Manhattan Commercial Property Sales Report

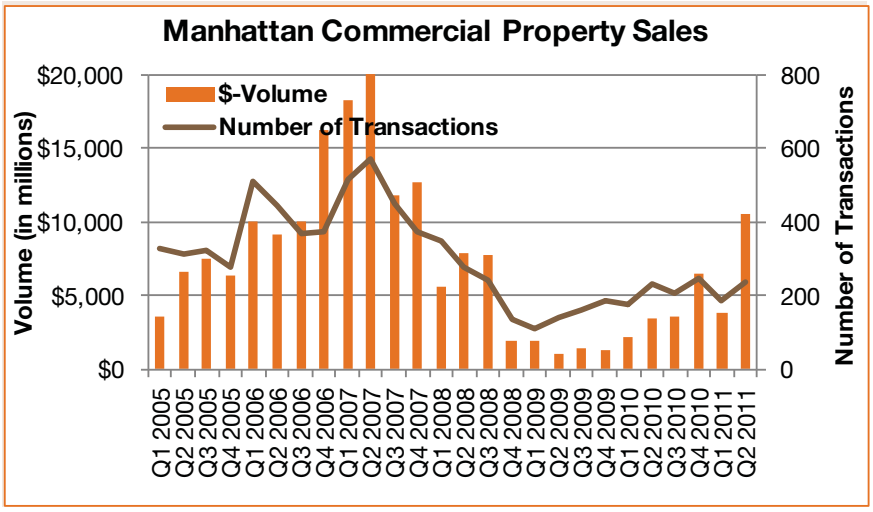
Second Quarter 2011

Manhattan Commercial Property Sales Jump In Second Quarter

Volume More Than Doubles Over Q1 2011 And Is The Highest Since 2007

After a slow first quarter, the property sales market came alive in the second quarter as over $9.4 billion in transactions were closed. The jump was due to an increase in large transactions: 25 transactions of $100 million or more closed in the quarter up from 11 in the first quarter.

The enclosed report shows how the property sales market fared by property type. Most of the results show a sharp increase in volume compared to last quarter.



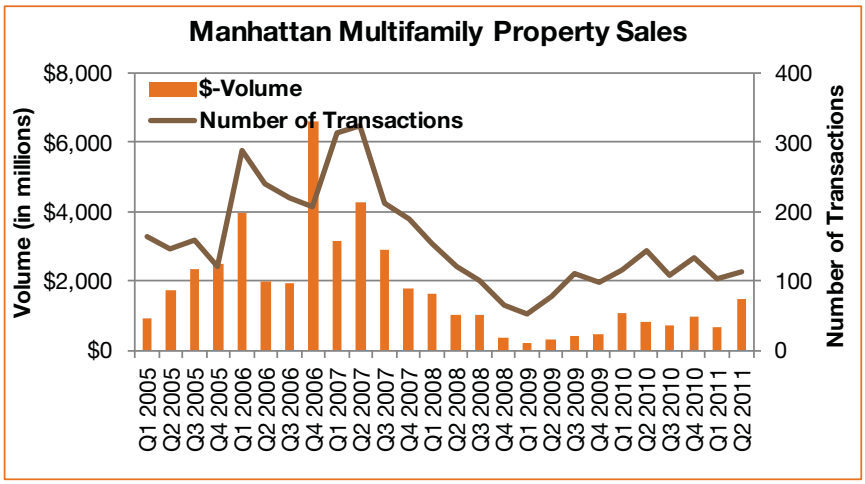
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

Of the 25 sales of $100 million or more, 14 were office buildings, four were multifamily sales, five were hotels and two were land or conversion sales.

Despite the jump in dollar volume, the number of transactions was the same as in the first quarter: 187.

These numbers are still preliminary, some transaction data comes in weeks after the quarter closes, but these results show that the market indeed accelerated in the quarter.

Multifamily



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

The volume of multifamily property sales nearly doubled to $1.3 billion from $665 million last quarter and $966 million in the fourth quarter of 2010. Last year, the quarterly average volume was $893 million.

The number of transactions fell to 85 from 103 in the first quarter.

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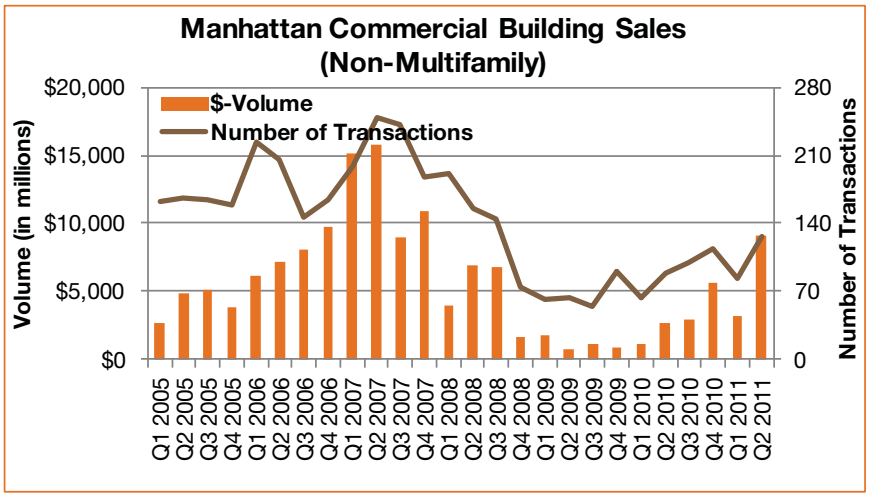
The average price paid for multifamily properties jumped to $513 per square foot, up from $380 last quarter and $400 in the fourth quarter of 2010. The higher price was due to the larger sales.

The biggest sale in the quarter was 10 Hanover Square that sold for $259.8 million or $533 per square foot. The Witkoff Group sold the building to UDR, Inc. Also, "The Corner" or 200 West 72nd Street sold for $209 million or $1,029 per square foot. TIAA-CREF bought the residential-only portion of the building from Philips International and Rhodes Associates. Also on the Upper West Side, LaSalle Investment Management bought 601-615 Amsterdam Avenue, "The Sagamore," for $139.1 million square feet. In the first quarter, there was only one transaction of $100 million or more.

Non-Multifamily Commercial Sales



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

The volume of non-multifamily sales increased 152% in the second quarter to $8.1 billion from $3.2 billion in the first quarter.

The number of transactions climbed to 102 in the second quarter from 84 in the first quarter.

The office market drove the gains in the second quarter, but development sites and hotels sales grew as well. Only retail saw a drop in activity.

The largest transaction in the quarter was the sale of 1633 Broadway. Paramount Group purchased the remaining 49% interest that it had not owned from Bank of America and Morgan Stanley for $980 million. Also Monday Properties transacted a $750-million recapitalization and refinancing of the former Helmsley Building, 230 Park Avenue, through INVESCO. The building had been co-owned by Monday Properties and Goldman Sachs.

The results by property type vary somewhat as shown below. Only retail property sales saw a decrease in volume in the second quarter but this was due to two significant sales in the first quarter.

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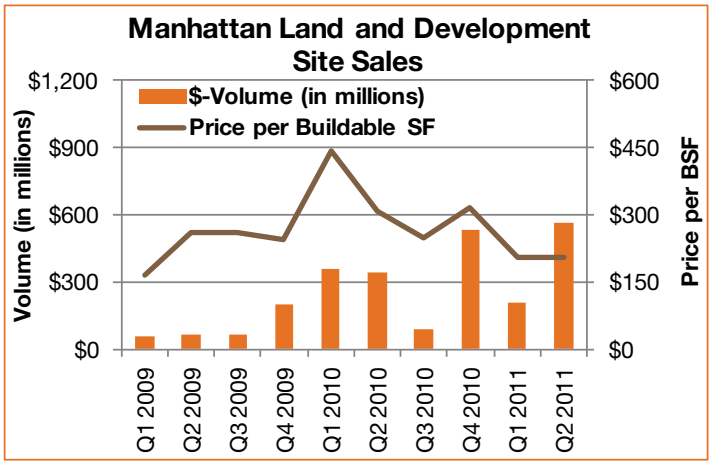
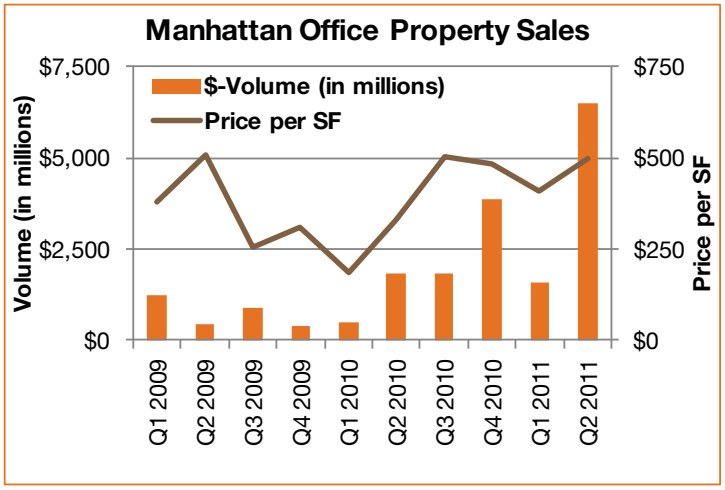


*Preliminary Estimates
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

Development site sales jumped to $690 million from $212 million in the previous quarter and $535 million in the fourth quarter of 2010.

These sales include two major conversion projects: Young Woo & Associates sold 70 Pine Street to Metro Loft Management for $205 million or $186 per square foot, and the Toy building at 1107 Broadway sold for $190.8 million or $588 per square foot. The Witkoff Group bought the building at auction and plans to convert it to residential condos.

The average price paid in the quarter increased to $250 per buildable square foot from last quarter's average of $204.



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

The volume of office transactions increased more than three-fold to $5.5 billion from $1.6 billion in the first quarter. It also outpaced the fourth quarter's volume of $3.8 billion that included Google's $1.77-billion purchase of 111 Eighth Avenue.

The average price paid increased to $492 per square foot up from $410 per square foot in the first quarter.

The number of transactions increased to 45 from 40 in the previous quarter.

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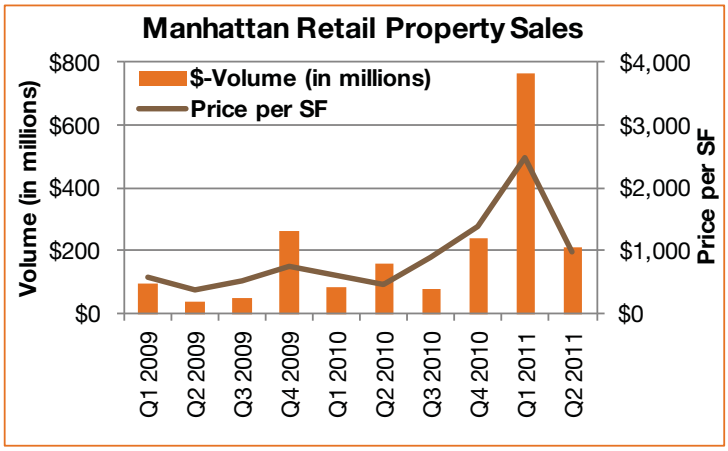
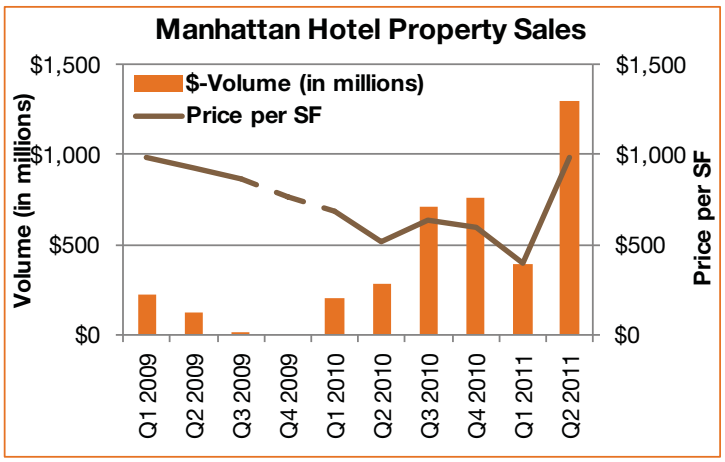


**Preliminary Estimates*
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

The volume of retail property sales fell to $213 million in the second quarter from $766 million last quarter. The heavy volume in the first quarter was due to the retail condo at 666 Fifth Avenue. This sale pushed the average price paid to $1,754 per square. In the second quarter, the average price paid fell to $1,090 per square foot.

The largest sale in the quarter was the $55- million sale of Loehman's apparel store retail space at 101 Seventh Avenue. Loehman's lease expires in March 2016.



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The volume of hotel sales climbed to $1.26 billion from $360 million in the previous quarter and $760 million in the fourth quarter of 2010. The average price jumped to $1,022 per square foot from $370 per square foot last quarter.

There were only six hotel sales in the quarter, but all but one traded for more than $100 million and five also traded for more than $1,000 per square foot including the Yotel at 570 Tenth Avenue, the Paramount Hotel at 235 West 46th Street, the Radisson Hotel on Lexington and the Four Points by Sheraton in Times Square.

These second quarter results follow more than two years of an anemic market and an especially weak first quarter. Much of the growth was due to sellers coming to the market as well as an accommodating finance environment that has eased transaction costs.

According to President, Daun Paris, "Investor demand for Manhattan office assets has far outstripped supply for several years, and as a result, cap rates have dropped to historic lows for this class, that is 4% - 6%, which has finally drawn sellers into the market."

— Daun Paris, President, Eastern Consolidated

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