

3rd QUARTER 2015

SALES MARKET KEEPS ROARING BUT IS THE END IN SIGHT?

If you are a frequent reader of my Commercial Observer column, you know that I have often said that 2014 was the best investment sales market I have seen in the 32 years I have been brokering in New York City. Thus far, 2015 has been putting up a valiant challenge to that title. In some ways it is not quite measuring up and, in others, it is well on the way to making history.

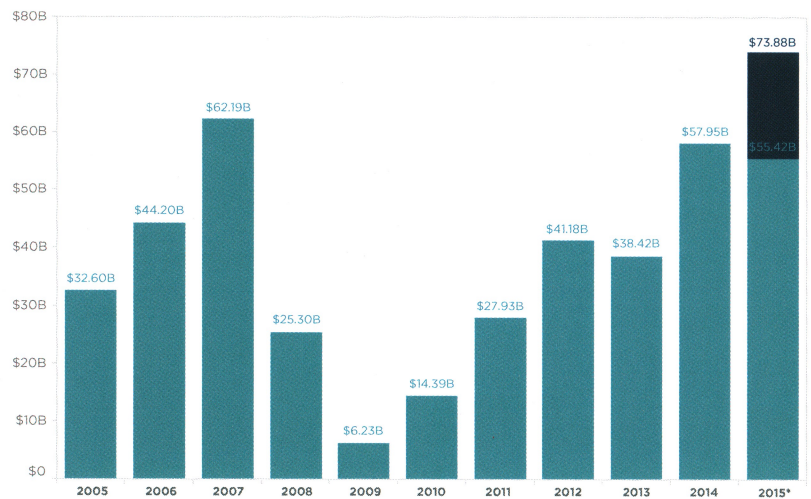
If we look at the dollar volume of sales in the New York City market, we see that 2015 will undoubtedly set a new all-time record. In the third quarter of 2015 (3Q15), there was \$17.9 billion in sales bringing the year's total to \$55.43 billion. This total is just \$2.5 billion short of the sales volume in all of 2015 in which there was \$57.95 billion. The \$55.43 billion pace, if annualized, will lead to a yearly total of \$73.91 billion which would set a new record by a mile. The current pace would lead 2015's total to be 27.5 percent above last year's \$57.95 total and, remarkably, 18.8 percent above the previous record which was established in 2007 when sales volume reached \$62.2 billion.

While the dollar volume has been astounding, much of its rise has been due to rapidly escalating property values. If the same basket of assets was sold this year, as compared to a prior year, the volume would be much higher based upon these increased values (more on property values below).

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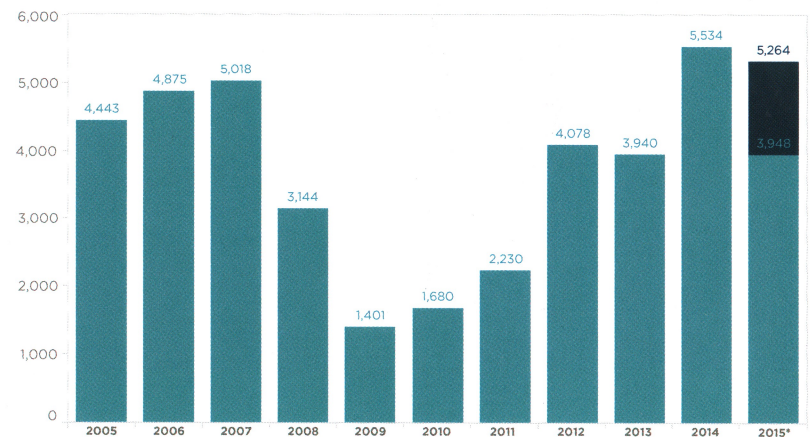
Where today's market is not quite as robust as last year is in the number of properties sold. Here, there were 1,287 properties that sold in 3Q15 bringing the year's total to 3,949. This metric is on pace, if annualized to hit 5,265 for the year which would be down 4.86 percent from last year. While this number is below the pace set in 2014, the number itself is a whopper. It is important to remember that in 2014, this metric established a new all-time record of 5,534 properties sold which shattered the previous record of 5,018 by more than 10 percent. So, if the present pace were to continue through the end of the year, it would actually have established a new record had 2014 not been such an amazing year. Notwithstanding the comparison to last year, 2015 will be a great year for the number of properties sold.

NEW YORK CITY Dollar Volume Summary



* Annualized Dollar Volume in 2015 = \$73.88B

NEW YORK CITY Number of Buildings Sold



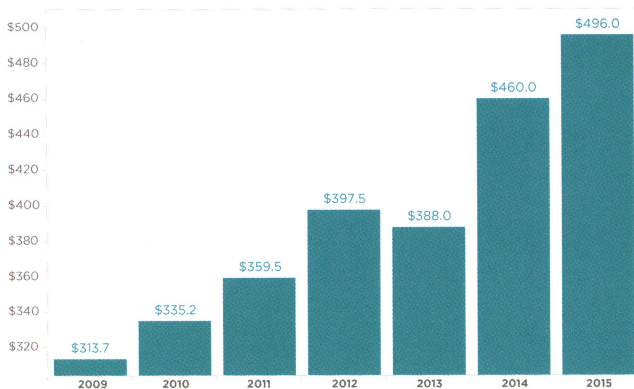
* Annualized Buildings Sold in 2015 = 5,264

In the Manhattan submarket, the numbers have been equally impressive with a higher dollar volume in the first three quarters of 2015 than in all of 2014. Thus far in 2015, there has been \$42.13 billion of sales ever so slightly eclipsing the \$42.12 billion which occurred in all of last year. Here, the pace, if annualized would reach \$56.17 billion. This figure would break the previous record for this submarket where the current record was set in 2007 at \$52.5 billion. Thus far, the number of properties sold in Manhattan has been 811, on pace for 1,081 for the year which would beat the 1,016 that changed hands in 2014. The record for the submarket was established in 2012 with 1,200 properties sold, something that occurred as sellers rushed to beat the anticipated increase in capital gains taxes.

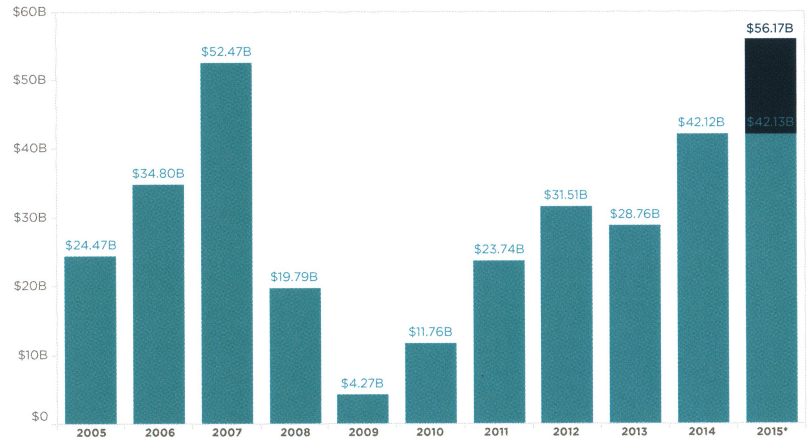
“ Thus far, the number of **properties sold in Manhattan has been 811**, on pace for 1,081 for the year which would beat the 1,016 that changed hands in 2014. ”

So with volume rolling along, what is happening with property values? If we look at how they have performed for the year, all appears rosy. For the year thus far, the price per square foot metric has risen from a citywide average last year of \$460 per square foot to \$496 this year, an increase of 7.8 percent. This appreciation rate has resulted from continuing capitalization rate compression which is pushing cap rates to historic lows. Since the market started its recovery in 2011, the average compression in citywide cap rates has been about 33 basis points annually. The compression observed in 2015 from 2014 levels has been more than twice that 69 basis pointserwise been.

NEW YORK CITY Price Per Sq. Ft. (Multifamily, Mixed Use, Office, Retail)

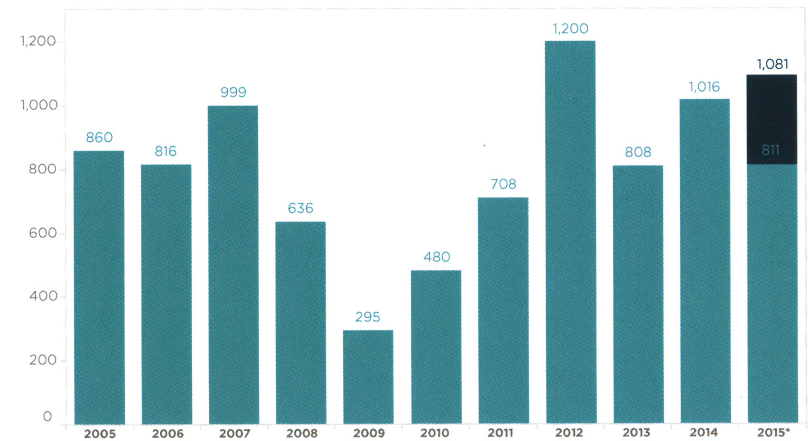


MANHATTAN Dollar Volume Summary



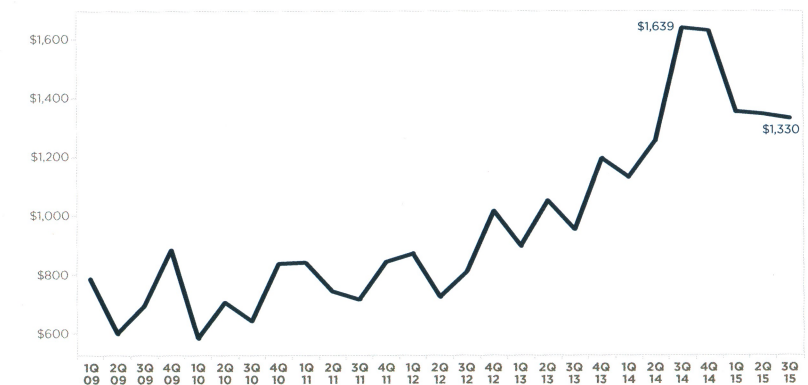
* Annualized Dollar Volume in 2015 = \$56.17B

MANHATTAN Number of Buildings Sold



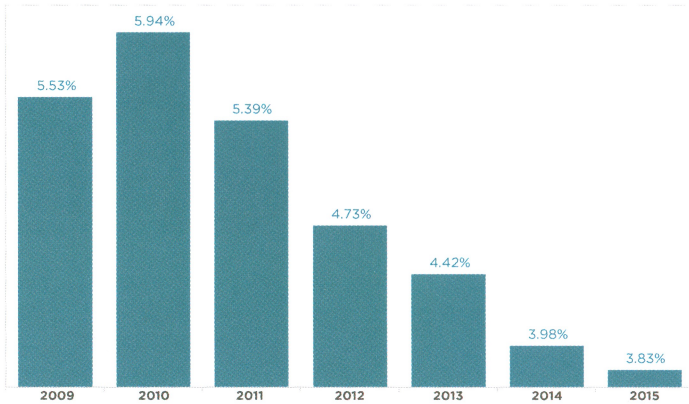
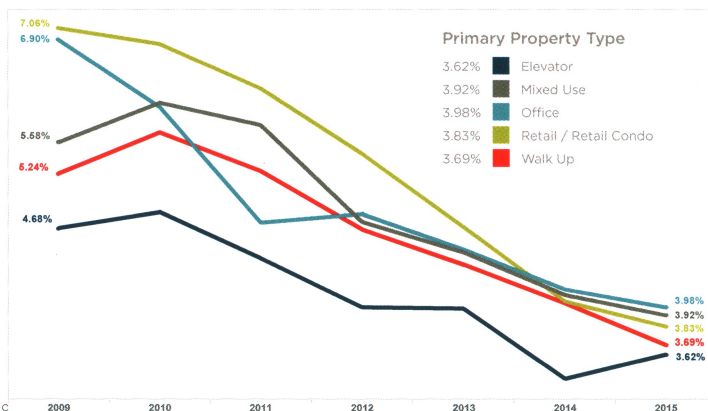
* Annualized Buildings Sold in 2015 = 1,081

MANHATTAN Price Per Sq. Ft. (Multifamily, Mixed Use, Office, Retail)



In the Manhattan submarket, cap rates have averaged below 4 percent across all product types for the first time ever. The average so far this year has been a shocking 3.82 percent. If we look at individual product types, we see a very tight range due mainly to the exhaustive search for yield by investors which are, more than ever, searching across all property types, even if that investor has historically not been an active purchaser for that type of property. At the high end of the average cap rate range is office product at 3.99 percent while at the low end of the range are elevated apartment buildings which have an average of 3.62 percent.

While values for the year are certainly moving in the right direction, a slight cause for concern are the value statistics coming out of the 3Q15 results. It appears values per square foot have been flat quarter over quarter for the first time in 19 quarters. Additionally, capitalization rates rose in 3Q15 for the first time in those same 19 quarters. History has taught us that a single quarter does not make a trend but, needless to say, we will be watching these two metrics very closely in the fourth quarter. Should the trend continue, it could mean that we are presently at the peak of the present cycle. If not, then this condition will just have been a blip on the screen. Either way, it makes the fourth quarter even more interesting than it would have otherwise been.

MANHATTAN
Core Annual Cap Rates (Multifamily, Mixed Use, Office, Retail)

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Top Brokerage Firms 2001-2014

Cushman & Wakefield is NYC's
#1 Building Sales Firm

for the 14th Consecutive Year



Transactions '01-'14

Brokerage Firm	# Transactions
Cushman & Wakefield, Inc.	3,668
Marcus & Millichap	1,106
Besen & Associates, Inc.	826
GFI Capital Resources Group, Inc.	719
Eastern Consolidated	718
Rosewood Realty Group	455
Capin & Associates	372
Douglas Elliman	346
Newmark Grubb Knight Frank	327
CBRE	319
Eastdil Secured	235
The Corcoran Group	231
Greiner-Maltz Company, Inc.	175
Kalmon Dolgin Affiliates, Inc.	169
Itzhaki Properties	165
TerraCRG	157
Lee Odell Real Estate, Inc.	149
Ariel Property Advisors	146
Sholom & Zuckerbrot Realty Corp.	95
Jones Lang LaSalle	86
Friedman-Roth Realty Services, LLC	84
Weissman Realty Group, LLC	82
Swig Equities, LLC	79
Pinnacle Realty of New York, LLC	71
CPEX Real Estate	68
Total Transaction Volume (Brokers on Chart)	10,848

Based on # of Transactions (All Sales \$500,000 and Over)



ROBERT KNAKAL

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During Mr. Knakal's 32 year career, he has sold over 1,700 properties in New York having an aggregate market value of over

\$13 Billion. He is a graduate of The Wharton School at The University of Pennsylvania and formed Massey Knakal with Paul Massey in 1988. In 1990, he was awarded Crain's New York Business "40 Under 40" awarded annually to 40 business people under forty years of age for outstanding achievement in the New York business community. He has twice been the recipient of the Robert T. Lawrence Award in the Real Estate Board of New York's Most Ingenious Deal of the Year Contest. Since 2009, Mr. Knakal has been named one of the Top 10 Investment Sales Brokers in the United States by Real Estate Forum magazine. In 2010, he won REBNY's Louis Smadbeck Broker Recognition Award for Lifetime Achievement in Commercial Brokerage. In December of 2014, Messers Massey and Knakal sold their firm to Cushman & Wakefield.



CUSHMAN & WAKEFIELD

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RECENT CLIENT SUCCESS

143-161 EAST 60th STREET

CUSHMAN & WAKEFIELD SELLS PRESTIGIOUS DEVELOPMENT SITE IN MANHATTAN FOR \$300 MILLION

A development site at 143-161 East 60th Street, between Lexington and Third Avenues bordering Midtown's Plaza District and the Upper East Side, was sold in an all-cash transaction valued at \$300,000,000.

The assemblage, consisting of six contiguous low-rise buildings that sit on approximately 19,685 square feet of land, features 200 feet of street frontage directly across from the world-renowned Bloomingdale's flagship store and contains roughly 282,925 buildable square feet above grade. Zoning allows for a base FAR of 10.0 on a residential or commercial basis with an additional 2.0 FAR of strictly residential rights permitted through the Inclusionary Housing Program, which have already been transferred to the site and were included in the sale. The sale price equates to approximately \$1,060 per buildable square foot.



lot size, and desirable location, development of this property will alter the Manhattan skyline and become one of the city's tallest structures that will offer panoramic views of Central Park, Manhattan, and beyond.

"World Wide did an amazing job of assembling this site over a ten year period which created tremendous value in the property. And they were great folks to work with," said Cushman & Wakefield's Bob Knakal, Chairman, New York Investment Sales, who exclusively handled this transaction with Clint Olsen. "Kuafu was also an extreme pleasure to deal with. I have rarely seen a foreign buyer move so swiftly, yet carefully, to acquire such a major site. They were totally professional every step of the way," added Knakal.

The seller of 143-161 East 60th Street is New York City-based developer, The World Wide Group, which completed the property assemblage in 2014. Kuafu Properties, a Chinese developer, purchased the assemblage.

Adjacent to Billionaire's Row, the site provides the opportunity to construct a global icon that will undoubtedly attract elite residential purchasers and draw top retail and commercial tenants from around the globe. Flexible zoning offers a first-class residential and commercial development opportunity in one of Manhattan's most prominent zip codes. Due to the unlimited height potential, expansive

The seller was represented by Laurie Grasso, Esq. and Douglas Hoffmann, Esq. of Hunton & Williams LLP. The buyer was represented by Daniel Dwyer, Esq. of Dai & Associates, PC.

The successful merger of Cushman & Wakefield and DTZ closed September 1, 2015. The firm now operates under the iconic Cushman & Wakefield brand and has a new visual identity and logo that position the firm for the future and reflect its trusted global legacy and wider history. The new Cushman & Wakefield is led by Chairman & Chief Executive Officer Brett White and Global President Tod Lickerman. The company is majority owned by an investor group led by TPG, PAG, and OTP.