

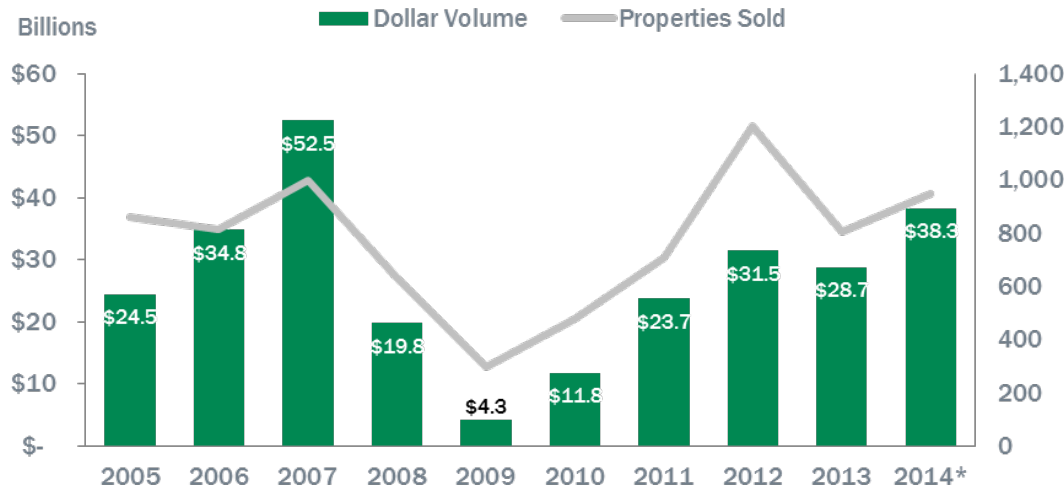
STATE OF THE NEW YORK CITY REAL ESTATE MARKET

Submarket Overview

Manhattan \$ volume up 33%

- In 3Q14, 200 properties with an aggregate dollar volume of \$8.2B were sold
- Annualized, Manhattan is on track to reach \$38B – the highest dollar volume since 2007
- The number of properties sold is projected to be 950, just shy of 2007’s 999

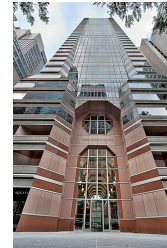
MANHATTAN – INVESTMENT ACTIVITY



Source: Massey Knakal Research

* Annualized

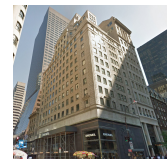
LARGEST SALES IN 3Q14



Park Avenue Tower
 Partial interest 95%
 Office building
 \$750M–\$1,274 per SF



212-222 Broadway
 Office building
 \$502M–\$664 per SF

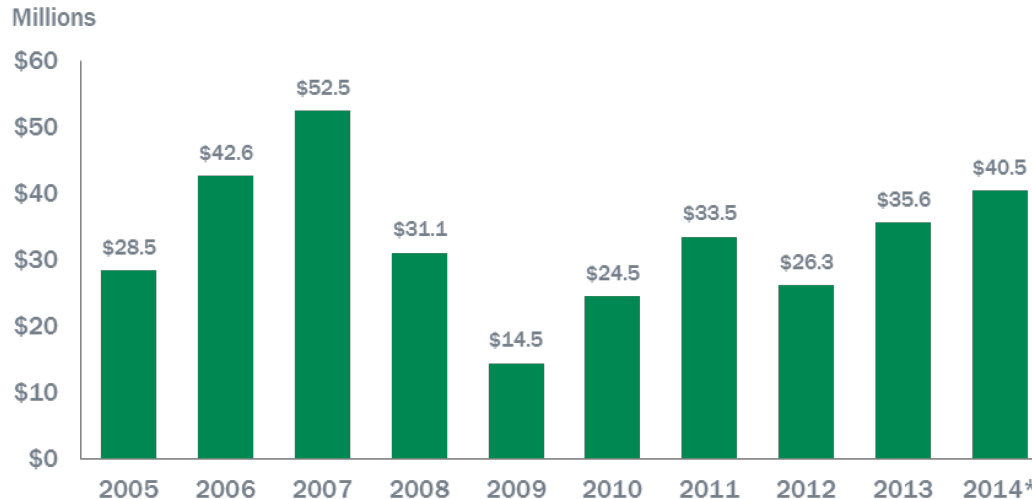


683 Fifth Avenue
 Office building
 \$460M–\$3,427 per SF

Average price per property exceeds \$40M

- The average price paid for a property in Manhattan has reached a new post-recession high of \$40.5M through 3Q14
- This indicates the increased significance of large scale transactions, which usually are office sales
- During the last cycle, the sales price per property was higher because of huge sales like Stuy Town (2006) and Equity Office (2007)

MANHATTAN – AVERAGE PRICE PER PROPERTY



Source: Massey Knakal Research

* Annualized

Soaring prices for development properties

- High demand for development sites increasingly drove prices up
- 3Q14 pricing is driven by three sales exceeding \$1,000 per buildable
- Bullishness of developers indicates optimism regarding the future development of NYC's property market

LARGEST SALES IN 3Q14



719 Seventh Avenue
Development property
\$41.1M-\$1,462 per BSF

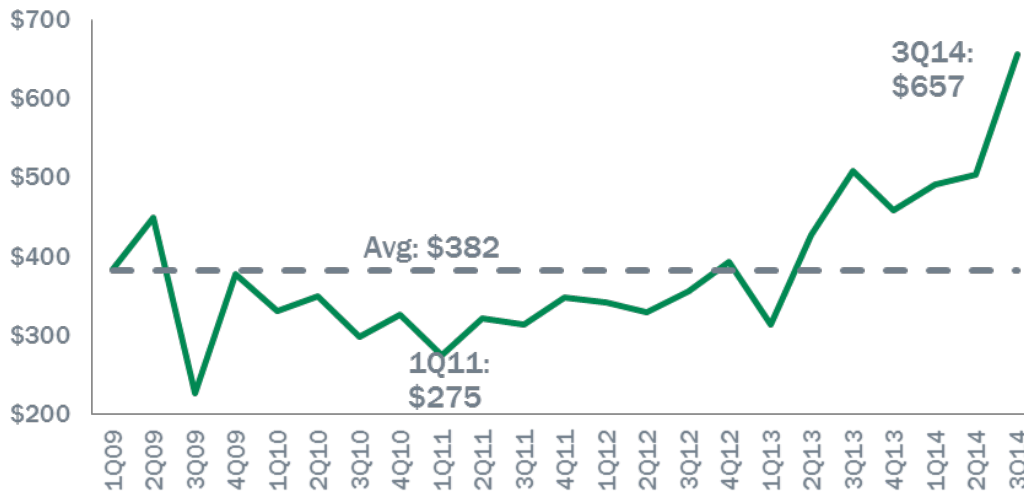


16-18 West 57th Street
Development property
\$95M-\$1,262 per BSF



985-989 Third Avenue
5 development properties
\$100M-\$1,118 per SF

MANHATTAN – AVERAGE PRICE PER BUILDABLE SF

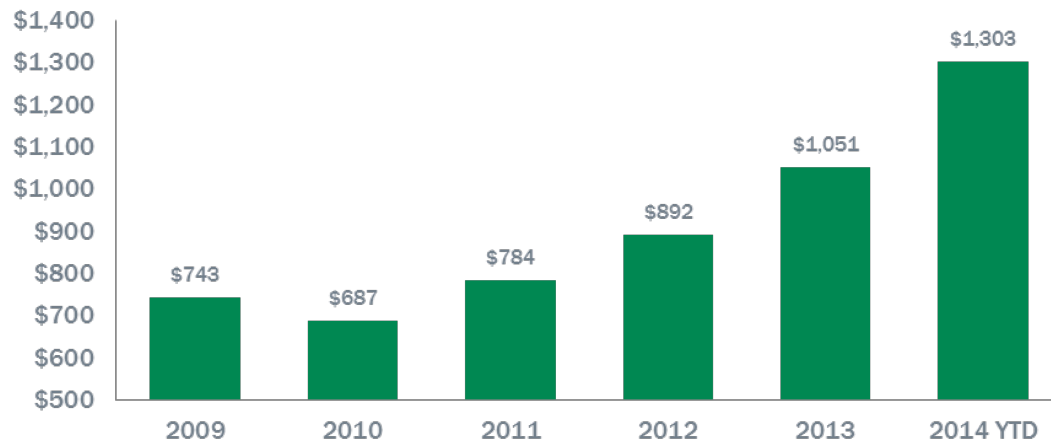


Source: Massey Knakal Research

Value appreciation was significant

- During the first three quarters of 2014, Manhattan’s average price per SF increased by 24%
- Since the bottom of the market in 2010, values have increased by 90%
- Average pricing for retail properties is almost three times higher than the average for all properties in 2014

MANHATTAN – AVERAGE PRICE PER SF*

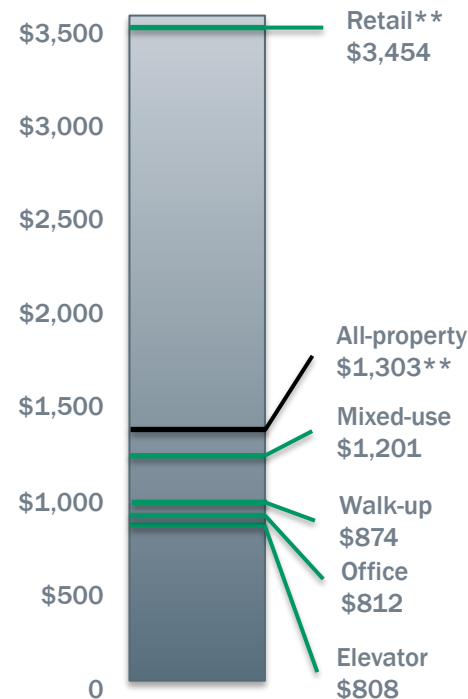


Source: Massey Knakal Research

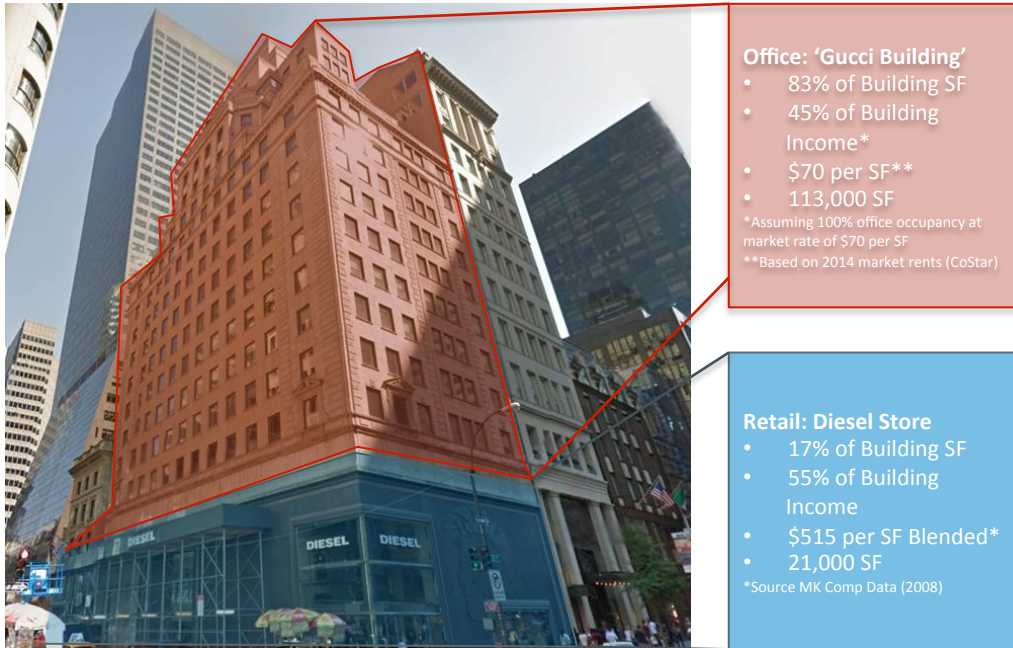
* Average of elevator, walk-up, mixed-use, office and retail

** 737 Madison Avenue (Chanel retail condo), which traded in 1Q14 for \$30,950 per SF is excluded

MANHATTAN – AVG PPSF 2014 YTD*



683 Fifth Avenue: The anatomy of a retail driven investment



Office: 'Gucci Building'

- 83% of Building SF
- 45% of Building Income*
- \$70 per SF**
- 113,000 SF

*Assuming 100% office occupancy at market rate of \$70 per SF

**Based on 2014 market rents (CoStar)

Retail: Diesel Store

- 17% of Building SF
- 55% of Building Income
- \$515 per SF Blended*
- 21,000 SF

*Source MK Comp Data (2008)

- Retail properties are a major driver of sales activity and price increases in New York
- Recent examples of large scale sales include:
 - WTC retail (\$800M, \$4,384 per SF)
 - 760 Madison (\$282M, \$7,036 per SF)
 - Chanel condo (\$124M, \$33,000 per SF)
- Further substantial sales are in the pipeline:
 - St Regis retail condo (\$700M, \$28,000 per SF)
 - 432 Park Avenue retail condo (\$450M, \$6,015 per SF)
- Aside from pure retail properties, retail is playing a major role in office sales as the value per SF is much higher in retail than in office space. Recent examples are:
 - 650 Madison Avenue (\$1.3B, \$2,155 per SF)
 - 450 Park Avenue (\$546M, \$1,632 per SF)
 - **683 Fifth Avenue (\$460M, \$3,427 per SF)**

Source: Massey Knakal Research

Manhattan retail performance fuels investment

- In prime and emerging prime corridors retail rents have increased considerably over the last two years
 - This is based on a number of factors:
 - Certain retailers **have to be** in certain locations of certain cities - prime Manhattan is one of those
 - Having a store in these locations is not only important for sales purposes but those stores are used as a brand building and/or marketing tool
 - Record high tourism numbers are strongly supporting retailers in the city
 - Elevated rents in prime corridors force retailers to rent space in the next best locations: the 'edge-of-prime' locations
 - Rents in those prime and edge-of-prime locations have begun to experience increased rental growth elevating property values
- ➔ **Trend of retail driving sales is spreading**

MANHATTAN – ASKING RENT*		
Prime retail corridor	2014	% from 2012
Fifth Avenue: 49 - 59 St	\$3,550	29%
Broadway & 7 Avenue: 42 - 47 St	\$2,407	72%
Madison Avenue: 57 - 72 St	\$1,643	37%
West 34 St: 5 - 7 Avenue	\$883	58%
Manhattan	\$139	22%

* Source: REBNY, average asking rents, ground floor, Spring 2014

