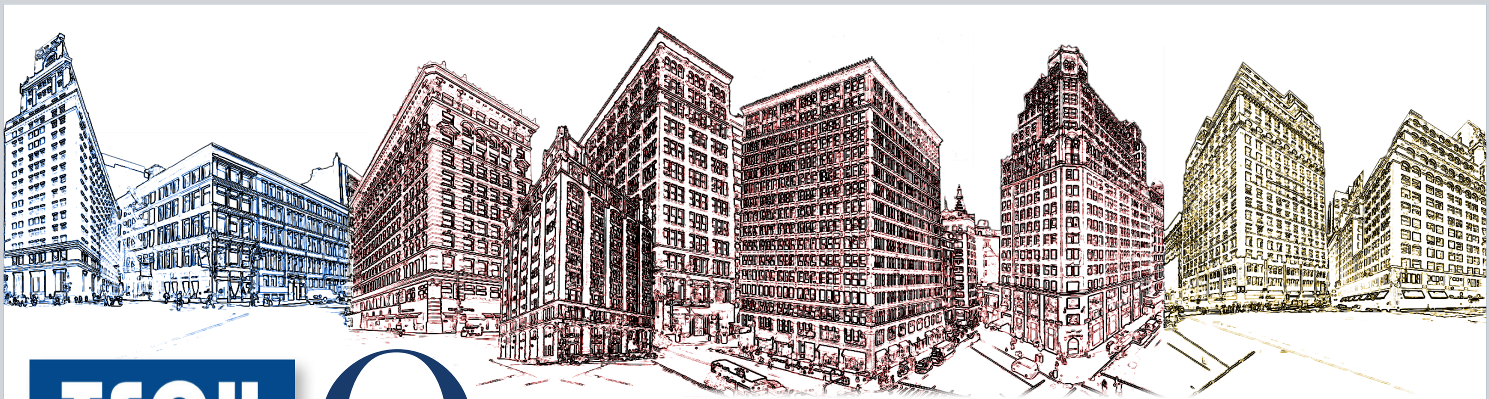


TECH STARTER

Q1 - 2013 | Futures Report

Ashkán Zandieh | 212.400.6083 | azandieh@absre.com

New York Tech Scene | Overview

The New York tech scene flourished in 2012. Startups in the media, mobile, and fashion tech set record-breaking numbers in funding as well as real estate growth. Funding rounds across all levels were strong, leading to entrepreneurs working across multiple platforms to expand their business and real estate footprint. The dramatic increase in leasing activity from both startups and established tech companies made New York one of the strongest tech markets in the country.

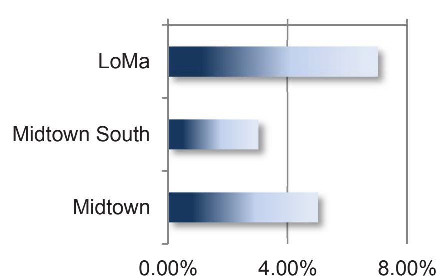
Midtown South, New York's tech epicenter, boasts the lowest office vacancy rate in the country. Direct average rental rates steadily rose by 17%, to an average of $55 per square foot, from Q1 2012 to Q4 2012. By comparison, during the same period, Midtown rents grew by 6.9% to $48 per square foot and Lower Manhattan rents incrementally grew by 1.9% to $35.50 per square foot.

Since Google purchased 111 Eighth Avenue, a 2.9 million square-foot building in Chelsea, the tech and real estate landscape has dramatically changed. Google's natural ability to attract top-tier talent from around the world has helped the overall talent pool in New York, leading to an increase in engineers, designers, and startups alike migrating to New York.

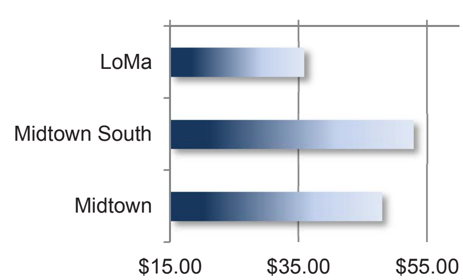
Moda Operandi and Fab, two of the more popular startups in New York, expanded their real estate footprint by moving south and taking space in Chelsea upon the announcement of their VC capital injection in 2012. Moda Operandi announced their move from 72 Madison to 315 Hudson Street, taking nearly 24,882 square feet, while the fast growing Fab nearly doubled their space when they took 23,500 square feet at 95 Morton Street. Multinational tech-based companies like tech giants eBay and Google both established themselves in New York by planting roots in Midtown South in 2012. eBay early in the year announced their move to 625 Avenue of the Americas.

Office Class A and B

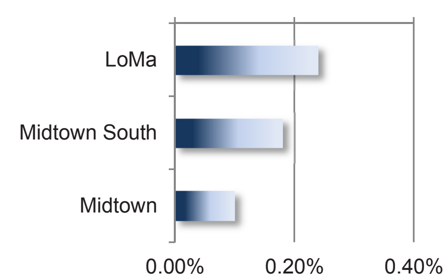
Vacant Available



Average Office Rent



Avg. Net Absorption Rate



Ashkán Zandieh | 212.400.6083 | azandieh@absre.com

Real Estate | Market Overview

Midtown South has been able to drive real estate leasing activity, by having its own organic identity. Midtown South's natural ability to attract entrepreneurs and startups has helped shape not only real estate but also its identity. While Midtown has been able to attract larger tech firms with favorable leases in order to help create its own tech identity, Lower Manhattan (LoMa) is still finding its place. However, with low rental rates and a PR push from the Bloomberg Administration and the NYCEDC, some startups might find it beneficial to explore the option of growing in LoMa.

North of Madison (NoMad) and Meatpacking are areas worth taking notice of in terms of tech activity. The cultural shift has generated activity in NoMad, where startups might find suitable space outside of Union Square/Flatiron. The recent sale of 28–40 West 23rd Street in Meatpacking may provide relief for priced out tenants in Midtown South's leasing market.

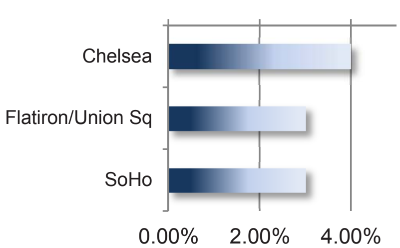
Q1 2013	Midtown South
Vacancy Rate	↑
Leasing Activity	↑
Avg. Asking Rental	↓
Avg. Time on Market	↑

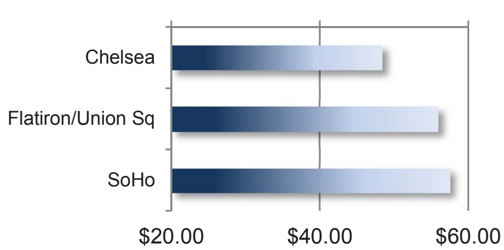
Midtown South: Real Estate Forecast

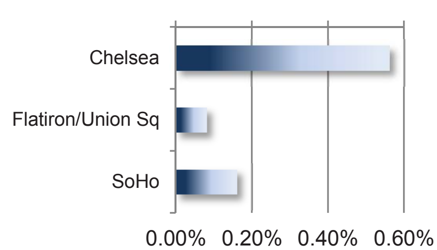
Tech will remain strong in Midtown South in 2013. While rental rates will continue to put pressure on startups that desire a Midtown South zip code, growing startups might remain reluctant to move outside of Midtown South due largely in part to sociological factors. Even though startups in growth mode are looking to expand their real estate footprint, some startups would rather reconfigure their current space than move, putting a halt on leasing activity in 2013.

Chelsea, Union Square, and SoHo, submarkets of Midtown South, have spearheaded the way in terms of institutional real estate investments and leasing activity in 2012. Average rental rates have reached $50 to $70 per square foot for some tech-friendly buildings. As one of the tightest markets in the country, all three submarkets combined have seen a significant 11.5% decrease in vacancy, driven largely by Chelsea and Union Squares' recent leasing activity. While tech's real estate footprint continues to grow, so does the interest and appetite for investors. With the potential of tremendous economic gain from the tech and startup scene, leasing activity, as well as investing, will most likely increase in 2013.

	Office Class B	
Vacant Available	Average Office Rent	Avg. Net Absorption Rate







TECH STARTER

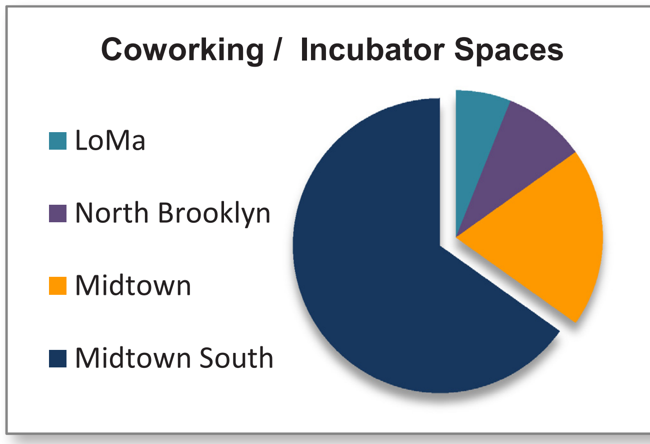
Ashkán Zandieh | 212.400.6083 | azandieh@absre.com

Co-working | The Future of New York's Start-Up Scene

Coworking is more than working in an open space, it is more about who you work with and the synergy that allows you to create innovation. "Coworking is the future of working," says Jason Saltzman, founder of The Alley, adding that companies like Zappos proved it with a fun, flowy and collaborative work environment that lead to better products getting built. The concept of coworking has even attracted the attention of well established business like NBC and American Express. According to Saltzman, big businesses are looking at coworking and adopting the startup methodology to help open the channels of communication. Ultimately this will help seasoned companies to adapt to change more quickly. Overall, the ability to approach business-related problems from multiple angles through open communication and cross-collaboration is the undercurrent running through co-workspaces.

Real Estate and Coworking:

Midtown South, Silicon Alley, has seen the most notable amount of co-workspaces. On average, there are roughly 40 to 50 co-workspaces and thousands of startups within them in New York. Upon "graduating," many of these startups are reluctant to move outside of Midtown South based on the connection, networking, and sociological impact of the area. This has also had a profound effect on Midtown South real estate. The supply constraint has pushed asking prices upward of $60 per square foot for office space in Class B buildings, leading to many startups to either co-locate or postpone their real estate growth.



The popularity and high demand for co-workspaces has also had a similar effect on real estate. Companies like TechSpace, Grind, and WeWork have been expanding throughout New York City, further expanding tech's footprint. Co-workspaces have offered many early-stage startups the ability to enter the high barrier of entry in the New York market. This has increased the popularity and growth of many co-workspace operators.

Most recently, San Francisco-based company 500 Startups, decided to enter the New York coworking market. The popular incubator and seed fund should leave an impact on the scene, especially when considering previously established co-workspaces. According to 500 Startups, half of the 5,000 square foot space at 28th Street and Park Avenue will be dedicated to its own portfolio companies, while accommodating other fledgling startups. Ultimately, the future of New York's tech scene is directly tied into the fabric of New York's coworking scene.

Future Report 2013 | Funding

The wealth of angel and VC investments in New York startups has suggested that the tech scene will continue to grow despite a Series A crunch. New York-based startups that have a monetization strategy might not feel the pinch felt in other parts of the country. Unlike the Silicon Valley model, which traditionally has focused on users, New York business-to-business startups focus their efforts on revenue, not investment. In addition, some startups might not need funding or additional funding beyond the seed or Series A stage.

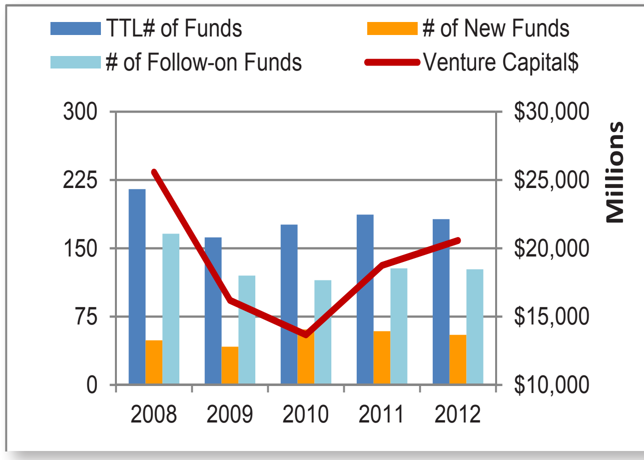
While the number of startups is growing, the number of VC funds is shrinking. According to the National Venture Capital Association (NVCA), US-based VC firms raised $20.6 billion disbursed from 182 funds in 2012, representing a 9.7% increase in capital but a 2.6% decrease in number of funds since 2011. New York (Metro) VC firms

TECH STARTER

Ashkán Zandieh | 212.400.6083 | azandieh@absre.com

Future Report 2013 | Funding (cont'd)

invested $2.3 billion in 397 deals in 2012, an 18% decrease in dollars and a 4.3% decrease in deals in 2011, according to the MoneyTree Report by PricewaterhouseCoopers LLP and the NVCA, based on data from Thomson Reuters. According to Mark Heesen, president of NVCA, "the venture capital fundraising environment has settled into a 'new normal', which is characterized by a barbell structure of larger funds which are stage and industry agnostic on one end, and smaller, early-stage, industry- or region-specific funds on the other."



Industry to Watch: Real Estate Tech

In 2012, technology moved to one of the largest industries in the world, real estate. Since the launch of Zillow, Truilia, and the mobile/web marketplace several years ago, there has been very little change in the real estate tech scene. While, residential real estate firms like Corcoran and Douglas Elliman have been able to leverage social media and mobile platforms to reach a broader customer base, commercial real estate has been somewhat reluctant to change to the social forces around them.

Disruptive and innovation are two words that aren't synonymous with real estate. However, since the launch of 42 Floors and Compstak, commercial real estate is functioning for a new generation of commercial real estate professional and tenants. According to Danny Shachar, Director of Marketing at Compstak, "technology is looking for new opportunities, and when sexier parts of the market have been saturated with the likes of consumer-oriented products...investors and entrepreneurs are turning to the B2B markets." Ultimately, commercial real estate is one of the last few areas to be transformed and enhanced by technology.

42Floors:

42Floors is a commercial real estate and office space market-place similar to a multiple-listing-service. The company was founded in November 2011. 42Floors makes office space rentals and commercial real estate listings easier to search by indexing business places for rent, coworking spaces, office sublets, and executive suites.

CompStak:

CompStak uses a crowd-sourced model to gather real estate information that is hard to come by, difficult to compile, or otherwise unavailable. CompStak's wedge into the market is a platform for the exchange of commercial lease comps. Brokers, landlords, appraisers and researchers use their site, and submit comps on completed commercial lease transactions.

TechStarter Research Marketing & Real Estate Consulting

TechStarter is the creative division of ABS Partners, one of the largest owners of office space/real estate in New York. It is the research marketing, leasing, and management team that handles all start-up requirements. TechStarter places importance on the micro and macro segments of the start-up/ tech scene, focusing on sustainability, growth, and synergy. Simply put, TechStater helps start-ups better understand real estate and their real estate footprint.

The TechStarter Report is produced quarterly by:
Ashkán Zandieh | Director
ABS Partners Real Estate, LLC

We build partnerships that last

200 Park Avenue South, New York, NY 10003
T 212.400.6060 F 212.400.9520 absre.com

ABS PARTNERS REAL ESTATE, LLC

Sources: TechStarter, ABS Partners Real Estate, LLC, CompStak, CoStar, NYCEDC, Made in NY, National Venture Capital Association, PricewaterhouseCoopers LLP, and Thomson Reuters
Special Thanks to: 42 Floors, Compstak, The Alley, Grind, SpaceSplitter, TechSpace and Gust