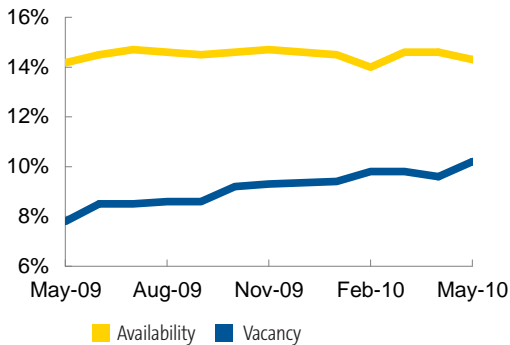


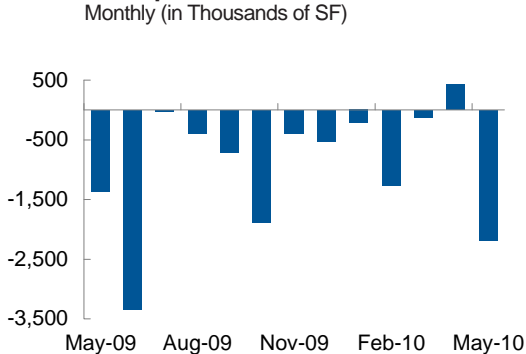
### Availability vs. Vacancy Rate

Monthly



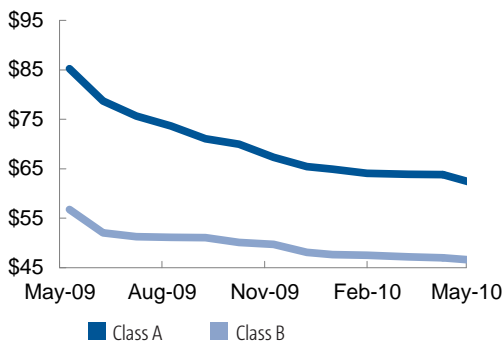
### Absorption

Monthly (in Thousands of SF)



### Overall Asking Rental Rates

Monthly



## Weak Downtown Market Lingers

Downtown's availability rate continues to climb, rising 20 basis points to 16.5 percent in May. Available sublease inventory experienced a net increase of 76,691 square feet, largely due to the addition of two floors at 3 World Financial Center from American Express. Despite the slight rise since April, sublease space currently accounts for 20 percent of the available supply, below the 24-month average of 25 percent. Of the 19 blocks of sublease space available greater than 25,000 square feet, only three were placed on the market in the past six months. As the mass layoffs experienced in the beginning of 2009 dwindled, companies' needs to dispose of large blocks of space have tapered off, and it is likely that the sublet supply has peaked.

Currently, there are 27 blocks of available space greater than 100,000 square feet Downtown, 17 of which are in Class A buildings. Several of these spaces were placed on the market as a result of large financial institutions downsizing and/or merging. Over the past 18 months, 15 lease transactions greater than 100,000 square feet were signed, however half of those deals were renewals. Until companies start expanding, it is likely there will not be enough demand to fill these spaces over the next 24 months, and the large blocks will impede Downtown's revival.

With Goldman Sachs move into their new headquarters at 200 West Street near complete, it has caused the vacancy downtown to surge. The company's relocation to their new building left over 1 million square feet of vacant space at 85 Broad Street. This move-out pushed vacancy up 170 basis points to 12 percent in May, finally narrowing the discrepancy between vacancy and availability in Lower Manhattan.

Construction is another factor that will have a great impact on Downtown's recovery. Currently there is 4.9 million square feet under construction and another 4.9 million square feet in the pipeline. At 150 Greenwich Street, Tower 4, the PANY&NJ is scheduled to occupy one-third of the 2.3 million-square-foot building upon its completion in 2013. At 1 World Trade Center, also scheduled for completion in 2013, one tenant, Vantone Real Estate, committed to 200,000 square feet. The PANY&NJ also has lease holds with the GSA and Department of Homeland Security for another 1 million square feet. Tower 2 and Tower 3 are still proposed, however construction will not start for at least another five years. At 375 Pearl Street, the 1.1 million-square-foot renovation project is on hold as Taconic Partners awaits interest from an anchor tenant. Plans for the building involved a full renovation into Class A multi-tenant office space; however, the quick downturn in the market left the building available for 20 months and the lack of interest has caused Taconic and the lender to discuss the best options for the building. These new prime properties offer opportunities to firms looking to establish a headquarter presence or other firms to upgrade their office space, however if demand for space Downtown remains low, it will likely cause availability to skyrocket.

Rents are starting to flatten out, experiencing minimal declines since April. Overall direct asking rents are down \$0.10 per square foot to \$40.66, while sublease asking rents dropped \$0.23 per square foot to \$33.57. Although asking rents have started to level, landlords will continue to offer generous concessions to lower the actual value of the leases.

# Office Snapshot—June 2010

## Statistical Data as of 5/31/2010



**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
<b>Midtown</b>									
Avenue of the Americas	39,595,286	5,416,860	13.7%	(95,649)	(183,934)	-	\$64.85	\$49.02	\$61.24
Eastside	26,024,415	3,783,912	14.5%	(337,870)	(898,269)	-	\$54.10	\$41.60	\$51.74
Fifth/Madison	20,481,858	3,587,612	17.5%	(234,642)	(102,449)	-	\$87.58	\$59.16	\$84.36
Grand Central	42,342,087	6,569,117	15.5%	(161,021)	246,793	-	\$59.12	\$47.01	\$56.13
Midtown West	35,329,904	3,932,183	11.1%	(174,838)	(189,044)	1,155,550	\$61.51	\$47.24	\$58.66
Park Avenue	20,359,019	2,548,483	12.5%	(37,699)	135,169	-	\$65.06	\$55.97	\$61.61
Penn/Garment	27,833,099	3,333,860	12.0%	17,512	368,641	-	\$44.40	\$35.93	\$43.81
<b>Midtown Total</b>	<b>211,965,668</b>	<b>29,172,027</b>	<b>13.8%</b>	<b>(1,024,207)</b>	<b>(623,093)</b>	<b>1,155,550</b>	<b>\$62.11</b>	<b>\$48.61</b>	<b>\$59.42</b>
<b>Midtown South</b>									
Chelsea	5,767,080	367,262	6.4%	(21,116)	(748)	-	\$55.87	\$41.25	\$54.38
Gramercy/Flatiron	8,751,574	1,114,201	12.7%	100,767	475,380	-	\$48.30	\$36.27	\$46.70
Hudson Square/Tribeca	13,470,703	2,636,898	19.6%	(4,331)	(88,538)	-	\$39.83	\$29.65	\$39.10
Madison Square	19,637,328	2,612,227	13.3%	70,180	(285,944)	-	\$46.45	\$32.79	\$43.65
Penn Station	22,584,101	2,790,516	12.4%	(54,658)	275,485	-	\$44.92	\$36.95	\$42.45
SoHo/NoHo	4,278,478	560,612	13.1%	16,868	(20,757)	-	\$46.63	\$37.00	\$46.55
<b>Midtown South Total</b>	<b>74,489,264</b>	<b>10,081,716</b>	<b>13.5%</b>	<b>107,710</b>	<b>354,878</b>	-	<b>\$44.21</b>	<b>\$34.75</b>	<b>\$42.49</b>
<b>Downtown</b>									
Broadway/Battery Park	6,781,960	1,712,479	25.3%	(7,164)	(49,067)	-	\$35.23	\$28.33	\$34.97
City Hall	5,748,733	1,421,590	24.7%	(10,239)	(1,183,967)	-	\$35.30	-	\$35.30
Insurance	6,434,914	733,582	11.4%	9,239	3,599	-	\$37.24	\$27.58	\$36.80
Wall Street	22,408,379	4,163,139	18.6%	(1,136,073)	(1,050,565)	-	\$39.23	\$31.98	\$38.35
Waterfront	14,680,136	2,471,597	16.8%	65,619	(815,196)	-	\$45.06	\$32.14	\$39.90
World Trade Center	19,009,295	1,854,151	9.8%	(192,575)	217,037	4,900,000	\$49.07	\$38.02	\$46.04
<b>Downtown Total</b>	<b>75,063,417</b>	<b>12,356,538</b>	<b>16.5%</b>	<b>(1,271,193)</b>	<b>(2,878,159)</b>	<b>4,900,000</b>	<b>\$40.66</b>	<b>\$33.57</b>	<b>\$39.38</b>
<b>Manhattan Total</b>	<b>361,518,349</b>	<b>51,610,281</b>	<b>14.3%</b>	<b>(2,187,690)</b>	<b>(3,146,374)</b>	<b>6,055,550</b>	<b>\$53.03</b>	<b>\$42.42</b>	<b>\$51.00</b>
<b>Available for Sublease CBD</b>									
<b>By Class</b>									
Class A	208,554,856	28,057,567	13.5%	(1,237,860)	(3,537,894)	6,055,550		9,083,180	
Class B	123,162,536	19,937,810	16.1%	(897,419)	190,207	-		4,150,323	
Class C	29,800,957	3,614,904	12.1%	(52,411)	201,313	-		668,842	
<b>Manhattan Totals</b>	<b>361,518,349</b>	<b>51,610,281</b>	<b>14.3%</b>	<b>(2,187,690)</b>	<b>(3,146,374)</b>	<b>6,055,550</b>		<b>13,902,345</b>	

### KEY TRANSACTIONS

Lessee	Lessor	Property	Transaction Type	Size (SF)
■ Tiffany & Co	L&L Holding Company, LLC	200 Fifth Avenue	Direct	257,415
■ U.S. Securities & Exchange Commission	American Express Company	3 World Financial Center	Expansion	51,561
■ Piper Jaffray	Rudin Management	345 Park Avenue	Direct	63,808
■ WebMD	George Comfort & Sons, Inc	825 Eighth Avenue	Direct	47,372
■ Aaronson Rappaport Feinstein & Deutsch, LLP	BlackRock, Inc/L&L Holding Company, LLC	600 Third Avenue	Direct	42,764

### 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.