

The **RPG** Office Condominium Report

Mid-Year 2014



2014 Office Condominium Sales

At a Glance

- **Supply Constrained:** The availability of office condominium units for sale remains very low which resulted in the number of sales in the first half of 2014 being 25% less than the five year average. Until there is a significant increase in office condominium availability the sales statistics will continue to remain low.
- **Increased Pricing:** The average price per square foot is 11% higher than the five year average. The lack of office condominium availability coupled with a strong demand from buyers has led to an increase in pricing. Sales of larger, less expensive units in Downtown buildings have skewed the overall statistics downward.
- **Non-Profits Trade Buildings for Condos:** Non-profit organizations have been taking advantage of the strong investment sales market by selling their buildings and purchasing less expensive and more efficient office condominiums. In this Report, we explore some of the non-profits that have recently capitalized on this trend.

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 1.88 million square feet. There is 3.4 million square feet of class A office condominiums, 3.79 million square feet of class B, and 1.88 million square feet of class C.

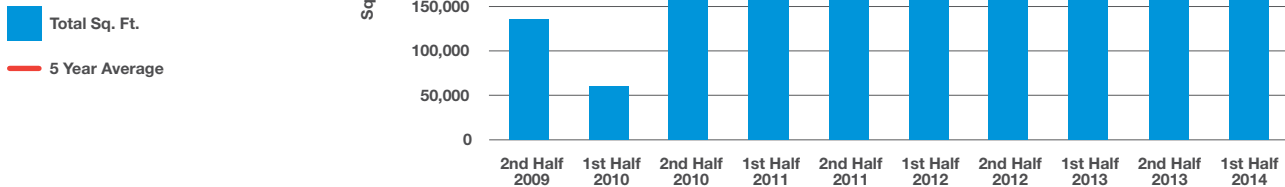
First Half of 2014 Office Condominium Sales:

In the first half of 2014 there were a total of 167,564 square feet of office condominium sales in Manhattan, totaling \$101,256,848. The sales averaged \$604 per square foot. There were a total of 30 office condominium units sold in 27 different buildings, averaging 5,806 square feet per sale.

Market Overview (continued)

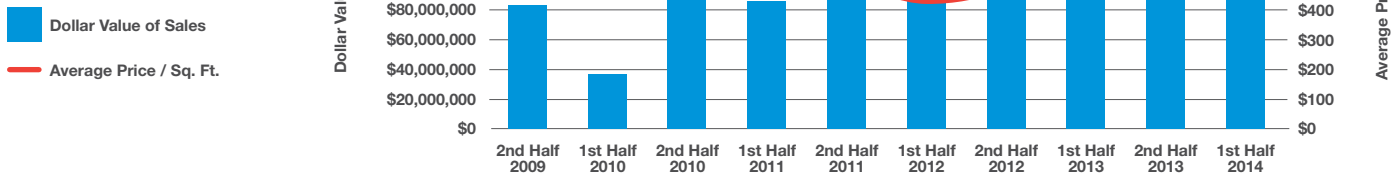
Square Footage of Sales: In the first half of 2014 the total square footage of sales has dramatically decreased compared to the second half of 2013. In the first half of 2014 there were 167,564 square feet of sales, compared to 209,029 square feet in the second half of 2013, which was considerably lower than the five year average of 198,554 square feet.

Sq. Ft. Sold per Half Year



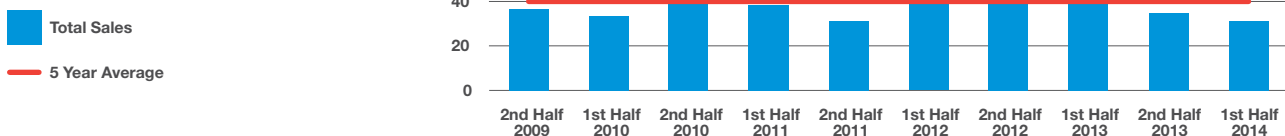
Dollar Value of Sales: In the first half of 2014 there was a total of \$101,256,848 in sales, considerably less than the second half of 2013 sales which totaled \$118,971,964. The average dollar value of sales per half year over the past five years totaled \$108,108,147.

Dollar Value of Sales per Half Year



Average Price Per Square Foot: In the first half of 2014 the average price per square foot was \$604, higher than the \$569 average price per square foot in the second half of 2013. Pricing is \$60 per square foot higher than the five year average of \$544 per square foot. The average price per square foot in the first half of 2014 would be over \$100 per square foot higher if the statistics excluded two larger, less expensive sales at 40 Rector Street.

Number of Sales



Number of Sales: There were 30 sales in the first half of 2014, 12% less than the number of sales in the second half of the 2013. The number of office condominiums sold in the first half of 2014 was lower than the five year average by 10 sales.

Availability

There is 690,755 square feet of available Manhattan office condominiums, a 7.6% availability rate. There are 44 units for sale in 23 buildings, with an average asking price of \$715 per square foot. In the Midtown submarket there is 381,891 square feet for sale, with an average asking price of \$844 per square foot. In Midtown South there is 46,567 square feet for sale, with an average asking price of \$1,152 per square foot. In the Downtown submarket there is 262,297 square feet for sale, with an average asking price of \$448 per square foot.

Submarket Statistics

The Midtown submarket is Manhattan's largest office condominium submarket, comprised of 5.3 million square feet. In the first half of 2014 there were 14 sales totaling 77,530 square feet. The dollar value of these sales totaled \$46,273,038, averaging \$597 per square foot.

Total Sq. Ft. of Sales: 77,530 Sq. Ft.
Total \$ Sold: \$46,273,038
Avg. \$/Sq. Ft.: \$597/Sq. Ft.
Total Available: 381,891 Sq. Ft.

The Midtown South submarket is comprised of approximately 2.1 million square feet of office condominiums. In the first half of 2014 there were 8 sales totaling 19,802 square feet. The dollar value of these sales totaled \$19,075,000 averaging \$963 per square foot.

Total Sq. Ft. of Sales: 19,802 Sq. Ft.
Total \$ Sold: \$19,075,000
Avg. \$/Sq. Ft.: \$963/Sq. Ft.
Total Available: 46,567 Sq. Ft.

The Downtown submarket is comprised of approximately 1.7 million square feet of office condominiums. In the first half of 2014 there were 8 sales totaling 70,232 square feet. The dollar value of these sales totaled \$35,908,810, averaging \$511 per square foot.

Total Sq. Ft. of Sales: 70,232 Sq. Ft.
Total \$ Sold: \$35,908,810
Avg. \$/Sq. Ft.: \$511/Sq. Ft.
Total Available: 262,297 Sq. Ft.

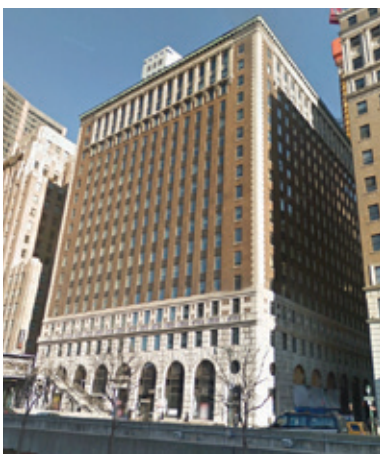
Non-Profits Trade Buildings for Condos

Non-profit organizations have been taking advantage of the strong investment sales market by selling the free-standing buildings that they own in desirable locations and purchasing less expensive and more efficient office condominiums. This decision allows them to cash in on their valuable real estate and make a significant contribution to their endowment, while also continuing to benefit from property ownership. Plus, buying an office condominium can be cheaper than leasing since 501(c)(3) non-profits are exempt from paying real estate taxes when they own their property.

One of the non-profits that has capitalized on this trend of selling their building and purchasing an office condominium is FedCap Rehabilitation Services, an organization that provides vocational training, job placement and counseling services. In May, FedCap sold their 20,000 square foot, long time headquarters at 211 West 14th Street for \$26.75 million, or \$1,338 per square foot, to a residential developer. FedCap simultaneously purchased a 44,779 square foot office condominium on the 6th floor of 633 Third Avenue for approximately \$26.5 million, or \$592 per square foot. This transaction enabled FedCap to more than double their space, consolidate onto a single floor rather than occupying multiple, inefficient floors, and upgrade from an older, obsolete building into a class A, Midtown office building.



FedCap sold their building at 211 West 14th Street and purchased a floor at 633 Third Avenue



Big Brothers and Big Sisters purchased a \$10 million floor at 40 Rector Street

Another example is the non-profit Big Brothers and Big Sisters (BBBS), who in May sold their townhouse at 223 East 30th Street and ended their lease at 245 Fifth Avenue in order to consolidate into a 25,711 square foot office condominium at 40 Rector Street. BBBS purchased the 11th floor office condominium at 40 Rector Street for approximately \$10 million, or \$389 per square foot, after selling their 10,364 square foot East 30th Street building for \$6.75 million, or \$651 per square foot. BBBS was able to consolidate their multiple locations into a single floor of a recently renovated, first class office condominium building. BBBS is financing the purchase of the office condominium through a program called Build NYC, the part of the Economic Development Corporation that assists qualified non-profits in obtaining tax-exempt bond financing.

Non-Profits Trade Buildings for Condos (continued)

Other non-profits who have sold their buildings and purchased office condominiums include:

Non-Profit	Building Sold	Office Condominium Purchased	Comments
Ackerman Institute	149 East 78th Street	936 Broadway	In August 2013, Ackerman sold their 10,000 square foot building on 78th Street for \$18.23 million and purchased a 14,500 square foot office condominium for \$7.7 million.
NAACP	99 Hudson Street	40 Rector Street	In November 2012, NAACP sold its three-story, 34,700 square foot office condominium at 99 Hudson Street for \$18.75 million, and purchased a similarly sized, single floor office condominium at 40 Rector Street for \$10 million.
Urban Justice Center	666 Broadway	40 Rector Street	In 2007, UJC sold its office condominium at 666 Broadway for \$5.7 million. After leasing for five years, UJC purchased a 32,522 square foot office condominium in 2011 for \$8.4 million.
United Synagogue of Conservative Judaism	155 Fifth Avenue	820 Second Avenue	In 2007, USCJ sold its 32,500 square foot, seven-story building at 155 Fifth Avenue for \$26.5 million and purchased a two-floor, 25,300 square foot office condominium at 820 Second Avenue for \$14.2 million.
Forward Association	45 East 33rd Street	125 Maiden Lane	In 2008, the Forward Association, also known as the Jewish Daily Forward newspaper, sold their 33rd Street building for \$18.5 million and purchased a single floor, 25,622 square foot office condominium at 125 Maiden Lane for \$11 million.
Federation of Protestant Welfare Agencies	281 Park Avenue South	TBD	FPWA is under contract to sell their 36,749 square foot building to RFR Realty for \$50 million. They are in the market looking to purchase an office condominium.
United Charities	287 Park Avenue South	TBD	United Charities is in negotiations to sell the Park Avenue South building for \$128 million. They are expecting to purchase and relocate to a midtown office condominium.

Rudder Property Group

Rudder Property Group specializes in the sale of office condominiums in the New York Metropolitan area. With over a decade of experience in this niche market, the principals of Rudder Property Group have sold over 700,000 square feet of office condominiums with a dollar value in excess of \$300 million. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

Michael Rudder

Office: (212) 966-3611
Mobile: (646) 483-2203
mrudder@rudderpg.com

Michael Heller

Office: (212) 966-3622
Mobile: (917) 439-2198
mheller@rudderpg.com

Rudder Property Group
www.rudderpg.com

