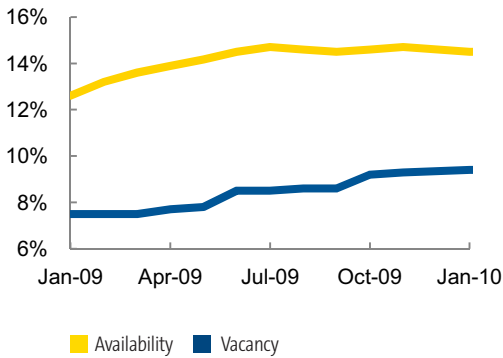


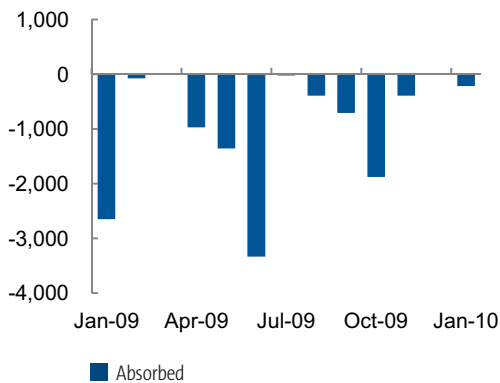
Availability vs. Vacancy Rate
Monthly



Flight to Quality Dictates Market Activity

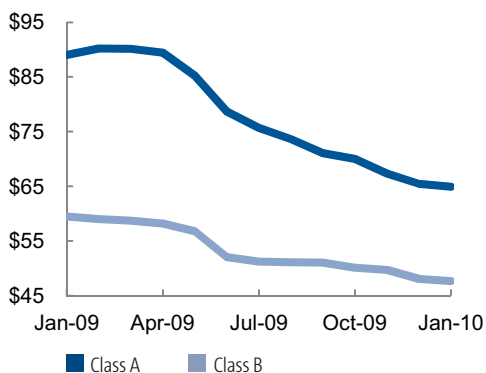
For the first time in 12 months, available space in Class A buildings decreased, but continued to rise in Class B and C buildings. The overall availability rate for the Manhattan office market dropped 10 basis points to 14.5 percent. This was fueled by a net 850,000-square-foot decrease in Class A available supply—led by the 246,500 square-foot lease Avon North America signed at 777 3rd Avenue. Midtown Class A space witnessed the bulk of the decline with 480,000 square feet of absorption, the largest decline since the second quarter of 2007. Despite this change, Class A space still accounts for 60 percent of the present 52.5 million square feet of available space. This premium supply will offer opportunities to tenants with leases expiring over the next 18 months.

Absorption
Monthly (in Thousands of SF)



As recently as 2007, many companies were priced out of their Midtown locations when faced with 35 percent rate increases on renewals. However, since asking rates peaked 24 months ago, steadily decreasing rents and more generous concession packages have driven down net effective rents by as much as 48 percent. Midtown Class A space is now more affordable to a wider spectrum of firms. In fact, some current asking rents in prime Class A buildings are lower than asking rents were in Class B buildings during the peak of the market, allowing tenants to afford higher quality space and more prestigious addresses.

Overall Asking Rental Rates
Monthly



In addition to the flight to quality trend, the market is witnessing a continued increase in lease renewal activity, which accounted for 40 percent of the square feet leased in 2009. This exceeds the previous 12-year average of 30 percent. Lease renewals in a weak economic environment are advantageous for both the landlord and tenant. For landlords, it maintains occupancy within their buildings, while tenants benefit by avoiding relocation costs and business disruption. To illustrate the trend, 50 lease renewals were signed greater than 40,000 square feet in 2009. Of those 50 deals, 25 renewed more than one year in advance of expiration, locking in reduced asking rents. The year began with three noteworthy lease renewals totaling over 900,000 square feet:

- State of New York—480,708 square feet at 60 Broad Street
- City of New York—315,751 square feet at 60 Broad Street
- Citadel Investment Group—105,000 square feet at 153 East 53rd Street

Lease renewals, particularly by tenants looking to “blend and extend” will continue to impact the market in 2010.

Office Snapshot—February 2010

Statistical Data as of 1/31/2010



GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Available SF	Total Availability %	NET ABSORPTION		Under Construction SF	ASKING RENT		
				Current	Year-To-Date		Direct	Sublet	Total
Midtown									
Avenue of the Americas	39,595,286	5,153,161	13.0%	1,334	1,334	-	\$65.68	\$47.09	\$61.85
Eastside	26,024,415	3,706,453	14.2%	(666,345)	(666,345)	-	\$54.68	\$42.60	\$51.76
Fifth/Madison	20,481,858	3,658,335	17.9%	53,141	53,141	-	\$88.97	\$56.42	\$84.49
Grand Central	42,342,087	6,482,729	15.3%	508,815	508,815	-	\$59.30	\$49.91	\$56.79
Midtown West	35,329,904	5,197,801	14.7%	62,324	62,324	1,155,550	\$64.33	\$49.95	\$61.83
Park Avenue	20,359,019	3,144,226	15.4%	116,772	116,772	-	\$67.22	\$58.77	\$64.59
Penn/Garment	28,083,099	4,006,310	14.3%	120,642	120,642	-	\$45.19	\$35.47	\$44.24
Midtown Total	212,215,668	31,349,015	14.8%	196,683	196,683	1,155,550	\$63.21	\$49.22	\$60.38
Midtown South									
Chelsea	5,925,380	482,151	8.1%	15,750	15,750	-	\$55.39	\$41.25	\$54.46
Gramercy/Flatiron	8,288,274	1,345,392	16.2%	85,778	85,778	-	\$48.20	\$36.14	\$45.46
Hudson Square/Tribeca	13,470,703	2,750,856	20.4%	15,992	15,992	-	\$41.19	\$31.99	\$40.42
Madison Square	19,637,328	3,342,906	17.0%	(71,122)	(71,122)	-	\$49.98	\$31.29	\$46.64
Penn Station	22,584,101	2,634,149	11.7%	209,614	209,614	-	\$45.13	\$36.24	\$41.99
SoHo/NoHo	4,278,478	493,971	11.5%	8,393	8,393	-	\$47.43	\$43.21	\$46.31
Midtown South Total	74,184,264	11,049,425	14.9%	264,405	264,405	-	\$45.91	\$34.90	\$43.68
Downtown									
Broadway/Battery Park	6,781,960	1,720,116	25.4%	2,377	2,377	-	\$32.71	\$20.52	\$31.40
City Hall	5,909,334	1,429,223	24.2%	2,117	2,117	-	\$35.03	\$32.00	\$35.00
Insurance	6,434,914	886,616	13.8%	18,903	18,903	-	\$37.67	\$28.35	\$37.44
Wall Street	22,408,379	2,526,584	11.3%	212,071	212,071	-	\$40.62	\$35.77	\$39.40
Waterfront	14,680,136	1,842,893	12.6%	(952,496)	(952,496)	-	\$46.55	\$33.51	\$41.38
World Trade Center	19,009,295	1,753,404	9.2%	43,567	43,567	6,900,000	\$47.39	\$38.11	\$44.70
Downtown Total	75,224,018	10,158,836	13.5%	(673,461)	(673,461)	6,900,000	\$40.54	\$34.11	\$39.02
Manhattan Total	361,623,950	52,557,276	14.5%	(212,373)	(212,373)	8,055,550	\$55.04	\$42.79	\$52.47
							Available for Sublease CBD		
By Class									
Class A	208,537,879	28,282,820	13.6%	(1,255,339)	(1,255,339)	8,055,550		9,549,691	
Class B	123,035,114	20,057,824	16.3%	827,431	827,431	-		4,768,161	
Class C	30,050,957	4,216,632	14.0%	215,535	215,535	-		1,131,195	
Manhattan Totals	361,623,950	52,557,276	14.5%	(212,373)	(212,373)	8,055,550		15,449,047	

KEY TRANSACTIONS

Lessee	Lessor	Property	Transaction Type	Size (SF)
■ New York Life	George Comfort & Sons, Inc	63 Madison Avenue	Renewal	414,751
■ Horizon Media	Trinity Church Real Estate	One Hudson Square	Direct	115,000
■ AT&T	Goldman Sachs	77 Water Street	Sublease	100,000
■ Michael Kors	Tishman Speyer	11 West 42nd Street	Renewal & Expansion	90,000
■ J. Crew Company	Vornado Realty Trust	770 Broadway	Expansion	59,598
■ Google, Inc.	Taconic Investment Partners/Jamestown	111 Eighth Avenue	Expansion	57,334

OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 150,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease within the next 12 months divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Asking rent average include all classes of space. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

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