

Office Market Trends Manhattan

Grubb & Ellis Research

March 2009



Recent Lease Transactions

Polo Ralph Lauren
renewed 206,000 sf at
650 Madison Avenue

Kirkland & Ellis
expanded into 120,060 sf at
153 East 53rd Street

Daiwa Securities America
renewed 112,000 sf at
32 Old Slip

Dickstein & Shapiro
leased 102,000 sf at
1633 Broadway

Stifel, Nicolaus & Company
subleased 58,654 sf at
237 Park Avenue

Tenants Gain Opportunities

The changes in Manhattan's commercial real estate market are creating multiple leasing options for tenants. Through the first two months of 2009, the vacancy rate rose 90 basis points to 7.5 percent. Additional space is expected to be vacated throughout the year, as available space continues to hit the market and job losses continue to pile up throughout the nation. The increase in space options coupled with a decline in demand for space gives tenants facing real estate decisions over the next 24 months extra leverage in most negotiations. The financial positions of individual landlords and the declining value of their properties is also creating opportunities for tenants to renegotiate leases well in advance of expiration and secure long-term commitments at favorable rates.

In February, the U.S. lost an additional 651,000 jobs bringing the cumulative loss to over 4 million since the national recession began in December of 2007. The unemployment rate is at 8.1 percent, its highest level since 1983. New York City contributed its share to national unemployment, shedding 85,000 jobs since the local labor market peaked in August of 2008. With job growth as the primary driver for real estate, and with the recorded job losses escalating each month, available space reached 47.7 million square feet, the highest level since April of 2004. An increase in supply and decrease in demand will continue to put downward pressure on landlords to drop asking rents. Landlords are also competing with an influx of available sublease space, which more than doubled in the past year to 14 million square feet.

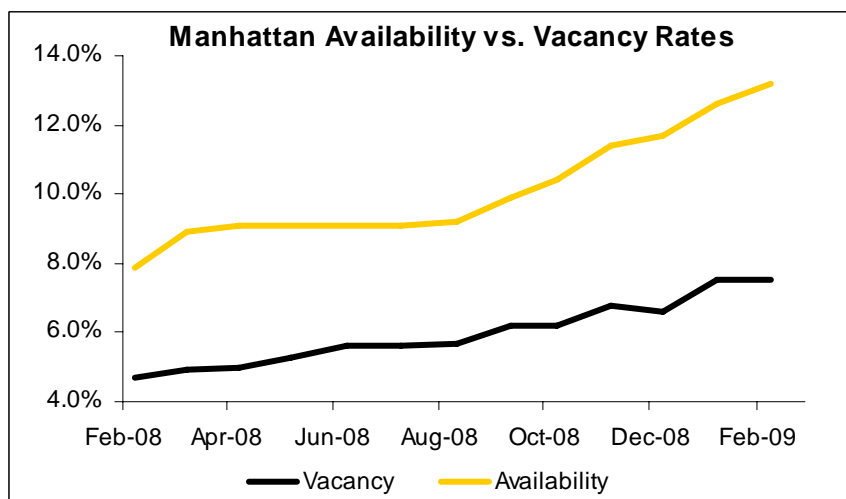
In the past 12 months, the overall sublease asking rental average in Manhattan plummeted by 14 percent to \$51.98 per square foot. In comparison, landlords adjusted direct average published asking rents by only 8 percent over the same time period, to \$69.00 per square foot. On average, taking rents (actual rental rate at lease commencement) are now negotiated as much as 35 percent off the quoted asking rent. Tenant concessions are reaching levels last seen in 2002 and 2003, making the net cost of transactions an average of \$15.00 per square foot less than one year ago.

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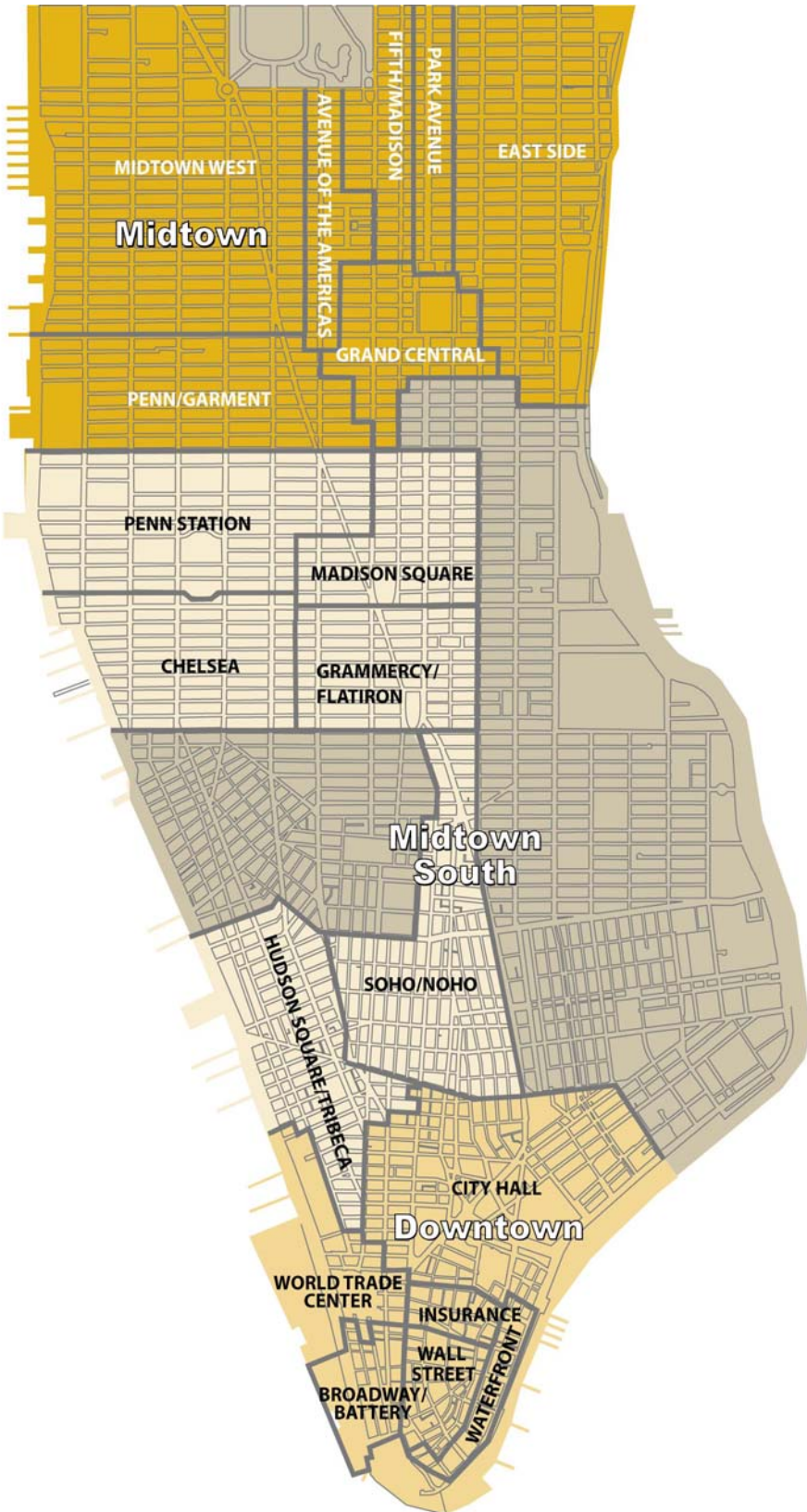
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Manhattan Office Markets



Midtown

RBA: 210,687,024

Vacant Space: 15,815,310

Vacancy: 7.5%

Direct Asking Rent (All Classes): \$79.92

Midtown South

RBA: 74,017,663

Vacant Space: 5,561,668

Vacancy: 7.5%

Direct Asking Rent (All Classes): \$52.47

Downtown

RBA: 76,050,771

Vacant Space: 5,745,041

Vacancy: 7.6%

Direct Asking Rent (All Classes): \$49.00

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By Submarket (All Classes)	Total SF ⁽¹⁾	Vacant SF ⁽²⁾	Vacancy Rate	Net Absorption		Under Construction ⁽³⁾	Asking Rent ⁽⁴⁾		
				Current Month	Year-to-date		Direct	Sublet	Total
Midtown									
Avenue of the Americas	38,168,382	2,146,971	5.6%	191,316	(207,757)	-	\$94.44	\$64.71	\$80.73
East Side	26,838,767	1,780,805	6.6%	(122,779)	(229,398)	-	\$67.69	\$51.81	\$60.90
Fifth/Madison	20,056,777	1,931,226	9.6%	(119,577)	(74,486)	350,000	\$106.25	\$63.71	\$93.72
Grand Central	41,923,107	3,755,173	9.0%	(4,437)	(998,163)	-	\$77.25	\$55.91	\$69.17
Midtown West	35,582,719	3,226,521	9.1%	50,978	(337,004)	1,155,550	\$73.99	\$57.01	\$67.81
Park Avenue	20,223,982	1,151,150	5.7%	(38,948)	(185,934)	-	\$93.49	\$78.89	\$87.81
Penn/Garment	27,893,290	1,823,464	6.5%	(44,883)	(271,538)	-	\$54.12	\$48.61	\$52.21
Midtown Total	210,687,024	15,815,310	7.5%	(88,330)	(2,304,280)	1,505,550	\$79.92	\$59.53	\$72.04
Midtown South									
Chelsea	5,925,380	184,425	3.1%	(20,518)	(20,518)	-	\$75.56	-	\$75.56
Gramercy Park/Flatiron	8,137,171	320,302	3.9%	(63,350)	(89,395)	-	\$54.17	\$39.99	\$47.41
Hudson Square/Tribeca	13,534,930	1,685,338	12.5%	(19,550)	286,113	-	\$45.50	\$32.73	\$40.70
Madison Square	19,811,834	1,970,445	9.9%	(61,084)	(227,268)	-	\$51.44	\$42.47	\$48.26
Penn Station	22,329,870	1,157,867	5.2%	163,544	(39,392)	-	\$49.90	\$45.78	\$48.04
SoHo/NoHo	4,278,478	243,291	5.7%	(4,947)	4,393	-	\$56.68	\$46.80	\$52.87
Midtown South Total	74,017,663	5,561,668	7.5%	14,613	(86,067)	-	\$52.47	\$42.10	\$48.43
Downtown									
Broadway/Battery Park	6,762,344	793,600	11.7%	(12,597)	29,392	-	\$43.34	\$27.28	\$36.92
City Hall	5,900,750	160,934	2.7%	2,755	(23,203)	-	\$39.57	\$38.00	\$39.15
Insurance	6,610,149	454,690	6.9%	(35,774)	(124,793)	-	\$42.71	\$33.00	\$40.34
Wall Street	22,356,499	1,382,515	6.2%	(56,865)	(165,963)	-	\$45.64	\$38.43	\$42.82
Waterfront	15,411,734	1,185,174	7.7%	(7,158)	(20,301)	-	\$54.20	\$38.87	\$47.52
World Trade Center	19,009,295	1,768,128	9.3%	94,937	(67,830)	4,600,000	\$61.41	\$44.35	\$52.06
Downtown Total	76,050,771	5,745,041	7.6%	(6,752)	(338,220)	4,600,000	\$49.00	\$38.47	\$44.62
Manhattan Total	360,755,458	27,122,019	7.5%	(80,469)	(2,728,567)	6,105,550	\$69.00	\$51.98	\$62.32
By Class									
(All Submarkets)							Available for Sublease		
Class A	207,377,232	14,769,051	7.1%	(69,604)	(2,164,635)	6,105,550	8,281,032		
Class B	123,312,530	10,131,794	8.2%	(150,825)	(844,293)	-	5,063,587		
Class C	30,065,696	2,221,174	7.4%	139,960	280,361	-	652,441		
Manhattan Total	360,755,458	27,122,019	7.5%	(80,469)	(2,728,567)	6,105,550	13,997,060		

(1) Inventory includes multi-tenant and single tenant buildings with at least 150,000sf

(2) Vacant space includes all space that is physically unoccupied and may or may not be available for lease.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year full service for all classes of space. Rates for each building are weighted by the size of the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported monthly and final year-end figures.

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