



Year End 2013 Office Condominium Sales

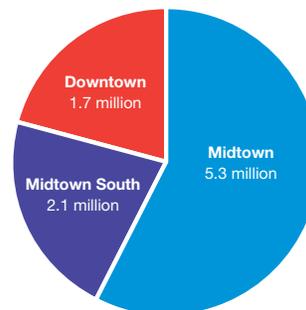
At a Glance

- **Scarcity of Supply:** The availability of office condominium units for sale is at a record low. The lack of office condominium availability has resulted in a very slow year for sales. Until there is a significant increase in office condominium availability the sales statistics will remain well below the five year average.
- **Downtown's Pricing Impact:** The Downtown submarket's pricing is 41% lower than the Midtown and Midtown South submarkets. The average sales at Downtown buildings like 40 Rector Street and 40 Broad Street are nearly \$270 per square foot less than the citywide average.
- **Why We Purchased:** In this Report, we provide specific details about Rudder Property Group's recent purchase of an office condominium at 14 East 4th Street in Greenwich Village.

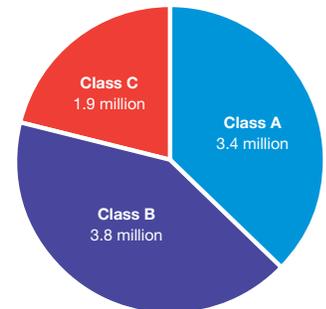
Market Overview

There are 72 office condominium buildings in Manhattan, totaling 9.1 million square feet. The Midtown submarket is comprised of 5.3 million square feet, Midtown South is comprised of 2.1 million square feet, and Downtown is comprised of 1.7 million square feet. There is 3.4 million square feet of class A office condominiums, 3.8 million square feet of class B, and 1.9 million square feet of class C.

Sq. Ft. per Submarket



Sq. Ft. per Building Class

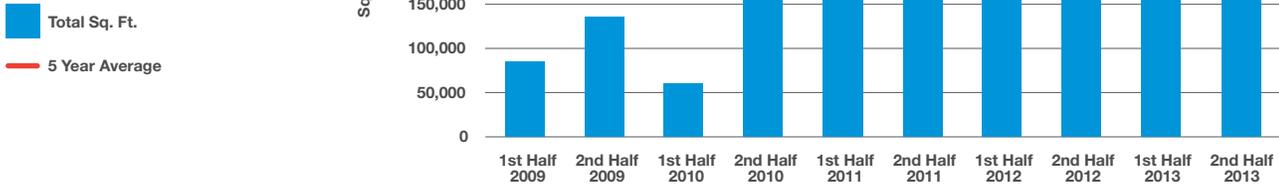


Second Half of 2013 Office Condominium Sales:

In the second half of 2013 there were a total of 197,848 square feet of office condominium sales in Manhattan, totaling \$114,504,844. The sales averaged \$579 per square foot. There were a total of 31 office condominium units sold in 24 different buildings, averaging 6,382 square feet per sale.

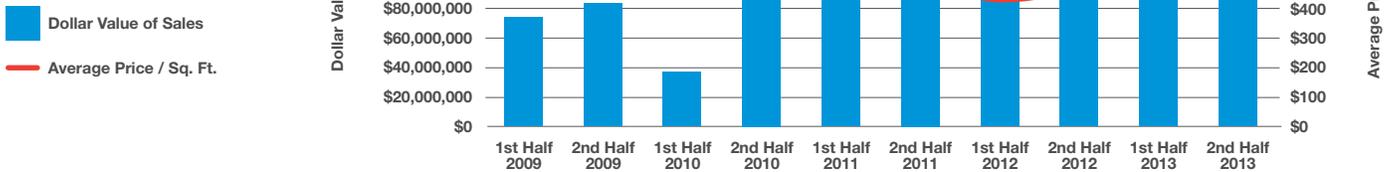
Square Footage of Sales: The total square footage of sales has dramatically decreased compared to the first half of 2013. In the second half of 2013 there were 197,848 square feet of sales, compared to 266,314 square feet in the first half of 2013. The decrease in total square feet sold in the second half of 2013 was due to the lack of available office condominium units for sale. The total square feet sold in the second half of 2013 was 8% higher than the five year average.

Sq. Ft. Sold per Half Year



Dollar Value of Sales: In the second half of 2013 there was a total of \$114,504,844 in sales, nearly 32% less than the first half of the 2013 sales which totaled \$168,156,977. This decrease in the total dollar value of sales directly correlates to the decrease in the total square footage of sales. The total dollar value of sales in the second half of 2013 was 12% higher than the five year average.

Dollar Value of Sales per Half Year



Average Price Per Square Foot: In the second half of 2013 the average price per square foot was \$579, 8% lower than the \$631 average price per square foot in the first half of 2013. Pricing is very close to the five year average of \$584 per square foot.

In the second half of 2013, sales ranged from \$365 per square foot to \$1,305 per square foot. The low priced sales occurred in large units in the Downtown submarket, and the high priced sales occurred in smaller units in more desirable areas. The average price per square in the second half of 2013 was brought down by several large, low priced sales in the Downtown submarket.

Number of Sales: There were 31 sales in the first half of 2013; significantly less than the 74 sales in the first half of the 2013. The number of office condominiums sold in the second half of 2013 was lower than the five year average by 8 sales. The reduced number of sales was due to the lack of available office condominium units for sale.

Submarket Statistics

The Midtown submarket is Manhattan's largest office condominium submarket, comprised of 5.3 million square feet. In the second half of 2013 there were 18 sales totaling 117,437 square feet. The dollar value of these sales totaled \$74,013,699, averaging \$630 per square foot.

The Midtown South submarket is comprised of approximately 2.1 million square feet of office condominiums. In the second half of 2013 there were 8 sales totaling 25,732 square feet. The dollar value of these sales totaled \$19,432,000, averaging \$755 per square foot.

The Downtown submarket is comprised of approximately 1.7 million square feet of office condominiums. In the second half of 2013 there were 5 sales totaling 54,679 square feet. The dollar value of these sales totaled \$21,059,145, averaging \$385 per square foot.

2H Sales by Submarket



Availability

There is 682,531 square feet of available Manhattan office condominiums, a 7.5% availability rate. There are 45 units for sale in 23 buildings, with an average asking price of \$710 per square foot. In the Midtown submarket there is 295,755 square feet for sale, with an average asking price of \$949 per square foot. In Midtown South there is 39,814 square feet for sale, with an average asking price of \$1,174 per square foot. In the Downtown submarket there is 346,962 square feet for sale, with an average asking price of \$453 per square foot.

When extracting the International Gem Tower and 40 Rector Street, the citywide availability rate drops from 7.5% to a mere 2.4%, with an average asking price of \$850 per square foot.



Why We Purchased Our Office Condominium

By: Michael Rudder and Mike Heller

In August 2013, we purchased an office condominium at 14 East 4th Street, between Broadway and Lafayette Street in Greenwich Village. This purchase made a lot of sense for us and we thought we would share our experiences in hopes to encourage other businesses to consider purchasing their own space.

We purchased a 1,600 rentable square foot (RSF) unit on the fourth floor for \$1,200,000, inclusive of closing costs. The square footage was based on a 34% loss factor. On a price per RSF basis, we paid one of the highest prices in the building's history. The unit had been owned and occupied by a non-profit for the past 20 years and needed a gut renovation. We spent \$150,000 to demolish and rebuild the space, which included constructing four floor-to-ceiling glass offices, a glass conference room, a kitchen, a bathroom and a three-ton central air-conditioning system. The construction time, from planning to completion, took five months. We invested in a high level of finish because as owners we have a longer time to amortize the costs.

We obtained a \$750,000 mortgage from Bank of America at a 3.8% interest rate, fixed for seven years. Our monthly costs, including the mortgage payments, real estate taxes and common charges are slightly less than \$5,000 per month.



Rudder Property Group's Office Condominium 14 East 4th Street, New York, NY

Owning Vs. Leasing

Purchase Price + Construction: \$1,350,000

Monthly Costs:

Mortgage Payments: \$3,500

Common Charges & Real Estate Taxes: \$1,500

Total Monthly Costs: \$5,000 (\$37 per square foot)

Vs.

Monthly Lease Rate: \$8,500 (\$63 per square foot)

Why We Purchased Our Office Condominium (continued)

The configuration of the unit affords us the opportunity to double the size of our staff in the event of future growth. In the meantime, we can lease out half of the space for \$4,000 per month, which would subsidize 80% of our carrying costs, including the mortgage payments. In the event that we outgrow our space and need to relocate, we believe that in today's strong leasing market we could achieve \$8,500 in rental income. The \$3,500 monthly profit represents a 7% return on equity.

There were many factors that went into our decision to purchase at 14 East 4th Street, including:

Building Condition: We conducted an extensive review of the quality of the building and determined that it was in excellent condition. The building's financials are exceptionally strong, there is no deferred maintenance, there is a first-rate management company, and there is a prestigious roster of other unit owners, including Vornado Realty Trust and New York University.

Location: The building's location, which is also referred to as Noho and Midtown South, is extremely desirable. It is in one of the most expensive residential neighborhoods and boasts one of the lowest office vacancy rates in the country; less than 4%. The strength of the submarket gave us comfort that the property would maintain its value and provide a high return should we need to lease a portion of the unit.

Strengthening Our Brand: As New York's office condominium market leaders, we felt that it was important for us to own our office space. As we advise buyers and sellers of office condominiums we can now speak from a position of experience. We believe that office ownership demonstrates financial strength and stability. Our company is only three years old: as soon as we had enough of a proven track record in order to obtain a loan we decided to make this first purchase.

We would like to thank the following people who assisted us through the process. We highly recommend their services:

Lender: Mario DiCerbo, Bank of America Merrill Lynch
Attorney: Jeffrey Reich, Esq., Wolf Haldenstein
Architect: Joe Jattuso, Bromley Caldari Architects PC
Contractor: Mars lafiasov, Mars Construction Management
Design: Michael McGrath, Michael and Associate



14 East 4th Street, New York, NY

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 650,000 square feet of office condominiums with a dollar value in excess of \$280 million. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

For more information on New York's office condominium market, contact:

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