

Office Market Trends Manhattan

Grubb & Ellis Research

June 2009



GRUBB & ELLIS
From Insight to Results

Recent Lease Transactions

Geller & Company
leased 94,131 sf at
909 Third Avenue

Squire, Sanders & Dempsey LLP
leased 70,225 sf at
30 Rockefeller Plaza

Marcum & Kliegman LLP
leased 67,152 sf at
750 Third Avenue

Herzfeld & Rubin P.C.
leased 56,000 sf at
2 New York Plaza

Insight Communications
leased 34,640 sf at
810 Seventh Avenue

Lack of Tenant Demand

Through May, leasing activity in NYC is down 40 percent, with only 6.3 million square feet leased. Renewals account for 42 percent of the leasing activity, slightly up from the 38 percent of transaction in 2008. Average deal sizes have decreased by 30 percent from 16,600 square feet last year to 11,500 square feet this year. The financial services sector consistently accounted for 30 percent to 35 percent of the leasing activity in NYC from 2000 to 2007, but in 2008, this sector only accounted for 24 percent. In the first five months of 2009, leasing by the financial services sector dropped further, accounting for only 18 percent of the market activity. The professional services sector leads Manhattan's leasing activity with 31 percent of volume, with legal services accounting for 50 percent of the sector's activity. Midtown South's leasing velocity is down 60 percent compared to the 2.7 million square feet leased through May of last year with only 1.1 million square feet transacted in 2009. This is due to the lack of large transactions, since no new deals completed were greater than 35,000 square feet.

The overall office vacancy rate for Manhattan is 7.8 percent. Over 16 million square feet of available sublease space is on the market, 60 percent of which is still currently occupied, pushing the availability rate substantially higher to 13.5 percent. Both of these numbers are up significantly from the market's peak in the fourth quarter of 2007 when vacancy was 4.5 percent and availability was 7.7 percent.

From its high point in 2008, Class A direct asking rents in Manhattan are down 16 percent to \$76.41 per square foot. Although the market average is down only 16 percent, the prime Class A buildings that achieved rents north of \$150 per square foot in the last cycle, are now achieving rents almost 50 percent off what they were only one year ago. However, the asking rental data does not tell the full story on pricing; taking rents are down 30 to 40 percent from where they were negotiated at the market peak. In addition, concession packages are more generous. In some buildings, landlords have offered as much as 18 months of free rent and \$85 in work, making the net effective deal discounted even further.

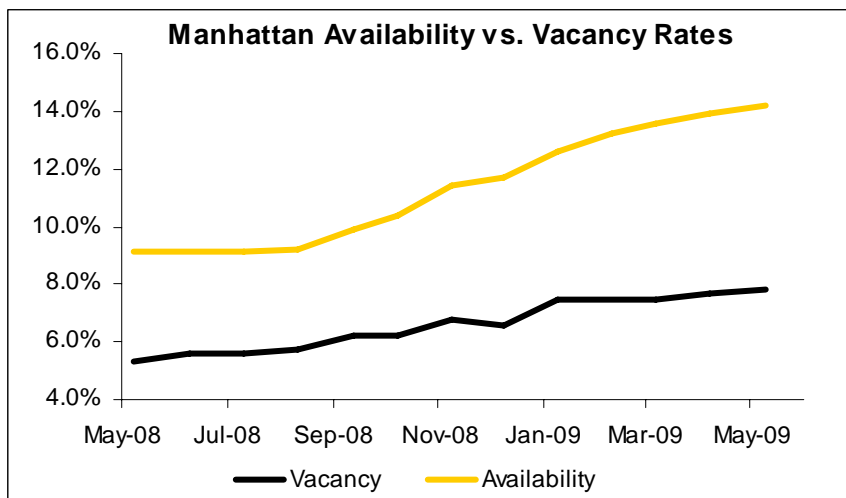
Approximately 9 million additional square feet of space could be made available over the next two years due to lease expirations, consolidations and continued fall-out in the financial sector. Expect the vacancy and availability rates to continue to rise and possibly reach as high as 12 percent, while availability could rise above 16 percent.

Manhattan Office Market Trends is a newsletter published monthly by Grubb & Ellis Company. To obtain additional copies or other Grubb & Ellis publications, please contact:

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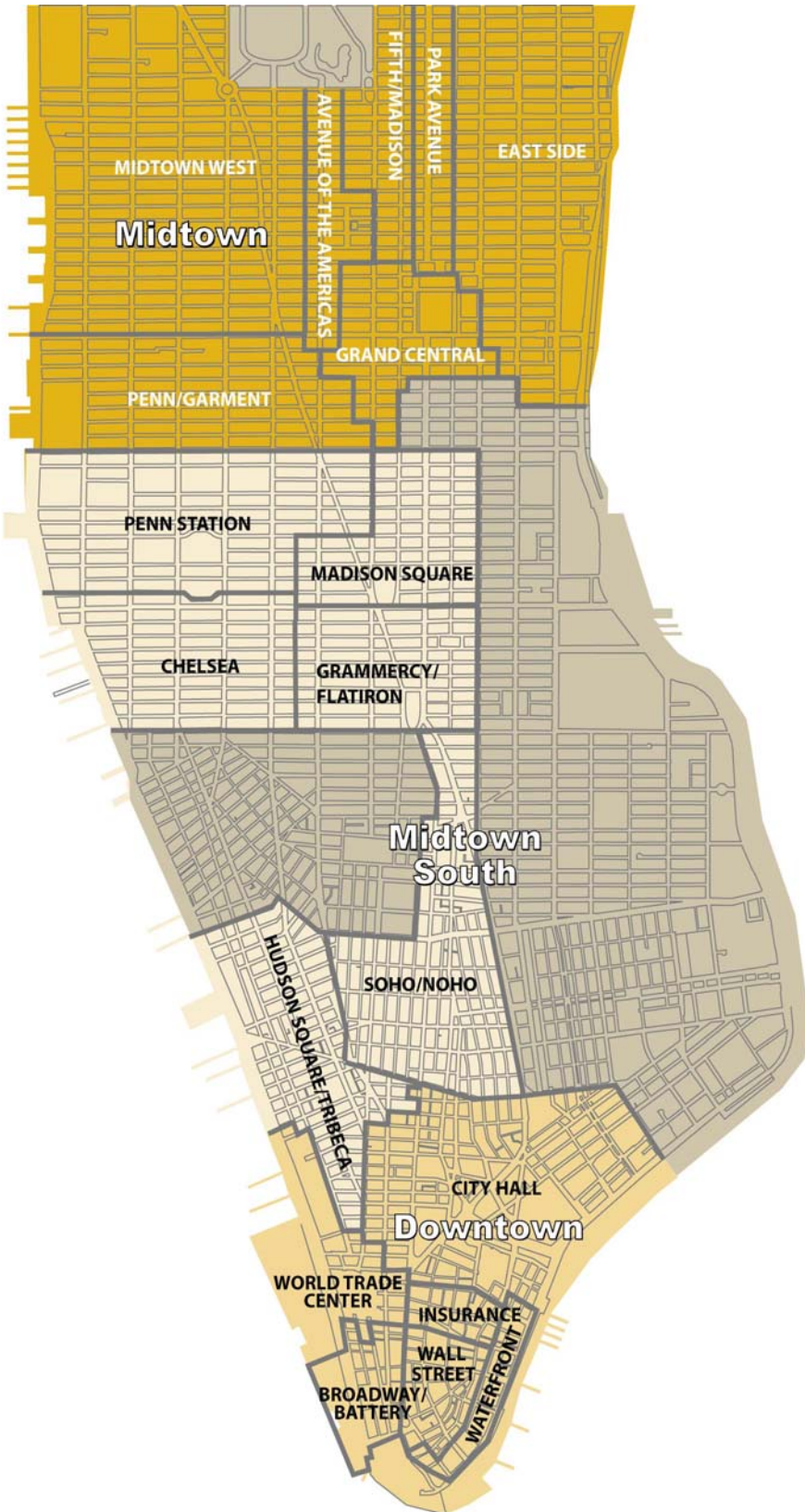
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Office Market Trends June 2009

Manhattan Office Markets



Midtown

RBA: 212,787,024

Vacant Space: 16,809,145

Vacancy: 7.9%

Direct Asking Rent (All Classes): \$73.44

Midtown South

RBA: 74,017,663

Vacant Space: 5,753,615

Vacancy: 7.8%

Direct Asking Rent (All Classes): \$49.15

Downtown

RBA: 76,050,771

Vacant Space: 5,893,369

Vacancy: 7.7%

Direct Asking Rent (All Classes): \$44.65

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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	40,268,382	2,724,049	6.8%	59,076	(784,835)	-	\$81.78	\$57.83	\$73.29
East Side	26,838,767	1,695,264	6.3%	26,428	(143,857)	-	\$60.77	\$47.84	\$56.45
Fifth/Madison	20,056,777	1,857,806	9.3%	77,250	(1,066)	350,000	\$100.93	\$60.10	\$93.17
Grand Central	41,923,107	3,871,399	9.2%	88,040	(1,106,457)	-	\$74.07	\$53.81	\$67.58
Midtown West	35,582,719	3,427,034	9.6%	(258,204)	(537,517)	1,155,550	\$74.36	\$49.57	\$70.25
Park Avenue	20,223,982	1,399,431	6.9%	(24,266)	(434,215)	-	\$83.07	\$63.13	\$76.41
Penn/Garment	27,893,290	1,834,162	6.6%	(21,709)	(282,236)	-	\$50.26	\$38.08	\$48.73
Midtown Total	212,787,024	16,809,145	7.9%	(53,385)	(3,290,183)	1,505,550	\$73.44	\$53.80	\$68.22
Midtown South									
Chelsea	5,925,380	272,750	4.6%	0	(108,843)	-	\$63.15	\$41.25	\$61.74
Gramercy Park/Flatiron	8,137,171	313,488	3.9%	(6,856)	(82,581)	-	\$53.01	\$37.39	\$47.45
Hudson Square/Tribeca	13,534,930	1,770,242	13.1%	(74,362)	201,209	-	\$41.39	\$31.90	\$41.01
Madison Square	19,811,834	1,942,518	9.8%	31,725	(199,341)	-	\$54.99	\$36.88	\$51.34
Penn Station	22,329,870	1,210,111	5.4%	(253)	(91,636)	-	\$49.18	\$36.04	\$45.03
SoHo/NoHo	4,278,478	244,506	5.7%	4,973	3,178	-	\$53.52	\$41.33	\$51.90
Midtown South Total	74,017,663	5,753,615	7.8%	(44,773)	(278,014)	-	\$49.15	\$36.53	\$46.72
Downtown									
Broadway/Battery Park	6,762,344	708,872	10.5%	29,421	148,598	-	\$35.71	\$27.47	\$34.92
City Hall	5,900,750	163,545	2.8%	(2,083)	(25,814)	-	\$40.15		\$40.15
Insurance	6,610,149	538,893	8.2%	(105,741)	(208,996)	-	\$41.31	\$33.69	\$40.74
Wall Street	22,356,499	1,478,228	6.6%	(101,140)	(261,676)	-	\$45.23	\$37.18	\$42.83
Waterfront	15,411,734	1,188,764	7.7%	93,023	(23,891)	-	\$47.73	\$32.43	\$40.02
World Trade Center	19,009,295	1,815,067	9.5%	(204,067)	(114,769)	4,600,000	\$54.73	\$40.55	\$51.56
Downtown Total	76,050,771	5,893,369	7.7%	(290,587)	(486,548)	4,600,000	\$44.65	\$35.14	\$42.25
Manhattan Total	362,855,458	28,456,129	7.8%	(388,745)	(4,054,745)	6,105,550	\$62.70	\$41.33	\$58.91
By Class									
(All Submarkets)							Available for Sublease		
Class A	209,477,232	15,550,596	7.4%	(37,896)	(2,938,248)	6,105,550		10,036,897	
Class B	123,312,530	10,626,920	8.6%	(369,477)	(1,339,419)	-		5,337,251	
Class C	30,065,696	2,278,613	7.6%	18,628	222,922	-		789,388	
Manhattan Total	362,855,458	28,456,129	7.8%	(388,745)	(4,054,745)	6,105,550		16,163,536	

(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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