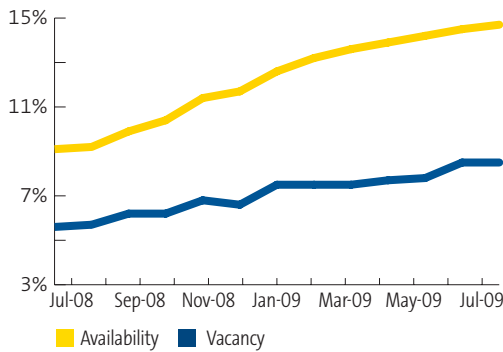
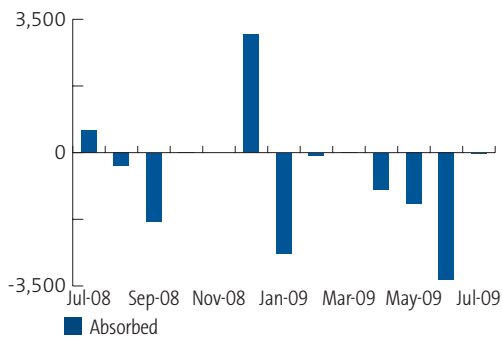


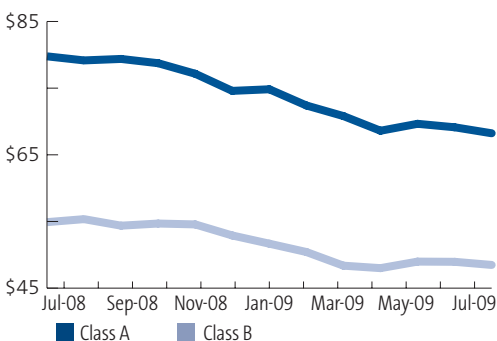
**Availability vs. Vacancy Rate**  
Monthly



**Absorption**  
Monthly (in Thousands of SF)



**Overall Asking Rental Rates**  
Monthly



## Sublease Space Drops — Net Effective Rents Reach 2005 Levels

The availability rate for the Manhattan office market is the highest it has been since the first quarter of 2003, reaching 14.7 percent in July. The 439,000 square feet added to the Midtown supply fueled the 20-basis-point rise from June. Despite the increase in availability throughout Manhattan, available sublease space decreased for the first time since November of 2007. The 400,000 square feet of subleases absorbed in July outpaced sublet space returned to the market, lowering the supply by 59,303 square feet to 16.1 million square feet. Although a one month drop in sublease space does not make a trend, this statistic is good news, since 9.8 million square feet of sublease space was added to the market over the past 19 months. Year-to-date sublease transactions account for 14 percent of all completed transactions, but with class A sublease rates 30 percent lower than direct, they give tenants in the market a cost-conscious alternative to explore. Over the next six to 12 months, known shadow space is likely to be placed on the market, causing availability to surpass the peak of 14.9 percent experienced during the last downturn.

Increased inventory continues to place downward pressure on asking rents as landlords of Class A buildings lowered their asking rates for the 15th consecutive month. Class A asking rents averaged \$74.31 per square foot in July, an 18 percent decline from July 2008. However, asking rental data is not depicting the true nature of the market. Transactions are negotiated 30 to 40 percent off from one year ago, and landlords are offering more generous concession packages. The increase in concessions this year caused average net effective rents to reach levels last witnessed in 2005. Direct Class A average net effective rents are \$54.84 per square foot, which is below the 2005 average net effective rent of \$55.67 per square foot. Class B buildings, which still commanded asking rates in the high \$50's at the end of 2008, have experienced a 14 percent decrease in rental rate from the height of the market. Asking rates in Class B buildings are now, \$51.18 per square foot, a \$4.00 drop from the start of the year.

July was a strong month for leasing as pent up activity led to completed transactions. Nine deals larger than 100,000 square feet closed and a total of 2.75 million square feet was signed. Despite an uptick in July leasing activity, overall lack of demand presents a challenge for landlords. The leasing velocity slowdown is reflected in the amount of time space is being marketed. Currently, available space remains on the market for an average of 14 months, twice the amount of time it took to lease space two years ago. Also, companies are being conservative with their real estate decisions compared to market peak when space was leased with expectations of high profit margins and expansion. Small space requirements continue to dominate the market, as 67 percent of leases signed were for 10,000 square feet or less.

# Office Snapshot—August 2009

## Statistical Data as of 7/31/2009



**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
<b>Midtown</b>									
Avenue of the Americas	40,268,382	5,172,732	12.8%	113,324	(1,349,576)	-	\$79.30	\$55.49	\$72.27
Eastside	26,838,767	4,342,357	16.2%	(75,534)	(616,122)	-	\$58.81	\$44.35	\$54.68
Fifth/Madison	20,385,577	3,440,712	16.9%	(19,256)	(103,844)	-	\$96.68	\$61.19	\$90.55
Grand Central	41,923,107	6,789,511	16.2%	79,433	(578,660)	-	\$69.14	\$51.10	\$63.41
Midtown West	35,582,719	5,047,027	14.2%	(1,587)	(846,035)	1,155,550	\$70.42	\$50.28	\$66.82
Park Avenue	20,223,982	3,847,558	19.0%	(35,790)	(1,222,488)	-	\$82.36	\$62.77	\$74.78
Penn/Garment	27,893,290	4,002,250	14.3%	(25,413)	(211,354)	-	\$48.94	\$37.70	\$47.81
<b>Midtown Total</b>	<b>213,115,824</b>	<b>32,642,147</b>	<b>15.3%</b>	<b>35,177</b>	<b>(4,928,079)</b>	<b>1,155,550</b>	<b>\$70.89</b>	<b>\$52.69</b>	<b>\$66.30</b>
<b>Midtown South</b>									
Chelsea	5,925,380	502,605	8.5%	(28,644)	(137,487)	-	\$61.54	\$41.25	\$60.24
Gramercy/Flatiron	8,137,171	1,512,011	18.6%	(29,089)	(114,844)	-	\$49.63	\$36.40	\$44.48
Hudson Square/Tribeca	13,534,930	2,572,736	19.0%	24,061	252,479	-	\$40.80	\$28.33	\$40.48
Madison Square	19,811,834	2,917,940	14.7%	(21,113)	(230,726)	-	\$55.84	\$37.11	\$51.59
Penn Station	22,329,870	2,277,721	10.2%	(12,302)	(124,425)	-	\$48.59	\$37.31	\$44.68
SoHo/NoHo	4,278,478	614,287	14.4%	4,529	(196,124)	-	\$53.70	\$44.28	\$52.85
<b>Midtown South Total</b>	<b>74,017,663</b>	<b>10,397,300</b>	<b>14.0%</b>	<b>(62,558)</b>	<b>(551,127)</b>	<b>-</b>	<b>\$48.76</b>	<b>\$36.94</b>	<b>\$46.37</b>
<b>Downtown</b>									
Broadway/Battery Park	6,762,344	1,474,651	21.8%	(19,885)	242,802	-	\$33.94	\$25.59	\$33.18
City Hall	5,900,750	1,629,998	27.6%	(2,999)	(24,214)	-	\$39.64	-	\$39.64
Insurance	6,610,149	802,250	12.1%	(22,679)	(230,108)	-	\$39.97	\$33.14	\$39.42
Wall Street	22,356,499	2,514,484	11.2%	58,161	(396,908)	-	\$44.77	\$35.91	\$42.06
Waterfront	15,411,734	1,785,706	11.6%	(11,979)	(105,681)	-	\$47.14	\$32.42	\$39.32
World Trade Center	19,009,295	2,062,442	10.8%	3,500	(160,253)	6,900,000	\$54.35	\$39.58	\$50.98
<b>Downtown Total</b>	<b>76,050,771</b>	<b>10,269,531</b>	<b>13.5%</b>	<b>4,119</b>	<b>(674,362)</b>	<b>6,900,000</b>	<b>\$44.29</b>	<b>\$34.54</b>	<b>\$41.72</b>
<b>Manhattan Total</b>	<b>363,184,258</b>	<b>53,308,978</b>	<b>14.7%</b>	<b>(23,262)</b>	<b>(6,153,568)</b>	<b>8,055,550</b>	<b>\$61.54</b>	<b>\$46.51</b>	<b>\$57.86</b>
							<b>Available for Sublease CBD</b>		
<b>By Class</b>									
Class A	209,806,032	29,024,310	13.8%	(13,178)	(5,369,983)	8,055,550	9,859,458		
Class B	123,312,530	20,038,260	16.3%	(43,085)	(992,148)	-	5,425,179		
Class C	30,065,696	4,246,408	14.1%	33,001	208,563	-	822,156		
<b>Manhattan Totals</b>	<b>363,184,258</b>	<b>53,308,978</b>	<b>14.7%</b>	<b>(23,262)</b>	<b>(6,153,568)</b>	<b>8,055,550</b>	<b>16,106,793</b>		

### KEY LEASE TRANSACTIONS

Lessee	Lessor	Property	Transaction Type	Size (SF)
■ Wachtell, Lipton, Rosen & Katz	CBS, Inc.	51 West 52nd Street	Renewal	242,464
■ Orrick, Herrington & Sutcliffe LLP	CBS, Inc.	51 West 52nd Street	Sublease	210,000
■ Claremont Preparatory School	ACTA Realty	25 Broadway	Direct	203,000
■ Showtime	Paramount Group	1633 Broadway	Renewal	202,495
■ Merrill Lynch/Bank of Americas	The Blackstone Group/SL Green Realty	717 Fifth Avenue	Renewal	120,000
■ The United Nations	TIAA-CREF	730 Third Avenue	Direct	119,399

### 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.