

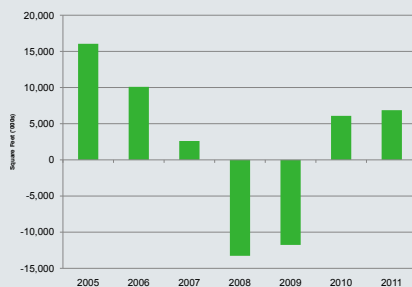


NEW YORK METRO OFFICE

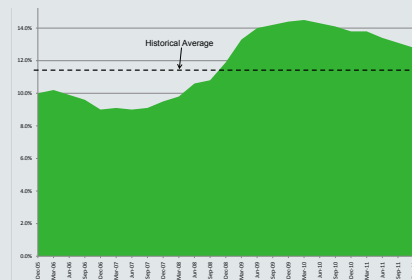
Economic Indicators

	Q4 11	Q4 10
NYC Metro Employment	8.44 M	8.42 M
NYC Metro Unemployment	8.3%	8.4%
U.S. Unemployment	8.5%	9.4%
U.S. CCI	64.5	52.5

Net Absorption



Vacancy Rate



Market Tracker

*Arrows = Current Qtr Trend

▼ Vacancy
12.8%

▼ Net Absorption
296,465 SF

◀ Deliveries
0 SF

▲ Asking Rent
\$40.98

A Season on the Brink

As the ball dropped in Times Square, the New York City metro market witnessed the tip-off of a New Year, following a 2011 that began with much promise, but ended with much in doubt. From Park Avenue to Pennsylvania Avenue, the economy (and its uncertainty) continued to dominate the discussion with the euro's future and presidential election both up for grabs like a loose ball at Madison Square Garden. Amid the brinkmanship spanning Europe to Capitol Hill, prominent developers and tenants in the market have adjusted their strategies, evident in the larger commercial office REITs delving into multi-family and major companies consolidating locations. As the situation abroad and at home remains fluid, so must the gameplans of firms as well.

Across the metro area, smaller deals with a smattering of the flashier 100,000-sf plus transactions characterized leasing activity, with volume slowing considerably over the last three months of 2011. In turn, overall availability increased or remained flat in six (6) of the eight (8) metro markets, with Fairfield, Westchester, and Nassau counties holding the highest vacancies. On the flip side, average asking rents escalated in six (6) out of the eight (8) submarkets, paced by rises in Midtown South and Midtown.

Surveying the suburban markets, the Westchester market has slowed to a crawl, with Platinum Mile along I-287 reinventing itself into more mixed-use to stay competitive. Stamford, meanwhile, has expanded its presence in the sports realm significantly over the last several months, with NBC Sports agreeing to relocate from Midtown Manhattan to 265,000-sf at 1 Blachley Road, on the heels of Chelsea Pier's decision to build a new 400,000-sf complex on the former Clairol site as well. Lastly, Brooklyn's MetroTech Center has been a hub of activity in the outer boroughs, with both Deutsche Bank and the New Jersey Nets (among others) inking new leases.

Turning to investment sales, commercial transactions eased slightly over 4Q11. Ownership interests of core assets have generally been preferred over outright purchases, due to pricing, uncertainty in the global economy, and difficulty to receive extensive financing. "Non-Midtown" properties have seen some action as well, particularly in the form of residential/hotel conversions. Going forward, the pulse of the sales market will be found through an increase in listed properties and traction in the lending environment.

Forecast

- Average asking rents should rise incrementally in Midtown South, bolstered by the tech/new media sector, as well as in Midtown, due to high floor space in trophy towers.
- Vacancies will remain elevated in the suburban markets, while Midtown South should bounce back after a 4Q11 climb.
- Despite recent stumbles in the office and non-office sectors, job creation for NYC will generally continue to outperform most of the country; issues moving forward revolve around financial services industry.
- Expect larger transactions to be tied to new construction, with Related's Hudson Yards, BXP's 250 West 55th Street, and Brookfield's Manhattan West developments generating some momentum in 2012.

Cassidy Turley Office Market Snapshot

New York • Fourth Quarter • 2011

SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (ALL CLASSES)	AVERAGE ASKING RENT (CLASS A)
Midtown Manhattan	952	259,363,120	7,031,606	22,975,408	11.6%	605,384	(59,446)	2,248,000	\$58.68	\$70.85
Midtown South Manhattan	800	98,885,596	1,344,870	8,061,871	9.5%	28,609	2,432,308	430,000	\$41.91	\$54.71
Downtown Manhattan	252	91,743,730	1,418,993	8,212,687	10.5%	(13,346)	2,055,938	7,400,000	\$37.99	\$42.52
Outer Boroughs	1252	70,833,635	762,840	7,760,485	12.0%	(66,837)	1,025,256	0	\$27.95	\$29.60
Westchester County, NY	614	41,491,472	984,012	6,996,283	19.2%	(85,172)	(327,517)	0	\$26.28	\$28.79
Fairfield County, CT	1025	57,929,636	1,481,815	10,292,309	20.3%	(110,603)	941,352	75,000	\$31.39	\$33.91
Nassau County, NY	910	41,369,781	464,248	6,258,169	16.2%	(265,257)	344,663	0	\$27.57	\$29.94
Suffolk County, NY	729	28,979,240	276,038	4,214,625	15.5%	203,687	452,430	0	\$23.17	\$24.98
NY METRO MARKET TOTALS										
Class A	837	333,532,487	9,178,959	34,482,889	13.1%	-1,170,731	3,276,771	10,153,000	N/A	\$48.69
TOTAL	6,534	690,596,210	13,764,422	74,771,837	12.8%	296,465	6,864,984	10,153,000	\$40.98	N/A

Key Lease Transactions 4Q11

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2 and 4 World Financial Center	767,000	Bank of America Merrill Lynch	Renewal	World Trade
1301 Avenue of the Americas	330,000	Crédit Agricole	Renewal	Rockefeller Center
100 Church Street	280,000	NYC Law Department	Renewal	World Trade
1 Blachley Road	265,000	NBC Sports	Relocation	Stamford
330 Madison Avenue	186,000	Guggenheim Partners	Relocation	Grand Central
3 Columbus Circle	125,000	Young & Rubicam	Relocation	Midtown West
4 MetroTech Center	50,000	Deutsche Bank	New	Brooklyn

Key Sales Transactions 4Q11

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
195 Broadway	1,052,000	L&L Holding JV GE Pension Trust / Beacon Capital Partners	\$280 million or \$266/sf	World Trade
Two Grand Central Tower	636,223	Boston Properties / Rockwood Capital	\$401 million or \$630/sf	Grand Central
33 Maiden Lane	623,000	Invesco Real Estate / Vornado Realty Trust	\$210 million or \$337/sf	Financial
650 Madison Avenue	600,000	CIC, Carlyle Group, Ashkenazy Acquisition Corp, AREA Property Partners / Alaska Permanent Fund Corp	\$900 million or \$1,500/sf; 49% interest; price reflects 100% valuation; under contract	Plaza
3 Columbus Circle	214,000	SL Green JV Moinian Group/WPP Group	\$144 million or \$672/sf; under contract	Midtown West

About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with more than 3,400 professionals in more than 60 offices nationwide. The company represents a wide range of clients—from small businesses to Fortune 500 companies, from local non-profits to major institutions. The firm completed transactions valued at \$18 billion in 2010, manages 455 million square feet on behalf of private, institutional and corporate clients and supports more than 25,000 domestic corporate services locations. Cassidy Turley serves owners, investors and occupiers with a full spectrum of integrated commercial real estate services—including capital markets, tenant representation, corporate services, project leasing, property management, project and development services, and research and consulting. In 2010, the firm enhanced its global service delivery outside of North America through its partnership with GVA. Please visit www.cassidyturley.com for more information about Cassidy Turley.

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