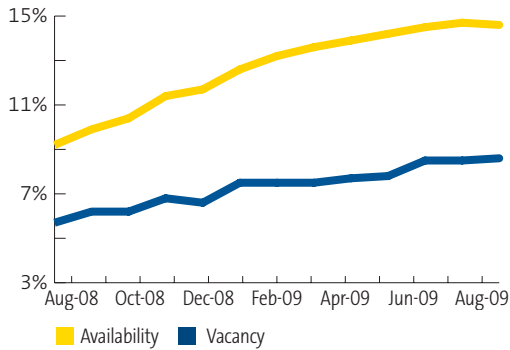
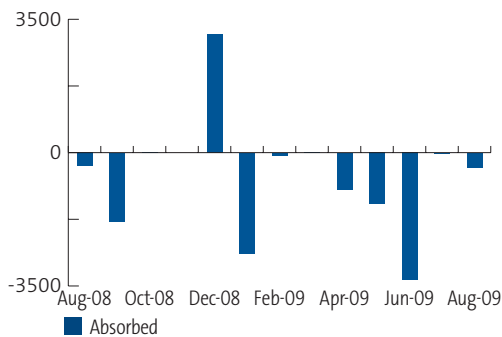


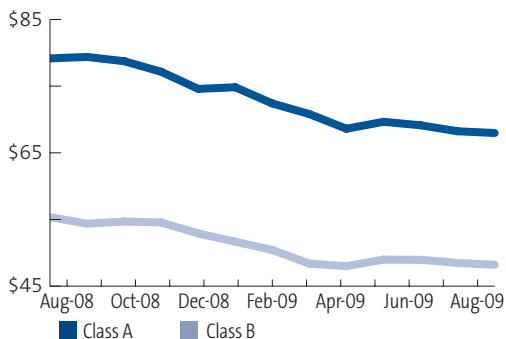
Availability vs. Vacancy Rate
Monthly



Absorption
Monthly (in Thousands of SF)



Overall Asking Rental Rates
Monthly



Availability Dips – Tenants Seek Opportunities

Many landlords continue to competitively offer generous concessions in the form of tenant improvement allowances and free rent to entice companies to move to their building. This increase in concessions caused average net effective rents to drop to 2005 pricing levels for Manhattan Class A space to \$53.44 per square foot. Tenants seized the opportunity to lock in the lowest rental rates in over four years, creating a flurry of leasing activity totaling 4.2 million square feet in July and August. This leasing activity led Manhattan availability to decrease to 14.6 percent, down from 14.7 percent in July. Despite the slight decline in available supply, expect the market to remain sluggish over the next 18 months since there is still a potential for more space to be shed by financial firms, as job losses continue to be reported.

NYC Unemployment Impact

The New York State unemployment rate decreased to 8.6 percent in July, down 10 basis points from June. In contrast, the unemployment rate for New York City rose 20 basis points to 9.6 percent, the highest it has been since July 1997. The unemployment rate in New York City also exceeds the national average of 9.4 percent. Although economists anticipate the recession to be over by the end of this year, they also predict a jobless recovery. In New York, the lack of job creation coupled with the diminishing presence of the financial sector means the real estate market is going to feel the effects of the recession longer than other major metropolitan markets. Even as principals of major financial institutions begin to enter the market with start up companies, the small space requirements do not compare to the large blocks that major banking firms required in previous cycles. With 90 blocks of space on the market greater than 100,000 square feet, it will take a few years until there is enough tenant activity to absorb the space. Landlords that hoped to lease large blocks to single tenants may need to divide large spaces or develop prebuilt programs to increase occupancy levels. Until companies are confident in their ability to expand, demand for space is going to remain low, keeping available space high.

Year-over-Year Asking Rents

Year-over-year, asking rents are down 20 percent on both direct and sublease space for Midtown Class A buildings. In comparison, Class A buildings in Midtown South experienced a 5 percent drop in asking rents for direct space and the average asking rents Downtown declined by 14 percent. The Fifth/Madison submarket, which continues to be the priciest area in Manhattan, has witnessed a \$16.92 per square foot drop in direct asking rents to \$105.74. Sublease asking rents dropped as well, \$22.31 per square foot to \$60.22 in the past year. More indicative of market pricing, taking rents (the actual starting rent) are negotiated 36 percent off the asking rent. The average taking rate on a direct lease for the year is \$77.87 per square foot and the average net effective rent is \$75.28 per square foot. In the less expensive submarkets such as Eastside and Penn Garment, direct asking rents have decreased 27 percent over the past 18 months. Opportunistic tenants with current real estate requirements will likely begin to lease space in better quality buildings now that asking rents are at more affordable levels compared to the last three years.

Office Snapshot—September 2009

Statistical Data as of 8/31/2009



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	40,268,382	5,187,651	12.9%	(311,769)	(1,661,345)	-	\$78.44	\$55.76	\$71.91
Eastside	26,838,767	4,282,629	16.0%	(57,359)	(673,481)	-	\$58.95	\$43.91	\$55.04
Fifth/Madison	20,385,577	3,312,648	16.2%	10,703	(93,141)	-	\$96.80	\$60.43	\$90.84
Grand Central	41,923,107	6,708,590	16.0%	38,137	(540,523)	-	\$68.80	\$49.34	\$62.76
Midtown West	35,582,719	4,980,323	14.0%	77,556	(768,479)	1,155,550	\$70.42	\$51.60	\$67.38
Park Avenue	20,223,982	3,627,388	17.9%	64,041	(1,158,477)	-	\$82.36	\$62.60	\$74.72
Penn/Garment	27,893,290	4,163,935	14.9%	(68,061)	(279,415)	-	\$48.79	\$40.40	\$47.82
Midtown Total	213,115,824	32,263,164	15.1%	(246,752)	(5,174,831)	1,155,550	\$70.38	\$52.21	\$65.98
Midtown South									
Chelsea	5,925,380	534,808	9.0%	0	(137,487)	-	\$61.59	\$41.25	\$60.22
Gramercy/Flatiron	8,137,171	1,483,141	18.2%	(78,768)	(193,612)	-	\$49.92	\$36.74	\$45.08
Hudson Square/Tribeca	13,534,930	2,679,019	19.8%	(64,552)	187,927	-	\$40.68	\$28.33	\$40.30
Madison Square	19,811,834	2,904,902	14.7%	3,413	(227,313)	-	\$55.92	\$36.47	\$51.55
Penn Station	22,329,870	2,154,165	9.6%	9,373	(115,052)	-	\$49.05	\$34.76	\$44.53
SoHo/NoHo	4,278,478	606,474	14.2%	(36,959)	(233,083)	-	\$53.37	\$43.43	\$52.69
Midtown South Total	74,017,663	10,362,509	14.0%	(167,493)	(718,620)	-	\$48.86	\$35.65	\$46.35
Downtown									
Broadway/Battery Park	6,762,344	1,492,795	22.1%	(90,910)	151,892	-	\$34.89	\$25.30	\$34.07
City Hall	5,900,750	1,606,685	27.2%	10,278	(13,936)	-	\$39.34	\$40.00	\$39.34
Insurance	6,610,149	828,348	12.5%	17,769	(212,339)	-	\$39.79	\$33.22	\$39.30
Wall Street	22,356,499	2,566,896	11.5%	25,305	(371,603)	-	\$44.50	\$35.63	\$41.68
Waterfront	15,411,734	1,852,085	12.0%	75,081	(30,600)	-	\$46.57	\$32.16	\$39.39
World Trade Center	19,009,295	2,033,890	10.7%	(12,164)	(172,417)	6,900,000	\$54.35	\$39.27	\$50.84
Downtown Total	76,050,771	10,380,699	13.6%	25,359	(649,003)	6,900,000	\$44.30	\$34.37	\$41.71
Manhattan Total	363,184,258	53,006,372	14.6%	(388,886)	(6,542,454)	8,055,550	\$61.18	\$45.85	\$57.56
Available for Sublease CBD									
By Class									
Class A	209,806,032	28,760,771	13.7%	(142,232)	(5,512,215)	8,055,550		9,623,983	
Class B	123,312,530	19,853,480	16.1%	(175,498)	(1,167,646)	-		5,273,314	
Class C	30,065,696	4,392,121	14.6%	(71,156)	137,407	-		862,041	
Manhattan Totals	363,184,258	53,006,372	14.6%	(388,886)	(6,542,454)	8,055,550		15,759,338	

KEY TRANSACTIONS

Lessee	Lessor	Property	Transaction Type	Size (SF)
Gap, Inc.	Newmark/Knight Frank	40 Worth Street	Direct	265,000
Instinet Corporation	The Blackstone Group	1095 Avenue of the Americas	Direct	99,552
Moelis & Company Holdings LLC	Boston Properties	399 Park Avenue	Direct	96,778
Holland & Knight LLP	Paramount Group	31 West 52nd Street	Direct	82,551
Patton Boggs	King & Spalding	1185 Avenue of the Americas	Sublease	60,000

OFFICE TERMS AND DEFINITIONS

Inventory: 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.