3 “capital light” BRT routes have reduced average travel times by 20% in high traffic corridors.

- Congestion pricing proposals should be reintroduced to reduce traffic congestion and create new revenue sources for mass transit.

- Additional ferry routes should be considered, particularly in areas of the city lacking other public transportation options. While operating costs on a per rider basis are high, capital expense of ferries is very low compared to any underground alternative; further noting that ferries were the first mass transit option to start running again after Hurricane Sandy.

Tap Private Sector Resources through the establishment of a City-State business-labor partnership to allow increased flexible terms for private investment in public projects that is currently dictated by State legislation.

Safe & Affordable Housing will require a shift of about 100,000 households into housing units that are affordable based upon respective income levels to restore historic, pre-recession affordability levels.

Optimize Existing Housing Resources

- Significantly improved enforcement by the City and State of the tens of thousands of regulated and subsidized units that have become over-housed at the expense of other New Yorkers with a single person or couple hanging on to a large, family-sized unit; also offering incentives to upgrade illegal units, subdivide large homes into rental units, and reform laws that provide a housing affordability advantage on a basis other than economic need and family size.

- Codes and zoning should be amended to encourage development of additional “accessory” units and work-live accommodations by legalizing the over 100,000 unofficial housing units in basements and cellars, of which an estimated 35% can easily become legal with minor changes in codes and regulations; and by seeking out existing properties that are currently underutilized.

Reduce Costs of Housing Construction by increasing floor area ratio (FAR) for residential development, reducing parking, setback and yard requirements, increasing inclusionary bonuses and simplifying and expanding the allowable transfer of development rights.

- **Micro-units** should be legalized, allowing for the construction of the 250-370-square-foot units that were introduced to the city through a pilot development initiative launched through the **adAPT NYC** competition under the Bloomberg administration, resulting in the proposed development of 55 micro-units utilizing modular construction in the Kips Bay neighborhood at 335 East 27th Street

- **Modular Building Construction** delivers the potential to further decrease costs as exemplified by Forest City Ratner’s B2 BKLYN project, a 32-story, 346,000-square-foot building to include 363 rental units that will potentially reduce costs over conventional, union built high-rise housing by 20%.

- Review of laws, regulations and agency procedure for the pre-development, construction and post-construction regulatory review and approval processes that currently add to the cost and inefficiency of construction.

335 East 27th Street - Rendering

335 East 27th Street - Micro Apt - Rendering

Prioritize Long-Term Planning & Sustainability by making certain green building code retrofits mandatory, in combination with increasing the city's funding for the pilot stages of retrofit compliance through the nonprofit Energy Efficiency Corporation.

Improve Services in High Crime Communities by pursuing implementation of a few recommendations by the NYPD that include installing more security cameras, adding strategic lighting, and placing security guards in lobbies as; as well as working to connect youth to education and jobs through the commitment of public funding agencies that can coordinate funding and services directed to highly impacted communities.

Efficient, Disciplined & Well-Run City Government by further improving and better integrating the information technology systems of the city departments to achieve greater efficiency and improved fiscal and program management and procurement.

Collaboration of business and labor groups working together with city government to establish a shared understanding of the facts and possible options for achieving fiscal balance, including reduced expenditures, productivity increases, and revenue growth; each contributing their specific areas of expertise while collectively exploring pension fund investment opportunities in public infrastructure, and ideas to increase attraction of private/philanthropic capital via innovated financial instruments.

Eliminate the Structural Budget Deficit by reducing expenditures and seeking new revenue streams that will depend largely on economic growth; reduction of the city's debt services by bringing the capital budget under control; renegotiation of the city's employee benefits — $5.5 billion projected for 2014 due in large part to the city's 100% premium coverage for current employees, their spouses and dependents, and retiree health insurance benefits (aside from elective prescription drug coverage).

Recruit Strong, Tech-Savvy Managers through the advisement of the business community that is prepared to work with the administration to identify and recruit highly skilled line managers on both a staff and volunteer basis.

- **State Civil Service** rules that have become outdated and need to be changed in order to staff government effectively, of which in the interim, the NYC Technology Development Corporation (TDC) established in 2012 serves as an important vehicle for attracting needed expertise and elevating government information technology functions.

Reform Property Tax to create a more fair and transparent tax system that aligns with the city's priorities and captures market value in its assessments.

- **Property Tax Exemption & Abatement Programs** need to be updated to ensure they are reaching intended beneficiaries. Of the $4.6 billion loss of revenue in fiscal year 2013, $1.8 billion was due to the city's not-for-profit property tax exemption.

Evaluate City-Owned Property for Revenue Potential & Economic Development via review by an independent commission that has no agency interest, draws on private sector expertise, and has an eye toward adaptive re-use, sale or other disposition to include real estate, air rights, facilities and services; particularly where the disposition could result in net revenues, reduced expenditures or more optimal use.

Re-design Community Service Delivery for "Collective Impact" by developing alternative models for better coordination of government and philanthropic resources to better serve economically disadvantaged communities in the areas of health, education, workforce development, and community services. The continually shrinking government resources make if critical for service provided to merge into a single, more effective delivery system, where schools provide an ideal vehicle for connecting families to service providers.

Mobilize Business-Labor-Citizen Lobbying Efforts to support the city's agenda in Washington, DC and Albany which requires both business and labor to be aligned as exemplified by the successful passage of the $60 billion in federal storm recovery funds; and replacement of the Empire Zones Program with the Excelsior Jobs Credit in Albany.

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Notable Transactions

Lease

Address	Submarket	District	Sq. Ftge	Tenant
17 State Street	Downtown	FiDi	97,955	Ipsoft (expansion)
One World Trade Center	Downtown	WTC	87,663	High 5 Games (relocation/expansion)
55 Water Street	Downtown	FiDi	68,793	Hugo Boss (relocation)
85 Tenth Avenue	Midtown South	Chelsea-MePa	180,000	Google (expansion)
225 Park Avenue South	Midtown South	Flatiron	163,262	BuzzFeed (relocation/expansion)
430 West 15th Street	Midtown South	Chelsea	77,293	Palantir
7 West 34th Street	Midtown	Penn Plaza	470,000	Amazon (relocation/expansion)
11 Penn Plaza	Midtown	Penn Plaza	330,000	AMC Networks (renewal/expansion)
919 Third Avenue	Midtown	Plaza	283,894	Schulte Roth & Zabel (renewal/shrinkage)
1221 Sixth Avenue	Midtown	Times Square	209,710	MUFG Union Bank, N.A. (consolidation)

Sale

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
1 Wall Street	Downtown	FiDi	1,165,659	$585,000,000	Macklowe Properties
212 Fifth Avenue	Midtown South	Flatiron	223,500	$200,000,000	Thor Equities & investors
627 Greenwich Street	Midtown South	West Village	106,400	$106,000,000	Brack Capital Real Estate
1740 Broadway	Midtown	Columbus Circle	620,000	$600,900,000	Blackstone Group
530 Fifth Avenue	Midtown	Times Square	500,000	$595,000,000	Thor Equities, RXR Realty, General Growth
21 Penn Plaza	Midtown	Penn Plaza	353,052	$244,000,000	TIAA-CREF
28 West 44th Street	Midtown	Times Square	287,200	$188,000,000	APF Properties (80% Stake)
183 Madison Avenue	Midtown	Murray Hill	257,414	$185,000,000	Tishman Speyer Cogswell-Lee Development Group
570 Seventh Avenue	Midtown	Times Square	155,000	$170,300,000	American Realty Capital NY REIT

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