Manhattan Commercial Property Sales Report

Third Quarter 2011

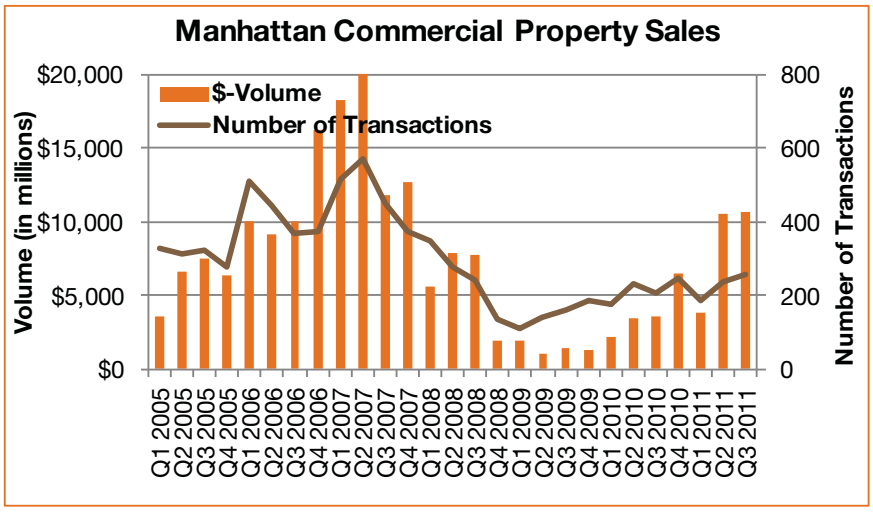
Manhattan Commercial Property Sales Hold Steady In Third Quarter

Multifamily Volume Jumps 49% Over Q2 2011 And Is The Highest Since 2007

Driven by a surge in multifamily building trades, the Manhattan property sales market stayed strong in the third quarter as $9.8 billion in sales were closed, which was a slight decline from last quarter's $10.7 billion. However, the current numbers are preliminary and will likely be revised upwards as more transaction data – generally recorded with a delay – trickles in.

The volume of sales tends to slow in the summer months. Yet given the gyrations in the stock market after Standard and Poors downgraded the U.S. debt, the prolonged uncertainty from the negotiations on lifting the U.S. debt ceiling and the ongoing risks stemming from the European debt crisis, it is rather remarkable that the commercial sales market did as well as it did last quarter. As per President, Daun Paris, "Investor confidence did not waver much over the last six months. Moreover, many owners are looking to refinance given the low interest rate environment."

The enclosed report shows how the property sales market fared by property type. Aside from multifamily, which we analyze by neighborhood, most of the results show a slight decrease compared to last quarter.



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

This quarter, there were only 21 sales of $100 million or more. Last quarter, there were 27 transactions of that magnitude, 14 of which were in the office market. This quarter only 9 office transactions of $100 million or more have closed.

The number of transactions declined to 231 from 241 last quarter. While more transaction data may get recorded for the third quarter, these results show that the market slowed somewhat.

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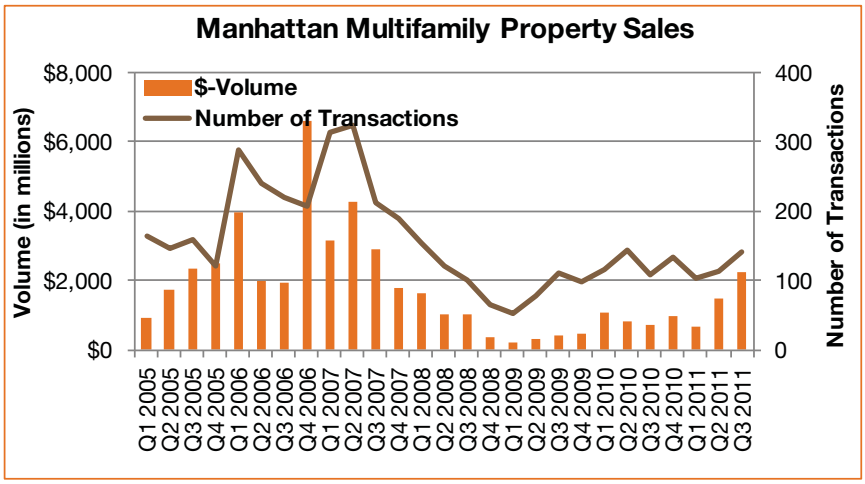
Multifamily

Sales of multifamily properties jumped 49% in the third quarter to $2.2 billion. This is triple the volume from the third quarter in 2010, $720 million. While the number of sales jumped from 115 in the second quarter to 137, the average transaction size grew from $13 million to $16 million in the third quarter.



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

The average price per square foot increased as well from $488 in the previous quarter to $572 in the third quarter.

This price increase was due to the significant shift in the breakdown of sales by neighborhood; that is the third quarter had fewer transactions in Upper Manhattan and more in the Upper East Side and the Village.

Three of the largest sales in the quarter involved UDR, Inc. This Colorado-based REIT purchased Rivergate Apartments at 401 East 34th Street for $443 billion and 21 Chelsea, at 120 West 21st Street, for $138 million. It also purchased 95 Wall Street for $325 million from The Moinian Group. The Rivergate sale worked out to more than $500 per square foot, the 21 Chelsea sale was close to $800 per square foot and 95 Wall Street closed at just over $600 per square foot. Another significant sale was Macklowe Properties purchase of 737 Park Avenue for $253 million or more than $1,000 per square foot.

Because the dollar volume of multifamily sales increased more sharply than the number of transactions, we thought a deeper look into the statistics was warranted. Indeed, the number of transactions in Upper Manhattan declined over the last three quarters while the number in the Village and the Upper East Side increased significantly as shown in the charts below.

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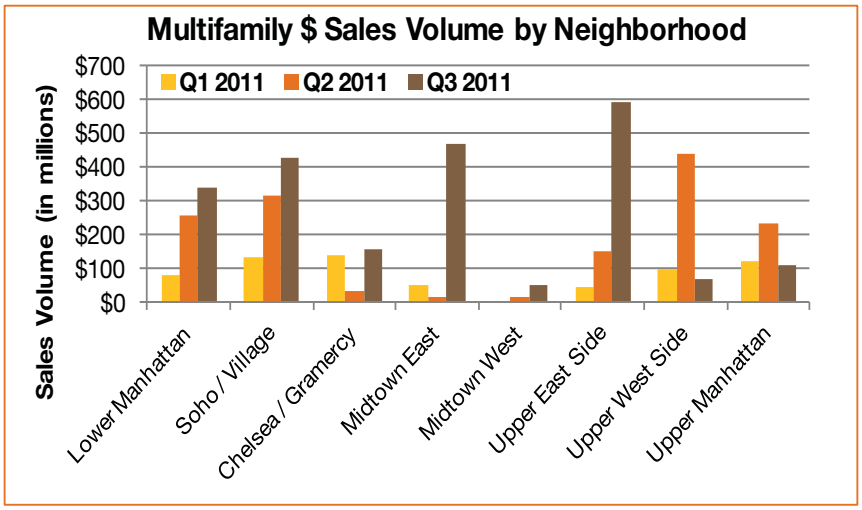
Manhattan Commercial Property Sales Volume Slows in Fourth Quarter

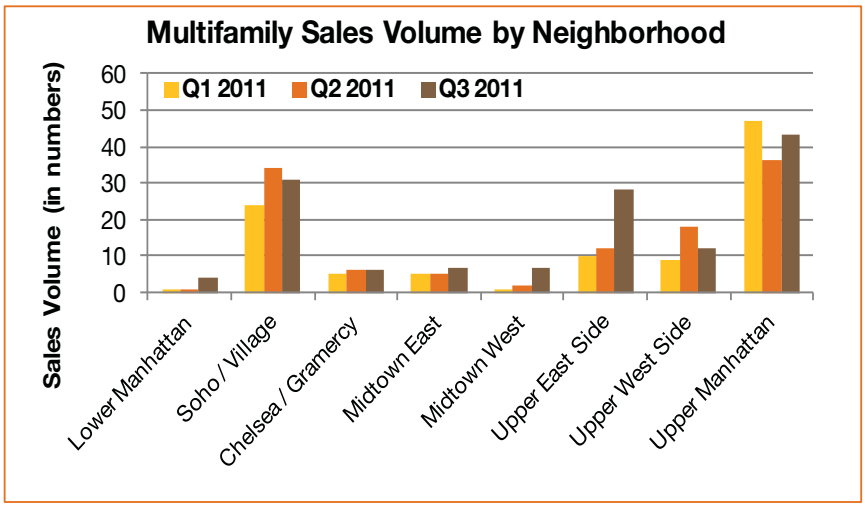
Far Fewer Large Transactions but Overall Number of Sales Declines Only 5%



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

Most neighborhoods saw an increase in dollar volume over the last two quarters except for Upper Manhattan and the Upper West Side.

The large sales mentioned above stand out in the Upper East Side, the Village, Midtown East and Lower Manhattan.



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A look at the number of transactions by neighborhood shows the clear reduction in volume in Upper Manhattan.

The increase in volume in the Village and Upper East Side weighed more heavily in the overall average price per square foot.

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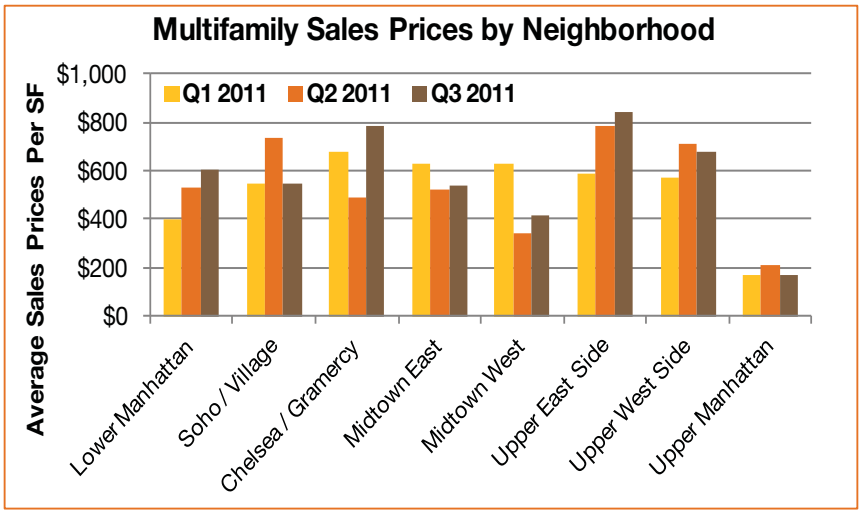
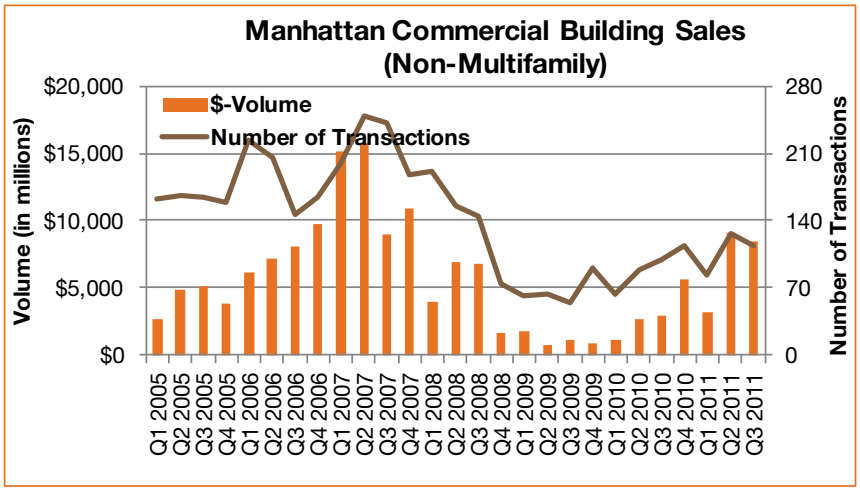


*Preliminary Estimates
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

While factors such as retail space, vintage and the percent of free market units have a considerable impact on the price of real estate, prices by neighborhood differ notably as demonstrated by the charts at left.

Moreover, most neighborhoods recorded a steady increase in the price paid per square foot from the first through the third quarter except for Midtown East and West.

Non-Multifamily Commercial Sales



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

The volume of non-multifamily sales declined from $9.2 billion in the second quarter to $7.5 billion in the third quarter.

The number of transactions fell from 126 to 94 in the third quarter.

The office market that drove the gains in the second quarter, pulled the volume down this quarter, although hotels sales declined as well. Development sites sales soared in the quarter

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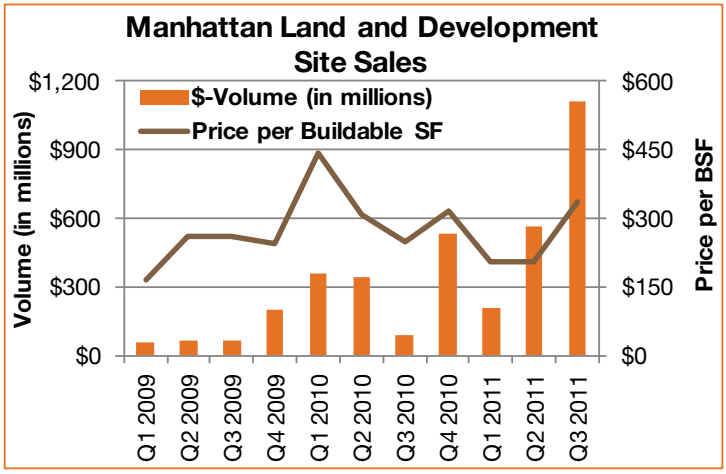
These disappointing results follow two strong quarters, but the seeds of uncertainty had been planted last summer when activity started to slow following the negotiations on the U.S. debt ceiling. Sentiment fell even further in the fourth quarter as Europe released more reports of debt crises in several countries. While S&P's downgrade of many European countries last week cast more clouds on the outlook, Manhattan's investment market will likely benefit as investors shift funds away from the troubled continent and towards the U.S. We expect the U.S. economy to continue to improve steadily, which will yield higher sales volume in the quarters to come.



**Preliminary Estimates*
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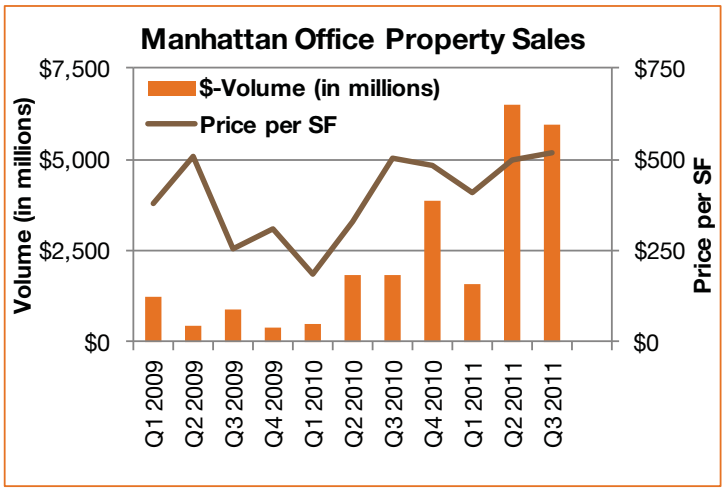
Development site sales rose from $756 million to $1.1 billion in the third quarter.

The largest sale was Rudin Management's purchase of the St. Vincent's hospital site at 7-15 Seventh Avenue for $260 million. Also, the Witkoff Group purchased of 1101-1113 Broadway, the Toy Center North building. Witkoff plans to convert the vacant building to condominiums. Finally, Extell Development Company bought 131-139 West 45th Street for $123 million.

The average price paid in the quarter increased from $250 to $350 per buildable square foot.



**Preliminary Estimates*
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The volume of office transactions fell from $6.4 billion to $5.1 billion. The quarter volume still exceeded the fourth quarter's numbers when Google purchased 111 Eighth Avenue for $1.77 billion.

The average price paid declined slightly from $505 to $490 per square foot.

The number of transactions fell from 58 to 43; however, these include office condos that can skew the numbers.

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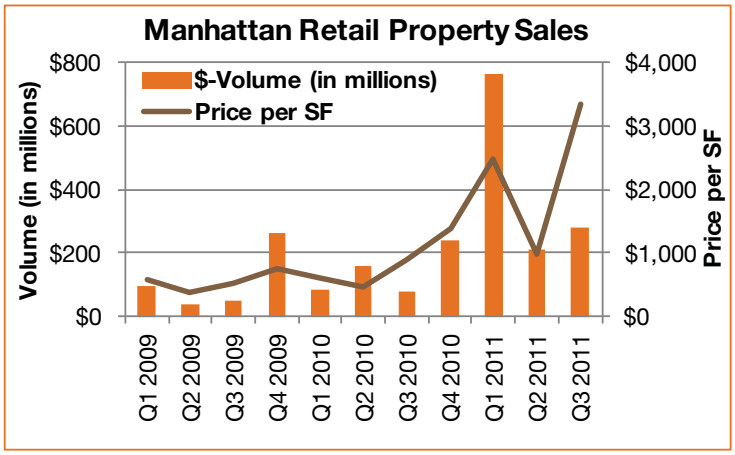
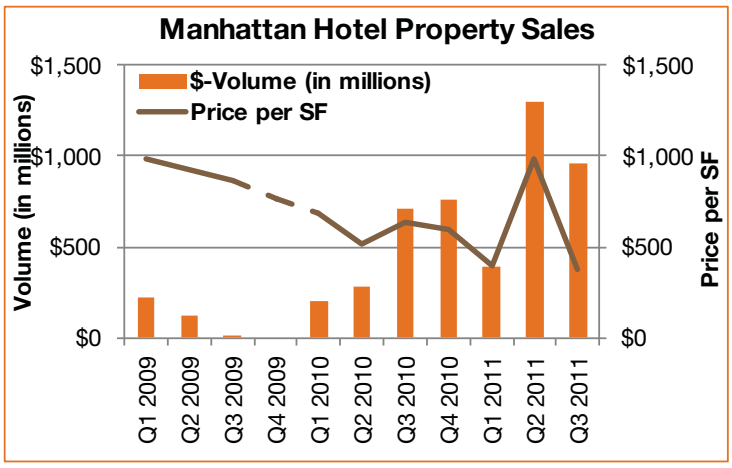


**Preliminary Estimates*
Source: Eastern Consolidated, Property Shark, CoStar and NYC Department of Finance

The volume of retail property sales was little changed at $220 million in the third quarter. The number of transactions fell from 19 to 16.

The price per square foot jumped due to the sale of 1552 Broadway in Times Square, at Duffy Square, one of the most heavily trafficked corners in the city, if not the world. While the property measures less than 15,000 square feet, it allows for signage above that raises the value of the property appreciably.



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The volume of hotel sales declined from $1.26 billion to $958 million in the third quarter.

There were five hotel sales in the quarter, down from seven last quarter, but only three sales of $100 million or more were closed: the Carlyle, the New York Palace Hotel and the Affina Hotel collection of six Midtown hotels. Last quarter, there were five trades of $100 million or more.

These robust third quarter results prove that the commercial investment sales market remains healthy and should withstand the challenges stemming from the global financial uncertainty. We expect the next few quarters to maintain this momentum. These results also show a noticeable shift in both the size of transaction and the breakdown by neighborhood, patterns that should also continue for the foreseeable future.

— Daun Paris, President, Eastern Consolidated

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