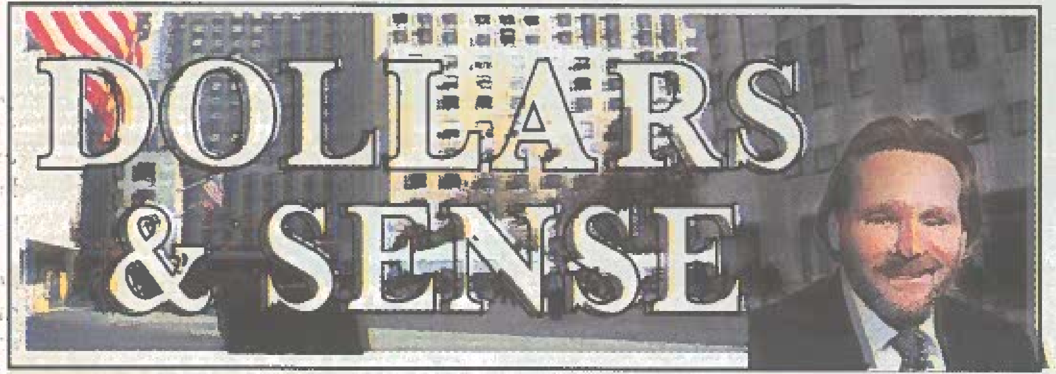

with Bob Knakal

2011 is gonna be a big deal

Q: It appears that larger transactions made a comeback in 2010 and that many bigger buildings are presently selling. Is this the case and what has caused this?

A: We have definitely seen an increase in the number of larger property sales and this is mainly a function of larger quantities of financing being available.

In 2009, the CMBS market was essentially shut down, therefore, obtaining nine-figure financings was extremely challenging. Due to these dynamics, there were only nine investment sales which occurred over $100 million in 2009.

This number climbed to 32 in 2010 as CMBS started to see a resurgence and banks were more comfortable putting out large amounts of debt.

It is, however, important to realize that the levels of everything (dollar volume of sales, number of buildings sold, property values) in 2009 were so abysmal that increases in several of these metrics were completely expected.

The fact is that larger property sales still make up a relatively small percentage of the market in terms of absolute numbers.

In 2010, 1,667 properties were sold in New York City and just 32 had prices above $100 million. If we drop the threshold to $50 million, the number climbs to just 49.

Therefore, these sales represent just 3% of all buildings sold in the city. While this is a very minor percentage of total properties sold, these 49 sales aggregate to $10 billion, or 69 percent of the $14.5 billion of total sales volume in 2010.

The sale of 111 Eight Avenue (the "Google Building") was the most noteworthy transaction which closed in the fourth quarter at a price of $1.77 billion.

Additionally, in 2010, there were just 34 sales between $20 million and $50 million. This means that over 95 percent of all commercial investment property sales in New York last year were in the less-than-$20 million sector.

We expect to see the number of larger sales continue to climb as the financing markets continue to improve. By some estimates, CMBS activity could reach $50 billion this year.

Most of this capital would be deployed into New York, Washington D.C., San Francisco and other gateway cities. This will bode well for larger sales in the Big Apple as we move further into 2011.