

New York, New York

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

The financial troubles facing Europe, the gyrations of the stock market, and the slow growth of the national economy each have contribute to dampened consumer confidence. Although corporate profits are up, hesitancy seems to be the watchword regarding business expansion.

The effects of the recession along with the lack of recovery in key industries have pushed more and more landlords into financial distress. As rents have dropped by as much as 40% - and sometimes more - many landlords who purchased or refinanced in the 2005 to 2007 period are unable to meet debt service that was based upon much higher rents. The difficulty in filling buildings with tenants coupled with lower rents has caused many owners to default on loans. Lenders and special servicers have become much more involved with numerous Manhattan properties than in the past.

Market Trend

Midtown

- The class A availability rate decreased from 14.9% to 14.1% in the last quarter. Asking rents for class A increased 2.5% to \$63.32/RSF.
- The class B availability rate decreased to 12.8%, with rents rising to \$46.54/RSF.
- There was positive net absorption for class A (1,232,816 RSF) and a negative net absorption for class B (-331,479 RSF).

Midtown South

- The class A and B availability rate rose nominally from 11.5% to 12.0% with rents increasing from \$39.94/RSF to \$43.23/RSF.
- Net absorption is 506,812.

Downtown

- The class A availability rate increased from 15.8% to 17.2%, with rents rising from \$37.77/RSF to \$39.08/RSF.
- The class B availability rate increased from 13.7% to 14.6% with rents rising nominally from \$33.41/RSF to \$34.32/RSF.
- There was positive net absorption for class A (131,038 RSF) and negative absorption for class B (-182,057 RSF).

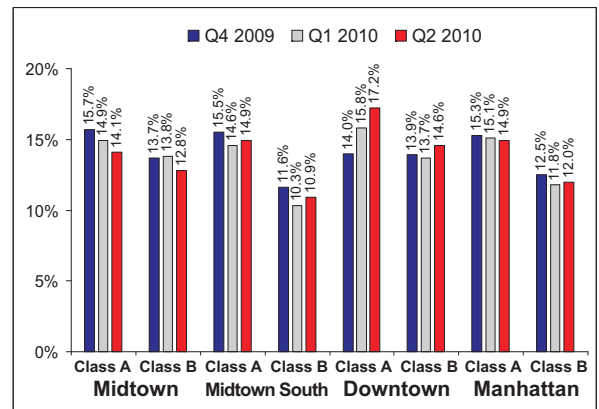
Tenant's Perspective

Tenants must exercise much greater landlord due diligence when shopping for space in order to understand the financial viability of a property. On the other hand, tenants now have the opportunity to move into higher quality space at more reasonable terms than was affordable only a year or two ago. The net result is that the tenant remains in the driver's seat and will for quite a while.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
HSBC Bank	629,006	Office	Lease
Proskauer Rose L.L.P.	406,399	Office	Lease
Service Employees Int'l Union	276,000	Office	Lease
Tiffany & Co.	257,415	Office	Lease
Katz Media Group	175,650	Office	Lease
NY Liquidation Bureau	116,540	Office	Lease
New York City Gov.	79,810	Office	Lease
Korn/Ferry Int'l	75,574	Office	Lease
Elliott Associates, L.P.	75,000	Office	Lease
Pinebridge Investments	72,647	Office	Lease

Vacancy Rate



Average Rental Rates

Area	Class	Q4 2009	Q1 2010	Q2 2010
Midtown	Class A Office	\$64.19	\$63.67	\$65.96
	Class B Office	\$46.77	\$47.49	\$46.54
Midtown South	Class A Office	\$45.63	\$43.53	\$49.64
	Class B Office	\$40.15	\$37.95	\$39.15
Downtown	Class A Office	\$41.26	\$37.77	\$39.08
	Class B Office	\$35.41	\$33.41	\$34.32
Manhattan	Class A Office	\$57.60	\$54.94	\$55.14
	Class B Office	\$40.76	\$39.61	\$39.89

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