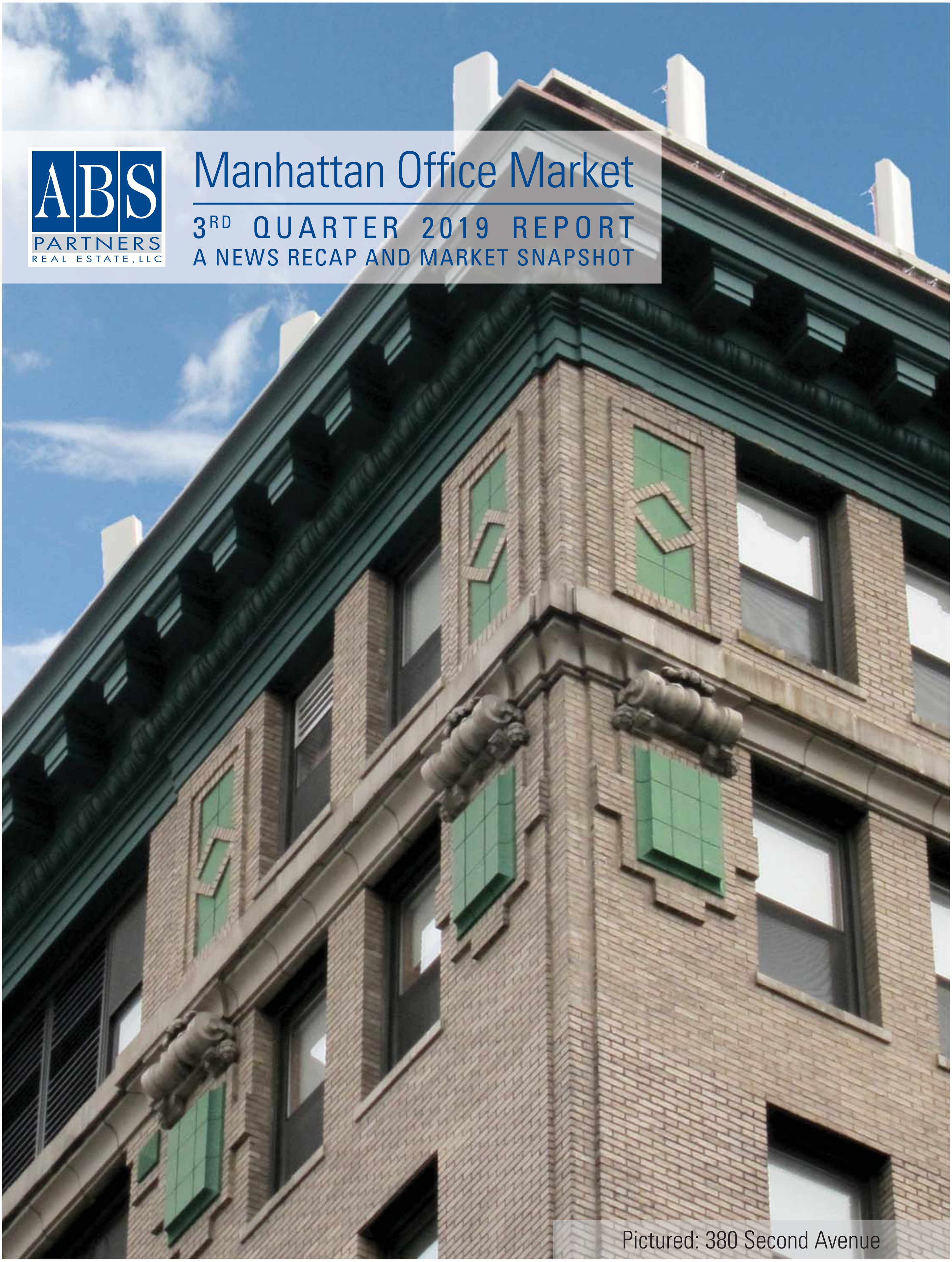
Manhattan Office Market

3RD QUARTER 2019 REPORT

A NEWS RECAP AND MARKET SNAPSHOT



Pictured: 380 Second Avenue

Looking Ahead

New Letter-Grade Energy Ratings Requirement for NYC Buildings

The bill proposed in 2017 as part of a "package of quality-of-life" measure was reportedly enacted by Mayor de Blasio on January 8, 2018. **Local Law 33** is the latest initiative to reduce greenhouse emissions and increase the energy efficiency of large and mid-sized New York City buildings. Beginning January 2020, city-owned buildings larger than 10,000 square feet and all other commercial and residential buildings over 25,000 square feet will be required to display energy efficiency grades near a public entrance, reportedly expanding upon Local 84 of 2009, which requires the submission of annual energy and water consumption benchmark data. Ranging from "A" to "F," the letter grades will be based on the United States Department of Energy's **Energy Star** score.

Rating	Required Score	Rating	Required Score
"A"	85 or higher	"C"	55 or higher
"B"	70 or higher	"D"	Less than 55
"F" if information not submitted by owner to the city "N" if not feasible to obtain a score, however the city plans to audit the information submitted for the ranking			

Response to the new law has been mixed, with some suggesting last year that the "system may need to provide exemptions for those buildings with historical designations that may be prohibited from completing certain upgrades." Proponents of the bill believe it will help push the city's building owners to reduce energy usage and carbon emissions as intended. However those that are skeptical point out that while the program is effective in rating appliances, Energy Star is likely to become increasingly less of a useful benchmark to grade buildings, particularly at a time when there have been "efforts by the Trump administration to weaken the Energy Star ratings for appliances and eliminate funding for the program."

Critics also reportedly point out that the ranking is too general and doesn't account for tenants that are high-energy users, or for high ceilings which typically require more energy to heat or cool spaces. In addition Local Law 33 has raised concerns with regard to the ranking's impact on leasing. A lower ranking could potentially prompt a tenant in the market, particularly those retail tenants where sustainability is part of their brand, to shift interest to another nearby building with a higher ranking. On the positive side, a higher ranking could make some tenants willing to pay a premium in exchange for reduced energy expenses. Whether in favor or opposed, Local Law 33 is expected to raise thought among building owners about what grade they will get, and steps that can be taken to boost their ranking.

While initially a transition to LED lighting or the installation of building or energy management systems to monitor energy consumption in real-time have been suggested, the partnering with an engineering company to develop a plan within the next year could be the best move. New technologies are reportedly helping to allow commercial building owners to save the environment and save money at the same time. Cited in example is the use of "HVAC load-reduction technology that taps into the **Internet of Things** (IoT) and the cloud to clean and recycle existing indoor air rather than replace it so frequently" as do traditional units that reportedly account for significant energy use in the process of replacing the entire volume of indoor air every 1- to 2-hours, as is standard practice, to reduce airborne contaminants. This massive air exchange adds 30% to 50% to the load on HVAC systems, resulting in higher initial and ongoing costs for building owners according to a report. Although the costs of upgrades vary widely, there are agencies such as Consolidate Energy that reportedly offer incentives to help offset some of the costs.

Sources: https://www.borahgoldstein.com/wp-content/uploads/New-York-City-to-Grade-Buildings.pdf
https://www.ny-engineers.com/blog/new-york-city-building-energy-grades

New York City Comptroller's Office

NYC Quarterly Economic Update Q2 2019

The report released in August revealed that although leading economic indicators for New York City remain mixed, they continue to point to growth. A strong labor market and strong wage growth as measured by average hourly earnings continued to fuel economic growth during the 2nd quarter. Aided by lower corporate tax rates and deregulation, the banking sector, a key driver of the city's economy, continued to perform strongly when measured by revenues and profits. Economic growth continued to move in a positive direction during the 1st quarter, but at a slower pace of 3.0% versus the 4th quarter's 3.5% rate.

2nd Quarter 2019 - Key Economic Indicators NYC and the U.S. Compared with Q2 2018			
		Q2 2018	Q2 2019
Gross City Product (GCP)* Gross Domestic Product (GDP)*	NYC U.S.	2.6 3.5	3.4 2.1
Payroll-Jobs Growth*	NYC U.S.	2.0 1.9	2.4 1.2
Personal Income Taxes (PIT) Withheld, Growth**	NYC U.S.	11.8 -0.2	7.9 1.2
Inflation Rate*	NYC U.S.	2.0 2.7	16. 1.8
Unemployment Rate***	NYC U.S.	4.2 3.9	4.3 3.6
*Seasonally adjusted annual rate (SAAR) **Not seasonally adjusted (NSA) *** Seasonally adjusted (SA)			

U.S. Economy – During the 2nd quarter:

The real Gross Domestic Product (GDP) rose 2.1%, representing a 32% slower pace than the 3.1% rate in the previous quarter. Consumer spending was a significant contributor, adding 2.85 percentage points (pp) in GDP growth; and although the highest in over a year it was unable to offset the decline in private investment, inventory investment (likely at least partially driven by a reduction in the build-up in inventories recorded in Q1) and net exports, which deducted 1.0 pp, 0.86 pp and 0.65 pp respectively as exports declined 5.2%.

- **Government Expenditures** contributed 0.85 pp to GDP growth as nondefense Federal government expenditure rose 15.9% and defense grew 2.8% during the quarter.

- **Employment** nationwide private sector employment grew 1.3% (SAAR), representing the slowest pace since a 1.2% increase in Q3 2010.

New York City Comptroller's Office (cont'd)

New York City

- **Employment** growth surged during the quarter, establishments in New York City (including government) added 27,200 jobs over the (3) month period — about 26,200 private sector jobs and 900 public sector jobs, representing a 2.4% increase on a seasonally adjusted annualized rate (SAAR) basis; and the biggest increase since the 28,000 jobs added in Q4 2018. The healthcare and social assistance sector led the way, accounting for 12,300 new jobs. Both the financial and construction sectors incurred job losses, shedding 100 jobs and 1,000 jobs respectively. Among the new private sector jobs, 17,300 or 65.8% were in low-wage industries, 5,500 or 20.8% were in high-wage industries, and 3,500 or 13.4% were in medium-wage industries. Although the city's unemployment rate rose in (4) of the (5) boroughs, they continue to hover around their historical lows.

Unemploymnet by Borough

Borough	Q2 2018	Q2 2019	Borough	Q2 2018	Q2 2019
Manhattan	3.5%	3.6%	Bronx	5.3%	5.4%
Brooklyn	4.0%	4.2%	Staten Island	3.9%	3.9%
Queens	3.4%	3.5%			

Venture Capital Investment (VC):

Area	Q2 2019	Q1 2019	Q2 2018	Yr-over-Yr Change
New York-Newark, NY-NJ-CT-PA	$4.11B 212 Deals 14.5% Share	$4.4B	$3.05B 241 Deals 12.5% Share	34.7% -12.0% 16.0%
Included (5) rounds of over $100 million				
Boston-Worcester-Providence, MA-RI-NH-CT	$2.22B	$2.95B	$2.94B	-24.5%
San Jose-San Francisco-Oakland, CA	$13.67B 438 Deals 48.3% Share	$12.26B	$10.21B 514 Deals 41.7% Share	33.9% -14.8% 15.8%
Included (1) round of over $1 billion and (3) rounds of over $500 million				
Others	$8.32B	$6.36B	$8.28B	0.5%
Total	**$28.32B 1,389 Deals**	**$26.04B**	**$24.47B 1,644 Deals**	**15.7% -15.5%**

Sources: https://comptroller.nyc.gov/wp-content/uploads/documents/QEU_19Q2.pdf

The We Company's Highly Anticipated IPO Shelved

On August 14th a steady stream of headlines had delivered the announcement of the highly anticipated filing by **The We Company** (The We Co.) of a preliminary S-1 Registration Statement with the Securities Exchange Commission (SEC). At the time of the filing, which serves as the first step towards an initial public offering (IPO), reports indicated that the IPO to be launched on **Nasdaq** could arrive as early as September. Although the initial filing had yet to identify the amount to be raised or expected share price that will trade under the ticker symbol **WE**, it provided the first detailed look of the company's financials and business plan, which reportedly up until the filing the were only shared with investors and certain media outlets.

The New York City-based company launched in 2010 by Adam Neumann and Miguel McKelvey opened its first location at **154 Grand Street** (SoHo) under the name WeWork. Over the past 9-years the startup has grown significantly in magnitude to reach a membership of 527,000, of which over 50% are located outside the U.S.; and operate over 528 locations in 111 cities across 29 countries. Launched at a time when the economy was hit by the recession, WeWork began by successfully "tapping into demand for workspace by those forced out of jobs in the aftermath of the financial crisis," and quickly grew into a global brand. Initially being recognized as a pioneer of the co-working concept, the company has since launched numerous business lines prompting its rebranding to The We Co. in early 2019. Confidence in the future of the company has attracted a roster of investors from some of the biggest names in the business world, reportedly bringing its valuation to $47 billion from a reportedly starting $97 million with its Series A venture capital funding round in 2009. Japanese conglomerate **Softbank** is The We Co.'s biggest backer with a roughly 29% stake, having invested approximately $10.65 billion through its nearly $100 billion Saudia Arabia-backed **Vision Fund** according to reports, helping to fuel the company's rapid expansion. Another big name behind The We Co. is **JPMorgan Chase**, which was reportedly expected to take the "coveted first — or lead left — position" in The We Co.'s syndicate for the IPO, having committed $800 million as the largest lender among (9) banks participating in a new $6 billion senior secured credit facility for which The We Co. had entered into a commitment letter, but was contingent on the IPO raising at least $3 billion.

However due to revelations detailed within the S-1 filing sparking unforeseen negative feedback leading to skepticism and tepid investor interest, an official withdrawal request of the S1-filing was submitted to the SEC by The We Co. on September 30 stating that it "no longer wishes to conduct a public offering of securities at this time." Decisions to shelve the IPO have held up large sums of potential financing needed to fuel the company's surging growth rate that has helped justify its high valuation. It has also been suggested that despite the IPO market expected to reach a record setting volume in terms of money raised in new issues, The We Co.'s planned IPO may also have been a victim of poor timing. In addition to entering a stock market that "has been volatile as investors contend with uncertainty over the U.S.-China trade war," the underwhelming offerings by ride-sharing firms **Uber** and **Lyft** earlier this year, as well as the more recent disappointing debuts of teeth-straightening startup **SmileDirectClub Inc**. and fitness start-up **Peloton Interactive Inc**., have reportedly made investors question businesses with big losses that have no clear path to profitability; while also reportedly "underscoring a common disconnection between valuations in public and private markets."

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm
https://www.sec.gov/Archives/edgar/data/1533523/000119312519236798/d781982ds1a.htm

The We Company (cont'd)

Further prompting decisions to delay the IPO was the reported urging by Softbank, despite showing signs of continued support of moving ahead at one point by reportedly considering buying about $750 million of the shares in the impending IPO as part of an effort to allow The We Co. to shore up demand for the offering by limiting the supply of shares to be sold to outside investors. Although the IPO could proceed without Softbank's approval, in addition to its 29% stake in the company some reports suggest that Softbank's yet to be released $1.5 billion commitment to WeWork due April 2020, which is dependent on WeWork not going into default, could potentially be used as leverage. It has been further noted that Softbank has entered into joint ventures with WeWork's Asia business, having played a key role in establishing it, as well as funding 99.99% of WeWork's venture capital firm, **The Creator Fund**; and although committing to issuing $180 million to the VC company, has only deployed $50.7 million so far according to reports.

The questioning of Adam Neumann's confidence in WeWork's future had already begun to surface prior to the S-1 filing following reports in July that Adam Neumann had cashed out more than $700 million from WeWork ahead of the planned IPO through a mix of stock sales and debt. However some people close to the co-founder had reportedly pointed out that his "borrowings against some of his WeWork shares indicate that he is bullish on the company's long-term prospects," further noting that some of the proceeds from the loans were used "to purchase more WeWork shares by exercising his stock options early," and "by doing so, Mr. Neumann is betting that the value of WeWork's shares will rise while also minimizing his taxes."

Investor concerns sparked by information within the preliminary S-1 filing primarily focused on:

- Disclosures of the company's losses, lease commitments, and atypical corporate structure;
- Potential conflicts of interest with personal investments made by a co-founder;
- Adam Neumann's control through dual-class voting[1], which would reportedly shield him forever from accountability to new investors; and
- The absence of a clearly "articulated path to profitability" as part of a strategy of rapid global expansion.

Initial efforts intended to address investor concerns and boost confidence included:

- **Reducing Valuation** from $47 billion to between $15 billion and $20 billion, reported sources pointing out that the lower valuation only impacts those shares private investors plan to sell, which is a fraction of the overall company. However by lowering the valuation, the number of shares required to be sold through the IPO would have to be at least double in order to raise the $3 billion minimum to meet the stipulated contingency requirement for the $6 billion senior secured credit facility commitment by the consortium of banks. Furthermore if The We Co. were to list at a steep discount to its last funding round, Softbank could face challenges attracting major investors as it attempts to raise funds for the second and reportedly larger $108 billion Vision Fund, the company still recuperating from the lower-than-expected proceeds in the ride-sharing Uber Technologies' $8 billion IPO, which reportedly lost nearly one-third of its value since it went public in May.

- **Conflicts of interest** that could arise from buildings Adam Neumann purchased and reportedly financed with loans from WeWork, which were later leased back to the company being potentially construed by investors as reportedly a way to "enrich himself at the company's expense" led to Neumann's decisions to sell his stakes in the properties to an investment arm of WeWork.

- **Future Growth** of new locations would be slowed to manage obligations on the premise that decreasing growth increases occupancy and provides price elasticity because of the limit of supply; having previously found success with the strategy following a temporary growth slowdown in London following the Brexit referendum, which led to an incremental 10 percentage points of occupancy according to reported statements by a WeWork spokesperson.

[1]Dual-class voting structures refers to companies or stocks with two or more classes of shares with different voting rights for each class. Technology companies are especially fond of this structure because it allows tech startups to access public capital without sacrificing control.

The We Company (cont'd)

- **Governance changes** were filed with the SEC on September 13th in response to market feedback, however sources reportedly point out that the updated filing had yet to include an estimation of when the company would turn a profit, or any mention of an employment agreement with Adam Neumann. Changes detailed on the Amendment No 2 to S-1 filing include:
  - Appointment of a lead independent director by the end of the year.
  - High-vote stock
    - Will decrease from 20 votes per share to 10 votes per share;
    - The voting power of high-vote stock will sunset and automatically decrease to one vote per share in the event that Adam becomes permanently incapacitated or dies; and
    - The voting power of our high-vote stock will also sunset and automatically decrease to one vote per share in the event that the aggregate number of shares of our high-vote stock owned by Adam and certain of his permitted transferees represents less than 5% of our outstanding capital stock.
  - A board consisting of a majority of independent directors and all of the committees and sub-committees of our board will consist of at least a majority of independent directors. No member of Adam's family will sit on our board.
  - Successor chief executive officer to Adam Neumann
    - Will be selected by our board of directors, acting as a group [eliminating a provision in which his wife, Rebekah Neumann — also a We Co-founder — would play a role in choosing a successor];
    - Will not rely on a succession committee; and
    - The board has the ability to remove our chief executive officer.
  - In addition to appointing Frances Frei [Harvard Business School professor, previously a senior vice president at Uber] to the board of directors, the company is committed to adding another director to our board within the next year, with a commitment of increasing the board's gender and ethnic diversity.

  Adam Neumann has also decided to take the following actions, which will result in him:

  - Giving to the company any profits he receives from the real estate transactions he has entered into with the company.
  - No longer having the power, discretion or authority to make investment and management decisions affecting the properties he transferred to be managed by ARK and will not enter into future real estate transactions with the company.
  - Having entered into a lock-up agreement for one year with the underwriters in this offering; and not selling more than 10% of his shareholdings in each of the second and third years following this offering.
  - An issuance of partnership interests to Adam that he received [$5.9 million] for transferring "we" family trademarks to the company being unwound.
  - Maintaining the commitment, along with his wife Rebekah, to donating $1 billion to fund charitable causes over the next 10 years.

The We Company (cont'd)

Failing to make the necessary headway needed to put The We Co. back on course to an IPO launch, as more unsettling information became public, finally led to decisions by the company's board that would change WeWork's leadership. On **September 24th** news headlines announced that WeWork's co-founder Adam Neumann was stepping down as chief executive officer of the company, reportedly continuing as a non-executive chairman of The We Co. board. The move significantly reduced Neumann's control over the company. Reported information provided a person that had been briefed, but not authorized to disclose the information indicated that his shares will "now have 3 votes, down from 20 votes earlier this year" which had been subsequently lowered to 10 votes in the second amendment to the S-1; and he will "not be able to control more than a minority of the board's directors and won't have control over any of the board's committees." Former WeWork co-president and chief financial officer **Artie Minson** and former vice chairman **Sebastian Gunningham** have reportedly been elevated to jointly hold the CEO position. The move has been described by some as the "most significant step the company has taken to win over Wall Street." The co-CEOs will be tasked with trying to salvage the IPO to help WeWork gain access to potential financing contingent upon the success of its launch; and while the fate of the IPO remains unclear, sources indicate that the option still remains on the table since several parties have so much riding on it.

Having addressed some of Wall Street's concerns about WeWork's business structure that contributed to the IPO being shelved, other company-wide concerns requiring immediate attention include:

- **New Financing** – Without the near term injection of new funding anticipated to be available following the launch of the IPO — $3 billion from share sales triggering a $6 billion loan package, the question of how WeWork will fund its leases or service its debt arises. Some reported analyst projections indicate that "even with $2.5 billion in cash as of June 30, the company could run out of money by mid-2020." WeWork is reportedly in talks with Goldman Sachs Group Inc. and JPMorgan Chase & Co about a new $3 billion loan, however "any such deal would require the company to raise new equity" according to a recent report. Other potential alternative financing routes being explored reportedly include "whole business securitizations," noting that locations with positive cash flows could be used as whole business bonds; or pledging royalties, fees, intellectual property and other key assets as collateral." It has been suggested that a return to the high-yield bond market may offer another feasible option, although credit investors would reportedly demand a steep price. WeWork reportedly already raised $702 million last year through the sale of below investment grade, or so-called "junk bonds" scheduled to mature in 2025. Although the bond issue received a "lukewarm reception" by Wall Street agencies, the bonds reportedly rose from 96-cents on the dollar to 103-cents on the dollar at the time of the amended S-1 filing on September 4, investors at the time projecting that the IPO proceeds would allow The We Co. to repay or refinance the bond debt.

- **Overhead Expense** — Options being considered to slow the company's cash burn, which has worried investors, include the layoff of as many as 4,000 or 5,000 of the company's over 12,500 employees; the shuttering of secondary business lines that failed to generate much revenue such as co-living brand **WeLive**, fitness brand **Rise by We**, education concept **WeGrow,** and retail concept **WeMrkt**; and the shelving of near future aggressive growth plans that had reportedly included adding 725,000 new desks at a cost of $4.5 billion per reported S&P Global Ratings estimates.

Potential Aftermath Impact:

- **Manhattan Landlords** – Having established itself as the largest tenant in Manhattan, WeWork's footprint in the borough reportedly reached more than 7 million square feet as of the end of June. (2019) In addition to raising concerns of WeWork's ability to cover existing rent payment obligations as a result of the delayed IPO endangered access to new loans in the billions, it is likely that it will lead to the loss of what has been described by some as a "voracious customer;" and the potential of underperforming locations being shut down.

- **IPO Bankers** – Reputations remain at risk of being tainted as a result of the poor investor interest that significantly attributed to the IPO withdrawal, some questioning why WeWork's "underwriters had not identified concerns sooner."

- **Venture Capital Firms** – Following the shelving of The We Co.'s IPO and a succession of disappointing debuts by a number of other high-profile startups, it could "raise questions about the many other unprofitable venture-backed companies that also dream of going public." Since VC funding firms that specialize in backing startups are "typically required to return money to their investors after 5 or 10-years," if they can't "sell these fledgling companies to the public," or if "investors conclude there's no big payoff — or maybe a smaller one than they had counted on — the stream of VC money that has driven New York's tech economy since the financial crisis would dry up quickly."

The We Company (cont'd)

While The We Co.'s move to go public with the launch of the IPO was seen by some as a big milestone for the entire co-working sector in that it would have brought validation of the business model, even if it attracted disappointing share sales, other industry people continue to question "whether the co-working model is even sustainable and worth the continued investment," noting the $1.61 billion in losses WeWork incurred last year, twice the $884 million in 2017, despite more than doubling company memberships and revenue year-over-year to a total of 401,000 members and $1.8 billion in revenue during the same period. The anticipated "potential exposure to high vacancies in the event of an economic downturn" also seems to question sustainability since the company is typically locked into long-term leases of reportedly about 15-years on average with some $47 billion of future rent payments due, while renting to members on a shorter term basis of reportedly about 15 months on average with a commitment to paying on $4 billion according to reports. Cited in example is WeWork competitor IWG Plc-owned **Regus**. The U.K.-based office space provider reportedly "filed bankruptcy in 2003 after the dot.com bubble burst, leaving the company with empty offices." However Regus was able to "renegotiate leases with landlords and minimized expenses, which allowed it to emerge from the 2008 financial crisis profitable."

Moving forward, while it was initially anticipated that the signing of new leases would cease until The We Co.'s new management team had a chance to assess its business, 3 days prior to officially submitting the IPO withdrawal to the SEC a company spokesperson reportedly stated that the company expects "the pace of entering new lease agreement to slow over the next several quarters as we pursue more strategic growth." Response among New York City landlords appears to be mixed, the William Kaufman Organization opting to move ahead with a reportedly 362,000-square-foot deal spanning 11 floors at its **437 Madison Avenue** (Plaza) according to reports on Friday, September 27th. However another report indicated that "some landlords have shelved potential deals with WeWork that were under negotiations, and some building owners are considering terminating agreements with WeWork in instances where spending on capital improvements hasn't begun." It has yet to be seen if a pair of potential big block deals reported to be in ongoing negotiations in early 2019 move forward, press releases in March indicating that WeWork was negotiating to lease about 100,000 square feet and as much as 400,000 square feet at Lower Manhattan's **120 Broadway** and **250 Broadway** respectively. Although "landlord sentiment souring on WeWork could further weigh down the New York City office market" at a time when office space availability has been under pressure from the abundance of new supply that has come online in recent years, the more optimistic point out that "most landlords who leased to WeWork were aware of the risks and took steps not to be over exposed. Most leases included no free or discounted rents, for example;" while others go on to suggest that in a market of 450 million square feet, the city could withstand any fallout from WeWork's failed IPO.

In addition it has also been reportedly pointed out that although the co-working concept has established a permanent place in today's office leasing market, and still dominated by dedicated co-working and flexible office space providers, a portion of the market share is gradually shifting back to building owners. Over the past few years a growing number of landlords have embraced the concept and launched their own flexible office space leasing divisions — Vornado Realty Trust's **Power Space**, SL Green's **Emerge212**, Tishman Speyer's **Studio**, Silverstein Properties' **Silver Suites**, Hines' launched **Hines Squared** in partnership with Industrious and Convene, and more recently the Durst Organization's launch of **Durst Ready**.

Source: https://www.wsj.com/articles/virtually-no-one-will-lease-to-wework-thats-a-drag-on-nycs-office-market-11569762002
https://www.bloomberg.com/news/articles/2019-09-26/wework-s-dash-for-cash-clock-is-running-down-to-raise-billions
https://www.ft.com/content/272d408e-de40-11e9-b112-9624ec9edc59 •
https://www.wsj.com/articles/wework-to-list-shares-on-nasdaq-make-governance-changes-11568348421
https://www.bloomberg.com/news/articles/2019-08-06/jpmorgan-s-wework-ipo-pursuit-many-years-and-loans-in-the-making
https://www.businessinsider.com/wework-ceo-gives-back-millions-from-we-trademark-after-criticism-2019-9

The We Company (cont'd)

Per the S-1 filing, below is a snapshot of some of the risk factors of The We Company related to:

Business

- The sustainability of the company's rapid growth and its ability to manage business growth effectively;
- Ability to:
  - Expand in new and existing markets, enhance solutions, and product and service offerings. The strategy that is inherently risky, may not be successful and could be costly.
  - Achieve profitability at a company level in light of its history of losses; and
  - To retain existing members, most of which enter into short-term agreements, and attract new members.
- An economic downturn or subsequent declines in market rents may result in increased member terminations.
- Potential inability to successfully renegotiate renewals for currently occupied space; or replace existing spaces on satisfactory terms which would constrain the company's ability to grow its member base.
- Risks related to the long-term and fixed-cost nature of the company's leases, which may limit operating flexibility and could adversely affect liquidity and results of operations.
- Engagement in transactions with related parties, presenting possible conflicts of interest that could have an adverse effect on business and results of operations.
- A significant part of the company's international growth strategy and international operations will be conducted through joint ventures, and partner disputes may adversely affect its interest in these joint ventures.
- A default by an enterprise member, which often signs longer term and greater number membership agreements, could cause a significant reduction in the operating cash flow generated by a location where that enterprise member is situated.
- Risks relating to the ability to generate sufficient cash and to obtain financing on adequate terms.
- The company's co-founder and Chief Executive Office has control over key decision-making as a result of his control over a majority of the total voting power of the company's outstanding capital stock.
- The success of the company's strategic partners.

Financial Condition

- Indebtedness and other obligations could adversely affect the company's financial condition and liquidity; and result in consequences such as:
  - Limiting ability to obtain additional financing;
  - Requiring a substantial portion of cash flows to be dedicated to payments on debt obligations; and
  - Increasing vulnerability to general adverse economic and industry conditions.
- Inability to generate sufficient cash to service debt burden, requiring other actions to be taken which may not be successful.
- Inability to recover in a timely fashion the significant costs related to the development of workspaces.
- Potential adverse effects of fluctuations in exchange rates.

The We Company (cont'd)

Currently The We Company derives the majority of its revenue from recurring monthly membership fees, which accounted for approximately 83% of total revenue during the (6) months ended June 30, 2019. Approximately 5% of the total revenue during the same period is derived from business services purchased by members; and the remaining 12% is generated from additional products and services that are delivered through the company's suite of We Company offerings intended to improve member experience, drive higher retention, attract valuable third-party partners who can utilize the company's platform to access We Company's member base.

Current WeWork Membership Offerings:

- Standard: Provides move-in ready private office and shared workspace for individuals, teams and organizations. Members can upgrade to standard office suites, which may include access to dedicated meeting rooms, lounges and executive offices.

- Configured: Targeted at larger companies and enterprises seeking more select workspace environments. Options include acoustics upgrades, additional meeting rooms, upgraded furniture and A/V performance, as well as branding and signage upgrades. These spaces are delivered with a basic set of amenities and community features at a lower membership cost, with members able to add amenities and services from a menu of options.

- On-demand: Provides access to shared workstations or private spaces as needed, by the minute, by the hour, or by the day. Options are available geared toward both individuals and organizations. A pay-as-you-go-plan is provided for individuals; while the options for organizations target traveling executives, mobile sales teams, freelancers and remote employees, and provides unlimited access to workspaces in the geography of their choosing.

- Powered by We: A premium solution configured to an organization's needs and deployed at the organization's location to include build-out design and construction, as well as software and hardware solutions. The business line provides The We Company with a capital-efficient approach to growing its global platform; and generates revenue based on upfront design and construction fees, with the organization paying for all of the costs of the build-out itself, in addition to ongoing revenue for operating the space. The offering also enables The We Company to serve more enterprises without the need to lease space.

Other We Company offerings include:

- WeLive: Provides short-and long-term stay apartments and hotel rooms via a business model that parallels the WeWork concept for office tenants.

- WeGrow: An independent elementary school focused on supporting the growth of children through an integrated curriculum. The first location opened in New York in 2018

In addition, The We Company launched the global real estate platform **ARK** in May to acquire and manage real estate. The platform is intended to make acquisitions of real estate assets through discretionary investment vehicles, joint ventures with strategic partners and acquisitions of real estate investment trusts, operating companies and other large portfolios. The We Company participates in ARK through its 80% interest in the platform's management company and general partner, with Rhône Group-controlled entities owning the remaining 20% interest. As of the S-1 filing, "The We Company has committed approximately $196 million of the $2.9 billion in equity capital commitments secured by these real estate vehicles," but currently does not "have any ownership interest in these real estate acquisitions vehicles other than the capital commitment specified."

Consolidated Balance Sheet Information			
	As of December 31,		As of June 30,
(Amounts in thousands)	2017	2018	2019
Cash and cash equivalents	$2,020,805	$1,744,209	$2,473,070
Total current assets	$2,427,096	$2,464,078	$3,032,323
Property and equipment, net	$2,337,092	$4,368,772	$6,729,427
Total Assets	$5,364,072	$8,644,916	$27,047,235
Total non-current liabilities	$1,755,924	$4,675,071	$22,038,597
Total Liabilities	$2,406,511	$6,284,159	$24,641,746
Total convertible preferred stock included as temporary equity	$3,405,435	$3,498,696	$3,591,086
Total redeemable non-controlling interest included as temporary equity	$854,577	$1,320,637	$1,113,807
Total equity (deficit)	**$1,302,451**	**$2,458,576**	**$2,299,404**

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm (page 69)

The We Company (cont'd)

A Snapshot of the Consolidated Statement of Operations Information

(Amounts in thousands)	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
Revenue	$436,099	$886,004	$1,821,751	$763,771	$1,535,420
Expenses	$832,373	$1,817,838	$3,512,750	$1,441,630	$2,904,870
Net Loss Attributable to We Work Companies	**$429,690**	**$883,994**	**$1,610,792**	**$628,130**	**$689,676**

Consolidated cash flow information

	2016	2017	2018	2018	2019
Net cash provided by (used in) operating activities	$176,905	$243,992	$176,729	$84,363	$198,711
Net cash used in investing activities	$818,525	$1,376,767	$2,475,798	$888.173	$2,362,773
Net cash provided by financing activities	$727,908	$2,724,315	$2,658,469	$745,794	$3,430,258
Effects of exchange rate changes	$2,261	$763	$13,119	$2,726	$15,956
Net increase (decrease) in cash, cash equivalents, and restricted cash	**$84,027**	**$1,590,777**	**$7,177**	**$224,016**	**$884,730**

Key Performance Indicators

	As of December 31,			As of June 30,	
	2016	2017	2018	2018	2019
Workstation Capacity (in ones)[(1)]	107,000	214,000	466,000	301,000	604,000
Membership (in ones)[(2)]	87,000	186,000	401,000	268,000	527,000
Enterprise membership percentage[(3)]	18%	28%	38%	30%	40%
Run-Rate Revenue[(4)]	$600MM	$1.1B	$2.4B	$1.8B	$3.3B
Committed revenue backlog[(5)]	$100MM	$500MM	$2.6B	N/R	$4.0B

(1) "Workstation capacity" represents the estimated number of workstations available at open WeWork locations.
(2) "Memberships" represent the cumulative number of WeWork memberships and on-demand memberships.
(3) "Enterprise membership percentage" represents the percentage of memberships attributable to organizations with 500 or more full-time employees.
(4) "Run-rate revenue" for a given period represents revenue recognized in accordance with GAAP for the last month of such period multiplied by 12.
(5) "Committed revenue backlog" as of a given date represents total non-cancelable contractual commitments, net of discounts, remaining under agreements entered into as of such date, which is expected will be recognized as revenue subsequent of such date.

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm (pages 26, 28, 69)

Contractual Obligations as of June 30, 2019

(Amounts in thousands)	Remainder Of 2019	2020	2021	2022	2023	2024 and Beyond	**Total**
Non-cancelable operating lease commitments[(1)]	$868,895	$2,164,826	$2,322,922	$2,383,279	$2,426,278	$23,787,202	$33,953,403
Finance lease commitments, including interest	$4,206	$8,531	$8,610	$8,561	$8,007	$45,408	$83,323
Construction commitments[(2)]	$340,098	$86,291	$16,84	$313	—	—	$428,386
Asset retirement obligations[(3)]	$487	$490	$137	$2,051	$1,139	$107,013	$111,317
Long-term debt obligations, including interest[(4)]	$37,051	$75,129	$91,750	$800,029	$58,773	$794,743	$1,857,475
Convertible related party liabilities[(5)]	$2,945,005	—	—	—	—	—	$2,945,005
Total	**$4,195,742**	**$2,335,267**	**$2,425,103**	**$3,194,233**	**$2,494,197**	**$24,734,366**	**$39,378,908**

(1) Future undiscounted fixed minimum lease cost payments for the non-cancelable leases, inclusive of escalation clauses and lease incentive receivable and exclusive of contingent lease cost payments that have initial or remaining lease terms in excess of one year as of June 30, 2019. Excludes an additional $13.1 billion related to executed non-cancelable leases that have not yet commenced as of June 30, 2019.
(2) In the ordinary course of our business, we enter into certain agreements to purchase construction and related contracting services related to the build-outs of our locations that are enforceable and legally binding and that specify all significant terms and the approximate timing of the purchase transaction. Our purchase orders are based on current needs and are fulfilled by the vendors as needed in accordance with our construction schedule.
(3) Certain lease agreements contain provisions that require us to remove leasehold improvements at the end of the lease term. When such an obligation exists, we record an asset retirement obligation at the inception of the lease at its estimated fair value. These obligations are recorded as liabilities on the unaudited interim condensed consolidated balance sheet as of June 30, 2019.
(4) Primarily represents principal and interest payments on senior notes, other loans and 424 Fifth Venture loans.
(5) Primarily represents principal on the 2018 convertible note and 2018 warrant. These obligations are recorded as liabilities on the unaudited interim condensed consolidated balance sheet as of June 30, 2019. The 2018 warrant is classified as a liability in accordance with ASC 480, as it includes a potential cash settlement obligation to repurchase shares that is outside of our control. On July 15, 2019, the 2018 convertible note was converted in shares of Series G-1 preferred stock. One July 15, 2019, the 2018 warrant was exercised for shares of Series G-1 preferred stock.

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm (page 127)

The We Company (cont'd)

As of June 30, 2019	
(Amounts in thousands)	**Actual**
Cash and cash equivalents	$2,473,070
Long-term liabilities	
– Long-term lease obligations	$17,916,797
– Long-term debt, net	$1,342,660
– Convertible related party liabilities, net	$2,665,197
– Other liabilities	$113,943
Total Long-term Liabilities	**$22,038,597**

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm (page 63)

Pre-opening locations are those locations that the company had taken possession of, but where it had not yet opened for members. The most significant pre-opening expense is operating lease cost for the period before a location is open for member operations.

Pre-opening Location Expenses – Six months ended June 30, (amounts in thousands, except for percentages)		
2018		
– Real Estate Operating lease cost	$153,291	
– Other pre-opening location expenses	$3,692	
Total per-opening location expenses	**$156,983**	
– New location openings	82	
– Pre-opening locations	99	
– Lease cost contractually paid or payable	$35,068	
– Non-cash GAAP straight-line cost	$119,699	
– Amortization of lease incentives	$1,476	
Total pre-opening lease cost expense	**$153,291**	
2019		**Percent Change**
– Real Estate Operating lease cost	$245,437	63%
– Other pre-opening location expenses	$9,696	163%
Total per-opening location expenses	**$255,133**	63%
– New location openings	97	18%
– Pre-opening locations	214	116%
– Lease cost contractually paid or payable	$45,306	29%
– Non-cash GAAP straight-line cost	$218,759	83%
– Amortization of lease incentives	$18,628	N/M
Total pre-opening lease cost expense	**$245,437**	60%

Interest and Other Income (Expense), Net (amounts in thousands, except for percentages)		
2018		
– Income (loss) from equity method investments	$878	
– Interest expense	$20,118	
– Interest Income	$16,255	
– Foreign currency gain (loss)	$43,421	
– Gain on change in fair value of related party financial instruments	—	
Interest and other income (expense), net	**$46,406**	
2019		**Percent Change**
– Income (loss) from equity method investments	$2,558	391%
– Interest expense	$51,841	158%
– Interest Income	$33,892	109%
– Foreign currency gain (loss)	$4,271	110%
– Gain on change in fair value of related party financial instruments	$486,151	—%
Interest and other income (expense), net	**$469,915**	N/M

Source: https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm (page 105, 113)

Developing Trends

Tech Sector's Continued Growth Fueling NYC's Jobs and Lease Rates

The continued rapid expansion of the technology sector in New York City is pushing job numbers and lease rates higher according to reported data compiled within an industry report released in mid-July. New York has become "a more desirable, even mandatory destination for tech firms" in recent years as the industry's perception of the city has evolved. Increasing tech job numbers, which reportedly rose 20.5%, or 44,920 jobs, between 2013 through 2018 established New York City in 2018 as the second largest "tech talent labor pool" among the nation's major gateway markets, with only San Francisco exceeding New York City's 264,374 job numbers. The city's availability of high-quality talent has significantly attributed to the increased attraction. Benefitting from the nearly 100 colleges, in 2017 the New York metro area reportedly saw 13,000 tech degrees conferred — the most in the nation; and a "start-up pipeline from the city's universities that saw approximately 1,000 companies formed and $17 billion in capital raised among Columbia University, New York University, and the State University of New York (SUNY). Further pushing job numbers are companies within other industries that are "accelerating their tech-driven corporate strategies such as credit processor Mastercard's 2014 lease for 57,978 at 114 Fifth Avenue for its new technology lab; private equity firm Blackstone Group's 2012 sublease at 601 Lexington Avenue for 31,000 square feet to house a technology division; and the initial 2014 lease at 5 Manhattan West (aka 450 West 33rd Street) for 123,000, that was subsequently expanded to about 428,000 square feet 3-years later by JPMorgan Chase, to consolidate the financial firm and lending institution's digital teams.

Growth within the tech industry has also contributed to Manhattan's office lease rates as the sector increasingly becomes a major player in the borough's real estate market. The number of $100 per square foot office deals in the city has reportedly soared 122% from 2012 to 2017. Technology job growth and competition for talent have contributed to the higher-prices as companies compete for the type of prestigious space that will help lure the high-caliber talent they seek to attract. In addition the growing supply in Manhattan of new state-of-the-art Class-A office space coming online in recent years has boosted the overall volume of availability commanding asking rents in the over $100 per square foot range. However it was also pointed out that increasing concessions, which lower net effective rents, have also contributed to the rising number of $100-plus per square foot deals.

Tech Sector's Continued Growth (cont'd)

Some of the higher-priced deals reported over the past several years include:

Company	Building	District	Sq. Ftge.	Asking Rent	Year	Lease Type
Hewlett Packard	461 Fifth Avenue	Grand Central	17,945	$90	2019	Relocation
TravelClick	55 West 46th Street	Times Square	22,518	$94	2018	Relocation
Sybase (SAP America) Trade Desk	1114 Sixth Avenue	Times Square	31,285 95,580	$92 (base) $139 (base)	2014 2018	Renewal Relocation
Altassian	880-888 Broadway	Flatiron	33,507	$105 (base)	2018	Relocation
Yelp	11 Madison Avenue	Flatiron	151,200 39,565	$92 $95	2014 2017	Relocation Expansion
Pitchbook Data	315 Park Avenue South	Flatiron	31,400	$92	2018	Relocation
Facebook	770 Broadway	Greenwich Village	79,998 80,000	$105 (base) $105	2015 2016	Expansion Expansion
Spell	2 Gansevoort Street	MePa	3,604	$95	2018	Relocation
Microsoft	300 Lafayette Street	SoHo	63,000	$160 (base)	2019	New
Slack (pending deal)	44 Union Square West	Union Square	58,135	$125	2019	Relocation
Social Finance	860 Washington St	MePa	13,000	$155	2017	Relocation

While larger firms such as Facebook, Google and Amazon have accounted for much of the tech space growth, which is comprised of a combination of new leases and renewals that often include expansions, many smaller tech firms have also contributed. Districts within Manhattan that had a higher concentration of reported lease signings from 2017 to late September 2019 include Midtown's Grand Central, Times Square and Penn Plaza districts; Midtown South's Chelsea and Flatiron districts; and Downtown's Financial and World Trade Center districts.

Midtown	Company	Building	Sq. Ftge.	Lease Type
Grand Central	Broadridge Financial	605 Third Avenue	85,000	Relocation
Penn Plaza	Transfix Braze	498 Seventh Avenue 330 West 34th Street	60,000 55,578	Lease Sublease/relocation
Times Square	SS&C Technologies Trade Desk	151 West 42nd Street 1114 Sixth Avenue	142,720 95,580	Relocation Relocation
Midtown South	**Company**	**Building**	**Sq. Ftge.**	**Lease Type**
Chelsea	Twitter Yext Google	245-246 W 17th Street 61 Ninth Avenue 85 Tenth Avenue	219,877 145,741 60,000	Extension Sublease/Relocation Expansion
Flatiron	Guidepoint	675 Sixth Avenue	50,000	Lease
Downtown	**Company**	**Building**	**Sq. Ftge.**	**Lease Type**
World Trade Center	Hudson River Trading Carta OLO.com Cision	3 World Trade Center One World Trade Center One World Trade Center 200 Vesey Street	135,921 36,555 36,099 33,883	Relocation/Expansion Relocation Relocation Lease
Financial	Ipsoft MediaOcean	17 State Street 120 Broadway	136,942 51,000	Renewal/Expansion Relocation

Sources: http://cbre.vo.llnwd.net/grgservices/secure/2019%20US%20%20Tech%20Talent.pdf

Market Snapshot: Class A & B

New York City's Unemployment

- According to the New York State Department of Labor's figures, the city's unemployment rate of 4.3% (not seasonally adjusted) at the end of August increased 2.3% from the 4.2% rate of the 2nd quarter. Year-over-year the rate was unchanged from that of August 2018.
- Unemployment on the National level was 3.5% at the end of August, remaining unchanged from the 2nd quarter rate. In contrast, year-over-year figures saw a 5.4% improvement from the 3.7% rate in August 2018.
- Employment activity in New York City's private sector resulted in the gain of 30,600 jobs over the 3 month period between August 2019 and May 2019. Year-over-year figures resulted in a 2.1% gain of 84,200 jobs; in comparison to a 1.3% and 1.5% improvement for both New York State and the nation during the same period. The Education and Health Services sector continued to lead the way with a 4.6% year-over-year gain at the end of August, followed by the more moderate 2.6% gain in the Leisure & Hospitality sector; while in contrast the Financial Services sector saw a 1.1% loss in job numbers.

Weekly Wages

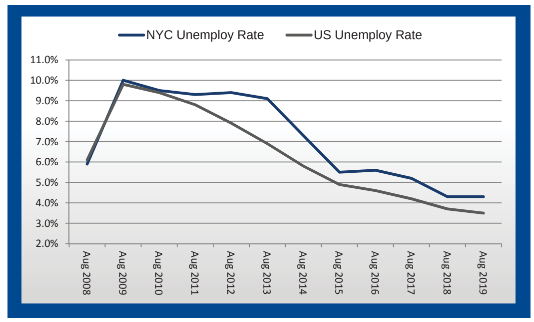
Overall average weekly wages in New York City averaged $3,153 at the end of the 1st quarter 2019, representing a positive 2.1% improvement year-over-year according the recent report released by the U.S. Department of Labor. Among the major sectors all (5) saw wage increases during the quarter. The Leisure & Hospitality sector led the way with a 5.82% increase year-over-year at the high; while at the low, the Financial Sector saw a 1.3% increase during the same 12 month period.

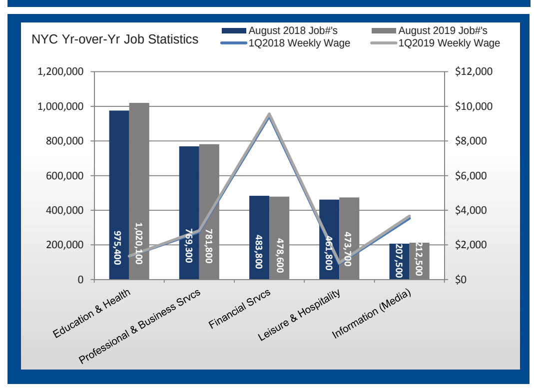
Vacancy for Class A & B office buildings over 75,000 square feet lowered 3.7% over 2nd quarter's 8.1% figure, resulting in an 7.8% vacancy at the end of the 3rd quarter. Class A vacancy declined quarter-over-quarter by 5.37%, lowering from 8.6% to 8.1%; while Class B vacancy saw a moderate 1.7% increase to 6.8% versus the 6.7% rate in the previous quarter.

Net Absorption closed the 3rd quarter at positive 1,429,649 square feet, representing a sharp improvement of the 50,600 square feet absorbed in the previous quarter. Midtown led the way with 1,110,144 square feet absorbed during the period, followed by a positive 743,822 square feet in Downtown. In contrast office space absorption in Midtown South remained negative for the 3rd consecutive quarter at 424,317 square feet.

Face Rents for Class A & B office space in the 3rd quarter rose 2.1% quarter-over-quarter to an overall average asking face rent of $64.17 per square foot versus the $62.87 per square foot price in the 2nd quarter. Class A rents rose 2.77% to $68.01 per square foot; while Class B rents rose a more moderate 1.7% to reach $58.97 at the end of the quarter. All 3 major commercial submarkets saw a rise in rents during the quarter. Downtown and Midtown South asking rents rose to $60.84 and $70.66 per square foot, representing 2.8% and 2.1% increases respectively, with Midtown's asking rents rising more moderately by 1.5% quarter-over-quarter to $64.88 per square foot.

3Q 2019	Total	Class A	Class B
Vacancy	↓	↓	↑
Face Rent	↑	↑	↑
Absorption	↑	↑	↓





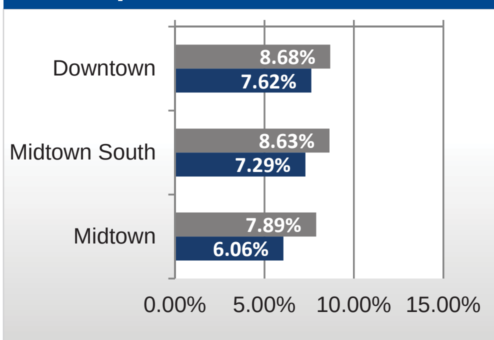
Source: NYS Department of Labor
and US Department of Labor, Bureau of Labor Statistics

Sources: http://www.bls.gov/schedule/archives/all_nr.htm • http://labor.ny.gov/stats/index.shtm

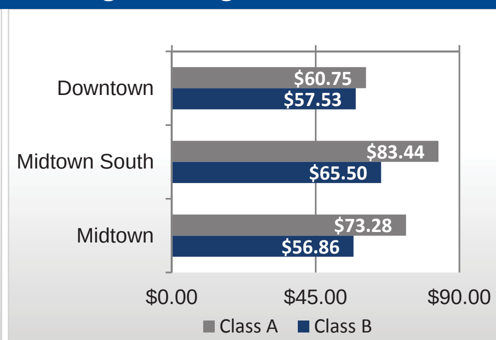
Class A & B Statistics At A Glance

3rd Quarter 2019

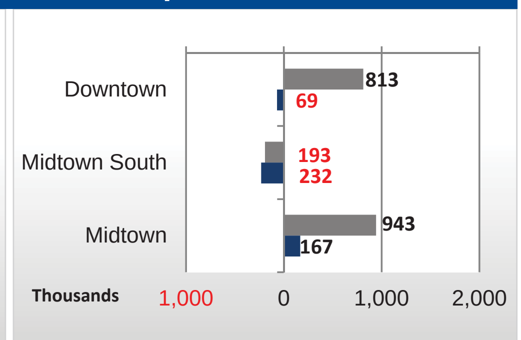
Vacancy



Average Asking Lease Rent

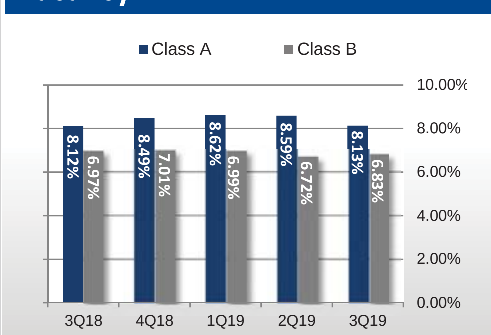


Net Absorption

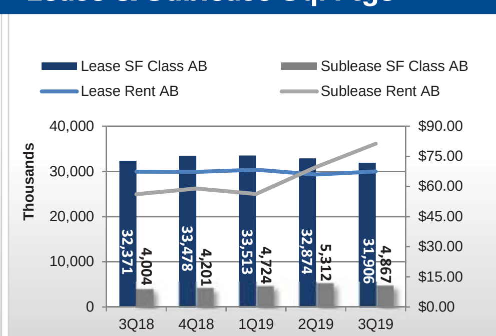


Quarter-over-Quarter

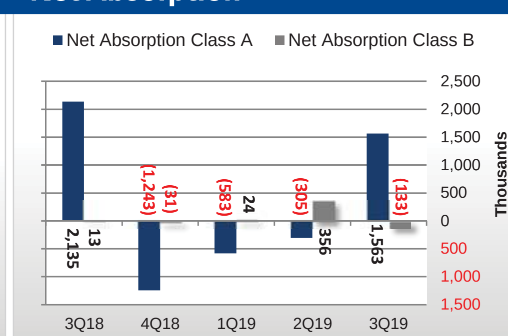
Vacancy



Lease & Sublease Sq. Ftge

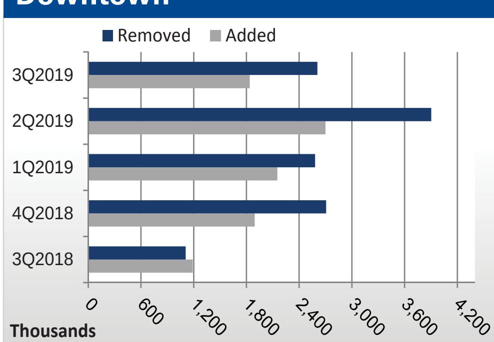


Net Absorption

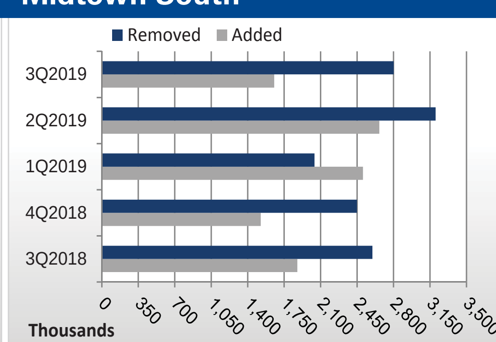


Quarter-over-Quarter Inventory Changes

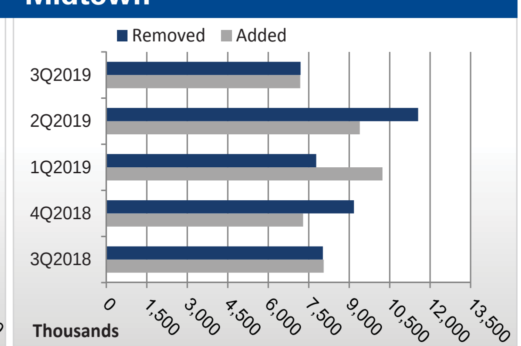
Downtown



Midtown South



Midtown



*Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date

Submarket Statistics Overview: Class A & B Office

Manhattan	Inventory	Vacant Sq. Ftge.			Vacancy Rate			Avg. Face Rent PSF	Absorption
Submarkets Districts	Total RBA*	Direct Sq. Ftge.	Sublet Sq. Ftge.	Total Sq. Ftge.	Direct Vacancy	Sublet Vacancy	Overall Vacancy	Direct Asking	Year-to-Date Sq. Ftge
Downtown	110,892,813	8,494,259	838,845	9,333,104	7.7%	0.8%	8.4%	$59.94	1,399,333
City Hall	13,803,444	138,746	26,893	165,639	1.0%	0.2%	1.2%	$53.84	181,423
Financial District	41,261,201	3,382,798	481,837	3,864,635	8.2%	1.2%	9.4%	$55.76	47,461
Insurance District	11,648,875	762,128	83,168	845,296	6.5%	0.7%	7.3%	$54.83	152,616
TriBeCa	7,959,793	422,346	10,435	432,781	5.3%	0.1%	5.4%	$78.47	-145,460
World Trade Center	36,219,500	3,788,241	236,512	4,024,753	10.5%	0.7%	11.1%	$62.84	1,163,293
Midtown South	68,803,988	4,409,757	869,165	5,278,922	6.4%	1.3%	7.7%	$70.93	-1,497,922
Chelsea	16,207,630	926,327	369,729	1,296,056	5.7%	2.3%	8.0%	$63.53	-296,795
Flatiron	21,953,355	1,069,158	78,860	1,148,018	4.9%	0.4%	5.2%	$70.94	-301,852
Gramercy Park	9,442,768	571,891	163,923	735,814	6.1%	1.7%	7.8%	$66.62	-357,830
Greenwich Village	4,578,969	224,280	44,866	269,146	4.9%	1.0%	5.9%	$58.88	-146,852
Hudson Square	11,782,394	1,317,062	100,734	1,417,796	11.2%	0.9%	12. %	$80.33	-151,390
SoHo	4,838,872	301,039	111,053	412,092	6.2%	2.3%	8.5%	$72.54	-243,203
Midtown	294,374,062	19,002,337	3,158,546	22,160,883	6.5%	1.1%	7.5%	$65.42	1,020,414
Columbus Circle	33,843,281	1,774,960	378,549	2,153,509	5.2%	1.1%	6.4%	$59.23	-69,994
Grand Central	54,509,554	3,362,197	415,331	3,777,528	6.2%	0.8%	6.9%	$67.57	263,908
Murray Hill	12,688,549	656,583	165,469	822,052	5.2%	1.3%	6.5%	$63.76	82,538
Penn Plaza/Garment	58,356,974	3,258,951	810,152	4,069,103	5.6%	1.4%	7.0%	$55.28	-13,786
Plaza District	85,150,524	7,126,926	760,771	7,887,697	8.4%	0.9%	9.3%	$76.94	920,884
Times Square	45,846,551	2,606,898	628,274	3,235,172	5.7%	1.4%	7.1%	$60.43	-228,743
U.N Plaza	3,978,629	215,822	0	215,822	5.4%	0.0%	5.4%	$59.81	49,164
Grand Total	**474,070,863**	**31,906,353**	**4,866,556**	**36,772,909**	**6.7%**	**1.0%**	**7.8%**	**$64.08**	**921,825**

Source: Costar - Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date

Leasing Activity

Big Block Tenants in the Market

Amazon – Numerous reports have been circulating over the past few months delivering announcements of the e-commerce giant exploring various possibilities for large blocks of space in New York City. The company currently has more than 5,000 employees in the city working in various sectors including advertising, cloud-computing, fulfillment and fashion-related photography studio space according to reports. It is uncertain if the search for new space has been prompted in an effort to consolidate employees that are currently spread across multiple buildings; or for the hiring of more people to increase its workforce. The latest among news headlines indicated that "paperwork has been drafted" for a potential 411,112-square-foot lease on the 7th through 12th and 14 through 20th floors at SL Green's **460 West 34th Street**. If the deal moves forward it will bring the office space of the 21-story, 638,000-square-foot building to 100% occupancy. The remaining 211,511 square feet on the entire 2nd through 6th floors will be occupied by San Francisco-based lender **First Republic Bank**, having secured a 15-year lease for the space in April.

The potential still exists that the deal could fall through, since Amazon is reportedly considering multiple locations for big block office space such as the **Farley Building** and **2 Manhattan West**, where law firm **Craveth Swaine & Moore** reportedly committed to about 350,000 square feet in May. More recently Amazon has reportedly also had discussions with WeWork to lease space at the 12-story, 662,729-square-foot former **Lord & Taylor's** flagship, with the size ranging anywhere from a portion to the entire building. Typically WeWork leases the building and then subleases the space short-term, creating an arrangement that has made Amazon one of the co-working space provider's largest customers since the concept enables the e-commerce giant to expand quickly in large chunks and avoid the lengthier time of planning required for traditional leases. However amid discussions, an alternative option is reportedly being considered that would see Amazon "sign a long-term lease for the space at 424 Fifth Avenue; and pay more than the $110 a square foot that WeWork's main business agreed to pay its real-estate fund" according to reported source information.

Looking beyond Manhattan, there have been surfacing rumors of Amazon eyeing the 16-building Brooklyn complex **Industry City** and possibly the **Brooklyn Army Terminal** (BAT) in Sunset Part as a site for a logistics facility. Currently the company occupies about 50,000 square feet at adjacent **Liberty View Industrial Park**, 850 3rd Avenue under a 7-year lease secured in 2015. Another possibility is DH Property Holdings' planned 88,000-square-foot industrial building at **537-555 Columbia** Street in the Red Hook neighborhood; and while there are no definite plans in place, it has been suggested by some that "with a population of 2.7 million, its makes sense for Amazon to build more fulfillment centers in the borough." Although there a very few places in Brooklyn with the zoning that would allow the construction of large, new warehouses, the borough boasts "millions of square feet of former industrial spaces that can be repurposed for logistics use." Despite the company's size, Amazon is still "competing with other companies looking for last-mile distribution space in a market where industrial properties are disappearing as the city rezones manufacturing areas."

Big Block Tenants in the Market (cont'd)

Apple, Inc. – The technology giant has decided to follow in the footsteps of other large tech firms such as Google, Facebook and Amazon that have established and continue to grow their footprint in New York City. The Cupertino, CA-based firm has reportedly entered the market in search for between 200,000 and 500,000 square feet, a size that could potentially increase to as much as 750,000 square feet. Unlike some of the company's competitors, Apple has never had much of an office presence in New York City, reportedly leasing 45,000 square feet at 100-104 Fifth Avenue (Flatiron) in 2011.

In February, reports announced that Apple was in advance talks to lease about 60,000 square feet at the newly constructed 55 Hudson Yards; however an update of the status of negotiations has yet to be reported. Although Apple has reportedly "checked out the usual suspects of properties on the short list for most companies with assignments of that size," there are several Manhattan buildings that as of mid-August have lease availabilities that fall within the range of square footage Apple is reportedly seeking:

Building	Sq. Ftge.	Floors	Occupancy	District
919 Third Avenue[1]	1,232,219	E28-47	Jul-22	Plaza
550 Madison Avenue (former Sony Building) (Undergoing redevelopment)	797,505	EBsmt-41	Apr-20	Plaza
Farley Building, 390 Ninth Avenue (under redevelopment)	740,000	E2-5	Jul-20	Penn Plaza
330 West 42nd Street	669,960	EGrd-33	Oct-20	Times Square
3 World Trade Center	661,756	E43-73	Immediate	World Trade Center
750 Third Avenue	642,679	E2-22	Mar-20	Grand Central
One Five One 151 West 42nd Street (formerly 4 Times Square)	479,217	E34-48	Jun-20	Times Square
1315 Sixth Avenue	462,152	E2-9	Arranged	Columbus Circle
360 Park Avenue South	449,447	EGrd-20	May-22	NoMad
135 West 50th Street	422,548	E2-8	Jan-20	Columbus Circle
460 West 34th Street[2]	411,112	E7-12, E14-20	Sep-20	Penn Plaza
1166 Sixth Avenue	358,665	E10-19	Jan-21	Times Square
50 Rockefeller Plaza	345,470	E3-15	Feb-21	Plaza
625 Madison Avenue	336,057	E4-11	Jan-20	Plaza
1 Liberty Plaza	330,235	E47-53	Mar-21	World Trade Center
250 Broadway	313,996	E2-12	Jan-20	City Hall
270 West 38th Street	285,201	E3-21	Arranged	Penn Plaza
1540 Broadway	278,464	E26-35	May-21	Times Square
The Solow Building, 9 West 57th Street	278,200	E16-24	Immediate	Plaza
One World Trade Center	265,694	E65-71	Immediate	World Trade Center
1180 Sixth Avenue	253,391	E2-15	Arranged	Times Square
80 Pine Street	252,699	E14-21	Sep-20	FiDi
Manhattan West, 400 West 33rd Street (under construction)	251,515	E52-59	Oct-19	Penn Plaza
Seagram Building, 375 Park Avenue	246,566	E2-10	Nov-19	Plaza
441 Ninth Avenue	234,247	E11-24	Nov-19	Penn Plaza
425 Park Avenue (under construction)	222,400	E30-45	Jan-20	Plaza
63 Madison Avenue	218,425	E11-15	Immediate	NoMad
825 Third Avenue	205,137	E2-12	Arranged	Plaza
The Equitable Building, 120 Broadway	203,749	E3-5, P6	Immediate	FiDi
55 Water Street	201,955	P33, E34-35	Apr-20	FiDi

[1]919 Third Avenue - Law firm Debevoise & Plimpton potentially relocating to vacate about 450,000 square feet
[2]460 West 34th Street - Paperwork drafted for potential lease by Amazon for the space

Apple, Inc (cont'd)

Some of the reported big block signings in Manhattan over the past few years by other technology firms include:

Company	Sq. Ftge. (approx.)	Location	Year Announced
Google	400,911 180,000 250,000 180,000 280,000 1,240,000	Chelsea Market, 75 Ninth Avenue[1] 85 Tenth Avenue Pier 57 345 Hudson Street 315 Hudson Street 550 Washington Street	2013-2014 2014 2015 2018 2018 2019
Amazon	470,000 359,000 122,903 411,112	7 West 34th Street 5 Manhattan West, 450 West 33rd Street 2 Herald Square (WeWork membership) 460 West 34th Street[2]	2014 2017 2017 2019
Facebook	880,000 159,568 1,500,000	770 Broadway 225 Park Avenue South 50 Hudson Yards (under construction)[3]	2013-2018 2016 2019
Microsoft	230,000	11 Times Square	2012
Netflix	100,000	880-888 Broadway	2019

[1]Google's parent company Alphabet acquired the 1.2 million-square-foot Chelsea Market in 2018
[2]Potential Amazon deal that may or may not move forward despite paperwork being issued
[3]Facebook is reportedly in negotiations to take up to 1.5 million square feet

Leasing Activity (cont'd)

Big Block Move-ins During the 3rd Quarter

TransPerfect / 1250 Broadway (Penn Plaza) – The 123,516-square-foot deal announced in February was leased by the translation services company under a 15-year lease; and spans (5) floors within the rebranded **NoMad Tower**. A relocation was completed during the quarter from about 96,300 square feet at 3 Park Avenue (Murray Hill).

District Council 37 / 55 Water Street (FiDi) – The public employee union established its temporary headquarters in the 130,449-square-foot space spanning the entire 22nd and 23rd floors. The move was prompted following plans to launch a major renovation of its Lower Manhattan headquarters a nearby 125 Barclay Street. Sublandlord Liberty Mutual formerly occupied the space as part of a 10-year renewal and expansion deal secured in 2013 according to reports at the time.

28 Liberty Street (FiDi) – A total of 125,995 square feet was absorbed during the quarter as a result of move-ins by 2 tenants.

- **London Stock Exchange** – The London-based stock market relocated from 1270 Sixth Avenue (Plaza) upon moving into the 74,822-square-foot space spanning the entire 57th and 58th floors. News of the signing was initially reported in October 2018.

- **HelloFresh** – The home-delivery meal kit start-up relocated to the 43,000-square-foot space from 40 West 25th Street (Flatiron), expanding from 22,000 square feet as part of the move. The entire 10th floor and a portion of the 9th floor are occupied under a 10-year lease reported in January.

3 World Trade Center (World Trade Center) – A pair of larger move-ins during the quarter totaled 205,921 square feet as a result of the expansion and relocation deals.

- **Hudson River Trading** – The 135,921-square-foot space spanning the entire 74th through 77th floors occupied by the fintech firm was initially announced in January. The signing resulted in a relocation and expansion from 69,000 square feet at adjacent 4 World Trade Center; and since under the same ownership the new lease was able to move ahead despite having about 7-years remaining of term.

- **Casper** – The 4-year-old mattress seller's 70,000-square-foot space spanning the entire 39th and a portion of the 40th floor was announced in January. The 15-year deal that reportedly included "significant rights" for future expansion resulted in a parallel relocation from 230 Park Avenue South (Flatiron), where its lease was not due to expire until 2021. However the premature vacating was needed to accommodate media company Discovery Inc., which had leased the entire office component of the building to establish its new headquarters.

Submarket ReCap: Midtown

Large Volume of Vacancy Looms for Midtown Avenues

An analysis of availability of existing space, as well as "unleased portions of new construction" that will be added to inventory reveals a volume of availability that could potentially increase to nearly 35 million over the next 5-years if leasing activity fails to keep pace with supply according to reported projections by an industry source. A total of 10.39 million square feet of big block space (100,000-plus square feet) is projected to come online as some larger companies relocate to other areas of Manhattan, adding to the 23.5 million square feet that was available at the end of the 2nd quarter. Adding to availability is another 700,000 square feet of unleased new construction that is expected to deliver over the next 5-years; however the projected volume could decline if leases are secured prior to the space becoming vacant, thereby mitigating the impact.

While the total volume of space projected to be available along Midtown's side-street buildings is 3.25 million square feet, availability of space over the next 5-years along Midtown's avenues is double at an estimated total volume of 6.36 million square feet according to reported data.

Avenue	Potential Available Sq. Ft. Through 2024	Upcoming Vacancies
Third Avenue	2.39MM	850 Third Avenue / Discovery Inc. / 165,884 SF 885 Third Avenue / Latham & Watkins / 362,541 SF
Avenue of the Americas	1.55MM	1166 Avenue of the Americas / JPMorgan Chase 1345 Avenue of the Americas / AllianceBernstein
Madison Avenue	1.32MM	One Vanderbilt / Remaining 564,000 SF
Fifth Avenue	490,000	630 Fifth Avenue / Bessemer Trust / 133,056 SF
Park Avenue	490,000	200 Park Avenue / Greenberg Traurig / approx. 200,000 SF
Lexington Avenue	120,000	601 Lexington Avenue / Citadel / 120,000 SF

Midtown Recap (cont'd)

Lease Deals to Watch For

Facebook / 421 Eighth Avenue (Penn Plaza) – The Menlo Park CA-based social media platform is reportedly "in talks" to lease the entire 740,000 square feet of office space within the landmarked 1,378,125-square-foot post office building that has been rebranded the **Farley Building**. Upon the completed gut renovation the office space that is slated to open next year will boast ceiling heights of over 17-feet and 40-foot by 2-foot column spacing, as well as multiple office lobbies and private entries. Nearly 70,000 square feet of outdoor landscaped park space will surround a 6,000-square-foot, column-free pavilion on the 5th floor with 25-foot ceilings and glass walls that open to the outdoor space. In addition Facebook employees will have access to significantly improved public transportation upon construction completion of the new **Moynihan Train Hall** that will feature a 92-foot-high skylight comprised of an acre of glass to be constructed on the historic building's steel trusses.

Midtown		Class A and B
Vacancy	↓	7.5%
Face Rent	↑	$64.88 per sq. ft.
Net Absorption	↑	1,110,144 sq. ft.


421 Eighth Avenue - Rendering

News of the potential deal comes about (3) months following reports of ongoing negotiations by Facebook to lease 1 million square feet at 50 Hudson Yards; and while the more recent news seems to signal a shift in directions, the press release noted that "Facebook isn't giving up Hudson Yards for the Farley Building. Rather, it is looking to lease both spaces, which are roughly two blocks apart on Manhattan's West Side." Facebook currently occupies about 880,000 square feet at Vornado's 770 Broadway (Greenwich Village) and about 160,000 square feet at 225 Park Avenue South (Flatiron), leaving it uncertain as to the company's plans for its existing space if both, or either of the deals move forward.

In addition to Class A office space the redevelopment by Vornado Realty Trust of the 107-year-old former **James A. Farley Post Office** will deliver 120,000 square feet of curated retail space along with the new 255,000-square-foot **Moynihan Train Hall** that will connect to Penn Station, creating new ticketing and waiting areas for Amtrak and the Long Island Rail Road (LIRR) and access to a total of 9 platforms and 17 tracks serving LIRR and Amtrak passengers. The project had reportedly attracted the interest of other big block tenants, reports in May indicating that **Dentsu Aegis Network** was eyeing the entire 4th floor's 292,692-square-foot space; however although a deal with Facebook has yet to be signed, talks are reportedly advanced enough that the U.S. arm of the Japanese advertising firm Dentsu has now been "derailed from its play" as a result. Another company rumored to have considered the building is Amazon, which has entered the market for an initial requirement of over 100,000 square feet that could increase to up to 750,000 square feet according to reports in June.

Midtown Recap (cont'd)

Lease Deal Highlights - 3rd Quarter 2019

WeWork / 437 Madison Avenue (Plaza) – Announcements of the 330,800-square-foot lease for the entire 2nd through 12th floors within the 40-story, 937,939-square-foot tower came a few days prior to the co-working space provider's parent company The We Company deciding to formerly withdraw its prospectus for an initial public offering (IPO) to give the company a chance to reassess its business. The deal that typically "would have been in negotiation for months" reportedly moved forward despite We Work's plans slow expansion and reverse its aggressive growth strategy according to reports. Possession of the space will be reportedly delayed until current tenant Omnicom Media Group's lease expires sometime in 2020. As part of the deal, WeWork will have a dedicated entrance fronting East 50th Street and a private terrace on the 15th floor.

Consulate General of Japan / 299 Park Avenue (Plaza) – Having had a prescence since 1983, the diplomatic agency will reportedly extend its tenure at the 42-story, 1.18 million-square-foot tower to 2036 according to reports. Asking rent for the 58,244-square-foot space that spans the 18th and 19th floors was reportedly in the mid-$90s per square foot range. The building is nearing the launch of a $20 million capital improvement project by landlord Fisher Brothers, which will include a redesign of the building's lobby and entrance and addition of an illuminated plaza.

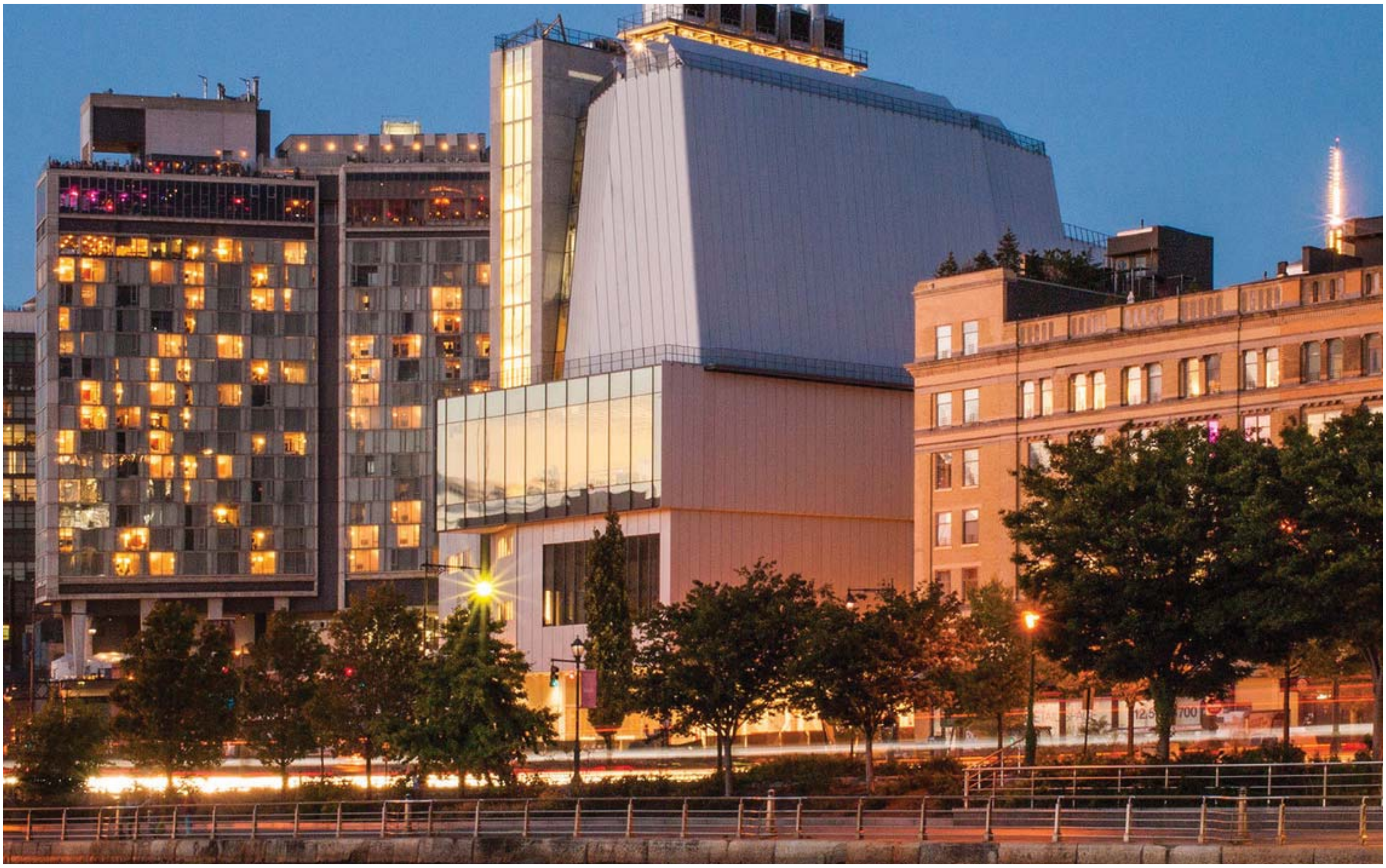
WPIX / 220 East 42nd Street (Grand Central) – Tribune Media Company, the parent company of the local television broadcaster has secured a 16-year renewal at a reported asking rent of $70 per square foot of the station's 101,568-square-foot space. Occupying space on the 1st, 4th and 10th floors, WPIX has operated out of the iconic 37-story, 1.17 million-square-foot **The News Building** since it was founded by The Daily News in 1947 according to reports. News of the big block signing comes about one month following landlord SL Green's announced offering of either a joint venture interest or a full sale of the asset at a reported asking price of $900 million ($793 per square foot) at a time when the REIT has reportedly been selling properties to fund its stock buyback program. Currently about 96% leased, other major tenants include Omnicom Media Group in 231,114 square feet under a lease term extending to 2031; and the 123-year-old non-profit Visiting Nurse Service of New York (VNSNY), which occupies 308,115 square feet under a 30-year leasehold condominium interest secured for roughly $117.578 million last year.

EisnerAmper / 733 Third Avenue (Grand Central) – The accounting firm has reportedly secured a 15-year lease for 124,327 square feet within the 24-story, 403,399-square-foot building. The space spanning the entire 6th through 9th floors, plus a portion of the 10th floor, was formerly occupied by Hearst-owned magazine publisher Rodale Press following its acquisition by the media company in 2018; and had an asking rent of $69 per square foot. Currently located in about 150,000 square feet on the 13th through 17th and 21st through 22nd floors at nearby 750 Third Avenue, the planned relocation will enable the company to consolidate offices into a contiguous block of space featuring an open interior staircase to facility employee movement throughout; while also having the convenience of a private entrance on the street. According to reports at the time, EisnerAmper had secured an 8-year renewal and expansion at their current location in 2013, adding 12,000 square feet to their footprint as part of the deal.

Davis & Gilbert / 1675 Broadway (Columbus Circle) – The law firm will reportedly be relocating in the summer of 2020 to an 85,852-square-foot space under a 15-year lease at the 35-story, 761,092-square-foot tower, where asking rents range from $64 to $78 per square foot. Currently located at nearby 1740 Broadway, the new space will span the entire 31st through 34th floors, plus a portion of the top 35th floor. Another law firm, Arent Fox, had previously occupied the space prior to relocating to 75,820 square feet at 1301 Sixth Avenue. Terms of the deal were not released.

Global Infrastructure Partners / 1345 Sixth Avenue (Columbus Circle) – The private equity firm that focuses on infrastructure companies has reportedly expanded its footprint in the 50-story, 1.2 million-square-foot to block-long tower between West 54th and 55th Streets. Initially securing a 16-year lease in 2017 for 42,336 square feet on the entire 30th floor upon relocating to the building from a 30,500-square-foot space at **Tower 46**, 12 East 49th Street (Plaza), the company has opted to extend the lease until 2039 and add the entire 29th floor's 42,317-square-foot space as part of the deal. Global Infrastructure plans to expand into the new space in early 2020, increasing its total footprint to 84,653 square feet. Asking rents at the building are reportedly in the $95 per square foot range.

Fareportal / 229 West 43rd Street (Times Square) – The air travel technology company whose brands include FareBuzz and CheapOair has reportedly secured a 68,760-square-foot sublease for the entire 11th and 12th floors from Verizon Wireless. The new location will include a 10,000-square-foot outdoor roof deck, and features a 16-foot ceiling height. Full details were not released for the deal that will see the company relocate in October and expand from the 40,848-square-foot space subleased in 2012 from AllianceBernstein at the **Sports Illustrated Building**, 135 West 50th Street (Columbus Circle) under a 7-year, 4 month term according to reports at the time.



Submarket ReCap: Midtown South

Final Step Complete of Google’s Planned Hudson Square Campus

Midtown South		Class A and B
Vacancy	▲	7.7%
Face Rent	▲	$70.66 per sq. ft.
Net Absorption	▼	-231,668 sq. ft.

The technology giant has reportedly closed on the final deal for its planned $1 billion, 1.7 million-square-foot campus that will house Google’s Global Business Organization. A lease was signed for the entire 1.24 million square feet at **550 Washington Street**. The existing 9-story, roughly 631,721-square-foot structure will undergo a 3-story vertical expansion by Oxford Properties Group, which acquired the south portion of the approximately 963,445-square-foot former **St. John’s Terminal Building** in January 2018, giving the Toronto-based company a 52.5% controlling stake in the asset; while Westbrook Partners and Atlas Capital Group retained the 331,724-square-foot north portion.

At the end of 2018 when plans for the new 3-building Hudson Square campus were initially announced, Google had secured leases for 280,000 square feet at **315 Hudson Street** and 180,000 square feet at **345 Hudson Street**. However while considering whether to lease the Washington Street site with an option to buy in the future — or to buy it outright immediately a letter of intent (LOI) had been signed according to reports at the time. Google’s employees are reportedly expected to begin occupying space at the Hudson Street buildings sometime in 2020, with a tentative 2022 occupancy at 550 Washington Street upon construction completion.

550 Washington Street - Rendering

Midtown South Recap (cont'd)

Lease Deals to Watch for

Slack / 44 Union Square East aka 100 East 17th Street (Union Square) – The workplace communication collaboration platform is reportedly nearing a deal to lease the entire 58,135 square feet of office space within the 73,323-square-foot building formerly known as **Tammany Hall**. The space spanning the entire 2nd through 6th floors has a reported asking rent of $125 per square foot; and features ceiling heights ranging from 12'-2" to 19' according to marketing material. Currently located at 436 Lafayette Street, the rapidly growing startup launched in 2013 plans to relocate in early 2020. News of the pending deal comes about (2) months following the company's initial public offering (IPO) in June, with shares reportedly initially trading above projections at $38.50, giving the company a $23 billion valuation.


44 Union Square West

The landmarked building that dates back to 1929 is currently undergoing a renovation and vertical expansion of the existing 4-story, 48,000-square-foot structure to reposition the building for office-and-retail use. As part of the project by Reading International, the building is undergoing a restoration; and a steel-and-glass dome addition has added 2-stories to the building, increasing its size by about 23,000 square feet. In addition to the office space, there is 14,960 square feet of retail space with ceiling heights up to 16'-2" at the base of the building comprised of 8,460 square feet on the ground level and 6,500 square feet of lower level selling space.

Lease Deal Highlights - 3rd Quarter 2019

Publicis Groupe / 375 Hudson Street (Hudson Square) – The over 90-year-old multinational media conglomerate will be extending its tenancy at the **Saatchi & Saatchi Building**, reportedly securing an early 20-year renewal of its lease expiring in 2023. In addition to the 680,000-square-foot renewal, the France-based firm will expand 280,000 square feet within the 18-story, 1.093 million-square-foot tower beginning in August. Spanning the entire 2nd through 5th floors, the expansion space that formerly had a remaining lease term through 2025 was vacated by Bertelsmann-owned publisher Penguin Putnam (rebranded Penguin Random House following a 2013 merger) last year upon relocating and consolidating with Random House at 1745 Broadway. A longtime tenant at the building following the acquisition of global communications company Saatchi & Saatchi in 2000, Publicis plans to use the additional space to relocate and consolidate all agencies currently located at 1675 Broadway. It is unclear if all or a portion of the roughly 600,000 square feet leased by Publicis at the Broadway building will be vacated, reports in 2015 indicating that a 16-year renewal and expansion lease had been secured for entire floors 2 through 16 and 24 through 30 to house the company's Publicis Worldwide N.A., Starcom MediaVest Group and Publicis/KTG divisions. Publicis will also be relocating and consolidating the staff of its recently acquired data-driven marketing firm Epsilon from two other Manhattan locations. The building is reportedly expected to undergo about $150 million in upgrades to accommodate Publicis' expansion.

Midtown South Recap (cont'd)

Lease Deal Highlights (cont'd)

Oscar Health / 75 Varick Street (Hudson Square) – The technology-based health insurance startup founded in 2012 will be doubling its footprint at the 1.173 million square-foot tower known as **One Hudson Square**. A 10-year lease for approximately 80,500 square feet on the entire 4th floor will increase the company's office to 158,500 square feet. Oscar Health is reportedly slated to take possession of the expansion space sometime in 2020. Currently occupied by New York Media LLC, the publisher of New York magazine reportedly began "exploring the possibility" of a relocation to a "more efficient and cost-effective space" back in 2016; however future plans for a new location have yet to be announced. The recent signing will add to the entire 5th floor's 78,000 square feet Oscar subleased in July 2018 from photography platform Getty Images, which downsized to 42,000 square feet at Lower Manhattan's 195 Broadway. Reports at the time indicated that as part of the 7-year sublease deal New York State's Empire State Development awarded Oscar Health $3.5 million in performance-based tax credits through its Excelsior Jobs Program in exchange for creating 289 jobs in 5-years.

Described by some as a disrupter of health insurance with its vision for a "technology-driven healthcare system," Oscar reportedly establishes partnerships with hospitals enabling it to eliminate the need to rent a costly medical network. The company's members are able to use telemedicine, message a customer service rep, and view their medical records through Oscar's platform; and although not yet able to turn a profit, continued expansion has been funded by more than $890 million in venture capital investment according to last year's reports. Despite the uncertainty of a potential changes the Affordable Care Act by the Trump administration, Oscar expects to be selling its ACA-compliant plans to individuals in (14) metropolitan markets across (9) states in 2019 pending regulatory approval; and has also begun selling insurance to small businesses.

Upqork / 114 Fifth Avenue (Union Square) – The 2-year old developer of enterprise software for insurance companies is opening its second New York City office, having secured an 11-year sublease for 39,547 square feet at the 352,666-square-foot building. The space spanning the entire 2nd and 3rd floors had a reported asking rent in the $90s per square foot range; and was previously occupied by Univision-owned Gawker, having acquired the media company in 2016 and taking over the 57,978-square-foot lease for the entire 2nd through 4th floors.

Blink Health / 536 Broadway (SoHo) – The growing discount prescription drug platform launched in 2015 will be expanding its footprint in the neighborhood to accommodate the reportedly 150 employees the start-up added this year. Although full details of the deal were not released, the new 45,000-square-foot space spanning 3-floors of the 11-story, 105,707-square-foot building is about 20,000 square feet larger than the company's former space at nearby 233 Spring Street according to reports.

Submarket ReCap: Downtown

Downtown Alliance: Q2 2019 Real Estate Market Review

Relocations into the Lower Manhattan neighborhood, which represented about 23% of quarterly office leasing activity, pushed leasing momentum to its highest mid-year total since 2000 as volume reached 3.8 million square feet according to the report released in August by the BID. Further boosting the volume of square feet leased was tenant renewals, which reached its highest since Q1 2017. Some notable retail activity during the quarter included the opening of the check-out-free **Amazon Go** in Brookfield Place, new eateries at Pier 17 including seafood restaurant **The Fulton** and Bar Wayo by renowned chefs Jean-Georges Vongerichten and David Chang respectively.

Downtown		Class A and B
Vacancy	↓	8.4%
Face Rent	↑	$60.84 per sq. ft.
Absorption	↑	743,822 sq. ft.

Office Market

Leasing activity in the 2nd quarter totaled 1.8 million square feet according to the report, led by a pair of large deals at 55 Water Street. Mid-size leasing was fueled by technology and architecture firms; while flexible space providers continued to increase their footprint in the area with nearly 230,000 total square feet in transactions during the 2nd quarter, pushing the total for the first-half of the year to over 630,000 square feet.

Top 10 Office Lease Deals in Q2 2019

Tenant	Address	Sq. Ftge.	Lease Type	Sector
EmblemHealth	55 Water Street	439,080	Renewal	Healthcare
Justworks	55 Water Street	270,400	Relocation	Technology
FINRA	200 Liberty Street	208,000	Renewal	FIRE
NYC Dept. of Citywide Administrative Srvcs	110 William Street	83,813	Renewal	Government
Knotel	110 William Street	80,650	Expansion	Flexible Space Provider
Skidmore, Owings & Merrill	7 World Trade Center	76,568	Relocation within LoMa	Architecture
Med Review	199 Water Street	72,439	Renewal/Expansion	Healthcare
WeWork	30 Wall Street	55,370	New	Flexible Space provider
Mediaocean	120 Broadway	50,639	Relocation	Technology
Ennead Architects	One World Trade Center	47,252	Relocation	Architecture

Sources: https://www.downtownny.com/sites/default/files/research/Q2%202019%20Lower%20Manhattan%20Real%20Estate%20Report.pdf

Downtown Alliance: Q2 2019 (cont'd)

Hotel Market

The total number of hotel keys remained unchanged in the 2nd quarter, but is expected to reach 8,408-keys by the end of 2019 with the anticipated opening of (3) new hotels — 143-key **The Fidi Hotel**, 11 Stone Street and dual-branded 215 Pearl Street's 200-key **Courtyard by Marriott** and 120-key **Marriott Residence Inn**, representing a 5.8% increase from the existing 7,945-keys spread across (37) hotels. Hotel occupancy during the quarter lowered slightly year-over-year to 86.5%, remaining below the 80.3% citywide average. Despite a slight lowering of the citywide average daily room rate (ADR) to $300 per night in the 2nd quarter, it remains about 5.2% or $16 more than Lower Manhattan's ADR of $284.41, which rose 1% year-over-year.

Residential Development

A total of 172 condominium units spread across (4) buildings is expected to be added by the end of 2019 — 23-unit **30 Warren Street**, 8-unit **108 Chambers Street**, 31-unit **33 Park Row** and mixed-use 110-unit residential-and-office tower **25 Park Row,** increasing the total number of units to 33,387-units within 339 mixed-use and residential buildings. Among the nearly 2,900 units in 18 buildings that are in different phases of planning and construction, 35% are currently planned as rental, with the remaining 65% condos. Median rents increased 6.8% year-over-year to $3,992 per month, about 14% higher than Manhattan's overall median price of $3,500 per month, which also trended up by 2.5% year-over-year. Median sales prices for co-ops and condos rose similarly by nearly 7% year-over-year; and by around 3% quarter-over-quarter to $1.075 million. Incentives to close on units prior to changes in state tax law that took place in New York City attributed to the sharp annual increase in median sales prices, with the lower end of high-end buyers rushing to close since they are more affordability pressured. In contrast, average price per square foot (PPSF) decreased nearly 11% year-over-year and 5.8% quarter-over-quarter, lowering to $1,278 per square foot, with a decrease in high-end sales activity attributing to the downward trend.

Downtown Recap (cont'd)

Lease Deals to Watch For

Uber Technologies / 3 World Trade Center (World Trade Center) – The transportation startup is reportedly nearing a deal to lease a big block space at the 2.8 million-square-foot tower. If the deal moves forward the company will relocate sometime in 2020 and expand its New York headquarters to a nearly 308,000-square-foot space spanning 7-floors with an option to expand onto an 8th floor, that if exercised would increase Uber's footprint to more than 350,000 square feet according to reports. Initial reports that the company was seeking a larger office of about 250,000 to 300,000 square feet were released in April, about one month prior to the May 10th release of the company's highly anticipated $82 billion initial public offering.

In addition to providing peer-to-peer ridesharing services, the San Francisco-based company launched in 2009 more recently added a food delivery service and a bike-share system. Uber currently has offices in Manhattan at the **Terminal Stores Building**, 261-271 Eleventh Avenue (Chelsea), where they occupy about 64,340 square feet under a lease expiring sometime in 2027; as well as 48,900 square feet in the Penn Plaza area at 1400 Broadway, where a lease was initially secured for 34,600 square feet in early 2018 and about one year later expanded by 14,300 square feet under a 10-year term.

Lease Deal Highlights - 3rd Quarter 2019

Moët Hennessy / 7 World Trade Center (World Trade Center) – The France-based liquor brand will be moving south in early 2021 following the recent signing of a 15-year lease for 87,000 square feet. News of the deal comes about two months following initial reports of the company being in talks for space at the 52-story, 1.8 million-square-foot tower. Asking rent for the entire 35th and 36th floors was reportedly in the $80 per square foot range. Moët Hennessy will relocate from its current Chelsea headquarters at 85 Tenth Avenue, where they occupy about 56,000 square feet according to available online data.

Carta / One World Trade Center (World Trade Center) – The Palo Alto, VA-based fintech company launched in 2012, and formerly known as eShares, will be relocating and expanding to the entire 81st floor's 36,555-square-foot space according to reports. The technology start-up that offers an ownership and equity management platform will be relocating from 515 Greenwich Street (aka 315 Spring Street) located in Midtown South's Hudson Square neighborhood. Carta's new space will reportedly be occupied under a 7-year term at an asking rent of $82 per square foot.

Kelley Dyre & Warren / 3 World Trade Center (World Trade Center) – The 183-year-old law firm will reportedly be relocating south sometime in 2020 from its current approximately 123,000-square-foot space at 101 Park Avenue (Grand Central). The 15-year lease secured in early September will see Kelley Dyre occupy 113,517 square feet spanning the entire 66th through 68th floors within the 80-story, roughly 2.9 million-square-foot tower where asking rents are reportedly in the $80s per square foot range.

Moda Operandi / 195 Broadway (World Trade Center) – The e-tailer that operates an online platform selling designer clothes and accessories will reportedly be heading south to an 83,685-square-foot space at the 29-story, 1.053 million-square-foot tower. Although full details of the deal were not released, the signing will result in a relocation and expansion from the company's 24,900-square-foot space at 315 Hudson Street (Hudson Square) that was leased in 2012 under a 10-year term according to reports at the time. News of recent lease for the entire 27th and 28th floors comes just a few months following reports that upon deciding to abandon earlier plans to secure refinancing, JPMorgan Asset Management is "considering bids ranging from a 49% stake to a sale of full ownership" of the asset; and seeking to fetch in the neighborhood of $800 million.

District Council 37 / 55 Water Street (FiDi) – In prepartion of major renovations, the public employee union will temporarily relocate its Lower Manhattan headquarters at 125 Barclay Street to the nearby 52-story, 3.6 million-square-foot building. A total of 130,449 square feet will be subleased from insurance firm Liberty Mutual. Full details of the deal were not released, but the space that spans the entire 22nd and 23rd floors is under a 10-year term as part of a renewal and expansion within the building secured by the insurer in 2013 according to reports at the time.

Downtown Recap (cont'd)

Lease Deal Highlights (cont'd)

99 Hudson Street: Triple-Play Deals (TriBeCa) – The 16-story, 193,749-square-foot building located on the corner of Franklin Street has enjoyed heightened leasing interest following capital improvements that reportedly added pre-built floors with open space and large windows. Leasing activity between April and June secured a trio of deals for a combined total of 60,795 square feet. Building asking rents reportedly average around $72 per square foot.

- **Harvest Daily** – The plant-based meal delivery service will house its corporate headquarters in 36,477 square feet spanning the entire 9th through 11th floors under a 5-year lease term.

- **The Museum of Ice Cream** – The creators of the traveling ice-cream-themed interactive exhibit will establish its headquarters under a 10-year lease within the 12,159-square-foot space on the entire 7th floor.

- **Clarify Health Solutions** – The healthcare analytics provider has leased 12,159 square feet on the entire 6th floor for a planned move-in sometime in the fall.

WeWork / 83 Maiden Lane aka 5-7 Gold Street (Insurance) – The We Company has reportedly secured a 15-year lease for 56,000 square feet within the 13-story, 176,282-square-foot building. Spanning the entire 3rd through 6th floors, the company is expected to occupy the space that had an asking rent of $44 per square foot in the 4th quarter. Law firm Milbank Tweed and the New York City Department of Buildings were the last tenants in the space; as well as nonprofit landlord AHRC New York City, which relocated to another floor within the building in order to create the contiguous big block space according to reports. News of the signing comes about one week following reports of a 4,170-square-foot retail lease being signed by MezCali restaurant and brewery, which will join other retail tenants La Petite Cave and Giardino D'oro upon opening in the spring of 2020.

Sale Activity

Strengthening Signs of a Slowing Economy Gains Real Estate Industry's Attention

Real Estate stocks have reportedly held their own thus far even after "yields on short-term bonds pushed higher than long-term bonds" causing the Dow to plunge 800 points; as well as when "concerns over an escalating trade war between the U.S. and China intensified." Some industry sources suggest that "since real estate firms tend to derive their revenue from within the country, and with a strong dollar, that helps insulate real estate stocks more so than other sectors." While there remains a tone of optimism in much of the industry "the yield curve inversion and threats of an escalating trade war" that rattled the markets in mid-August has sparked questions within the real estate industry over long-term growth since there hasn't been a more dramatic compression in cap rates, raising heightened concerns going forward according to reports.

Although real estate has reportedly not yet felt any significant impact from surfacing signs indicating that the U.S. economy is closer to a slowdown, a growing number industry people are beginning to take notice as they initiate strategies to protect themselves in case of a downturn. According to reported data compiled by Real Capital Analytics (RCA), commercial real estate prices in the 2nd quarter "declined in 10 out of the 18 global metros" that make up the real estate statistics provider's global price index, and global price growth slowed to 4.4%." RCA's data also revealed that although sale activity has begun to pick-up again as the cost of credit in interest rates remain favorable, hesitancy from buyers and sellers resulted in a slowdown in U.S. commercial deal volume in the first half of the year. It has been commented that until the uncertainties of the economy play out, the real estate industry appears to be lingering in a "wait-and-see mode."

Signs of a Slowing Economy (cont'd)

Some cited strategies that could pro-actively come into play ahead of a potential downturn include:

- The securing of long term leases by landlords.
- Sellers that had been holding out for better deals may be more willing to sell at market price; or opt to retain the asset and refinance instead.
- Keeping extra cash on hand and contingency credit.
- Launching a financing arm, with some reported industry sources thinking that the "debt business is likely a hedge against what would be a slow period of investment sales."

Taking a closer look at New York City, after reportedly 39 months into a correcting sales market, volume rose in 2018 and it appeared that values were poised to begin rising. Based on historical patterns, market corrections have lasted 3- to 4-years, leading to the anticipation that at some point in 2019 market value would follow volume and begin moving upward. However an unforeseen impact on the market amid the underestimated implications of the elections in November 2018 has prompted a deviation in the historical market trends that the real estate industry has generally relied on to project the market's direction. Taking center stage is New York State's **Housing Stability and Tenant Protection Act of 2019** which delivered significant rent regulation reforms, bringing the anticipation for a "turnaround in volume sales market wide based upon the most dominant product sector." Although the reforms were not slated to go into effect until June, the uncertainty surrounding the anticipated reforms amid a Democratic-controlled state senate began to push investors to the sidelines near the end of 2018.

According to reported data, sales volume in the first-half of 2019 for transactions over $10 million reached $10.22 billion. On an annualized basis dollar volume is on track to reach $20.44 billion, representing a 23% lowering year-over-year; and 63% below that 2015 all-time record high of $57.8 billion, bringing volume to the lowest level since the $11.9 billion generated in 2010 as the market began to emerge from the 2018 Great Recession according to reports. Among the major product types:

- Office buildings and hotels performed the best, seeing a 10% and 42% increase year-over-over-year for a total annualized dollar volume of $14.3 billion and $2.23 billion respectively.
- Land sales are on pace to total $819 million for the year, representing a sharp decline of 82% year-over-year.
- Retail and multifamily activity is down 40% and 55% year-over-year respectively based on annualized dollar volumes of $809 million and $2.13 billion.

Transaction numbers have also declined with the number of deals over $10 million on pace to total 160 based upon the 80 properties sold in the first-half of the year. If the pace holds it will represent a 31% year-over-year reduction, and a steeper decline of 65% below the 457 transactions in the peak year of 2015; while also being the lowest transaction volume since the 117 properties that sold in 2010.

- Office buildings are the only product type to see an improvement is transaction numbers, the sector on pace for 52 sales by the end of the year; and if activity remains on track will result in an 8% increase year-over-year.
- Land sales are on pace to total 20 trades for the year, down 64% from 2018.
- Multifamily assets will see a 39% lowering of trade numbers based on an annualized total of 46 transactions.

Sale Activity (cont'd)

Cross-Border Investment in U.S. CRE Slows

A strong "appetite among foreign investors for office buildings, apartments, malls and other real estate has in part fueled the long-running bull market in U.S. commercial property according to a report. However following several years of what appeared to be a buying spree of commercial real estate by foreign investors, the trend has significantly slowed as signs escalate of the boom years of foreign investment nearing an end. For the first time since 2013, foreign investors have sold more U.S. commercial real estate than they bought. Data compiled by Real Capital Analytics (RCA) reportedly revealed that in the 2nd quarter of 2019 cross-border investors sold $13.4 billion; while purchases during the same period totaled $12.6 billion.

Attributing to a slowdown of foreign investment in the U.S. is the rising costs of currency hedging due to the strong dollar and rising interest rates in recent years. Typically done by foreign investors in an effort to minimize the currency risk that comes with cross-border investment — a key difference from domestic investment. However with interest rates factoring into the equation by trading in currency forwards or futures," many European and Asian investors have opted to seek out alternative destinations for their capital and take advantage of the reportedly zero main refinancing rate that has been in place since 2016 in the European Central Bank and Bank of Japan's negative 0.1% over the same 3-year period. Also coming into play are concerns about political stability amid "Washington's trade war with China and other countries, growing uncertainty around Brexit, civil unrest in Hong Kong and political crises elsewhere in the world," reportedly prompting potential overseas investors to move to the sidelines, with others opting to see how the next U.S. election turns out as commercial property investors around the world shift their eyes on the New York City market according to a report.

At a time when U.S. real estate is priced very high and people think we're close to the top of the market, there has been a surge in the buying of U.S. stocks and bonds by foreign money managers. Still seeing U.S. assets as a haven, nearly $64 billion in these assets were bought in June, reportedly the largest sum since August 2018 according to reported data from the Treasury Department. Attributing to the shift is the ease with which stocks and bonds can be bought and sold, versus buildings that property owners may find more difficult to sell or decline in value should there be a recession. For those overseas investors still seeking real estate deals, a different acquisition structure has started to surface with some opting for the safer bet should the U.S. economy head into a recession by investing in debt rather than equity.

Cross-Border Investment (cont'd)

At the height of activity in New York City China was one of the frontrunners, but in recent years has pulled back as the wave of money that came in so fast is leaving just as quickly. The scenario has been paralleled to a period in the '80s when Japan was a major player, however it has been reportedly noted that while the Japanese "took a decade to deploy and recede," it was a curtailed 6-year period (3-years in and 3-years out) with the Chinese. It has also been reportedly pointed out that today's market is very different from what it was when the Chinese started pulling out 2-years ago at a time when interest rates were very low; but as they started to rise, it reportedly pushed a lot of other people out of the market. However more recently the return to an interest rate decline and mounting recession fears could potentially change the landscape of the market once again.

According to reported data compiled by RCA, excluding mergers and portfolio deals, cross-border commercial property investment in New York City totaled $9.5 billion in 2018; and although up nearly 19% year-over-year from the just under $8 billion in 2017, fell significantly below the $15.8 billion and $20.2 billion generated in 2016 and 2015 respectively when there was a significant Chinese presence. RCA's data further reveals that contrary to a slowdown of cross-border acquisitions, sales of New York commercial properties by foreign investors has continued to roughly maintain the same pace. Although China capital continues to recede, a new foreign investment landscape in New York City has emerged bringing a "diverse mix of other cross-border investors" reportedly including Canada, Australia and the Netherlands, sovereign wealth funds from Norway, Qatar and the United Arab Emirates; as well as private players such as Japan's Softbank, South Korea's Daishin Securities, and Switzerland's UBS that continue to be attracted to New York City's high volume of trophy assets.

Among the frontrunners making headlines with high-profile deals over the past 2-years are:

- **Allianz Real Estat**e –The German investment and asset manager reportedly secured several partial stake deals since 2017 including:

  – 1515 Broadway (Times square) – The 43% stake purchase for $835.791 million in late 2017 valued the 1.86 million-square-foot asset at $1.95 billion ($1,045 per square foot);

  – Terminal Stores Building, 261-271 Eleventh Avenue (Chelsea) – A 30% stake in the $1.2 million-square-foot building, valuing the asset at $733 per square foot according the reports near the end of 2018; and

  – 30 Hudson Yards (Hudson Yards) – A 49% stake for an undisclosed price in the pending sale/leaseback by WarnerMedia of its 1.5 million-square-foot office condominium. Located within the 90-story tower, the deal is expected to fetch in the neighborhood of reportedly $2.155 billion. Allianz already has an invested interest in the multi-building Hudson Yards complex, paying $707 million in 2016 for a 44% stake in 10 Hudson Yards.

- **Brookfield Asset Management** – Among the commercial transactions completed over the last 2-years by the Canadian alternative asset manager, larger deals that closed in 2018 included a pair of portfolio deals:

  – GGP Portfolio (formerly General Growth Properties) – The $9.25 billion deal by BAM's flagship real estate company Brookfield Property Partners L.P. for the remaining 66% of GGP's outstanding shares BPY didn't already own, adding 125 retail properties to its portfolio.

  – Forest City Realty Trust Portfolio – The acquisition of the real estate investment trust in a deal valued at $11.4 billion comprised a mix of 6.3 million square feet of office space, 2.3 million square feet of life science assets, 2.2 million square feet of retail space and 18,500 multifamily units, as well as (5) large-scale development projects.

  As well as a high-profile single-asset transaction:

  – 666 Fifth Avenue (Plaza) – The 99-year leasehold was acquired for roughly $1.286 billion, giving Brookfield control of the 1.17 million-square-foot office component within the 1.247 million-square-foot tower through August 3, 2117. An option to purchase the fee interest under the tower was included in the deal providing certain stipulations are met.

Cross-Border Investment (cont'd)

Between July 2017 and June 2019, some other Manhattan investment sales transactions of single-asset commercial acquisitions involving foreign buyers include:

Building	Deal Value	Buyer(s)	Foreign Country
550 Washington Street (South unit)	$700M	Oxford Properties Group	Canada
375 Hudson Street (leasehold)	$615M	Trinity Real Estate, Norges Bank, Hines	Norway
685 Third Avenue	$467.5M	Unizo Holding	Japan
222 East 41st Street	$332.5M	Commerz Real (Commerzbank subsidiary)	Germany
333 West 34th Street (3-unit condo interest)	$255M	Brookfield Property Partners	Canada
400 Madison Avenue	$194.5M	Daishin Securities Co	South Korea
256 West 38th Street 229 West 36th Street	$156.8M (2 transactions)	**Investcorp**, Brickman	Kingdom of Bahrain
405 Lexington Avenue	$151M	RFR Realty, **Sigma Holding GmbH**	Austria
142 West 36th Street	$138M	Alduwaliya Asset Management	Qatar
685 Fifth Avenue (Office component condo interest)	$135M	Michael Shvo, Wings Group, BLG Capital, **Deutsche Finance America**	Germany

However among the cross-border investors that established themselves as key players in Manhattan's market over the past several years, some have had to offload properties amid financial turmoil and tightening domestic regulations. For those that entered the market late in the cycle, paying above market prices in some cases, losses have been incurred.

- **Unizo Holdings** – The Japan-based real estate company purchased (5) buildings between 2013 and 2015 paying a combined total of $833.5 million. Among the properties (2) were sold in 2018 — 321 West 44th Street and 370 Lexington Avenue at a total loss of $69.5 million, which was offset by the $61.05 million gain of the (2) properties sold in 2019 — 440 Ninth Avenue and 24-30 West 25th Street.

- **Anbang Insurance Group** – The Beijing-based insurance company entered the U.S. market in reportedly 2015 with the acquisition of (2) high-profile deals in the Plaza district — the historic 1,413-key **Waldorf Astoria** hotel, paying $1.95 billion ($1,380,042 per key); and the 350,000-square-foot office condominium interest of 717 Fifth Avenue, paying $415 million ($1,186 per square foot). Although both assets have been retained, and plans are moving forward for the conversion of a portion of the Waldorf guest rooms into residential condominiums, Anbang recently struck an definitive agreement with South Korean firm Mirae Asset Global Investment to sell the 15-hotel **Strategic Hotels & Resorts** portfolio for $5.8 billion, having paid $6.5 billion in 2016 upon purchasing the approximately 6,912-key package from Blackstone.

- **HNA Group** – Among the several transactions the Haikou, Hainan-based global conglomerate made over the past several years, (3) have been sold as part of reported plans to sell $4 billion of its U.S. properties amid the company's mounting debt – 1180 Sixth Avenue, 850 Third Avenue, and 19 East 64th Street. While a loss was not incurred in the sale of the 399,211-square-foot 6th Avenue building and 18,860-square-foot 64th Street townhouse, having attracted prices that were $46 million and $10.5 million above purchase price, the sale of the 613,664-square-foot Third Avenue asset fetched a sale price $41 million below the $463 million HNA, along with NHP Real Estate paid in 2016 — significantly offsetting the gains of the other two sales.

  In addition, SL Green Realty has taken control of the trophy property at **245 Park Avenue** that HNA purchased for $2.21 billion ($1,393 per square foot) in mid-2017. Financed by a $1.8 billion package, SL Green reportedly provided a $110.5 million mezzanine loan when the last round of financing closed, making the REIT a likely candidate to step in when the building was introduced to the market in early 2018. Upon SL Green completing the second phase of its preferred equity investment in late 2018, bringing the total to $148.2 million, HNA was able to retain partial ownership; while SL Green now serves as the building's property manager, overseeing all leasing and operations.

Sale Activity (cont'd)

2019 Mid-Year Investment Sales Overview

Overall investment sales activity across New York City slowed as historic changes to rent regulations impacts the multifamily market. According to industry reports released in July, among the (5) markets tracked, Manhattan, Northern Manhattan and Brooklyn saw an overall year-over-year decrease across the board among the (5) major asset classes by the end of the first-half of 2019 as dollar volume, transaction volume and property volume lowered. In contrast, despite overall transaction and property volume declining, dollar volume held steady in Queens; while the Bronx saw an uptick in overall dollar volume as property volume dropped, but transaction volume remained unchanged.

New York City				
Sector	**1H 2019 Dollar Volume**	**% Yr-over-Yr Change**	**# Transactions Yr-over-Yr Change**	**# Properties Yr-over-Yr Change**
Multifamily	$4.654B	-28%	543 / -20%	627 / -27%
Office	$5.170B	-28%	36 / 20%	39 / 3%
Commercial	$2.511B	2%	139 / -5%	173 / -14%
Industrial / Warehouse / Self-Storage	$1.020B	184%	98 / 24%	116 / 8%
Development	$2.599B	-48%	232 / -20%	348 / -25%
Total	**$15.955B**	**-26%**	**1,048 / -14%**	**1,303 / -22%**

Manhattan

Midtown East led the way as investment sales activity within the district generated roughly $4.966 billion during the first (6) months of the year, accounting for 53% of overall dollar volume for the period; while Midtown West and Downtown West followed at a distant $1.874 billion and $1.031 billion respectively.

Sector	**1H 2019 Dollar Volume**	**% Yr-over-Yr Change**	**# Transactions Yr-over-Yr Change**	**# Properties Yr-over-Yr Change**
Multifamily	$1.942B	-13%	100 / 6%	116 / 7%
Office	$4.978B	-27%	24 / 20%	26 / -4%
Commercial	$1.951B	13%	26 / -2%	31 / -3%
Industrial / Warehouse / Self-Storage	$6MM	N/A	1 / N/A	1 / N/A
Development	$450MM	-85%	22 / -44%	24 / -61%
Total	**$9.327B**	**-32%**	**173 / -4%**	**198 / -13%**

Northern Manhattan

East Harlem led the way, accounting for 48% of overall dollar volume during the first-half of the year, with investment sales activity reaching a total of roughly $309 million, followed by Central Harlem and Washington Heights at a distant $142 million and $116 million respectively.

Sector	**1H 2019 Dollar Volume**	**% Yr-over-Yr Change**	**# Transactions Yr-over-Yr Change**	**# Properties Yr-over-Yr Change**
Multifamily	$256MM	-53%	21 / -67%	35 / -61%
Office	$0	-100%	0 / -100%	0 / -100%
Commercial	$23MM	-66%	4 / -20%	7 / 40%
Industrial / Warehouse / Self-Storage	$0	N/A	0 / N/A	0 / N/A
Development	$134MM	-6%	11 / -15%	19 / 0%
Total	**$413MM**	**-47%**	**36 / -57%**	**61 / -48%**

2019 Mid-Year Investment Sales (cont'd)

Brooklyn

Leading the way during the first-half of the year was the Downtown Brooklyn/Park Slope area, which accounted for 30%, or roughly $919 million of the overall dollar volume generated in the borough during the period. The Williamsburg/Greenpoint neighborhoods followed with an overall dollar volume of roughly $613 million, or 20% of the borough's total dollar volume for the period.

Sector	1H 2019 Dollar Volume	% Yr-over-Yr Change	# Transactions Yr-over-Yr Change	# Properties Yr-over-Yr Change
Multifamily	$1.461B	-41%	255 / -17%	282 / -26%
Office	$118MM	3%	4 / 33%	5 / 67%
Commercial	$124MM	-50%	37 / -16%	47 / -15%
Industrial / Warehouse / Self-Storage	$293MM	96%	28 / -18%	35 / -17%
Development	$1.022B	-5%	110 / -13%	166 / -15%
Total	**$3.017B**	**-26%**	**434 / -15%**	**535 / -21%**

Queens

Investment sales activity in Northwestern Queens generated a total dollar volume of roughly $1.566 billion, accounting for 74% of the borough's overall dollar volume in the first-half of the year. Northeastern Queens and Southeastern Queens followed at a distant $275 million and $190 million respectively.

Sector	1H 2019 Dollar Volume	% Yr-over-Yr Change	# Transactions Yr-over-Yr Change	# Properties Yr-over-Yr Change
Multifamily	$555MM	-15%	107 / -21%	119 / -22%
Office	$68MM	-71%	5 / 25%	5 / 25%
Commercial	$271MM	-12%	51 / -4%	64 / -16%
Industrial / Warehouse / Self-Storage	$453MM	176%	49 / 36%	56 / 6%
Development	$715MM	-1%	55 / -30%	79 / -32%
Total	**$2.062B**	**-59%**	**267 / -13%**	**323 / -20%**

Bronx

The Southwest Bronx area led the way, accounting for roughly $519 million, or 45% of overall dollar volume generated by investment sales activity within the borough during the first-half of the year. Southeast Bronx and Northwest Bronx followed, generating $288 million and $242 million during the period.

Sector	1H 2019 Dollar Volume	% Yr-over-Yr Change	# Transactions Yr-over-Yr Change	# Properties Yr-over-Yr Change
Multifamily	$439MM	-20%	60 / -22%	75 / -44%
Office	$7MM	164%	3 / 200%	3 / 200%
Commercial	$143MM	45%	21 / 17%	24 / -25%
Industrial / Warehouse / Self-Storage	$269MM	477%	20 / 122%	24 / 100%
Development	$278MM	70%	34 / 6%	60 / -14%
Total	**$1.136B**	**32%**	**138 / 1%**	**186 / -25%**

Sources: http://arielpa.com/report/report-APA-N-Man-mid2019-Sales-Report • http://arielpa.com/report/report-APA-Manhattan-mid2019-Sales-Report
http://arielpa.com/report/report-APA-Brooklyn-mid2019-Sales-Report • http://arielpa.com/report/report-APA-Bronx-mid2019-Sales-Report
http://arielpa.com/report/report-APA-Queens-mid2019-Sales-Report

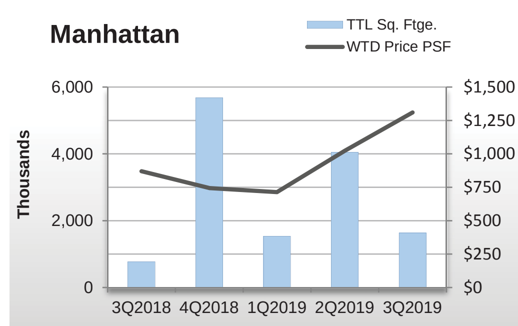
Sale Activity (cont'd)

Sales on the Horizon

Midtown South

88 University Place (Greenwich Village) – The sale offering of the 11-story, approximately 94,000-square-foot building between East 11th and 12th Streets is reportedly expected to be introduced to the market at an asking price north of $110 million ($1,170 per square foot). Last trading in July 2015 for $70 million to an Elie Tahari-led investment group, the building had undergone renovations in anticipation of co-working space provider WeWork initially leasing 82,000 square feet spread across 8-floors, with future plans to expand into the entire building. The co-working space provider reportedly leases the space at "below market rents that step up throughout the life of the lease, which has 12 years remaining on its term." Since securing the lease, approximately 70,000 square feet of the space has been leased by WeWork to the Armonk, NY-based technology firm **IBM** under The We Company's enterprise program.

Quarter-over-Quarter Sale Statistics



Data reflects a sample of sold buildings over 100,000-square-feet

Decisions to sell have reportedly been prompted in an effort to avoid potential conflicts of interest amid nearing plans of an initial public offering (IPO) as early as September by The We Company — a move that will test the strength of its business model in the public markets. The building is reportedly 50% owned by Adam Neumann, who serves as the company's head; and while reports indicate that a handful of properties in which WeWork's CEO holds an interest in would be purchased by its real estate acquisition unit to separate ties, the decision to put the building on the open market versus a direct deal to the WeWork affiliate was reportedly made by Tahari. All industry eyes will be watching to see how the sale fares, offering a rare opportunity to capture data showing how the co-working company impacts property values after an earlier opportunity in the sale offering of Lower Manhattan's **110 Wall Street** was lost following reported decisions by ownership to take the building that is leased in its entirety by We Work for a mix co-working and co-living facilities off the market.

Sale Activity (cont'd)

88 University Place (cont'd)

A few other buildings in Manhattan where at the time of reported leasing WeWork facilities occupied at least 50% of the office space include:

Address	WeWork Sq. Ftge (at time of reported lease)	Building RBA	% Leased by WeWork	District Submarket
35 East 21st Street	100,000 SF (2018) (Entire building)	100,000 SF	100%	Flatiron Midtown South
147-149 Madison Avenue	115,000 SF (2018) (Entire office component)	127,000 SF	91%	Murray Hill Midtown South
408-410 Broadway	59,400 SF (2018) (Entire office component)	75,100 SF	79%	Tribeca Downtown
154 West 14th Street	122,000 SF (2018)	160,800 SF	76%	Chelsea Midtown South
214 West 29th Street	100,000 SF (2018)	138,000 SF	72%	Chelsea Midtown South
21 Penn Plaza	258,344 SF (2018) (Entire building)	378,547 SF	68%	Penn Plaza Midtown
315 West 36th Street	136,118 SF (2015) (Entire commerical component of mixed-use bulding)	267,218 SF	51%	Penn Plaza Midtown

Typically filling office buildings with multiple tenants to mitigate risk, or a single tenant with a "great track record or a sturdy business model," several landlords have deviated from the tradition of "playing it safe" and opened their doors in a big way to co-working and flexible office space providers such as WeWork and fast-growing Knotel. Reports indicate that there are at least (5) New York City buildings where WeWork occupies the entire rentable office space, representing a portion of the total approximately 6,642,129 square feet the 9-year old startup has reportedly leased in Manhattan and Brooklyn alone. While little data exists on trades of building with a significant co-working tenant, an analysis of (17) building sales in the U.S. with co-working tenants from the past 2-years provides some indication of the relationship between reported cap rates and the proportion of a building's square footage allocated to co-working.

Reported findings of the 2018 study showed that as the percentage of co-working in the buildings increased, the gap widened between cap rates for comparable sales and the building(s) in question, suggesting that "investors seem to apply a discount" as the percentage of co-working in the building increases. However the report's authors project that the range of comfort is anticipated to increase over time as investors and lenders develop more experience trading assets with significant co-working occupancy, which has increasingly become a building staple. Other factors that could play into a building's valuation are the "quality of the co-working build-out, the creditworthiness of the co-working tenant, the strength of the rental rate being paid, and the location of the building."

New to Market

Midtown

645 Madison Avenue (Plaza) – Friedland Properties and Nightingale Properties, along with hedge funder Bill Ackman have reportedly introduced the sale offering of the ground lease of the 22-story, 164,615-square-foot tower located on the corner of East 60th Street. Although an asking price was not disclosed, reported industry sources anticipate the lease initially issued in 1958 by longtime fee-owner NRDC Equity Partners (National Realty & Development Corp.), with about 60-years of term remaining could fetch $120 million ($729 per square foot). The sellers had acquired the lease in October 2015 for $76 million ($462 per square foot) from TF Cornerstone; however the yearly rent paid by the building was reportedly raised for an undisclosed amount following a December 2018 arbitration that set the land value at $163 million. Upgrades currently underway include new windows and a new lobby on East 60th Street, which will create additional retail space along Madison Avenue featuring new glass storefronts and a new façade according to reports. Currently about 60% occupied, recent leasing activity has attracted Stockholm-based Byredo. The luxury accessories and perfume retailer will occupy 1,200 square feet of the building's total 17,400 square feet of retail space on the ground, 2nd and lower levels commanding a reported asking price of $1,350 per square foot; while available office space is being marketed at asking rents reportedly over $100 per square foot.

Sale Activity (cont'd)

New to Market (cont'd)

65 East 55th Street (Plaza) – Blackstone Group subsidiary Equity Office has reportedly introduced the sale offering of the 38-story, 619,631-square-foot **Park Avenue Tower** at an asking pricing north of $800 million ($1,291 per square foot). Reports back in 2014 indicated that Blackstone had owned the block-through building back in 2007 as part of the acquisition of Equity Office Properties, subsequently flipping it along with (6) other buildings to Harry Macklowe. Amid the 2008 economic downturn Macklowe went into default, returning the building to lender Deutsche Bank who proceeded to market the building at a 20-30% discount. In 2008 San Francisco-based Shorenstein Co. took control of the building for approximately $625 million ($1,009 per square foot) as part of a 2-building deal for a total of $930 million; and in 2014 Blackstone re-purchased the property for $750 million ($1,210 per square foot) at a time when (2) major tenants were due to exit providing Blackstone with the opportunity to "bump up cash flow."

Over the next 5-years additional investments reportedly totaling $120 million were made in renovations that included the creation of a 20,000-square-foot below-grade space dubbed **The Club** featuring a fitness center, recreation lounge, grab-and-go food service and conference center according to previous reports. In March a $452 million loan was provided by Morgan Stanley to refinance the tower that is about 92% occupied. The new financing package included the refinancing of $425 million in existing outstanding principal provided by Morgan Stanley along with the German American Corporation in July 2014 and newly provided building and project loans in the amount of $19.2 million and $7.8 million respectively. Leasing activity since 2016 attracted several full floor deals that totaled nearly 298,000 square feet at asking rents reportedly north of $100 per square foot, absorbing the approximately 253,000 square feet spanning 16 floors vacated by law firm Paul Hastings upon relocating to a downsize 160,000-square-foot space at the MetLife Building, 200 Park Avenue in early 2016; as well as hedge fund management firm Davidson Kempner Capital Management, which vacated 50,000 square feet upon relocating to 70,233 square feet at 520 Madison Avenue in late 2015.

885 Third Avenue (Plaza) – Ceruzzi Properties has reportedly introduced the sale offering of the land beneath the 34-story, 646,081-square-foot **Lipstick Building**. The tower that spans the entire block-front of 3rd Avenue between East 53rd and 54th Streets last traded in February 2016 upon Ceruzzi along with Shanghai Municipal Investment USA acquiring the asset for $453 million from SL Green Realty. SL Green had acquired the leased fee interest in a joint venture with Gramercy Capital for $317 million in 2007, subsequently fully consolidating its position in 2010 at a gross asset valuation of $352 million; while reportedly continuing to maintain "a stake in the fee position through a preferred-equity stake that expires next year."

A "partnership led by Argentina's Inversiones y Representaciones Sociedad Anónima (IRSA)" along with the Marciano Investment Group currently control the property under a ground sublease expiring April 29, 2080 according to city record documents. While the deal included an option to purchase the fee earlier this year the leaseholders reportedly let it expire in April; and although talks are ongoing, an agreement has yet to be reached according to reported statements by a spokesperson for Ceruzzi. Currently fully leased, anchor tenant Latham & Watkins is expected to vacate its approximately 362,541-square-foot space upon lease expiration in the second-half of next year and relocate to a 407,000-square-foot space at the former Time-Life Building, 1271 Sixth Avenue (Columbus Circle).

Sale Activity (cont'd)

New to Market (cont'd)

1855 Broadway (Columbus Circle) – Longtime owner the New York Institute of Technology (NYIT) has introduced the sale offering of the 12-story, 78,200-square-foot building located on the corner of West 61st Street in the Lincoln Square section of the neighborhood. Seeking to fetch between $80 million and $100 million ($1,023 - $1,279 per square foot), as well as a one- or two-year leaseback, the Old Westbury, Long Island-based college currently utilizes the building as a satellite campus. The sale was reportedly prompted by NYIT's decisions to focus investment on its Long Island campus, with the asset being marketed for office use or a potential ground-up residential redevelopment opportunity.

685 Third Avenue (Grand Central) – Tokyo-based Unizo Holdings is reportedly seeking to sell the 27-story, 646,422-square-foot tower, although an asking price was not announced. Reports indicate that plans to sell come at a time when Unizo is in the midst of being potentially acquired, making it unclear if the public company would be able to complete the transaction. Currently about 95% leased, the building that spans the entire 3rd Avenue block-front between East 43rd and 44th Streets last traded in October 2017 for $467.5 million in a reportedly all-cash deal. Current tenants include business platform Salesforce, publisher Crain's New York Business, professional services firm Navigent, and law firm Outen & Golden. Entering the New York City market in 2013, the company purchase a total of (6) buildings; and over the past year, Unizo sold off (4) of the (5) buildings acquired from 2013 to 2015. The only property still owned at **40 West 25th Street** was purchased simultaneously to 24-30 West 25th Street for $106.2 million according to city records.

Building	Purchase Price/Year	Sale Price/Year	Gain/Loss
440 Ninth Avenue	$211.5M / Dec 2013	$269M / Dec 2019	$57.5M
24-30 West 25th Street	$103.8M Mar 2013	$107.35M / May 2019	$3.55M
321 West 44th Street	$165M / Jan 2015	$152.5M / Dec 2018	-$12.5M
370 Lexington Avenue	$247M / Oct 2015	$190M / Dec 2018	-$57M
Total	**$727.3M**	**$718.85M**	**-$8.45M**

Midtown South

56 West 22nd Street (Flatiron) – The 12-story, 66,190-square-foot building located between 5th and 6th Avenues has been introduced to the market at an asking price reportedly in the $50 million ($755 per square-foot) range. Dating back to 1907, the building is located within the Ladies Mile Historic District. Currently about 45% vacant, existing office tenant leases expire prior to December 2021 with no renewal options; while longtime retail tenant, N.Y. Cake & Baking Distribution relocated last year to nearby 118 West 22nd Street, offering a repositioning opportunity for new ownership with a near term upside according to market materials.

Sales to Watch For

Midtown

425 Park Avenue (Plaza) – iStar-managed REIT Safehold Inc. reportedly entered into contract to purchase the leasehold of the ground beneath the 67-story, 705,244-square-foot tower currently under construction by L&L Holding for $620 million ($879 per square foot). Fee-owner TIAA-CREF (rebranded TIAA in 2016) had acquired the property in May 2011 for $315 million from the Goelet family according to city records. Safehold is expected to close on the transaction in the 4th quarter as part of a joint venture with an undisclosed sovereign wealth fund, having signed a letter of intent (LOI) that will see the REIT owning a 55% majority interest of the JV. Reports indicate that control of the 897-foot-tall tower will remain with L&L Holdings, which secured an 84-year leasehold set to expire July 31, 2090 from the Goelet family in July 2006, valuing the pre-redeveloped building at about $84 million at the time. Initially a minority stakeholder, in 2013 L&L Holding reportedly acquired the remaining 90% interest from Lehman Brothers for $130 million.


425 Park Avenue - Rendering

The development that includes a portion of the former 30-story, 585,000-square-foot structure was built on speculation as the first new office construction along Park Avenue in over 40-years; and is reportedly the first in New York City to pursue **WELL Building Standard** certification. In the fall of 2015 pre-leasing activity attracted Chicago-based hedge fund Citadel, which initially committed to 211,400 square feet to anchor the tower that spans the entire block-front between East 55th and 56th Streets. Reports at the time indicated that Citadel agreed to pay a record-high price of $300 per square foot for the penthouse space spanning the top 2-floors of the tower. This year in January Citadel opted to increase its footprint, reportedly adding 120,400 square feet of additional space to bring the total commitment to 331,800 square feet.

Sales to Watch For (cont'd)

145 West 45th Street (Times Square) – The Hematian family has reportedly entered into contract to purchase the 12-story, 99,024-square-foot building located between Broadway and 6th Avenue for $92 million ($978 per square foot). The pending sale comes about 4 and one-half years following the $55 million ($555 per square foot) purchase by seller AB & Sons. Recent leasing activity includes a 47,000-square-foot signing for (5) floors by The We Company for its mid-size company-focused HQ by WeWork business line.

Swiss Foundation for International Real Estate (AFIAA): Double-Header Deals – The Swiss real estate investment firm has reporteldy entering into contract to acquire the the Midtown and Midtown South buildings for a combined total of $225.35 million.

- **45 West 45th Street** (Times Square) – The 16-story, 142,677-square-foot building attracted a price of reportedly $126 million ($883 per square foot). Emmes Asset Management, which was later renamed Vanbarton Group following a restructuring, had acquired the asset that is currently about 91% occupied for $87 million ($610 per square foot) in January 2015, following a flip of the contract originally entered into by Thor Equities for $81 million according to reports at the time. Following the purchase, Vanbarton invested an additional $12 million in upgrades, attracting (2) new retail tenants in 2017 — Orangetheory Fitness in 4,000 square feet of lower level space and high-end American-themed bar/restaurant concept Valery located in 5,275 square feet on the ground level. Recent office leasing activity attracted a 35,292-square-foot deal with flexible office space provider Knotel, which reportedly secured a 10-year lease for the space spanning the entire 3rd and entire 6th through 8th floors in January.

- **158 West 27th Street** (Chelsea) – The 12-story, 118,766-square-foot building is located between 6th and 7th Avenue. Approximately 92% leased, the asset being sold by D.C.-based investment manager ASB Capital Management and George Comfort & Sons attracted a price of $99.35 million ($837 per square foot) according to reports. The pending deal represents the 3rd time the building has changed hands since 2013, ASB and George Comfort paying $82.5 million ($695 per square foot) in December 2014, reportedly investing an additional $10 million in renovations; while just about 2-years prior Emmes Asset Management, which was later renamed Vanbarton Group after the completion of a spin-off of EMMES Group of Companies, paid $57.5 million $484 per square foot).

220 East 42nd Street (Grand Central) – The Chetrit Organization has reportedly entered into contract to purchase the 37-story, 1.135 million-square-foot **News Building** for $815 million ($718 per square foot). Seller SL Green Realty initially considered a sale offering in January, at a time when the REIT was selling properties to fund its stock buyback program, sources anticipating the tower could fetch a price north of $900 million ($793 per square foot) according to reports at the time. Subsequently introduced to the market about 5 months later, the transaction is expected to close in the 1st quarter of 2020. Dating back to 1920, the landmarked Art-Deco structure that spans the entire 2nd Avenue block-front between East 41st and 42nd Streets was initially built as the headquarters on the **New York Daily News**, becoming well known for the large 4,000-pound granite globe that occupies the center of the lobby. Designated as a National Historic Landmark in 1989, SL Green acquired the asset in February 2003 for $265 million, following its initial $53.5 million preferred equity investment in September 2001. A repositioning and re-tenanting of the property has brought occupancy up to 97%; and major tenants include Omnicom Media Group, which renewed its leases for a combined total of 231,114 square feet in 2016 to extend its tenure to 2031; and the 123-year-old non-profit Visiting Nurse Service of New York (VNSNY), which occupies 308,115 square feet under a 30-year leasehold condominium interest secured for roughly $117.578 million last year.

Midtown South

295 Fifth Avenue (NoMad) – Tribeca Associates along with Meadow Partners and Prudential Financial's property arm PGIM Real Estate have reportedly entered into contract for the ground lease of the 17-story, 576,540-square-foot building situated on the northern edge of the neighborhood. Spanning the entire 5th Avenue block-front between East 30th and 31st Streets, **The Textile Building** has been longtime-owned by fee-owner Manhattan Properties Company; and currently serves as the home of more than 150 textile showrooms. Plans for the asset by the contract vendees has yet to be revealed; however reports indicate that existing textile tenants are paying rents in the neighborhood of around $50 per square foot, well below the area of $90 per square foot price some sources reportedly believe the building could fetch.

Sale Activity (cont'd)

Sales to Watch For (cont'd)

Downtown

175 Water Street (FiDi) – Metro Loft Management has reportedly entered into contract to purchase the 31-story, 592,235-square-foot tower for $270 million ($456 per square foot). News of the pending sale comes about (3) months following initial reports of longtime owner American International Group (AIG) seeking to sell its headquarters building at an asking price in the neighborhood of $275 million ($464 per square foot). The sale was sparked by the insurance company's plans to relocate its offices to Midtown, reports in November 2018 indicating that AIG was in discussions to take 150,000 to 200,000 square feet on the 20th through 24th floors of the former **Time-Life Building** at 1271 Sixth Avenue, which has been undergoing an estimated $600 million renovation project. As part of the sale AIG is looking to do a short-term leaseback through the end of 2021, after which time the condominium tower that spreads across a full city block bound by John Fletcher, Front and Water Streets will be delivered vacant.

The contract vendee reportedly plans to take advantage of the repositioning opportunity and launch an office-to-residential conversion of the top half of the building. Metro Loft will be joined by the Vanbarton Group, which is reportedly taking a "preferred equity position" in the deal in the range of $70 million to $75 million; while the Blackstone Group is reportedly providing a $175 million senior mortgage. Other recent activity in the area by Metro Loft includes a similar project at **180 Water Street**, which underwent a 573-unit office-to-residential conversion and 7-story vertical expansion that was completed in 2017. Initially the developer owned a 10% minority stake, but in early 2017 agreed to buy-out majority conversion partner the Vanbarton Group for $450 million ($785,340 per unit) according to previous reports.

1 Whitehall Street (FiDi) – Members of the Chetrit family — brothers Jacob and Joe, along with cousins Michael and John, are reportedly in contract to purchase the 21-story, 387,390-square-foot tower for $182 million ($470 per square foot). News of the pending sale that was expected to close by the end of the 3rd quarter comes about (2) months following initial reports of the asset being introduced to the market at an asking price of $200 million ($516 per square foot). Already upgraded with the installation of smart building technology, decisions to sell by longtime owners the Rudin family were reportedly prompted by the need to settle estate taxes for now deceased family patriarch Jack Rudin. Trading card company Topps currently anchors the fully leased building in reportedly over 66,000 square feet on the entire 4th through 6th floors under a below-market lease that expires in late 2020; while the remaining office space is occupied by a mix of small to mid-sized office tenants, with a U.S. Post Office branch and a Duane Ready pharmacy in the retail space at the building's base.

111 Wall Street (FiDi) – A partnership of Nightingale Properties and Wafra Capital Partners have reportedly agreed to acquire the leasehold interest of the 24-story, 975,179-square-foot building. A 5-year roughly $445 million interest-free loan is being sought to finance the total $570 million in acquisition and redevelopment costs according to reports. Zurich Insurance Group is the seller of the asset that fills an entire city block along the FDR Drive bound by Wall Street, Front and South Streets and Gouverneur Lane. The leaseholders plan to launch a major renovation project upon the full vacating of the building in mid-December when Citgroup's lease expires. Currently occupying the building in its entirety, reports in June had announced decisions of the longtime rumored move by the New York-based lender as part of an ongoing real estate consolidation. Sources at the time had anticipated that the asset would be marketed as a "long-term leasehold sale rather than as a conventional lease." The building was built in 1966 as the headquarters of Citibank predecessor First National City Bank, N.A., which in 1976 was renamed Citibank, N.A.

Sale Activity (cont'd)

Sales to Watch For (cont'd)

195 Broadway (World Trade Center) – The fee position and leasehold of the 29-story, 1,052,861-square-foot tower are reportedly being sold to separate buyers by JPMorgan Asset Management. L&L Holding, which already owns a 5% stake in the asset, has entered into contract to purchase the 95% interest being sold by JPMorgan's asset management arm for $800 million according to reports. L&L is reportedly partnering on the acquisition with an "investment group made up of Seoul-headquartered Korea Investment Securities and Samsung." In a separate deal, iStar-managed ground-lease real estate investment trust Safehold Inc. is reportedly in contract to purchase the ground beneath the building "to create a new $275 million Safehold ground lease" that will be leased to L&L Holdings and its partners.

News of the pending transactions come about (5) months following reports of JPMorgan "considering bids ranging from a 49% stake to a sale of full ownership" of the property, having acquired the majority stake in a deal valued at $498.45 million ($498 per square foot) in November 2013 from Beacon Capital, while L&L Holding retained its minority interest. Previously trading for $280 million ($266 per square foot) upon Beacon Capital and L&L Holding purchasing the building from GE Asset Capital Management Inc. in November 2011 after just 6-years of ownership following a roughly $265.779 million ($252 per square foot) purchase in March 2005 according to city records.

Recent leasing activity has brought the office component to 100% occupancy. Reported transactions over the past year include a 288,000-square-foot 15-year extension by Omnicom Media Group secured in early 2018, a 42,000-square-foot lease by photography platform Getty Images, and a 15-year relocation deal for 83,865 square feet signed this year by luxury fashion e-tailer Moda Operandi. Other larger tenants in the former AT&T Building include publisher HarperCollins and Kering-owned fashion brand Gucci. In addition, as part of a reportedly $100 million renovation investment by JPMorgan and L&L Holdings, a 44,600-square-foot portion of the building's landmarked lobby was repositioned for retail use; and now occupied by Inditex-owned women's fashion brand Anthropologie in 20,350 square feet and upscale Japanese restaurant Nobu in 14,384 square feet, plus a 5,100-square-foot Starbucks on the ground and mezzanine levels. The pair of larger retail leases that include ground and selling lower level space were secured in 2015 under 15-year terms; while Starbucks renewed its lease in early 2016, extending its tenancy for 15 years according to reports at the time.

Uptown

125 West End Avenue / 320 West 66th Street (Upper West Side) – Taconic Investment Partners and Nuveen, the real estate investment arm of TIAA pension fund, have entered into contract to acquire the (2) buildings, along with the adjacent parking lot for approximately $230 million through a fund they administer together according to reports. The portfolio is part of the 7-parcel, 9-building Walt Disney Co.-owned **American Broadcasting Company** (ABC) campus acquired by Silverstein properties last June for $1.155 billion. Known as the "**West End Campus**," the assemblage comprised of (2) tax lots offers a combined total of 147,595 square feet (3.39-acres) of land area. The contract vendees are reportedly in talks for an acquisition loan with German lender Deutsche Bank.

- **125 West End Avenue / 320 West 66th Street** – The 2 buildings located on the same tax lot total 513,487 square feet. The 99,015-square-foot parcel can accommodate up to 596,070 buildable-square feet: (Property Shark)
  - 125 West End Avenue – A 395,283-square-foot office building; and
  - 320 West 66th Street – A 118,154-square-foot office and television studio
- **N/A West End Avenue** – The vacant 48,050-square-foot parcel reportedly used for a parking lot between West 64th and 65th Streets reportedly offers 105,575 square feet of development rights.

Taconic and Nuveen reportedly plan to reposition 125 West End Avenue for life science tenants, while plans for the West 66th Street and vacant parcel have yet to be revealed; however all plans will likely remain on hold for now since the initial 2018 sale of the West End Campus by Walt Disney reportedly included a 2-year lease-back by ABC, to allow time for the entertainment company to construct and fit-out offices and state-of-the-art studios at its planned new campus at Midtown South's 4 Hudson Square.

Sale Highlights – 3rd Quarter 2019

Midtown

136 East 57th Street aka 691-695 Lexington Avenue (Plaza) – The partnership of ABS Partners Real Estate, AEW and East End Capital has secured the 99-year ground lease of the 20-story, 110,000-square-foot building for roughly $42.776 million ($389 per square foot) from longtime owner a partnership controlled by Silk & Halpern Realty Associates. The building that dates back to the 1930s will undergo an over $15 million repositioning including an upgrading of the windows, façade, lobby, elevators, and the launch of a pre-build program; and upon completion in about one year will deliver a state-of-the-art modern and efficient workplace. Setbacks on the upper levels provide for the creation of newly enhanced outdoor terrace space. Currently about 70% leased, Bank United serves as the largest tenant, occupying the ground, second and lower levels according to reports.

711 Fifth Avenue (Plaza) – Michael Shvo and Turkish business partner Serdar Bilgili have reportedly purchased the 18-story, 354,000-square-foot building for $955 million ($2,678 per square foot). The deal was "backed by Deutsche Bank and German pension fund BVK,;" and "the transaction includes close to $500 million in equity" according to reports. The announcement of the sale comes just about one month after the partnership of Nightingale Properties and Wafra Capital Partners, the investment vehicle owned by Kuwait's Public Institution for Social Security pension fund, closed on the roughly $909.268 million ($2,569 per square foot) acquisition of the asset that was financed by a $625 million loan package provided by JPMorgan Chase — A $600 million acquisition loan, $20.75 million building loan, and $4.25 million project loan according to city records. As part of the deal that represents a $50 million profit for the sellers, Nightingale will reportedly remain the building's property manager.

News of Nightingale and Wafra entering into contract was initially released in June, having beat out other bidders that reports indicated had also included Shvo and his partners's $955 million bid. Longtime owner Coca-Cola has owned the historic asset since 1983 following the assumed ownership as part of the beverage company's purchase of Columbia Pictures according to previous reports. Located on the corner of East 55th Street, the office-and-retail building that dates back to 1927 bears **The Coca-Cola Company** name; having at one time served as the home to NBC's studios. Currently about 70% leased, existing office tenants include a mix of boutique firms; however the majority of the over 40,000 square feet of retail space is vacant, former tenants Swiss watchmaker Breguet and fashion brand Ralph Lauren introducing the sublease offering of their spaces in 2017.

360 Lexington Avenue (Grand Central) – Savanna has closed on the purchase of the 24-story, 296,703-square-foot tower that attracted a price of $180 million ($608 per square foot), with initial reports of the sale entering into contract surfacing in May. A $110 million loan provided by Barclays financed the transaction according to city records. New ownership plans to launch a $20 million capital improvement program to include "lobby and entrance renovation, a prebuilt program and infrastructure upgrades." Seller AEW Capital Management had introduced the sale offering in March at an asking price around $190 million ($642 per square foot) according to reports at the time. Located on the corner of East 40th Street the building that is about 82% leased last traded in August 2008 for $129.5 million ($437 per square foot), followed by an additional investment in renovations and updates to mechanical systems.

300 East 42nd Street (U.N. Plaza) – Somerset Partners and Meadow Partners have acquired the 18-story, 223,884-square-foot full block tower. The $122.5 million ($547 per square foot) sale was financed by a $100 million loan provided Brookfield Asset Management; and included the consolidation of roughly $41.320 million in existing outstanding principal with a new $30.526 million gap mortgage and newly provided $8.227 million and $19.928 million building and project loans according to city records. Seller German non-profit ULM Holding acquired the asset for $19.5 million through a foreclosure auction in 1996 according to reports. New ownership reportedly plans to launch renovations that will include "a reimagined entrance, new lobby, new mechanicals, new elevator cabs, and an upgraded exterior; as well as some large terraces to be built-out in an effort to turn-around some prior occupancy issues."

Sale Activity (cont'd)

Sale Highlights (cont'd)

Midtown South

345 Park Avenue South (NoMad) – Deerfield Management has closed on the $344.5 million ($1,032 per square foot) acquisition of the 12-story, 333,822-square-foot building. The deal also reportedly included an interest to seller RFR Realty in one of Deerfield's life science funds valued at around $150 million, establishing RFR as an investor in the fund. The transaction was financed by a $405 million loan package to help fund both the acquisition and planned medical lab conversion at a reported estimated cost of $290 million. Connecticut-based Loancore Capital provided the loan that included the refinancing of an existing $100 million loan provided by Citigroup in May 2013, new $125.138 million and $9.651 million gap mortgages, a $61.821 million building loan and $108.39 million project loan according to city records. Upon expected completion in early 2021, the new facility to include an onsite health technology incubator run by Chicago-based **Matter** that will connect life sciences companies, researchers and investors from the two cities.

News was initially reported in May of the transaction entering into contract by the New York based-healthcare-focused investment management firm currently located on the 37th floor of 780 Third Avenue (Plaza). In addition to the financing, Deerfield had also applied for roughly $97.7 million in city tax breaks over a 25-year period through the city's Industrial Development Agency (NYCIDA), in exchange for an estimated $162.341 million in direct and indirect taxes that are projected to be generated by the company during the same period; as well as 974 additional full-time equivalent jobs within 3-years of project completion according to documents posted on the agency's website.

The building located between East 25th and 26th Streets had formerly been occupied in its entirety by advertising agency Digitas (Digital LLC) under a lease extending through 2021 according to a posting on RFR Realty's website. However a lease termination was reportedly "amicably" negotiated upon Digitas expressing interest to relocate and secure a lease buyout, opening the door to a full repositioning. In January the entire 289,207-square-foot office component spanning the 2nd through 12th floors of the 12-story office tower, plus the 1,150-square-foot south lobby, 6,225-square-foot lower level and rooftop was introduced for lease following the completion of a reportedly $60 million gut renovation that created a penthouse on the upper floors boasting a 17-foot ceiling and skylights, a rooftop terrace with an enclosed lounge area, and several infrastructure and common area upgrades. However plans to seek another full building tenant ultimately reversed directions with the unexpected sale to Deerfield for its new headquarters and life science innovation center.

130 Prince Street aka 123-127 Wooster Street (SoHo) – The 5-story, 88,000-square-foot building has been purchased for $206.3 million ($2,344 per square foot) by reportedly a Madison Capital-led group of investors. Seller Invesco Real Estate had purchased the property originally comprised of (2) tax lots for $140.5 million in May 2012, followed by an entire redevelopment to create a single, conjoined asset. The entire 66,538-square-foot office component has been vacant since late 2018, upon former tenant Estee Lauder-owned cosmetic brand M.A.C. relocating to an 86,000-square-foot space at the nearby West tower of **One Soho Square** at 233 Spring Street (Hudson Square); while about 50% of the retail space is occupied by apparel and footwear brands Barbour, Woolrich and Cole Haan, with 6,295 square feet of ground level space plus 4,396 square feet of lower level space formerly occupied by Blanc & Eclaire and Preview being marketed for lease.

155 West 23rd Street (Chelsea) – MC Real Estate Partners has reportedly acquired an undisclosed controlling stake in the leasehold of the 12-story, 72,000-square-foot building. The sale by the Kaufman Organization and Goldman Sachs attracted a price of $39.5 million. The building located between 6th and 7th Avenues was one of the 14-buildings that made up the former F.M. Ring Portfolio. Extell Development had acquired the asset in January 2014 for $18.736 million ($260 per square foot); and in September 2015 Kaufman took control of the property through a 50-year leasehold expiring September 10, 2065 plus (2) renewal options — (1) 25-year and (1) 24-year for a total of 99-years if fully exercised. In September 2015 fee-owner Extell Development sold the building to Edison Properties for roughly $57.237 million ($795 per square foot) in addition to (4) other buildings within the neighborhood that are also controlled by Kaufman as the leaseholder. Having fallen into disrepair, a multi-million-dollar capital improvement program launched by Kaufman has since been completed, bringing the building to nearly 100% occupancy by a mix of several full-floor tenants.

REBNY: NYC Residential Sales Report | Q1-Q2 2019

The Real Estate Board of New York (REBNY) released (2) reports in September providing a summary of sales activity within the citywide residential market including all condominium, cooperative units and one-to-three family dwellings. Completed transactions citywide totaled roughly $12.8 billion in the 2nd quarter as overall dollar volume rosed 22% quarter-over-quarter, and a more moderate 5% year-over-over year. The pace of sales activity also rose from the 1st quarter's $10.5 billion total, resulting in a nominal 1.14% and 1.5% improvement quarter-over-quarter and year-over-year respectively. Overall average prices per square foot in Q2 rose more sharply than in Q1, reaching $827 per square foot for an 18% quarter-over-quarter, in comparison to the more moderate 4% increase to $702 per square feet in Q1. After declining 6% quarter-over-quarter in Q1, transaction volume rebounded by 10% quarter-over-quarter in Q2 with a total of 11,413 deals; however volume remained 7% below the 12,262 deals transacted during the same period in 2018.

New York City Residential Sales Activity Q2 2019						
Borough	**Dollar Volume**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Transactions**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**
New York City	$12,812,422,939	22%	5%	11,413	10%	-7%
Manhattan	$7,044,363,205	39%	19%	3,198	32%	9%
Bronx	$483,073,904	4%	3%	1,026	3%	-6%
Brooklyn	$2,628,627,298	17%	-4%	2,689	11%	-7%
Queens	$2,055,674,767	2%	-7%	3,407	3%	-8%
Staten Island	$600,683,765	-12%	-32%	1,093	-10%	-33%
Q1 2019						
Borough	**Dollar Volume**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Transactions**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**
New York City	$10,491,340,698	1.14%	1.50%	10,382	-6%	-4%
Manhattan	$5,084,680,397	14.02%	10.29%	2,418	-1%	0%
Bronx	$465,240,222	-4.20%	6.57%	997	-3%	0%
Brooklyn	$2,248,587,748	-5.37%	-4.73%	2,429	-4%	-2%
Queens	$2,010,820,096	-12.45%	-9.31%	3,317	-10%	-9%
Staten Island	$682,012,233	-9.68%	-4.19%	1,221	-10%	-9%

Sources: https://www.rebny.com/content/dam/rebny/Documents/PDF/2019_Q1_ResidentialSales_Report.pdf
https://www.rebny.com/content/dam/rebny/Documents/PDF/2019_Q2_ResidentialSales_Report.pdf

REBNY: NYC Residential Sales Report (cont'd)

Average Sales Price (thousands) / Average PPSF Q2 2019							
Borough	**Overall**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Condo**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Transactions**
New York City	$1,123 ($827 psf)	11%	12%	$1,927 ($1,377 psf)	3%	13%	2,871
Manhattan	$2,203 ($1,575 psf	5%	8%	$2,838 ($1,795 psf)	-10%	4%	1,565
Bronx	$471 ($344 psf)	1%	10%	$256 ($294 psf)	-19%	10%	141
Brooklyn	$978 ($750 psf)	6%	4%	$1,084 ($1,037 psf)	11%	2%	766
Queens	$603 ($515 psf)	0%	0%	$636 ($684 psf)	-2%	-8%	298
Staten Island	$550 ($384 psf)	-2%	2%	$346 ($338 psf)	3%	-1%	101

Q1 2019							
Borough	**Overall**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Condo**	**Qtr-over-Qtr Change**	**Yr-over-Yr Change**	**Transactions**
New York City	$1,011 $702 psf)	8%	6%	$1,877 ($1,226 psf)	16%	20%	2,096
Manhattan	$2,103 ($1,487 psf)	15%	10%	$3,143 ($1,758 psf)	24%	25%	993
Bronx	$467 ($314 psf)	-1%	7%	$316 ($312 psf)	9%	32%	102
Brooklyn	$926 ($655 psf)	-2%	-3%	$974 ($912 psf)	-7%	-10%	525
Queens	$606 ($480 psf)	-2%	0%	$646 ($770 psf)	3%	-7%	351
Staten Island	$559 ($346 psf)	1%	5%	$336 ($329 psf)	-5%	-1%	125

Residential Market

Expanded Loft Law Legislation Signed by Governor Cuomo

The Loft Law initially enacted in 1982 offered protections to residential tenants illegally living in rundown commercial or factory buildings. The law reportedly required landlords of buildings that are covered by the Loft Law as "Interim Multiple Dwellings" (IMDs) to bring the building up to residential safety and fire codes, rather than evicting the artists who were already living there prior to the surrounding area becoming desirable; and upon securing certification for residential occupation, the residents then qualify for rent stabilization. Originally offering protections and rights to residents domiciled in neighborhoods including SoHo and TriBeCa, the legislation signed in late June by Governor Cuomo reportedly expands protections to industrial areas within Brooklyn and Queens. In addition the previous protections covering tenants living in industrial lofts prior to 2009 has been expanded to include buildings "with three or more families who lived in illegal lofts in 2015 and 2016 for 12 consecutive months, thereby allowing those residents to also apply for loft status" according to reports.

Critics of the bill have reportedly pointed out that the process to convert buildings into residential units is often stymied by the tenants themselves, which can live there rent-free until the landlord brings the building into compliance — a process that often takes several years, with extended delays sometimes caused by tenants blocking access in order to continue living rent-tree. Other opponents reportedly further suggest that the new law potentially "jeopardizes industrial businesses and their workers in select Industrial Business Zones (IBZs) in Williamsburg and Greenport" by encouraging "landlords to convert loft spaces and displace industry."

Residential Market (cont'd)

Rent Reform Uncertainty Attributes to Brooklyn's Plunging Multifamily Sales Activity

The anticipation and uncertainty of reforms to the city's rent regulations were reportedly a significant contributing factor to Brooklyn's declining sales activity within the multifamily and mixed-use sectors. Overall investment sales dollar volume during the first-half of 2019 totaled approximately $2.7 billion spread across 495 transactions, representing a year-over-year decline of 32% and 17% respectively according to an industry report released in July. Among the key sectors, the Industrial/Office was the only sector to see improvement, but although dollar volume increased 30%, transaction numbers fell by 15%. In contrast the multifamily sector, of which the majority of transactions in the borough are reportedly rent-stabilized, dollar volume and transaction numbers declined sharply by 55% and 24% respectively to roughly $771.335 million spread across 115 deals as the anticipation of the rent laws changing moved investors to the sidelines as they became hesitant to "make such a commitment to that asset" according to reported comments by an industry source.

Brooklyn Investment Sales Activity | First-Half 2019						
	Multifamily	**Mixed-use**	**Development**	**Retail**	**Industrial/Office**	**Total**
2019 Dollar Volume # of Transactions	$771,335MM 115	$510.724MM 173	$384.509MM 91	$140,711MM 41	$593.457MM 28	$2.400B 448
2018 Dollar Volume # of Transactions	$1.725B 152	$627.243MM 203	$412.702MM 123	$203.405MM 37	$456.044MM 33	$3.425B 548
Year-over-Year Change Dollar Volume # of Transactions	 -55% -24%	 -19% -40%	 -7% -26%	 -31% +11%	 +30% -15%	 -30% -18%

A broader look at overall sales activity throughout New York City during the first (6) months of 2019 reportedly reveals that residential building sales fell 48% year-over-year in the first-half of 2019, representing the steepest decline for any 6-month period since 2009. An uncertainty exists of what buildings should be trading at. However there seems to be a general consensus that residential buildings will be trading for less than they would have prior to the June 14 passage of the **Housing Stability and Tenant Protection Act of 2019** (TPA) which capped the potential for rent increases, repealed high rent vacancy and high income deregulation of rent-stabilized units, and significantly reduced the ability to recoup improvement costs. Looking ahead there has been a reported instance of a contract vendee seeking to cancel its contract for the purchase of a 2-building Bronx portfolio that includes 38 rent-stabilized units, claiming that the purchase was based on mechanisms in the former rent laws which have now been eliminated or significantly altered. In another cited example a 25-building,776-unit transit-oriented portfolio in Harlem that met with a high-level of interest upon being introduced to the market in May, suddenly experienced a disappearance of the approximately one dozen investors that had made offers according to reported statements by its marketing team. The extent of the impact on the multifamily market as a result of the tightening of rent regulations is likely not to be apparent in the immediate future, but a tone of pessimism within the CRE industry reportedly prevails.

Sources: https://cdn.terracrg.com/wp-content/uploads/2019/07/TerraCRG-HALF-YEAR-BROOKLYN-REPORT-2019-1.pdf

Residential Market (cont'd)

Multifamily Sales Activity: Mid-Year 2019 Recap

Investment sales activity in New York City's multifamily market declined sharply year-over-year as pending rent reform legislation dominated investor sentiment towards the asset class during the first-half of the year according to a report released in July. While the full impact of the **Housing Stability and Tenant Protection Act of 2019** passed by New York State in mid-June has yet to be determined, it has significantly attributed to the rise of caution and hesitancy among investors. Looking ahead it is anticipated that the pricing will lower for most multifamily assets based on several factors. While some properties will only be slightly impacted, others, such as free market buildings, will not be affected at all according statements by a reported industry source.

A large portfolio reportedly introduced to the market during the 2nd quarter was:

- **The Harlem Ensemble** – E&M Associates introduced the $260 million sale offering of the 25-building, 776-unit Upper Manhattan portfolio. The transit-oriented portfolio offers a combined total of approximately 592,585 square feet; and includes (8) commercial units. The portfolio last traded in November 2013 for a combined total of roughly $141.113 million, but had included a 10-unit, 8,609-square-foot walk-up at **375 West 126th Street** that was sold separately in December 2018 for $2.9 million ($290,000 per unit).

Below is a snapshot of reported 2nd quarter activity for multifamily assets with 10-units or more:

New York City	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	169	230	-27%
Building Volume	238	378	-37%
Dollar Volume	$3,387,082,302	$5,149,426,669	-34%
Total Units	9,391	16,963	-51%

Mid-Year Multifamily Sales Recap (cont'd)

Manhattan	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	52	49	6%
Building Volume	68	62	10%
Dollar Volume	$1,386,841,047	$1,815,123,007	-24%
Total Units	1,670	2,390	-30%

Highlighted Transactions - Q2 2019

Property	Sale Price	Total SF	Price/SF	Total Units	Price/Unit	Total Buildings
Ritz Plaza, 227-247 West 48th Street	$251MM (67.25% stake)	475,327	$785 (based on 319,657 SF)	479 Free Market	$779,503 (based on 322-units)	1
The Hanley, 165 East 66th Street*	$200MM	233,578	$856	151	$1,324,503	1
106 Fulton Street	$77.5MM	74,863	$1,035	84	$922,619	1
249 Broome Street	$22.5MM	19,053	$1,181	35	$642,857	1

*Purchase of the residential component only of the 20-story, 286,755-sqiare-foot mixed-use asset

Northern Manhattan	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	14	34	-59%
Building Volume	28	57	-51%
Dollar Volume	$237,065,455	$476,443,332	-50%
Total Units	746	1,454	-49%

Highlighted Transactions - Q2 2019

Property	Sale Price	Total SF	Price/SF	Total Units	Price/Unit	Total Buildings
725 West 184th Street 110 Bennett Avenue	$41.725MM	121,260	$344	131	$318,511	2
116th Street Portfolio	$40MM	97,209	$411	94	$425,532	4
Sky Lake Partners Hamilton Heights MF Portfolio	$30.5MM	91,395	$334	107	$285,047	9
3880 Broadway	$19.7MM	44,868	$439	41	$480,488	1

Brooklyn	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	40	69	-42%
Building Volume	56	118	-53%
Dollar Volume	$964,964,469	$1,898,240,836	-49%
Total Units	2,497	8,747	-71%

Highlighted Transactions - Q2 2019

Property	Sale Price	Total SF	Price/SF	Total Units	Price/Unit	Total Buildings
100 South 4th Street	$60.95MM	78,540	$776	77	$791,558	1
151 Kent Avenue	$41.25MM	56,550	$729	46	$896,739	1
15 Wyckoff Avenue 145 Henry Street	$36.5MM	66,494	$549	82	$445,122	2
554 4th Avenue	$29.620MM	47,419	$625	43	$688,842	1

Mid-Year Multifamily Sales Recap (cont'd)

Queens	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	25	27	-7%
Building Volume	34	36	-6%
Dollar Volume	$393,271,331	$447,395,000	-12%
Total Units	1,339	1,560	-14%

Highlighted Transactions - Q2 2019

Property	Sale Price	Total SF	Price/SF	Total Units	Price/Unit	Total Buildings
140-30 Ash Avenue 140-60 Ash Avenue	$80MM	248,520	$322	266	$300,752	2
61-07 Woodside Avenue 61-17 Woodside Avenue	$36.375MM	123,960	$293	149	$244,128	2
87-40 165th Street	$15.75MM	121,138	$130	119	$132,353	1
102-34 184th Street 102-04 184th Street 102-31 184th Street	$13.75MM	60,184	$228	74	$185,811	3

Bronx	1H 2019	1H 2018	Year-over-Year Change
Transaction Volume	38	51	-25%
Building Volume	52	105	-50%
Dollar Volume	$404,940,000	$512,225,494	-21%
Total Units	2,139	2,812	-24%

Highlighted Transactions - Q2 2019

Property	Sale Price	Total SF	Price/SF	Total Units	Price/Unit	Total Buildings
2001 Story Avenue 2045 Story Avenue	$87.9MM	421,833	$208	355	$247,606	2
Highbridge Houses 1133 Ogden Avenue	$76.3MM	275,000	$277	400	$190,750	1
1065-1075 Gerard Avenue	$31.695MM	193,548	$165	252	$125,774	2
2252-2250 Haviland Avenue 2253-2261 Haviland Avenue	$19.6MM	97,280	$201	120	$163,333	8
135 West Kingsbridge Road	$16.25MM	79,000	$206	67	$242,537	1

Source: http://arielpa.com/report/report-MFQIR-Q1-2019

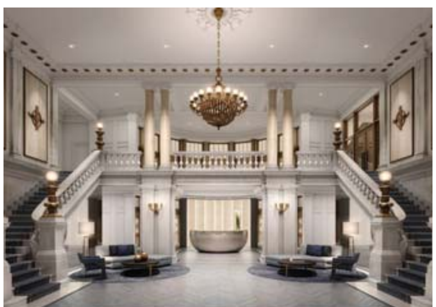
Residential Market (cont'd)

Lending

Downtown

108-118 Leonard Street formerly 346-348 Broadway (City Hall/Tribeca) – The Peebles Organization and El-Ad Group have reportedly secured a short-term $450 million condo inventory loan; however it is unclear the number of remaining unsold units backing the financing. Mack Real Estate Credit Strategies provided the loan that replaces roughly $189.389 million and $145 million in financing provided in 2015 and 2016 by Goldman Sachs and the Bank of America respectively, plus a floating-rate $77 million mezzanine debt provided by Apollo Commercial Real Estate Finance. The landmarked 13-story, 400,000-square-foot building also known as the **Clock Tower Building** dates back to 1899 and originally served as the headquarters of New York Life Insurance, but more recently housed city agencies. Spanning the entire 28,566-square-foot block bound by Broadway, Lafayette Street, Leonard Street and Catherine Lane, the building was acquired by the co-developers in 2013 for $160 million ($400 per square foot); and has since undergone a conversion to a 167-unit residential condominium that also includes 7,210 square feet of community facility space and about 2,200 square feet of retail space.

Tenant amenities spread across 20,000 square feet including a 24/7 concierge service, a gymnasium with an underground 75-foot swimming pool with steam room, sauna and hot tub, a storage and media room, a theater, a wine cellar with a private dining room, children's playroom, and an outdoor rooftop space with cabanas, dining spaces with landscaping and garden spaces. Sales finally launched earlier this year despite delays due to preservationists protest and legal action regarding the replacement of the four-face clock's manual mechanism that required hand winding; but since public access would be cut-off as part of a planned penthouse at the top level of the building, it had to be replaced with an electronic system as part of its restoration.



Renderings - Main Lobby

108-118 Leonare Street - Building Entry

Car Entry

70 Pine Street (FiDi) – Rose Associates and DTH Capital have reportedly secured a $386 million loan to refinance the landmarked 66-story, 931,126-square-foot tower. The 5-year, floating-rate loan that was provided by Goldman Sachs replaces $325 million in debt provided in 2017 reportedly by Bank of China, ING and Brookfield Asset Management. The former AIG headquarters underwent a conversion a few years ago, creating a mix of residential rental, extended-stay and retail space. DTH acquired the asset in 2011 for $205 million, with Rose Associates reportedly joining the project soon after.

The 132-unit, 128,996-square-foot extended-stay component is currently being operated by San Francisco-based tech and data-powered real estate and lifestyle hospitality start-up **Lyric** under a long-term lease. Retail space within the building totaling 46,636-square-foot serves as the home of a 13,000-square-foot **City Acres Market** (aka Urban Market) on the ground and lower level, along with a 1,500-square-foot **Black Box Coffee** shop and casual 120-seat **Crown Shy** restaurant; while the retail space on the tower floors currently hosts the fine dining restaurant concept dubbed **SAGA** by Crown Shy operators Chef James Kent and restaurateur Jeff Katz, featuring a 50-seat dining room on the 62nd floor's 3,595-square-foot space, a 52-seat main dining room spread across the 63rd floor's 6,796 square feet, and a 20-person private-event space on the 66th floor's 906-square-foot area.

Residential Market (cont'd)

Lending (cont'd)

On Manhattan Square

One Manhattan Square, 250 South Street (Lower East Side) – Extell Development has reportedly refinanced the newly constructed 80-story, 815-unit mixed-use development with a $690 million package; and although the transaction had yet to appear on city records, sources indicate it is being provided by the Blackstone Group. The new debt is comprised of a $535.5 million senior inventory loan and a $138.2 million mezzanine loan, both carrying an interest rate of 4% over Libor and maturing in September 2022 with a one-year extension option if certain conditions are met according to reported details of a Tel Aviv Stock Exchange filing.

News of the deal comes after the developer reportedly closed on reportedly a total of 194 condo units for a total of $332.4 million, but the number of additional units that may be in contract is unclear. The refinancing will retire the outstanding $557 million in outstanding principal of a $750 million construction loan expiring at the end of September provided in 2016 by a consortium of lenders led by Deutsche Bank, Bank of China and Natixis, thereby "freeing up $180 million in unit sales proceeds which were held in a deposit as part of the construction loan agreement" according to reports. The freed-up funds, along with $62 million of the loan proceeds will reportedly pay down the outstanding amount of $463.2 million in mezzanine financing to $202.1 million, which had been provided by RXR Realty in 2017 to help finance the South Street development along with (2) rental projects that delivered last year — **555 Tenth Avenue**, a 598-unit building that Extell reportedly introduced to the market in the October 2018; and **510 East 14th Street**, a 7-story, 106-unit building anchored by a small-format **Target** store.

Located in the Two Bridges section of the neighborhood, the 847-foot-tall tower totals 1,261,612 square feet with 47,126 square feet of retail space, and reportedly about 100,000 square feet of indoor and outdoor amenities including a 45,000-square-foot landscaped outdoor space. According to reports in April, incentives offered to spur sale activity amid a tough market had included the waiving on common charges for up to 10-years for home-seekers that closed prior to July 4th; and more recently, the launching of a "rent-to-buy" program that allows renters to apply a "full year's rent" to the purchase. In addition since the building currently benefits from a 20-year tax abatement, it offers further savings in annual taxes until the benefit expires.

Midtown South / Uptown

11-Building Manhattan Portfolio – The Blackstone Group has secured a 2-year $364 million floating rate loan from Morgan Stanley that "follows an interest-only structure" according to reported details of CMBS documents. The properties spread across the Upper East Side and Chelsea offer a combined total of 625 residential units and (8) retail units valued at a combined $542 million, giving the debt "an all-in" loan-to-value of 67.2%. Among the residential units, only 25-units are reportedly rent regulated. The residential package represents the remaining properties of a 24-building portfolio that Blackstone along with Fairstead Capital reportedly acquired in September 2015 for a combined total of roughly $690 million from Caiola Real Estate.

<table>
<tr><th>Building</th><th>Sq. Ftge.</th><th>Units</th><th>2015 Trade Price</th><th>District</th></tr>
<tr><td>434-436 West 19th Street</td><td>21,000</td><td>40</td><td>$27,741,149</td><td rowspan="6">Chelsea</td></tr>
<tr><td>343-345 West 30th Street</td><td>25,657</td><td>37</td><td>$22,887,413</td></tr>
<tr><td>337-339 West 30th Street</td><td>24,617</td><td>37</td><td>$22,450,272</td></tr>
<tr><td>309-313 West 30th Street</td><td>31,512</td><td>47</td><td>$29,806,320</td></tr>
<tr><td>Grove, 250 West 19th Street</td><td>157,364 (2 Bldgs)</td><td>200 + 2 retail</td><td>$196,705,558</td></tr>
<tr><td>31-37 East 31st Street</td><td>91,500</td><td>92 + 3 retail</td><td>$82,431,000</td></tr>
<tr><td>162 East 61st Street</td><td>5,130</td><td>7</td><td>$4,655,081</td><td rowspan="5">Upper East Side</td></tr>
<tr><td>1147 First Avenue</td><td>67,800</td><td>75 + 2 retail</td><td>$54,316,839</td></tr>
<tr><td>445-451 East 83rd Street</td><td>9,750</td><td>10</td><td>$39,213,245</td></tr>
<tr><td>449 East 83rd Street</td><td>54,482</td><td>69 + 1 retail</td><td>Same as above</td></tr>
<tr><td>425 East 84th Street</td><td>8,470</td><td>11</td><td>$6,689,027</td></tr>
<tr><td>Total</td><td>497,282</td><td>625 + 8 Retail</td><td>$486,895,904</td><td></td></tr>
</table>

Residential Market (cont'd)

Lending (cont'd)

Uptown

1039-1045 Madison Avenue (Upper East Side) – Naftali Group has secured $120.2 million in financing for the developer's planned 18-story, 84,161-square-foot mixed-used condominium development. Lender Bank Hapoalim provided the debt package that includes a $45.9 million acquisition loan mortgage, roughly $58.513 million building loan, and $16.087 million project loan. New building applications were filed in May 2018 for the 210-foot-tall structure that will host 16 residential units spread across 59,032 square feet and 3,993 square feet of commercial space. New construction will rise on the 4-parcel, 6,032-square-foot assemblage located between East 79th and 80th Street acquired through multiple transactions between 2017 and 2019 for a combined total of roughly $71.590 million ($850 per buildable-square-foot) according to city records.

1228-1234 Madison Avenue (Upper East Side) – Arel Capital has secured a $65 million construction loan for the planned 20-story, 64,039-square-foot mixed-use development that secured permits in August. Deutsche Bank provided the new debt that included the consolidation of an existing $12 million loan provided by Arel in February 2017 with a new $825,057 gap mortgage, a roughly $36.66 million building loan and $15.515 project loan. The 208-foot-tall structure will host 15 residential units spread across 51,909 square feet and 3,837 square feet of commercial space. The original 4-parcel, 5,625-square-foot site located between East 88th Street and 89th Streets is controlled under a 150-year leasehold secured in February for roughly $15.641 million along with Real Estate Equities Corp (REEC); however it appears Arel is moving forward on its own, having terminated REEC's obligation in August to the debt Arel had provided to finance the leasehold transaction per city records.

1228-1234 Madison Avenue - Rendering

Residential Market (cont'd)

Lending (cont'd)

Upper Manhattan


1681 Madison Avenue - Artist Sketch

1681 Madison Avenue (East Harlem) – The development team of L+M Development Partners, Jonathan Rose Companies and Acacia Network have reportedly secured $223 million to finance Phase 1 of the multi-building **Sendero Verde** affordable mixed-use project. Construction loans were provided by the New York City Housing Development Corporation (HDC) and the New York City Department of Housing Preservation and Development (HPD), with "additional Resolution A funding from the New York City Council and grant funding" from the New York State Energy Research & Development Agency (NYSERDA). The project is also funded "through a letter of credit from Bank of America and a syndication of federal low-income housing tax credits and solar investment tax credits as well as New York State Brownfield Tax Credits to Bank of America" according to reports.

Construction is expected to begin this summer for a tentative completion sometime in 2022. The 37-story, 385,477-square-foot development will reach a linear height of 419-feet; and host 384 housing units according to initial permits filed with the Department of Buildings (DOB) last year. In addition reports indicate that one unit will be designated for the superintendent, plus the project will include the construction of an 18,000-square-foot publicly accessible courtyard featuring a children's play area, adult outdoor exercise equipment, seating areas and a stage for community events. The developers had been selected as the winning bidder of a request for proposals (RFP) launched by the city administration and the New York City Department of Housing Preservation and Development (HDP).

The complex is being constructed on the city-owned land that spreads across the majority of a full block bound by East 112th and 111th Streets to the north and south, and Park and Madison Avenues to the east and west. A vacant lot at 91 East 111th Street and a 4-story building at 1679 Madison Avenue on the block are not included in the site. Permits were filed in February 2019 for the second building to reportedly go by the address **60 East 112th Street.** According to the DOB filing, the 15-story, 403,661-square-foot development will reach a linear height of 219-feet and host 315 housing units. Upon full construction completion the complex that is part of the city-backed **Sustain NYC program** will be Passive House certified, with the reported utilization of air-tight construction to reduce draft and energy loss, triple-glazed windows, mechanically ventilated spaces with energy recovery and individually heated and cooled units incorporated into the buildings' design that will reduce energy use by 60-70% compared to a similar building using a standard construction design.

Offering a combined total of 789,138 square feet, the 699-units will spread across 575,119 square feet upon full construction completion. In addition 27,750 square feet of commercial space and 96,995 square feet designated for community facility use will be created. Reports in 2018 indicated that 163-units will be permanently affordable under Mandatory Inclusionary Housing (MIH) stipulations, and 79-units will be set aside for senior housing. Initial 2017 proposals had also revealed plans for a YMCA, a supermarket and restaurant, a community component that will include an 85,000-square-foot Dream charter school with a full gymnasium, medical space operated by Mount Sinai Health System, space for Union Settlement, and a job training hub for the Upper Manhattan neighborhood.

Outer Boroughs - Brooklyn


210-220 Livingston Street

210-220 Livingston Street aka 35-51 Hoyt Street (Downtown Brooklyn) – Longtime property owner Benenson Capital in partnership with Rose Associates have reportedly refinanced the newly constructed 25-story, 352,170-square-foot mixed-use building known as **Hoyt & Horn**. California-based lender Wells Fargo provided a 15-year, $178 million permanent loan, which "was structured as a direct purchase of tax-exempt and taxable bonds issued through the New York State Housing Finance Agency's (HFA) 80/20 Housing Program (HFA) with secondary market credit enhancement" according to reports. The new fixed-rate loan replaces a $158 million fee and leasehold mortgage issued by HFA in 2015, with JPMorgan Chase designated at the initial "Bondholder Representative" according to city records. Completing construction in 2018, The 250-foot-tall structure that spans the entire Hoyt Street block-front between Livingston and Schermerhorn Streets hosts 368-units, of which 20% are designated for affordable housing. Coffee purveyor **Starbucks** will occupy a 2,050-square-foot portion of the approximately 20,000 square feet of retail space on the ground and cellar levels, having pre-leased the space that had an asking price of $125 per square foot in 2018 according to reports at the time.

Residential Market (cont'd)

Lending (cont'd)

21 India Street / 23 India Street (Greenpoint) – Co-developers Mack Real Estate and Palin Enterprises have refinanced the newly constructed mixed-use waterfront development known as **The Greenpoint** with a $175 million loan provided by HSBC bank. The remaining unpaid principal of $290 million in construction financing from the New York State Housing Financing Agency issued in 2016, and then transferred to JPMorgan Chase had reportedly been reduced by $90 million prior to the refinancing. Delivered last year, a 50% stake was reportedly sold to the Ohio State Teachers Retirement System (STRS Ohio). News of the deal comes about (2) months following the refinancing, the pension plan reportedly paying $95 million for its interest in the rental and retail components of the complex.

21 India Street

Constructed on the site of the former **Huxley Envelope Factory** in conjunction with Urban Development Partners, the complex hosts a combined total of 640-units, of which 20% are designated for affordable housing. An exterior landscaped garden called **The Greenpoint Gardens** has been created on the roof of the building podium along with other indoor and outdoor terraces and lounge areas. Tenant amenities spread across 30,000 square feet, offering a pool hall, indoor and outdoor working spaces, a basketball court and yoga studios.

- **21 India Street** - The 39-story, 454,692-square-foot main tower hosts a mix of 500 residential units — 405 rental units spread across 272,854 square feet, and 95 condominiums spread across 100,072 square feet, plus a 261-car 71,527-square-foot parking facility, 9,071 square feet of retail space, and 1,168 square feet designated for community facility use.

- **23 India Street** – The 6-story, 190,687-square-foot structure hosts 38,526 square feet of commercial space, a 68-car 21,046-square-foot parking facility and 140 residential units spread across 131,115 square feet.

31-33 Lincoln Road / 510 Flatbush Avenue (Prospect Lefferts Gardens) – Anderson Associates has secured $67 million in permanent financing for the newly constructed pair of connected 9-story, mixed-use buildings known as **Lincoln Apartments**. Citigroup provided the mortgage for the buildings delivered in 2017 offering a combined total of 144,400 square feet to host 138 residential units, of which 30% are designated for affordable housing, and 7 retail units. The developer had acquired the 26,283-square-foot assemblage in 2011 for $6.5 million, the transaction financed with a $5.5 million loan from Park Tower Associates LLC according to city records.

510 Flatbush Avenue

10 Montieth Street (Bushwick) – The Rabsky Group has secured $204.41 million in financing from Berkadia Commercial Mortgage, which includes a consolidation and extension of existing notes and provides a new $62.41 million Freddie Mac Multifamily mortgage. according to city record documents. The loan maturing on September 1, 2029 refinances the 374-unit, approximately 400,000-square-foot mixed-use rental development dubbed **The Rheingold**. Construction is well underway on a portion of the former Rheingold Brewery site for the 6-story structure that will designate 20% of the units to affordable housing and include 2,119 square feet of commercial space rising.

10 Montieth Street - Rendering

Residential Market (cont'd)

Lending (cont'd)

871 Bushwick Avenue / 885 Bushwick Avenue / 338 Evergreen Avenue (Bushwick) – Bruman Realty has secured a $130 million refinancing package for the multi-building mixed-use project currently underway. Starwood Mortgage Capital provided the loan that consolidates the refinancing of $110 million in existing debt provided by Benefit Street Partners Realty Trust in July 2018 and a newly provided $20 million gap mortgage. The developer acquired the site bound by Bushwick and Evergreen Avenues, and Himrod and Harman Streets for $15 million in 2014. Last trading in 2005 for $4.5 million, as part of the purchase from Metro World Child, the Christian non-profit will occupy a portion of the complex for its headquarters and utilize the 115 parking spaces for visitors and missionaries according to previous reports. Construction has already delivered (3) buildings, with (2) other developments currently under construction.

664 Pacific Street aka 37 6th Avenue (Bushwick) – The Brodsky Organization has secured a $144 million construction financing package for the 26-story, 380,994-square-foot mixed-use development that is nearing groundbreaking; and to be constructed as part of the multi-building **Pacific Park** complex. The Bank of New York Mellon provided the roughly $123.603 million building and $20.397 million project loans. Brodsky had secured the assignment of the development lease in December for $55.83 million ($147 per buildable-square-foot) according to city records. Decisions to sell the development lease by Pacific Park developer Greenland Holding Group were prompted in an effort to accelerate construction on the entire project and meet the 2025 deadline to deliver a total of 2,250 affordable housing units, as reportedly stipulated in the agreement with the state to avoid the cash penalty if the deadline is not met.

664 Pacific Street -Rendering

Brodsky reportedly plans to move ahead with plans as approved in 2015 by the Department of Buildings, with construction giving rise to a 272-foot-tall structure that will host 323 rental units, of which 30% will reportedly be designated for affordable housing, and 69,858 square feet of community facility space for a new 616-seat middle school spanning 5-floors at the building's base plus (2) lower levels. A $249 million mezzanine EB-5 loan that was already in place for the project needed to be redeployed as a result of the developer's decisions not to assume it according to February reports.

Queens

Jackson Park (Long Island City) – Tishman Speyer and H&R Real Estate Investment Trust have secured permanent financing for the trio of towers that make-up the 1,879-unit mixed-use development with a reportedly 10-year interest-only loan. Co-lenders Bank of America and Wells Fargo provided the $1 billion in financing that consolidates the refinancing of the $640 million in construct financing also provided by Bank of America in 2015 with a new $360 million gap mortgage according to city records. The estimated $875 million, 1.688 million-square-foot complex that began to open in phases starting last year features a reportedly combined total of 120,000 square feet of indoor and outdoor tenant amenities, with its larger amenities centralized within a 5-story, 45,000-square-foot building that hosts a fitness center, lounge, pool, sauna, and a basketball court. In addition a 2-acre private park offering several additional amenities such as a dog run, barbecue pits, outdoor seating, and a children's play area will be created in the center of the complex.

Jackson Park - Rendering

- 28-02 Jackson Avenue – The 45-story, 594,421-square-foot mixed-use tower rising 470 linear feet hosts 671 residential units and 13,807 square feet of retail space.
- 28-30 Jackson Avenue – The 53-story, 672,371-square-foot tower rising 590 linear feet hosts 658-residential units.
- 30-02 Queens Boulevard – The 43-story, 420,984-square-foot tower rising 442-feet hosts 550-residential units.

Fresh Meadows Apartments (Flushing) – Cammeby's International Group has refinanced the 3,287-unit, 3.196 million-square-foot complex with a $500 million Fannie Mae loan that consolidated the outstanding roughly $310.1 million principal of a $325 million loan provided by Independence Community Bank in 2006 with a new $189.9 million mortgage originated by Capital One N.A. according to city records. New York Life reportedly built the multi-building low-rise rental complex in the 1940s. Located alongside the Long Island Expressway in the Fresh Meadows section of the neighborhood the complex is roughly bound by 64th and 73rd Avenue between 185th and 194th Streets; and addresses include 64-45 188th Street, 189-15 73rd Avenue and 194-05 67th Avenue. In 2001 Cammeby's completed a partner buyout in a deal that valued that complex at between $250 million and $300 million according to reports at the time, the partnership having initially acquired the complex for reportedly about $180 million in 1997.

Residential Market (cont'd)

Lending (cont'd)

Bronx

448 East 143rd Street (Mott Haven) – Supportive housing developer Breaking Ground secured roughly $79.264 million in financing. The funding is spread across (6) leasehold mortgages — a roughly $1.479 million mortgage from Breaking Ground II Housing Development Fund; a $2.7 million building loan from the New York State Homeless Housing and Assistance Corp.; and $75.085 million from The New York City Housing Development Corp. (HDC), which includes (3) building loans totaling roughly $67.138 million and a $7.947 million project loan. The new loans will be applied to the 8-story, 119,884-square-foot mixed-use development filed by Breaking Ground last August. The 80-foot-tall structure will host the **DreamYard Project** in 15,182 square feet of community facility space, an organization that uses the arts to cultivate the skills necessary in young people to reach positive goals.

The 152 residential units will spread across 74,363 square feet, of which the majority of the units will be designated for low-income seniors, with the remaining units set aside for formerly homeless seniors. Tenant amenities to include an onsite library, computer lab, and a terrace garden. The developer was awarded the project in 2017 by the New York City Housing Authority (NYCHA). Part of the city agency's **NextGeneration Neighborhoods** program, new construction will rise on the 2-parcel, 20,000-square-foot assemblage between Willis and Brook Avenues known as the **Betances V** site, which is comprised of a former playground and contiguous vacant city lot. Launched in 2015 as part of a 10-year strategic plan, the housing program is intended to utilize underused public land for the construction of new housing to help generate funds for much-needed repairs to existing projects.

New to Market

Midtown

The sale offering of the 27-story, 268,874-square-foot mixed-use rental property has reportedly been introduced to the market at an undisclosed price. Located in Manhattan's Murray Hill neighborhood at **300 East 39th Street**, the building was constructed in 2001; and in 2004, Archstone-Smith Operating Trust under the entity ASN Sonoma LLC acquired the asset for $125.49 million ($494,055 per residential unit) according to city records. However over the years the property changed hands as part of larger portfolio trades; and in 2013 Equity Residential took control of the property as part of the 60% acquisition of Archstone's assets and liabilities from Lehman Brothers Holdings Inc.

Currently benefitting from a 421-a real estate tax exemption that expires in June 2022 that is reportedly extendable for an additional 15 years, the building hosts **254 residential units**, of which 25% are designated for affordable housing, and 14,350 square feet of commercial space fully occupied by Duane Reade and New York University according to reports. Tenant amenities include a fitness center, rooftop deck, sky lounge, business center, and 24-hour concierge.

Residential Market (cont'd)

New to Market (cont'd)

Outer Boroughs - Brooklyn

The sale offering of the 8-building portfolio known as **North Brooklyn Luxury 8** has been introduced to the market at a reported asking price of $200 million ($819,672 per residential unit); and can be purchased in its entirety or partially in any combination. The residential package offers a combined total of 234,243 square feet with 244 residential units and 3 retail units; and $9.2 million of in-place net operating income (NOI). According to market material, the properties located in Williamsburg and along the border of Crown Heights and Prospect Heights are about 98.4% occupied; and each property benefits from "421-a tax abatements with an average of 11-years remaining, offering near-term reduced taxes and long-term free-market rental upside." Proper 421-riders are included in residential unit leases, "providing all units with an exit from rent regulation when the benefit expires." In addition, new ownership "will have the immediate opportunity to raise the preferential rent to the legal rent when the current tenancy vacates." Although unverified, the seller appears to be Forest City Ratner Companies, the portfolio previously trading for a combined total of $172.275 million ($706,045 per residential unit).

Building	Sq. Ftge.*	Units*	Last Trade
65-69 North 6th Street	39,260	28 Res/1 Ret	$28.75M / Jun 2013
224 Wythe Avenue	18,142	20 Res/1 Ret	$13.5M / Oct 2012
365-367 Union Avenue	8,657 8,235	7 7	$11M / Oct 2014
281 Union Avenue	30,893	33	$23M / Aug 2014
42-44 Meserole Street	7,348	6	$8.5M / Aug 2014
168-172 Meserole Street	7,490 7,490 7,190	8 8 8	$15.25M / Oct 2014
105 Grand Avenue	30,000	36	$24.2 / Sep 2016
500 Sterling Place	62,190	77	$48.075M / Jan 2015
Total	**226,895**	**238/2**	**$172.275M**

*Square footage and unit count per Department of Buildings data

Residential Market (cont'd)

Sale Highlights – 3rd Quarter 2019

Midtown South

Slate Property Group and **Alcion Ventures** have reportedly purchased the 13-story, 124,630-square-foot mixed-use building that hosts **133 residential rental units and 4 retail units** according to city data. Built in 1962, in addition to the reportedly 5,100 square feet of ground level retail space, there is also an attached parking garage. The off-market sale of the Greenwich Village asset at **60-64 East 12th Street** (aka 518-824 Broadway) by Heller Realty reportedly attracted a price of $107.5 million ($808,271 per residential unit), having last traded in May 2016 for $35 million ($263,158 per residential unit).

Real estate investor **David Werner** has reportedly purchased the controlling interest in the 133-unit mixed-use rental building located in the Midtown South NoHo neighborhood at **2 Cooper Square**. Goldman Sachs reportedly provided $50 million in financing to close on the transaction. The purchase of the leasehold expiring October 13, 2075, along with a group of undisclosed partners, traded for just over $85 million ($639,098 per residential unit) according to reports. The assignment of the 70-year lease originally issued in February 2004, followed by a first amendment in October 2005, was most recently secured by reportedly the Kuwaiti investment fund under the entity 2 Cooper Sq LLC in January 2012 for $134.05 million ($1,007,895 per residential unit). The longtime fee-owner is the Estate of Sol Goldman, for which Solil Management serves as the manager of the late real estate investor's portfolio. Atlantic Development Corp. had reportedly developed the 121,775-square-foot 80/20 building, which includes approximately 22,000 square feet of retail at its base currently occupied by a **Crunch Fitness** facility under a lease expiring in 2028 according to available online data.

Upper Manhattan

L+M Development Partners and **Invesco** have reportedly entered into contract to purchase the majority of the 3,962-unit former **Putnam Portfolio** from Brookfield Asset Management and Urban American Management. Canada-based Brookfield controlled the majority 93% stake in the portfolio following the 2014 acquisition in a deal valued at $1.04 billion ($282,225 per unit); and at the time about 50% of the units were occupied by tenants holding Federal Section 8 housing vouchers, but since the voucher remains with the tenant, when the tenant moves, the vacated apartment reverts to market rate according to previous reports. News of the $1.2 billion ($433,369 per unit) deal for the **2,769-unit portion** of the residential portfolio comes about (5) months following initial reports of the sale offering. The purchase was reportedly funded through L+M's Workforce Housing Fund, a multi-investor development fund focused on targeting affordable and workforce housing assets primarily in the New York City metropolitan area.

The 2.2 million-square-foot portfolio built between 1975 and 1980 had exited the Mitchell-Lama programs in 2005. New ownership reportedly intend to work with the New York City Department of Housing Preservation and Development (HPD) to enact a regulatory agreement to protect residents living in the East and Central Harlem properties; as well as working with Homes and Community Renewal (HCR) to do the same for **Roosevelt Landings**, which is governed under State authority. The preservation transaction will reportedly commit L+M and Invesco – and any future owner – to long-term regulation. At the same time, it will restrict any future new development on the sites to 100 percent affordable housing. The immediate launch of a $50 million series of improvements across the portfolio is also planned to include continued energy saving measures begun by Urban American, structural upgrades, and added common area amenities.

Among the 19-building portfolio, only the 6-building, 1,193-unit complex at **3333 Broadway** was omitted from the purchase.

- **1940-1966 First Avenue / 420 East 102nd Street** – A 761-unit, 2-building complex known as River Crossing last traded for roughly $178.148 million.
- **1295 Fifth Avenue / 1309 Fifth Avenue / 1660 Madison Avenue** – The 600-unit, 3-building complex known as the Heritage, that spreads across a full city block between East 110th and 111th Streets, last traded for roughly $179.98 million.
- **Parker, 1990 Lexington Avenue** – The 341-unit building located between East 121st and 122nd Streets last traded for roughly $94.855 million.
- **Miles, 1890 Lexington Avenue** – A 64-unit building located between East 117th and 118th Streets last traded for roughly $12.539 million.
- **Roosevelt Landings, 510-580 Main Street** – The 1,003-unit, 6-building complex is located on Roosevelt Island.

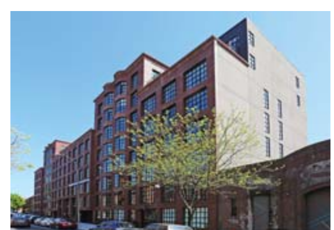
Residential Market (cont'd)

Sale Highlights (cont'd)

The **Brodsky Organization** has acquired the 2-building, **430-unit rental complex** located at **400 West 113th Street** for $57 million from the Cathedral of St. John Devine. Located in Morningside Heights, the 15-story, 402,727-square-foot **Enclave at the Cathedral** complex spans nearly the entire West 113th Street block-front between Morningside Drive and Amsterdam Avenue; and had reportedly been developed by Brodsky in 2015, having secured a 100-year ground lease for $36.67 million in March 2014 according to city records, for a combined total of $93.67 million ($217,837/unit). The outright purchase of the land will enable Brodsky to retain the asset long-term without having to "worry about ground rent resets in the future" per reported statements by a company spokesperson.

Outer Boroughs - Brooklyn

Harbor Group International has acquired the newly constructed **193-unit rental building**, of which 40-units have been designated for affordable housing, paying $117 million ($606,218 per unit) plus reportedly a $1.5 million reimbursement for mortgage tax. Located in Brooklyn's Crown Heights neighborhood at **564 St. John's Place**, the 8-story, 152,816-square-foot building known as **The Frederick** was developed by sellers Heritage Equity Partners and Michael Lichtenstein. New York Community Bank provided an $87.75 million mortgage to close on the transaction, having assumed the unpaid principal of a $97.25 million loan provided by Arbor Realty Trust in August 2018. Completing construction in 2017, the asset's occupancy was reportedly stabilized in 2018. Located in the vicinity of Prospect Park and several subway lines, the building features 9-foot ceilings and solid maple hardwood floors; while tenant amenities include a rooftop deck, a fitness facility, onsite parking, and a tenant lounge.



564 St. John's Place

Bronx

Prana Investments has acquired the pair of 7-story residential buildings for $31.695 million ($125,774 per unit) according to city records, reportedly from Related Companies' asset management arm. Located in the Bronx neighborhood of Concourse at 1**065 and 1075 Gerard Avenue**, the block-through **252-unit complex** known as **River Court** and **Gerard Court** offer a combined total of 193,548 square feet. The buildings were reportedly developed in 1999 through the Low Income Housing Tax Credit program; and have a 25-year, 421-a tax exemption in place.

Federal Reserve Lowers Key Interest Rate

The Federal Reserve's September 18 press release brought news of decisions to lower the federal funds rate to a range of 1.75% and 2%. News of the further lowering of the Fed's benchmark rate comes less than (2) months following a previous quarter percentage point lowering to a range between 2% and 2.25% near the end of July. The move reverses the increases that gradually began on December 17, 2015 following the Great Recession, with the last increase taking effect in December 2018 after cutting rates to near zero in 2008.

According to the Fed's press release growth of business fixed investment has been soft despite job gains remaining solid on average in recent months, the unemployment rate remaining low, and household spending rising at a strong pace. However the "implications of global developments for the economic outlook as well as muted inflation measures prompted the decision by the Federal Open Market Committee, which reportedly been described as a "preemptive move to protect a record-long economic expansion amid global risks."

The lower interest rate reportedly weakens the U.S. dollar, thereby enabling a lowering of the relative cost of investing in the U.S. However it is anticipated to have a negligible effect in markets like New York, since investors widely anticipated the initial change and markets had already adjusted, although it could provide an additional boost to New York's real estate market at a time when there is investor uncertainty around Brexit according to reports. Responding to news of the rate cut, some industry sources project that it will "unlikely affect cap rates, which have remained flat for the year;" while others suggest that "on the residential side, lower rates may make it easier to refinance, but it may not translate to more home sales."

Looking ahead, the Committee will continue to assess realized and expected market conditions, taking into account a wide range of information, "including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and reading on financial and international developments." However if the U.S. is heading into an economic downturn, there are reportedly "few good options to deal with one if it happens. Since short-term interest rates are already low, "the Federal Reserve has little room to cut borrowing costs to spur spending and investment as it usually does in a slowdown;" and there is further concern of the escalating federal debt which "could hamstring any efforts to boost growth with tax cuts or spending increases" according to a report. In addition to U.S. job growth in the year through March falling below economists' forecasts, prompting the Labor Department to reportedly lower estimates of total U.S. employment in March by 0.3%, as well as the more recent lowering growth and corporate profits estimates, another notable sign that has historically indicated a nearing recession is the recent periodic dipping of long-term interest rates below short-term rates. Federal deficits, which are projected to grow much more than expected over the next decade, could be tested by a slowdown or recession. Following a two-year budget agreement struck in August between lawmakers and the White House, the Congressional Budget Office (CBO) reportedly "boosted its forecast of cumulative deficits over the next decade by $809 billion, to $12.2 trillion," adding to the $22 trillion already outstanding.

Yet despite some indications that "drastic action" is needed by the central bank, Fed officials remain divided about what steps to take. Several officials not in favor of the second rate cut reportedly "judged that the real economy continued to be in a good place" amid lower mortgage rates attributing to a uptick in previously owned home sales in July, and some retailers reporting good profit numbers according to reported statements by the National Association of Realtors (NAR) in late August.

Sources: https://www.federalreserve.gov/newsevents/pressreleases/monetary20190918a.htm
https://www.federalreserve.gov/newsevents/pressreleases/monetary20190731a.htm

Repo Market Instability Sparks Mixed Response

The repo market serves as a source where big banks can borrow money overnight from the Central Bank in the event on any shortfall of funds in exchange for low-risk collateral such as treasuries and securities, and generally returned the next day plus interest equivalent to the repo rate. Historically remaining below the Federal Reserve's usual interest rate — the rate at which banks lend reserve balances to other banks overnight on an uncollateralized basis, repo rates in the $2.2 trillion market for repurchase (repo) agreements rose from reportedly about 2% to 10% on September 15th as demand for overnight cash from companies, banks and other borrowers exceeded supply.

The spike in the rate that potentially "threatened to destabilize the whole bond market" prompted the Fed's to reportedly "lend at least $75 billion each day until October 10 to relieve the pressure" in money markets despite not being seen as a "sign of distress as it was during the collapse of Bear Sterns and Lehman Brothers in 2008. However without reliable sources of loans through the repo market, the financial system risks losing a valuable source of liquidity. The recent offering of repo loans reportedly marked the first time since the Great Recession that the Fed has taken such actions, adding $33.55 billion to the financial system on October 3rd.

The spike could have been avoided had there been more deposits by banks, since the extra demand for cash had been widely anticipated due to corporations requiring funds to make scheduled tax payments and banks and other firms needing it to buy newly-issued U.S. Treasury securities. However regulatory rules adopted since the Great Recession has placed restrictions on how much of a banks remaining cash it can provide. It has also been pointed out that over the past year overall deposits at the Fed from banks have come down as a consequence of the Central Bank's decision to gradually reduce the vast holding of Treasury bonds and mortgage-backed securities it had acquired between December 2008 and October 2014 under its quantitative easing (QE) bond program launched in a bid to stabilize financial markets and push down long-term interest rates.

Repo Market (cont'd)

Although the recent unrest in the money markets caused an unexpected rise in short-term rates, it is reportedly not anticipated to undermine the central bank's ability to achieve its longer-term economic goals. However is does signal a flaw with the financial system. A report by Fitch Ratings Ltd. reportedly argued that "any further volatility in the U.S. repo market could extend to other asset classes and affect smaller broker-deals, mortgage REITs and hedge funds. Fitch's report further stating that "continued liquidity issues leading to higher or more volatile lending costs would be viewed negatively from a credit perspective and could lead to ramifications more globally."

- **Free lending**, which results when banks that hold a lot of excess reserves lend to banks that hold few excess reserves in the federal funds market, is reportedly a crucial condition for maintaining stability. However a convergence of events — reportedly "a deadline on corporate tax payments and the settlement of a big Treasury auction — created a sudden and severe shortage of reserves" that caused sharply diverging interest rates in markets where they should be the same. Repo rates rose above 5%, while interest rates in the Federal funds market breached the upper bounds of the Fed's 2% to 2.25% target range according to reports.

- **Regulatory reforms** adopted since the 2008 crisis such as requiring banks to:

  – Keep additional liquid assets on their books in case they fail;

  – Maintain a minimum leverage ratio (equity capital as a percent of total assets); as well as

  – The imposing of a capital surcharge on banks that are most important to the global financial system, have reportedly constrained banks with a lot of excess reserves from lending and banks with few excess reserves from borrowing. Cited as an example are European banks, which reportedly "must report their excess leverage ratios as of the last day of each quarter, so they reduce their repo activity to make those ratios look better. As a result, even when excess reserves seem abundant, funding costs for banks may exceed the interest rate that the Fed controls."

Looking ahead, the Fed can bring interest rates back inline with an injection of cash by the central bank, as it has been doing; and establish a more permanent fix to maintain stability in the money markets moving forward by creating what's called a "standing repo facility" that would establish a permanent liquidity conduit that will see the Fed injecting sufficient daily as needed to maintain a federal funds rate within what it deems the appropriate range. Some Wall Street analysts reportedly believe a simpler fix would the Fed buying roughly $200 billion to $500 billion of Treasuries in order to reduce the surplus of Treasuries on banks' balance sheets. However the greater concern that arises is "how money markets will respond to future shocks." Response to what has been described as a "credit collapse" was mixed. Some reportedly argue that the glitch in the repo market represented a breakdown in the "Fed's control of monetary policy," further saying that the "Fed should intervene in the repo market routinely, not only during emergencies, and particularly at the end of financial quarters, when banks' cash requirements surge."

Others question whether the repo market really warrants "constructive support" from regulators, pointing out that routine Fed examinations would increase the repo market's complexity and potentially further precipitate a collapse of the financial system. It has reportedly been suggested that as alternative to routine oversight by the Fed that would help make the banking system more resilient by simplifying how banks borrow; and thereby make the repo market unnecessary:

- Unsecured short-term loans could be offered to banks at the Fed's target fed-funds rate.

- A decoupling of overnight borrowing from collateral pledges by explicitly guaranteeing all the short-term liabilities banks hold; and to discourage over-borrowing, regulators could charge a guarantee fee like the Federal Deposit Insurance Corp. does.

Sources: https://www.reuters.com/article/us-usa-repo-jpmorgan-analysis/too-big-to-lend-jpmorgans-cash-tweaks-take-toll-on-us-repo-idUSKBN1WG439
https://bitcoinist.com/fighting-a-losing-battle-federal-reserve-prints-another-63-5b-this-week/
https://www.wsj.com/articles/to-make-banks-stable-end-dont-mend-the-repo-market-11569971097
https://www.wsj.com/articles/new-york-fed-adds-about-33-6-billion-to-financial-system-11570108321
https://fortune.com/2019/10/01/repo-market-fed-long-term-fix/

EB-5 Program – Long Anticipated Changes Arrive

In response to a general consensus regarding the need to create greater transparency and integrity measures to ensure that securities rules are followed, conflicts of interest are minimized, and background checks are more thorough, the long anticipated changes to the federal government's EB-5 Immigrant Investor Program were released by the Department of Homeland Security (DHS) on July 22nd. Proposed revisions to the rules in the final days of the Obama administration have reportedly been carried through by the Trump administration amid objections from the real estate industry, but the impact was slightly softened according to reports. Slated to go into effect on November 21, 2019, a snapshot of the key changes under a new rule published by the U.S. Department of Homeland Security have been posted on the U.S. Citizenship and Immigration Services' (USCIS) website.

The new rule modernizes the EB-5 program by:

- Providing priority date retention to certain EB-5 investors;
- Increasing the required minimum investment amounts to account for inflation;
- Reforming certain targeted employment area (TEA) designations;
- Clarifying USCIS procedures for the removal of conditions on permanent residence; and
- Making other technical and conforming revisions.

Priority Date Retention

- **Current Policy**: The priority date of an approved EB-5 immigrant petition is currently not permitted to be used by investors for a subsequently filed EB-5 immigration petition.

- **DHS Proposed January 13, 2017**: To allow an EB-5 immigrant petitioner to use the priority date of an approved EB-5 immigrant petition for subsequently filed EB-5 immigrant petitions for which the petitioner qualifies.

- **Final Change**: Certain immigrant investors will keep the priority date of a previously approved EB-5 petition when they file a new petition.

Sources: https://www.federalregister.gov/documents/2019/07/24/2019-15000/eb-5-immigrant-investor-program-modernization • https://www.uscis.gov/eb-5

EB-5 Program (cont'd)

Increased Minimum Investments

- **Current Policy**:
  - High Employment Areas - $1MM
  - Targeted Employment Area (TEA) - $500K (50%)
    - > Different levels of qualifying investments:
      1. The standard minimum investment amount of $1 million;
      2. The reduced minimum investment amount of no less than 50% of the standard for investments in TEA; and
      3. A higher minimum investment of up to 3-times the standard amount for investments in high employment areas.
- **DHS Proposed January 13, 2017**:
  - High Employment Areas - $1.8MM
  - Targeted Employment Area (TEA) - $1.35MM (75%)

  Moving forward it has been proposed that a mechanism be put in place so that future adjustments of the minimum investments will be made every 5 years, based on CPI-U.

  In addition is has been suggested that the 3 different qualifying investment amounts created by Congress should be directly linked to job creation requirements of similarly varying levels versus the current single job creation standard, i.e., the direct creation of at least 10 jobs.
- **Final Change**:
  - High Employment Areas - $1.8MM
  - Targeted Employment Area (TEA) - $900,000 to account for inflation

  Future adjustments will also be tied to inflation (per the consumer Price Index for All Urban Consumers, or CPI-U) and occur every 5 years.

Targeted Employment Area (TEA) Designations

- **Current Policy**: Investors can demonstrate that their investment was in a high employment areas by:
  - Providing evidence that the metropolitan statistical area, the specific county within a metropolitan statistical area, or the county in which a city or town with a population of 20,000 or more is located , in which the new commercial enterprise is principally doing business has experienced an average unemployment rate of at least 150% of the national average rate; or
  - Submitting a letter from an authorized body of the government of the state in whch the new commercial enterprise is located which certifies that the geographic or political subdivision of the metropolitan statistical area or of the city or town with a population of 20,000 or more in which the enterprise is principally doing business has been designated a high unemployment area.

TEA Designations (cont'd)

- **DHS Proposed January 13, 2017**: Elimination of state designation of high unemployment areas to ensure consistency across TEA designations. Although allowing states to continue to make TEA designations was considered under the stipulation that a clearer basis be provided for DHS to scrutinize and overturn such designations, the anticipated increased administrative burden of evaluations for the various states dissuaded DHS which prefers to avoid the approach. Instead, DHS will determine areas that qualify as TEAs, by applying standards proposed in this rule to the evidence presented by investors and regional centers.

  New Proposed Guidelines

  – As in the current system, investors may continue to provide evidence that the new commercial enterprise is principally doing business in (1) Metropolitan Statistical Area (MSA), (2) a specific county within a MSA, or (3) a county with a city or town with a population of 20,000 or more, that has experienced an average unemployment rate of at least 150% of the national average rate. DHS will add to the list additional cities and towns determined to meet the required eligibility TEA guidelines.

  – Rules for determining when a geographic or political subdivision could qualify as a TEA will be standardized versus the determinations currently made by the states on a case-by-case basis. DHS proposes alternative methods to determine TEAs in such a way that DHS believes will "avoid concerns regarding political influence on TEA designations:"

    > "That a TEA may consist of a census tract or contiguous census tracts in which the new commercial enterprise is principally doing business (the "project tract(s)") if the weighted average of the unemployment rate for the tract or tracts is at least 150% above the national average."

    > If the project tract(s) do not independently qualify under the above analysis, "a TEA may also be designated if the project tract(s) and any or all additional tracts that are directly adjacent to the project tract(s) comprise an area in which the weighted average of the unemployment rate for all of the included tracts is at least 150% of the national average.

- **Final Change**

  – We will now directly review and determine the designation of high-employment TEAs; we will no longer defer to TEA designations made by state and local governments.

  – Specially designated high-employment TEAs will now consist of a combination of census tracts that include the tract or contiguous tracts in which the new commercial enterprise is principally doing business, including any or all directly adjacent tracts.

  – Provided they have experienced an average unemployment rate of at least 150% of the national average unemployment rate, TEAs may now include cities and towns with population of 20,000 or more outside of metropolitan statistical areas.

  – These changes will help direct investment to areas most in need and increase the consistency of how high-unemployment areas are defined by the program.

The pilot program initially authorized by Congress under the **Immigration Act of 1990** provides green cards under certain guidelines to foreign investors. Due to the lack of permanent legislation the program that was extended in mid-February to September 30, 2019 must be regularly reauthorized. Becoming a widely used finance arm for many of the city's developers, as regulations tightened for traditional lenders following the 2008 Great Recession, the EB-5 program has provided lower cost financing over the years. However application filings previously dominated by investors from China have reportedly dropped significantly. In 2018 the number of new EB-5 applications reportedly declined nearly 50% year-over-year to 6,424 petitions from 12,165 petitions in 2017 according to reported data compiled by the industry group Invest in the USA. As the number of Chinese applicants declines, other foreign investors that have been filling some of the gap are reportedly demanding higher investment returns of around 2% or higher versus returns as low as 0.25% that investors from China were willing to accept. As a result the program has become less attractive to developers as loans carrying interest rates of 5% have become a rarity, with a lot more carrying 7% and 8% rates.

Lending Trends

Growth of Life Company Lending Market Share Continues Upward Trend

Since the 2008 financial crisis when regulated lenders began to pull back amid tighter regulations imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act and Basel III, a growing number of alternative lenders have entered the lending market. Among the mix of debt funds, mortgage REITS, and life insurance companies, the latter has reportedly become increasingly aggressive in an effort to grow market share within today's highly competitive lending market. Despite commercial real estate lending being what has been described as a "balancing act" for life insurers since they must precisely match "the debt investments on their balance sheets' asset side to their time-sensitive obligations to make payout to policy holder customers on the liability side," industry-wide life company market share has continued to grow since the onset of the economy's recovery. In comparison the market share of bank lending plateaued in 2016 and commercial mortgage-backed securities declined according to reported data compiled by the Mortgage Bankers Association.

Having the advantage of getting a variety of funding from the diversity of insurance products they sell, life company lenders have reportedly been able to maintain continued market share improvement despite competitive headwinds. Heightened competition within the lending market along with an increased "appetite for a bigger slice of the action" has prompted lifecos to begin broadening options. Representing a shift from typically staying closer to their historical preference for 10-year, fixed-rate debt, which has become one of the "most deeply trod segments of the market," lifecos have begun to include a growing percentage of floating-rate loans according to reports. Led by a nearly 25% increase in the volume of multifamily loans, a Fitch Ratings report released in September reportedly indicated that "commercial real estate loan purchases among the large group of insurers Fitch covers rose by approximately $30 billion, with no sign of slowing down. Furthermore, some life companies have begun to compete directly on construction and bridge loans, in part reportedly due to the "extent to which Freddie Mac and Fannie Mae have cornered the market on long-term apartment lending."

In addition, construction lending volume among insurers was also up by a more moderate approximately 10%. It has been further pointed out that accelerating activity within the lending market is not exclusive to the top 10 life insurance company lenders, but includes a "lot of smaller insurers that have found mortgages to be a good relative value," as insurers increasingly move away from the 10-year lending model to provide the needed more flexible approach to asset-liability matching required by the increasing diversity and complexity of their liabilities.

Lending Trends (cont'd)

Landlord Lending Arms Increase their Foothold in Debt Market

A door of greater opportunity for the less regulated nontraditional lenders opened several years ago at a time when traditional lenders were growing increasingly more cautious amid uncertainty over interest-rate increases, heightened regulations, and surfacing signs of the prospect of a real estate bubble in the high-end residential market sparking concerns of an oversupply. Since then a growing number of New York City landlords have launched debt arms as some of them become increasingly active players in the debt market amid appealing opportunities for pure equity plays reportedly becoming scarce. While some owner-lenders such as Brookfield Asset Management and SL Green Realty are not new to the lending market, "they've reached new heights in the size and significance of the capital-stack plays they've sought and won in recent years" according to reports.

Some newcomers include:

- **Lightstone Group** – The developer announced the launch of **Lightstone Capital** in January. Hoping to close at least $500 million worth of transactions in its first year, the debt platform will specialize in mezzanine and first-lien loans for construction and bridge financing projects. Loans will range in size from $3 million to $100 million in markets including New York, Miami and Los Angeles according to reports at the time.

- **Kushner Companies** – The company launched a real estate lending platform **Kushner Credit Opportunity Fund** in early 2016, planning to issue senior loans, mezzanine debt and preferred equity ranging from $20 million to $500 million in value with terms of up to 5-years in the Great New York, Miami, Los Angeles, Washington, D.C., San Francisco and Boston markets according to reported details within an email advertising the program at the time. In 2016 a $33 million loan was reportedly provided to Heritage Equity Partners' office-and-retail redevelopment project at **215 Moore Street** (Bushwick, Brooklyn); and in 2017 a roughly $18.969 million loan was provided to fund the acquisition of **2413 Third Avenue** (Mott Haven, Bronx), which at the time was owned by Somerset Properties, as well as the planned repositioning of nearby **9 Bruckner Boulevard** into a food hall.

- **Slate Property Group and the Carlyle Group** – The partnership launched **SCALE Lending** last fall, planning to focus on land loans, ground-up construction — both rental and condo — and condo inventory loans. The $750 million debt platform will reportedly target "non-industrial developers that are typically shut out of traditional bank financing and also offer its clients in-house construction and development expertise."

- **Slate Property Group** – The developer's new lending arm **SPG Capital Partners** was launched in early 2018 with a goal of issuing $500 million in mortgages its first year according to reports at the time. Some initial loans provided in 2018 included a $19 million mortgage to fund the acquisition of the 3-parcel development site at **45-57 Davis Street** (Long Island City, Queens) by Solomon Feder's Velocity Framers, where a 158-unit, 106,534-square-foot mixed-use development is planned; and a $45 million construction loan for New Empire Real Estate Development's planned **LIC Commons**, a 2-building, 80-unit mixed-use condominium development at **37-14 34th Street** (Long Island City, Queens).

Landlord Lending Arms (cont'd)

- **RXR Realty** – The Long Island-based developer along with Texas-based REIT **Northstar** reportedly raised a $2 billion investment fund in 2018, intending to dedicate a portion of its activities to making mezzanine loans in New York City. In 2016 RXR provided a $300 million mezzanine loan to Extell Development to help finance (3) residential projects that were under construction at the time — **One Manhattan Square, 250 South Street** (Lower East Side), **500-524 East 14th Street** (East Village), and **547-551 Tenth Avenue** (Hudson Yards); and in 2017 provided an additional $163.2 million, increasing the total to $463.2 million. As part of the deal, a new joint venture was to be formed with RXR receiving a preferred equity stake in the projects according to reports at the time.

- **Moinian Group** – The developer initially provided a $65.54 million loan in 2015 for the **Courtyard by Marriott Hudson Yards** hotel development at **461 West 34th Street**; and in 2016 launched dedicated investment platform **Moinian Capital Partners** reportedly offering senior loans above $15 million and mezzanine loans above $10 million. In 2017 the developer's lending arm made its first financing on a Moinian Group development, providing a new $137 million construction loan plus a $23 million senior loan included a new $5 million gap mortgage to reportedly become a 50% equity partner in the construction of the recently opened 366,757-square-foot mixed-use **PLG** tower at **123 Linden Boulevard** (Prospect Heights, Brooklyn). According to reported details within 2018 TASE documents, the platform has provided a total of $550 million spread across 9 deals comprised of a mix of equity, senior and mezzanine debt.

- **Dalan Management** – The landlord of a 43-building portfolio in the city launched the financing platform **SKW Funding** in 2016. Approximately $50 million in preferred equity and mezzanine debt was issued the first year, including $12 million in preferred equity and mezzanine debt for the $24 million acquisition of **12 Franklin Street** (Greenpoint, Brooklyn) by Simon Baron Development. Dalan had planned to double the figure in 2017 according to a company press release.

- **Steven Witkoff / Michael Ashner** – The developers reportedly launched a $150 million investment fund in 2017 that focuses on distressed deals in major U.S. cities. An initial deal included the purchase of a $75 million mezzanine loan at **1568 Broadway**, the site of Maefield Development's 704-key **TSX Broadway** project.

- **Silverstein Properties** – The launch of **Silverstein Capital Partners** was announced in late 2018. The new lending arm's first construction loan issued was reportedly a $240 million mezzanine debt provided to help fund the ongoing construction of JDS Development's 1,066-foot-tall mixed-use tower that is rising above the landmarked former **Dime Savings Bank of New York at 9-31 Dekalb Avenue** (Downtown Brooklyn). The subordinate financing was accompanied by a $428.5 million senior loan provided by Otera Capital. As part of the project that 150-year-old structure will undergo a restoration for continued retail use; and be connected to the new tower through a newly created atrium.

Reported deals over the last few years include:

- **Madison Realty Capital** – Activity within the lending market in recent years by the real estate private equity firm includes:

  - 123 Melrose Street / 28 Stanwix Street (Bushwick, Brooklyn) – A combined total of $285 million in financing was provided in 2016 to All Year Management for the 2-building, 818-unit mixed-use development on a portion of the former Rheingold Brewery site. The loan included a $70 million first mortgage and $215 million in construction financing according to reports at the time.

  - 1399 Park Avenue (Harlem) – A $60 million construction loan was provided in 2016 for Heritage Real Estate Partners' planned 23-story, 72-unit residential condominium development that is expected to deliver this year.

  - 644-652 East 14th Street (East Village) – A $29.3 million acquisition and construction loan was issued in 2016 for Opal Holding's planned 14-story, 50-unit mixed-use development that broke ground in 2017.

Landlord Lending Arms (cont'd)

- **Mack Real Estate Credit Strategies** – The lending arm of the family-operated real estate firm was launched in the fall of 2015. The high volume of lending transactions quickly established the platform as an active lender in New York City's real estate market.

  – 297-303 First Avenue (Gramercy Park) – A $78 million loan was provided in February to close on the $81 million acquisition of the 24-story, 200,000-square-foot former **Gilman Hall** building by GFP Real Estate and Meadow Partners, having formerly housed medical students and doctors for Mount Sinai Beth Israel. The financing included a new $58 million gap mortgage according to city records.

  – 123 Melrose Street (Bushwick, Brooklyn) – A $65 million mezzanine loan was reportedly provided earlier this year to All Year Management.

  – 530-534 Sixth Avenue / 536-540 Sixth Avenue (West Village) – A $97 million loan was reportedly provided in 2018 to close on the purchase by China-based Landsea Homes and DNA Development. The new financing included a $30 million senior loan (ACRIS) plus mezzanine debt according to reports. Plans for the assemblage that includes the former home of Moscot Eyewear are expected to give rise to 50-unit, 86,295-square-foot mixed-use development.

  – 875 Washington Street (MePa) – A $90 million acquisition loan was provided this year to RFR Realty for the $129.5 million acquisition of the 5-story, 64,000-square-foot building, the entire office component plus a portion of the roof area has recently been leased to the new co-working network Soho Works.

  – 71-12 Park Avenue (Flushing, Queens) – A $67 million loan was provided to Marx Development Group for purchase of the 2-parcel, 2.44-acre assemblage. The financing included a new roughly $60.539 million gap mortgage according to city records. Ground up construction will give rise to a pair of residential developments totaling 716,867 square feet that will host a combined total of 488-units.

  – 517-527 West 35th Street (Hudson Yards) – A $65 million loan was provided in 2018 to the Related Companies for the $96 million purchase of the 23,400-square-foot vacant parcel that spans the entire Hudson Boulevard East block-front between West 35th and 36th Streets.

  – 88 University Place (Greenwich Village) - $50 million capital improvement loan was provided in 2018 to the investment group led by fashion designer Eli Tahari. The building currently serves in its entirety as a WeWork facility, with IBM occupying 70,000 square feet of the 94,000-square-foot building under a membership with the co-working space provider.

- **SL Green Realty** – Some recent activity by the real estate investment trust which has been long time player in the lending market include:

  – 209-225 East 19th Street / 224-228 East 20th Street – A $280 million financing package was provided in 2018 to refinance the multi-building, 223-unit condominium development **Gramercy Square.** The loan included a roughly $105.139 million acquisition loan and leasehold mortgage, a $164.855 million building loan, and a $10.006 million project loan according to city records. However reports indicate that the originated whole loan totaling $345 million included a mezzanine debt which although unverified seems likely that it totaled the remaining $65 million.

  – 245 Park Avenue (Grand Central) – A $110.5 million mezzanine loan was provided in 2017 for the $2.21 billion purchase by China-based HNA Group of the 1.587 million-square-foot tower. In the 2nd quarter of 2018 the REIT closed on its initial preferred equity investment; and in the 4th quarter that year completed the second phase of investment to bring the total to $148.2 million according the press release by SL Green, subsequently giving the REIT an ownership stake with HNA retaining the remaining interest.

Landlord Lending Arms (cont'd)

- **Brookfield Asset Management** – The alternative asset manager has closed on several deals in the last few years including:

  – 300 East 42nd Street (U.N. Plaza) – A $100 million loan was provided this year for the $122.5 million acquisition of the 18-story, 233,884-square-foot full block tower by Somerset Partners and Meadow Partners. The financing package included the consolidation of roughly $41.320 million in existing outstanding principal with a new $30.526 million gap mortgage and newly provided $8.227 million and $19.928 million building and project loans according to city records.

  – 885 Second Avenue (Midtown East) – The $62 million portion of a $427 million whole loan originated this year by Brookfield was retained, while the $365 million first mortgage was sold to Wells Fargo according to reports. The loan financed the roughly $565.754 million sale of **One Dag Hammarskjöld** to Boston-based Rockpoint Group.

  – 350 Madison Avenue / 10-12 East 45th Street (Grand Central) – The $50 million mezzanine portion of a $250 million whole loan originated in 2018 was retained; while the $200 million senior portion was sold to the New York State Teachers' Retirement System (NYSTRS) according to reports. The loan refinanced that 380,776-square-foot Madison Avenue tower and adjacent 18,322-square-foot retail property owned by RFR Realty.

  – 990 Sixth Avenue (Penn Plaza) – The $40 million subordinate portion of the $205 million whole loan initiated by Brookfield in 2018 was retained; while the $165 million was reportedly sold to German lended Deutsche Pfandbriefbank. The loan financed the $316 million purchase of the 320-unit, 400,000-square-foot **The Vogue** rental property by the Vanbarton Group.

  – 116 John Street (FiDi) – The $40 million in subordinate obligations of the reportedly $170 million whole loan initiated in 2018 was retained; while the $130 million senior debt went to AIG according to reports. The new debt refinanced the 338,463-square-foot building that completed an office-to-residential conversion by Metro Loft in 2012.

- **Paramount Group** – Recent lending activity by the real estate investment trust reportedly includes:

  – One Soho Square (Hudson Square) – A $170 million mezzanine debt in May was reportedly originated by Paramount. The subordinate financing was accompanied by a $730 million first mortgage from lender Goldman Sachs that was securitized in a single-asset, single-borrower CMBS transaction according to reports. The pair of connected buildings that go by addresses 233 Spring Street and 161 Sixth Avenue had undergone a redevelopment to create 768,000 square feet of office-and-retail space.

  – 850 Third Avenue (Plaza) – A $75 million portion of $100 million in financing was provided in 2018 as part of a $342 million short-term whole loan. The loan secured at the time by HNA Group, MHP Real Estate Services and ATCO Properties & Management refinanced the 613,664-square-foot tower; and also included $242 million in senior financing provided by Natixis and $25 million in additional mezzanine financing from Virginia-based Harbor Group according to reports at the time.

  – 13-17 Laight Street aka 52-58 Varick Street (TriBeCa) – A roughly $45.998 million loan was provided in 2018, refinancing a 2016 acquisition loan secured by the Vanbarton Group for the $90 million purchase of the 101,555-square-foot building that formerly served as the **Tribeca Film Festival** headquarters.

Lending Activity - 3rd Quarter 2019

Financing to Watch for

Midtown

335 Madison Avenue (Grand Central) – Milstein Properties is reportedly in "advanced talks" to secure a $750 million loan to refinance the 29-story, 1.148 million-square-foot tower now known as **The Company Building**. If the deal closes, a division of Brookfield Property Partners will be providing the loan that will replace an existing debt of $498 million provided by the Bank of China in 2013 according to reports. The full block building located between East 43rd and 44th Street is currently undergoing a $100 million renovation launched in 2017 to create a vertical tech campus, versus earlier rumored considerations of a full demolition of the 1984 office tower to make way for the ground-up construction of a taller building. As part of the project a full modernization will be done including "state-of-the-art fiber optics, an ironclad cyber security system and 150,000 square feet of new amenities and retail." Tenant amenities to include a pool, a gym, a medical center, a creative studio, event spaces, dining venues and a terrace with a bar.

Milstein will be partnering with the Milstein family launched start-up accelerator **Grand Central Tech**, which already operates a 15,000-square-foot facility in the building; and provides free rent and access to resources to 20 young companies through the its selective program. Upon construction completion, a total of 250,000 square feet spanning the entire 3rd through 7th floors will be dedicated to a selection of between 150 and 200 new ventures to reportedly be hand-picked; and the 700,000 square feet on the upper level floors will be reserved for 10 to 30 global brands willing to collaborate with the in-house nascent companies. Leasing activity over the past year has reportedly attracted a 40,000-square-foot lease with social media platform Facebook; an 11,920-square-foot signing by cyber security firm Blue Voyant; and an 11,870-square-foot lease with online retail search platform Narrativ. In addition, the ground floor will host "several 100-square-foot retail kiosks for direct-to-consumer brands that don't have brick-and-mortar stores;" and "will connect to two more floors of small vendor stalls that Milstein is calling a 'retail cooperative'."

Downtown

28 Liberty Street (FiDi) – Fosun International Ltd. is reportedly negotiating a roughly $1.1 billion mortgage that will potentially be led by Deutsche Bank, but due to the size of the loan, likely to be split between the bank and other lending institutions according to reports. The new loan would provide approximately $300 million in new financing, the German-based lender having previously provided a combined total of roughly $792 million in November 2017 — a $450 million senior mortgage, a $172.452 million project loan, and (2) building loans in the amount of $80 million and $89.548 million according to city records. News of decisions to seek a refinancing may signal a reversal of efforts to sell a minority 49% stake in the 60-story, 2.239 million-square-foot tower for an expected revaluation at $1.6 billion ($715 per square foot) which has yet to attract a buyer according to reports.

The former One Chase Manhattan Plaza has been undergoing a major repositioning with a significant increase in retail space being created as part of the project. Since acquiring the building in 2013, there have been approximately 1.161 million square feet of reported office lease deals; while retail leasing activity attracted Union Square Hospitality, which opened its 38,000—square-foot **Manhatta** restaurant plus event space on the top floor of the tower last year; and Texas-based **Alamo Drafthouse**, which is expected to open before the end of the year a 10-screen dine-in movie theater in about 40,000 square feet. More recently **Legend's Hospitality**, the company operating One World Trade Center's Observatory, secured a lease for 35,000 square feet for a planned food-and-live music venue slated to open in 2020 that will offer a mix of food by international chefs, music performances by major artists, and a separate "upscale" restaurant.

Lending Activity (cont'd)

Reported Loans Secured

Midtown

10 Grand Central (Grand Central) – Marx Realty secured a $110 million loan to refinance the 35-story, 418,180-square-foot building. MetLife provided the financing package that consolidated roughly $64.727 million in the remaining unpaid principal of a $72 million loan provided by Mortgage Electronic Registration Systems, Inc. in 2007 and a newly issued $45.273 million gap mortgage. Marx acquired the tower formerly known as **The Commerce Building** with an alternate address of 708 Third Avenue in May 2007 for $74.178 million according to city records. As part of a recently completed $48 million repositioning, the building's entry portal was relocated to East 44th Street and the lobby underwent a redesign. In addition 7,500 square feet of newly created amenity space has reportedly added a lounge, conference facility and expansive outdoor terrace. Currently about 87% leased, recent leasing activity included the consolidation and expansion within the building of existing tenant Association of National Advertisers (ANA), which now occupies 51,000 square feet as a result of 10,691 square feet of added space as part of the deal.

120 Park Avenue (Grand Central) – The real estate investment company Global Holdings has refinanced the 26-story, 600,000-square-foot tower that spans the entire Park Avenue block-front between East 41st and 42nd Streets. HSBC extended the reportedly $374.6 million in outstanding principal of the $400 million loan it had provided in March 2014 and added $25.3 million in new debt. The London, UK-based lender has served as financier since Global Holding's subsidiary Eastgate Realty acquired the asset for roughly $525.815 million in March 2008, at the time providing a $360 million mortgage that included a new $27.5 million project loan. Recent leasing activity at the fully occupied building includes a 10-year renewal by anchor tenant Bloomberg LP in November 2018 for its 468,000-square-foot space spanning the entire 8th through 23rd floors according to reports at the time.

575 Fifth Avenue (Grand Central) – Boston-based Beacon Capital Group has secured a roughly $308.759 million loan to refinance the 371,374-square-foot office component of the 40-story, 505,600-square-foot tower located at the corner of East 47th Street. TPG Real Estate Finance provided the new loan that refinances the outstanding principal of $321 million in financing provided by Deutsche Bank in October 2015 to fund the 50% interest Beacon acquired from MetLife — a $271 million acquisition loan and (2) construction loans totaling nearly $38 million according to reports. Currently about 47% occupied, larger tenants include WeWork in reportedly more than 100,000 square feet and Barneys New York in 71,000 square feet for its corporate headquarters. Anchor tenant L'Oreal had vacated approximately 295,000 square feet upon relocating to 402,000 square feet at 10 Hudson Yards in 2016.

One Bryant Park (Times Square) – The Durst Organization and Bank of America (BoA) reportedly secured a $1.6 billion refinancing of the 54-story, 2.354 million-square-foot **Bank of America Tower** located on the corner of West 42nd Street at the foot of Bryant Park. The 10-year, interest-only CMBS loan "charges the sponsors a 3.25% fixed interest rate, with no principal due until maturity." Set to close before the end of August, reported information from a Kroll Bond Rating Agency indicated that the financing led by the BoA will combine a $950 million CMBS loan from the Charlotte, NC-based lender with $650 million in previous public-assisted financing that falls under the Liberty Bonds program. Inaugurated following the September 11 attacks with the aim of helping New York City's economy recover, the program allowed developers to issue tax-exempt bonds, a power normally reserved for municipal agencies; and supervised and approved by the Empire State Development (ESD).

The "public money will be used to retire the $650 million in public construction bonds issued a decade ago, while the BoA loan replaces and expands a previous $650 million CMBS from BoA and JPMorgan Chase" according to reports. The deal also includes an additional $300 million that will reportedly go "towards funding reserves and financing costs;" and will also allow the borrowers to cash out a portion of their equity. It was further noted that a recent appraisal valued the asset at $3.5 billion, "implying a relatively modest loan-to-value ratio of 45.7%. The LEED-Platinum certified building that is fully leased is anchored with about 1.584 million square feet by BoA, which reportedly controls just below 50% interest in the asset, with Durst serving as the majority stakeholder. Another large tenant is law firm Akin Gump Strauss Hauer & Feld in about 230,000 square feet, having initially pre-leased 203,000 square feet in 2006 according to earlier reports. The property is controlled under a 99-year ground lease secured from the ESD in 2004.

Lending Activity (cont'd)

Reported Loans Secured (cont'd)

229 West 36th Street / 256 West 38th Street (Garment) – Brickman and Bahrain-based Investcorp have refinanced the 2-building portfolio with a $112 million debt package. Canadian Imperial Bank provided the loan the consolidated $92 million in outstanding principal provided by MetLife in November 2017 with a new $3 million gap mortgage. In addition a roughly $10.825 million building loan and $6.175 million project loan was included in the package. The partnership had acquired the portfolio that offers a combined total of about 266,231 square feet in November 2017 through separate transactions. The sale by New York REIT, as part of a full liquidation of its real estate assets, attracted a total price of $156.8 million ($589 per square foot) according to city records.

- 229 West 36th Street – The 12-story, 149,231-square-foot building located between 7th and 8th Avenue traded for $93.5 million ($627 per square foot); having previously traded in 2012 for $64.85 million ($435 per square foot).

- 256 West 38th Street – The 14-story, 117,000-square-foot building located between 7th and 8th Avenues was acquired for $63.3 million ($541 per square foot), having previously traded in 2012 for $48.6 million ($415 per square foot).

Midtown South

251 West 30th Street (Chelsea) – HSP Real Estate Group has secured a reportedly 3-year bridge loan from Ladder Capital to refinance the 16-story, 120,000-square-foot building located between 7th and 8th Avenues. The $53 million financing package consolidates roughly $48.778 million in outstanding principal of a $49.8 million acquisition and construction loan provided by Pacific Western Bank in April 2016 upon HSP acquiring the asset for $50.45 million ($420 per square foot), with a new $4.222 million gap mortgage according to city records. Currently about 84% occupied, notable leasing transactions over the past year include a reported 31,083-square-foot deal with wellness-focused co-working space provider **Primary** under an 11-year lease secured in early 2018.

287 Park Avenue South (Flatiron) – CL Investment Group has refinanced the 9-story, 117,852-square-foot building with a $105 million loan. The Bank of China provided the reportedly floating-rate loan that consolidates a new $51 million mortgage with the refinancing of a $54 loan provided by Hua Nan Commercial Bank in July 2017 — $14 million land loan mortgage, roughly $19.313 million building loan and $20.687 million project loan. CL Investment Group (formerly Cheerland Investments) had acquired the former **United Charities Building** in 2014 for $128 million ($1,086 per square foot). Initial plans for an 8-story vertical expansion and residential condominium conversion of the 9-story building located on the corner of East 22nd Street never moved forward, the Beijing-based company ultimately deciding to abandon the ambitious project that had an estimated price tag of $300.2 million at the time, opting instead to maintain commercial use.

Last year IWG Plc-owned subsidiary co-working space provider **Spaces** reportedly secured a 15-year lease to occupy the entire 100,613-square-foot office component. The new location will span the entire 2nd through 9th floors of the building which recently underwent a major interior renovation reportedly including stained glass windows, a skylight and a 30-foot-tall "Assembly Hall" on the ground floor to serve as the first U.S. location for London-based steakhouse **Hawksmoor**.

Lending Activity (cont'd)

Reported Loans Secured (cont'd)

880-888 Broadway / 32-38 East 19th Street (Flatiron) – Normandy Real Estate and Invesco have reportedly secured a $200 million loan to refinance the 55,790 office component of the 6-story, 76,406-square-foot corner Broadway building and adjacent interconnected 10-story, 142,400-square-foot block-through building fronting 19th Street. TPG Real Estate Finance Trust provided the 5-year, floating rate debt that, although unverified, likely refinanced the $170 million acquisition and redevelopment loan provided by SL Green Realty in 2017 upon the partnership closing on the $133 million deal — $93 million purchase of 55,790-squarefoot 888 Broadway and $43 million for the assignment of the leasehold on the East 19th Street building that expires at the end of March 2041 with no renewal options.

Formerly owned by **ABC Carpet & Home**, plans are underway for an estimated $250 million redevelopment of the buildings to create Class A office space. The project will reportedly include the addition of a penthouse and roof deck. Since trading, leasing activity has attracted Australian-based global software company **Atlassian**, having lease the entire 3rd floor's 33,507 square feet last year; and more recently, internet entertainment service **Netflix** will be increasing their footprint to up to 100,000 square feet, having initially committed to 37,378 square feet in 2018 on the entire 7th floor and penthouse as part of a $100 million plan to expand its presence in New York City.

44-50 West 28th Street (NoMad) – Stellar Management has secured a $78 million loan to refinance the fully leased 16-story, 191,294-square-foot tower. New York Community Bank (NYCB) provided the financing that consolidated roughly $66.87 million in outstanding principal of a $70 million loan the Long Island-based lender provided in February 2015 with a new $11.13 million mortgage according to city records. Stellar acquired the property located between Broadway and 6th Avenue in June 2007 for $51.5 million.

Downtown

7 Hanover Square (FiDi) – GFP Real Estate, Northwind Group and TPG Real Estate Partners have reportedly secured $430 million in financing from Square Mile Capital. Although unverified it is likely that the new loan will help fund both the acquisition and planned $250 million modernization of the 27-story, 845,000-square-foot tower. A sale offering earlier this year of a 60% to 80% equity stake had attracted TPG, which joined the team as majority stakeholder in June. Reports at the time indicated that the real estate investment arm of private equity firm TPG Capital had signed an agreement to acquire the undisclosed stake and form a joint venture with the co-developers in a deal that valued the redevelopment project once stabilized at $600 per square foot, or about $585 million. The development team is expected to close before the end of October on the $308.5 million purchase of the building, upon seller Guardian Life Insurance fully vacating the premises and completing its relocation to a 148,000-square-foot space at 10 Hudson Yards, which the insurer subleased from luxury accessories brand Tapestry (formerly Coach) in 2017.

Earlier this year **NYC Health + Hospitals,** the non-profit that operates the city's public hospitals and healthcare facilities, had reportedly secured a 25-year lease for 526,552 square feet at the 845,000-square-foot tower. The deal resulted in the contract vendees reportedly subleasing (3) floors totaling just over 100,000 square feet from Guardian to allow NYC Health to immediately take space in the building prior to the sale closing. As part of the repositioning project, the base 17 floors to ultimately be occupied by NYC Health will be rebranded **50 Water Street**; while the upper tower floors will be rebranded as a separate building with its own entrance to go by the address 1**00 Pearl Street**. As part of the project a reallocation of space freed-up by combining a pair of lower level floors into a single, double-height space will open the door to the construction of a new 11,000-square-foot penthouse floor on the building's rooftop.

Lending Activity (cont'd)

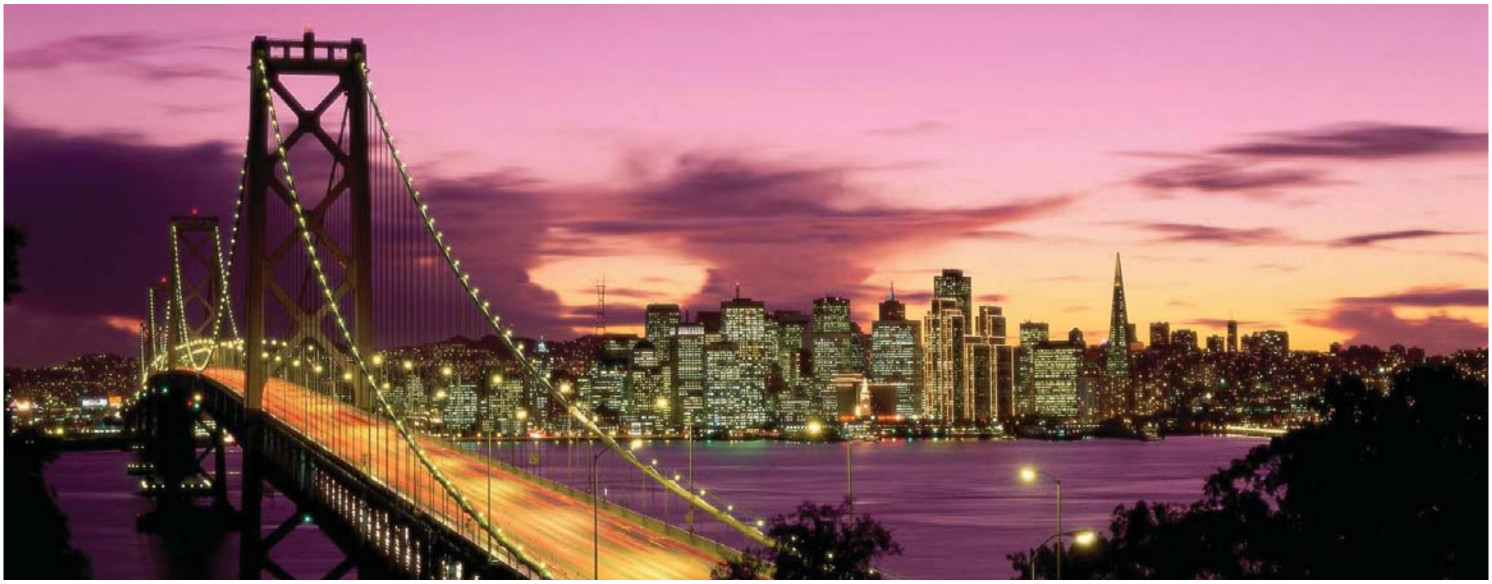
Tel Aviv Stock Exchange: Triple-play

After a quiet stretch on the Israeli bond market following a market collapse in late 2018 and early 2019 that left "many New York City developers reeling," early September brought news of (3) developers planning a bond issuance.

- **Silverstein Properties** is reportedly "examining the process" of issuing a new bond series on the basis of a shelf prospectus according to initial reports, having largely managed to stay above the turmoil of the market collapse. The developer made its debut on the Israeli stock exchange with its $200 million corporate bond offering, with proceeds from the issuance going towards the refinancing the developer's planned 57-story mixed-use development at 514 Eleventh Avenue (aka 520 West 41st Street). A total of (8) Manhattan buildings collectively spanning 9 million square feet, and reportedly valued at $5.2 billion, back the bonds according to reports in 2018; as well as a recently added Philadelphia office tower. Having raised roughly $51 million through a bond offering earlier this year that was oversubscribed, the latest Series B bonds issuance, which is the third by Silverstein, was pending relevant authorities' approval; and had a reported target of 230 million shekels, or about $65 million. Upon going to auction in mid-September, the offering received 651 million shekels, or about $183 million, in bids from institutional investors, resulting in a closing interest of 3.49% — the maximum rate the bonds may carry once they are passed to the public according to reported details of an announcement filed with the exchange.

- **Lightstone Group** is the latest to announce plans for a new bond offering of $89 million, or about 310 shekels. The developer was also able to weather the market collapse, its previously issued bonds backed by a portfolio spanning from New York to Florida and California according to reports. Lightstone previously raised $120 million in 2017, proceeds from the bond offering that reportedly expires in 2024 and carried an interest rate of 6.75% at the time refinanced Lightstone's 365 Bond Street rental development in Gowanus, Brooklyn.

- **Elad Group** reportedly completed a $148 million, or about 517 shekels, bond offering that attracted bids totaling $227 million. The issuance carries a 3.45% interest rate according to reports. The proceeds will go towards the refinancing of existing debt and a planned redevelopment of the company's **Galleria** shopping center in Toronto.



Notable Transactions

Lease

Address	Submarket	District	Sq. Ftge	Tenant
55 Water Street	Downtown	FiDi	130,449	District Council 37 (sublease/relocation)
3 World Trade Center	Downtown	World Trade Center	113,517	Kelley Drye & Warren (relocation)
7 World Trade Center	Downtown	World Trade Center	87,000	Moët Hennessy (relocation)
195 Broadway	Downtown	World Trade Center	83,685	Moda Operandi (relocation)
733 Third Avenue	Midtown	Grand Central	124,327	EisnerAmper (relocation)
220 East 42nd Street	Midtown	Grand Central	101,568	Tribune Media Company (renewal)
250 Park Avenue	Midtown	Grand Central	87,763	WeWork
1675 Broadway	Midtown	Columbus Circle	85,852	Davis & Gilbert (relocation)
1345 Sixth Avenue	Midtown	Columbus Circle	84,653	Global Infrastructure Partners (renewal/expansion)
550 Washington Street	Midtown South	Hudson Square	1,240,000	Google
375 Hudson Street	Midtown South	Hudson Square	960,000	Publicis Groupe (renewal/expansion)
75 Varick Street	Midtown South	Hudson Square	80,500	Oscar Health (expansion)

Sale

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
711 Fifth Avenue	Midtown	Plaza	354,000	$909,267,500	Nightingale Properties/Wafra Grp
477 Madison Avenue	Midtown	Plaza	326,589	$258,250,000	RFR Realty
540 Madison Avenue	Midtown	Plaza	283,175	$310,300,888	DivcoWest Real Estate Investments
300 East 42nd Street	Midtown	U.N. Plaza	110,000	$422,776,250	Somerset Partners/Meadow Partners
345 Park Avenue South	Midtown South	NoMad	333,800	$494,500,000	Deerfield

The Manhattan Office Market Report is produced quarterly by:
Jamie Mason | Director of Marketing & Research
ABS Partners Real Estate, LLC

For More Information Please Contact:

212.400.6060 • www.absre.com

200 Park Avenue South, 10th Floor, New York, NY 10003

We Build Partnerships That Last