

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

2012

Lower Manhattan's market fundamentals remained strong in 2012, despite a year of slow growth in the national economy and the arrival of Hurricane Sandy in the fourth quarter. Major milestones were achieved as the district saw the highest number of firms in a decade, the residential population reached 60,000, annual spending power surpassed \$5 billion, and commercial sales reached a 5-year high.

INDUSTRIES AND EMPLOYMENT

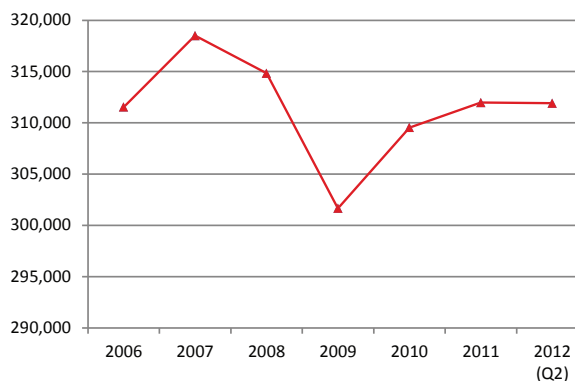
Lower Manhattan's economy was strong in 2012. Total employment grew to 311,900 in mid-2012.¹ That number represents the addition of 2,000 workers year-over-year, and 8,000 since the trough of the 2008-2009 recession. The number of firms in Lower Manhattan also grew in 2012, reaching 8,540—the highest number in the past ten years.

Financial Services and Professional Services continue to be Lower Manhattan's signature industries, and Lower Manhattan is home to some of the world's most prominent companies, including Bank of America/Merrill Lynch, The Bank of New York Mellon, American International Group, The Goldman Sachs Group, JP Morgan Chase, Deutsche Bank, American Express, Standard & Poor's, and Deloitte & Touche—all of which rank among Lower Manhattan's top tenants. The local economy has grown more diverse, however, with an increase of media and other creative companies, as well as technology firms. These trends are visible in relocations, occupancy, and leasing.

The 391 companies that have relocated to Lower Manhattan since 2005 represent a broad array of industries. Creative Services (including media, advertising, and architecture companies) leads the way with 28% of relocations by square footage leased. Professional Services account for 24% of relocations, the FIRE sector (finance, insurance,

LOWER MANHATTAN TOTAL EMPLOYMENT

Source: NYS Department of Labor

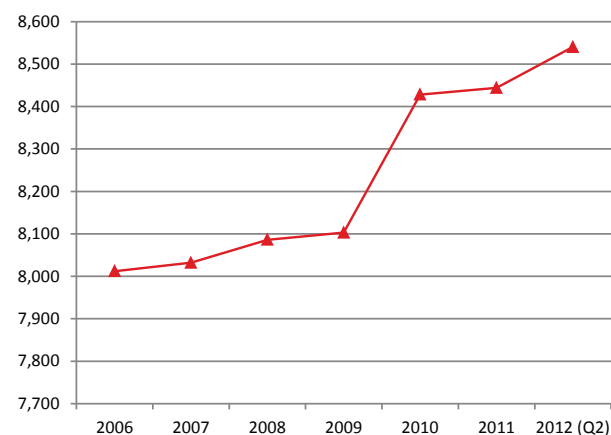


2012 Lower Manhattan Employment

- ✓ **311,900 workers**
- ✓ **8,540 firms**
- ✓ **391 relocations since 2005**

LOWER MANHATTAN TOTAL FIRMS

Source: NYS Department of Labor



¹ Source: NYS Department of Labor. The second quarter of 2012 is the most recent data available for Lower Manhattan.

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

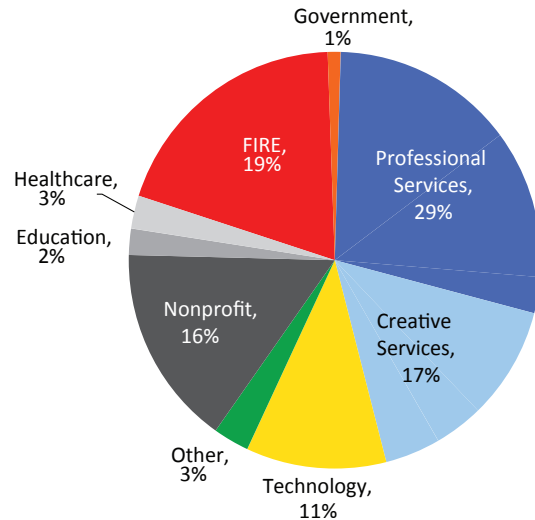
and real estate) for 22%, and Technology companies account for 5%.

The share of occupancy by industry shifted during the same time period, while overall vacancy improved. In 2005, the FIRE sector occupied 57% of rentable square feet. By the end of 2012, however, this industry's share dropped to 45%. Meanwhile, Government grew from 14% to 17%, Professional Services grew from 12% to 14%, Media grew from 3% to 5%, and Technology grew from 3% to 5%.

This year, the FIRE sector led the district's leasing, signing 39% of deals in 2012. The Professional Services industry signed 17%, while 12% of deals were Media firms, 9% were Technology, 8% were nonprofits, and 5% were Education.

RELOCATIONS TO LOWER MANHATTAN, 2005-2012

Source: CBRE, CoStar, Alliance for Downtown New York



TOP RELOCATIONS, 2012

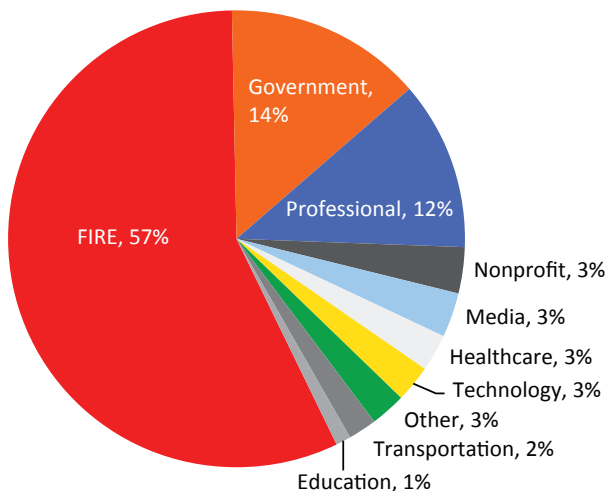
Source: CBRE, CoStar, Alliance for Downtown New York

Tenant Name	Building Address	SF Leased	Previous Location	Sector
Nielsen Media Research	85 Broad Street	116,258	Midtown South	Professional Services, Other
Beyer Blinder Belle Architects & Planners, LLP	120 Broadway	52,125	Midtown South	Creative Services, Other
Holwell Shuster & Goldberg, LLP	125 Broad Street	35,681	Midtown	Professional Services, Law
Refinery 29	225 Broadway	30,550	Midtown South	Creative Services, Media
Leukemia and Lymphoma Society	61 Broadway	23,750	Midtown	Non-profit
Polaris Management Partners	100 Broadway	18,375	Midtown	Professional Services, Management Consulting
Application Security	55 Broad Street	12,444	Midtown	Technology, Software Publishing
Rock Shrimp, Inc.	115 Broadway	9,639	Midtown South	Creative Services, Performing Arts
Inovia	30 Broad Street	5,335	Midtown South	Professional Services, Other
First Manhattan Abstract Corp	30 Broad Street	4,400	Midtown South	FIRE

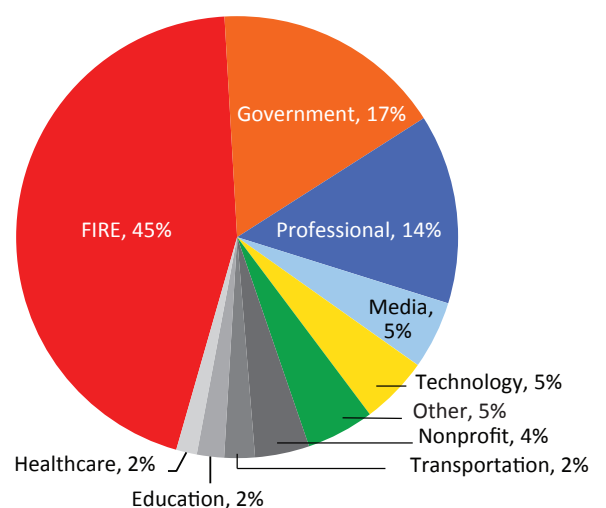
OCCUPANCY BY INDUSTRY

Source: CBRE

2005



2012



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW



LOWER MANHATTAN'S LARGEST TENANTS

Source: CBRE, CoStar, Alliance for Downtown New York

Ranking	Company Name	SF Occupied	Sector
1	City of New York	4,778,476	Government
2	Bank of America/Merrill Lynch	4,585,092	FIRE
3	New York State	2,765,904	Government
4	The Bank of New York Mellon Corporation	2,383,315	FIRE
5	American International Group	2,137,948	FIRE
6	The Goldman Sachs Group, Inc.	2,000,000	FIRE
7	JP Morgan Chase	1,934,172	FIRE
8	Metropolitan Transportation Authority	1,631,166	Government
9	Deutsche Bank	1,526,000	FIRE
10	American Express	1,405,564	FIRE
11	Verizon Global Solutions	1,171,540	Technology
12	Standard & Poor's	1,055,994	Professional Services
13	The Federal Reserve Bank of New York	1,055,270	Government
14	Deloitte & Touche	860,705	Professional Services
15	U.S. Government	846,494	Government
16	Morgan Stanley Smith Barney	816,000	FIRE
17	New York Stock Exchange	785,542	FIRE
18	Moody's Investor Services	707,878	FIRE
19	Depository Trust & Clearing Corporation	608,242	FIRE
20	Sullivan & Cromwell	556,549	Professional Services
21	Royal Bank of Canada	552,040	FIRE
22	Cadwalader, Wickersham & Taft	549,300	Professional Services
23	The Guardian Life Insurance Company of America	525,128	FIRE
24	Nomura Securities International, Inc.	504,805	FIRE
25	Thomson Reuters Financial	483,609	Technology
26	Cleary Gottlieb Steen & Hamilton	479,916	Professional Services
27	HIP Health Plan of New York	431,163	FIRE
28	Brown Brothers Harriman & Co.	422,996	FIRE
29	CME Group, Inc.	419,991	FIRE
30	Fried, Frank, Harris, Shriver & Jacobson	390,710	Professional Services

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

COMMERCIAL OFFICE MARKET

Leasing Activity

The year ended with a robust fourth quarter, despite the arrival of Hurricane Sandy on October 29th. More than 1.23 million square feet transacted, on par with the prior quarter and up 16% year-over-year. Deal flow continued unabated as brokers report that concessions packages did not change following the storm. And in fact, many transactions were signed in buildings that had been impacted by the storm.

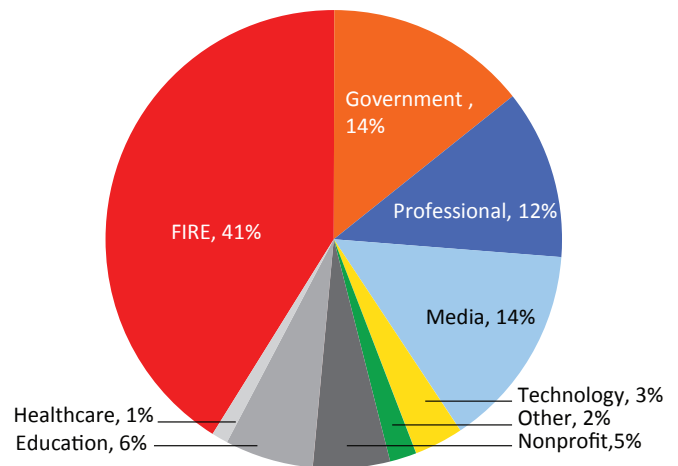
This fourth quarter activity rounded out a total 4.5 million square feet of leasing in 2012, near the ten-year average of 4.7 million square feet, but down 24% from 2011. Similarly, deal-making was down across Manhattan, including Midtown where total leasing dropped 23% year-over-year. This drop was largely attributed to a year of slow growth in the national economy and looming economic challenges like the fiscal cliff and potential tax policy changes.

In this economic climate, many tenants preferred renewals over the more costly alternative of relocating, and Lower

Manhattan offers cost-conscious tenants affordable rents, a superior transportation network, proximity to high-value knowledge workers, amenities, and quality of life. As a result, the district's leasing activity was fueled by long-term renewals and expansions, including the year's largest deal: Morgan Stanley's 1.15 million-square-foot lease at 1 New York Plaza.

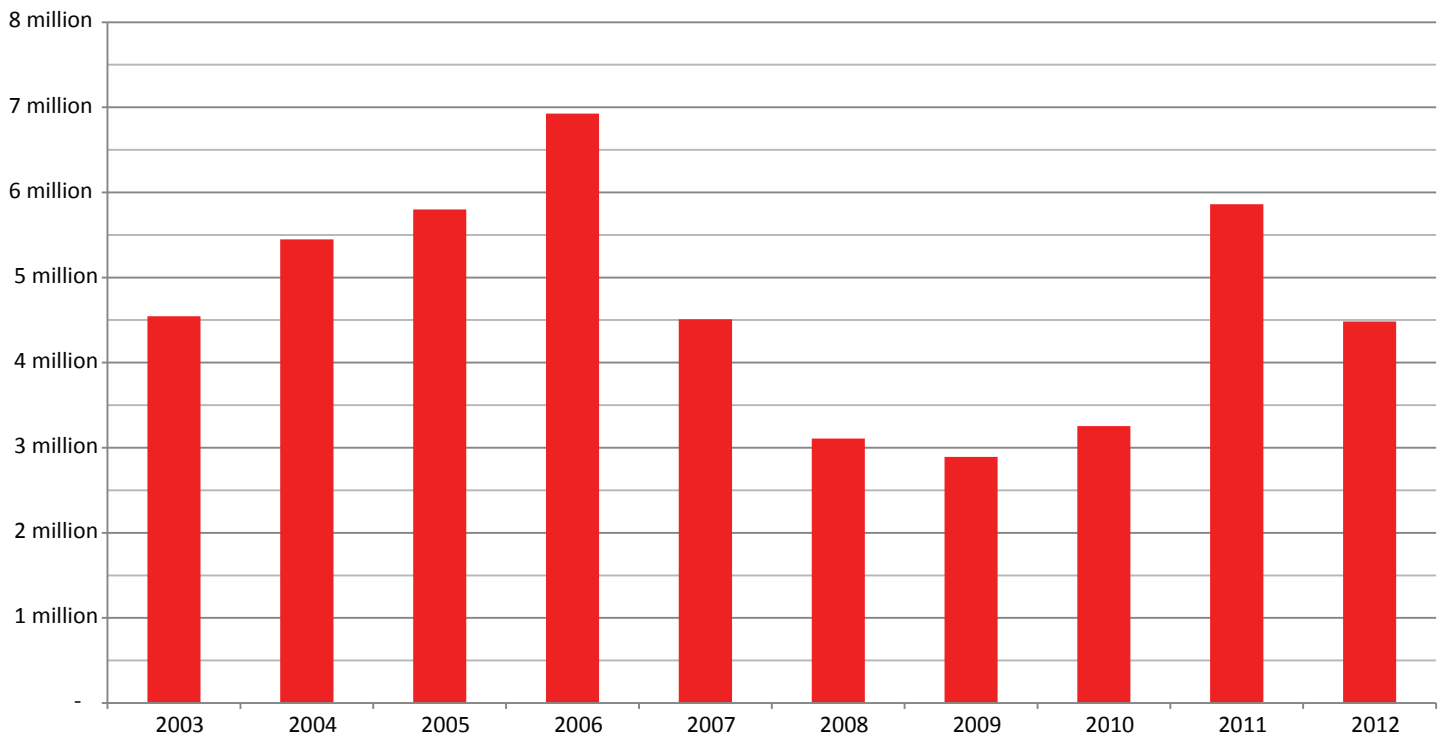
LEASING BY INDUSTRY, 2012

Source: CBRE



LOWER MANHATTAN LEASING ACTIVITY

Source: CBRE



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

Lower Manhattan deals climbed the ranks of Manhattan's largest leases in 2012, and four deals south of Chambers Street made the list of Manhattan's ten biggest office leases.² This is up from last year when three Lower Manhattan deals made the list, and from 2010 when one Lower Manhattan deal made the list.

Lower Manhattan's large blocks of space continued to be absorbed in 2012 with thirteen deals over 100,000 square feet. This includes the World Trade Center where Condé Nast signed a 133,000-square-foot expansion to take a total 1,133,000 square feet at 1 World Trade Center. The U.S. General Services Administration (GSA) also finalized their option to lease 270,000 square feet at One World Trade Center for 20 years. Those agreements brought the 2.6 million-square-foot building to more than 55% leased. The

GSA deal is not included in the year-to-date leasing figure as it is not a traditional lease transaction.)

Other top deals are emblematic of the diversification of Lower Manhattan's tenant roster. Investment Technology Group, a technology-based Financial Services firm, signed 132,000 square feet at 1 Liberty Plaza. Nielsen Media Research, a Professional Services company prominent in the Media industry, signed over 116,000 square feet at 85 Broad Street, moving from Midtown South. AECOM, an architectural and engineering firm, took more than 91,000 square feet at 125 Broad Street. New York Film Academy signed over 73,000 square feet at 17 Battery Place. And tech firm Interactive Data Corporation renewed nearly 67,000 square feet at 100 William Street.

² Source of top Manhattan Leases, 2012: The Real Deal
Source of top Manhattan Leases, 2010-2011: CoStar

TOP 30 LEASES SIGNED IN LOWER MANHATTAN, 2012

Source: CBRE, CoStar, Alliance for Downtown New York

	Tenant Name	Building Address	SF Leased	Quarter Signed	Transaction Type	Industry
1	Morgan Stanley Smith Barney LLC	1 New York Plaza	1,153,000	Q2	Renewal and Expansion	FIRE
2	New York City Law Department	100 Church Street	372,520	Q2	Renewal	Government
3	Milbank, Tweed, Hadley & McCloy LLP	1 Chase Manhattan Plaza	350,010	Q2	Renewal	Professional Services, Law
4	General Services Administration	1 World Trade Center	273,004	Q3	Direct	Government
5	New York State Department of Financial Services	1 State Street Plaza	237,991	Q4	Renewal and Expansion	Government
6	The City of New York	75 Park Place	207,812	Q2	Renewal	Government
7	Fitch Ratings	33 Whitehall Street	180,500	Q2	Renewal and Expansion	FIRE
8	Amerigroup	14 Wall Street	165,029	Q3	Relocation	FIRE
9	Condé Nast Publications	1 World Trade Center	133,000	Q1	Expansion	Creative Services, Media
10	Investment Technology Group, Inc.	1 Liberty Plaza	132,092	Q1	Relocation	FIRE
11	New York City Law Department	100 Church Street	131,946	Q4	Direct	Government
12	Transatlantic Reinsurance Company	1 Liberty Plaza	130,268	Q4	Direct	FIRE
13	Nielsen Media Research	85 Broad Street	116,258	Q4	Relocation	Professional Services, Other
14	AECOM	125 Broad Street	91,414	Q4	Direct	Creative Services, Other
15	New York Film Academy	17 Battery Place South	73,321	Q2	Relocation	Education
16	Interactive Data Corporation	100 William Street	66,986	Q4	Renewal	Technology
17	D'Amato & Lynch, LLP	2 World Financial Center	57,999	Q4	Renewal	Professional Services, Law
18	Beyer Blinder Belle Architects & Planners LLP	120 Broadway	52,125	Q4	Relocation	Creative Services, Other
19	King's College	52 Broadway	51,750	Q2	Relocation	Education
20	Metropolitan Council on Jewish Poverty	120 Broadway	50,734	Q3	Direct	Nonprofit
21	Pace University	140 William Street	49,200	Q1	Direct	Education
22	Strategies for Wealth	120 Broadway	45,304	Q3	Direct	FIRE
23	Bank of America	4 World Financial Center	44,384	Q3	Renewal	FIRE
24	Sedgwick, Detert, Moran & Arnold LLP	2 World Financial Center	43,374	Q3	Direct	Professional Services, Law
25	Odyssey Re Holdings Corporation	100 William Street	41,854	Q1	Direct	FIRE
26	Institute for Community Living	125 Broad Street	41,594	Q4	Direct	Healthcare
27	XL Insurance	1 World Financial Center	40,081	Q4	Expansion	FIRE
28	Sentry Centers	32 Old Slip	38,750	Q3	Direct	Professional Services, Other
29	New York Life Insurance Company	120 Broadway	38,529	Q1	Renewal	FIRE
30	Omnicom	195 Broadway	36,300	Q1	Expansion	Creative Services, Advertising

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

Vacancy

Lower Manhattan ended the year with just 8.8% total vacancy, down from 9.3% last quarter and 9.5% last year, and the lowest in more than three years. The area also maintained its ranking as the business district with the third-lowest vacancy rate in the nation.³

Lower Manhattan was the only Manhattan market to see a year-over-year decrease in vacancy. Midtown South—which holds the lowest vacancy rate in the nation—increased from 6.4% at the end of 2011 to 7.1% at the end of 2012. Meanwhile, Midtown vacancy rose from 9.6% to 10.3% during the same time period.

³ Source of national rank of vacancy: Cushman & Wakefield

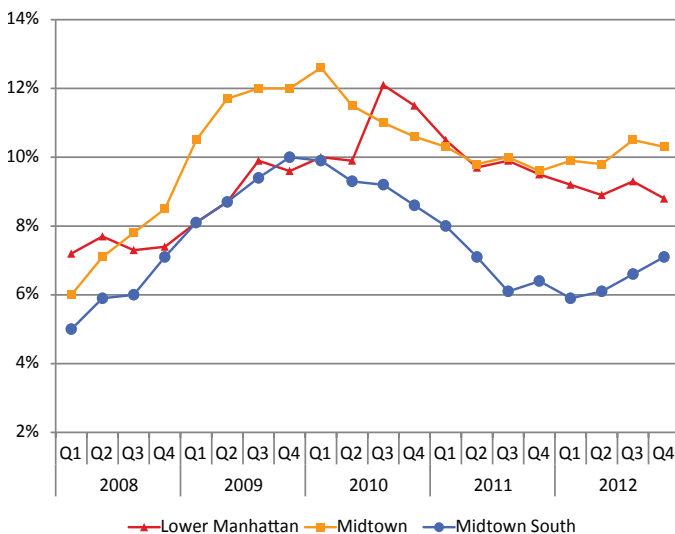
Rents

Lower Manhattan rents were stable throughout 2012. Average asking rents ended the year at \$39.58 per square foot, on par with last quarter and last year. Class A rents were \$45.16 per square foot, stable over last quarter and up 2% over last year.

The taking rent index, which shows taking rents as a percentage of asking rents, was stable through most of 2012, except for a slight dip in the third quarter. The taking rent index improved again during the fourth quarter, ending the year at a strong 88%, further evidence that Hurricane Sandy did not impact leasing.

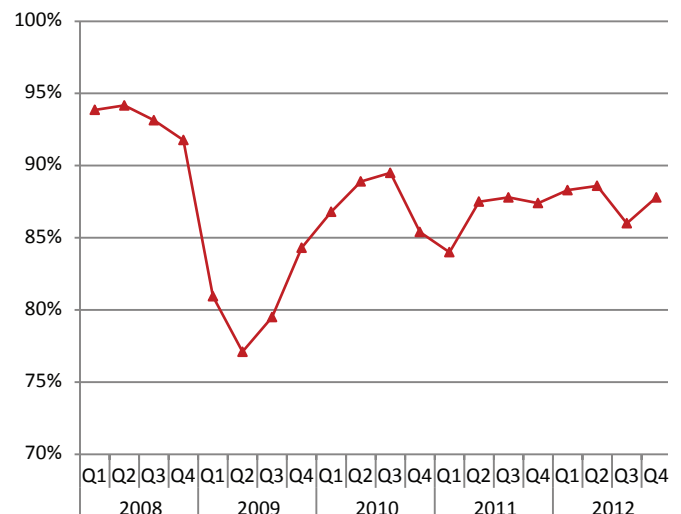
TOTAL VACANCY

Source: Cushman & Wakefield



TAKING RENT INDEX

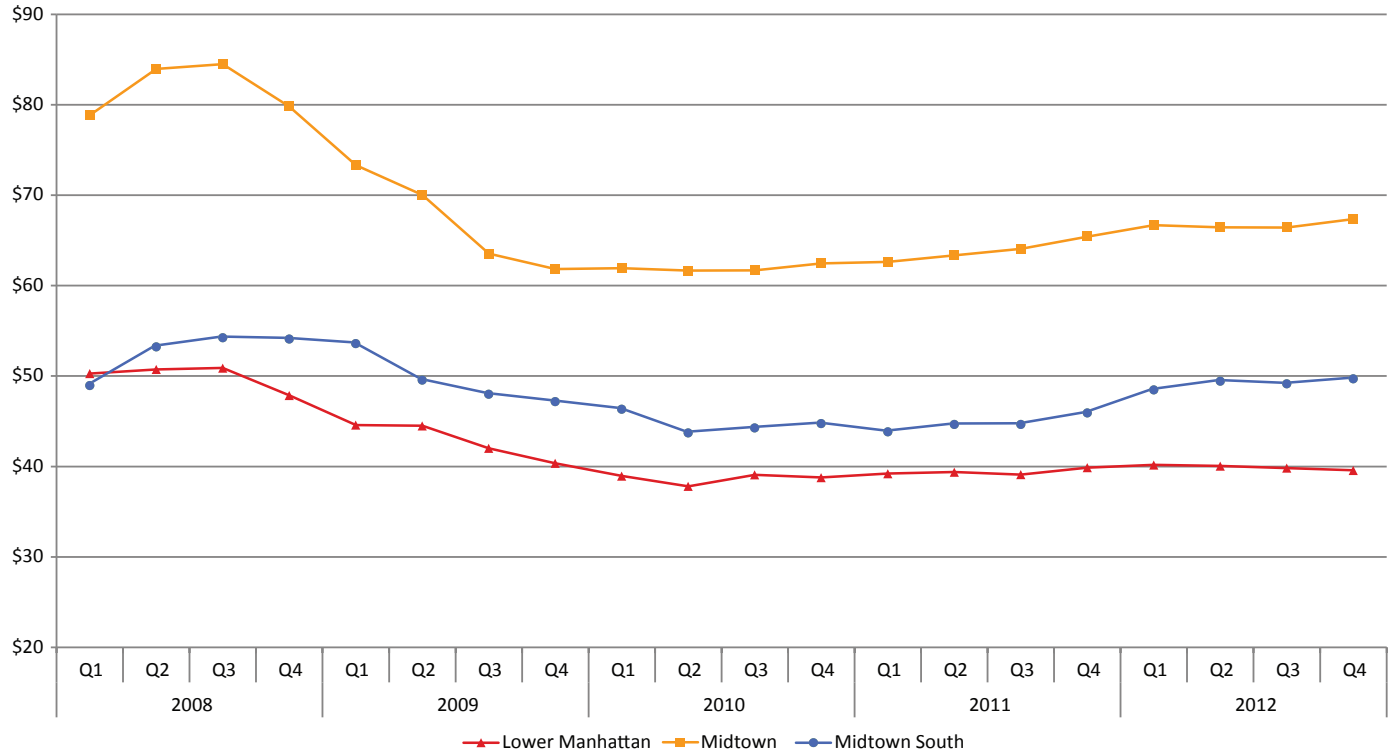
Source: CBRE



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

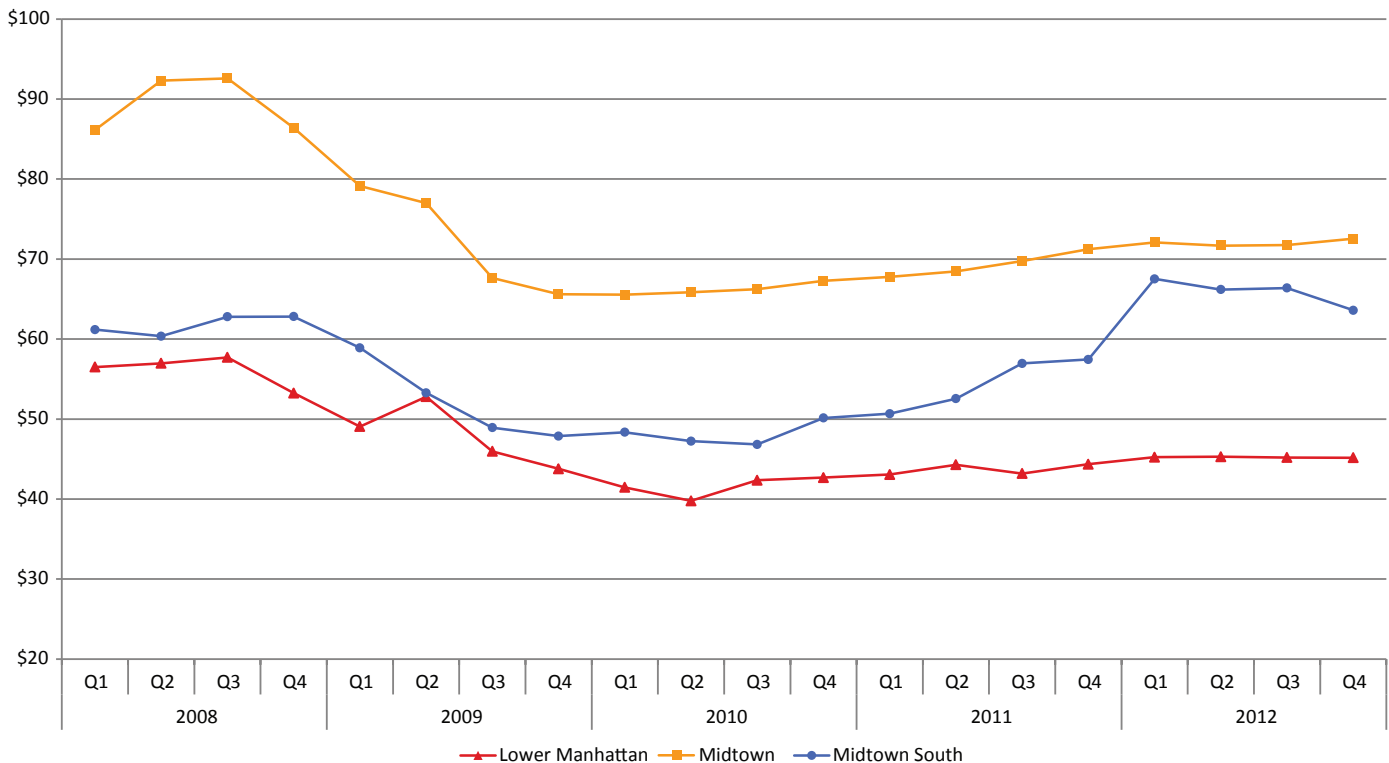
OVERALL AVERAGE ASKING RENTS

Source: Cushman & Wakefield



CLASS A RENTS

Source: Cushman & Wakefield



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

THE BRAIN GAIN

Recent U.S. Census data shows that over the last decade, Lower Manhattan has become the epicenter of the region's vast pool of high-value, knowledge workers – as educated young and mid-career adults forego the suburbs in favor of the subway- and PATH-connected neighborhoods of Manhattan, Brooklyn and the cities along New Jersey's Hudson River waterfront. That growth has had a profound impact on the value proposition of a Lower Manhattan business address.

The analysis revealed:

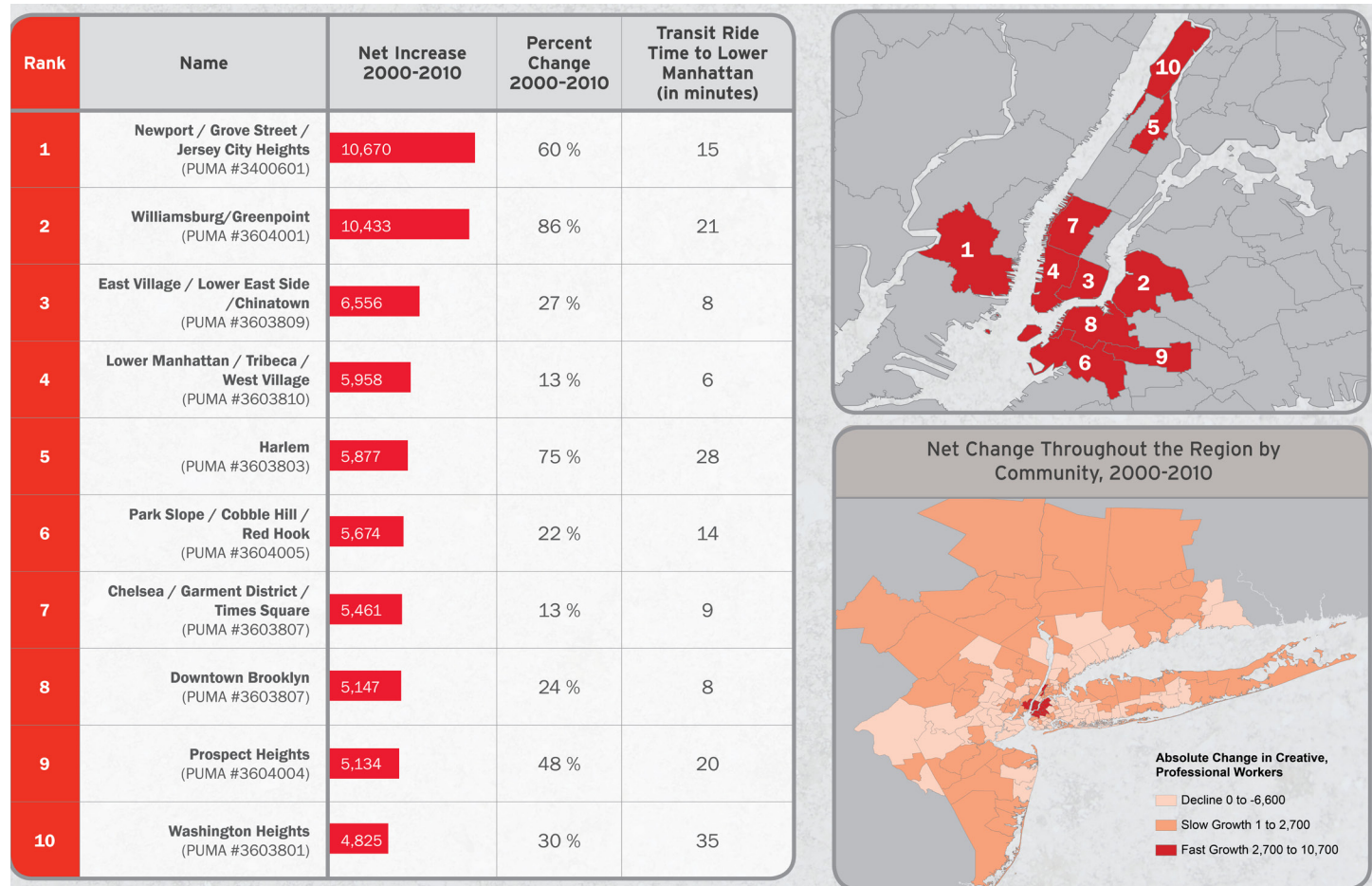
- The fast-growing communities and towns surrounding Lower Manhattan posted large population gains among people working in creative and professional fields.
- Nine of the region's ten fastest growing communities are within a 30-minute subway or PATH ride of Lower

Manhattan. As a result, today places like Park Slope, the Lower East Side, and Jersey City's Newport-Grove Street area contribute more of the region's creative and professional workforce than Scarsdale, New York; Fairfield, Connecticut; and Huntington, Long Island.

- At over 557,000, the 2010 population of creative and professional workers living within a 30-minute commute of Lower Manhattan outranked the populations of Long Island (298,000), Westchester and the Hudson Valley (226,000), Southern Connecticut (211,000), and the rest of New York City (457,000).
- Lower Manhattan's 30-minute commute area was the only part of the region to grow its share of workers in creative and professional fields over the last decade.

GROWTH OF THE REGION'S CREATIVE AND PROFESSIONAL WORKFORCE IS CONCENTRATED AROUND LOWER MANHATTAN

Source: US Census Bureau and Alliance for Downtown New York



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

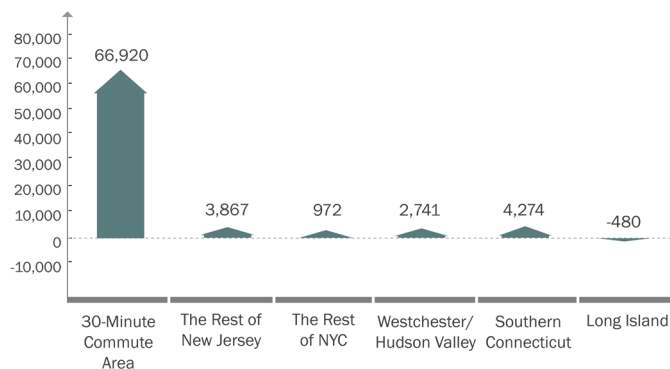


- The number of educated adults ages 18 to 44 within a 30-minute commute of Lower Manhattan jumped by 172,000 people, skyrocketing 32% to reach over 717,000 in 2010. Contrast this with the rest of the 30-county region, which posted a net gain of only 6%.
- This rapid growth in and around Lower Manhattan was due in large part to those in the higher age bracket of 35 to 44 years whose population in this area grew by 44,000, or 24%. By contrast, the more suburban areas of the region barely held onto their population among this age group, posting a net gain of just 3,100.
- At over 717,000, the 2010 total population of college-educated 18 to 44 year-olds living within a 30-minute commute of Lower Manhattan outranked the populations of Long Island (327,000), Westchester and the Hudson Valley (247,000), and Southern Connecticut (236,000). If these growth trends continue, it will not be long before the educated population aged 18 to 44 of the area surrounding Lower Manhattan outranks that found in all of Long Island, Westchester and the Hudson Valley, and Southern Connecticut combined.

Lower Manhattan –the area south of Chambers Street—is exceptionally well-positioned to reach these fast-growing, talent-rich communities thanks to an extensive bi-state, multi-modal transit network consisting of twelve subway lines, thirty bus routes, the PATH to New Jersey, six ferry landings, bikeways, and walk-to-work options.







GROWTH OF CREATIVE AND PROFESSIONAL WORKERS, 2000-2010

Source: US Census Bureau and Alliance for Downtown New York



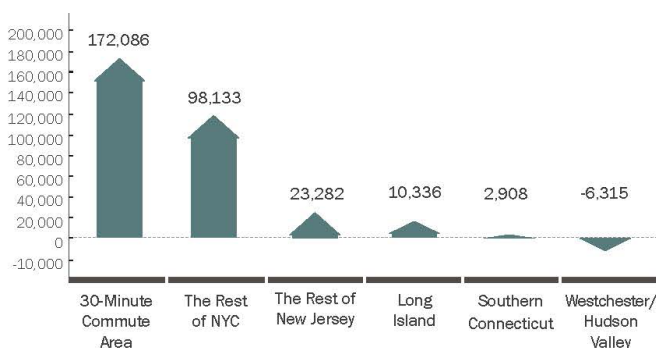
GROWTH OF COLLEGE-EDUCATED ADULTS AGES 35-44, 2000-2010

Source: US Census Bureau and Alliance for Downtown New York

30-Minute Commute Area +44,300	The Rest of the Region (Net Change) +3,100				
	The Rest of NYC	The Rest of New Jersey	Long Island	Southern Connecticut	Westchester/Hudson Valley
					
+44,300	+17,025	+1,235	-3,735	-4,172	-7,369

GROWTH OF COLLEGE-EDUCATED ADULTS AGES 18-44, 2000-2010

Source: US Census Bureau and Alliance for Downtown New York



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW



RESIDENTIAL MARKET

Development and Population Growth

The housing inventory continued to expand in 2012 with three new converted properties and the completion of the final phase of Frank Gehry-designed 8 Spruce Street, the tallest residential tower in the United States with 899 units, which began leasing and occupancy in 2011. Metro Loft Management also made significant progress on the 418-unit 116 John Street, a conversion that opened in the third quarter of 2012. While construction continues on the upper floors, the building is now more than 60% leased.

There are an additional 1,271 units under construction in 6 buildings, with 351 units scheduled for completion in 2013. Interior demolition began at 70 Pine Street, where Rose Associates is converting the 66-story historic Art Deco building and former AIG headquarters into 895 condo units. The Pace University dormitory neared completion at 180 Broadway, and is expected to be open for occupancy by 600 students in time for the 2013 school year.

2012 Residential Population

✓ 60,000 residents

✓ 30,500 units

Several other new residential projects entered the planning stages. These include another Pace University dormitory developed in partnership with SL Green Realty for 760 students at 33 Beekman and the Alchemy Group's conversion of the upper floors of the Woolworth Building to create 40 condominium units.

With these new additions to inventory, Lower Manhattan's residential population reached an estimated 60,000 in 2012 and is expected to increase steadily over the next two years, reaching 61,000 in 2013 and 62,000 in 2014.⁴

⁴ The population estimate includes part-time residents.

HIGHLIGHTS OF RESIDENTIAL DEVELOPMENT

Source: Alliance for Downtown New York

Address/Building Name	Lease Type	Building Type	Units	Date Open	Status
8 Spruce Street, New York by Gehry	Rental	New Construction	899	2011-2012	Completed
254 Front Street	Rental	Conversion	40	2012	Completed
55 Murray Street	Condo	Conversion	4	2012	Completed
116 John Street	Rental	Conversion	418	2012	Completed
37 Warren Street, Warren Lofts	Condo	Conversion	12	2013	Construction
67 Liberty Street	Condo	Conversion	12	2013	Construction
2 John Street, 180 Broadway	Dorm	New Construction	196	2013	Construction
113 Nassau Street	Rental	New Construction	131	2013	Construction
70 Pine Street	Condo	Conversion	895	2014	Construction
19 Park Place	Condo	New Construction	25	TBD	Construction
99 Church Street	Hotel/Condo	Original	143	TBD	Planned
5 Beekman Street	Hotel/Condo	Conversion	90	TBD	Planned
233 Broadway, The Woolworth Building	Condo	Conversion	40	TBD	Planned
33 Beekman Street	Dorm	New Construction	760	TBD	Planned

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

Rental Market⁵

The rental market remained extremely tight during 2012, with fewer additions to inventory than recent years. In addition, Hurricane Sandy temporarily closed about 20% of the district's inventory during the fourth quarter, limiting new listings in the market. As a result, just 471 units were added to the market during the fourth quarter—half that of last quarter and 43% less than Q4 2011.

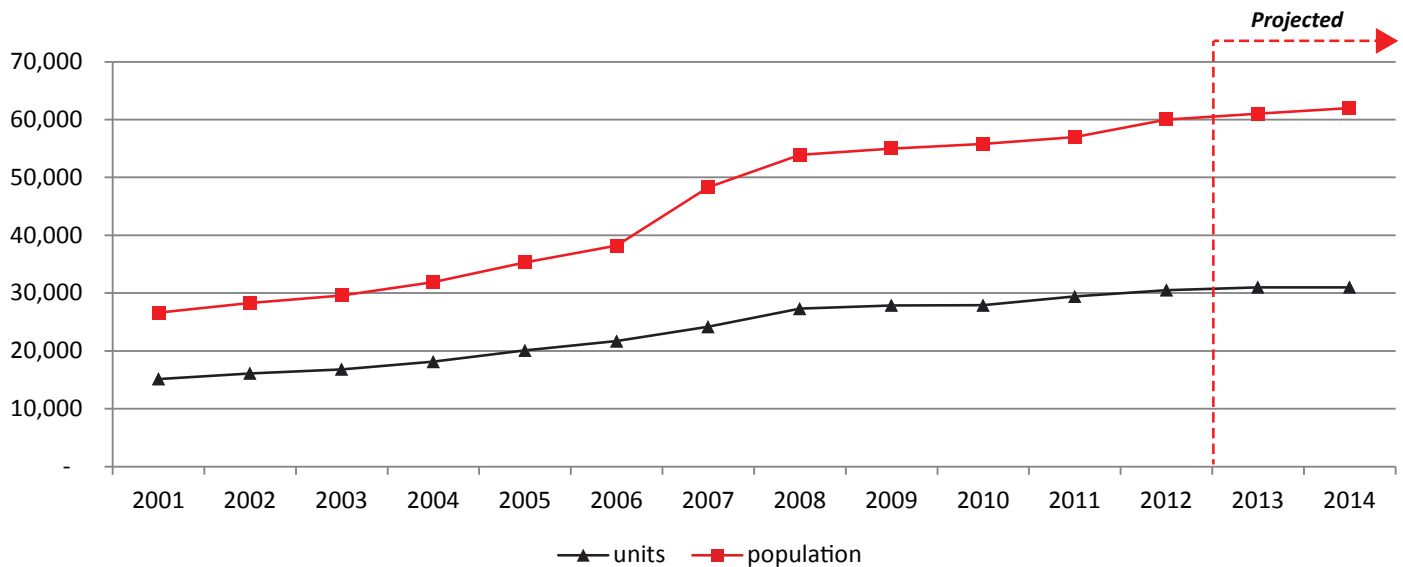
⁵ Source of data on rents, market share of rentals, active listings, and days on market: Miller Samuel/Prudential Douglas Elliman. Source of vacancy: Citi Habitats

Despite those disruptions, Lower Manhattan maintained its strong occupancy in the rental market, finishing the year with a vacancy rate of just 1.21%, down from 1.37% in the fourth quarter of last year.

The impacts of the storm did not erode value. Rather rents increased significantly in a supply-constrained market with continued strong demand. Lower Manhattan's average rental price was \$4,273 in Q4 2012, a 7% increase from last quarter and 15% increase from last year. The median rental

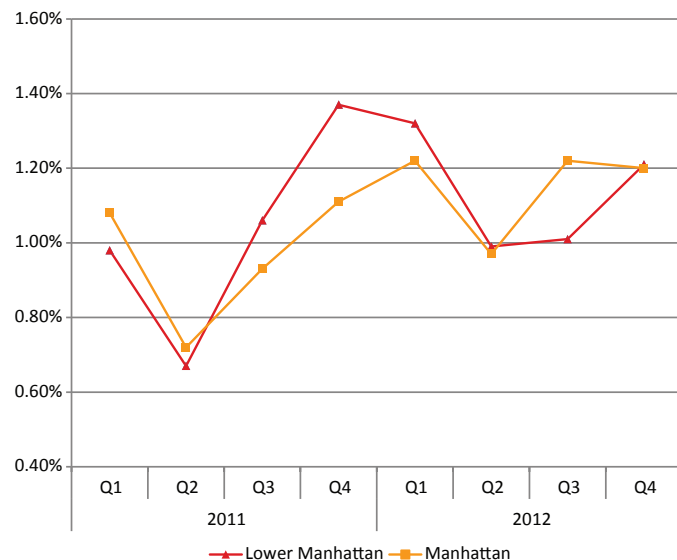
RESIDENTIAL DEVELOPMENT AND POPULATION GROWTH

Source: Alliance for Downtown New York



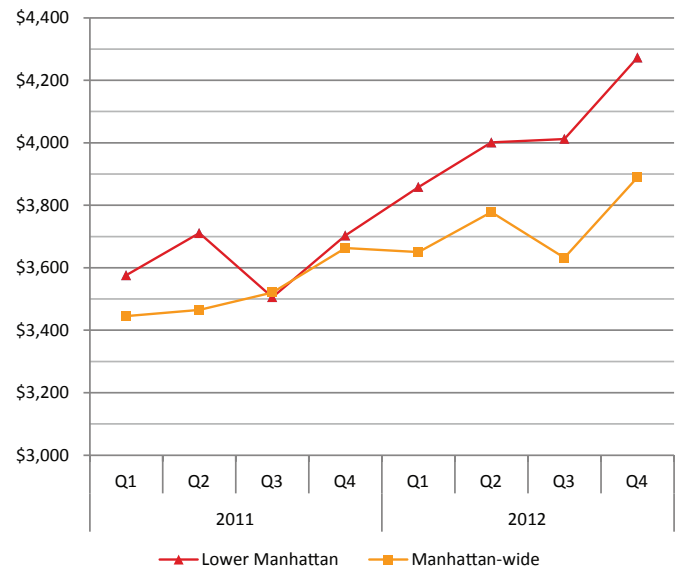
LOWER MANHATTAN VACANCY BY QUARTER

Source: Citi-Habitats



LOWER MANHATTAN AVERAGE RENTS

Source: Miller Samuel/Prudential Douglas Elliman



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

price followed suit, climbing 6% over last quarter and 13% over last year to reach \$3,691 in Q4 2012. Meanwhile, the average rental price of \$57.27 per square foot held steady over last quarter and increased 3% over last year. The simultaneous improvement in listing discount—from 2.8% last year to 0.2% in Q4 2012—shows that landlords are negotiating less to close sales.

Lower Manhattan garners rents that are 10% higher than the Manhattan-wide average, while also outpacing Manhattan's rent growth. The Manhattan-wide average rental price increased 7% over last quarter and 6% over last year, to \$3,889, while the median rental price increased just 3% over last quarter and 1% over last year. The average price per square foot of \$51.96 dropped 3% over last quarter and was stable over last year.

Studios and one-bedroom apartments made up the lion's share of rentals in Lower Manhattan, at a combined 69% of the market. Another 27% were two-bedroom units and 3% were three- and four-bedroom units.

The average Lower Manhattan apartment spent 47 days on market, up 56% over last quarter and 123% over last year, but still lower than the Manhattan-wide average of 53 days.

Sales Market (Co-ops and Condos)⁶

Brokers report an active market in Lower Manhattan during Q4 2012 with a 10% jump in the volume of sales year-over-year.

The average sales price of a Lower Manhattan apartment was about \$1.1 million in Q4 2012, an 18% drop year-over-year, while the median sales price was \$850,000, down 9% year-over-year. Similarly, the average price per square foot dropped 9% over last year to \$1,011 in Q4 2012.

Manhattan showed shallower declines. The average sales price was \$1,461,473, stable year-over-year, while the median sales price dropped 2% year-over-year to reach \$837,500. The average price per square foot also dropped 3% during the same time period to \$1,084 by the end of 2012.

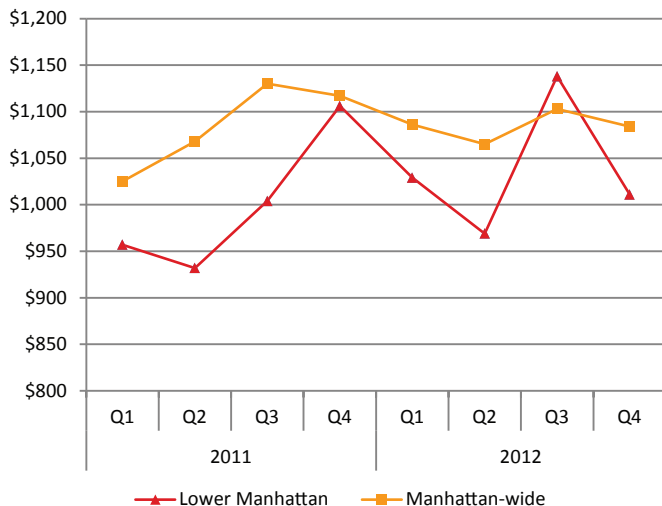
Meanwhile, Manhattan condo/co-ops spent an average of 177 days on market. That is 47 more days on market than Q4 2011, a greater increase than Lower Manhattan.

Nearly half (47%) of the apartments sold in Lower Manhattan during Q4 2012 were one-bedroom units, while 24% were two-bedrooms, 18% were studios, and 11% were three- and four-bedroom units.

⁶ Source of sales market data: Miller Samuel/Prudential Douglas Elliman

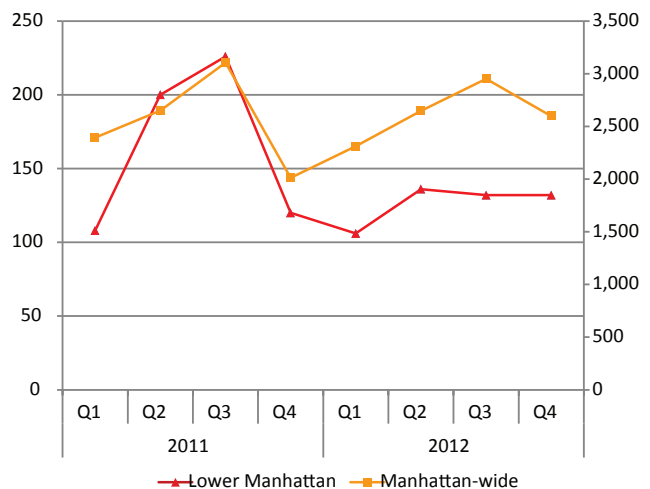
AVERAGE SALES PRICE PER SQUARE FOOT

Source: Miller Samuel/Prudential Douglas Elliman



UNITS SOLD BY QUARTER

Source: Miller Samuel/Prudential Douglas Elliman



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

TOURISM AND THE HOTEL MARKET

Tourism

Home to the icons of New York City, Lower Manhattan is a must-see destination for tourists visiting New York City. Marquee attractions including the Statue of Liberty, the New York Stock Exchange, the Brooklyn Bridge, and the South Street Seaport headline a roster of over 30 attractions that together counted approximately 11.5 million unique visitors in 2012.⁷ Despite the temporary closure of some attractions following Hurricane Sandy, tourism figures for the year increased by about 1 million visitors over 2011.⁸

The opening of the National September 11 Memorial in September 2011 added another compelling reason to visit Lower Manhattan, drawing more than 6 million visitors since opening in September 2011.

Development

Lower Manhattan has 4,092 rooms in 18 hotels as of year-end 2012 (although 4% of total inventory remained closed due to the impact of Hurricane Sandy).

The development pipeline was active throughout the year. The former Embassy Suites Hotel opened this year as the Conrad New York after redevelopment and rebranding, returning 463 suites and 30,000 square feet of meeting space to the market.

2012 Tourism and Hotels

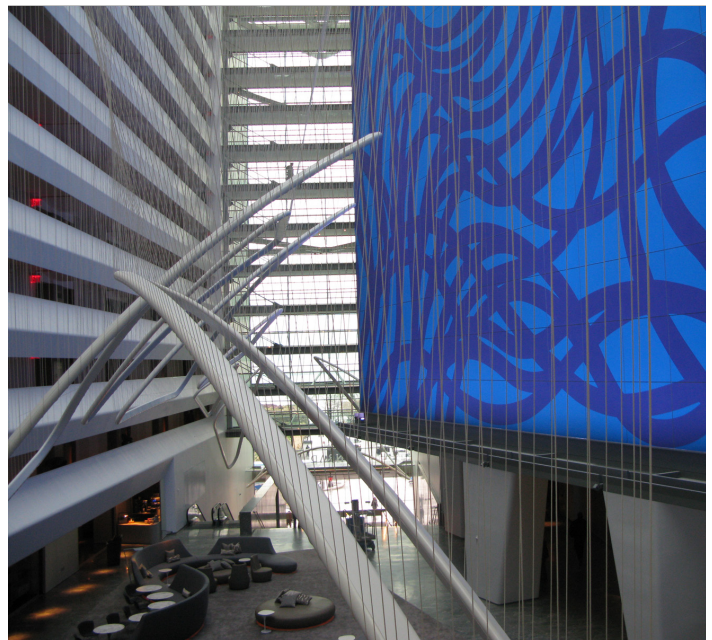


11.5 million visitors



4,092 hotel rooms in 18 hotels

CONRAD NEW YORK



⁷ 2012 Tourism estimate: Audience Research and Analysis

⁸ Source: Downtown Alliance, based on total visitors to Lower Manhattan's major museums, events, and attractions

HIGHLIGHTS OF HOTEL DEVELOPMENT

Source: Alliance for Downtown New York

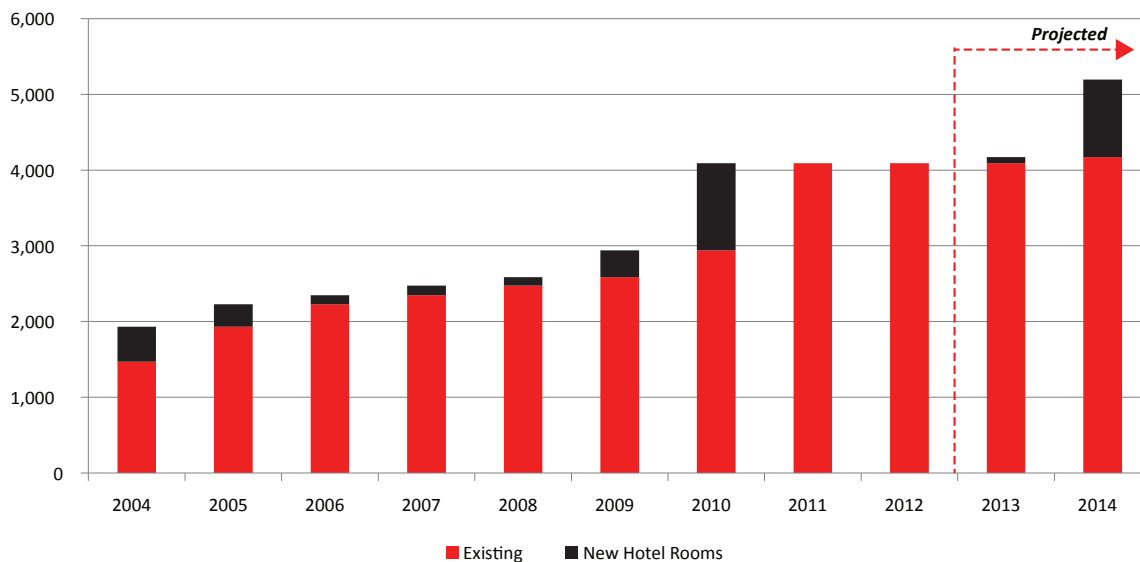
Hotel	Location	Floors	Rooms	Year Open	Owner/Developer	Status
Conrad New York	102 North End Avenue		463	2012*	Goldman Sachs	Completed
Hampton Inn	32 Pearl Street	8	80	2013	Hersha Hospitality Trust	Construction
Holiday Inn	99 Washington Street	44	350	2014	McSam Hotel Group	Construction
Independent hotel	24-26 John Street	21	95	2014	Duc Construction Corp	Construction
Aloft Hotel	49 Ann Street	18	113	2014	107 West Broadway Realty Corp	Construction
Marriott	30 Fletcher Street	32	200	2014	Lam Group	Construction
Four Points by Sheraton	217 Pearl Street/ 6 Platt Street	30	264	2014	Lam Group	Construction
Boutique	Battery Maritime Building		67	TBD	The Dermot Group	Planned
Four Seasons	99 Church Street	20 (of 60)	190	TBD	Silverstein Properties	Planned
Thompson Hotels	5 Beekman Street	9	297	TBD	GB Lodging	Planned
TBD	170 Broadway	18	TBD	TBD	Highgate, Crown, Carlyle Group	Planned

*opened in 2004, re-opened as Conrad New York in 2012

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

HOTEL INVENTORY & DEVELOPMENT

Source: Alliance for Downtown New York



Six projects are under construction, including an 80-room Hampton Inn at 32 Pearl Street, the world's largest Holiday Inn at 99 Washington Street with 350 rooms, and a 113-room Aloft Hotel under construction at 49 Ann Street. Upon completion, these six projects are scheduled to add 1,100 rooms by 2014.

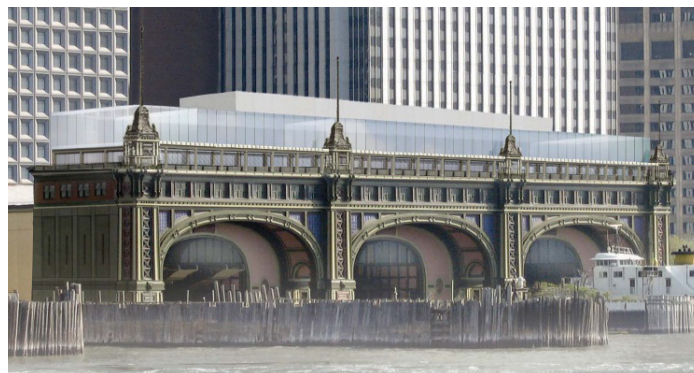
Investor interest in the Lower Manhattan hotel market continued in 2012, as four development sites were sold with new owners announcing plans to build hotels. This activity was particularly strong around the World Trade Center, where 98 Greenwich Street, 133 Greenwich Street, and 10 Maiden Lane traded hands. GB Lodging also purchased 5 Beekman Street with plans to build a 297-room boutique by Thompson Hotels.

Hotel Market⁹

Lower Manhattan's hotel market fluctuated throughout 2012, with market fundamentals down in the slow tourism season during the first quarter, but improving for a strong summer tourism season. In late October, Hurricane Sandy caused the temporary closure of 36% of rooms, causing the market to dip below normal levels in November.

⁹ Source of ADR and occupancy rates: Smith Travel Research, Inc. Republication or other re-use of this data without the express written permission of STR is strictly prohibited. These geographies are custom sets for the Alliance for Downtown New York.

BATTERY MARITIME BUILDING



The market bounced back quickly from the hurricane in time for a strong holiday season, peaking in December, and 96% of the inventory was open by the end of the year.

The average daily room rate (ADR) was a strong \$305.12 in December, an 8% jump year-over-year. That increase was the second-highest of the Manhattan submarkets, surpassing Tribeca and Soho, Times Square, and Midtown East.

Lower Manhattan does a strong weekday business, with an average weekday ADR of \$314.55, 11% higher than its weekend ADR. The highest ADR was on Wednesdays.

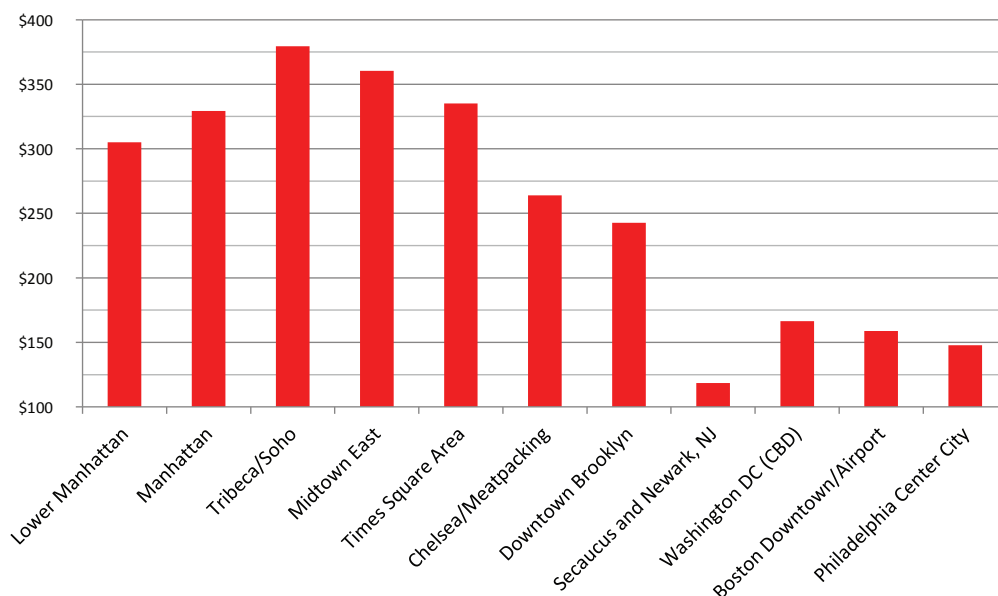
Occupancy rates trended similarly throughout 2012, ending the year at 83%, up slightly from 80% at the end of 2011.

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW



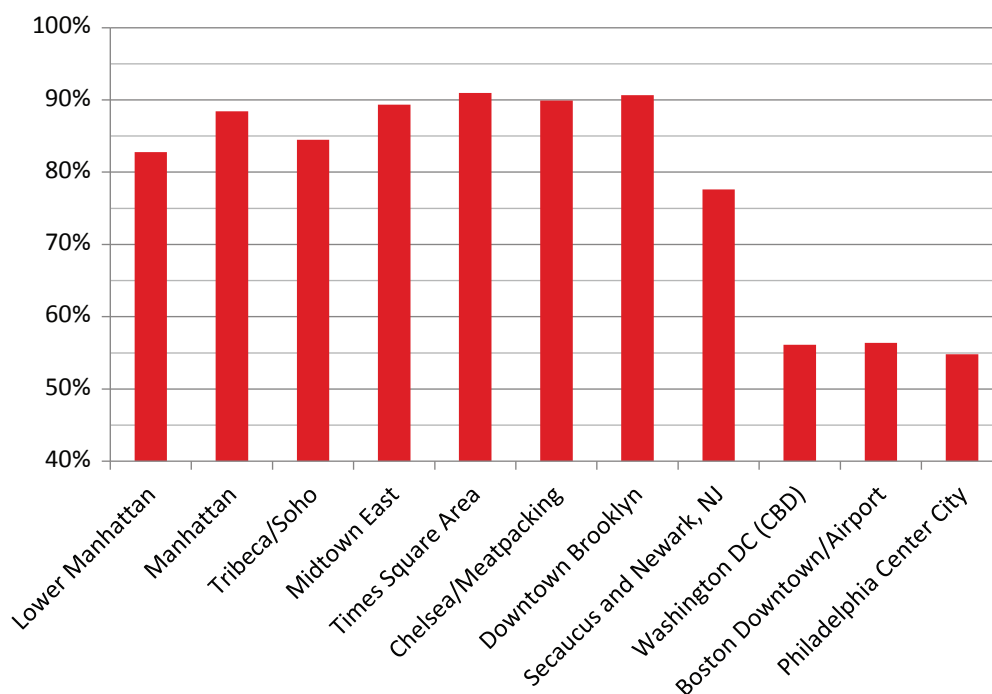
AVERAGE DAILY ROOM RATE (ADR), DECEMBER 2012

Source: Source of ADR and occupancy rates: Smith Travel Research, Inc. Republication or other re-use of this data without the express written permission of STR is strictly prohibited. These geographies are custom sets for the Alliance for Downtown New York.



AVERAGE OCCUPANCY RATE, DECEMBER 2012

Source: Source of ADR and occupancy rates: Smith Travel Research, Inc. Republication or other re-use of this data without the express written permission of STR is strictly prohibited. These geographies are custom sets for the Alliance for Downtown New York.



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

RETAIL MARKET

The year was marked by strides in retail development projects, strong market fundamentals, and positive momentum in leasing. However, the existing retail landscape suffered during the fourth quarter when Hurricane Sandy caused the temporary closure of 30% of the district's retailers. More than half of those had reopened by the end of the year, but 13% are still working to get back to business.

Development

Two major Lower Manhattan retail projects made significant headway in 2012: retail improvements at Brookfield Place (previously World Financial Center), and retail at the World Trade Center.

Notable progress was made on Brookfield Properties' \$250 million upgrade and expansion of retail at Brookfield Place. This project includes more than 40 high-end fashion shops and new dining with 15 fast casual establishments, 6 signature restaurants, and an 800-seat shared dining area with waterfront views. Brookfield finalized negotiations in 2012, announcing in early 2013 that the Poulakakos family would operate a 30,000-square-foot European-style food marketplace. The total 200,000-square-foot project includes a new glass entry pavilion at 200 West Street, which will connect the Winter Garden to the new pedestrian concourse linking the World Trade Center Transportation Hub and Fulton Center. The entry pavilion is scheduled to be complete in the fall 2013 and the retail and dining will be complete by the spring 2014.

Meanwhile, the Westfield Group finalized their commitment with the Port Authority in May 2012 to develop and manage retail at the World Trade Center site, where 350,000 square feet is scheduled to come online in 2015. Westfield World Trade Center will feature 150 global brands across five levels, centered in and around the World Trade Center Transportation Hub. Westfield will also control another 90,000 square feet of retail in 2 World Trade Center when that building is completed. Westfield is actively marketing the property and plans to open the first phase of retail in May 2015.

In other retail news, the MTA released an RFP in August 2012 for the master lease of 65,000 square feet of commercial space available in the Fulton Center located in the Fulton Building, the Corbin Building, and the Dey Street Headhouse and Concourse.

Retail Market

Growth in employment, residential population and tourism led to an increase in the annual spending power of the Lower Manhattan market, now an estimated \$5.1 billion. As of year end, Lower Manhattan had 30,500 households with an estimated 60,000 residents and an average household income of \$193,000. Additionally, Lower Manhattan sits at the center of a competitive greater market area within a three-mile radius with a total of 383,000 households and an average household income of \$121,000.

RETAIL AT WORLD FINANCIAL CENTER, A BROOKFIELD PLACE



WESTFIELD WORLD TRADE CENTER



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

At year-end, Lower Manhattan had 450 bars and restaurants and 611 stores and storefront services for a total 1,061 establishments. Throughout 2012, 76 new stores and restaurants opened ranging from boutique to well-known local and national chains. Several existing retailers also expanded their footprint in Lower Manhattan. These include:

- Trinity Place Department Store opened at 61 Broadway. This 26,000-square-foot boutique department store features men and women's clothing as well as shoes and accessories from its parent company and retailer, Le Bunny Bleu.
- J&R, a longtime Lower Manhattan anchor for electronics, opened J&R J.R., a new 15,000-square-foot baby and child emporium, adjacent to its main store at 1 Park Row.
- Duane Reade, opened its second largest Lower Manhattan location at 100 Broadway in 22,000 square feet. The store opened in the three-story atrium space in the base of the historic American Surety building.

The retail revitalization of Fulton Street continued with the addition of 8 new retailers and restaurants. These included:

- Baked by Melissa, a bite-size cupcake store with eight other Manhattan locations, which opened its first Lower Manhattan location at 108 Fulton Street.
- R&R Coffee, an independent coffee shop, which opened at 76 Fulton Street.
- GRK Fresh Greek, a Greek restaurant featuring freshly prepared pitas, yogurts, and "yeeros" prepared with locally sourced meats, which opened its first location at 111 Fulton Street.
- 55 Fulton Market, Lower Manhattan's 8th supermarket, which opened at the corner of Fulton and Cliff Streets, offering a 3-level full service grocery as well as a prepared foods section featuring sushi, pizza, and a salad bar.

TRINITY PLACE DEPARTMENT STORE



2012 Retail Market

- ✓ **Annual Spending Power - \$5.1 billion**
- ✓ **Average Household Income - \$193,000**
- ✓ **1,061 restaurants, stores, & storefront services**

55 FULTON MARKET



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

Lower Manhattan added several new and exciting restaurants in 2012, several of which are concentrated in and around the Conrad Hotel in Battery Park City which also opened in 2012:

- Atrio, a Mediterranean-inspired restaurant, opened in the lobby of the newly opened Conrad New York.
- Two new Danny Meyer restaurants, the North End Grill and Blue Smoke, opened nearby.
- Benares, an Indian restaurant, opened its second Manhattan location at 45 Murray Street.
- Harry's Italian opened its second Lower Manhattan location at 230 Murray Street.

Lower Manhattan's retail and restaurant scene will continue to diversify in 2013 with several new concepts coming soon including:

- Bavaria Bierhaus, a German beer hall and restaurant, will be moving into 19 South William Street, where the 1839 façade was recently restored.
- The Dead Rabbit, an Irish taproom and cocktail bar, will be opening in a three-story space in 30 Water Street soon. It is collaboration between a Belfast bar owner and the owners of Puck Fair, located in SoHo.
- City Sports, a national sporting goods retailer with two other Manhattan locations, which announced in 2012 that it will open its first Lower Manhattan location at 50 Broadway in March 2013.
- Four casual dining and quick service retailers: Au Bon Pain, 7-Eleven, Long Island Bagel Café and Magic Mix Juicery.

GRK FRESH GREEK



NORTH END GRILL



BLUE SMOKE



REBUILDING AND MAJOR CAPITAL IMPROVEMENT PROGRESS

World Trade Center

Lower Manhattan is rebuilding for the future with \$30 billion of public and private investment.

Steel installation for One World Trade Center reached the top 104th floor level in 2012. Installation of the spire that will raise the building's final height to 1,776 feet has begun. The building is scheduled for completion in late 2013/early 2014.

Four World Trade Center also topped out in 2012 at a final height of 72 stories, and the curtain wall is currently at the 71st floor. The building is scheduled for completion in 2013 and will be the first building to open on site.

1 WORLD TRADE CENTER



WORLD TRADE CENTER



Source: Foster +Partners courtesy of Silverstein Properties Incorporated

The transit and retail podium at 3 World Trade Center topped out at seven stories in 2012. Construction of an office tower will continue when Silverstein Properties meets milestones that include raising \$300 million of private equity, pre-leasing 400,000 square feet of the office tower, and obtaining private financing. The Port Authority and New York State will then provide public backstops that will allow Silverstein Properties to get additional financing. Meanwhile, 2 World Trade Center is being built to grade in a way that preserves the opportunity for future office development.

The 9/11 Memorial has welcomed more than 6 million visitors since opening in September 2011. The 9/11 Memorial Museum restarted construction in October, after an agreement was reached between the Port Authority of New York and New Jersey and the National September 11 Memorial & Museum, a private, nonprofit foundation. The museum, which will have 110,000 square feet of exhibition space, is expected to be completed in early 2014.

The World Trade Center Transportation Hub, designed by Santiago Calatrava, has reached street level. Steel construction continues on the hub's above-ground oculus. Construction on the pedestrian underpass, which will link the World Trade Center site with Brookfield Place, is also underway. The Transportation Hub will house the PATH station and connect underground to the Fulton Transit Center on the east, Brookfield Place on the west, and to retail in and around the hub.

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

The structural steel for the Vehicle Security Center (VSC) underneath the site was completed in 2012 and concrete installation continues. The VSC will serve as the main entry point for automobiles to the World Trade Center complex. Design and planning is underway for the future Liberty Street Park, to be built above the VSC.

The completed World Trade Center will also include up to 450,000 square feet of retail space and a 1,000-seat Performing Arts Center (PAC). In 2012, the performing arts center passed two important milestones: the organization charged with bringing the arts center to fruition was granted non-profit status and the executive board hired Maggie Boepple, former president of the Lower Manhattan Cultural Council, as a senior advisor. The \$100 million allocated to develop the PAC was secured in December 2011 with the appointment of a 5-member executive board by Mayor Bloomberg.

Fiterman Hall

Fiterman Hall opened in August 2012 in time for the 2012-2013 school year. This new CUNY facility was designed to replace the structure that was irreparably damaged on 9/11, including housing, classrooms, faculty offices, a café, art gallery, computer labs, and a student lab for the Borough of Manhattan Community College.

Fulton Center

The Fulton Center is nearing completion with significant progress visible, above and below ground. Construction on the superstructure began in January 2011, and completion of the A/C mezzanine was completed in 2012. The main building is now on glass installation and the entry house on Dey Street opened in October 2012. In August 2012, the MTA released a request for proposals for the master lease of 65,000 square feet of commercial space in Fulton Center. Construction is on track for completion in June 2014.

Fulton Street Reconstruction

Phase III of this project, which included replacing utility lines and improving the streetscape with new curbs and historically sensitive light poles along Fulton and Nassau streets, was completed in 2012. Phase I on Fulton Street (from Church Street to Gold Street) was completed at the end of 2009, and Phase II broke ground in 2010. This phase runs along Nassau Street (from Ann Street to Spruce Street) and Fulton Street (from Ryders Alley to South Street) and is now active on Fulton Street from Pearl Street to Water Street. The third and final phase began in early 2011 and runs along Nassau Street (from Maiden Lane to Fulton Street), Pearl Street (from John to Fletcher Street), and Gold Street (from Fulton to Spruce Street). The entire project is scheduled to be completed in 2013.

FULTON CENTER



East River Waterfront

Following the opening of the first phase of the project including Pier 15 in late 2011, the New York City Economic Development Corporation announced in 2012 that the lower portion, that includes an indoor area, will become three separate food and beverage concepts including a bar and café with outdoor seating, an ice cream café, and a full service restaurant, to be operated by Merchants Hospitality. The upper level of Pier 15, also now open for a year, features an “amphitheater seating area”. The initial portion of the park contains an esplanade with seating, planters and waterside benches as well as a dog park and a lookout on the river at the foot of Wall Street.

This initial portion contains an esplanade with seating, planters and waterside benches as well as a dog park and a lookout on the river at the foot of Wall Street. The upper level of Pier 15, also now open for a year, features an “amphitheater seating area”. Work continues on the rest of the East River project, which stretches from the Battery Maritime Building on the south to Pier 35 on the north and includes dedicated walking and bike trails, plantings, and seating along the river. The project is currently on Phase II, which extends from the Battery Maritime Building to Old Slip, and includes widening of the esplanade and the installation of bikeways and pedestrian paths; it is expected to be completed in March 2013. The final phase extends north to Pier 35, located just north of the Manhattan bridge, which will become a landscaped area and EcoPark, an ecohabitat restoration project. The entire \$150 million project is scheduled for completion in September 2013.

Pier 17 Redevelopment

The redevelopment of Pier 17 at the South Street Seaport passed several important milestones as it approaches the start of construction in summer 2013.

Retail tenants have notice that they must vacate by May 1 in order for Howard Hughes to begin construction by July 1 per their agreement with the New York City Economic Development Corporation.

PIER 15



The final designs by SHoP Architects were released in early 2012 and include a new glass-enclosed mall that can accommodate two stores of up to 60,000 square feet, with an interior open-air walkway, a network of shops on the ground level designed to look like city blocks, and an open-air event and public space on the roof. The project also received approval from the Landmarks Preservation Commission in 2012 and entered the ULURP process. The Pier is scheduled to be complete in 2015.

Peck Slip

In 2012, the Landmarks Preservation Commission approved the final design for the park which will be a combination of a landscaped area and a stone piazza. Construction of the park will follow the completion of the capital reconstruction of Peck Slip in summer 2013. The New York City Department of Design and Construction began reconstruction of Peck Slip between Water and South streets in July 2011. The project involves replacing the granite cobblestone and underground utilities, and install new pedestrian ramps and lighting.

PROPERTY SALES

Commercial sales hit a 5-year high with a total of \$1.48 billion in sales.¹⁰ Thirty deals were completed in 2012—three times the number of deals in 2010. Lower Manhattan's 78% year-over-year increase exceeded New York City's 4% increase.¹¹ The following is an overview of transactions.

Commercial Office Buildings

In April, 14 Wall Street was recapitalized for a total value of \$294 million or \$350 per square foot with an investment from Alex Rovt, a Ukrainian billionaire in the fertilizer industry. Former co-owner, Capstone Equities, will remain the leasing agent and manager, while the Carlyle Group is no longer involved in the property. Currently, the property is 93% leased with Amerigroup Insurance and Skidmore, Owings & Merrill as anchor tenants.

In May, a partnership between HSBC Alternative Investments and Edge Fund Advisors purchased the 1.1 million-square-foot, 4 New York Plaza from Harbor Group International for \$270 million or about \$266 per square foot, more than double the \$107 million purchase price in 2010. The building is currently 96% leased and its anchor tenants are JP Morgan Chase & Co., American Media, Inc., and the New York Daily News.

222 Broadway was sold to a partnership between Beacon Capital Partners and L & L Holding Company for \$230 million or about \$300 per square foot from Bank of America, which leased back approximately 590,000 square feet or 78% of the building.

The Federal Reserve Bank of New York purchased 33 Maiden Lane from Merit US Real Estate Fund III, L.P., for \$207 million or \$376 per square foot. The Federal Reserve Bank is the anchor tenant, occupying 360,300 square feet or more than 60% of the building, since January 1999.

14 WALL STREET



33 MAIDEN LANE



Commercial Condominiums

The New York City Construction Authority purchased the first five stories of 8 Spruce Street for \$77 million from Forest City Ratner. The space holds the PS 397 Spruce Street School, which opened in 2011.

In May, the China Institute of America closed on the purchase of a 48,000-square-foot office condominium at 40 Rector Street for \$18.3 million or \$382 per square foot.

SCPG Property, LLC, purchased a 13,500-square-foot office condominium in 125 Maiden Lane for \$6 million or approximately \$453 per square foot.

¹⁰ Source of 5-year peak and transactional information: Massey Knakal
Source of 2012 commercial sales total for Lower Manhattan: Massey Knakal and Alliance for Downtown New York

¹¹ Source of NYC commercial sales total: Property Shark

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

A commercial condominium at 90 William Street, a residential building, sold for \$4.4 million or \$903 per square foot in September.

Jacob Klein purchased a 15,740-square-foot retail condominium in 260 Broadway for \$13 million or \$826 per square foot in December.

Jacob Klein also bought a 7,800-square-foot retail condominium in 59 John Street from Wiljohn Associates for \$3.3 million or \$423 per square foot. The retail unit is currently occupied by Real Deal Dollar & Discount.

Spruce NYC LLC purchased a 4,700-square-foot retail condominium in the base of 150 Nassau Street for \$2.9 million or about \$615 per square foot from Harold Schetz.

A 2,000-square-foot retail condominium sold for \$2 million or \$1,000 per square foot in December. The retail condominium is currently leased.

Conversions and Mixed-Use Development Projects

The Fisher Brothers purchased 123 Greenwich for \$87.5 million or approximately \$250 per buildable square foot from Steinhardt Management, which purchased the building in a portfolio with the American Stock Exchange building at 78 Trinity Place for \$65 million in 2011. The purchase of 123 Greenwich Street includes the air rights from the adjacent American Stock Exchange building.

Alchemy Properties purchased the top 30 floors of the Woolworth Building for \$68 million or about \$368.60 per square foot from the Witkoff Group and Cammeby's International in July. This block of 30 floors was vacant atop an otherwise occupied office building, and the buyers intend to convert the floors to luxury condominiums.

GB Lodging Group purchased 5 Beekman Street, the Temple Court Building, for \$64 million in April from the Chetrit Group and Bonjour Capital in March. The new owners plan to convert the property to a 297-room hotel with 90 residences under the Thompson Hotels brand.

133 Greenwich Street, a vacant development site, was acquired by Hidrock Realty for \$27.9 million or about \$214.22 per buildable square foot. The site, within steps of the World Trade Center, includes the air rights from adjacent 137 Greenwich Street. Hidrock Realty plans to develop a 28-story, 300-room hotel.

233 BROADWAY



5 BEEKMAN



8 SPRUCE STREET



LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW



CB Developers bought 87 Chambers Street for \$22 million from Fishman Holdings. The development site has approximately 57,000 buildable square feet. The new owner plans to build a residential condominium.

Lana Luft, LLC, purchased 115 Nassau Street for \$21.5 million or \$127 per buildable square foot from Shire Realty. Zoning allows up to 169,000 square feet of commercial and/or residential space.

Jiten Hotel Management purchased 98 Greenwich Street from Sam Chang for \$19 million or \$840 per square foot in December. The buyer plans to develop a 24-story, 180-room hotel.

12 Warren Street, a 23,000-square-foot commercial loft building, was sold to an unknown developer for \$14.8 million.

45 Broad Street, a development site with 126,000 buildable square feet, was transferred to LCOR Incorporated for \$14 million or \$111 per square foot. The site was previously owned by Swig Equities.

Okada Properties purchased 10 Maiden Lane for \$7.1 million or about \$517.91 per square foot from Lillian Seril. The buyers plan to convert the site to a hotel.

A partnership between SL Green Realty, Harel Insurance and Finance, and the Naftali Group purchased 33 Beekman Street, a development site, for \$31 million or \$226 per buildable square foot. The new owners plan to develop a 30-story dormitory in conjunction with Pace University.

Silvershore Properties purchased 108 South Street, a vacant 9,400 square foot property, from R & R 108 South Street Corporation for \$1.4 million or \$288 per square foot.

Residential

Manny Malekan closed on the purchase of four properties from the Gindi family, owners of Century 21 department store, in December. The portfolio includes:

- 8 Liberty Place, an income-generating property with eight residential units and two retail tenants, which sold for \$6 million or \$634 per square foot.
- 20 John Street, an income-generating property with three residential units and two retail tenants, which sold for \$4 million or \$672 per square foot.
- 122 Nassau Street, a mixed-use property with three residential units and one retail tenant, which sold for \$2.75 million or \$589 per square foot.
- 53 Nassau Street, a 3,044-square-foot mixed use building with three residential units and one retail tenant, which sold for \$2 million or \$657 per square foot.

40 Peck Slip, a mixed use property with three residential units and one retail tenant, sold for \$3.2 million or \$790 per square foot.

63 Nassau Street sold for \$3.4 million or \$693 per square foot. The vacant mixed-use property has two retail tenants and three residential units.

Visit WWW.DOWNTOWNNY.COM/RESEARCH for additional publications on the Lower Manhattan real estate market and economy.

Documents include a complete list of residential and hotel developments, available retail spaces and a summary of leasing incentives.

If you have questions or require additional information, please contact RESEARCH@DOWNTOWNNY.COM.