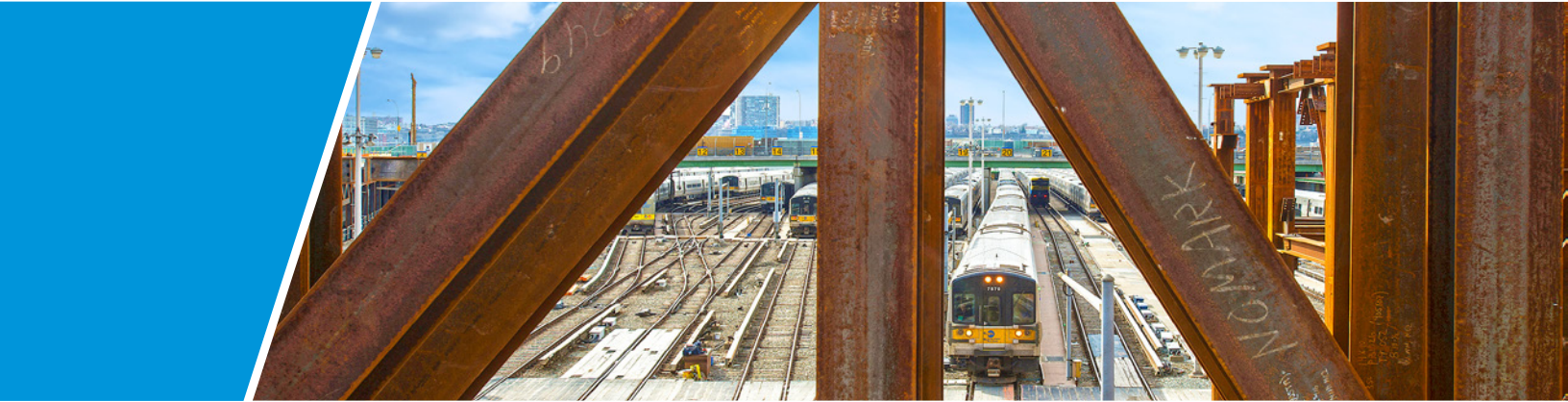


The **RPG** Office Condominium Report

Second Half 2015



2015 Office Condominium Sales

At a Glance

- **Lack of Supply Causes Lack of Sales:** The dollar value of sales in the second half of 2015 was 29% (\$44 million) less than the first half of 2015. The reduction of sales is the result of a severe lack of available office condominiums for sale.
- **Strong Pricing:** The average price per square foot in the second half of 2015 was \$727, significantly higher than the \$592 five-year average price per square foot.
- **The Real Deal's Office Condominium:** Amir Korangy's *The Real Deal* magazine recently purchased an office cooperative at 450 West 31st Street. Amir provides details on the process and rationale behind his firm's recent purchase.

Market Overview

There are 93 office condominium buildings in Manhattan, totaling 10.5 million square feet. The Midtown submarket is comprised of 5.7 million square feet. Midtown South is comprised of 2.8 million square feet. Downtown is comprised of 2.0 million square feet. There are 3.8 million square feet of class A office condominiums, 4.4 million square feet of class B, and 2.3 million square feet of class C.

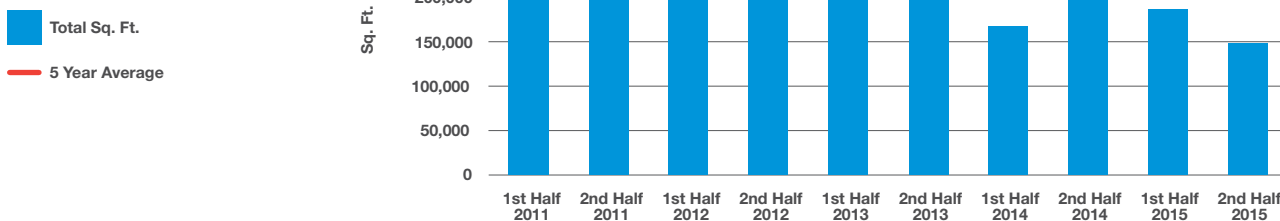
Second Half of 2015 Office Condominium Sales:

In the second half of 2015 there were a total of 148,696 square feet of office condominium sales in Manhattan, totaling \$108,096,571. The sales averaged \$727 per square foot. There were a total of 28 office condominium units sold in 20 different buildings, averaging 5,311 square feet per sale.

Market Overview (continued)

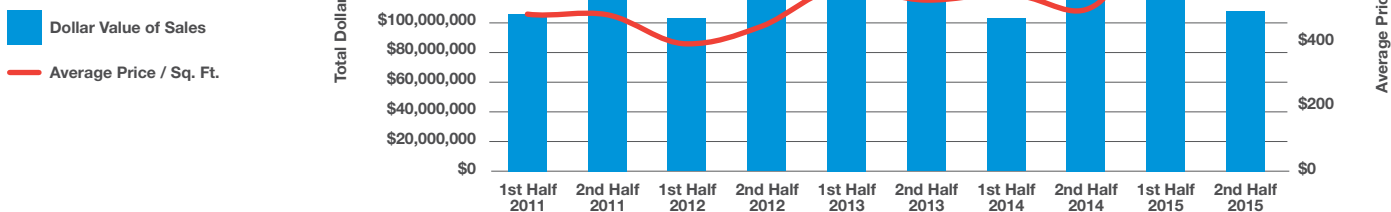
Square Footage of Sales: In the second half of 2015 the total square footage of sales decreased compared to the first half of 2015. 148,696 square feet was sold in the second half of 2015, compared to 190,995 square feet in the first half. The total square footage of sales in the second half of 2015 is also lower than the five year average of 231,075 square feet.

Sq. Ft. Sold per Half Year



Dollar Value of Sales: In the second half of 2015 there was a total of \$108,096,571 in sales, 29% less than the first half of 2015 sales which totaled \$151,809,738. The average dollar value of sales per half year over the past five years totaled \$136,254,190.

Dollar Value of Sales per Half Year



Average Price Per Square Foot: In the second half of 2015 the average price per square foot was \$727, 16% lower than the \$862 average price per square foot in the first half of 2015. Pricing was still significantly higher than the \$592 five-year average price per square foot.

Number of Sales: There were 28 sales in the second half of 2015, 11 sales less than the first half of 2015. The number of office condominiums sold in the second half of 2015 was lower than the five-year average by 8 sales.

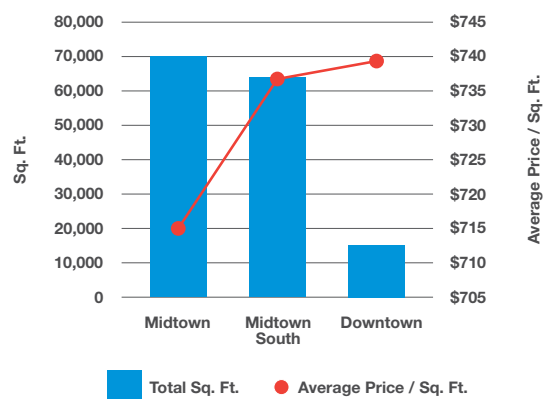
Submarket Statistics

The Midtown submarket is Manhattan's largest office condominium submarket, comprising of approximately 5.7 million square feet. In the second half of 2015 there were 12 sales totaling 69,662 square feet. The dollar value of these sales totaled \$49,825,469, averaging \$715 per square foot.

The Midtown South submarket comprises approximately 2.8 million square feet of office condominiums. In the second half of 2015 there were 11 sales totaling 64,582 square feet. The dollar value of these sales totaled \$47,585,000, averaging \$737 per square foot.

The Downtown submarket comprises approximately 2.0 million square feet of office condominiums. In the second half of 2015 there were 5 sales totaling 14,452 square feet. The dollar value of these sales totaled \$10,686,102, averaging \$739 per square foot.

2H Sales by Submarket



Availability

There is 748,102 square feet of available Manhattan office condominiums, which equates to a 7% availability rate. There are 51 units for sale in 32 buildings, with an average asking price of \$1,131 per square foot. In the Midtown submarket there is 636,509 square feet for sale, with an average asking price of \$1,148 per square foot. In the Midtown South submarket there is 65,705 square feet for sale, with an average asking price of \$1,071 per square foot. In the Downtown submarket there is 45,888 square feet for sale, with an average asking price of \$975 per square foot.

If the units at the newly converted 866 United Nations Plaza and the recently constructed International Gem Tower at 50 West 47th Street were extracted from the statistics, there would only be 247,111 square feet of office condominiums available for sale; a mere 2.35% availability rate.



Conversation with Amir Korangy, Founder and Publisher of *The Real Deal*

The Real Deal magazine, referred to by many as the bible of New York City real estate, was founded in Amir Korangy's Prospect Heights apartment in 2003. *The Real Deal* has spent the past 10 years in a leased office space on West 29th Street and has watched rents climb from the high teens per square foot to the low \$50s. In December 2015, *The Real Deal* closed on the purchase of an 11,500 square foot office cooperative at 450 West 31st Street for \$8,500,000.

We sat down with Amir Korangy to discuss what led to his decision to purchase an office cooperative at 450 West 31st Street. Here are some excerpts from our conversation:

Rudder Property Group: What led you to initially consider purchasing an office condo or co-op?

Amir Korangy: Last year, as our 10th year at our current location was approaching, I was planning on renewing our lease, but my coworkers kept telling me that we needed more space. Our current space was designed for 35 people and we currently have 63 employees and growing. When this growth happened I started looking.

When I started leasing our office on West 29th Street our rent was \$17 per square foot and we are currently paying \$31 per square foot. The next tenant will be paying \$54 per square foot. The rents have gone up tremendously. For me there was a sweet spot; I wanted to stick to \$40 – \$44 per square foot. But even at that price it didn't make sense to lease, so when the opportunity presented itself [to buy] I wanted to see if it was possible.

RPG: What was the search process like?

AK: We were out looking at commercial condos and co-ops and there wasn't much available in the size and price range that I needed. When the space at 450 West 31st Street was presented to me at an all-in cost of \$10 million I did not think we could afford it. But I decided to see if we could actually to put it together, and it turns out we could. I spoke with two of the city's largest developers who told me that buying this office co-op was the smartest thing I could possibly do.

It took me roughly about a year to do the search, find the space, and then close on the sale. By the time we move into the new office it will have been a one year process.

Conversation with Amir Korangy (continued)

RPG: What are your plans for constructing the space?

AK: We are gut renovating the property and I am acting as the general contractor which will hopefully save a significant amount on the construction cost. For this type of construction I wanted to use professional contractors because I have carrying costs after closing and I don't want to lose months trying to get the place ready.

We are spending far more on construction costs than we would if we were renting because this is going to be our home for a long time. It feels good to have something that you own and you can design to your liking and to your taste. For recruiting purposes alone it will be great.

RPG: What are your thoughts on the Hudson Yards?

AK: The Hudson Yards is amazing. Even though it is all the way on the west side, it is going to be the new center of the city. It's going to be remarkable how many people and businesses will be there. The Highline gets more visitors than the Empire State Building, and the Javits Center, which is not too far away, gets more visitors than both of them.



Rudder Property Group

Rudder Property Group is a commercial real estate services firm that solely 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 750,000 square feet of office condominiums with a dollar value in excess of \$400 million. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

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