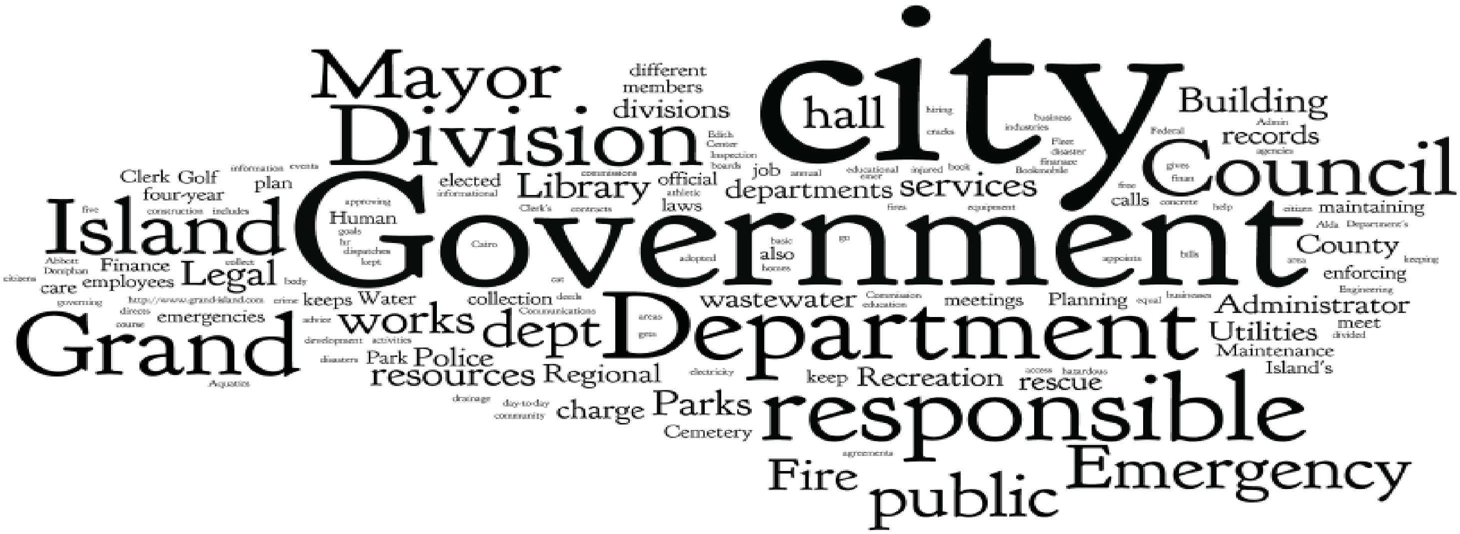
Manhattan Office Market

4TH QUARTER 2019 REPORT

A NEWS RECAP AND MARKET SNAPSHOT

Pictured: 1001 Avenue of the Americas



Looking Ahead

City Council Approves Bill Guaranteeing Space for Homeless Families

On Thursday, December 19th the city council approved a bill requiring developers of housing projects that have more than 40-units, and are receiving financial assistance from the city, to allocate 15% of the units for individuals and families experiencing homelessness. The bill that will go into effect in July 2020 reportedly represents a narrowing of the types of projects that qualify from the initially proposed legislation seeking to include new developments with 15-units or more. Under the requirements established by **Introduction 1211** that is expected to reserve as many as 1,000 units each year, the "Department of Housing and Preservation (HPD) will be required to annually report to the Mayor and the Speaker the number of units set aside for homeless individual and families for each housing development project and housing preservation project that received city financial assistance, as well as whether the project is a supportive housing project" according to the city council's press release.

Further efforts by the city intended to achieve the goal of ending "long-term street homelessness in 5-years" includes Mayor de Blasio's recently announced $100 million **6-Point Action Plan**. According to the press release by the Mayor's office, since the 2016 launch of **Home-Stat**, more than 2,450 individuals have been taken off New York City's streets and placed into transitional and permanent settings. The latest initiative will:

1. Increase Safe Haven capacity by opening 1,000 new Safe Haven beds;
2. Create 1,000 new low-barrier permanent apartments by working with partners across the housing and social services sectors;
3. Deliver new health resources to people where they are, providing treatment through street medical care and behavioral health care, and build the trust needed for clients to come inside;
4. Provide coordinated rapid outreach response through the Street Homelessness Joint Command Center;
5. Leverage state-of-the-art outreach technology to better connect clients to the services they need to transition into housing; and
6. Expand Diversion and Outreach in our subway system.

Although funding for the plan has yet to be determined, local legislators reportedly claim that it will be "cheaper for the city to put the homeless population in apartments than to farm them out to hotels."

Sources: https://www1.nyc.gov/office-of-the-mayor/news/622-19/mayor-de-blasio-plan-will-end-long-term-street-homelessness-new-york-city#/0
https://council.nyc.gov/press/2019/12/19/1856/

New York City Comptroller's Office

NYC Quarterly Economic Update Q3 2019

The report released in November revealed that although leading economic indicators for New York City remain positive, they signal caution as business in the New York metro area turned pessimistic in Q3 according to data from research firm ISM-New York, Inc. Economic growth continued to move in a positive direction, but at the slowest pace since the 1st quarter of 2017; and down 3.1% quarter-over-quarter. A soft labor market and more moderate wage growth as measured by average hourly earnings contributed to the slowing pace.

3rd Quarter 2019 - Key Economic Indicators NYC and the U.S. Compared with Q3 2018			
		Q3 2018	**Q3 2019**
Gross City Product (GCP)*	NYC	2.8	2.4
Gross Domestic Product (GDP)*	U.S.	2.9	1.9
Payroll-Jobs Growth*	NYC	1.7	0.6
	U.S.	1.8	1.4
Personal Income Taxes (PIT) Withheld, Growth**	NYC	4.4	7.6
	U.S.	-6.4	12.1
Inflation Rate*	NYC	2.1	1.7
	U.S.	2.6	1.8
Unemployment Rate***	NYC	4.0	4.2
	U.S.	3.8	3.6
*Seasonally adjusted annual rate (SAAR) **Not seasonally adjusted (NSA) *** Seasonally adjusted (SA)			

Personal Income Tax Revenues – The over $2.7 billion in PIT revenue reached in Q3 2019 was due to the 6.0% year-over-year increase of $156.2 million as a result of withholding tax revenues which are generally directly related in wages and salaries. Average hourly earnings of all private sector employees rose 3.4% year-over-year to $37.61; however it was lower than the 4.1% growth in Q3 2018. In comparison, U.S. average hourly earnings grew 3.0% to $27.99 during the same period, less than the 3.2% rate in the previous year

NYC Quarterly Economic Update (cont'd)

U.S. Economy – During the 3rd quarter:

The real Gross Domestic Product (GDP) rose 1.9%, falling a moderate 2.0% quarter-over-quarter. Consumer spending led the way in driving GDP growth; however it was offset by declining nonresidential fixed investment. While accounting for 1.93 percentage points (pp) to GDP growth, it represented a 36% decline of the 3.03 pp in Q2 2019. In contrast private investment and net exports lowered economic growth, likely causes include the waning impact of the 2017 Tax Cuts and Jobs Act stimulus effect, and hesitation in the face of uncertainties over the path of trade negotiations.

- Employment nationwide employment grew 1.4% (SAAR), representing an improvement of the 1.2% (SAAR) in Q2 2019, which was the weakest gain since Q3 2012. Private sector jobs accounted for 1.3% (SAAR), remaining unchanged quarter-over-quarter; and representing the slowest growth rate since the 1.2% increase in Q3 2010. Healthcare and social assistance sectors led the way, likely due to changes in Medicaid allowing family members to be paid to care for their loved ones. Among the private sector jobs added, 9,400 jobs were in low-wage industries and 2,100 jobs were in high-wage industries; while medium-wage industries, including education services, construction, and arts and entertainment, lost jobs for the second consecutive quarter. Labor force participation nationwide rose to 63.1%, up nominally from 62.8% in Q2 2019.

New York City

- **Employment** growth slowed, New York City establishments (including government) added 6,700 jobs — 3,700 private sector jobs and 3,000 in the public sector, representing a nominal 0.6% increase on a seasonally adjusted annualized rate (SAAR) basis; and the smallest gain since Q3 2010. The unemployment rate (not seasonally adjusted) held steady year-over-year in Brooklyn, Queens and Manhattan; but declined in the Bronx and Staten Island. The labor force declined by 17,300 in Q3 — the steepest decline since dropping 24,200 in Q1 2014.

Unemployment by Borough						
Borough	**Q3 2018**	**Q3 2019**		**Borough**	**Q3 2018**	**Q3 2019**
Manhattan	3.7%	3.7%		Bronx	5.8%	5.7%
Brooklyn	4.3%	4.3%		Staten Island	4.3%	4.2%
Queens	3.6%	3.6%				

Venture Capital Investment (VC):

Area	Q3 2019	Q2 2019	Q3 2018	Yr-over-Yr Change
New York-Newark, NY-NJ-CT-PA	$4.27B 189 Deals 16.5% Share	$4.20B	$5.99B 211 Deals 20.6% Share	-28.7% -10.4% -19.9%
Included (5) rounds of over $100 million — (2) in business products and services (Authentic Brands, Knotel); (1) was in internet (Compass); (1) in mobile and telecommunications (Capsule); and (1) in automotive and transportation (Wheels up Partner)				
Los Angeles—Long Beach, CA	$2.39B	$2.19B	$0.67B	256.7%
San Jose-San Francisco-Oakland, CA	$11.47B 388 Deals 30.3% Share	$14.23B	$14.03B 448 Deals 29.7% Share	-18.2% -22.3% 2.0%
Others	$7.74B	$9.66B	$8.37B	-7.5%
Total	**$25.87B 1,280 Deals**	**$30.28B**	**$29.06B 1,510 Deals**	**-11.0% -15.2%**

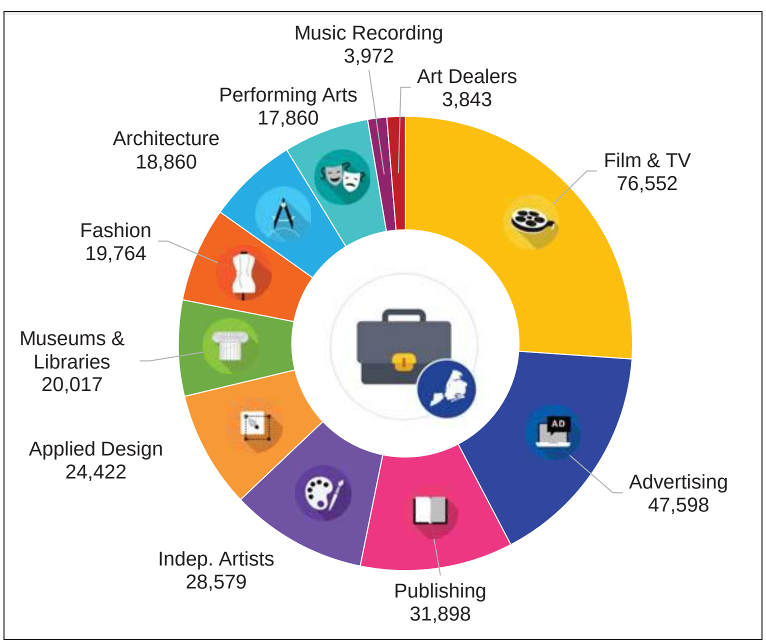
Sources: https://comptroller.nyc.gov/wp-content/uploads/documents/QEU_19Q3.pdf

New York City Comptroller's Office (cont'd)

NYC Comptroller's Office: The Creative Economy

A comprehensive, up-to-date look at the city's ever-changing creative economy has been presented within the October report released by the New York City Comptroller's Office. As an epicenter of art, culture and creativity, New York City's "creative economy" is more than just a collection of cultural pursuits, but rather a defining economic sector on par with finance, real estate or law — with its own policy challenges and pressures deserving of rigorous review and analysis. For the purposes of the report, the creative sector includes any industry where the primary output of which is creative or cultural — from museums and art galleries, to film and television production, theater and dance companies, fashion, publishing, advertising, and more. Over 293,000 people are directly employed citywide in the creative sector, paying $30.4 billion in wages. Overall the sector is responsible for some $110 billion in total economic activity; or about 13% of the city's total economic output in 2017 that can be traced directly or indirectly to the sector.

NYC Creative Sector Employment, 2017

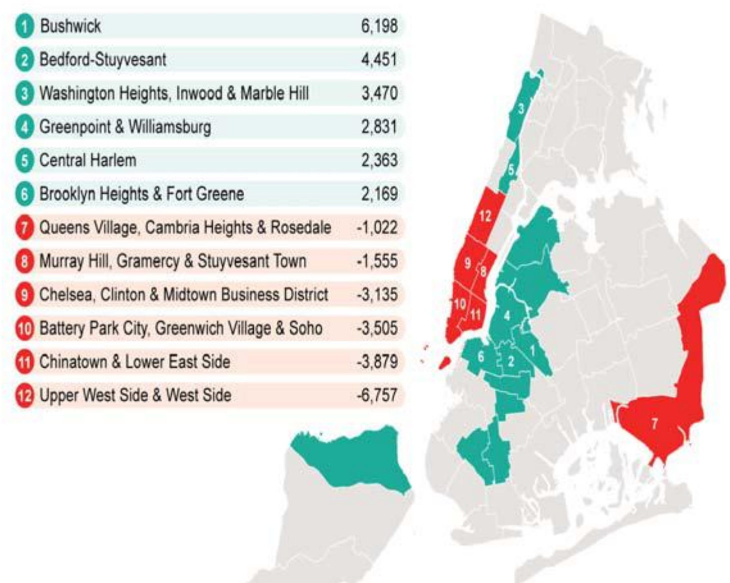


The Creative Economy (cont'd)

New York City accounts for 12% of all creative industry jobs nationwide, with a higher concentration in fashion design (21.2%), advertising (22.1%) and publishing (19.3%). Cited as an example of the creative economy's ever-changing dynamics, the fashion industry saw a steep 43% drop in employment within the production segment between 2008 and 2017, while jobs in the design segment rose nearly 27% during the same period. Significant findings revealed upon taking a close look at the creative sector's workforce include:

- Volatile employment situations for some creative workers and high rates of self-employment contribute to economic insecurity due in part to the prevalence of many being part-time workers; and 36% were self-employed in 2017, compared to 10% of the city's overall workforce, many of which lack access to affordable health insurance and unemployment insurance.

- Finding affordable places to live and work for creative sector workers has become an ever-steeper challenge — leading to profound migrations across the (5) boroughs in recent years. More affordable neighborhoods have gained residents between 2008 and 2017, with the Brooklyn neighborhoods of Bushwick and Bedford-Stuyvesant seeing the steepest increases, as well as Upper Manhattan's Washington Heights, Inwood and Marble Hill neighborhoods. In contrast, Manhattan's neighborhoods south of 96th Street have lost residents in the creative occupations.



Change in Residents in Creaative Occupations by Neighborhood, 2008-2017

The city and state have established a network of government and other supports aimed at promoting the creative sector, such as:

- The New York City Department of Cultural Affairs (DCLA), which is the largest cultural grant-making agency in the country; and provided $181 million in support to cultural organizations in New York City in city fiscal year (FY) 2018;

- The Mayor's Office of Media and Entertainment supports film and television production, as well as other supports to the film, TV, theater, music, advertising, publishing, and digital content sectors;

- New York City's Department of Cultural Affairs administers grant funding to non-profit artistic and cultural organizations, providing $1.94 billion in capital funding citywide between fiscal years 2009 and 2018;

- New York State's Commercial Production Tax Credits program allocates $7 million per year to encourage qualified production companies to produce commercials in the state; and

- New York State and New York City's film and television tax credits helped fuel a boom in media production citywide. The state program provides a $420 million annual tax incentive that extends through 2020 as a result of the program's renewal in 2017.

However the NYC Comptroller's office suggests that more can be done to further strengthen and sustain the city's creative sector by first and foremost treating the sector as the economic engine and valuable resource that it is; and at the same time working to make the city more affordable for creative workers. "Supporting the creative economy more broadly will require both targeted investments in specific industries, as well as broad based investments aimed at making New York City a more affordable place to live, work and create."

Sources: https://comptroller.nyc.gov/wp-content/uploads/documents/QEU_19Q3.pdf

Final Set of Opportunity Zones Guidelines Released

The final set of regulations implementing the Opportunity Zones tax incentive was released by the U.S. Treasury Department and the IRS on December 19th. Created by the **Tax Cuts and Job Act of 2017**, the program that offers capital gains tax relief is intended to drive economic development in economically distressed areas nationwide. The latest updates provide further clarity for Opportunity Funds and their eligible subsidiaries in determining qualification and levels of new investment in Opportunity Zones; as well a guidance regarding the types of gains that qualify for Opportunity Zone investments; and gains that may be excluded from tax after a 10-year holding period.

Although initial response to the program met with great enthusiasm among the real estate industry, sparking a rush of companies initiating efforts to take advantage of the program by launching Qualified Opportunity Funds (QOFs), the program hasn't attracted the investor interest that fund managers, developers and government officials had hoped for. According to data compiled by accounting firm Novogradac & Co., which is tracking 366 QOFs representing $65.77 billion in community development investment capacity, among the 184 QOFs that are reporting equity raised, only $4.46 billion of the $25.17 billion funding target has been raised as of December 10th. Residential and commercial investment have attracted the greatest interest in terms of equity raised — residential raised $3.3 billion, followed close behind by $3.1 billion in commercial investment; with operating businesses, hospitality and renewables raising $141.7 million, $1.0 billion, and $452.8 million respectively.

The Treasury has provided a snapshot description of changes made within the full 544-page document of the updated proposed regulations, which represent the **Frequently Asked Questions** and answers in response to engagement with the public. The final rule reportedly "merges the first (2) tranches of regulations into one and provides greater clarity on many issues, as well as some outright changes."

When may gains be excluded from tax after an investment is held for a 10-year period?

- ***Sales of property by a Qualified Opportunity Zone Business (QOZB)*** — In the proposed regulations, an investor could only elect to exclude gains from the sale of qualifying investments or property sold by a QOF operating in partnership or S Corporation form, but not property sold by a subsidiary entity. The final regulations provide that capital gains from the sale of property by a QOZB that is held by such a QOF may also be excluded from income as long as the investor's qualifying investment in the QOF has been held for 10 years. However, the amount of gain from such a QOF's or its QOZBs' asset sales that an investor in the QOF may elect to exclude each year will reduce the amount of the investor's interest in the QOF that remains a qualifying investment.

- ***Applicability to other gains*** — The final rules clarify that the exclusion is available to other gains, such as distributions by a corporation to shareholders or a partnership to a partner, that are treated as gains from the sale or exchange of property (other than inventory) for Federal income tax purposes.

Opportunity Zones Guidelines (cont'd)

What types of gains may be invested and when?

- ***General rule*** — The final regulations amend the proposed regulations' general rule that only capital gain may be invested in a Qualified Opportunity Fund (QOF) during the 180-day investment period by clarifying that only eligible gain taxable in the United States may be invested in a QOF.

- ***Sales of business property*** — The proposed regulations only permitted the amount of an investor's gains from the sale of business property that were greater than the investor's losses from such sales to be invested in QOFs, and required the 180-day investment period to begin on the last day of the investor's tax year. The final regulations allow a taxpayer to invest the entire amount of gains from such sales without regard to losses and change the beginning of the investment period from the end of the year to the date of the sale of each asset.

- ***Partnership gain*** — Partners in a partnership, shareholders of an S corporation, and beneficiaries of estates and non-grantor trusts have the option to start the 180-day investment period on the due date of the entity's tax return, not including any extensions. This change addresses taxpayer concerns about potentially missing investment opportunities due to an owner of a business entity receiving a late Schedule K-1 (or other form) from the entity.

- ***Investment of Regulated Investment Company (RIC) and Real Estate Investment Trust (REIT) gains*** — The rules clarify that the 180-day investment period generally starts at the close of the shareholder's tax year and provides that gains can, at the shareholder's option, also be invested based on the 180-day investment period starting when the shareholder receives capital gains dividends from a RIC or REIT.

- ***Installment sales*** — The rules clarify that gains from installment sales are able to be invested when received, even if the initial installment payment was made before 2018.

- ***Nonresident investment*** — The final regulations provide that nonresident alien individuals and foreign corporations may make Opportunity Zone investments with capital gains that are effectively connected to a U.S. trade or business. This includes capital gains on real estate assets taxed to nonresident alien individuals and foreign corporations under the Foreign Investment in Real Property Tax Act rules.

How does a Fund determine levels of new investment in a Qualified Opportunity Zone?

- ***Aggregation of property for purposes of the substantial improvement test*** — QOFs and QOZBs can take into account purchased original use assets that otherwise would qualify as qualified opportunity zone business property if the purchased assets:

  – Are used in the same trade or business in the Qualified Opportunity Zone (QOZ) or a contiguous QOZ for which a non-original use asset is used, and

  – Improve the functionality of the non-original use assets in the same QOZ or a contiguous QOZ.

- ***Aggregation of property for purposes of the substantial improvement test (continued)*** — In certain cases, the final regulations permit a group of two or more buildings located on the same parcel(s) of land to be treated as a single property. In these cases, any additions to the basis of the buildings in the group are aggregated to determine satisfaction of the substantial improvement requirement. Thus, a taxpayer need not increase the basis of each building by 100% as long as the total additions to basis for the group of buildings equals 100% of the initial basis for the group.

- ***Vacancy period to allow a building to qualify as original use*** — The final regulations reduce the five-year vacancy requirement in the proposed regulations to a one-year vacancy requirement, if the property was vacant for at least one-year prior to the QOZ being designated and remains vacant through the date of purchase. For other vacant property, the proposed five-year vacancy requirement is reduced to three years. In addition, property involuntarily transferred to local government control is included in the definition of the term vacant, allowing it to be treated as original use property when purchased by a QOF or QOZB from the local government.

Opportunity Zones Guidelines (cont'd)

- ***Leasing*** — The final regulations provide several changes to leasing provisions in the proposed regulations:
  - State and local governments, as well as Indian tribal governments, will be exempt from the market-rate requirements for leased tangible property,
  - Leases between unrelated parties are generally presumed to be at market rate terms, and
  - Short-term leases of personal property to lessors using the property outside a QOZ may be counted as Qualified Opportunity Zone Business Property (QOZBP).
- ***Working capital safe harbor*** — The final regulations provide several refinements to the working capital safe harbor:
  - They create an additional 62-month safe harbor for start-up businesses to ensure that they can comply with the 70-percent tangible property standard, the 50-percent gross income requirement, and other requirements to qualify as a QOZB;
  - They provide that a QOZB can receive an extra 24 months to use working capital if the QOZ is in a Federally-declared disaster area;
  - They clarify that the safe harbor can only be used for a 62-month period and that amounts remaining at the conclusion of the period cannot be counted as tangible property for purposes of the 70-percent tangible property standard; and
  - They allow a QOZB to treat equipment, buildings, and other tangible property that is being improved with the working capital as QOZBP that is "used in a trade or business" for purposes of the requirement that a QOZB must be engaged in a trade or business.
  - In addition, the final regulations provide that a QOZB not utilizing the working capital safe harbor may treat tangible property undergoing the substantial improvement process as being used in a trade or business.
- ***Measurement of "use" for the 70-percent use test***— The final regulations provide that, if tangible property is used in one or more QOZs, satisfaction of the 70-percent use test is determined by aggregating the number of days the tangible property in each QOZ is utilized. Accordingly, the final regulations set forth a clearer way for determining satisfaction of the 70-percent use test, including a safe harbor for certain tangible property used both inside and outside the geographic borders of a QOZ.

Opportunity Zones Guidelines (cont'd)

- ***Determinations of location and "use" of intangible property*** — The final regulations provide that intangible property qualifies as used in the QOZ if:
  - The use of the intangible property is normal, usual, or customary in the conduct of the trade or business, and
  - The use contributes to the generation of gross income for the trade or business.
- ***Other clarifications regarding business property of QOFs or QOZBs*** —
  - ***Real property straddling census tracts*** — The final regulations include both a square footage test and an unadjusted cost test to determine if a project is primarily in a QOZ, and provide that parcels or tracts of land will be considered contiguous if they possess common boundaries, and would be contiguous but for the interposition of a road, street, railroad, stream or similar property. Importantly, the final regulations also extend the straddle rules to QOF's and QOZB's with respect to the 70-percent use test.
  - ***Brownfield sites*** — The final regulations provide that both the land and structures in a Brownfield site redevelopment are considered to be original use property as long as the QOF or QOZB make investments into the Brownfield site to improve its safety and compliance with environmental standards.
  - ***Self-constructed property*** — The final rules provide that self-constructed property can count for purposes of the QOF's 90-percent asset test and the QOZB's 70-percent asset test, and is valued at the purchase price as of the date when physical work of a significant nature begins.
  - ***De minimis exception for "sin businesses"*** — The final regulations provide that a QOZB may have less than 5 percent of its property leased to a so-called "sin business" described in 26 U.S.C. §144(c)(6)(B). For example, a hotel business of a QOZB could potentially lease space to a spa that provides tanning services.

How can large C Corporations invest in Opportunity Zones?

- The final regulations provide an election for a consolidated group of C Corporations to treat a lower-tier QOF C Corporation as a member of the consolidated group if:
  - Only other members of the consolidated group hold 100% of the QOF member's stock, and
  - The QOF member complies with special intergroup transaction rules to remain a member of the group.
- The regulations also provide alternative retroactive elections for a consolidated group that had formed a QOF C Corporation before the May 1, 2018, proposed regulations to elect to treat the treat the QOF C Corporation as:
  - Always having been a QOF partnership, or
  - Never having been a member of the consolidated group.

Sources: https://www.novoco.com/resource-centers/opportunity-zone-resource-center/opportunity-funds-listing • https://home.treasury.gov/news/press-releases/sm864
https://www.novoco.com/notes-from-novogradac/opportunity-funds-report-raising-nearly-45-billion-first-deadline-nears

Brexit Déjà Vu

The global shockwave that sent worldwide markets tumbling while the British pound sterling dropped 10% to a 31-year low on Thursday, June 23, 2016 following the decision by the United Kingdom (U.K.) — England, Scotland, Wales, and Northern Ireland to end the country's 43-year European Union (E.U.) membership. The unexpected decision reportedly spurred a 4.1% composite decline on Nasdaq, followed by a 3.6% and 3.4% drop on the S&P 500 and Dow Jones Industrial Average the next day; and now it appears the prospect of Brexit is finally happening over 3-years later. The decision is unprecedented since no country has ever left the European Union, which was created in the decades after World War II to bring unity to a shattered continent. The vote by local authorities on the Brexit referendum to leave the E.U. back in 2016 resulted in a narrow 4% margin of 52% to 48% with England and Wales voting to exit, while Scotland and Northern Ireland voted to remain; Northern Island now confronted with the need to secure the border it shares with E.U. member the Republic of Ireland, unless Ireland is rejoined.

Amid what appeared to be indecision the U.K. government and Parliament reportedly released a petition requesting a second vote which never came to fruition prior to the **Article 50 of the Lisbon Treaty** being invoked by the U.K.'s government and delivered to the E.U. on March 29, 2017, making the decision legally binding and officially launching the Brexit process. However despite Brexit expected to happen 2-years later, the exit-deal submitted by former Prime Minister Theresa May was rejected by Parliament in early 2019, with the House of Commons voting 432 versus 202 against the "divorce the U.K government brokered with the European Union" according to reports at the time.

In July 2019, new leadership took the reins with the victorious election of Prime Minister Boris Johnson of Britain who had campaigned on the theme to "Get Brexit Done;" and in October won backing for the general election that took place on December 12th, thereby putting the issue of how, or even if, Brexit should move forward back in the hands of the people. The 365 seats of parliament constituencies secured by the Johnson-led Conservative Party, had surpassed the 326-seat majority required, while representing a nearly 15% increase in support from the reportedly 318-seats won in the 2017 election, clearly sealing the direction of Brexit. It is anticipated that the opposition in Parliament that resulted in former Prime Minister Theresa May's deal being rejected will have a significantly less impact on Prime Minister Johnson's Brexit bill since the other major parties — Labour Party and pro-E.U. Scottish National Party and Liberal Democrats don't have the numbers to overturn the Conservative Party's bill.

Brexit Deja Vu (cont'd)

E.U. leaders are now expecting "Britain to leave on **January 31, 2020**, entering a one-year limbo state, where it will be subject to E.U. rules and will be able to trade with Europe as though it were a full-fledged member. During that time, negotiators have to work out a major trade deal, as well as agreements about how Britain and Europe cooperate on security, foreign policy and a range of other issues, with the 27 other E.U. leaders reportedly calling for "'as close as possible a future relationship with the U.K.' while warning that it 'will have to be based on a balance of rights and obligations and ensure a level playing field'" according to reported information seen by international news agency AFP (Agency France-Presse).

Reports indicate that many investors hope that the Brexit process will now speed up and "ease, at least in short term, some of the uncertainty that has corroded business confidence since the 2016 vote" creating the stalemate that has left the U.K. deeply divided. However there are many on the European side that are reportedly skeptical a meaningful trade deal can be made in such a short time potentially resulting in another extension being requested prior to the July 1, 2020 deadline, or the alternative of Britain leaving the E.U. without a deal — a result that according to the reported opinion of the Office of Budget Responsibility, which provides independent analysis of the U.K.'s public finances, would cause a U.K. recession due to the abrupt cut in trade ties with Europe. In September, the British Broadcasting Corp. (BBC) released details of a series of "reasonable worst-case planning assumptions" reportedly drawn up a month prior as part of "**Operation Yellowhammer**" — the name for the government's contingency plan to prepare for leaving the E.U. without a deal, by attempting to address a wide range of areas expected to be impacted ranging from supply chains for food and medical products to energy costs and trade between along the Irish border according to the press release.

Looking ahead, if the U.K secedes from the E.U. without a trade deal in place, also called a "hard" Brexit, it is expected to create a ripple effect globally that will reportedly spark wider consequences for an already "fragile global economy;" however the extent of the impact has yet to be determined, but comes at a time when "the U.S.-China trade war has already helped plunge global manufacturing into a slump." In addition the European Central Bank (ECB) is reportedly estimating that the euro-area region would "feel a hit equivalent to 10%-30% of what the U.K. suffers," which is "potentially the difference between a slowdown and outright recession;" and further attributing to the problem is that the "ECB has already used up much of its policy ammunition in fighting the latest slowdown in the euro area, leaving it with little firepower if Brexit sparks more serious turmoil." It has also been reportedly estimated by the global chief economist at Société Générale further estimates "that for every 1% less U.K. GDP, euro-area GDP will be down by 0.2% to 0.25%."

Some economists project that Germany's export-based could potentially incur significant damage at a time when the country, which has been described as "Europe's powerhouse economy," is on the brink of recession. A reportedly much bigger deal than England to the U.S. and the global economy at large; and if Germany's economy stalls, the ripple effects could be far-ranging.

Sources: https://edition.cnn.com/interactive/2019/12/uk-election-results-2019-ge-19/index.html • https://apnews.com/f972f14e0fdaf579c43dd3e2ea36bfd4
https://www.washingtonpost.com/world/europe/boris-johnson-campaigned-for-brexit-and-against-the-eu-now-europes-leaders-are-delighted-by-his-victory/2019/12/13/19722124-1d6c-11ea-977a-15a6710ed6da_story.html

Brexit Deja Vu (cont'd)

Shifting focus to the U.S. a report released in July suggested that the extent of the effect of Brexit on the nation's economy "will largely depend on what form the departure takes and how closely aligned the U.K stays to the E.U. — and to what extent this dictates Britain's new trading relationship." Most economists agree that "it's hard to quantify the exact impact of a "no-deal" Brexit as it would be an unprecedented, uncertain scenario.

- **Trading** – Back in September some economists anticipated that the dollar as a safe haven currency will rise against the pound as well as the Euro, and potentially other currencies, creating a trade barrier because U.S. goods will become more expensive. The impact of a barrier prompted mixed response among economists, with some believing that the possibility exists of a "severe disruption of supply chains, which "means every U.S. company that has operations in the U.K. [is] going to be very significantly and adversely affected." While in contrast other economic experts reportedly believe that the "U.S. doesn't have much to gain – or lose – from a disorderly Brexit, or even a trade deal, given that U.S. exports only account for 0.7% of U.S. gross domestic product (GDP)."

  Those that are less optimistic point out that "if Brexit turns out to be a bigger shock to the U.S. economy and the European economy then the reverberations will be felt in the U.S." In addition the political implications of a "no-deal" Brexit could reportedly increase concern among businesses about the "long-term future of the international trading situation, the Federal Reserve already "explicitly mentioning Brexit uncertainty as one potential factor weighing on the U.S. outlook."

- **Investment** – While a "no-deal" Brexit could "spook Wall Street and drive down investor sentiment, it has been pointed out that although in June 2016 the Brexit referendum results reportedly caused main U.S. indexes to all close down more than 3% the day after, it was followed by a quick recovery and reversal of forecasts that Brexit would damage the U.S. economy — an unwinding of financial market volatility that some economic experts had suspected back in October would happen again.

- **Real Estate** – With Brexit back on track, New York's residential real estate professionals are reportedly hoping for a positive ripple-effect, noting that compared to London and Hong Kong, New York remains a safe haven. In addition the city's "relatively weak condo market" may further drive interest as the pound begins to strengthen; and if the U.K. moves forward with a "hard" Brexit and exit the E.U. completely it is anticipated that the London market will be viewed as unstable, prompting investor to look at alternative markets according to reports. However amid certain optimism that Brexit could be the start of some momentum, it has been pointed out that "for at least New York City, there are still a number of hurdles that will limit the boost from just Brexit getting done." While phase one of the trade deal with China gives rise to a positive development, which along with a clearer direction for Brexit will calm the stock market, there still looms the potential impeachment of President Trump as well as a nearing election in less than a year.

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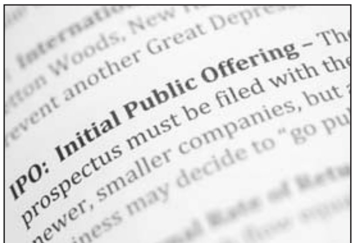
Legislation Changes Impacting CRE

Sustainability Takes Center Stage

Resiliency Efforts Move to the Forefront

Lending Market Headlines

Hudson Yards Joins the City Skyline



The We Company's IPO Shelved

Barneys' Bankruptcy Comes to a Closure

Amazon Withdraws LIC HQ2 Plans

Affordable Housing

Development Activity Highlights

Highly Anticipated Retail Openings

Notable Big Block Lease Signings

2019 ReCap

A look back at 2019 reveals a mixed-bag of activity led off by new legislation on both the state and city levels that significantly impacts New York City's real estate market. Climate policy took center stage serving as the "latest example of local governments taking the lead on climate policy following President Trump's decision in June 2017 to withdraw from the Paris Climate Accord; as well as a major push to make New York more environmentaly friendly. Other headlines throughout the year delivered a wide array of news ranging from the Valentine's Day announcement of decisions by e-commerce giant Amazon to withdraw its plans to establish its HQ2 in Long Island City, to the long awaited mid-March opening of the first phase of the multi-building Hudson Yards complex. While the final days of September saw the withdrawal request of the highly anticipated public offering by The We Company, and the fallout that followed, October welcomed the opening of the city's first Nordstrom and Wegmans market.

Looking ahead, initial steps have been taken for the construction of new borough-based jails as part of New York City's plan to close the Rikers Island prison facility; while the reportedly world's largest voluntary demolition is underway at 270 Park Avenue where JPMorgan Chase plans to construct its new Manhattan headquarters. In addition, the long delayed request for proposals (RFP) has finally been released for the remaining site at the World Trade Center complex in Lower Manhattan; while the city gets creative with new concepts in affordable housing development as part of the ongoing efforts to address the housing crisis. Lastly a review of leasing activity throughout the year reveals several big block office and retail deals, and although office leasing was led off by the technology sector, it includes a roster of tenants spread across various industries.

2019 ReCap (cont'd)

Some of the year's news highlights include:

Legislation Changes Impacting CRE

- NYS' Housing Stability and Tenant Protection Act of 2019 – Passed on June 14, the bill approved by New York State radically reformed New York City's rent laws impacting rent regulated and rent stabilized housing. The bill reportedly marked the first time in decades that major reforms to the rent laws have been enacted; and for the first time made rent regulation laws permanent and extended the protections to other counties that choose to opt in and are facing a housing emergency. Critics of the new rent rules reportedly believe the state has "hastily" overhauled "an important and complex system" without a single public hearing and minimal vetting; while others reportedly described the changes to the rent regulation framework amounting to socialized housing, which is too difficult to operate under in a capitalistic economic system; and predict that there will be a "decline of the city's housing stock and the flight of investors to other areas of the state and outside New York," while the construction of future affordable units will slow, or possibly come to a halt. Among the rent law changes, a few that sparked the highest level of opposition from the real estate industry included:
  - The repeal of **High Rent Vacancy Deregulation and High Income Deregulation** that formerly allowed units to be deregulated on vacancy if the rent reached $2,744 in New York City, or a corresponding amount in counties outside of the city, as well as if the rent reached that threshold and the tenants earn more than $200,000 per year for more than two years.
  - Reforms to increases for:
    - **Major Capital Improvements (MCIs)** – The rent increase cap in New York City was lowered from 6% to 2%; and by lengthening the MCI formula amortization period, increases have been further lowered. In addition MCI increases are now eliminated after 30-years, instead of allowing them to remain in effect permanently; and rules governing whan spending may qualify for MCI increases were significantly tightened, as well as inforcement of those rules by requiring that 25% of MCIs be inspected and audited.
    - **Individual Apartment Improvement (IAI)** – Increases on the amount of IAI spending was capped at $15,000 over a 15-year period and allows owners to make up to 3 IAIs during that time. Similar to MCI increases, IAI increases are now temporary for 30-years and requires owners to clear any hazardous violations in the apartment before collecting an increase.
  - **Condo and Co-op Conversion** reforms eliminated the option of "eviction plans;" and now requires 51% of tenants in residents to agree to purchase apartments before the conversion can be effective, in contrast to the former 15% requirement and purchase being made by outside investors being allowed.
- Mansion Tax Rates and New York State Transfer Tax - Changes adopted on April 1st, as part of the New York State budget for Fiscal Years 2020 included:
  - **Mansion Tax Rates** are now based on sales prices, versus the previously fixed 1% tax on sales of $1 million or more.
  - **NYS Transfer Tax** was increased from 0.40% to 0.65% for residential 1-3 Family, condo, and co-op sales for $3 million or more and commercial sales for $2 million or more; whle all other sales remain at the old rate of 0.40%.
- Registration of Storefronts - The bill approved by the city council on February 23rd will require the Department of Finance (DOF) to collect data and establish a public dataset of ground floor or 2nd floor commercial premises throughout New York City. Landlords and property owners will be required to register no later than one year after the effective date of the enactment of the amendment to local law; and in each year thereafter. The electronic registration submissions by landlords and property owners will be part of the annual income and expense statement submission. The DOF will use the submission information to create a searchable dataset labeled by some as a **Storefront Tracker**. The bill is intended to provide more comprehensive information on citywide retail vacancy.

Sustainability Takes Center Stage

- Climate Mobilization Act – The omnibus bill passed on April 18 by the city council and signed by Mayor de Blasio (4) days later on Earth Day, established New York City's "commitment to achieve certain reductions in greenhouse gas emissions by 2050;" and was described by some as the "most ambitious emissions reduction bill in the world." The foundation of the new legislation came from Urban Green Council's 80x50 Building Partnership, a proposed framework created through a collaborative effort between the New York non-profit affiliate of the U.S. Green Building Council (USGBC) and New York City's leading building and energy stakeholders. The partnership plan released in August 2018 offered recommendations on the "optimal design of a building energy reduction policy" for New York City intended to help develop smart climate change policies and transform the city's buildings for a sustainable future; as well as providing a "roadmap for requiring landlords to retrofit old buildings with energy-efficient technologies." Relative to 2005 base year levels, the bill seeks to reduce emissions citywide by a minimum of 40% by calendar year 2030, and 80% by calendar year 2050, with reductions to be achieved through applicable policies, programs and actions.

- New York State Offshore Wind Agreement – In mid-July the "nation's largest offshore wind agreement and the single largest renewable energy procurement by any state in U.S. history" was executed by Governor Cuomo. Part of an effort to advance the Governor's commitment to buy up to 9,000 megawatts from offshore wind farms by 2035, which is expected to create more than 10,000 jobs, the selected pair of offshore wind projects — **Empire Wind 816-Megawatt Project** and the **Sunrise Wind 880-Megawatt Project** are anticipated to create nearly 1,700 megawatts of energy to power over 1 million homes; create more than 1,600 jobs; and result in $3.2 billion in economic activity. Among the respondents of New York's first comprehensive offshore wind solicitation for the Empire Wind and Sunrise Wind development projects, Norway-based Equinor's Equinor U.S. Holdings, Inc. and Bay State Wind LLC, a joint venture of the Danish firm Ørsted A/S and Connecticut-based Eversource Energy were selected.

- New Letter-Grade Energy Ratings Requirement for NYC Buildings – The bill proposed in 2017 as part of a "package of quality-of-life" measure was reportedly enacted by Mayor de Blasio on January 8, 2018. **Local Law 33** is the latest initiative to reduce greenhouse emissions and increase the energy efficiency of large and mid-sized New York City buildings. Beginning January 2020, city-owned buildings larger than 10,000 square feet and all other commercial and residential buildings over 25,000 square feet will be required to display energy efficiency grades, near a public entrance, reportedly expanding upon Local 84 of 2009, which requires the submission of annual energy and water consumption benchmark data. Ranging from "A" to "F," the letter grades will be based on the United States Department of Energy's Energy Star score.

Resiliency Efforts Move to the Forefront

- Climate Change Lab – A request for proposals (RFP) to contractors has reportedly been released by New York City in consideration of what has been described as the creation of a "living laboratory" for coping with the effects of climate change on Governors Island. Although the idea is in very early stages, the proposal would transform a portion of the southern half of the 172-acre island, and serve as the "anchor" for the island's development according to reported details within the RFP. New York City is currently facing the dilemma of rising demand for building along the water despite rising sea levels due to global warming. Governors Island offers an ideal location in New York Harbor off the tip of Lower Manhattan since it is particularly exposed to flooding and storm surge, thereby serving as a "visible representation" of what issues the New York, as a waterfront city, will be confronting by offering a "living laboratory" for climate adaption and education intended to provide New York City with the needed insight to deal with these issues in an urban context.

- East Side Coastal Resiliency – A $1.45 billion plan to protect the Lower East Side of Manhattan reportedly secured city council approvals in November. The coastal protection initiative proposed by Mayor de Blasio was outlined in the **2015 One New York: The Plan for a Strong and Just City** and by the 2013 launched innovation **Rebuild by Design** competition sponsored by the U.S. Department of Housing and Urban Development (HUD). Full completion of the ESCR project will provide improved coastal protection against rising sea levels to more than 110,000 New Yorkers "through 2.4 miles of enhanced waterfront, ecology, and urban spaces" according to an overview posted on a dedicated city website for the project. The span has been divided into (2) "Project Areas" to respond to very different urban challenges of each section — **Project Area 1** is a 1.5 mile stretch extending from Montgomery Street to East 13th Street that is characterized primarily by East River Park, and **Project Area 2** is a roughly 0.9-mile stretch comprised of the East 13th Street Con Edison Complex, Patrick J. Brown Walkway, Stuyvesant Cove Park and Asser Levy Park. The city's Department of Design and Construction is planning to break ground in the spring of 2020, with completion of the project that will stretch from East 25th Street to Montgomery Street expected sometime in 2025.

Lending Market Headlines

- **Federal Funds Rate** – Despite positive indications from the Federal Open Market Committee including a continued strong labor market; rising economic activity, albeit at a moderate rate; solid job gains, on average, in recent months; a low unemployment rate; and household spending rising at a strong pace, the federal funds rate was lowered for the third time this year. The latest quarter percentage point lowering to a target range of 1.5% to 1.75% comes just (3) months following the previous rate cut; and represents a continued reversal of the increases that began on December 17, 2015 following the **Great Recession**. A press release by the Fed cited the continued weakness in business fixed investment and exports prompting the move; while at a subsequent press conference Fed Chairman Jerome Powell further commented that "weakness in global growth" and trade tensions "have weighed on the economy and pose ongoing risks;" however an extended series of rate reductions by the Fed is not expected.

- **Repo Market** – Recent instability of the market that serves as a source where big banks can borrow money overnight from the Central Bank in the event on any shortfall of funds in exchange for low-risk collateral such as treasuries and securities has sparked mixed response. Historically remaining below the Federal Reserve's usual interest rate — the rate at which banks lend reserve balances to other banks overnight on an uncollateralized basis, repo rates in the $2.2 trillion market for repurchase (repo) agreements rose on September 15th from reportedly about 2% to 10% as demand for overnight cash from companies, banks and other borrowers exceeded supply. Typically the Federal Reserve has brought interest rates back inline with an injection of cash by the central bank, which some observers suggest should be established as a more permanent fix by creating what's called a "standing repo facility" that will see the Fed injecting sufficient daily as needed to maintain a federal funds rate within what it deems the appropriate range; while critics question whether the repo market really warrants "constructive support" from regulators, pointing out that routine Fed examinations would increase the repo market's complexity and potentially further precipitate a collapse of the financial system; and as an alternative suggest simplifying how banks borrow, thereby making the repo market unnecessary.

- **EB-5 Foreign Investment Program** –The long anticipated changes to the federal government's EB-5 Immigrant Investor Program were released by the Department of Homeland Security (DHS) on July 22nd. The pilot program initially authorized by Congress under the Immigration Act of 1990 provides green cards under certain guidelines to foreign investors must be regularly reauthorized due to the lack of permanent legislation. Slated to go into effect on November 21, 2019, changes to key aspects of the program included an increase in the required **minimum investment** to $1.8 million in High Employment Areas and $900,000 in Targeted Employment Areas (TEA) from $1 million and $500,000 respectively, with future adjustments to be tied to inflation (per the consumer Price Index for All Urban Consumers, or CPI-U) and occur every 5 years. In addition, changes to TEA designations are intended to help direct investment to areas most in need and increase the consistency of how high-employment areas are defined by the program. As a result of other reforms, the **designation of high-employment TEAs** will be directly reviewed by DHS, rather than deferring to TEA designations made by state and local governments. In addition specially designated high-employment TEAs will now consist of a combination of census tracts that include the tract or contiguous tracts in which the new commercial enterprise is principally doing business, including any or all directly adjacent tracts. Following the 2008 Great Recession the EB-5 program became a widely used lower cost finance arm for many of the city's developers as regulations tightened for traditional lenders, but more recently has seen a significant drop in new applications.

Hudson Yards Joins the City's Skyline – The first phase of the multi-building complex officially opened its doors to the public on March 15th. The $25 billion project that began construction in 2012 on top of the Eastern Rail Yard has significantly changed Manhattan's skyline as several new buildings have taken their place in the burgeoning Far West Side. The new "micro-nabe" that spreads across roughly 13-acres is comprised of (6) buildings offering a combined total of over 10.66 million gross square feet to house a mix of roughly 8.9 million square feet of office space, plus residential, retail and hotel space; as well as a 7-story, 1 million square foot retail mall. In addition the complex features a 6-acre park, a 200,000-square-foot mixed-use venue known as **The Shed**, and the 150-foot-tall **Vessel**, which serves as Hudson Yards' public centerpiece consisting of 154 flights of stairs.

Hudson Yards

2019 ReCap (cont'd)

The We Company IPO – The highly anticipated initial public offering (IPO) expected to be launched on Nasdaq as early as September was officially withdrawn about (6) weeks following the filing of a preliminary S-1 Registration Statement with the Securities and Exchange Commission (SEC). Revelations including disclosures of the company's losses, lease commitments, and atypical corporate structure detailed within the S-1 filing sparking unforeseen negative feedback leading to skepticism and tepid investor interest prompted decisions by the company to shelve the IPO. Founded in 2010 as a co-working space pioneer dubbed WeWork, the subsequent launching of numerous business lines led to the company's rebranding in early 2019. Over the past 9-years the startup had grown significantly in magnitude to reach a membership of 527,000, of which over 50% are located outside the U.S.; and operate over 528 locations in 111 cities across 29 countries.

Confidence in the future of the company attracted a roster of investors from some of the biggest names in the business world, reportedly bringing its valuation to $47 billion from a starting $97 million with its Series A venture capital funding round in 2009. In the aftermath of the IPO withdrawal co-founder Adam Neumann stepped down as chief executive officer of the company whose valuation has been reportedly reduced to between $7.5 billion to $8 billion, with its largest investor Japan-based Softbank taking control. Efforts to turn the company around will lead to the shuttering of secondary business lines that failed to generate much revenue, along with the layoff of 2,400 of the company's over 12,500 employees, a number that could potentially increase to up to 5,000 according to reports. In addition The We Company is reportedly facing an investigation by the SEC and one by the New York State Attorney General. Looking ahead, although WeWork established itself as the largest tenant in Manhattan upon reaching a footprint of more than 7 million square feet as of the end of June 2019, in a market of 450 million square feet, it is anticipated that the city could withstand any fallout from The We Company's failed IPO.

Now less than (3) months later all eyes will likely be focused on China's reportedly largest co-working space operator, **Ucommune** (formerly UrWork), which filed a Form F-1 Registration Statement with the Securities Exchange Commission on December 11th for an initial public offering (IPO) on the New York Stock Exchange. Reports indicate that the Beijing-based startup launched in April 2015 is valued at $2.6 billion in its most recent funding round in 2018. Currently operating 171 spaces spread across 41 cities in Greater China as of September 30, 2019, UCommune entered the New York market in April 2018, opening its lone overseas facility in a 34,000-square-foot space under a 16-year lease at Fosun International's **28 Liberty Street** in Lower Manhattan in a partnership with local co-working and shared office space startup Serendipity Labs. Although Ucommune has reportedly been operating at a loss, its loss as a share of revenue pales in comparison to what WeWork disclosed in its preliminary S-1 Registration Statement. The offering that could take place as early as January will reportedly represent a test of investor sentiment following the shelved IPO by WeWork; as well as provide some indication as to whether WeWork's failed IPO launch was the result of a "symptom of problems specific to the company, or that the "co-working business model as a whole is now in question."

2019 ReCap (cont'd)

Barneys New York Bankrutpcy – Bankruptcy proceedings of the New York City-based luxury department store, whose origins date back to 1923, came to a final closure on October 31st. Succumbing to rising rents and declining sales volume, the retailer filed for Chapter 11 bankruptcy for the second time since 1996 after reportedly failing to avert bankruptcy by finding a partner or buyer. Upon the initial filing 15 of its 22 stores were expected to close in the cities of Chicago, Las Vegas and Seattle as part of the bankruptcy, as well as smaller format stores in Los Angeles, New York, and Philadelphia; plus all but (2) Barneys Warehouse outlets. Despite a group of fashion executives led by fashion trade show and retail executive Sam Ben-Avraham, and a later entrant by a former Barneys owner along with the largest perfume retailer in the Middle East, Arabia Oud hoping to submit competing bids, upon the 10:00 AM deadline on Friday, November 1st the bankruptcy court judge finalized the $271.4 million sale to Authentic Brands Group (ABG) and B. Riley Financial after potential alternate bidders with a higher offer failed to materialize.

New ownership has reportedly licensed the Barneys name to Hudson's Bay-owned Saks Fifth Avenue for the planned installation of shops-in-shops in key Saks markets in the U.S. and Canada under the name **Barneys New York at Saks**. Among the stores that had been left open after the Chapter 11 filing — Barneys' flagships in Beverly Hills, San Francisco and Boston, along with its two Manhattan stores — the 660 Madison Avenue flagship of 30 years and 101 Seventh Avenue, having leased the space in 2014 to return to its original flagship location of 75-years, reports indicate that the Boston flagship may continue operations along with a new site in Greenwich, Connecticut; and while a short-term agreement was reportedly reached for a downsized space within Barneys' Manhattan flagship, ABG plans to transform the space "into a pop-up retail experience, bringing together an eclectic curation of boutiques, art and cultural installations and exhibits, and entertainment that fosters creativity and community." As far as the other stores, even if some remain open, the retailer's inventory will reportedly be going to investment bank B. Riley Financial for potential merchandise liquidations through the company's Great American Group subsidiary.

Amazon HQ2 – Shortly following the e-commerce giant's long awaited announcement on Tuesday, November 13, 2018 that Long Island City, Queens had been selected for half of the company's planned HQ2 campus, opposition and protests were sparked by some public officials and local residents criticizing the deal. Amid continued opposition that showed little sign of dissipating, Amazon released a press release (3) months later on Thursday, February 14, 2019 announcing decisions to abandon plans. Response to the withdrawal announcement was mixed. There were those opposed to the deal that celebrated the news; while proponents saw it as a tremendous loss for the city. A misunderstanding of the Amazon deal lead to critics focusing on the $3 billion in subsidies from the city and state, when in actuality "no one was writing a check." The performance-based incentives offered in the deal with New York State were directly tied to Amazon's commitment to create jobs; and the as-of-right tax benefits (ICAP and REAP) that Amazon was able to apply for are pre-existing programs by law that are for any company coming into the area. In the aftermath of the withdrawal, several pending deals relying on the HQ2 project moving forward had either fallen through or given rise to some uncertainty.

Big Ideas for Small Lots Finalists
OBJ

Only If

Palette Architecture

Anawan/101 and Kane AUD

Michael Sorkin Studio

2019 ReCap (cont'd)

Affordable Housing

- "Big Ideas for Small Lots Design" Competition – The New York City Department of Housing and Preservation in collaboration with the American Institute of Architects, New York Chapter (AIA New York) selected the plans of (5) finalists among the architect-led design teams that provided reportedly 400 submissions to the housing design competition launched early this year for the pilot site at **113 West 136th Street**. The vacant 1,665-square-foot, 17x100-foot in-line lot sandwiched between a pair of townhouses is located between Lenox Avenue and Adam Clayton Powell Boulevard. The competition was prompted in support of Mayor de Blasio's November 2017 announced **Housing New York 2.0** plan which established the goal to build or preserve 300,000 affordable homes by 2026. Although HPD has "aggressively moved through its inventory of vacant and underutilized city-owned land to create more affordable housing, some of the remaining inventory includes lots that are challenging to develop due to their small size." In addition to the designated site, HPD has identified a total of 22 additional parcels ranging in size from 663 square feet to 4,000 square feet — (5) in Upper Manhattan, (3) in the Bronx, (6) in Brooklyn, (2) in Queens, and (6) in Staten Island. However due to current city regulations regarding construction on sites narrower than 18-feet, the projects will likely face challenges securing the necessary approvals.

- Co-Living Concept – A trio of accepted submissions in response to a request for proposals (RFP) released by the city's Department of Housing Preservation and Development (HPD) last year will result in the creation of co-living units designated for affordable housing. News of the winning development teams came about one year following announced plans by New York City to enter the co-living market with the launch of the co-living program dubbed **ShareNYC** in a further effort to address the affordable housing crisis. Co-living units will likely range in size between 150 and 400 square feet per bedroom and include a common kitchen and living space, but they may or may not have private bathrooms. Decisions by the city to launch ShareNYC were partially prompted by the fact that in addition to needing more affordable housing, less than half of available housing caters to one or two people households, which makes up about two-thirds of households in the city according to reported statements by an HPD spokesperson. In addition the range of proposals accepted are also intended to allow the HPD to explore how the shared housing model can work across a variety of building types found throughout the city.

L+M Development / LIHC Investment Group

Cypress Hills Local Development Corporation

Ascendant Neighborhood Development

Development Activity Highlights


270 Park Avenue - Rendering

- 270 Park Avenue – On Wednesday, May 8th the city council unanimously approved the revised designs of the proposed new headquarters development by JPMorgan Chase. The project is particularly significant in that it is the first to take advantage of the 2017 **Greater Midtown East** rezoning. Demolition is currently under way of the existing 52-story, 1.351 million-square-foot building. New ground-up construction is expected to give rise to a 2.5 million square foot tower that will reach a linear height of approximately 1,425-feet that is expected to break ground in early 2021; and generate a projected 6,000 union construction jobs, both in the demolition and new construction. Since initial plans were announced, JPMorgan has acquired a significant volume of development rights, including a deal in December 2018 for 666,766 square feet of unused floor area purchased for roughly $208.364 million ($312.50 per square foot) from Grand Central Terminal. As part of the deal a combined contribution of just over $42 million to the public-realm fund for public improvements to the streets, pedestrian plaza and sidewalks was expected to be made by JPMorgan and the sellers, a partnership of MSD Capital and TF Cornerstone, along with minority stakeholder Argent Ventures.

- 130 Liberty Street aka 5 Albany Street– On Wednesday, June 26 Governor Cuomo announced the release of a request for proposals (RFP) by the Port of Authority of New York and New Jersey (PANYNJ) and the Lower Manhattan Development Corp (LMDC). News of the RFP came about 18-years following the September 11 attacks, the **Tower 5** site remaining in limbo over the years due to a dispute that remained unresolved until recently between the PANYNJ and LMDC over how the site should be developed and ownership.The vacant parcel represents a 33,000-square-foot portion of the original 68,000-square-foot parcel that hosted the former **Deutsche Bank** building. Due to extensive damage and contamination incurred following the attacks, demolition of the building also known as **5 World Trade Center** was required and ultimately completed by the LMDC in 2011. In 2017 the site was subdivided, with 35,000 square feet fronting Liberty Street now hosting the PANYNJ's Vehicular Security Center and Liberty Park. According to the press release by the Governors's office, the selected development team will be able to construct a commercial or mixed-use project up to 1.345 million zoning square feet of a linear height of 900-feet; however while the RFP will allow developers to submit proposals for both options, since the PANYNJ is not allowed to hold residential assets, it is likely that the site would be sold if slated for residential use; otherwise the PANYNJ could opt for a ground lease if a commercial project is to be built. Currently the site is part of a general project plan — a state zoning framework — that prohibits residential development on the site, but the general project plan could be altered by the board of the LMDC according to reports. Respondents to the RFP reportedly include a partnership of Brookfield Office Properties and Silverstein Properties, which favor a residential development; and L&L Mag, a partnership of MaryAnne Gilmartin and L&L Holding's David Levinson andRobert Lapidus, which envision an office development with a substantial community facility component geared towards academic or medical use.

- New Borough-based Jails – Approvals from the city council were secured in mid-October in favor of Mayor de Blasio's $9 billion proposal for the construction of (4) "borough-based" jails as part of an effort to close **Rikers Island**. The passage of the plan enabled the city's Department of Design and Construction (DDC) to meet with more than 120 design and construction firms to detail its plans for the jails to be built in specified locations in Lower Manhattan, the South Bronx, Central Queens and Downtown Brooklyn. In early 2020 the first (2) requests for proposals (RFP) will be released by the DDC for (7) design-build contracts according to reports; and in the spring of 2020 RFPs for the Manhattan and Bronx jails will be released. The first (2) related projects reportedly include a "parking garage for the Queens jails and building demolition and construction of swing space at the Brooklyn site," but contracts for the full Queens and Brooklyn jails are not expected to be released until the spring of 2021. According to reports, the operation of Rikers Island will wind down over the next 7-years, and be replaced by the planned smaller facilities. However the plan hinges upon the ability of the city to reduce its jailed population to 4,000 by 2026, representing an approximately 57% reduction of the reportedly about 9,400 people average in 2017.

Street Level Views
745 East 41st Street - Artist Sketch

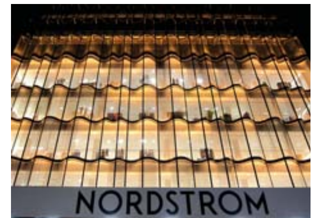
275 Atlantic Avenue - Artist Sketch

126-02 82nd Avenue - Artist Sketch

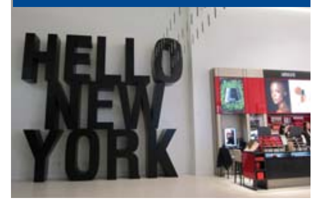

124-125 White Street - Rendering

Highly Anticipated Retail Openings

- **Nordstrom** – On Thursday, October 24th the Seattle, Washington-based luxury department store chain opened the doors of its Manhattan flagship. Envisioned back in 2012 upon closing on the $102.5 million down payment of the reportedly $426 million purchase to Extell Development, the transaction was the first step towards setting the wheels in motion for Nordstrom's first full-price department store in New York City. Situated at the base of the 1,550-foot-tall, 95-story mixed-use condominium known as **Central Park Tower** that is still under construction, as well as separately leased space in adjacent 5 Columbus Circle (aka 1790 Broadway) and 1776 Broadway, the 320,000-square-foot store is the 118-year-old retailer's 2nd largest store behind its Seattle flagship. The new more than $500 million store that reportedly employs 1,500 people joins Nordstrom's first-ever standalone men's store, which sits directly across Broadway at 3 Columbus Circle in a 3-level, 43,000-square-foot store that opened in mid-2018.



Nordstrom




Wegmans Food Markets

- **Wegmans Food Markets** – On Sunday, October 27th the Rochester, New York-based grocer welcomed its first customers to the 74,000-square-foot store within the **Brooklyn Navy Yard**. Opening day reportedly attracted more than 25,000 shoppers, breaking the grocery store chain's opening-day sales record according to reports. Wegmans serves as anchor retail tenant within the $140 million redevelopment of the Civil War-era **Admiral's Row**, having committed to the space at the base of Building 212, 21 Flushing Avenue back in 2015. The 103-year-old family-run grocer reportedly describes its "bigger-than-usual" stores as "having a feel of a "European open-air market;" while store shelves are reportedly stocked with about 10,000 to 30,000 more products than the typically grocery store average of approximately 40,000. The new store features the convenience of 700 parking spaces comprised of a mix of a surface lot and a newly constructed 160,000-square-foot adjacent parking garage; and is accessible via multiple MTA bus lines and the navy yard's new ferry stop, as well as about one mile from several subway line stations.

Big Block Deals in 2019

- **Office Market** – Manhattan leasing activity throughout 2019 boasted several reported transactions of 200,000 square feet and larger, with (4) deals over 500,000 square feet. Leading the way was **Facebook's** lease for 1.522 million square feet at the Hudson Yards complex announced in mid-November, the majority of the space that will span (3) buildings to be located within the under construction **50 Hudson Yards** tower. Reports of the deal also indicated that further expansion by the social media platform may be in the not too far off future, negotiations to lease the entire 740,000-square-foot **Farley Building** at 421 Eighth Avenue in reportedly advanced stages. In July **Google** secured a lease for the entire 1.24 million square feet at **550 Washington Street**. The lease for the south portion of the former St.John's Terminal building, that will undergo a 3-story vertical expansion, represented the final deal for the technology giant's planned $1 billion, 1.7 million-square-foot Hudson Square campus that will spread across (3) buildings and house Google's Global Business Organization.

Tenant	Address	Sq. Ftge.	Tenant	Address	Sq. Ftge.
Publicis Groupe	375 Hudson Street	960,000	Uber Technologies	3 World Trade Center	307,970
NYC Health + Hospitals	7 Hanover Square	526,552	Justworks	55 Water Street	264,938
Cravath Swaine & Moore	2 Manhattan West	481,000	Colgate-Palmolive	300 Park Avenue	242,000
McCann Worldwide	622 Third Avenue	450,000	BMW of Manhattan	555 West 57th Street	227,000
WeWork	437 Madison Avenue	362,197	BMO Capital Markets	151 West 42nd Street	215,056
Amazon	410 Tenth Avenue	335,408	WeWork	620 Sixth Avenue	213,358
Dentsu Aegis Network	341 Ninth Avenue	322,000	First Republic Bank	460 West 34th Street	211,511

- **Retail Market** – Lease signings of 45,000 square feet and larger reported this year represented a mix of industries securing big box deals in both Manhattan and Brooklyn.

Tenant	Address	Sq. Ftge.	Tenant	Address	Sq. Ftge.
AMC Theatres	304-328 West 34th Street	95,341	Whole Foods	28 East 28th Street	60,000
Life Time Athletic	85 Jay Street, Brooklyn	77,000	Target	8973-95 Bay Pky, Brooklyn	56,771
Life Time Athletic	1 Wall Street	74,000	Food Bazaar	201 East 125th Street	45,885

Developing Trends

Flexible Space: A Permanent Norm in U.S. Office Market

In the past flexible office space was considered a niche offering, but over recent years it has grown to represent what has been described as a "structural shift in office leasing that will survive — and perhaps thrive — in an economic downturn. Today the term "flexible" applies to both the lease agreement and the design of the space; and in addition to being made to accommodate different activities and work types, flex leases tend to be shorter and open to change versus traditional commercial leases which typically lock tenants in for 5- to 10-years. The shift comes at a time when a growing number of business models based on sharing have disrupted several traditional industries; and although initially serving as a viable solution for freelancers, remote workers and startups, is rapidly gaining traction among large corporations labeled "enterprise" users because of its flexibility, speed and capital deferral — benefits not widely available through traditional leasing according to an industry report released in September. Some statistics within the report reveal that among the 700 flex space operators, the top 10 account for 68% of flex space nationwide as of Q2 2019 – WeWork, Regus, Spaces, Knotel, Industrious, Convene, Novel Coworking, Premier Workspace, MakeOffices and Carr Workplaces.

In response to increased demand for flex offerings, the report indicates that "traditional landlord-operator lease agreements are giving way to a range of models that change risk and reward dynamics for both parties," with a growing number of landlords launching the own flex offering brands such as— **Durst Ready** by the Durst Organization; Tishman Speyer's **Studio**; Silverstein Properties' **Silver Suites**; and **Hines Squared**, via a partnership by Hines with Convene and Industrious; and Boston Properties' **Flex by BXP.** While traditional leases remain the most prevalent, partnerships and operating agreements between landlords and third-party flex operators are seeing an uptick in popularity. Health clubs are also entering the flexible space marketing by adding workspace offerings within their facility such as Minnesota-based LifeTime Athletic, which reportedly has (4) **Lifetime Work** facilities nationwide; and Equinox, which in May established a partnership with flexible workspace provider Industrious in order to launch a new co-working concept to be co-branded **Industrious at Equinox**, with the concept expected to make its initial debut in Q3 2019 at 35 Hudson Yards.

Flexible Space (cont'd)

Office real estate investment trusts are another group that have begun to "gauge the risks and rewards of a co-working sector," some gradually diverting from their typical tendency to avoid the controversial sector amid its potential for growth. Despite uncertainty about how co-working operators will weather a recession, office REITs have reportedly become bigger players in the sector since the start of 2018. Among the REITs testing the waters, New York City's SL Green Realty, in addition to its own in-house flex-space **Emerge212**, has turned over at least some of its more than 20 million-square-foot portfolio to co-working operators over the past few years — Knotel, 17,258 square feet at 104-110 Greene Street; and WeWork, 486,972 square feet spread across (3) buildings between 2015 and 2018. However office REITs have reportedly had to adjust leasing approaches when dealing directly with co-working space operators because the "end fiduciary results for REITs and co-working firms are different." While a non-REIT landlord is generally interested in building cash flow, REITs are more interested in really building shareholder value; and therefore "usually means leasing to an partnering with more established investment-grade tenants," which does not include most co-working chains according to reports.

Although increasing more than 600% nationwide since 2010 flexible office supply accounts for just under 2% of total U.S. office inventory according to reported industry data. San Francisco and Manhattan are the two most penetrated and high-growth markets with the share of flexible office space reaching 4.0% and 3.6% for the year ending Q2 2019. Manhattan's flexible office space footprint has reportedly more than tripled since 2014, reaching 15 million square feet by the end of Q2 for a 9.5% growth since year-end 2018; and expected to account for approximately 15% of overall Manhattan leasing activity through year-end 2019. However in the aftermath of the failed initial public offering (IPO) by WeWork, which reportedly occupies over 7 million square feet in New York City, leasing activity has reportedly slowed as the city's co-working and flexible firms are "suddenly facing slower growth, smaller profits and slimmer fundraising options." As of mid-November industry data reveals a 30% year-over-year drop in leasing volume on an annualized basis, a decrease that is anticipated to "be more severe if leasing activity for the industry is anemic through the end of the year" due to a pullback by the industry that in "recent years has become one of the biggest takers of office space."

Looking ahead several workspace firms have reportedly begun to shift their focus on management arrangements instead of conventional leases with landlords in order to minimize their exposure to rent overhead should the U.S. economy head into a recession. Under the management model the agreement allows a firm to operate a space for little or no rent or up-front capital costs in exchange for a profit-share with the landlord," thereby providing protection from rent liability should the facility fail. Looking ahead, while the management agreements offer more security they could also hinder the industry's rapid growth since management agreements are "generally more complicated to negotiate;" and since a growing number of the city's major landlords have launched their own flexible workspace brands in recent years, it will make them less likely to seek third-party management for the spaces.

Sources: https://www.cbre.com/-/media/images/agile/lets-talk-about-flex/us-flex-2019.pdf

Developing Trends (cont'd)

City's Tech Hub Numbers on the Rise

The growing demand for tech companies in recent years, especially following the boosting of technology programs at local universities, has put in the forefront the city's need to heighten efforts focused on the creation of tech hubs. From 2011 to 2017 tech job numbers surged 38% in New York City, reportedly adding 70,500 jobs during that period according to reported industry data.

The New York City Economic Development Corp. (NYCEDC) joined the effort to create tech hubs around the city in 2014 upon teaming up with New York University on the launch of **Urban Future Lab** in a 10,000-square-foot space at 15 MetroTech in Downtown Brooklyn's Tech Triangle. In support of the facility that established a hub for "cleantech innovation" leading to increased sustainability, the NYCEDC reportedly provided $750,000 in seed money over a 2-year period. Upon completion of the restoration by NYU and the city of the former Metropolitan Transportation Authority (MTA) at **370 Jay Street** in Downtown Brooklyn to create a global center for science, technology and education, Urban Future Lab along with the DUMBO incubator and Manhattan's Varick Street incubator were consolidated onto the building's 3rd floor. Although the initial incubator proved successful it did not provide the additional support needed by some companies that graduated, which upon moving into traditional office spaces, lost the benefits of community and flexible space that the incubator environment provided, prompting some startups to leave New York City altogether.

In 2015 the city's commitment to increase jobs in the technology sector and further expand efforts in urban problem-solving led to NYCEDC's launch of **Urbantech NYC**, representing one of the corporation's first major investments in the city's urban tech sector. A $7.2 million commitment allocated over a 10-year period had been made by the city, to be primarily used for programming according to reports at the time. Since then the city has further increased efforts to create and provide support in the establishment of several other technology hubs throughout the city covering a diversified range of focuses including:

- **The Hub @ New Lab** – Located within the Brooklyn Navy Yard's **Green Manufacturing Center**, the hub that opened in 2016 caters to companies that are too large to be housed in incubator space, but not financially able to afford market-rate office space. "Step-out-spaces," as they are referred to provide space at affordable rents as well as access to manufacturing software such as 3-D printers for prototypes, educational programs, and display space for created products. Operated by New Lab, the 84,000-square-foot hub reportedly focuses on companies that produce physical products aimed towards solving problems associated with transportation and energy and utility use in large cities. Landlord the Brooklyn Navy Yard Development Corporation initially subsidized rents, but it was projected that the facility would eventually become self-sustaining.

City's Tech Hub Numbers (cont'd)

- **335 Madison Avenue** – The 29-story, 1,148,400 square foot building rebranded **The Company Building** last year, is being repositioned into a vertical tech campus by Milstein Properties. As part of the project a tech incubator call **Urban Tech Hub** will be created across 250,000 square feet spanning the entire 3rd through 7th floors; and be dedicated to a selection of between 150 and 200 new ventures, with 700,000 square feet on the upper level floors reserved for 10 to 30 global brands willing to collaborate with the in-house nascent companies. Milstein will be partnering with the Milstein family launched start-up accelerator **Grand Central Tech**, which previously operated a 15,000-square-foot facility in the building, providing free rent and access to resources to 20 young companies through the its selective program.

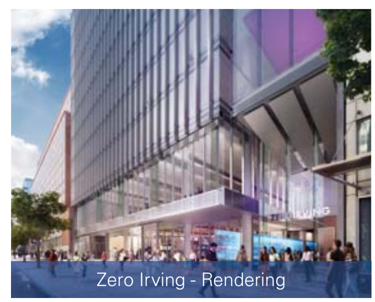
- **Cyber NYC** – The city initiative announced by the NYCEDC in October 2018 is intended to fuel the next generation of cybersecurity innovation and talent to create a major economic anchor and up to 10,000 quality middle-class jobs; and was supported by a $30 million investment by the city, with up to an additional $70 million from private funding. The following will be created as part of the initiative:

  – Global Cyber Center – A location in Chelsea at 113-115 Seventh Avenue was selected to house the 15,000-square-foot state-of-the-art facility serving as an innovation hub for startups, initiatives to fuel commercialization and research, and new talent pipelines to train the cyber workforce of the future.

  – Hub. NYC by JVP – A 26,400-square-foot space at 462 Broadway in SoHo houses the city's first international cybersecurity investment hub. Israel-based venture capital firm Jerusalem Venture Partners (JVP) was selected by the city to lead the hub that will support growth-stage startups by facilitating access to clients, providing business and investment support.

  – Inventors to Founders – The Columbia University-led program will connect academic inventors of patented cybersecurity technologies with experienced entrepreneurial talent to launch new cybersecurity startups. Acceleration resources will also be provided such as mentorship, training, and validation of capital to launch more and stronger early-stage academic startups as quickly as possible.

- **Zero Irving** – The 21-story, 237,838-square-foot tech hub broke ground in August on the site of a former P.C. Richard & Son building in Union Square at 124 East 14th Street. In partnership with developer RAL Development, the non-profit collaborative community center Civic Center which advances the use of technology for the public good, will operate a digital skills training center in collaboration with (5) industry-leading training organizations Per Scholas, FEDCAP, CUNY, Mouse and General Assembly. In addition the building will offer collaborative workspaces; market-rate space for established, industry-leading corporations; and "step-up" offices with flexible and affordable leasing terms and options that are better suited to start-ups and growing companies according the NYCEDC's press release.


Zero Irving - Rendering

- **RLab** – Plans had been released by the NYCEDC in October 2018 for the first city-funded **VR/AR Center** of its kind in the country that will be housed within Building 22 at the Brooklyn Navy Yard. The 3rd floor, 16,500-square-foot space will partially include co-working labs, classroom and studios; and will be administrated by NYU Tandon School of Engineering with a participating consortium of New York City universities including Columbia University, CUNY, and The New School. RLab will support startups, talent development, research and innovation in the field. In addition, RLab will also be home to an early-stage fund administered by venture capital firm Super Ventures to further support nascent companies accepted into the RLab accelerator program. Funding for the center is being fueled by a $5.6 million investment by NYCEDC and the Mayor's Office of Media and Entertainment (MOME).

- **BioLabs@NYU Lagone** – The 50,000-square-foot biotech incubator to be operated by NYU Langone Medical Center along with national shared lab-space provider BioLabs at 180 Varick Street in Hudson Square was partially funded by $5 million provided by Mayor de Blasio's LifeSci NYC initiative and a $2 million investment by the state's economic development arm Empire State Development. The facility will spread across 2 full floors and house up to 35 startup companies; and each new company will "start with a package of tailored laboratory equipment and supplies" to help eliminate their need to invest heavily in equipment and non-research personnel according to an NYU Langone press release.

Market Snapshot: Class A & B

New York City's Unemployment

- According to the New York State Department of Labor's figures, the city's unemployment rate of 3.7% (not seasonally adjusted) at the end of November remaining unchanged from both 3rd quarter and year-over rates.
- Unemployment on the National level was 3.2% at the end of November, remaining unchanged from the 3rd quarter rate. In contrast, year-over-year figures saw a 5.9% improvement from the 3.4% rate in November 2018.
- Employment activity in New York City's private sector resulted in the gain of 94,400 jobs over the 3 month period between August 2019 and November 2019. Year-over-year figures resulted in a 1.8% gain of 73,000 jobs; in comparison to a 1.3% and 1.6% improvement for both New York State and the nation during the same period. The Education and Health Services sector continued to lead the way with a 4.8% year-over-year gain at the end of November, followed by the more moderate 2.3% gain in the Professional & Business Services sector; while in contrast the Financial Services sector saw a 0.8% loss in job numbers.

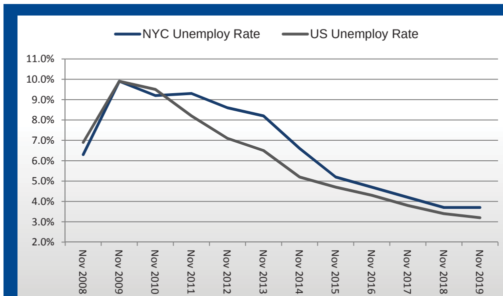
Weekly Wages

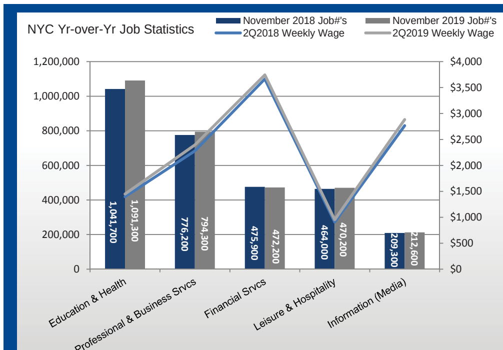
Overall average weekly wages in New York City averaged $2,109 at the end of the 2nd quarter 2019, representing a positive 4.1% improvement year-over-year according the recent report released by the U.S. Department of Labor. Among the major sectors all (5) saw wage increases during the quarter. The Professional & Business Services sector led the way with a 5.2% increase year-over-year at the high; while at the low, the Financial Sector saw a 2.2% increase during the same 12 month period.

Vacancy for Class A & B office buildings over 75,000 square feet essentially held steady, rising by a nominal 0.3% over 3rd quarter's 7.7% figure, resulting in an 7.8% vacancy at the end of the 4th quarter. Class A and Class B vacancy both held steady quarter-over-quarter at 8.2% and 6.8% respectively.

Absorption closed the 4th quarter at negative 175,372 square feet, representing moderate reversal of the 443,178 square feet absorbed in the previous quarter. The positive 444,980 square feet absorbed in Midtown South, was offset by the negative 416,703 square feet and negative 203,649 square feet of absorption in the Midtown and Downtown submarkets.

4Q 2019	Total	Class A	Class B
Vacancy	↑	↑	↑
Face Rent	↑	↓	↑
Absorption	↓	↓	↓





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

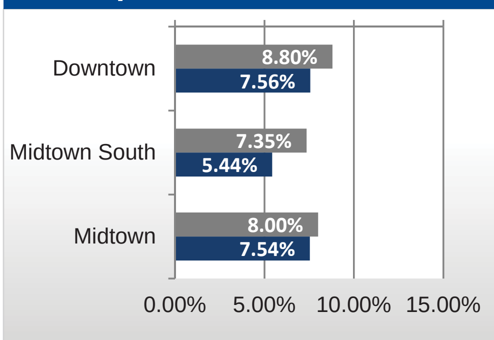
Face Rents for Class A & B office space in the 4th quarter held fairly steady at an average of $64.52 per square foot versus the $64.21 per square foot figure in the 3rd quarter. Overall Class B face rents rose 3.8%, reaching an average of $61.40 per square foot; in contrast to Class A rents which lowered 2.4% quarter-over-quarter to $66.36 per square foot. While average face rents in Downtown remained essentially unchanged at $61.09 per square foot, Midtown and Midtown South rents rose 4.08% and 2.11% to $67.62 per square foot and $70.66 per square foot respectively.

Sources: http://www.bls.gov/schedule/archives/all_nr.htm • http://labor.ny.gov/stats/index.shtm

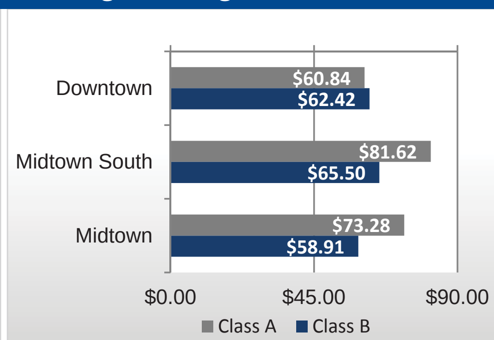
Class A & B Statistics At A Glance

4th Quarter 2019

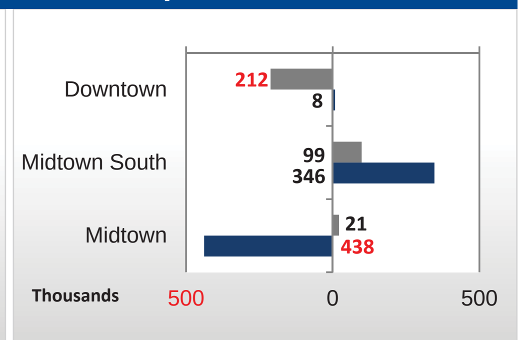
Vacancy



Average Asking Lease Rent

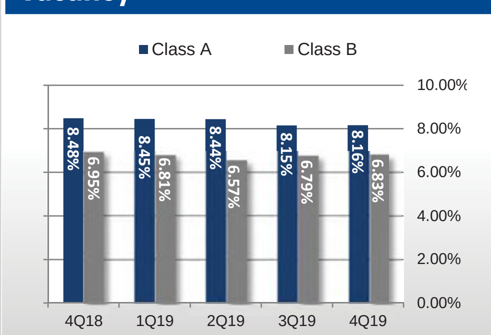


Net Absorption

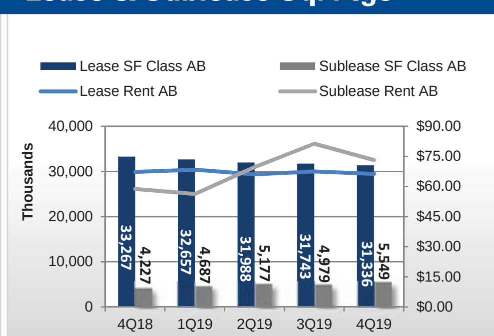


Quarter-over-Quarter

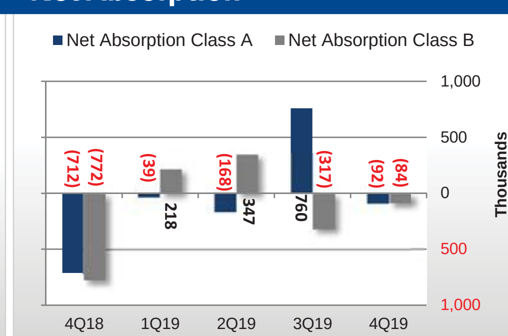
Vacancy



Lease & Sublease Sq. Ftge

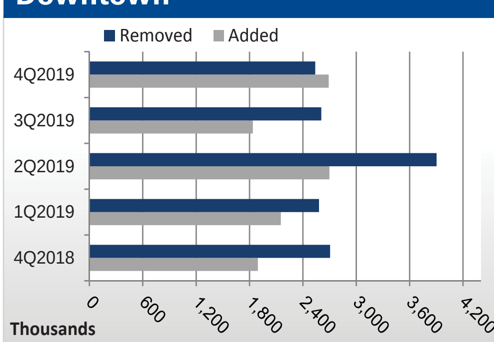


Net Absorption

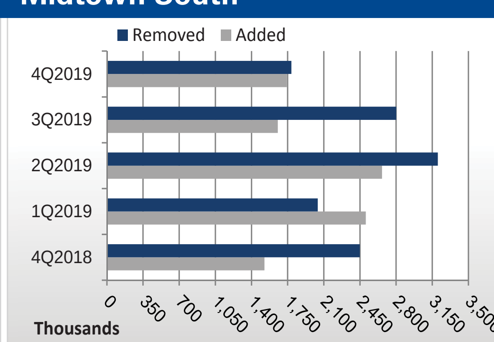


Quarter-over-Quarter Inventory Changes

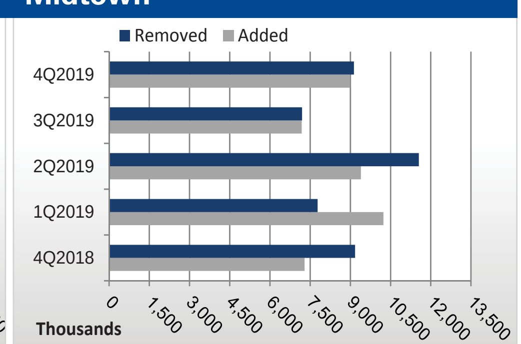
Downtown



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			Avg. Face Rent PSF	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	110,962,333	8,302,338	1,118,719	9,421,057	7.5%	1.0%	8.5%	$61.15	1,813,132
City Hall	13,810,690	246,418	49,673	296,091	1.8%	0.4%	2.1%	$53.39	50,971
Financial District	41,240,020	3,458,919	457,164	3,916,083	8.4%	1.1%	9.5%	$56.5	-32.605
Insurance District	11,736,640	704,732	154,757	859,489	6.0%	1.3%	7.3%	$56.49	138,423
TriBeCa	7,955,483	411,022	10,435	421,457	5.2%	0.1%	5.3%	$78.47	-134,136
World Trade Center	36,219,500	3,481,247	446,690	3,927,937	9.6%	1.2%	10.8%	$64.09	1,790,479
Midtown South	67,851,867	3,226,729	829,324	4,501,033	4.8%	1.2%	6.0%	$70.93	-727,313
Chelsea	16,215,484	997,273	345,739	1,313,012	6.2%	2.1%	8.3%	$56.01	-303,751
Flatiron	22,084,060	772,303	137,141	909,444	3.5%	0.6%	4.1%	$69.47	-63,278
Gramercy Park	9,461,773	484,255	145,876	630,131	5.1%	1.5%	6.7%	$67.42	-63,537
Greenwich Village	4,601,213	214,818	48,337	263,155	4.7%	1.1%	5.7%	$57.57	-140,861
Hudson Square	10,717,592	545,723	84,722	630,445	5.1%	0.8%	5.9%	$59.13	-44,909
SoHo	4,771,745	212,357	67,509	279,866	4.5%	1.4%	5.9%	$71.75	-110,977
Midtown	296,573,795	19,806,856	3,601,381	23,408,237	6.7%	1.2%	7.9%	$67.62	-460,064
Columbus Circle	34,167,111	1,957,794	570,716	2,528,510	5.7%	1.7%	7.4%	$71.92	-403,020
Grand Central	54,452,977	3,299,672	529,789	3,829,461	6.1%	1.0%	7.0%	$68.14	148,469
Murray Hill	12,703,953	759,170	181,054	940,224	6.0%	1.4%	7.4%	$63.20	-35,634
Penn Plaza/Garment	61,300,200	3,950,598	960,183	4,911,781	6.4%	1.6%	8.0%	$55.96	-876,092
Plaza District	84,119,252	7,049,346	858,984	7,908,330	8.4%	1.0%	9.4%	$78.28	715,797
Times Square	45,838,557	2,515,549	500,655	3,016,204	5.5%	1.1%	6.6%	$63.73	-17,789
U.N Plaza	3,991,745	273,727	0	273,727	6.9%	0.0%	6.9%	$71.98	-8,741
Grand Total	**475,387,995**	**31,335,923**	**5,549,424**	**36,885,347**	**6.6%**	**1.2%**	**7.8%**	**$64.51**	**625,755**

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

Leasing Activity

Big Block Space Removed in the 4th Quarter

1114 Sixth Avenue (Times Square) – A pair of move-ins during the quarter absorbed a combined total of 200,797 square feet at the **Grace Building**, which has a current occupancy of about 95%

- Israel Discount Bank (IDB Bank) – The 124,300-square-foot lease spanning the entire 2nd, 8th and 9th floors, plus a portion of the 10th floor will result in a parallel move from the Israel lender's longtime office at nearby 511 Fifth Avenue.

- Vinson & Elkins LLP – The 76,497-square-foot lease spanning the entire 31st through 33rd floors was secured under a 16-year term that extends into 2035.

Fareportal / 229 West 43th Street (Times Square) – The 68,760-square-foot sublease for the entire 11th and 12th floors was secured by the air travel technology company from Verizon Wireless; and resulted in a relocation and expansion from a 40,848-square-foot space subleased in 2012 from AllianceBernstein at the **Sports Illustrated Building,** 135 West 50th Street (Columbus Circle) under a 7-year, 4-month term according to reports.

Mastercard / 150 Fifth Avenue (Flatiron) – The entire 212,500-square-foot building was leased under a 15-year term at a reported asking rent of $95 per square foot by the Westchester-based credit processor to house its growing tech hub. News of the deal initially surfaced in late 2017, with occupancy pending completion of the landmarked building's renovation. The press release by Governor Cuomo's office at the time indicated that the multimillion dollar investment to build-out the new space is expected to create 473 new technology-related jobs by 2024, with Mastercard also retaining more than 250 existing R&D and tech jobs in New York City. As part of the deal that resulted in a relocation and expansion from an 80,000-square-foot space at nearby 114 Fifth Avenue, Mastercard was offered up to $13.3 million in performance-based tax credits through Empire State Development Corp's Excelsior Jobs Program.

Flatiron Health / 233 Spring Street (Hudson Square) – The 122,068-square-foot lease secured under a 10-year term at a reported asking rent of $102 per square foot within the West Tower of **One SoHo Square** increased the company's footprint at the 2-building complex to 252,452 square feet spread across (9) floors, having initially leased 130,384 square feet within the East Tower, 161 Sixth Avenue last year.

Big Block Vacancies Added in the 4th Quarter

Epstein Becker & Green / 250 Park Avenue (Grand Central) – The 87,763-square-foot space spanning the entire 12th through 14th floors was vacated by the healthcare-and-employment focused law firm upon relocating to an 80,000-square-foot space at 875 Third Avenue (Plaza). The move represented a downsizing from about 115,000 square feet, of which a portion had been previously subleased.

LF Distribution Holdings / 1359 Broadway (Penn Plaza) - The 69,597-square-foot space that became vacant during the quarter is being offered as a sublease with remaining term that extends through October 2021. The division on Hong Kong-based retail supply chain manager Li & Fung was reportedly at one time the largest tenant within the Empire State Realty Trust's portfolio, reaching a footprint back in 2014 of reportedly 104,000 square feet.

100 Pearl Street (FiDi) – A block of 278,454 square feet on the upper tower floors has come online at the 27-story building that formerly went by **7 Hanover Square**. Currently undergoing a major repostioning, as part of the project the base 17 floors now occupied by NYC Health have been rebranded 50 Water Street. As part of the project a dedicated entrance will be created for the Pearl Street component, in addition to a new 11,000-square-foot penthouse floor as a result of space being freed-up by combining a pair of lower level floors into a single, double-height space.

Leasing Activity (cont'd)

MTA's Transformation Plan will Lead to Office Consolidation

The preliminary report of the **MTA Transformation Plan** released by consulting firm AlixPartners in June 2019 summarizes the proposed plan and makes recommendations for MTA-wide reorganization activities, changes to business processes, and other cost reduction opportunities to include the "reduction of target office space leases with near term expirations dates" and a consolidation of the back office and administrative functions among the MTA's 74,000-plus employees into a "shared services/center of excellence model." Since the transportation agency's first year of full operation in 1905, annual ridership has increased from 73 million rides to over 2.6 billion trips each year, and over the years the MTA's (6) agencies — MTA New York City Transit, MTA Bus Company, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Bridges and Tunnels, and MTA Capital Construction have operated autonomously and almost entirely independent of each other, with a few instances of successful collaboration.

According to reported data the MTA leases approximately 3 million square feet of office space spread across 15 buildings located in Queens, Brooklyn and Manhattan. The MTA's administrative arm is headquartered at 2 Broadway in Manhattan's Financial District, where they lease the 1.6 million-square-foot building in its entirety. The initial lease secured July 29, 1998 extends through June 30, 2048. The deal included a net rental abatement for the first year, with the base rent of $20,844,823 per annum ($13 per square foot) beginning July 1, 1999 and escalating to $47,505,226 beginning January 1, 2044 ($30 per square foot) to the end of the initial lease term of 49-years and 11-months. As part of the lease agreement (2) 15-year extension options were included with Net Rental per annum applicable to any extended term equaling the greater of 95% of the fair Market Rent, or the Net Rental payable in the immediately preceding rent period plus an 8% increase thereon for years 6-11 and an additional 8% increase for years 12-15 following the applicable extension according to details within city record documents.

Looking ahead The Transformation Plan that "will position the agency to dramatically improve service, end project delays and cost overruns, and finally deliver the modern, reliable and efficient transportation system customers deserve" is reportedly expected to take between 2- and 3-years to complete; and among the wide range of changes anticipated to lead to a "potential reduction of roughly 1,900-2,700 positions;" while "total potential annual savings opportunities are estimated between $370-$530M." On October 25th the **Transformation Plan Request for Proposal** (RFP) was issued by the MTA, marking a major milestone in the agency's first reorganization in over half a century according to the press release by the MTA. The RFP advances the plan developed in partnership with AlixPartners by inviting the submission of bids by vendors with specific expertise in (4) major categories — reorganization and consolidation of Administration and Back Office support functions, Police and Safety, Construction and Development, and External Communications.

Sources: http://www.mta.info/press-release/mta-headquarters/mta-issues-transformation-implementation-rfp-%E2%80%93-marking-major
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https://new.mta.info/about-us/the-mta-network • https://new.mta.info/transformation

Smaller Tenants Continue to Drive Office Leasing Activity

Although having a tendency to be less recognized behind the headlines of big block signings, smaller office tenants reportedly sign the majority of leases each year. According to reported data, leases under 10,000 square feet secured in Manhattan from January through October 2019 accounted for 75.9%, or 3,922 of the over 5,166 new leases signed during the 10-month period. In addition, over the past 5-years, small deals reportedly averaged 77.7% of all leases. Among the roster of smaller tenants are those new companies that have outgrown co-working facilities and are seeking "office space that is both more self-contained and has a direct relationship with the building owner;" as well as larger global and national companies looking to establish a satellite office in New York City. In some instances the small tenant offers the potential of future expansion needs as the company grows, which can result in the addition of space within its existing location, or a move to another building within the existing landlord's portfolio. However while typically leasing in smaller, boutique office buildings, the smaller tenant reportedly wants certain amenities normally found in bigger buildings such as bike rooms, advanced security systems, conference areas and outdoor space; and since they don't have the capacity to take on the construction of the buildout, it has prompted some landlords to adapt by providing options such as built-out spaces offering the flexibility to be adjusted to a tenant's needs according to reports.

Co-working Industry Adding the U.S. Government to its Roster

On December 12th the U.S. General Services Administration (GSA), the independent agency that provides centralized procurement and real estate services for the federal government, posted a pre-solicitation notice seeking **Nationwide Flexible Coworking Services** (FCS) as part of its **Total Workplace** initiative launched in 2013 that provides "resources and expertise to help federal agencies reduce their office space, foster collaboration, better manage IT spending, and increase energy efficiency." The notice comes at a time when "working beyond the confines of traditional government offices has become more common," the GSA recognizing that "government employees are now commonly equipped with technological tools to work from anywhere" according to details within the posting. It is anticipated that the GSA notice could "open a whole new line of revenue" for the industry that has taken a hit of late in the aftermath of WeWork's failed initial public offering (IPO).

Under the FCS business services model, contractor's will be required to provide "a work environment akin to a typical office," with typical features including "work spaces, wireless internet, communal printer/copier/fax, shared kitchens, restrooms and open seating area. However the notice further states that:

- Use of any of the flexible workspace types identified in the forthcoming solicitation, shall not create or be construed to create any exclusivity of use by the government;
- Providing flexible workspace as a service creates no tenancy interest or leasehold estate;
- Any of the flexible work space types may be terminated by the contractor whenever the contractor decides to do so in good faith;
- Before pursuing space under this contract, GSA will screen all available vacant federally owned and leased space in the location as required by regulation;
- Requirements to be fulfilled by this contract will be short term, flexible arrangements;
- Firms will need to have the ability to provide space in various cities across all GSA regions;
- Services provided under this contract are not an acquisition of space but a service to provide flexible workspace; and.
- Issuance of the pre-solicitation notice does not warrant that funds are presently available; and award of a contract shall be subject to the availability of appropriated funds.

Leasing Activity (cont'd)

NYC Bids Play a Major Role in the City's Transformation to Live-Work-Play Neighborhoods

Over the years many of the New York City's neighborhoods that at one time primarily served solely as a place for business, with workers commuting home at the end of the work day, have evolved into what has been described as "crossover" neighborhoods offering a vibrant mix of office, retail, restaurants, activities, hotels and residential space. The city's Business Improvement Districts (BIDs) and Neighborhood Associations have made significant contributions towards the city's growing transformation to a live-work-play environment; and an article released in October touches upon some of the changes and the BIDs and Neighborhood Associations making them happen. Looking ahead, as the "city continues to change, its neighborhoods will continue to change with it;" while the BIDs "continue to strive to drive initiatives and support programming that appeals to existing and new innovative businesses as well as residents."

Grand Central Partnership – The not-for-profit corporation founded in the mid-1980s serves an approximately 70-block area in Midtown Manhattan from 35th Street to 54th Street between 2nd and 5th Avenues; and is home to 73 million square feet of commercial, residential and retail building space. Improvements in the district are reportedly led off by the 2017 passing of the **Greater Midtown East** rezoning, which opens the door to opportunities for both transit infrastructure and public space improvements; while the Metropolitan Transportation Authority's **East Side Access** project that will extend the Long Island Rail Road from its main line in Queen's into a new station under Grand Central Terminal, is expected to "radically change the physical dimension" of the district in new and beneficial ways. In addition:

- A custom street asset condition application was created to improve efficiency and speed in identifying the maintenance needs of the district's multimillion-dollar streetscape beautification program.

- Ongoing programs sponsored by the BID include the district's annual food-tasting event **Grand Gourmet: The Flavor of Midtown** and an annual music event called **Summer Solstice Music Festival**.

NYC Bids (cont'd)

Downtown Alliance – Founded in 1995, the Lower Manhattan BID serves the area south of City Hall to the Battery, and from the East River to West Street; and strives to create a multi-use neighborhood where businesses can prosper and the residential community can flourish. In recent years the neighborhood has established itself as a hub for emerging industries. Job numbers have rebound to pre-9/11 levels, bringing a greater diversity of industries to the area. In 2001 the financial and real estate industries accounted for two-thirds of the businesses, a percentage that has lowered to less than one-third in 2019. Serving as the home of an estimated 62,000 residents, of which a growing number are young professionals, the BID has been focused on resilience and sanitation, implementing best practice to increase recycling and protect the environment.

- In collaboration with community members a series of recommendations were laid out to make the heavily visited and historically important area surrounding the New York Stock Exchange more welcoming, vibrant and secure.
- The BID advocated to a zoning text amendment to create ground-level retail spaces from the under-utilized arcades of many of the buildings along Water Street corridor which serves approximately 100,000 workers.

The Meatpacking District – The not-for-profit business alliance formed in 2010 by a small group of neighborhood property owners and key businesses oversees the area roughly bound by 8th Avenue and the West Side Highway between Horatio and West 17th Streets. The neighborhood that at one time was home to the meat industry; and filled with slaughterhouses and packing plants has evolved into an 24/7 epicenter of activity; and while retaining its historical character, now offers a wide range of restaurants and nightlife venues along its cobble stone streets. Among the most significant developments is recent years is the elevated **High Line** park, its success brought an influx of visitors that has sparked new development including the **Whitney Museum**, which now calls the neighborhood its home. In addition the redevelopment of **Pier 57** has added new commercial space, the majority of which is leased to technology giant Google; and the ongoing redevelopment of **Pier 54** (aka Pier 55), recently named **Little Island**, will add a new public amenity to the neighborhood.

- Design, planning, and construction that has taken place included reconstruction of the cobble stone streets and the creation of more than 20,000 square feet of new public plaza space.
- An investment in greening the streetscape of 14th Street, which is a very wide major thoroughfare, is intended to "help bring a more human scale to the block and drive foot traffic."
- Sponsoring of programs that spur community engagement as well as bring people into the community such as the **Harvest Fest**, which showcased local businesses and attracted an attendance of over 7,000 visitors.

NYC Bids (cont'd)

East Midtown Partnership – Founded in 2002 the BID has worked to improve the quality of life and promote commercial activity within one of Manhattan's primary business hubs roughly bound by East 49th and 63rd Streets between Madison and 2nd Avenues. The neighborhood once heavily populated with commercial offices has over the past two decades become a much more "mixed-use" and diverse 24/7 neighborhood as new residential developments and retail, culture, dining, and nightlife establishments continue to move into the area. The strong presence of the finance industry is attracting a growing number of startups and emerging industries in the vicinity; while health technology, urban technology, fashion and other businesses not traditionally associated with the area have begun to move into the neighborhood. Also benefiting from the Greater Midtown East rezoning, the district is seeing an increase in residents as well as new commercial buildings that could never have been built under the old zoning laws.

- A focus on beautification and environment has enhanced the streetscape, making if a more attractive place to visit, work, and live; while also strengthening the neighborhood's commercial base. Initiatives have included the planting of additional tree beds and a sidewalk recycling program, which has been successful in reducing waste on the streets and increasing environmental responsibility throughout the district.

- Community involvement through the organization of event programming that brings people within its boundaries.

Avenue of the Americas Association – The neighborhood association was created in response to a city proposal in 1921 to transfer the Sixth Avenue El from the roadbed to sidewalks; and the first order of business was a campaign for the demolition of the El train line. Since then, the neighborhood has evolved to offer a mix of art, culture and lifestyle.

- Event programming includes the annual Gala and summer food festival offering the opportunity for local restaurants and eateries to exhibit their diverse dining options; as well as an expansion of the association's Workout Wednesday-themed classes.

- An over $2 billion investment in infrastructure has contributed to record leasing along the corridor; while also helping to further enhance the community.

- Issues affecting business operations and real estate values are acted upon on behalf of its growing membership of community business leaders and major building owners as part of the association's ongoing commitment to ensure that 6th Avenue remains a thriving business corridor.

- Strides are being made in building a more inclusive environment through community activities and making public space enjoyable for all types of people within the neighborhood that is still very business-oriented.

- Monthly meetings with keynote speakers, such as prominent local government officials, are sponsored by the Association, as well as establishing "an extremely popular art exhibition for 2-years running." In addition the Association regularly gives back to the community with donations and community service.

Midtown Recap (cont'd)

Lease Deals to Watch For

Midtown		Class A and B
Vacancy	▲	7.9%
Face Rent	▲	$67.62 per sq. ft.
Absorption	▼	-416,703 sq. ft.

Perella Weinberg Partners / 550 Madison Avenue (Plaza) – The boutique investment firm is reportedly in "late-stage" talks to lease about 125,000 square feet at the 41-story, 850,000-square-foot former **Sony Building**. Currently headquartered at the nearby **General Motors Building**, 767 Fifth Avenue since the company's launch in 2006, if the relocation deal moves forward it will represent an expansion from Perella's current office of approximately 96,621 square feet occupied under a lease expiring in early 2022 according to available online data. News of the potential deal comes at a time when the vacant building is nearing the launch of a longtime planned major renovation program, having reportedly secured design approvals from the Landmarks Preservation Commission (LPC) earlier this year following decisions to designate the building as a landmark in July 2018. Construction is expected to begin in January, with a tentative reopening of the tower's office floors by mid-2020 according to reports.

590 Madison Avenue: Nearing Double-header Deals (Plaza) – A total of 140,000 square feet will be absorbed at the 43-story, 1.03 million-square-foot tower if a pair of nearing deals move to a closure. Investment firms **Schonfeld Securities** and **American Securities** are reportedly in advanced negotiations to lease about 50,000 square feet and 90,000 square feet respectively. Asking rents are reportedly north of $100 per square foot at the building that spans the entire Madison Avenue block-front between East 56th and 57th Streets, having recently completed upgrades that included the $4 million installation of a high-end gym, helping to attract the two firms. In August 2018, reports indicated that The State Teachers Retirement System of Ohio had sought to sell the tower known as the **IBM Building**, sources at the time anticipating a sale could fetch as much as $1.3 billion ($1,262 per square foot); however it is uncertain if STRS Ohio, in partnership with Edward J. Minskoff Equities, have abandoned sale plans.

Lease Deal Highlights - 4th Quarter 2019

Angelo Gordon / 245 Park Avenue (Plaza) – The global alternative asset manager has reportedly decided to retain its headquarters at the 45-story, 1,784,480-square-foot building. In addition to securing a renewal of its existing approximately 110,000 square feet spanning the entire 24th through 26th floors, Angelo Gordon will be adding the 23rd floor, bringing the company's total footprint to 140,000 square feet. Full details of the deal were not released.

Katten Muchin Rosenman / 50 Rockefeller Plaza (Plaza) – The Chicago-based law firm has reportedly secured a lease for 125,097 square feet at the 15-story, 516,295-square-foot tower. Although terms of the deal were not released, the space will span the entire 5th through 9th floors occupied by Bank of America. According to available online data it appears Katten will be making a parallel move in the spring of 2022 from their current office at 575 Madison Avenue, where they occupy 121,157 square feet spanning the 11th through 21st floors.

Lease Deal Highlights (cont'd)

Citrin Cooperman / 50 Rockefeller Plaza (Plaza) – The accounting firm will be moving about (6) blocks north in the 3rd quarter of 2021 as a result of a recently reported 15-year relocation deal. Currently occupying about 110,233 square feet on (7) contiguous floors at 529 Fifth Avenue (Grand Central), the company will make an essentially parallel move to a 110,742-square-foot space, but due to larger floor plates will consolidate onto the entire 3rd and 4th floors, plus a portion of the 2nd floor within the 15-story, 516,295-square-foot tower.

Knoll / 1330 Sixth Avenue (Plaza) – The Pennsylvania-based furnishings company will retain its showroom and executive offices at the 40-story, 534,000-square-foot tower that spans the entire 6th Avenue block-front between West 53rd and 54th Streets. Initially relocating to a 48,000-square-foot space in 2012 from Google's 111 Eighth Avenue (Chelsea), upon recently securing a renewal for its space on the entire 2nd and 3rd floors, plus a portion of the 4th floor, Knoll has opted to add 12,000 square feet on portions of the 6th and 11th floors. As a result of the signing, Knoll will expand its 2nd and 3rd floor showroom onto the 4th floor space; and relocate offices to the newly leased floors. Asking rents at the building reportedly range from the mid-$80s to the mid-$90s.

Facebook / 50 Hudson Yards (Hudson Yards) – The Menlo Park, CA-based social media platform has completed a lease for a combined total of 1.522 million square feet spanning 30-floors according to a Hudson Yards press release. The majority of the space will be in the currently under construction 62-story, 2.9 million-square-foot tower that upon expected delivery in 2022 will complete the first phase of the multi-building Hudson Yards project. Starting in 2020 Facebook will begin to occupy space at the complex — approximately 1.2 million square feet fetching a reported base rent of $130 per square foot at 50 Hudson Yards; as well as 265,000 square feet at 30 Hudson Yards Yards and a reported base rent of $116 per square foot with a tenant allowance of $190 per square foot; and 57,000 square feet at 55 Hudson Yards. The signing brings the trio of towers to occupancies of 75%, 100% and 99% respectively. Initial reports of Facebook being in negotiations for the space surfaced in June, reports at the time indicating the if the deal moved forward it will include the 450,000 square feet of space that **Debevoise & Plimpton** was reportedly nearing a deal to lease, prompting the law firm to consider the neighboring **The Spiral**, which is under construction at 66 Hudson Boulevard, among other Midtown and Lower Manhattan options.

Facebook entered the market about 18 months ago to begin exploring options for a big block space, earlier reported considerations including a lease for the entire 15-story, 870,000-square-foot building at **63 Madison Avenue** in Midtown South's NoMad district, as well as at the nearby planned redevelopment at **One Madison Avenue**. The latest signing significantly increases Facebooks Manhattan footprint, having already established a sizeable presence. According to reports the company currently occupies over 880,000 square feet, or nearly 75% of 770 Broadway (Greenwich Village), where they have been a tenant since 2013; about 160,000 square feet at 225 Park Avenue South (Flatiron); and a more recent lease secured last year added 40,000 square feet within the rebranded **The Company Building** tech campus at 335 Madison Avenue (Grand Central) — all of which will be retained according to reported statements by a Facebook spokesperson. In addition the company may still be considering further expansion, September brought news of Facebook entering into talks to lease the entire 740,000 square feet of office space within the landmarked 1,378,125-square-foot post office building at 421 Eighth Avenue that has been rebranded the **Farley Building;** and it seemed to signal a shifting away from Hudson Yards, the press release noted that Facebook "is looking to lease both spaces, which are roughly two blocks apart.

Amazon / 410 Tenth Avenue (Hudson Yards) – The Seattle-based e-commerce company has reportedly secured a lease for 335,000 square feet within the 21-story, 636,356-square-foot building formerly going by the address **460 West 34th Street**. The new space that will house more than 1,500 employees for the company's consumer and advertising departments is the largest expansion deal secured by Amazon since the February 14th withdrawal of its HQ2 plans in Long Island City. According to reported statements by an Amazon spokesperson confirming the that thedeal was secured without any corporate tax breaks, the new office will open sometime in 2021. News of paperwork being drafted initially surfaced in August, reports at the time indicated a potentially larger lease for 411,112 square feet on the 7th through 12th and 14 through 20th floors to bring the building to full occupancy. Amazon will join San Francisco-based lender **First Republic Bank**, which secured a 15-year lease for 211,521-square feet to serve as anchor tenant back in April. As part of the deal First Republic will also occupy a portion of the ground and mezzanine floors to house (2) new retail bank branches. Asking rents for the deal were reportedly $90 per square foot and $650 per square foot for the office and retail space respectively.

Majority owner SL Green Realty acquired the controlling 66.30% stake in May, representing the REIT's first major investment in the Hudson Yards area. The stake sale by the Kaufman Organization attracted a price of roughly $291.734 million ($670 per square foot), valuing the asset that spans the entire 10th Avenue block-front between West 33rd and 34th Streets at a gross purchase price of $440 million, with Kaufman retaining the remaining minority interest. A planned comprehensive building-wide redevelopment of the former **Master Printers Building** will include a relocation of the building's lobby entrance from West 34th Street to West 33rd Street; the construction of a new "glass box" lobby with 9-foot-high industrial windows; new double-height storefronts; a 5,000-square-foot roof deck with a 3,000-square-foot lounge; and the activation of several large roof setback terraces.

Lease Deal Highlights (cont'd)


102nd Floor Observatory Rendering

LinkedIn / 350 Fifth Avenue (Penn Plaza) – The Microsoft-owned social media and business news platform has expanded within the **Empire State Building** for the 7th time since the company's 2011 move-in. The reported mid-October signing for the 188,653-square-foot space on the 24th floor and (3) lower floors will increase LinkedIn's footprint within the 102-story, 2.816 million-square-foot tower to a total of 501,600 square feet. Asking rent for the space previously occupied by global perfume and fragrance manufacturing company Coty was $78 per square foot according to reports. News of the signing comes just days following the opening of the iconic tower's revamped **102nd floor observatory** that features new floor-to-ceiling glass walls to complete what has been described as a more engaging visitor experience following the opening of the new Visitors' Center last August. Tourists visiting the Empire State Building's observation decks on the tower's 86th and 102nd floors now have a dedicated entrance on West 34th Street that has been designed to accommodate the high volume of people. Serving as a major attraction since its opening in 1931, the observatory decks reportedly host an average of around 4 million people annually. The project was sparked in an effort to alleviate overcrowding in the landmarked building's main lobby, which previously handled the foot traffic of both tourists and office tenant workers; and is part of a reportedly over $500 million revamp of the historic tower announced in 2009 by the Empire State Realty Trust (ESRT).

Adobe Systems Inc. / 1540 Broadway (Penn Plaza) – The software company has reportedly secured a 10-year renewal and expansion deal at the 44-story, 1.44 million-square-foot **Bertelsmann Building**. In addition to renewing its existing 27,323-square-foot space on the entire 17th floor, Adobe will be adding 81,972 square feet on floors 18 through 20 to increase its total footprint to 109,295 square feet. Located on the corner of West 45th Street, the building recently underwent $40 million in upgrades that included a newly designed entryway on 45th Street, new lobby and elevator cabs, installation of a co-generation plant that can produce 70% of the building's energy on-site, and the creation of a 27,000-square-foot tenant amenity floor that features a fitness center, coffee bar, food hall, lounge and conference center according to reports.

Israel Discount Bank / 1114 Sixth Avenue (Times Square) – The bank has reportedly secured a lease for nearly 124,300 square feet within the 49-story, 1.557 million-square-foot **Grace Building**, where asking rents are reportedly around $100 per square foot. Upon relocating from its current longtime office, IDB Bank's new office will spread across the entire 2nd floor, which was previously occupied by cable television network HBO, as well as the 8th and 9th floors, plus a portion of the 10th floor. The Israeli lender will be making a parallel move in early 2021 from nearby 511 Fifth Avenue, where they occupy the building's entire office space.

Akerman / 1251 Sixth Avenue (Times Square) – The Miami-based law firm has reportedly secured a 15-year lease for about 100,000 square feet spanning the entire 37th and 38th floors, plus parts of the 35th floor within the 54-story, 2.364 million-square-foot tower. The recent signing at an asking rent of reportedly around $95 per square foot will result in Akerman relocating and expanding in early 2020 from a 48,000-square-foot space at 666 Fifth Avenue (Plaza), having secured the lease in 2012. Decisions to relocate were partially prompted by a planned major overhaul of the office component of the 5th Avenue building that has been rebranded 660 Fifth Avenue, following Brookfield Property Partners securing the leasehold from Kushner Companies.

BMW of Manhattan / 555 West 57th Street (Columbus Circle) – The Munich, Germany-based automaker will continue its tenancy at its namesake building another 10-years. According to a press release by SL Green, BMW will remain in the 227,000-square-foot space it currently occupies on the entire 2nd through 4th floors, plus portions of the ground and concourse levels of the 20-story, 1,032,334-square-foot tower. Asking rent for the deal was reportedly $65 per square foot.

Mazars / 135 West 50th Street (Columbus Circle) – The international accounting and advisory firm has opted to retain its U.S. headquarters location within the 24-story, 924,721-square-foot tower. The 90,000-square-foot space secured under a 16-year term will include several terraces on the 14th through 19th floors, which Mazars will occupy in its entirety along with a portion of the 16th floor. The building is currently undergoing a repositioning that includes a redesigned lobby, retail frontage, and a 20,000-square-foot amenity space. In addition a new 15,000-square-foot food hall to be operated by Urbanspace is expected to open this summer at the base of the building, in the space formerly occupied by Bobby Flay's Bar American.

Lease Deal Highlights (cont'd)

One Vanderbilt Avenue: Double-header Deals (Grand Central) – Details of a December 9th investment presentation by SL Green Realty included a close-up look of the financial and leasing overview for the 59-story, 1.7 million-square-foot tower that is slated for an August 4, 2020 ribbon-cutting. In total the tower will include roughly 1.524 million rentable square feet of office space, 32,358 rentable square feet of restaurant and retail space on portions of the ground and 2nd levels, 28,477 rentable square feet of tenant amenities to include a landscaped terrace, épicerie and social area, a 140-seat auditorium, and 40-seat board room. Total office pre-leasing has secured 990,741 square feet of activity, or 65%, spread across (13) deals of which (5) were signed this year, leaving about 533,657 square feet remaining. Per the rent assumptions detailed in the presentation, office rents range $125 to $300 per square foot, office free rents of 9 to 12 months, and a range of $95 to $105 per square foot for office tenant allowances; while grade level retail rent is in the range of $400 to $500 per square foot.

The $3.3 billion tower's observatory on the 57th through 59th floors at a height of 1,000-feet above street level will be co-managed by SL Green and co-owner Hines under a newly formed joint venture. Currently dubbed the **Summit**, the 71,938-square-foot observatory will feature (2) glass floor ledges overhanging Madison Avenue; an "infinity room" boasting 40-foot ceilings on the 58th floor; and an outdoor terrace on the 59th floor offering food and beverages. Storytelling agency Kenzo Digital will reportedly create an immersive experience within the observatory space that won't open until the end of 2021, with the base rent estimated to start at $24 million; and once stabilized expected to generate $42 to $48 million in annual rent.

More recent activity at the 1,401-foot-tall tower that topped out in September, and is in on track to open in August 2020, has brought occupancy to 64% according to a press release by SL Green. A pair of recent lease signings at the 58-story, 1.75 million-square-foot totaled 78,988 square feet.

- **Oak Hill Advisors** – The alternative investment firm secured a lease for 45,954 square feet spanning the entire 16th floor. Oak Hill currently occupies 29,273 square feet of office space on the 27th floor at the nearby **Grace Building**, 1114 Sixth Avenue (Times Square) which the company will reportedly vacate in the 4th quarter of 2020.

- **Carlyle Group** – The global investment firm has opted to expand its space commitment for a second time this year, adding 33,034 square feet spread across the entire 34th floor. Carlyle initially leased 95,152 square feet in the summer of 2018 under a 15-year deal, subsequently adding 32,592 square feet in early 2019; and the latest deal brings the company's footprint to 160,778 square feet spanning the entire 34th through 38th floors.

Strategic Financial Solutions / 711 Third Avenue (Grand Central) – The financial services firm that helps consumers with debt relief has reportedly secured a 10-year lease for 82,557 square feet spanning the entire 6th and 7th floors at an asking rent of $68 per square foot. Already occupying the 6th floor space, Strategic had relocated from 225 West 29th Street (Penn Plaza) in 2016 upon securing a 5-year sublease for the 49,731-square-foot space from publisher Condé Nast (DB) at a significantly lower asking rent of $45 per square foot according to reports at the time.

Submarket ReCap: Midtown South

Lease Deal Highlights - 4th Quarter 2019

Midtown South		Class A and B
Vacancy	↓	6.0%
Face Rent	↑	$70.66 per sq. ft.
Net Absorption	↑	444,980 sq. ft.

Dentsu Aegis Network America / 341 Ninth Avenue (Chelsea) – The U.S. arm of Japanese advertising and public relations firm Dentsu has reportedly secured a 15-year lease for 322,000 square feet spanning the entire 78,000-square-foot 7th floor; the entire 8th through 10th floors, which are 48,000 square feet each; plus half of the 200,000-square-foot 6th floor of the **Morgan North** building. As part of the deal the company will have the "exclusive use of an 8th floor terrace and a rooftop amenity space, and will also share access to a 2.5-acre roof deck on the 7th floor." The recent signing will enable the company to consolidate employees currently spread across (4) Manhattan locations including 32 Sixth Avenue and 150 East 42nd Street, where they occupied nearly 220,000 square feet in 2013 and over 206,000 square feet in 2015 per previous reports, and 115 Broadway.

In May Dentsu was reportedly eyeing the entire 4th floor's 292,692-square-foot space at the nearby **Farley Building**, 421 Eighth Avenue, but the potential deal was derailed upon social media platform **Facebook** entering talks to lease the entire 740,000-square-foot building; and although a lease has yet to be signed, negotiations were reportedly advanced enough to prompt Dentsu Aegis to explore other options. The 622,000-square-foot space spanning the entire 5th through 10th floors within the 10-story, 1.6 million-square-foot building is currently controlled by Tishman Speyer following the completion of a 99-year leasehold from the U.S. Post Office in October. The developer is planning to reposition the vacant space that boasts over 17-foot ceiling heights into Class A Office space, with construction expected to be completed in mid-2020.

Midtown South Recap (cont'd)

Lease Deal Highlights (cont'd)

Persistent Systems / 601 West 26th Street (Chelsea) – The software engineering firm will be significantly expanding its footprint in the city, reportedly securing a lease for 55,000 square feet within the **Starrett-Lehigh Building**. Although unverified, Persistent will be relocating from 303-305 Fifth Avenue (NoMad), the new space reportedly accommodating more than five-times the production capacity plus a state-of-the-art training facility to allow for planned company growth over the next decade. Expected to be completed by April 2020, the buildout of the new location will be designed to create an "environmentally friendly and sustainable footprint" in part by implementing dimmable LED lighting and motion sensors to save power;" while "construction materials are being sourced with minimum levels of recycled content and reclaimed wood" to be used across much of the interior. In addition, to improve air quality and create a more pleasant work environment, 150-plus linear feet of planters will be installed.


510-512 West 22nd Street

Next Jump / 510-512 West 22nd Street (Chelsea) – The New York city-based e-commerce company that handles loyalty rewards programs has reportedly secured a 10-year lease for 41,300-square-feet on the top-three floors of the newly constructed 11-story, 151,884-square-foot building. The deal reportedly attracted a price of nearly $160 per square foot; and upon relocating from a 38,346-square-foot space on the 7th and 8th floors at 261 Fifth Avenue (NoMad), Next Jump will join WarnerMedia which committed to 20,000 square feet to house its **Innovation Lab** in September. The building located on the block-through site between 10th and 11th Avenues was constructed on speculation by the joint venture of Long Island-based Albanese Organization and Vornado Realty Trust. The project included a full redevelopment of the existing 5-story, 82,650-square-foot parking facility, plus a vertical enlargement of 6-stories, bringing the building to a total linear height of 147-feet.

Plaid / 295 Lafayette Street (SoHo) – The fintech firm that develops tools for connecting financial planning apps with banking information has reportedly secured a lease for 30,000 square feet spanning the entire 6th floor of the 10-story, 221,325-square-foot **Puck Building**. The deal that had a reported asking rent of $110 per square foot will result in Plaid relocating and expanding from its 13,075-square-foot office at 54 West 21st Street (Flatiron) currently occupied under a lease that extends through 2023 according to reports.

Knotel / 60 Madison Avenue (Flatiron) – The flexible space provider will be adding another facility to its growing roster of locations, having secured a lease for 56,325 square feet within the 13-story, 317,534-square-foot building on the corner on East 26th Street. The space that spans the entire 2nd through 4th floors was reportedly leased under a 10-year term.

Left/Right / 39 West 19th Street (Flatiron) – The reality TV producer will extend its tenure another 10-years at the 12-story, 128,657-square foot building located between 5th and 6th Avenues. Initially relocating to the building in 2009 to establish its office headquarters and production and editing facilities in a 10,000-square-foot space, Left/Right has expanded over the years to occupy its current 34,000-square-foot space spanning the entire 7th, 9th and 10th floors according to reports.

Squarespace / 225 Varick Street (Hudson Square) – The New York City-based website building platform launched in 2003 is reportedly increasing its footprint at the 12-story, 377,081-square-foot building that spans the entire Varick Street block-front between West Houston and Clarkson Streets. According to the press release from Governor Cuomo's office the company will be expanding its global headquarters by 2022; and will now occupy (5) floors totaling 166,000 square feet, having secured a lease that has added (2) floors to its existing footprint. As part of the deal New York State's Empire State Development offered the company up to $2.2 million in performance-based Excelsior Tax Credits over the next 10-years if at least 156 jobs are created by 2022, and retained through 2029 along with the more than 700 existing New York City-based jobs. Initially relocating to the building in 2014 when Squarespace had reportedly secured a 15-year lease for 93,517 square feet spanning the entire 10th through 12th floors. In October 2017 an expansion of 49,700-square-foot on the entire 5th and 6th floors had been reported, the lease to be coterminous with the 2014 signing that extends into 2029; and although unverified it appears that they may be the same floors referenced in the press release.

Submarket ReCap: Downtown

Downtown Alliance: Q3 2019 Real Estate Market Review

According to the report released in November by the BID, strong leasing activity in the 3rd quarter was driven by small and mid-size deals. Activity among TAMI (technology, advertising, media, and information) tenants, retail trade and flexible space providers continued to diversify Lower Manhattan below Chambers Street.

Downtown		Class A and B
Vacancy	↑	8.5%
Face Rent	↑	$61.09 per sq. ft.
Absorption	↓	-203,649 sq. ft.

Office Market

Among the 1.81 million square feet of new office leases during the quarter, deals for spaces less than 100,000 square feet accounted for approximately 70% of activity, with leases less than 25,000 square feet and 100,000 square feet-plus each representing 30% of the overall total. Year-to-date leasing reached 5.61 million square feet, representing the highest year-to-date total since 2000, as leasing volume during the first (3) quarters of 2019 surpasses the year-end total of 2018. Relocations continue to account for a sizable volume of deals, generating 37% of activity in Q3 as the neighborhood continues to maintain a substantial pricing advantage compared to Manhattan's other major commercial submarkets. In addition Lower Manhattan is increasingly becoming a destination for large retail companies and fashion brands, as well as upstart and emerging fashion brands, counting industry leaders such as Hugo Boss, J.Crew, Nike, Hudson's Bay Company and SMCP, the Paris-based parent company of fashion brands Sandro and Maje among the growing roster.

Top 10 Office Lease Deals in Q3 2019

Tenant	Address	Sq. Ftge.	Lease Type	Sector
Uber	3 World Trade Center	307,970	Relocation	TAMI, Technology
District Council 37	55 Water Street	130,449	Relo within LoMa	Nonprofit
Kelly Drye & Warren	3 World Trade Center	103,082	Relocation	Law
Spotify	4 World Trade Center	85,666	Expansion	TAMI, Technology
Knotel	195 Broadway	83,732	New LoMa location	Flexible Space Provider
Moda Operandi	195 Broadway	83,685	Relocation	Retail Trade
Moët Hennessy	7 World Trade Center	83,486	Relocation	Manufacturing
NYC Dept of Citywide Administration Srvcs	55 Water Street	64,551	Relo within LoMa	Government
WeWork	83 Maiden Lane	56,000	New LoMa location	Flexible Space Provider
Better.com	3 World Trade Center	44,931	Expansion	Fintech

Sources: https://www.downtownny.com/sites/default/files/research/Lower%20Manhattan%20Q3%202019%20Real%20Estate%20Report.pdf

Downtown Alliance: Q3 2019 (cont'd)

Hotel Market

The total number of hotel keys remained unchanged in the 3rd quarter, but is expected to reach 8,265-keys by the end of 2019 with the anticipated opening of (2) new hotels at dual-branded 215 Pearl Street — 200-key **Courtyard by Marriot** and 120-key **Marriott Residence Inn**, representing a nearly 8% year-over-year increase from the existing 7,945-keys spread across (37) hotels. Hotel occupancy during the quarter rose 1% year-over-year to 88.5%, a rate that is slightly below citywide trends at 90.1%. Average daily room rates (ADR) remained unchanged from the previous year at $261.77, or about 10% below the citywide ADR which decreased slightly year-over-year to $291.

Residential Development

Lower Manhattan has 33,223-units spread across 336 mixed-use and residential buildings. The only opening during the 3rd quarter was the 8-unit development at **108 Chambers Street**. A total of nearly 2,900-units in 16 buildings are in different phases of planning and construction, with 35% currently planned as rental units and 65% condos. Before the end of 2019 another (3) condominium developments are expected to deliver — 23-unit building at **30 Warren Street**, the 31-unit development at **33 Park Row**, and the 54-story, 110-unit mixed-use development at **25 Park Row** that will include 60,000 square feet of office and retail space, having replaced several buildings formerly occupied by J&R Music. Median rents increased 5.4% year-over-year to $4,000 per month, representing an all-time high. In comparison Manhattan's overall median rent of $3,525 per month similarly rose, but at a slower rate of 2.3% during the same period. Median sales prices for co-ops and condos fell sharply by 13% year-over-year to $932,000, partially due to the new state tax laws that recently went into effect in New York City prompting the lower end of high-end buyers to push closings during the 3rd quarter because they are more affordability-pressured. Similarly average price for square foot decreased to $1,239 per square foot during the quarter representing a more moderate lowering of 3.6% and 3.1% year-over-year and quarter-over-quarter respectively.

Downtown Recap (cont'd)

Lease Deal Highlights - 4th Quarter 2019

3 World Trade Center: Double-Header Deals (World Trade Center) – A pair of deals secured during the quarter totaled 122,000 square feet, bringing the 80-story, over 2.8 million-square-foot tower to about 77% occupancy.

- **Better.com** – The fintech company has opted to exercise its expansion options about (7) months after relocating to the building from 7 World Trade Center, another Silverstein Properties-owned tower. Initially leasing the entire 59th floor's 44,000 square feet, the digital mortgage provider will now reportedly add 45,000 square feet spanning the 80-story tower's entire 57th floor, bringing the company's footprint to a total of 89,000 square feet. Full details of the deal were not released.

- **Cozen O'Connor** – The law firm has reportedly secured a 15-year lease for 77,000 square feet to occupy the space spanning the entire 55th floor, plus a portion of the 56th floor, towards the end of 2020. The nearly parallel move will enable the company to consolidate offices at nearby 45 Broadway (FiDi) and 277 Park Avenue (Plaza), where about 30,046 square feet and 45,626 square feet is occupied respectively according to available online data.

Northwestern Mutual / 200 Liberty Street (World Trade Center) – The major insurer will be moving south sometime in 2020, having reportedly secured a lease for 93,000 square feet spanning the entire 30th to 32nd floors. The deal will enable Northwestern to consolidate multiple offices, the largest of which is in the Greenwich Village neighborhood at 41 East 11th Street, where according to available online data, they occupy 40,000 square feet. The public spaces of the 40-story, roughly 1.67 million-square-foot tower that is part of the 4-building **Brookfield Place** waterfront complex are currently undergoing a redesign that is expected to be completed in 2020.

NYC Board of Education Retirement System / 50 Broad Street (FiDi) – The agency that offers retirement benefits to current and former employees of the NYC Department of Education, the School Construction Authority, and certain participating charter schools will be crossing the East River. BERS has reportedly secured a sublease for 50,992 square feet from foreign exchange brokerage firm FXCM. The deal which extends through May 2026 will result in the agency relocating from its current office at 65 Court Street in Downtown Brooklyn according to reports. Asking rents reportedly average $55 to $59 per square foot at the 20-story, 272,260-square foot building located between Beaver Street and Exchange Place.

Morgan Stanley / 1 New York Plaza (FiDi) – The New York-based financial firm is expanding its footprint within the 50-story, 2.581-square-foot tower, having reportedly secured a lease for 88,699 square feet on the 31st and 33rd floors. The recent signing adds to the 1.153 million square feet the company currently occupies. In 2012 Morgan Stanley renewed its lease for 816,000 square feet under a 17-year term, simultaneously expanding by a coterminous 337,000 square feet. The full block tower bound by Whitehall, Broad, South and Water Streets is nearly fully occupied, other large tenants include law firm Fried Frank in nearly 425,000 square feet; Holtzbrinck Publishing Group subsidiary Macmillan Science & Education, in 176,121 square feet leased in 2014 under a 17-year term; online apparel retailer OSP Group, which occupies 157,210 square feet under a 15-year lease reported in 2015; and beauty products manufacturer Revlon, having secured a 15-year lease for 91,194 square feet in 2014.

Sale Activity

2019 Investment Sales: Top 10 Biggest Transactions

Address	Buyer	Seller	Price	District	Use
30 Hudson Yards	Related Companies Allianz Real Estate	WarnerMedia	$2.16B ($1,437 psf)	Hudson Yards	Commercial
Deal included 15-year leaseback of 1.5M-sf condo unit spanning floors 16-51 through 2034. Allianz is reportedly a minority 49% stakeholder. WarnerMedia (formerly Time Warner Inc. acquired the unit in June 2018 for roughly $1.426 billion.					
711 Fifth Avenue	Wafra Capital Partners Nightingale Properties	Coca-Cola Company	$909MM ($2,569 psf)	Plaza	Commercial
711 Fifth Avenue	Michael Shvo, Bilgili Holding, BVK, Deutsche Finance	Wafra Capital Partners Nightingale Properties	$937MM ($2,647 psf)	Plaza	Commercial
Sellers opted to flip the asset after acquiring one month prior.					
330 Madison Avenue	Abu Dhabi Investment Authority	Vornado Realty Trust	$900MM ($1,064 psf)	Grand Central	Commercial
Vornado opted to sell its minority 25% stake upon ADIA introducing its 75% stake to the market; and subsequently opting to exercise its option for a partner buyout, valuing the building at $900M. In November German-based reinsurance firm Munich RE reportedly entered into contract to purchase the building for between $850 million and $900 million ($1,034 psf)					
424 Fifth Avenue	WeWork Property Advisors (WeWork / Rhône Group)	Hudson's Bay Company	$850MM ($1,283 psf)	Penn Plaza	Commercial
As part of the sale of the former Lord & Taylor's flagship of 104-years, HBC retained a reportedly $125 million "preferred minority equity interest."					
Milk Building 450 West 15th Street	Alphabet-owned Google	Jamestown Properties	$592MM ($2,103 psf)	Chelsea	Commercial
Previously traded in 2013 for $295 million ($1,048 psf).					
885 Second Avenue	Rockpoint Group	Ruben Companies	$566MM ($723 psf)	Midtown East	Commercial
First time the asset sold since developed in 1974 by Lawrence Ruben.					
850 Third Avenue	Jacob Chetrit	HNA Group, MHP Real Estate Srvcs, ATCO Properties & Mgmt	$422MM ($688 psf)	Plaza	Commercial
Previously traded in 2016 for $463 million ($754 psf)					
521 Fifth Avenue	Savanna	SL Green Realty, Quantum Global Real Estate Partners, LaSalle Investment Mgmt	$379MM ($774 psf)	Grand Central	Commercial
345 Park Avenue South	Deerfield Management	RFR Realty	$344.5MM	NoMad	Commercial
In addition the deal reportedly included an interest to RFR in one of Deerfield's life science funds valued at around $150 million. Building to undergo a planned medical lab conversion at a reported estimated cost of $290 million.					
Source: The Real Deal					

Sale Activity (cont'd)

REBNY Report: NYC Investment Sales | Second Half 2018 / First Half 2019

The Real Estate Board of New York (REBNY) released reports in March and October providing a snapshot overview of investment sales in the last (6) months of 2018 (2H18) and the first (6) months of 2019 (1H19). Overall citywide dollar volume in 1H19 rose 3.4% above that of 2H18, reaching roughly $22.4 billion. Staten Island led the way with a 69.8% increase in total dollar volume, followed by a 24.3% and 13.4% improvement in Brooklyn and the Bronx. Queens saw a more moderate lowering of 9.6% during the same period, and Manhattan's dollar volume of $14.1 billion remained essentially unchanged. In contrast transaction numbers lowered sharply by 16.7% during the same period, falling to 1,750 in 1H19 versus 2,102 transactions in 2H18. Staten Island was the only borough to see an increase in transaction numbers, which moderately rose by 3.8%. The Bronx seeing a sharp decline of 29.3%, was followed closely behind by Manhattan and Brooklyn as transaction volume lowered 26.1% and 22.9% respectively; while Queens had a more moderate 5.2% decline.

Sales Data by Borough 1H 2019				
Borough	**$ Volume (in Millions)**	**Yr-over-Yr % Change**	**# Properties Sold**	**Yr-over-Yr % Change**
Manhattan	$14,100	3%	329	-22%
Brooklyn	$4,305	2%	565	-22%
Queens	$2,409	11%	455	-12%
Bronx	$1,330	15%	266	-32%
Staten Island	$219	-24%	135	-11%
Totals	**$22,364**	**4%**	**1,750**	**-20%**
2H 2018				
Borough	**$ Volume (in Millions)**	**Yr-over-Yr % Change**	**# Properties Sold**	**Yr-over-Yr % Change**
Manhattan	$14,208	40%	415	-8%
Brooklyn	$3,463	8%	733	-6%
Queens	$2,664	40%	480	-10%
Bronx	$1,173	-21%	344	-8%
Staten Island	$129	-36%	130	-32%
Totals	**$21,637**	**28%**	**2,102**	**-10%**

REBNY Report: NYC Investment Sales (cont'd)

Citywide Sales Data by Category 1H 2019				
Product Category	**$ Volume (in Millions)**	**Yr-over-Yr % Change**	**# of Transactions**	**Yr-over-Yr % Change**
Office	$6,954	12%	177	13%
Multifamily Rentals, Elevator	$2,545	-39%	81	-41%
Multifamily Rentals, No Elevator	$1,707	-33%	577	-30%
Garages /Gas Stations / Vacant Land	$981	-40%	314	-21%
Industrial	$2,150	167%	138	4%
Hotel	$1,553	-29%	13	-13%
Retail	$2,562	30%	254	-19%
Commercial Condo	$2,880	199%	82	21%
Other	$1,031	-1%	114	-22%
Totals	**$22,364**	**4%**	**1,750**	**-20%**

2H 2018				
Product Category	**$ Volume (in Millions)**	**Yr-over-Yr % Change**	**# of Transactions**	**Yr-over-Yr % Change**
Office	$6,509	59%	160	-26%
Multifamily Rentals, Elevator	$4,902	62%	127	13%
Multifamily Rentals, No Elevator	$2,819	4%	779	-8%
Garages /Gas Stations / Vacant Land	$1,450	8%	456	-7%
Industrial	$952	-40%	108	-34%
Hotel	$1,721	36%	15	-25%
Retail	$1,755	1%	266	-12%
Commercial Condo	$176	-29%	83	69%
Other	$1,353	49%	108	-22%
Totals	**$21,637**	**62%**	**2,102**	**13%**

REBNY Report: NYC Investment Sales (cont'd)

Property Category Sales Data by Borough (Dollar Volume in Millions) 1H 2019					
Product Category	**Manhattan**	**Brooklyn**	**Queens**	**Bronx**	**Staten Island**
Office	$5,385	$1,313	$188	$50	$19
Multifamily Rentals, Elevator	$1,229	$855	$292	$165	$4
Multifamily Rentals, No Elevator	$748	$512	$205	$229	$12
Garages /Gas Stations / Vacant Land	$308	$238	$125	$247	$63
Industrial	$41	$663	$1,001	$424	$21
Hotel	$1,470	$0	$73	$11	$0
Retail	$1,760	$389	$271	$99	$43
Commercial Condo	$2,678	$68	$127	$7	$0
Other	$480	$267	$128	$99	$57
Totals	**$14,100**	**$4,305**	**$2,409**	**1,330**	**$219**

2H 2018					
Product Category	**Manhattan**	**Brooklyn**	**Queens**	**Bronx**	**Staten Island**
Office	$6,160	$157	$147	$23	$22
Multifamily Rentals, Elevator	$2,850	$473	$1,346	$227	$7
Multifamily Rentals, No Elevator	$1,359	$822	$228	$396	$15
Garages /Gas Stations / Vacant Land	$318	$556	$207	$321	$49
Industrial	$0	$622	$271	$49	$11
Hotel	$1,444	$193	$84	$0	$0
Retail	$988	$385	$272	$97	$13
Commercial Condo	$119	$27	$29	$0	$1
Other	$971	$229	$81	$59	$12
Totals	**$14,208**	**$3,463**	**$2,664**	**$1,173**	**$129**

Sources: https://www.rebny.com/content/dam/rebny/Documents/PDF/News/Research/NYCInvestmentSalesReport/InvestmentSalesReport-1H19.pdf
https://www.rebny.com/content/dam/rebny/Documents/PDF/News/Research/NYCInvestmentSalesReport/InvestmentSalesReport-2H18.pdf

Sale Activity (cont'd)

Investment Sales Activity Continues Downward Trend

An overall uncertainty arises as the investment sales market continues to remain in correction since the reported onset in October 2015. The reportedly 50 month span represents a deviation from historical trends as industry people enter unchartered territory and attempt to determine the direction investment sales market as we look ahead. Over the past (6) months policy changes have significantly impacted the multifamily market in New York City, while concerns of the future of the co-working sector and tax policy have made their mark on the office market. In Manhattan below East 96th and West 110th Streets, sales volume for assets trading for $10 million or more totaled $3.3 billion in the 3rd quarter, falling 42% below the $5.6 billion in sales during the 2nd quarter according to reported data. On an annualized basis investment sales activity is on track to reach a reported $18.7 billion, or 34% below the $28.4 billion generated in 2018; and a steeper slide of 67% from the market peak of $57.5 billion in 2015. The total of 31 trades over $10 million completed in the 3rd quarter is reportedly the lowest number in 6-years; and at the current pace, if annualized, will be 36% and 69% below the 242 trades and 505 trades in 2018 and 2015 respectively.

It would seem likely that the multifamily market, which is the largest in the city in terms of property numbers, would have been the most adversely affected following the June passage of the state's **Housing Stability and Tenant Protection Act of 2019** legislation. However industry sources reportedly indicate that:

- **Land** sales activity incurred the sharpest decline as dollar volume fell to $263 million, which on an annualized basis is expected to reach $987 million — a figure that is 82% below 2018's total of $5.45 billion. Just (2) sites traded during the quarter, total annualized transaction numbers on pace to total 17 for 2019, lowering sharply by 65% and 86% from 2018 and 2015 volume respectively. However a recent uptick in activity is expected to increase the number of trades for the year to 20.

- **Retail** transactions totaled $113 million in the 3rd quarter; and activity is on pace to reach an annualized $709 million, representing a 50% year-over-year decline from the $1.42 billion generated in 2018.

- **Multifamily** investment sales in the 3rd and 2nd quarters totaled just over $400 million per quarter; and is on pace to be about 48% below the 2018 dollar volume since activity in the 4th quarter is expected to drop even lower amid the impact of the new rent regulation reforms. The projected total of 48 sales in 2019 when annualized is 41% and 68% below the 82 sales and 148 sales transacted in 2018 and 2015.

Looking ahead the direction on investment activity within the multifamily market has sparked mixed projections from industry people. Those that are pessimistic anticipate that sale activity will continue to slow, the lack of comparable sales under the new rent regulation reforms attributing to the projection; as well as the especially attractive debt market boosting the allure to refinance amid a reported disconnect on pricing between sellers and buyers, prompting some investors to leave New York and go into other markets. Other reported sources further commented that since "a lot of the upside has been taken away [from multifamily] by the fact that you can't convert rent-stabilized units to market rate," investors will mostly be those just looking for steady, predictable cash flow. In contrast the more optimistic reportedly expect to see "some turnover in the investor ranks as buyers with models based on the old rent laws move out and a fresh set of buyers come in;" and the possibility of the city's Rent Guidelines Board approving larger annual increases.

Taking a broader look at Manhattan's investment sales markets, some other bright spots reportedly include bidding activity in the land market "getting back to levels seen at much better times" in part due to lower values; and the "number of developers who are active is surprising and interest has been broad as sites for residential condo, residential rental, hotel and office uses are all seeing great activity." In addition, the industrial market in the city has reportedly experienced net positive absorption year-to-date of about 1.5 million square feet as the growth of e-commerce intensifies the need for fast delivery, lowering vacancy rates to a citywide average of 3.2% with about 4.7 million square feet of industrial development in different phases of planning and construction. Finally as "negative interest rates all too common across the globe and the relative political and economic stability the U.S., and New York City, offers continues to attract foreign capital; and although not at the volume seen from Chinese institutional capital that inflated the 2015 and 2016 boom," the trend of other suitors stepping in to fill the void is expected to continue according to some reported industry sources.

Sale Activity (cont'd)

Net-Lease Investment on the Uptick

An increasing investor interest in net-lease investment has pushed the pace of investment nationwide to a level that is expected to surpass last year's record volume according to findings of a 3rd quarter 2019 industry report. Dollar volume between July and September increased 30.2% to $20.9 billion, with year-to-date volume through September 30th similarly increasing 24% to $55.2 billion; while net-lease cap rates, which have remained essentially unchanged for 2-years, held steady in Q3 at an average of 6.3% — a trend that was expected to continue through the remainder of 2019. Although gateway markets of Los Angeles and Miami had the largest year-over-year gain, investors have become increasingly focused on net-lease opportunities in high-growth secondary and tertiary market, with the Inland Empire, a metropolitan area and region in Southern California and Oregon's largest city of Portland leading the way. In addition, international investors seeking yield and portfolio diversification are also increasingly attracted to the asset class. Cross-border investment volume totaled $6.8 billion year-to-date through Q3, representing an 18.8% increase year-over-year.

Among the major property types, the industrial market accounted for 48.6% of the total Q3 investment volume, increasing 13.8% year-over-year as cap rates edge up 10 bps to 6.3%. Office and retail markets followed, accounting for 32.5% and 18.8% during the same period; however volume declined year-over-year in both markets by 6.3% and 16.8% respectively. In contrast to industrial properties, the net-lease cap rates for office properties declined 10 bps year-over-year to an average of 6.4%; while retail net-lease cap rates remained unchanged at an average of 6.2%.

Acquisition activity among institutional investors during Q3 increased year-over-year by 75.8% to generate a dollar volume of $7.3 billion, while private buyer activity rose 29.3% to reach $8.8 billion. In contrast, cross-border and REIT acquisitions during the same period fell by 45.4% and 32.7% to $987 million and $2.7 billion respectively. Among the cross-border investors Canada, Germany and Singapore led the way over the past 24 months, accounting for more than 50% of all foreign investment in the U.S. net-lease market. Industrial properties were the prime target for Canadian, Singaporean and Chinese investors; while German, South Korean and Spanish investors preferred office product. The retail market saw the least amount of foreign investor interest since they typically prefer to invest sizable amounts of capital in large assets or portfolios according to the report.

New York City properties listed among the largest net-lease transactions in Q3 included:

Type	Location	Market	Sale Price	Buyer	Seller
Office	Maynard Building, 240 Willoughby Street	Fort Greene, Brooklyn	$95M ($590 psf)	Rabksy Group	Brooklyn Hospital
Office	175 Water Street	FiDi, Manhattan	$270M ($456 psf)	Metro Loft Vanbarton Group	American International Life

Sources: http://cbre.vo.llnwd.net/grgservices/secure/US%20Net%20Lease%20Q3%202019.pdf?e=1575549752&h=1df3c35aa3a68d5a7a38514b5fe7bcd8

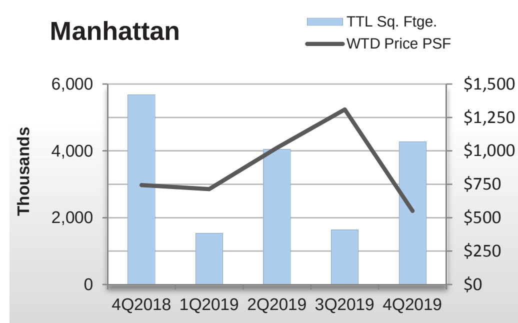
Sale Activity (cont'd)

New to Market

Midtown

900 Third Avenue (Plaza) – The Paramount Group has reportedly introduced the sale offering of the 36-story, 607,573-square-foot tower, hoping to fetch more than $400 million ($659 per square foot). News of the sale comes over 2-years following reports in March 2017 of a 49% stake being marketed, reports at the time anticipating the minority interest could attract a price that would value the asset as high as $500 million ($823 per square foot), but the transaction never moved forward according to reports. Currently about 79% leased, a larger move-out in recent years includes the 73,190-square-foot space spanning entire floors 25 through 28 vacated by Shiseido Americas. The Japanese multinational personal care company relocated to 225,818 square feet at 390 Madison Avenue, which recently completed a major redevelopment and 8-story vertical expansion.

Quarter-over-Quarter Sale Statistics



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

51 West 52nd Street (Plaza) – ViacomCBS is reportedly considering a sale of the 38-story, 872,593-square-foot tower known as "**Black Rock**" that spans the entire 6th Avenue block-front between West 52nd and 53rd Streets. Announcements of a possible sale of the longtime headquarters of CBS Corporation arrived just (5) days after the merger of CBS and Viacom closed; and is part of a plan to generate $500 million in cost savings and create more shareholder value by offloading non-core assets according to reports. CBS currently occupies about 258,990 square feet; and is joined by other big block tenants including law firms Wachtell, Lipton, Rosen & Katz, which secured a 10-year renewal of its 250,000-square-foot lease in early 2018; and Orrick, Herrington & Sutcliffe LLP, having relocated from 666 Fifth Avenue to a 220,000-square-foot space upon securing the lease in November 2009.

CBS' corporate and administrative divisions are currently housed at Black Rock, reports indicating that in the coming months ViacomCBS plans to "start reducing overlap in administrative and back-office positions," which although unverified will likely consolidate in the over 1.4 million square feet Viacom occupies at 1515 Broadway, having secured a 21-year renewal in 2012 of its lease with plans to expand to 1.6 million square feet over the lease term according to reports at the time. CBS also houses its digital business CBS Interactive in a 164,000-square-foot space at 28 East 28th Street (formerly 63 Madison Avenue) reportedly renewed under a 15-year term in April; as well as about 35,000 square feet through December 2022 at the **BMW Building**, 555 West 57th Street for its news and sports units; and 47,394 square feet at 1700 Broadway renewed in 2017, which is directly across from the **Ed Sullivan Theater** where CBS films the Late Show.

New to Market (cont'd)

Midtown South

225 Park Avenue South / 233 Park Avenue South (Flatiron) – Longtime owner Orda Management has reportedly introduced the sale offering of the pair of connected buildings seeking to fetch between $750 million to $800 million ($1,100-$1,184 per square foot). The 20- and 12-story buildings that span the entire Park Avenue South block-front between East 18th and 19th Streets offer a combined total of about 675,756 square feet. In 2014 the buildings underwent a major renovation, with a glass stairway constructed on several floors to connect the 2-buildings, as well as creating a penthouse space featuring a "private sky garden." Initially attracting **Buzzfeed** at the end of 2014, the online media site leasing 163,262 square feet spanning the entire 11th through 16th floors at an asking rent of $85 per square foot according to reports at the time; and as part 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. In early 2016, **Facebook** secured a 10-year lease for 160,666 square feet spanning floors 17-19 and 8-10. The properties are encumbered by a $235 million loan, which was provided by Barclays Bank in May 2017 to refinance the properties according to city records.

Sales to Watch For

Midtown

620 Eighth Avenue (Times Square) – The New York Times has opted to exercise its option to buy back its headquarters within the 52-story, 1,826,800-square-foot tower. According to the publisher, the $245 million re-purchase will be made before the end of the year for its 21-floor condo interest. In March 2009 NYT had entered into a $225 million sale/leaseback with investment firm W.P Carey & Company. The 15-year deal had a reported base rent of $24 million per year, or $32 per square foot; and included (3) renewal options to extend the lease an additional 20-years, as well as the option to repurchase the condo interest during the 10th year. NYT moved into its namsake building in 2007, having invested $619 million in its construction through a partnership with developer Forest City Ratner Companies. The 79,000-square-foot site is controlled under a 99-year ground lease with 42nd St. Development Projects, Inc., having commenced December 12, 2001, and extending to sometime in December 2100. An option to purchase the land on or before the lease expiration date was also included in the terms of the deal according to city record documents.

Over the past several years the 168-year-old publisher has subleased some of its approximately 750,000-square-foot headquarters amid declining print advertising and subscriptions. Introduced to the market near the end of 2016, among the (8) floors totaling an estimated 285,720 square feet, trading network Liquidnet subleased 126,427 square feet in 2018 spanning the entire 17th through 20th floors; while U.K.-based marketing firm Williams Lea Tag secured a direct deal for the entire 10th floor's 31,058 square feet.

603 West 50th Street aka 701-709 Eleventh Avenue (Columbus Circle) – SL Green Realty has entered into contract to purchase the 6-story, 160,000-square-foot building for reportedly $90 million ($563 per square foot). Seller Kenneth Cole Productions affiliate KCP Holdco, Inc. will lease-back approximately 40,000 square feet for its headquarters as part of the deal. The contract vendee plans to launch a full renovation of the timber constructed asset built in 1940 to create a "state-of-the-art infrastructure while enhancing the property's industrial aesthetic" according to a press release by the REIT. The transaction that is expected to close by early 2020 will be partially funded with the proceeds from the REIT's $23 million sale of 1010 Washington Boulevard in Stamford, CT. Kenneth Cole acquired the corner property along with the adjacent 3-story, 18,417-square-foot commercial building at 615 West 50th Street for $24 million in 2006.

330 Madison Avenue (Grand Central) – Germany-based reinsurance firm Munich RE reportedly has a contract to purchase the 39-story, 846,000-square-foot tower from the Abu Dhabi Investment Authority (ADIA), which reports indicate has owned a majority interest in the asset for 30-years. The pending sale reportedly attracted a price between $850 million and $900 million ($1,005 - $1,064 per square foot) in the first bidding round, a price that exceeded ADIA's base figure of $800 million, thereby "preempting a second round of bidding" according to reports. Initially ADIA had introduced a 75% stake offering at a $900 million valuation in January, prompting minority stakeholder Vornado Realty Trust to introduce its 25% stake to the market in June; and just one day after the REIT's press release ADIA agreed to purchase the minority interest through a subsidiary, giving the sovereign fund for the Middle Eastern emirate full ownership of the property upon the transaction closing in the 3rd quarter. Currently about 96% leased, the building underwent a $121 million renovation in 2012. Larger tenants include financial firm Guggenheim Partners, which relocated to 186,000 square feet at the building in 2011; London-based bank HSBC, which leased 75,000 square feet in 2013; and more recently Swiss commodities firm Glencore leased 60,000 square feet in 2017.

Sources: https://slgreen.gcs-web.com/news-releases/news-release-details/sl-green-acquires-loft-style-building

Sale Activity (cont'd)

Sales to Watch For (cont'd)

685 Third Avenue (Grand Central) – BentallGreenOak has reportedly reached an agreement to purchase the 27-story, 646,422-square-foot tower for a price in the mid-$400 million range. Initial reports of the sale offering by Unizo Holdings were released in September, the Tokyo-based firm having acquired the asset in October 2017 for $467.5 million ($723 per square foot). Spanning the entire 3rd Avenue block-front between East 43rd and 44th Streets, the building is currently about 95% leased. Larger tenants include cloud computing company Salesforce in 74,349 square feet; and Chicago, IL-based global professional services firm Navigant, which secured a lease in 2014 to relocate to the 72,060-square-foot space. News of the pending sale comes at a time when Unizo has been liquidating its Manhattan portfolio, having acquired (6) Manhattan properties between 2013 and 2017, which the company began selling-off in 2018. The 3rd Avenue asset is the last property pending a sale closure.

Midtown South

110 Leroy Street (West Village) – Atlas Capital Group is reportedly in contract to purchase the 9-story, 73,800-square-foot building between Greenwich and Hudson Streets, the pending sale by longtime owner Arthur Leeds Associates attracted a price of reportedly $79.5 million ($1,077 per square foot). The building is located about (3) blocks north of the new **Hudson Square Campus** planned by technology giant Google; as well as new luxury residential developments including the mixed 9-unit condo and townhouse development at 111 Leroy Street that is nearing construction completion and the 49-unit condo at 160 Leroy Street that competed construction last year. Currently fully leased, the largest tenant at the building is media company Technicolor Postworks New York in about 27,600 square feet according to available online data.

Sale Activity (cont'd)

Sale Highlights – 4th Quarter 2019

Midtown

425 Park Avenue (Plaza) – iStar-managed REIT Safehold Inc. in a reportedly joint venture with an undisclosed sovereign wealth fund has closed on the roughly $616.755 million ($875 per square foot) purchase of the ground lease of the 67-story, 705,244-square-foot tower currently under construct by L&L Holding. Insurance lender AIG Investments provided a $201.5 million mortgage to close on the transaction. Fee-owner TIAA-CREF (rebranded TIAA in 2016) had acquired the property in May 2011 for $315 million from the Goelet family according to city records. Initial reports of Safehold signing a letter of intent (LOI) as the 55% majority stakeholder of the JV had surfaced in August. Reports indicate that control of the 897-foot-tall tower will remain with L&L Holdings, which secured an 84-year leasehold set to expire July 31, 2090 from the Goelet family in July 2006, valuing the building at about $84 million at the time. Initially a minority stakeholder, in 2013 L&L Holding reportedly acquired the remaining 90% interest from Lehman Brothers for $130 million.


425 Park Avenue - Rendering

The development that includes a portion of the former 30-story, 585,000-square-foot structure was built on speculation as the first new office construction along Park Avenue in over 40-years; and is reportedly the first in New York City to pursue **WELL Building Standard** certification. In the fall of 2015 pre-leasing activity attracted Chicago-based hedge fund Citadel, which committed to 211,400 square feet to anchor the tower that spans the entire block-front between East 55th and 56th Streets. Reports at the time indicated that Citadel agreed to pay a record-high price of $300 per square foot for the penthouse space spanning the top 2-floors of the tower. In January 2019 Citadel opted to increase its footprint, reportedly adding 120,400 square feet of additional space to bring the total commitment to 331,800 square feet.

305 East 46th Street (U.N. Plaza) – Japan-based Shimizu Realty Development, a subsidiary of Tokyo-based construction firm Shimizu Corp., has purchased the 16-story, 187,060-square-foot **Albano Building** for $147 million ($786 per square foot). Sumitomo Mitsui Banking Corp. provided an $84 million loan to close on the transaction. The new debt includes the assumption of $61 million and $19 million loans originated by M&T Bank in May 2018 and June 2019 respectively, consolidating the $80 million in existing loans with a new $4 million gap mortgage according to city records. The deal comes less than 2-years after seller the Vanbarton Group acquired the building located between 1st and 2nd Avenues for $118.5 million ($633 per square foot) in May 2018, having previously traded in May 2011 for $114.05 million ($610 per square foot). According to available online data, the building is fully leased to the United Nations. Previous reports indicate that the U.N. had signed a short-term renewal of its 10-year lease in 2017 in the interim of deciding whether to exercise its 5-year option, which became available in the 3rd quarter of 2018; and although the U.N reportedly renewed its lease following the sale to Vanbarton, it is unclear if the extension option was exercised, or if other terms were negotiated.

809 First Avenue (U.N. Plaza) – Qatar Investment Authority (QIA) has purchased the 5-unit, approximately 67,372-square-foot condominium within the 13-story, 100,000-square foot building located between East 45th and 46th Streets. The sale by longtime nonprofit the Institute of International Education attracted a price of $91 million ($1,351 per square foot), having initially acquired a unit at the building in March 1999; and later purchasing the other 4-units through (2) transactions in July 2001 for undisclosed prices according to city records. News of the deal comes about one month following QIA's purchase of the 229-key, 262,305-square-foot **St. Regis Hotel** for $298 million ($1,301,310 per key) according to city records

Midtown South

295 Fifth Avenue (NoMad) – The partnership of Tribeca Associates, Meadow Partners and Prudential Financial's property arm PGIM Real Estate have closed on the $375 million ($650 per square foot) purchase of the 99-year ground lease of the 17-story, 576,540-square-foot historic **Textile Building**. Fee-owner Manhattan Properties Company provided the lease that extends through October 2118 according to city record documents. An investment of nearly $300 million for the acquisition and planned repositioning aimed at attracting finance and technologies is reportedly planned by the new leaseholders. Spanning the entire 5th Avenue block-front between East 30th and 31st Streets, the building benefits from floor plates larger than 40,000 square feet. Currently serving as the home of more than 150 textile showrooms, previous reports indicated that existing textile tenants are paying rents in the neighborhood of around $50 per square foot, well below the area of the $90 per square foot price that some sources reportedly believe the building could fetch.

Sale Highlights (cont'd)

530 West 25th Street (Chelsea) – The Feil Organization in partnership with Peter Armstrong of Rigby Asset Management have reportedly purchased the 7-story 87,331-square-foot building. The sale by longtime owner the Brown family attracted a price of about $72 million ($824 per square foot) according to reports. Currently fully leased, the property located between 10th and 11th Avenues serves as the home to several art galleries.

40 West 25th Street (Flatiron) – The Kaufman Organization and France-base insurance firm AXA Financial have closed on the $121.5 million ($892 per square foot) purchase the 12-story, 136,226-square-foot building. A $76 million acquisition loan was reportedly provided by insurance lender MetLife to close on the transaction. Seller Japanese investment firm Unizo Holdings had acquired the asset located between Broadway and 6th Avenue for $106.2 million ($780 per square foot) in March 2015. The sale is one of (6) Manhattan properties that Unizo purchased between 2013 and 2017; and began selling-off in 2018. The majority have now sold accept for **685 Third Avenue** (Grand Central), which was introduced to the market in September, with an agreement to sell the asset in place according to early November (2019) reports. Currently fully leased, larger tenants include designer Reed Krakoff, in 26,470 square feet leased under a 10-year term in 2013; and Berlin-based meal kit startup HelloFresh, which secured a 10-year lease for 22,000 square feet in 2016.

Downtown

195 Broadway (World Trade Center) – JPMorgan Asset Management's sale of its 95% stake in the 29-story, 1,052,861-square-foot tower closed in early November for a combined total of $750 million, reportedly valuing the asset at $800 million ($760 per square foot). Initial reports of the transaction that has been split among separate buyers surfaced in mid-September. JPMorgan's asset management arm had acquired the majority stake from Beacon Capital in November 2013 in a deal valued at $498.45 million ($498 per square foot), while L&L Holding retained its 5% interest.

- Safehold Inc. – The iStar-managed ground-lease real estate investment trust has acquired the fee for $275 million, securing $242 million in financing from New York Life Insurance to close on the transaction.

- L&L Holding, along with Seoul-headquartered Korea Investment & Securities and Samsung secured a 99-year leasehold from Safehold expiring October 31, 2118. The net rent escalates $20% every 10-years, starting a $15 million per year ($14 per square foot) and reaching $77,396,705 ($74 per square foot) for the final 10-years of term according to city record documents.

1 Whitehall Street (FiDi) – Members of the Chetrit family, reportedly brothers Jacob and Joe, along with cousins Michael and John have closed on the $181.5 million ($469 per square foot) acquisition of the 21-story, 387,390-square-foot tower. A $156 million acquisition loan from LoanCore Capital financed the transaction, consolidating roughly $7.438 million in existing outstanding principal with a newly originated $148.562 million gap mortgage. Initial reports of the Chetrit's entering into contract were released in May, about (2) months after being introduced to the market at a reported asking price of $200 million ($516 per square foot). The transaction represents the first time the asset has traded since being constructed, decisions to sell by longtime owners the Rudin family were reportedly prompted by the need to settle estate taxes for now deceased family patriarch Jack Rudin. Already upgraded with the installation of smart building technology, the fully leased building is anchored by trading card company Topps in reportedly over 66,000 square feet on the entire 4th through 6th floors under a below-market lease that expires in late 2020; and the remaining office space is occupied by a mix of small to mid-sized office tenants, with a U.S. Post Office branch and a Duane Ready pharmacy in the retail space at the building's base.

101 Franklin Street formerly 250 Church Street (TriBeCa) – The partnership of Normandy Real Estate Partners and Columbia Property Trust have closed on the $205.5 million ($854 per square foot) purchase. News of the companies entering into contract to acquire the now vacant 15-story, 240,000-square-foot asset was initially reported in February. Sellers Norvin Properties and Philips International apparently decided to abandon plans to launch an office-to-residential conversion of the building that was primarily occupied by the city's department of Human Resources Administration/Department of Social Services (HRA/DSS) until the agency vacated its 215,622-square-foot space in 2017; and relocated to a downsized 193,281-square-foot space at 375 Pearl Street (City Hall). New ownership reportedly intends to maintain office use, but plans to redevelop the building that spans the entire Church Street block-front between Leonard and Franklin Streets as reportedly boutique office space.

Sale Activity (cont'd)

Sale Highlights (cont'd)

Uptown

1334 York Avenue (Upper East Side) – BidFair USA has acquired the 10-story, 406,110-square-foot building, paying roughly $564.633 million in real property transfer tax (RPTT). The building that spans the entire York Avenue block-front between East 71st and 72nd Streets houses global auction house Sotheby's, which was recently acquired by BidFair in a deal valued at $3.7 billion that resulted in a return of Sotheby's to private ownership. The sale comes about one month following a refinancing of the asset, Sotheby's securing a $251.979 million loan from BNP Paribas. The new loan reportedly replaces the outstanding principal of a $310.957 million refinancing provided by HSBC in 2017.

Sotheby's has reportedly occupied the building since 1980, subsequently purchasing it in 2000 for $11 million. In February 2003 the building was sold to RFR Realty for $175 million; and in February 2009 was bought back by Sotheby's for $370 million. However in 2013, in an effort to give back more cash to its shareholders, Sotheby's introduced the building to the market with an offering that would include a short-term leaseback; but the sale never moved forward despite some buyer interest from pharmaceutical companies intending to reposition the building into a medical facility. News of a second attempt to sell was reported in mid-2016, but subsequently about (5) months later withdrawn along with plans to search for a new headquarters location after Sotheby's board reportedly determined that "from both a business and financial point of view," the best option was to remain in place.

Earlier this year renderings were reportedly released for a planned $55 million renovation including 40 galleries spread across (4) of the building's floors to expand its exhibition space from 67,000 square feet to 90,000 square feet. Last year Sotheby's joined the online furniture re-sale industry with the launch of its **Sotheby's Home**, a new online direct-to-consumer consignment marketplace specializing in vintage and antique furniture, decorative objects and accessories according to the auction house's October 2018 press release.

Residential Market

Area Median Income Calculation Change Proposed

Back in February 2017 proposed legislation by state officials had reportedly been announced, seeking to change the method used to calculate affordability in housing projects — specifically relating to projects built under a revived version of the 421-a tax abatement program which was rebranded Affordable New York Housing Program (ANYHP). At the time reports revealed that the U.S. Department of Housing and Urban Development (HUD) looks at Area Median Income (AMI) regionally, using a formula that lumps the city's (5) boroughs together with Putnam, Westchester and Rockland Counties. However state officials argued that the current formula does not accurately reflect what local residents make, noting that in 2016 the calculated $65,200 AMI for Queens County was equal to that for Putnam County, which in 2012 was ranked as the 7th wealthiest county in the U.S. according to reported statistics compiled by the American Community Survey. Under the proposed bill New York State would be mandated to calculate AMI based upon the specific zip code of the area where the new development is being built to better reflect affordability of the area's residents. Projects that were already approved under previous contracts would not be affected by the change; and while expected to "dramatically reshape the makeup of projects built under a new 421-a," it appears the bill never moved forward since a similar bill has recently resurfaced.

The latest proposal by Brooklyn representative Yvette Clarke reportedly intends to "overhaul a number of fundamental processes" that "could cut rents in subsidized development in the (5) boroughs by more than a third." As of November 13th the proposed bill that had yet to be reviewed by the New York State Association for Affordable Housing seeks a reformulation of the AMI by excluding from the equation the affluent counties beyond the city's (5) boroughs. In addition the proposal exempts "localities from HUD's **High Housing Cost Adjustment**, which loosens income limits in extremely expensive areas like New York," thereby limiting the "ability of better-off individuals and families to get apartments in subsidized developments." The proposal also seeks to heighten transparency among operators of affordable complexes by requiring "nonprofit builders benefiting from the **Low-Income Housing Tax Credit** (LIHTC) program" to reveal their costs and their profit projections to HUD, as well as "provide a trajectory of rent rates in new units constructed under the refundable credit."

Residential Market (cont'd)

Inwood Rezoning Nullified Following New York Supreme Court Decision

On Thursday, December 19th decisions by a New York Supreme Court judge nullified the rezoning of the roughly 59-block area in Upper Manhattan's Inwood neighborhood. The highly unusual reversal was in response to a petition filed by the Inwood Legal Action group challenging the review process under Article 78, which allows for challenges to government actions according to reports. Although the city council had approved the New York City Economic Development Corporation's rezoning proposal in August 2018, it was deemed by the judge that the review process "failed to take a hard look at the socioeconomic consequences of the rezoning." As a result of the Judge's decision to completely annul the rezoning that had reportedly sparked strong opposition, it was returned back to the New York City Economic Development Corporation; however the city intends to appeal the decision according to reported confirmation by a spokesperson for the city's law department.

The Inwood rezoning was intended to "encourage economic development that benefits the local community; facilitate the development of open space along the Harlem River; and preserve community character west of 10th Avenue." The western section of Inwood would see a modest upzoning; but parcels east of 10th Avenue, which is currently an industrial section populated by auto repair shops, would see a more substantial increase in allowable new development height and bulk according to reports. However the submitted modifications by the subcommittee excluded a large area of the so-called Commercial-u corridor along Dyckman Street, Broadway and West 207th Street that is bordered by connections to the (4) 1 and A-train subway stations in the neighborhood, sources anticipating that as a result "future residential development along those transit-dense thoroughfares will almost certainly be exclusively market rate." The rezoning was estimated to open the door to the construction of 3,900 new housing units over the next 15-years, of which a projected two-thirds, or 2,600-units, would be affordable housing due to the 25% to 30% of the floor area within new residential development within the rezoned area required to be reserved for affordable housing. However in response to what now appears the loss of the city's new affordable housing projections a spokesperson of the Inwood Legal Action reportedly argued that the "new units would have been too expensive for many neighborhood residents anyway."

Passage of the Inwood rezoning was the 5th to secure approvals among the 15 underutilized neighborhoods to potentially be reviewed as part of the city administration's efforts to increase affordable housing under Mayor de Blasio's **Housing New York** — 5-borough, 10-year plan; and since initial plans to rezone were announced in 2013 real estate investors have reportedly purchased $610 million worth of properties in the Inwood neighborhood. However the impact of the court decision to overturn the rezoning has already spurred a potential shift in plans by at least one development team, reports indicating the Maddd Equities and Joy Construction "may now consider an industrial or distribution project for the 71,575-square-foot site at **3875-3991 Ninth Avenue** aka 301-399 West 207th Street, versus the 30-story, 608,145-square-foot mixed-use development filed in September 2018 if at the end the original M1 [light manufacturing] zoning stands. The 295-foot-tall structure is expected to host 611 residential units spread across 484,972 square feet, of which the developers reportedly wanted to make 100% affordable for low- or middle-income families, and 61,664 square feet of commercial space with a 122-car garage.

Residential Market (cont'd)

Global Turmoil Driving International Investor Retreat from U.S. Residential Market

As global instability hits new levels, both the New York and national residential markets are reportedly being impacted as foreign buyers pull back. Prior to the 2008 **Great Recession** the New York condo market was largely geared toward U.S. buyers, but the focus increasingly shifted to foreign buyers during the recovery as the market became more sentiment-driven. According to reported data provided by the National Association of Realtors (NAR), foreign buyer home purchases in the U.S. declined sharply by 31% between April 2018 and March 2019, lowering from 266,800 transactions valued at $121 billion in the previous 12-month period to 183,100 transactions valued at about $77.9 billion. While there's been a slowdown in activity from multiple countries, including Russia, Italy and parts of the Middle East, the impact of the decline in Chinese buyers following 2016 capital controls instituted by China's government restricting how much money citizens can take out of the country, accounted for the largest share of the drop in foreign capital. Although in the past new foreign groups have emerged to fill the void, signs of that occurring have yet to surface as foreign buyers reportedly pause and sideline capital rather than deploy it elsewhere. Other contributing factors have been the strong U.S. dollar and a saturation of supply in the high-end condo market.

It has also been pointed out that although a softening market seems an ideal time to purchase by taking advantage of lowering prices and increased incentives, some foreign buyers view the conditions as a deterrent to buying. It has also been further commented that "Chinese clients have always bought on the way up," and "they rarely buy on the way down." Despite the drop-off of activity Chinese buyers remain a major player in the U.S. market, reported NAR data indicating that they purchased an estimated $13.4 billion worth of U.S. residential property in 2018. Although the dollar volume was down significantly year-over-year by 56%, Chinese purchasing continued to significantly exceed that of the other cross-border countries that are next in line — Canada, India, the United Kingdom and Mexico, accounting for $8 billion, $6.9 billion, $3.8 billion and $2.3 billion respectively. While the slowdown by foreign buyers of newly developed condos seems the most apparent in New York City, investment is still elevated across the country, sources reportedly indicating that buyers are now focusing on different assets in different parts of the country, with some in the industry seeing an uptick in New York City among certain groups.

Residential Market (cont'd)

Universities Enter Senior Living Market

At a time when the number of teenagers eligible to enroll in college is projected to start decreasing after 2025 due to the lowering number of birthrates, some universities have begun building or planning senior living facilities on or near campus in the hopes of taking advantage of the number of baby boomers settling into retirement — a number that is reportedly expected to continue to rise for several years. Seeking to attract those that view college as a stimulating alternative to the activities offered at a typical retirement home, those universities catching on to the concept "think they have found a promising new source of income in retired seniors amid "state government subsidies for higher education lagging behind prerecession levels after cuts, and many traditional students struggling with college debt" according to reports. Cited in example are:


Lasell Village

- **Lasell University** located just west of Boston reportedly built the first on-campus senior communities 20-years ago. Opened in 2000, residents of Lasell Village agree to sustain their intellectual and physical well-being by participating in a wide range of group and individual activities, averaging 9-house a week.

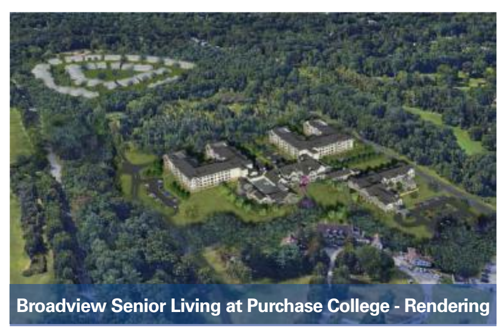
- **Arizona State University** broke ground in 2018 on **Mirabella**, its 20-story senior living facility that upon opening sometime in 2020 will host 252 independent living units and 52 healthcare units offering assisted-living units, skilled nursing suites, and a secured memory-care section. Tenant amenities will include an indoor pool, theater, art museum, spa, dog park and (4) restaurants. Residents of a minimum age requirement of 62 will be able to take classes, have access to the university's library and be near cultural and sports events according the ASU's press release. The apartments range in size from 900 square feet to 2,700 square feet, with 1- and 2-bedroom units available. More than 180 of the 252-unit have been sold, with residents paying a "buy-in" fee; and upon death 85% of the fee is refunded to their heirs; while dining, housekeeping, utilities, shuttle service, activities and other amenities are included in the monthly rent.

- **University of Central Florida** is reportedly developing a senior living community in partnership with Legacy Pointe which will have 296 retirement homes. **Legacy Pointe at UCF** will be constructed about 2-miles away from UCF's main campus, but will stay connected to the university by offering transportation to campus for courses and by bringing in medical students for research and rotation. The more than 300-resident project was expected to break ground before the end of 2019 with a tentative delivery in the 3rd quarter of 2021; and include independent-living apartment homes and villas, an assisted living facility and a nursing home.

- **SUNY Purchase** hopes to break ground in 2020 on a 40-acre on-campus senior living development with 220 homes for adults 62-years and older. The college plans to set aside 20% of the apartment homes for affordable housing; and as with many other senior living arrangements, most of the original sale price is reportedly refunded when residents leave. Dubbed **Broadview Senior Living at Purchase College**, revenue produced by the community will provide valuable funding for scholarships and new faculty hiring in areas of demand. It is anticipated that some residents can provide intergenerational mentorship, while numerous job opportunities will open up for students.


Mirabella at ASU - Rendering


Legacy Pointe at UCF - Rendering


Broadview Senior Living at Purchase College - Rendering

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REBNY: NYC Residential Sales Report | Q3 2019

The report released in October by the Real Estate Board of New York (REBNY) provides a summary of sales activity within the citywide residential market including all condominium, cooperative units and one-to-three family dwellings. Completed transactions citywide totaled roughly $12.2 billion in the 3rd quarter representing a decrease of 4.4% quarter-over-quarter and 4.7% year-over-over year. Transaction numbers similarly declined year-over by 8.5%, with volume decreasing in each of the (5) boroughs. Units under $1 million saw the sharpest decline year-over-year as the number of transactions lowered by 10%, followed by 7% and a nominal 1% decline for the $1 million to $3 million and $3 million to $5 million categories respectively; while the number of transactions in the over $5 million category remained unchanged. In contrast, the overall average sales price rose 4% year-over-year to $1.07 million.

New York City Residential Sales Activity - Q3 2019						
Borough	**Dollar Volume**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Transactions**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**
New York City	$12,247,321,074	-4%	-5%	11,475	1%	-8%
Manhattan	$5,916,608,611	-16%	-2%	2,856	-11%	-6%
Bronx	$488,827,769	1%	-9%	1,013	-1%	-14%
Brooklyn	$2,825,124,860	7%	-7%	2,773	3%	-6%
Queens	$2,274,278,533	11%	-6%	3,530	4%	-9%
Staten Island	$742,481,301	24%	-9%	1,303	19%	-11%

Average Sales Price (thousands)							
Borough	**Overall**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Condo**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Condo Transactions**
New York City	$1,067 ($796 psf)	-5%	4%	$1,838 ($1,306 psf)	-5%	8%	2,672
Manhattan	$2,072 ($1,518 psf)	-6%	5%	$2,779 ($1,779 psf)	-2%	4%	1,391
Bronx	$483 ($353 psf)	2%	5%	$277 ($314 psf)	8%	18%	127
Brooklyn	$1,019 ($760 psf)	4%	-1%	$1,094 ($1,007 psf)	1%	-3%	697
Queens	$644 ($531 psf)	7%	3%	$621 ($698 psf)	-2%	-7%	316
Staten Island	$570 ($392 psf)	4%	2%	$354 ($336 psf)	2%	0%	141

Sources: https://www.rebny.com/content/dam/rebny/Documents/PDF/REBNY_2019_Q3_ResidentialSales_Report_final.pdf

Residential Market (cont'd)

Multifamily Sales Activity: Q3 2019 Recap

Investment sales in New York City's multifamily market experienced activity declines across-the-board both quarter-over-quarter and year-over-year; and represents the immediate months following the enactment of state's rent regulation reform legislation the **Housing Stability and Tenant Protection Act of 2019** (HSTPA), noting that those transactions that took place towards the beginning of the quarter were most likely put into contract prior to the legislation's approval according to an industry report released in October. It has been further commented by some reported industry sources that multifamily assets with both a majority of affordable regulated units and property tax exemptions; buildings with numerous years left on their 421-a property tax exemptions; and buildings with mostly free-market rentals are now seeing interest from buyers trying to adapt to the new rent reform environment. In contrast to the lowering values of buildings with mostly rent-regulated units, the value of product that is all fair market is steady as demand surges for that product.

Other reports point out that while it is "still too early to know how the market will shake out based on these new regulations, the HSTPA legislation has "cast uncertainty over the market relative to where values are headed" and has "negatively impacted the volume of sales." For sales in excess of $10 million, the elevator sector is reportedly on pace to reach $2.2 billion, representing a 30% year-over-year lowering in dollar volume; and if the $5.46 billion **Stuyvesant Town / Peter Cooper Village** transaction is removed, a 42% drop in volume. In contrast, the walk-up sector is on pace to reach just $400 million by the end of 2019, equating to a steeper 70% year-over-year decline in dollar volume. In terms of cap rates, the average multifamily rate of 3.69% in 2018 has risen to 4.41%, or 72 basis points, in 2019 (few of these sales had contracts signed after reform was passed). Similarly the average price per square foot rose from $754 to $891 during the same period, with reportedly increased net operating income attributing to the divergence of values increasing when cap rates are rising as well.

Related reports in November brought attention to declining transfer tax revenue as the city and state coiffures begin to feel the impact of the sudden drop in apartment building sales. Although property tax revenue is reportedly not expected to be affected for several years, data provided by the Real Estate Board of New York (REBNY) reveals that city tax collections were down $15.618 million, and New York State transfer taxes dropped by $3,867,500 based on $595 million less in total transaction costs, equating to a 35% quarter-over-quarter decline. Year-over-year a drop of 59% in 3rd quarter investment sales volume left the city with 59% less in taxes for the quarter; while the state, which raised its transfer tax to 0.65% from 0.4% in April, was down 34%.

Multifamily Sales Q3 2019 (cont'd)

Below is a snapshot of reported 3rd quarter activity for multifamily assets with 10-units or more:

New York City – An overall total of $1.10 billion in gross dollar volume was posted during Q3, spread across 61 transactions and 88 buildings, representing a 51% decrease year-over year in dollar volume, as well as a 45% and 57% decline in transaction and building numbers. In contrast to Q3 2018, which had (5) sales that exceeded $75 million, there were only (2) transactions in that price range in Q3 2019.

New York City	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	61	111	-45%	-42%
Building Volume	88	205	-57%	-42%
Dollar Volume	$1,100,353,587	$2,245,986,760	-51%	-38%
Total Units	3,310	6,068	-45%	-34%

Manhattan – The area south of East 96th and West 110th Streets generated the highest dollar volume among the (5) markets analyzed; and accounted for the (2) transactions that exceeded $75 million:

- **221 East 71st Street** (Upper East Side) – The 28-story, mixed-use elevator building that hosts 147 rental units on top of a 6-story community space occupied by Marymount Manhattan College was acquired by The Dermot Company in July for $159.5 million ($1,085,034 per unit); and

- **60-64 East 12th Street** (East Village) - The 13-story, 124,630-square-foot mixed-use elevator building that hosts 133 residential rental units and 4 retail units was acquired by Slate Property Group and Alcion Ventures for reportedly $107.5 million ($808,271 per residential unit).

Manhattan	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	19	27	-30%	-41%
Building Volume	21	41	-49%	-43%
Dollar Volume	$657,794,545	$1,236,807,320	-47%	4%
Total Units	1,270	1,842	-31%	53%

Northern Manhattan – The neighborhood north of East 96th and West 110th Streets was tied with Queens for the smallest dollar volume generated during Q3. A $6.85 million ($124,545 per unit) sale to Mutual Housing Association of NY in September of a pair of 5-story Washington Heights walk-up buildings at **575 West 155th Street** and **530 West 178th Street** offering a combined total of 83-units was the largest transaction completed during the quarter.

Northern Manhattan	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	2	12	-83%	-82%
Building Volume	5	17	-71%	-82%
Dollar Volume	$25,533,636	$108,840,000	-77%	-87%
Total Units	148	368	-60%	-77%

Multifamily Sales Q3 2019 (cont'd)

Brooklyn – The borough led the way on transactions among the (5) markets analyzed. The largest transaction during the quarter was the $46 million ($718,750 per unit) purchase by Cornell Realty Management of the 64-unit, 60,129-square-foot residential condominium on floors 7 through 12 within the 12-story, 150,688-square-foot mixed-use building at **85 Flatbush Avenue Extension** in Downtown Brooklyn. The building also hosts a 6-story, 83,800-square-foot hotel unit and 6,759 square feet of commercial space.

Brooklyn	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	22	33	-33%	-15%
Building Volume	27	76	-64%	-23%
Dollar Volume	$258,205,063	$506,071,000	-49%	-44%
Total Units	935	1,771	-47%	-10%

Queens – The borough was tied with Northern Manhattan for the smallest dollar volume generated during Q3. The $12.5 million (231,481 per unit) purchase in September by the entity 47-46 40 Street Realty LLC of the 54-unit, 50,400-squar-foot elevator building at **47-46 40th Street** in the Sunnyside neighborhood as the largest transaction during the quarter.

Queens	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	2	10	-80%	-85%
Building Volume	3	12	-75%	-85%
Dollar Volume	$30,355,659	$64,100,000	-53%	-83%
Total Units	131	268	-51%	-84%

Bronx – The largest Q3 transaction in the city's northernmost borough was the $21 million ($187,500 per unit) purchase by ICER Real Estate Services of the 2-building portfolio at 950 and 957 Woodycrest Avenue in the Highbridge neighborhood. The 5-story walk-up and 6-story elevator building offer a combined total of 112-units.

Bronx	Q3 2019	Q3 2018	Year-over-Year Change	Quarter-over-Quarter Change
Transaction Volume	16	29	-45%	-30%
Building Volume	32	59	-46%	-3%
Dollar Volume	$128,464,684	$330,168,440	-61%	-59%
Total Units	826	1,819	-55%	-51%

Source: http://arielpa.com/report/report-MFQIR-Q3-2019

Residential Market (cont'd)

Lending

Midtown

685 Fifth Avenue (Plaza) – Michael Shvo, along with reported partners Wings Group, Turkish development firm BLG Capital and Deutsche Finance America, have reportedly secured $120 million in construction financing for the office-to-residential condominium conversion that got underway in September. Initial reports of the partnership entering the lending market had surfaced in February after signing an agreement with Mandarin Oriental Hotel Group to manage the **Mandarin Oriental Residences**. CIM Group provided the loan that will help fund the construction of 69 luxury condominiums spread across the upper floors of the office-and-retail building. Approvals were secured in August 2018 for the proposed alterations of the former Gucci-owned tower, applications for the project that included a 10-story vertical expansion of the existing 20-story structure were initially filed in 2016 by Thor Equities and GGP (now owned by Brookfield Property Partners); and due to a redistribution of space will increase the structure's linear height to 350-feet without changing the building's overall square footage. Shvo and partners purchased the 15-floor, 75,265-square-foot office component in a reportedly all-cash deal for $135 million ($1,794 per square foot) in July 2018, following Thor and GGP's decisions to abandon the project.


685 Fifth Avenue Rendering

420 East 54th Street (Midtown East) – Slate Property Group and BentallGreenOak have reportedly refinanced the 394-unit **Oriana at River Tower** with a $390 million loan provided by Mack Real Estate Credit Strategies. The 37-story, 445,735-square-foot block-through tower located within the Sutton Place enclave between 1st Avenue and the FDR Drive last traded in January 2016 for $390 million ($989,848 per residential unit). Tenant amenities include a 4,470-square-foot rooftop with a fitness center, an outdoor kitchen, a pet space, a 1,500-square-foot children's area with a playroom, a game lounge, as well as a 182-car parking garage.

551-557 West 38th Street / 528-554 West 39th Street (Hudson Yards) – Rockrose Development has secured a $255 million construction loan for the planned 2-building mixed-use development to rise across the street from the Jacob Javits Center. California-based lender Wells Fargo provided the new financing that includes a roughly $218.673 million building loan and $36.327 million project loan. Plans were filed in September 2018 for the 51-story, 565-foot-tall rental tower that will host 598 residential rental units spread across 402,202 square feet and 1,640 square feet of commercial space. The 2nd Phase of development will add a 1.2 million-square-foot office tower that was still in the "early stage of design" at the time of the Phase 1's filing according to reports. Since the development is being built under the Affordable New York Housing Program (ANYHP), 25% to 30% of the units will be designated for affordable housing.

Spanning the entire block-front along 11th Avenue between West 38th and 39th Streets, the 4-parcel assemblage also known as **476 Eleventh Avenue** was acquired through multiple transactions that reportedly spanned 12-years between 2001 and 2013; and in early 2019 Rockrose purchased 139,093 square feet of air rights from the joint ownership the Metropolitan Transportation Agency (MTA) and the Hudson Yards Infrastructure Corporation for roughly $20.494 million ($147 per square foot), opening the door to the first phase of construction. Excavation work on the site is already well underway in preparation of groundbreaking for the project.


551-557 West 38th Street Rendering

Residential Market (cont'd)

Lending (cont'd)

Extell Development: Double-header Refinancing – A 10-year, fixed-rate financing package totaling $700 million has reportedly been secured by the developer for a pair of newly constructed mixed-use buildings. Citigroup provided "$485 million in senior CMBS loans in the direct deal," while New York-based real estate investment manager Rexmark originated $215 million in mezzanine loans, both of which are interest-only and not cross-collateralized according to reports.

- **555 Tenth Avenue** (Hudson Yards) – The 52-story, 710,907-square-foot **555Ten** rental tower the opened in 2017 hosts 598 residential units, of which 20% are designated for affordable housing; a 6,147-square-foot retail condominium unit; and an 87,724-square-foot community facility unit that was sold in 2016 to **Success Charter School** for roughly $67.734 million ($772 per square foot). In October 2018 reports indicated that Extell was seeking to sell the building at an asking price of $775 million ($1,295,987 per residential unit). It is unclear if the recent refinancing represents a change in plans.

- **500 East 14th Street** (East Village) – The 7-story, 178,547-square-foot mixed-use building dubbed **EVGB** completed construction in 2018 and hosts 106 residential units. The 27,306-square-feet of retail space on the ground and lower level is occupied in its entirety by a small format **Target**, which secured a 30-year lease with a 10-year extension option in 2016. Although unverified the smaller 7-story, 65,187-square-foot building on the same block at **524 East 14th Street** may also have been refinanced under the transaction that had yet to hit city records. The 54-unit building with 2-retail units was constructed simultaneously as part of a 2-building project that began excavation work in 2015.

500 East 14th Street

555 Tenth Avenue

Residential Market (cont'd)

Lending (cont'd)

Midtown South


565 Broome Street

565 Broome Street (Hudson Square) – The development team of Bizzi & Partners Development, Aronov Development and Halpern Real Estate have secured a $166 million condominium loan from the Bank of China for the $750 million tower. The loan backed by 59 of the total 115 residential units and the 24,506-square-foot retail unit includes a roughly $123.546 million building loan and $42.454 million term loan mortgage. Construction of the recently completed 25-story, 322,154-square-foot mixed-use development that broke ground in 2015 was initially financed by $320 million construction loan from the Beijing-based lender – a $70.5 million existing 2015 loan assumed from Cindat Capital, a roughly $219.241 million building loan, and a $30.259 million project loan.

The site was acquired for $130 million ($501 per buildable-square-foot) and included several town houses, development parcels, and air rights. Under a deal with Cindat, a $135 million loan that the U.S. subsidiary of the Chinese investment firm Cinda Asset Management Co. provided to facilitate the transition of the financing the team raised for the site's acquisition to a construction loan; and after the Bank of China loan was secured converted to an ownership stake, with Cindat reportedly joining Michael Shvo as part of the ownership group.

Standing at 290 linear feet, the structure is comprised of 2-towers that are connected on the first several floors by what has been described as a "transparent, glass internal 'floating park' atrium" that leads to an outdoor terrace space. Tenant amenities spread across 10,000 square feet and include a "55-foot indoor lap pool, a fitness center, a yoga studio, a sauna and steam room, a children's playroom, and a clubhouse with a library, kitchen and bar. In addition the 40 automated parking spaces come with electric charging stations. As part of an effort to deliver a building that would be "at the forefront of sustainable living," planned alterations that got underway in 2017 intended to deliver one of the first Zero Waste residential buildings in the city by diverting at least 90% of its garbage from landfills. Reports at the time indicated that the building will feature "zero-waste rooms to better facilitate separating recyclables and organics that can be composted or sent to mechanical stomachs called digesters." In addition, ownership planned to discourage plastic water bottles and paper towel use in common areas; as well as provide separate bins for electronics as well as textiles that will be donated to local charities through the a Department of Sanitation program called **RefashionNYC**. However the level of success of the program will depend upon a participation commitment by residents and the condo board, the developers hoping to attract "future homeowners who are passionate about the environment and can lead the building's Zero Waste efforts."


79-89 Avenue D

79-89 Avenue D aka 751 East 6th Street (East Village/Alphabet City) – L+M Development Partners has reportedly secured $52.8 million in permanent financing for **The Niko East Village**. The newly constructed 12-story, 114,422-square-foot mixed-use building delivered last year; and hosts 88 market-rate residential units and 22 units designated for permanently affordable housing, plus 7,693 square feet of ground level retail space. The building located between East 6th and 7th Streets is reportedly a "New York State Housing & Community Renewal (HCR) bond-funded project, with the refinancing secured through a direct purchase with Wells Fargo's Municipal Capital Strategies and Multifamily Capital divisions." Although unverified it is likely that the new financing replaces a $52.8 million construction loan secured in October 2016 that had been comprised of tax-exempt and taxable housing revenue bonds issued by the New York State Housing Finance Agency (HFA) according to reports at the time, which were subsequently purchased by TD Bank. Pre-leasing activity brought the return of drugstore chain Rite-Aid, which had been housed within the former single-story, 12,462-square-foot structure; and now occupies the entire ground level retail space plus a 5,567-square-foot cellar under a 10-year lease with (2) 5-year extension options secured in August 2015.

Downtown

180 Water Street (FiDi) – Metro Loft Management has refinanced the 573-unit office-to-residential conversion with a reportedly $365 million CMBS loan from Deutsche Bank that included a 5-year, interest-only $265 million senior loan carrying an interest rate of $3.4%, plus an interest-only $100 million mezzanine debt paying an interest rate of 8.3% that the German-lender sold to Rockwood Capital. Reports further indicate that the new debt, "with the addition of an equity contribution from Metro Loft, is being used to knock out $378.4 million in existing loans from a 2017 financing round also led by Deutsche Bank." The nearly 500,000-square-foot tower that spans the entire block-front on John Street between Water and Pearl Streets; and also goes by addresses 126-138 John Street and 222-234 Pearl Street, is about 97% occupied, with about 30% of the building's 14,000 square feet of ground level retail space tenanted by a Dunkin' donut shop and a Citibank branch according to reported details of CMBS deal documents.

Lending (cont'd)

Upper Manhattan

402-422 West 126th Street (Harlem) – Columbia International secured $66.8 million in construction financing for the planned 16-story, 169,385-square-foot mixed-use development that will host 92 residential units spread across 68,496 square feet, 59,460 square feet of commercial space, and 586 square feet designated for community facility use. Shanghai Commercial Bank provided the financing that consolidated an existing $14 million acquisition loan originated in 2017 by Cathay Bank with newly issued roughly $46.252 million and $6.548 million building and project loans according to city records. The developer acquired the 6-parcel, 19,960-square-foot assemblage located adjacent to the **Manhattanville Factory District** (formerly the Taystee Cake Bakery) in October 2017 for $28 million ($165 per buildable-square-foot). Visions to redevelop the site date back to 2015, but seller 126 Columbia Tower 1 LLC had apparently decided to abandon plans filed that year for a more ambitious 2-building project — a 16-story mixed-use development hosting 75 residential units and some retail space; and a 9-story hotel development atop a 5,000-square-foot community center on the ground level.

Putnam Portfolio (Upper Manhattan/Roosevelt Island) – L+M Development Partners and Invesco have secured $789.985 million in financing from California-based Wells Fargo to close on the $1.16 billion ($418,924 per unit) acquisition of the 2,769-unit package, representing the majority of the 3,962-unit former Putnam Portfolio. Reports indicate that the "money is an agency loan with Fannie Mae and covers (4) of the (5) properties" being purchased, with only the property on Roosevelt Island excluded. News of the sale entering into contract initially surfaced in July, about (5) months following announcements of the sale offering; and at the time it was reportedly anticipated that the purchase would be funded through L+M's **Workforce Housing Fund**, a multi-investor development fund to target affordable and workforce housing assets primarily in the New York City metropolitan area. Seller Canada-based Brookfield controlled the majority 93% stake in the portfolio following the 2014 acquisition in a deal valued at $1.04 billion ($282,225 per unit); and at the time about 50% of the units were occupied by tenants holding Federal Section 8 housing vouchers, but since the voucher remains with the tenant, when the tenant moves, the vacated apartment reverts to market rate according to previous reports.

The 2.2 million-square-foot portfolio built between 1975 and 1980 had exited the Mitchell-Lama programs in 2005. New ownership reportedly intend to work with the New York City Department of Housing Preservation and Development (HPD) to enact a regulatory agreement to protect residents living in the East and Central Harlem properties; as well as working with Homes and Community Renewal (HCR) to do the same for Roosevelt Landing, which is governed under State authority. The preservation transaction will reportedly commit L+M and Invesco – and any future owner – to long-term regulation. At the same time, it will restrict any future new development on the sites to 100 percent affordable housing. The immediate launch of a $50 million series of improvements across the portfolio is also planned to include continued energy saving measures begun by Urban American, structural upgrades, and added common area amenities.

Among the 19-building portfolio, only the 6-building, 1,193-unit complex at **3333 Broadway** was omitted from the purchase.

- 1940-1966 First Avenue / 420 East 102nd Street – A 761-unit, 2-building complex known as **River Crossing** was purchased for $325 million ($427,070 per unit), last trading for roughly $178.148 million ($234,097 per unit).

- 1295 Fifth Avenue / 1309 Fifth Avenue / 1660 Madison Avenue – The 600-unit, 3-building complex known as the **Heritage**, that spreads across a full city block between East 110th and 111th Streets was purchased for $340 million ($566,667 per unit), last trading for roughly $179.98 million ($299,967 per unit).

- **Parker**, 1990 Lexington Avenue – The 341-unit building located between East 121st and 122nd Streets was purchased for $131.3 million ($385,044 per unit), last trading for roughly $94.855 million ($278,166 per unit).

- **Miles**, 1890 Lexington Avenue – A 64-unit building located between East 117th and 118th Streets was purchased for $23.7 million ($370,313 per unit), last trading for roughly $12.539 million ($195,926 per unit).

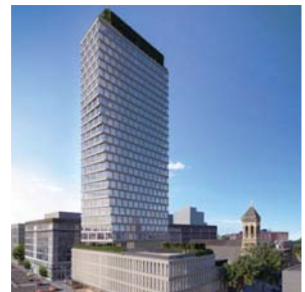
- **Roosevelt Landings**, 510-580 Main Street – The 1,003-unit, 6-building complex is located on Roosevelt Island. The lease assignment was secured for $340 million ($338,983 per unit), last trading for roughly $271.971 million ($271,157 per unit).

Lending (cont'd)

Outer Boroughs - Brooklyn

510 Driggs Avenue aka 185 North 8th Street (Williamsburg) – Northlink Capital, the development affiliate of Hampshire Properties has reportedly secured $72 million in construction financing. Israeli lender Bank Leumi provided the new debt that will help fund the developer's planned 6-story, 122,813-square-foot mixed-use development that secured approvals from the city's Department of Buildings (DOB) in February. Upon full construction completion the 74-foot-tall structure will host 44 residential units and 13,092 square feet of commercial space. The 2-parcel, 20,000-square-foot assemblage that has been merged into a single tax lot was acquired in July 2017 for a combined total of $30.3 million ($247 per buildable-square-foot).

550 Clinton Avenue aka 552 Clinton Avenue / 805 Atlantic Avenue aka 545 Vanderbilt Avenue (Clinton Hill) – Hope Street Capital has reportedly secured $180.3 million in financing from Square Mile Capital Management. The new debt will help fund the planned 29-story, mixed-use development that will spread across 2-parcels creating an assemblage that spans the entire Atlantic Avenue block-front between Clinton and Vanderbilt Avenues. According to initial pre-filings in September 2018 the approximately 292,486-square-foot development is expected to host 234,881 square feet of residential space, 33,034 square feet of commercial space, and 24,572 square feet of community facility space; however more recent reports indicate a shift from community space to additional commercial use to serve as co-working space operated by the developer. Permits for the 4-story, 45,317-square-foot podium were filed in March 2019, followed by a filing in April for the 29-story, 231,739-square-foot residential component that will reach a linear height of 312-feet and house 266 residential units. Tenant amenities are expected to include a gym, game room, lounge and outdoor pool.


550 Clinton Avenue - Rendering

Hope Street secured a 99-year leasehold in November 2015 for the 10,520-square-foot Atlantic Avenue parcel from longtime family ownership for $10.27 million; and about one year later secured the 99-year ground lease for the adjacent 17,363-square-foot Clinton Avenue parcel from longtime fee-owner Superior Associates LLC for $8 million. As part of the project the adjacent Church of St. Luke and St Matthew at 520 Clinton Avenue will undergo a restoration, requiring approvals from the Landmarks Preservation Commission that were reportedly secured in March 2018. In addition a special permit was secured in July, to modify the bulk regulations of the existing zoning; and according to previous reports the rezoning approvals opened the door to a transfer of approximately 70,000 square feet of air rights from the church, allowing the scope of the project to increase from the 209,680 square feet of allowed usable floor area per available online data.

Queens

711 Seagirt Avenue (Far Rockaway) – New Jersey-based Treetop Development has secured a 10-year, $120.78 million Freddie Mac loan with 5-years of interest-only payments to refinance the 916-unit residential complex. The 4-building interconnected affordable housing complex that spreads across an entire 4.6-acre block bound by Beach 8 and 6 Streets and Seagirt Avenue offers a combined total of 744,719 square feet. Treetop acquired the asset in November 2017 for $135 million ($147,380 per unit), securing a $97.5 million mortgage from Signature Bank to close on the transaction according to city records. An additional $25 million in preferred equity was also reportedly secured through entities affiliated with Pennybacker Capital to complete a recapitalization of the asset.

150-13 89th Avenue (Jamaica) – The Chetrit Group has reportedly secured a construction refinancing for the planned 4-building, 324-unit redevelopment of the former **Mary Immaculate Hospital**. Square Mile Capital provided the $200 million loan, the developer previously securing a $127.5 million construction loan package in December 2016 comprised of a roughly $88 million first mortgage provided by the Bank of Ozarks, with the remaining $39.5 million in the form of a mezzanine loan from Arbor Commercial Mortgage according to reports at the time. The 2-parcel assemblage that totals 173,197 square feet was acquired in 2009 for $4.775 million; and can reportedly accommodate more than 415,000 buildable square feet. Dubbed **Parkhill City**, the leasing office for the complex was reportedly opened back in October.


150-13 89th Avenue - Rendering

Lending (cont'd)

178-02 Hillside Avenue (Jamaica) – Piermont Properties has reportedly refinanced the newly constructed **Q-East** mixed-use building the completed construction earlier this year. The 3-year, floating-rate loan that carries an interest-only payment structure was provided by Annaly Capital; and will be used to cash out a portion of the developer's equity investment in the building according to reports. The 8-story, 176,130-square-foot building hosts 131 residential units, 10,562 square feet of retail space, 25,000 square feet of lower level medical offices, and a public parking facility. Pre-leasing activity had attracted CVS Pharmacy, which committed to the entire retail component in 2017 under a 25-year term plus (4) 5-year extension options per city record documents.

1 Flatbush Avenue

57-28 2nd Street / 1-15 57th Avenue (Long Island City) – The Gotham Organization and non-profit RiseBoro Community Partnership have secured roughly $689.125 million in city financing for the construction of the (2) affordable mixed-use developments as part of Phase 2 of the 22-acre multi-building **Hunter's Point South** waterfront complex. The New York City Housing Development Corp. (HDC) provided a combined total of $446.125 million — (4) building loans totaling roughly $419.566 million and (2) project loans totaling $26.559 million comprised of a mix of bond and non-bond financing. An additional roughly $243 million enforcement mortgage was provided by the Department of Housing Preservation and Development (HPD) according to city record documents.

The co-developers were awarded the projects in November 2017 by the New York City Department of Housing Preservation and Development (HPD) and the Housing Development Corporation (HDC). The city-owned waterfront sites located on the southern tip of the new neighborhood are being developed under Mayor de Blasio's Housing New York 2.0 Plan which increased the administration's 10-year affordable housing goal to 300,000 units by 2026. Upon full construction completion Hunter's Point South will include over 11-acres of landscaped waterfront parkland, new streets, new retail and community facility space, new schools, and 5,000 units of housing, of which at least 60% will be permanently affordable.

New building applications filed in March were approved by the Department of Buildings in mid-December; and upon delivery will host a combined total of 1,144 housing units, of which a portion will be designated for senior housing per 2018 reports.

- **57-28 2nd Street** (Site G) – A 33-story, 371,953-square-foot mixed-use development that will reach a linear height of 360-feet and host 452 residential units spread across 327,982 square feet and 6,981 square feet of community facility space.

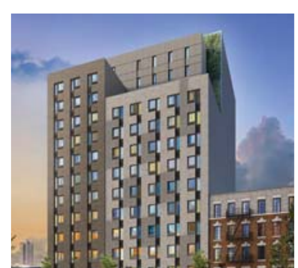
- **1-15 57th Avenue** (Site F) – A 57-story, 699,580-square-foot mixed-use development that will reach a linear height of 612—feet and host 692 residential units spread across 643,314 square feet, 9,071 square feet of commercial space, and 19,434 square feet of community facilities.

57-28 2nd Street / 1-15 57th Avenue - Rendering

The community facility space will include a medical center; arts and cultural space offering programs to be operated by non-profit **Flux Factory**; recreational space to complement the waterfront park already under construction, including a boathouse providing recreational boating programs to be operated by non-profit **HarborLAB**; and a rooftop urban garden that will be open to the public.

Bronx

909-913 East Tremont Avenue / 1973 Daly Avenue (West Farms) – Camber Property Group, reportedly along with housing and social services non-profit Westhab, has secured $46.18 million in financing for the planned 11-story 98,846-square-foot affordable housing development. According to reports, Wells Fargo provided a "$17.7 million as-of-right equity investment via the sale of low-income housing tax credits (LIHTC);" while the New York State Housing Financing Agency (HFA) and the New York State Homes and Community Renewal provided $28.4 million in public debt subsidies. The estimated $50 million rental project will deliver 6,405 square feet of commercial space and 119 housing units, of which 60% are designated for residents who had previously been homeless, with the remaining being reserved as affordable units according to reports. Residents will have access to a landscaped, garden entrance and outdoor recreational space; as well as a 1,300-square-foot "community room" and in-house supportive services operated by Westhab.



909-913 East Tremont Avenue
Rendering

New to Market

Outer Boroughs - Brooklyn

1 Flatbush Avenue

Slate Property Group and **Meadow Partners** have reportedly introduced the sale offering at an asking price of $150 million ($819,672 per residential unit) of the newly constructed 19-story, **183-unit mixed-use rental building** that delivered earlier this year in Downtown Brooklyn. Going by the address **1 Flatbush Avenue** (aka 546-558 Fulton Street), 48 of the units are designated for affordable housing, while the remaining 134-units are market-rate. The building also includes about 25,000 square feet of retail space on the ground and 2nd floor. The co-developers had acquired the original 2-parcel, 12,482-square-foot assemblage through (2) transactions in 2015 and 2016 for a combined total of $39 million ($244 per buildable-square-foot) according to city records, having secured a $125 million loan in August 2018 from Mack Real Estate Credit Strategies to refinance the asset. Currently under a 25-year 421-a tax abatement that extends through 2044, the sellers are in the process of converting the abatement into the Affordable New York program, the 421-a successor, that will lower the property's taxes even further for 35 year through 2054 according to reports.

Simultaneously Slate and Meadow are reportedly seeking to sell the adjacent 7,192-square-foot development site for an undisclosed price at **560-570 Fulton Street**, having secured approvals for a special permit in March that opens the door to a 550-foot-tall, 202,436-square-foot development hosting 139 residential units, of which 30% are required to be designated for affordable housing, 89,846 square feet of office space, and 12,433 square feet of retail space.

Sale Highlights – 4th Quarter 2019

Midtown South

Global Holdings Management Group has reportedly purchased the 48-story, 407,555-square-foot **Instrata NoMad** for close to $400 million ($990,099 per residential unit). The block-through rental tower located between 5th and Madison Avenues at **10 East 29th Street** (aka 7 East 28th Street) hosts **404 market-rate units plus (2) retail units**, last trading in December 2012 upon the reported seller, Los Angeles County Employees' Retirement Association (LACERA) acquiring the asset for $300 million ($742,574 per residential unit). News of the sale offering initially surfaced in July as part of plans by the Los Angeles pension fund to "sell off up to $1 billion of its $6.4 billion in real estate holdings in an attempt to bring the portion of its total investment dedicated to the sector down to 7%" according to reports. Built in 1999 and formerly known as the **Madison Belevdere**, tenant amenities include a 360-degree wraparound roof deck, a library, a fitness center, a pet spa, and a children's playroom.

Uptown

The **Olnick Organization** has reportedly purchased the **127-unit mixed-used rental building** at **201 West 77th Street** (aka 360-366 Amsterdam Avenue) in the Upper West Side. Reports indicate that less than 20% of the units are subject to rent restrictions. The longtime-owned corner 16-story, 131,476-square-foot pre-war building, that also includes (7) retail units, attracted a reported sale price of $106.4 million ($837,795 per residential unit); and was sold by an entity tied to the late real estate investor Charles Goldner. Building improvements are planned by new ownership, Olnick intending to retain the asset long-term.

Residential Market (cont'd)

Sale Highlights (cont'd)

Outer Boroughs - Queens

DSA Property Group has reportedly acquired the **115-unit rental building** located in the Long Island City at **29-28 41st Avenue** (aka 41-15 29th Street). The sale of the market-rate asset by Jack Gutman attracted a price of $47 million ($408,696 per unit) according to reports. A $31.5 million acquisition loan was provided by Signature Bank to close on the transaction. Tenant amenities include a gym, movie room, tenant lounge; and a 7,600-square-foot space at the base of the building is currently home to flexible office-space tenant **Green Desk**. The deal reportedly had a cap rate above 5%, while still providing the ability by new ownership to raise existing rents 15 to 20% according to reported statements by a person involved in the deal. The former 12-story, 95,450-square-foot office building last traded in 2010 for $12.75 million, undergoing a residential conversion in 2015.

A&E Real Estate Holdings has reportedly acquired the **18-building, 538-unit Rego Park 18 Portfolio**, of which roughly 95% of the units are rent-stabilized. The pre-war complex located along Queens Boulevard between 64th and 65th Road in Rego Park, Queens, reportedly within an Opportunity Zone, offers a combined total of 568,276 square feet; and includes 14 commercial units occupied by doctors' offices and other tenants. Addresses for the buildings that straddle 65th Avenue include 98-09 65th Road, 64-33 98th Street, 64-40 99th Street, and 98-11 Queens Boulevard. The sale by longtime owner the Kestenbaum family, under the entity Queens Park Realty Co., attracted a price of reportedly $150 million ($278,810 per residential unit), representing a steep 38% discount of the $210 asking price upon the complex being introduced to the market in February. German lender Deutsche Bank provided $97.5 million to finance the transaction that closed November 18th. The new loan refinanced $33.5 million in existing debt provided by People's United Bank in 2013 and 2015 and consolidated it with a new $64 million gap mortgage according to city record documents.

Bronx

The partnership of **LIHC Investment Group**, **Belveron Partners** and **Camber Property Group** has reportedly acquired the **1295-unit Mitchell Llama portfolio** located within the Bronx neighborhoods of Mount Hope, Belmont and Fordham for between $166 million and $170 million ($128,185-$131,274 per residential unit). The 10-buildings within the affordable housing package sold by Cammeby's International Group were built in the 1970s and renovated in 2014; and also include 12 commercial units according to reports. New ownership reportedly plans to renovate the buildings while keeping the units affordable moving forward. The sale had yet to hit city records, however although not fully verified the buildings noted below had all previously traded under the entities Bronx Park Phase I, II, and III Preservation, LLC, which are all associated with Cammeby's 45 Broadway address.

Address	Sq. Ftge.	Units	Last Trade Price
1880 Valentine Avenue	199,500	99-Res	$43MM – 6/2014 ($80,223 per residential unit)
2000 Valentine Avenue 1985 Webster Avenue	375,225 (2 bldgs)	353-Res 1-Retail	
2100 Tiebout Avenue (aka 351 East 180th St)	86,275	84-Res	
355-365 East 184th Street (aka 2380 Marion Avenue)	120,000	111-Res 1-Retail	$20MM – 12/2013 ($56,980 per residential unit)
333 East 181st Street	125,685	120-Res	
2355 Webster Avenue	143,000	120-Res 1-Retail	
2111 Southern Boulevard 2109 Southern Boulevard	201,100 (2 bldgs)	168-Res 1-Retail	$36MM – 12/2013
800-826 East 180th Street	222,305	240-Res 8-Retail	
817 East 180th Street	Single-story, 5,100sf commercial building (not sure if part of package)		
Total	1,473,090	1,295-Res 12-Retail	$99MM

Federal Reserve Lowers Benchmark Rate for the 3rd Time in 2019

Decisions by the Fed to lower the federal funds rate for the third time this year was prompted by business fixed investment and exports continuing to remain weak, despite other positive indications from the Federal Open Market Committee including a continued strong labor market; rising economic activity, albeit at a moderate rate; solid job gains, on average, in recent months; a low unemployment rate; and household spending rising at a strong pace. The latest quarter percentage point lowering to a target range of 1.5% to 1.75% comes just (3) months following the previous rate cut; and represents a continued reversal of the increases that began on December 17, 2015 following the **Great Recession**, with the last increase taking effect in December 2018 after cutting rates to near zero in 2008.

The FOMC's "promise to monitor data as it 'assesses the appropriate path of the target range for the federal funds rate,'" reportedly suggests that "policy makers are prepared to leave rates on hold for some time and assess the impact on the economy of their reductions over the past (3) meetings." Although an extended series of rate reductions is not expected, the easing was described as "an effort to provide insurance for an aging economic expansion imperiled by trade tensions and faltering global growth" according to reported comments as a news conference by Fed Chairman Jerome Powell. Following the Fed's announcement treasuries weakened, but stocks held steady and the U.S. dollar gained according to reports. While the lower interest rates have made asset classes such as bonds become less attractive, the real estate market potentially stands to benefit as investors turn to higher-income producing assets and cheaper financing further drives the shift.

Sources: https://www.federalreserve.gov/newsevents/pressreleases/monetary20191030a.htm

Lending Activity - 4th Quarter 2019

Reported Loans Secured

Midtown

805 Third Avenue (Plaza) – Cohen Brothers Realty Corp. has refinanced the 31-story, 615,000-square-foot tower, having secured a $275 million loan from Citibank. The new debt reportedly combines the refinancing of the outstanding $159.7 million in principal of a $165 million loan from Apple Bank in 2012 with a newly provided $115.3 million loan. Currently about 91% leased, notable leasing activity over the past year at the **Crystal Pavillion** includes a 95,200-square-foot sublease for the entire 26th through 29th floors by credit rating agency Kroll Bond Rating Agency; and a 47,600-square-foot sublease for the 24th and 25th floors by private equity firm Gen II Fund Services, both deals absorbing space vacated by magazine publisher Meredith upon relocating to Lower Manhattan's Brookfield Place upon acquiring Time Inc. in 2018.

650 Madison Avenue (Plaza) – The joint venture of Vornado Realty Trust, Oxford Properties, Crown Acquisition and Highgate Holdings has refinanced the 28-story, 604,000-square-foot tower. Co-lenders Citigroup, Barclays, Goldman Sachs and BMO Harris Bank provided the 10-year, $800 million CMBS package according to reports. The fixed-rate interest-only loan that carries a rate of roughly 3.9% matures in December 2029; and replaces an $800 million loan due to mature in October 2020 that had been secured in 2013 at a fixed rate of 4.39% from Goldman Sachs and the German American Capital Corporation upon the JV acquiring the asset for roughly $1.294 billion ($2,143 per square foot). Reports of information from Fitch Ratings indicate that "just over $214 million of the loan balance, almost entirely comprising the loan's junior portion, will be securitized," while the "remaining $558.8 million senior portion will eventually be securitized in one or more future CMBS transactions." The building that spans the entire Madison Avenue block-front between East 59th and 60th Streets is about 97% leased, larger tenants include the Sloan-Kettering Cancer Center, which leased 100,000 square feet in 2012 under a term reportedly expiring in July 2023.

1345 Third Avenue (Plaza) – Rudin Management has refinanced the 21-story, 358,553-square-foot tower that spans the entire 3rd Avenue block-front between East 51st and 52nd Streets. New York Life Insurance provided the reportedly 10-year, $80 million loan that carries a fixed interest rate. The new debt refinances roughly $37.94 million of outstanding principal and consolidates it with a newly originated $42.06 million gap mortgage according to city record documents. Currently about 97% leased by a mix of mid-size and small tenants including The Conference Board, K2 Intelligence and Regus.

55 Hudson Yards (Hudson Yards) – The joint venture of Mitsui Fudosan America, Related Companies, and Oxford Properties have reportedly refinanced the 50-story, 1.3-million-square-foot tower with a $1.245 billion loan provided by co-lenders Wells Fargo, Deutsche Bank and Morgan Stanley. Developed at a reported cost of $1.3 billion, loan proceeds from the new financing will "recapitalize the borrowing entity, fund a $48.2 million reserve for outstanding landlord obligations for tenant improvement and leasing commissions, and return approximately $1.1 billion of equity to the sponsors" according to reported details of the Kroll Bond Rating Agency report. The building that is nearly fully leased houses several big block 100,000-square-foot-plus tenants including law firms Milbank Tweed Hadley & McCloy and Cooley LLP and hedge fund Point72 Asset Management.

Lending Activity (cont'd)

Reported Loans (cont'd)

1633 Broadway (Columbus Circle) – Longtime owner the Paramount Group has refinanced the 48-story, 2,643,066-square-foot nearly full-block tower that spans the entire Broadway block-front between West 50th and 51st Streets. The 10-year, $1.25 billion loan maturing in December 2029 carries a fixed-rate of 2.99%; and was provided by Goldman Sachs Bank with reported participation from JPMorgan Chase, German American Capital and Wells Fargo. A new single-asset, single-borrower CMBS offering before the end of the year is reportedly planned by Goldman Sachs. The loan replaces a $1.05 billion existing loan carrying a weighted average interest rate of 3.55%, and due to mature December 2022 according to a press release by Paramount.

Total net proceeds realized from the transaction that now carries a weighted average interest rate of 3.44% and a weighted average maturity of over 6-years was approximately $179 million after the repayment of the existing loan, swap breakage costs, and closing costs. The office component is fully leased with several big block deals reported over the past few years including Warner Music Group's 16-year relocation to 288,250 square feet in 2013; the 2013 renewal for 225,000 square feet under a 20-year term by Manhattan-based law firm Kasowitz Benson Torres LLP; a 260,829-square-foot renewal and expansion under a 15-year term by Morgan Stanley in 2015; technology firm MongoDB 12-year lease for 106,230 square feet in 2017; travel agency Tzell Travel Group / Protravel International secured a 16-year, 106,000-square-foot relocation deal in 2017; and more recently a 108,374-square-foot relocation by finance firm New Mountain Capital in early 2019. The building also houses the **Gershwin Theatre** at its base, which is reportedly the largest Broadway performance district venue with 1,933 seats.

335 Madison Avenue (Grand Central) – Milstein Properties has reportedly secured a $749 million financing package from a subsidiary of Brookfield Asset Management. According to city record documents the $650 million portion included a roughly $477.188 million senior loan that refinanced the $472.178 million of remaining principal from a $498 million loan provided by the Bank of China in February 2013 and consolidated it with a newly provided $5.01 million gap mortgage. In addition a roughly $72.695 million building loan and $100.117 million project loan were originated; and although unverified, the remaining $99 million in debt was likely issued in the form of mezzanine financing. News of Milstein being in "advanced talks" to secure a $750 million loan surfaced in July, as the developer sought to refinance the 29-story, 1.148 million-square-foot tower now known as **The Company Building** in recognition of its anchor tenant, technology incubator Company which occupies about 164,562 square feet according to available online data.

The full block building located between East 43rd and 44th Street is currently undergoing an approximately $150 million renovation launched in 2017 to create a vertical tech campus, versus earlier rumored considerations of a full demolition of the 1984 office tower to make way for the ground-up construction of a taller building. As part of the project a full modernization will be done including "state-of-the-art fiber optics, an ironclad cyber security system and 150,000 square feet of new amenities and retail." Tenant amenities to include a pool, a gym, a medical center, a creative studio, event spaces, dining venues and a terrace with a bar. Upon construction completion a total of 250,000 square feet spanning the entire 3rd through 7th floors will be dedicated to a selection of between 150 and 200 new ventures; and the 700,000 square feet on the upper level floors will be reserved for 10 to 30 global brands willing to collaborate with the in-house nascent companies. In addition, previous reports indicated that the ground floor will host "several 100-square-foot retail kiosks for direct-to-consumer brands that don't have brick-and-mortar stores;" and "will connect to two more floors of small vendor stalls that Milstein is calling a 'retail cooperative'."

335 Madison Avenue - Renderings

Lobby

Pool

Lending Activity (cont'd)

Reported Loans (cont'd)

530 Fifth Avenue (Times Square) – RXR Realty has refinanced the approximately 386,839-square-foot office component of the 446,678-square-foot building located on the corner of West 44th Street. Global investment manager Nuveen provided the roughly $171.045 million financing package that includes a newly originated roughly $18.806 million project loan and the refinancing of the outstanding $152.194 million principal of a $200 million loan provided by Morgan Stanley upon RXR purchasing the office unit for $300 million ($776 per square foot) in October 2014. Notable leasing activity over the past year at the nearly fully occupied tower includes an 11-year, 116,000-square-foot lease spanning the entire 7th through 10th floors by flexible workspace and meeting space provider Convene.

1407 Broadway (Penn Plaza) – Shorenstein Properties has reportedly secured a 5-year, $350 million loan to refinance the leasehold of the 42-story, 1.1 million-square-foot tower from London-based lender Barclays. The new loan retires roughly $270 million in previous debt provided by Bank of America in 2015 to finance Shorenstein's $330 million acquisition of the leasehold that reportedly had 34-years of term remaining — $150 million for the assignment of the operating sublease previously purchased by the Lightstone Group in 2006 for $122 million; and $180 million paid to Kamber Management, which controlled the master lease. An additional investment of approximately $62 million was made by Shorenstein in building renovations and upgrades that were completed in 2017, including a large-scale repositioning of the building's retail space and new storefronts according to reports. Nearly fully occupied, larger lease signings following renovations included a 100,000-square-foot, 10-year lease by Philadelphia, PA-based cable and internet provider Comcast Cable Communications and a 42,748-square foot lease by women's footwear designer Vince Camuto. The building that spans the entire Broadway block-front between West 38th and 39th Street has been long owned by Solil Management which controls the assets of the late real estate investor Sol Goldman.

441 Ninth Avenue (Penn Plaza/Garment) – Cove Property Group and the Baupost Group have reportedly secured a $724.2 million refinancing provided by Blackstone Mortgage Trust. The former 8-story, 364,558-square-foot building acquired in December 2016 for $330 million recently completed a 17-story vertical expansion that has nearly doubled the building's size to 700,000 square feet. Pre-leasing activity at **Hudson Commons** attracted indoor cycling startup Peloton Interactive, which secured a 312,000-square-foot lease for its corporate headquarters in late 2018 to serve as the building's anchor tenant, followed by a 103,638-square-foot signing by ride-hail start-up Lyft in early 2019; and more recently hedge fund Brevet Capital Management secured an 11-year-lease for 16,178 square feet, bringing occupancy to about 62%.

1412 Broadway (Penn Plaza/Garment) – AB & Sons has reportedly secured a $210 million loan to refinance the 24-story, 428,626-square-foot building on the corner of West 39th Street. A portion of the new debt from Morgan Stanley replaces a $160 million loan provided by Wells Fargo in 2016 according to reports. Currently fully leased, the asset last traded in July 2014 for $250 million ($583 per square foot).

Reported Loans (cont'd)

Midtown South

28 East 28th Street (NoMad) – The joint venture of George Comfort & Sons, Loeb Partners Realty and Jamestown, which had acquired a 49% interest in 2016 for $293 million ($687 per square foot), have refinanced the 15-story, 870,000-square-foot **New York Life Insurance Building**. Wells Fargo provided the roughly $311.522 million loan that reportedly replaces a $313.5 million loan provided by Bank of China in 2016. Spanning the entire Madison Avenue block-front between East 27th and 28th Street, notable recent leasing activity at the 15-story, 870,000-square-foot building that formerly went by **63 Madison Avenue** includes the 15-year renewal by broadcast television and radio network CBS of its 162,291-square-foot space, and a 60,000-square-foot lease by high-end grocer Whole Foods.

620 Sixth Avenue (Chelsea) – RXR Realty has refinanced the 7-story, 436,763-square-foot component within the 629,138-square-foot building that spans the entire 6th Avenue block-front between West 18th and 19th Streets. Goldman Sachs provided the $421.5 million loan that included the refinancing of an existing $325 million provided by Morgan Stanley in December 2015 and consolidated it with a new roughly $9.416 million gap mortgage; plus newly originated $14.235 million and $72.849 million building and project loans. Current tenants in the space include big bock retailers Bed Bath & Beyond and TJX Companies-owned discount brands TJ Maxx and Marshalls. More recently co-working space provider WeWork secured a lease for 213,358 square feet spanning the entire 6th and 7th floors, plus a portion of the 3rd floor, which had been vacated by digital streaming music service Spotify and advertising technology firm MediaOcean upon relocating to 4 World Trade Center and 120 Broadway respectively. The remaining 192,375-square-foot condominium interest was sold to the Building Service 32BJ Health fund in June 2016 for roughly $143.89 million ($748 per square foot) according to city records.

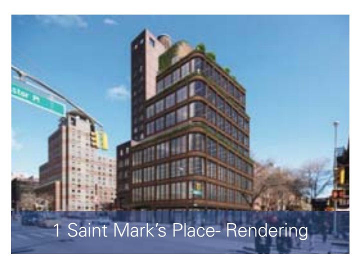
RXR acquired a 44% interest in the entire building in December 2011, along with an adjacent 4,900-square-foot lot now used for the building's loading area, for a combined total of roughly $264.422 million ($955 per square foot). In October 2012 the developer acquired the remaining 56% interest for a combined total of $225 million ($639 per square foot), or $489.422 million ($778 per square foot) in total.

115 Delancey Street (Lower East Side) – Delancey Street Associates (DSA), a joint venture of L+M Development Partners, Taconic Investment Partners, BFC Partners, Prusik Group and Goldman Sachs Urban Investment Group has secured permanent CMBS financing for **The Essex**, a 24-story, 320,601-square-foot mixed-use development that completed construction in January. JPMorgan Chase and Goldman Sachs provided the $175 million loan that refinanced $144.36 million in existing debt and consolidated it with a new $30.64 million gap mortgage. The building has been divided into (7) condo units, with the new financing backed by (4) of the units — the (3) residential units totaling 150,981 square feet and the 88,120-square-foot theatre unit. The remaining units not connected to the financing include the 33,855-square-foot portion of the **Market Line**, the 45,371-square-foot **Essex Street Market**, and a 79-square-foot urban farm unit. Simultaneously an Enforcement Mortgage Splitter Agreement was issued, dividing a roughly $77.8 million loan provided by the city in June 2015 into roughly $39.221 million and $38.578 million loans backed by Residential Unit 1 and Residential Unit 2 respectively through the Department of Housing Preservation and Development (HPD).


115 Delancey Street

Among the (9) sites that make up the 1.9 million-square-foot **Essex Crossing** project, The Essex (site 2) is the largest tower within the complex at 285 linear feet. The building's residential space that starts on the 6th floor is divided into 195-units, of which 50% are designated for affordable housing; while the Essex Street Market is located on a portion of the ground and below-grade levels, and 14-screen Regal Cinemas theater spreads across the base 5-stories, mezzanine and (2) below grade levels. In addition, the building is one of the (3) adjacent buildings that sit atop the 150,000-square-foot, 100-vendor Market Line. The 35,000-square-foot first phase of the below-grade market place opened in November, with the rest of the market expected to be completed in 2021.

1 Saint Mark's Place aka 23 Third Avenue (East Village) – Real Estate Equities Corp. (REEC) has secured $48 million in financing for a planned commercial development. Seoul, South Korea-based entity Saint Marks Primary Fund LLC, reportedly tied to Hana Financial Group, provided the financing that included a $13.05 million leasehold acquisition loan that refinanced the outstanding principal of the $14 million loan provided by Arel Funding in 2017, a roughly $18.606 million building loan, and a $16.344 million project loan. Although permits have yet to be filed, REEC reportedly plans to construct a 10-story, 65,000-square-foot office development on the 3-parcel, 6,921-square-foot site controlled under a 99-year leasehold secured in 2017 for $29.116 million ($448 per buildable-square-foot) according to city records. Demolition permits were previously secured in March 2018 for existing low-rise mixed-use and commercial buildings.


1 Saint Mark's Place- Rendering

Lending Activity (cont'd)

Downtown

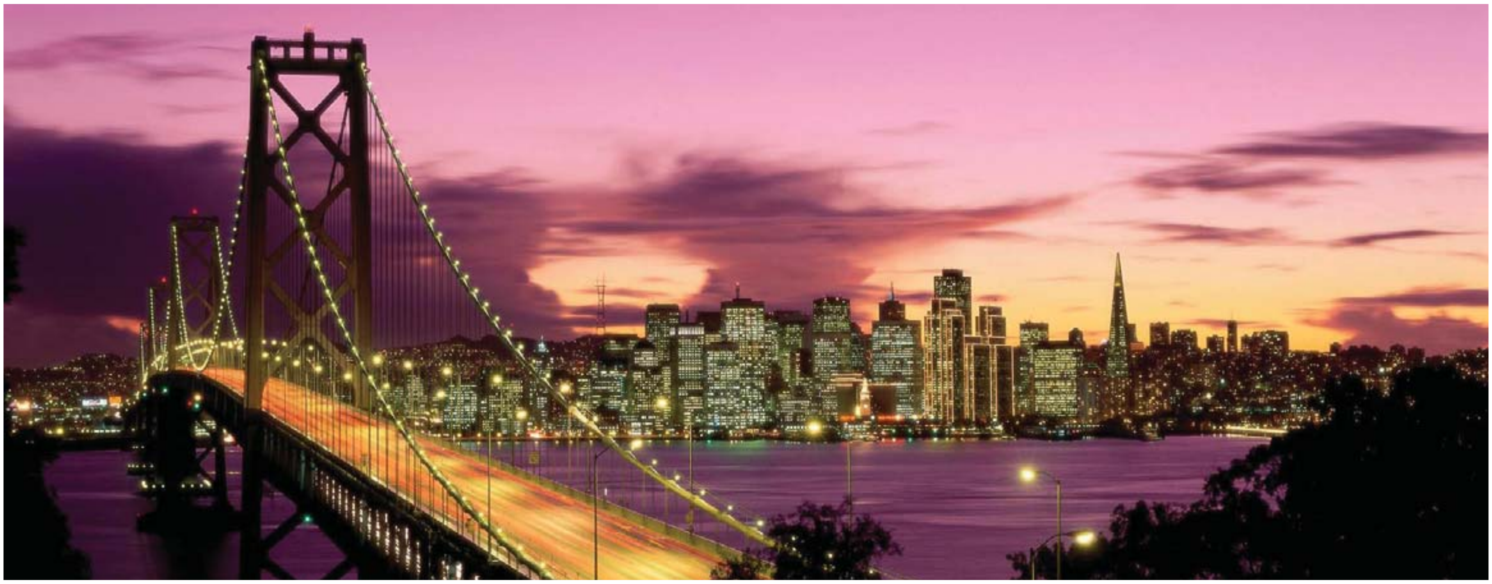
180 Maiden Lane (Insurance) – Clarion Partners and MHP Real Estate Services have refinanced the 41-story, 1.09 million-square-foot tower. ING Capital provided the 5-year $372 million loan that refinanced $263.75 million in existing debt and consolidated it with a newly originated roughly $69.975 million gap mortgage. The transaction also included the issuance of a roughly $38.275 million building and project loan mortgage. The partnership had acquired the currently 90% occupied asset that spreads across a full block in 2015, the off-market deal fetching a price of $470 million ($431 per square foot) and financed by a $247.5 million loan from the Blackstone Group. Larger lease deals over the last few years include the 276,000-square-foot lease by the New York City Department of Investigation (DOI) under a 20-year term in 2017; and a 13-year, 95,000-square-foot lease in 2018 by debt consolidation firm National Debt Relief.

291 Broadway (TriBeCa) – Longtime owner Glenmark Realty has refinanced the 19-story, 132,834-square-foot building with a $46 million loan. New York Community Bank (NYCB), which has served as the asset's lender since 2002, provided the new debt that consolidates the roughly $39.54 million in outstanding principal of a $41.4 million loan provided by NYCB in April 2016 with a newly issued $6.46 million mortgage according to city records. Located on the corner of Reade Street, the nearly 97% occupied building that dates back to 1911 originally served as the headquarters for **East River Savings Bank** until the 1980s; and now serves as the home to a diversified mix of small tenants.

Uptown

328-330 East 62nd Street (Upper East Side) – (have image) Co-developers Maddd Equities and Joy Construction have reportedly secured a 5-year $130 million CMBS loan to refinance the development of the 7-story, 110,727-square-foot building that is currently under construction. Natixis provided that financing that replaces a roughly $86.25 million floating-rate construction loan the France-based lender provided in February 2018. In August 2017 Memorial Sloan-Kettering Cancer Center (MSKCC) secured a 30-year lease for the entire building to reportedly utilize for its administrative offices. The deal valued at roughly $85.930 million includes (2) 10-year renewal options; as well as a purchase option and right of first refusal according to document details posted on city records. (ACRIS) The property that sits next to the off-ramp for the Queensboro Bridge was acquired in 2014 from the Catholic church for $21 million ($190 per buildable-square-foot).

328-330 East 62nd Street - Rendering



Notable Transactions

Lease

Address	Submarket	District	Sq. Ftge	Tenant
3 World Trade Center	Downtown	World Trade Center	307,970	Uber Technologies (relocation)
Brookfield Place 200 Liberty Street	Downtown	World Trade Center	93,000	Northwestern Mutual (relocation)
1 New York Plaza	Downtown	FiDi	88,699	Morgan Stanley (expansion)
3 World Trade Center	Downtown	World Trade Center	77,000	Cozen O'Connor (relocation)
50, 55, 30 Hudson Yards	Midtown	Hudson Yards	1,522,000	Facebook
437 Madison AVenue	Midtown	Plaza	362,197	WeWork
410 Tenth Avenue	Midtown	Penn Plaza	335,408	Amazon
BMW Building 555 West 57th Street	Midtown	Columbus Circle	227,000	BMW of Manhattan (renewal)
Empire State Building 350 Fifth Avenue	Midtown	Penn Plaza	188,653	LinkedIn (expansion)
Morgan North 341 Ninth Avenue	Midtown South	Chelsea	322,000	Dentsu Aegis Network America (relocation)
60 Madison Avenue	Midtown South	Flatiron	56,325	Knotel
Starrett-Lehigh Building 601 West 26th Street	Midtown South	Chelsea	55,000	Persistent Systems (relocation)

Sale

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
195 Broadway	Downtown	World Trade Center	1,052,861 1,000,218	$275,000,000 $475,000,000	Safehold (fee-position) L&L Holding, Korea Investment &Securities, Samsung (Grd Lease)
1 Whitehall Street	Downtwown	FiDi	387,390	$181,500,000	Jacob Chetrit / Joe Chetrit
101 Franklin Street	Downtown	Tribeca	240,000	$205,500,000	Normandy Real Estate Partners Columbia Property Trust
425 Park Avenue	Midtown	Plaza	705,244	$616,755,254	Safehold (Grd lease)
295 Fifth Avenue	Midtown South	NoMad	576,540	$375,000,000	Tribeca Assoc / PGIM Meadow Partners
40 West 25th Street	Midtown South	Flatiron	136,226	$121,500,000	Kaufman Org. / AXA Financial
158 West 27th Street	Midtown South	Chelsea	118,766	$99,350,000	Swiss Foundation for Int'l Real Estate Investments (Afiaa)

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