



First Half 2012 Office Condominium Sales

At a Glance

- **Pricing Drops** The average price per square foot of office condominium sales in the first half of 2012 has dropped to its lowest point in the past five years.
- **Velocity Remains Strong** The total square footage of office condominiums sold and the total dollar value of sales have exceeded the five year average.
- **Downtown Emerges** Despite being the smallest office condominium submarket, Downtown had the highest total square footage sold and the highest total dollar value of sales.

Market Overview

There are 72 office condominium buildings in Manhattan, totaling 9.09 million square feet. The Midtown submarket is comprised of 5.3 million square feet, Midtown South is comprised of 2.06 million square feet, and Downtown is comprised of 1.72 million square feet. There are 3.4 million square feet of class A office condominiums, 3.8 million square feet of class B, and 1.88 million square feet of class C.

OVERVIEW - First Half of 2012 Office Condominium Sales:

In the first half of 2012 there were a total of 239,319 square feet of office condominium sales in Manhattan, totaling \$103,114,478. The sales averaged \$431 per square foot. There were a total of 39 office condominium units sold in 23 different buildings, averaging 6,136 square feet per sale.

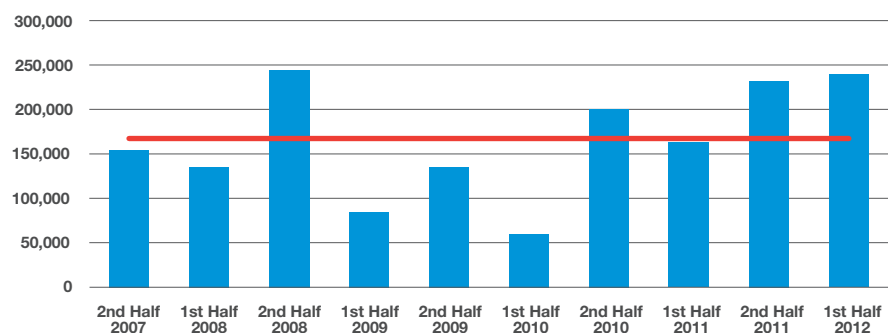
Square Footage of Sales: The total square footage of sales has remained relatively stable in the first half of 2012 with only a 3% increase compared to the second half of 2011. The total square footage of sales in the first half of 2012 is 31% higher than the five year average.

Average Price Per Square Foot: In the first half of 2012 the average price per square foot was \$431, which is the lowest it has been in the past five years. The decline in pricing is a result of two factors:

1. Over the past five years the average price per square foot has been bolstered by a large number of high priced sales in more expensive submarkets like Chinatown. By the end of 2011 the majority of the City's stock of high priced units had been sold.
2. The bulk of the 2012 sales have been of larger, lower-cost units, primarily located in the less expensive Downtown submarket.

Sq. Ft. Sold per Half Year

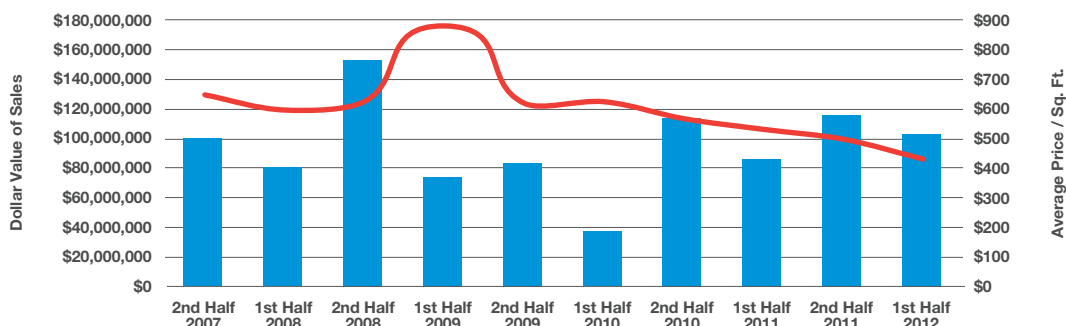
■ Total Sq. Ft.
— 5 Year Average



Dollar Value of Sales: In the first half of 2012 there were a total of \$103,114,478 in sales, a \$12,532,528 decrease from the previous half year. While the total dollar value of sales in the first half of 2012 has decreased by 11% when compared to the second half of 2011, it was still over \$8 million higher than the five year average.

Dollar Value of Sales per Half Year

■ Dollar Value of Sales
— Average Price / Sq. Ft.



Submarket Statistics

The Midtown Submarket is Manhattan's largest office condominium submarket, comprised of 5.3 million square feet. In the first half of 2012 there were 16 sales totaling 84,118 square feet. The dollar value of these sales totaled \$39,579,659, averaging \$471 per square foot.

Of the 16 sales, 11 were smaller than 4,500 square feet. The average price per foot was brought down by the other five sales, which were of larger and lower-cost units. One such sale was 211 East 46th Street, a three floor, 29,548 square foot office condominium which sold to the Lebanese American University for \$372 per square foot. The unit included floors three through five and sits at the base of a 30-story residential building.

The Midtown South Submarket is comprised of approximately 2.06 million square feet. In the first half of 2012 there were 11 sales totaling 67,764 square feet. The dollar value of these sales totaled \$29,674,719, averaging \$438 per square foot.

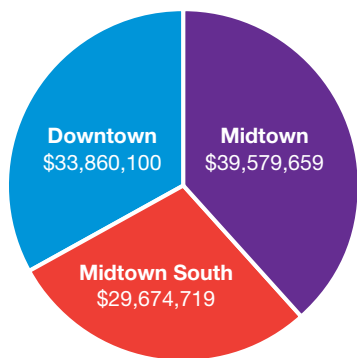
The Downtown Submarket is comprised of approximately 1.72 million square feet. In the first half of 2012 there were 12 sales totaling 87,437 square feet. The dollar value of these sales totaled \$33,860,100, averaging \$387 per square foot.

The first half of 2012 was the most active in Downtown in the past five years. The two most notable sales both occurred at 40 Rector Street. The China Institute in America, a nonprofit educational and cultural institution founded in 1926, purchased the ground and second floor, totaling 47,713 square feet. The purchase price averaged \$384 per square foot, with a premium being paid for the ground floor space.

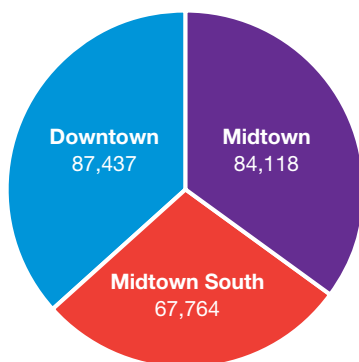
The second notable sale at 40 Rector Street was the 32,522 square foot sale of the ninth floor to the Urban Justice Center. The floor sold for \$258 per square foot. You can learn more about the Urban Justice Center's experiences with buying and selling office condominiums by reading our interview with their executive director Doug Lasdon, located on the last page on this report.



Dollar Value of Sales



Total Square Footage Sold



633 Third Avenue
A premier one million square foot, class A office condominium building

Availability

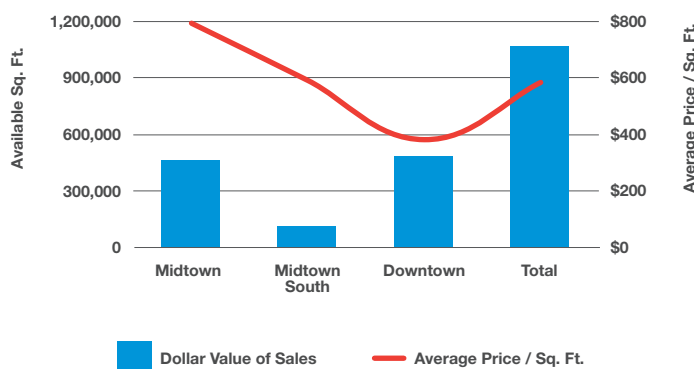
There are 1,072,753 square feet of office condominiums available on the market in Manhattan; an 11.8% availability rate. 88 units are for sale in 40 buildings, with an average asking price of \$585 per square foot.

In the Midtown submarket, 466,937 square feet are for sale, with an average asking price of \$794 per square foot. In Midtown South, 117,093 square feet are for sale, with an average asking price of \$592 per square foot. In the Downtown submarket, 488,723 square feet are for sale, with an average asking price of \$383 per square foot.

Nearly 50% of the units for sale are at 40 Rector Street and Extell's Diamond District office condominium development called the International Gem Tower. When excluding these two buildings the citywide availability rate drops from 11.8% to 5.7%, with an average price per square foot of \$599.

There is currently 110,000 square feet for sale at 633 Third Avenue, a one million square foot, class A office condominium building. 633 Third Avenue has been one of New York's premier office condominium buildings since it was converted in the early 1990s and is home to Memorial Sloan Kettering, UNICEF, the offices of the Governor of New York, Mt. Sinai and many other prestigious unit owners. The average asking price at 633 Third Avenue is \$795 per square foot.

Office Condominium Availability

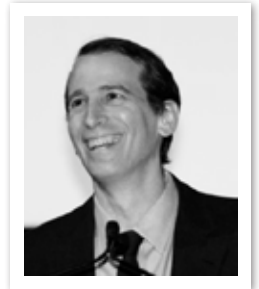


A Non-Profit's Success with Office Condominiums

Interview with Doug Lasdon, Executive Director of the Urban Justice Center.

The Urban Justice Center (UJC), a non-profit that was founded in 1984, provides legal representation and advocacy to poor and homeless New Yorkers. In 1997, UJC purchased a 7,700 square foot office condominium floor at 666 Broadway in Noho for \$600,000. Ten years later, having grown out of its space, UJC sold its floor for \$5.7 million, giving it a profit of almost ten times its purchase price. It then relocated to Lower Manhattan and leased 20,000 square feet at 123 William Street. This past April UJC purchased a 32,522 square foot office condominium floor at 40 Rector Street for \$8,400,000, or \$258 per square foot.

UJC's experience with office condominiums has resulted in the organization being able to thrive and grow in a time when many other non-profits are being forced out of New York due to rising expenses. Below is an interview with Doug Lasdon, the founder and executive director of the Urban Justice Center.



What led you to purchase an office condominium at 666 Broadway in 1996?

We had been leasing office space since our organization was founded in 1984. In the first decade we moved around from East Harlem to Tompkins Square Park and then to the Flatiron district. We had been looking around for a new office space to lease and rates seemed very expensive to me. Our broker brought me the opportunity to buy the 10th floor at 666 Broadway in Noho for \$700,000. I realized that if I paid \$600,000 and put down \$100,000 and got a loan for the rest, that my annual carrying costs would be \$11 per square foot per year, which was cheaper than the leasing options. I knew that this deal made a lot of sense to us, and shortly afterwards the neighborhood began to improve and values rapidly rose.

What prompted you to sell in 2007?

As our organization grew we began to lease additional space at 666 Broadway until there was no space left in the building. We explored buying additional space but couldn't afford it. We explored leasing our space and relocating, but we decided that we didn't want to be landlords. We put our space on the market for sale and in April 2007 we closed with the fashion firm Tibi for \$5.7 million. We realized that we were not going to be able to buy another office condo in this market, so we signed a lease for 20,000 square feet at 123 William Street.

What led you to purchase an office condominium at 40 Rector Street?

Even though we were renting our space, I still strongly believed in the benefits of ownership. When 40 Rector Street came to the market we were one of the first buyers to commit and we purchased a 32,522 square foot floor. The \$8,400,000 purchase price included a payment of \$900,000 towards the improvements of the space. Additionally we were able to secure a grant from the City. We decided to purchase this space simply because it was cheaper on an annual basis to own than it was to rent.

While we have never bought our spaces with any speculation of appreciation, I believe that once the World Trade Center buildings are completed and all of the new employees come to Downtown, the area will fill out with restaurants and amenities and it will really become a special place. I expect that over time the values in the area will rise and the strength and security of our organization will continue to grow.

Rudder Property Group

Rudder Property Group is a commercial real estate brokerage firm specializing in the sale of office condominiums. With over a decade of experience in this niche market, the principals of Rudder Property Group have sold over 600,000 square feet of office condominiums with a dollar value in excess of \$250 million. In the small, highly specialized field of commercial condominium sales, Rudder Property Group is the market leader.

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