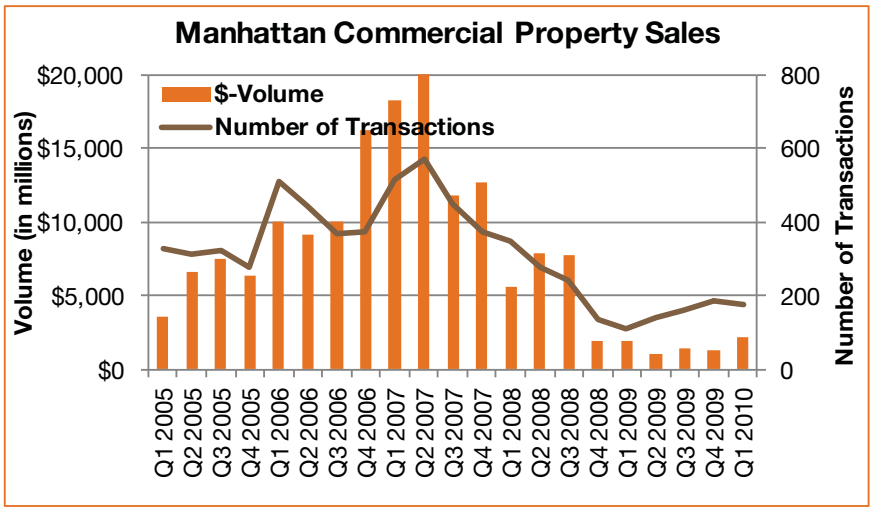
Manhattan Commercial Property Sales Report

First Quarter 2010

Manhattan Commercial Property Sales Market Shows Marked Improvement in First Quarter

Outlook Remains Positive

The Manhattan commercial property sales market showed considerable improvement in the first quarter as the dollar volume of sales increased by 63%. Preliminary estimates show that total volume for the quarter was $2.35 billion, up from $1.4 billion and $1.5 billion in the last two quarters of 2009. Though volume is still way off that of 2006 and 2007, it is more in line with that of 2001 and 2002 when volume averaged $10 billion annually.

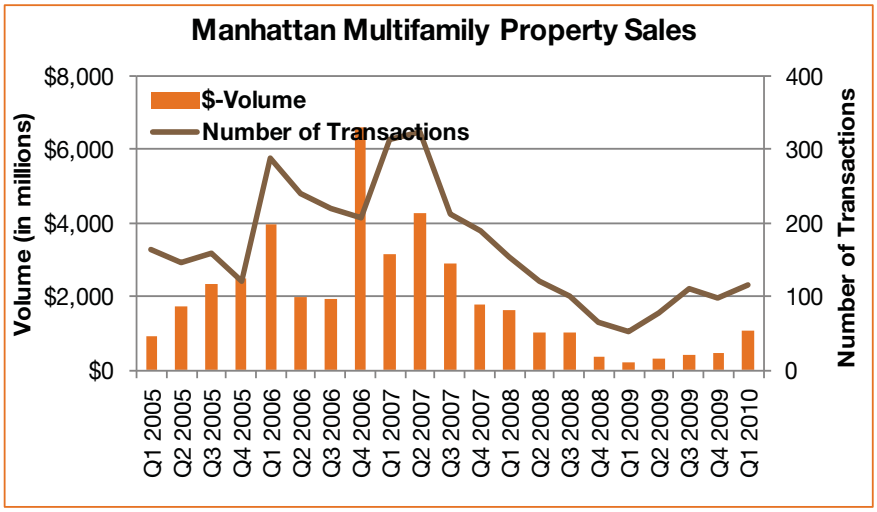


Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

The chart at left shows that the number of transactions declined in the quarter, but this was due to the unusual surge in office condominium sales in the fourth quarter of 2009. Most of those office condominium sales were small, averaging close to $1 million or $1,000 per square foot.

Multifamily

The volume of multifamily property sales more than doubled in the first quarter to $1.15 billion, up from $470 million in the fourth quarter of 2009.



Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

The number of transactions increased slightly to 108 from 98 last quarter which means that more large properties traded in the first quarter than in previous quarters. Indeed, five multifamily buildings traded for more than $100 million in the first quarter, three of which were sold in one transaction from Macklowe Properties to Sam Zell's Equity Residential.

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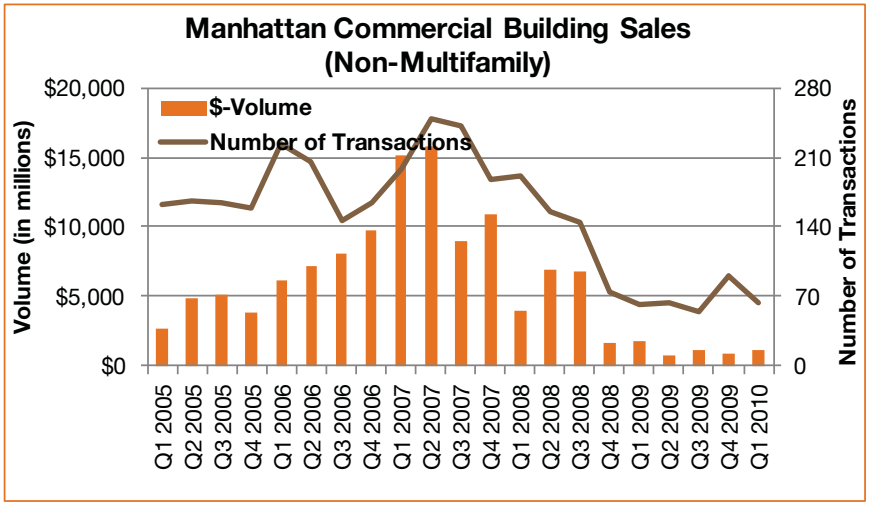
These three buildings traded for $475 million or $545 per square foot. In 2009, not one multifamily property traded above $100 million. The average price paid per square foot for multifamily properties was $260 which was in-line with previous quarters.

Non-Multifamily Commercial Sales

The volume of non-multifamily commercial sales was $1.2 billion in the quarter, up from $940 million in the fourth quarter of 2009 and $1.1 billion in the third quarter.



The number of transactions decreased sharply to 54 from 95 last quarter due to the high volume of office condo sales in the fourth quarter.

**Preliminary Estimates*
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

The largest transaction of the quarter was CIM Group's purchase of the Drake development site at 434 Park Avenue for $305 million. The loan on the site was in special servicing. Macklowe Properties had been the original developer.

The numbers convey what most have felt in the industry since the end of 2009: the market has turned the corner as a number of banks are starting to off-load properties and the gap between what sellers are seeking and buyers are willing to pay has narrowed somewhat. Volume is expected to increase throughout 2010 as more banks and owners of distressed properties consider shedding their inventory.

According to Chairman and CEO Peter Hauspurg, "pricing expectations are more aligned than they were six months ago. We expect volume to grow given the pent-up energy in the market."

— **Barbara Byrne Denham, Chief Economist, Eastern Consolidated**

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