

Market Review & Outlook

Review: Rents plummeted in 2009 as the days of \$100 as the starting point for negotiations became a distant memory. Even though tenant demand rebounded in the second half of 2009, most larger tenants opted for renewals as the year came to an end.

	2009	% Change	
Net Rent	\$33.95	-48.9	▼
Operating Expenses	11.95	1.6	▲
Real Estate Taxes	16.04	5.3	▲
Electricity	3.55	4.4	▲
Total Rent	65.49	-32.4	▼
Concessions	115.00	22.3	▲
Tenant Effective Rent	49.62	-40.2	▼
Landlord Effective Rent	19.57	-62.7	▼

Outlook: Absent a shock to the economy, the market should see some increase in fluidity in 2010, particularly as landlords lure tenants away from their existing sites through generous build-out packages and other incentives.

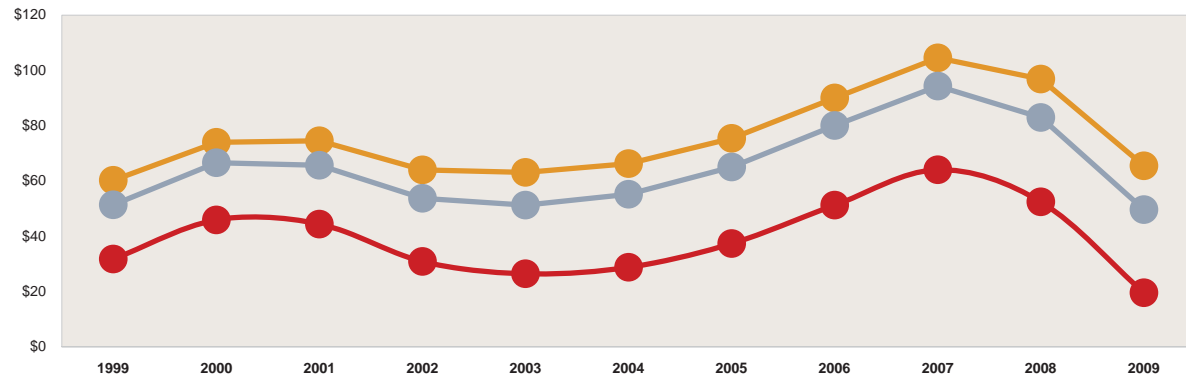
▲ Up ▼ Down ◀ Unchanged

Rent Trends

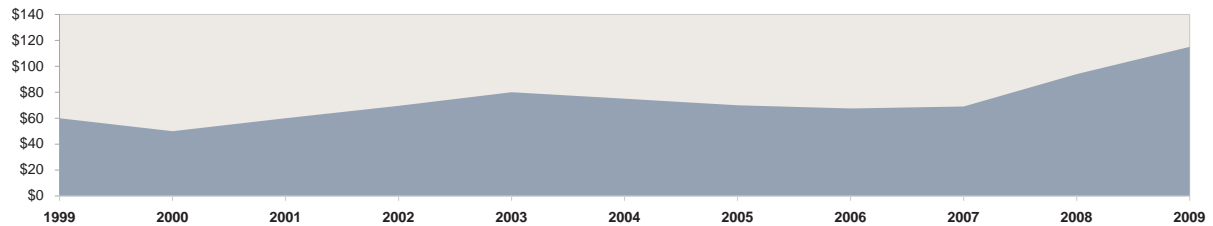
Total Rent

Tenant Effective

Landlord Effective



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
	2008-2009	2004-2009	1999-2009											
Total Rent	\$60.26	\$74.00	\$74.54	\$64.00	\$63.10	\$66.27	\$75.42	\$90.05	\$104.55	\$96.86	\$65.49	-32.4%	-0.2%	0.8%
Tenant Effective Rent	\$51.38	\$66.61	\$65.66	\$53.72	\$51.26	\$55.17	\$65.06	\$80.06	\$94.34	\$82.95	\$49.62	-40.2%	-2.1%	-0.3%
Landlord Effective Rent	\$31.76	\$45.88	\$44.38	\$30.86	\$26.44	\$28.78	\$37.33	\$51.26	\$64.06	\$52.44	\$19.57	-62.7%	-7.4%	-4.7%



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
	2008-2009	2004-2009	1999-2009											
Concessions	\$60.00	\$50.00	\$60.00	\$69.50	\$80.00	\$75.00	\$70.00	\$67.50	\$69.00	\$94.00	\$115.00	22.3%	8.9%	6.7%

SERI2010

Rent Components

Net Rent

Operating Expenses

Real Estate Taxes

Electricity

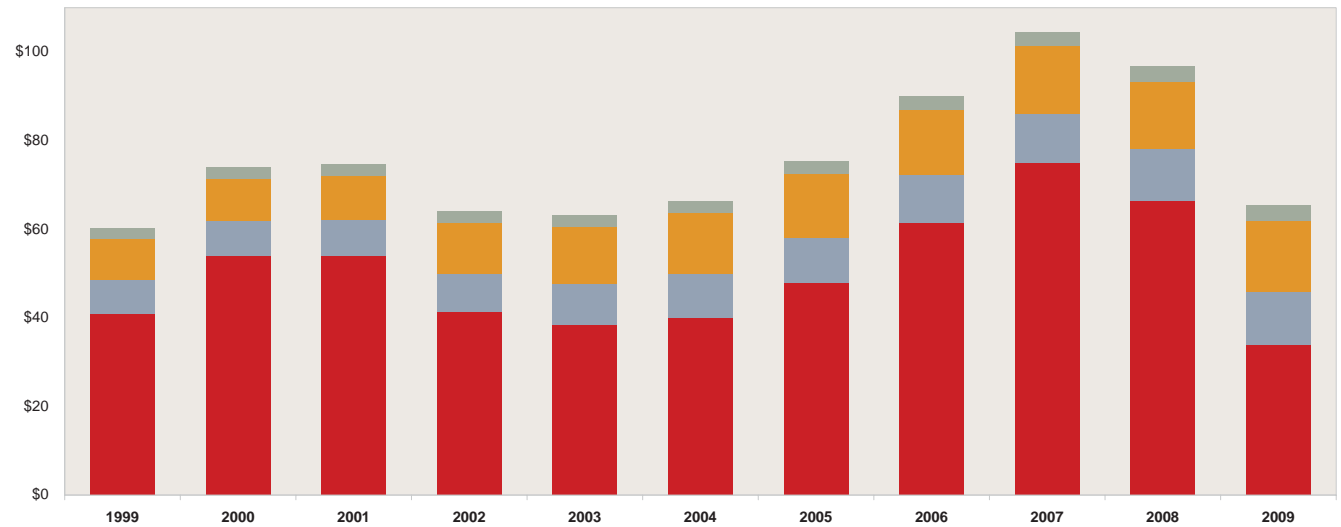
Total rent recorded a second year of decline (-32.4% to \$65.49).

This decrease is attributable to a 48.9% drop in net rent. Operating expenses (+1.6%), electricity (+4.4%) and real estate taxes (+5.3%) all rose for the year.

The value of concession packages posted a fourth year of growth, increasing by 22.3% to \$115.00.

Tenant effective rent, \$49.62, fell by 40.2% year-on-year.

Landlord effective rent decreased even more dramatically, by 62.7% to \$19.57.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average Annual Change		
												2008-2009	2004-2009	1999-2009
Net Rent	\$41.00	\$54.00	\$54.00	\$41.41	\$38.50	\$40.14	\$48.00	\$61.50	\$75.00	\$66.47	\$33.95	-48.9%	-3.3%	-1.9%
Operating Expenses	\$7.52	\$7.82	\$8.13	\$8.40	\$9.24	\$9.78	\$10.17	\$10.75	\$11.20	\$11.76	\$11.95	1.6%	4.1%	4.7%
Real Estate Taxes	\$9.49	\$9.69	\$9.91	\$11.69	\$12.86	\$13.75	\$14.30	\$14.80	\$15.20	\$15.23	\$16.04	5.3%	3.1%	5.4%
Electricity	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.60	\$2.95	\$3.00	\$3.15	\$3.40	\$3.55	4.4%	6.4%	4.7%
Total Rent	\$60.26	\$74.00	\$74.54	\$64.00	\$63.10	\$66.27	\$75.42	\$90.05	\$104.55	\$96.86	\$65.49	-32.4%	-0.2%	0.8%

Manhattan (Midtown)

Transaction Barometer

Review: The worst four quarters of leasing activity in several decades ended in midyear 2009, and tenant demand finally rebounded. Even so, the market still ended 2009 with the greatest supply of space since the 1990s.

Transaction Size: Under 50,000 sf

Average Term: 10 yrs ◀▶

Concessions:

Free Rent 8-9 months ▲

Tenant Improvements \$55.00-\$60.00/sf ◀▶

Other various ▲

Transaction Size: Over 50,000 sf

Average Term: 10-15 yrs ◀▶

Concessions:

Free Rent 10-12 months ▲

Tenant Improvements \$65.00-\$75.00/sf ▲

Other nbi/turnkey ▲

Outlook: Declines in face rents will be more moderate in 2010, but concession packages will remain attractive for most of the year as landlords compete with ample supply of quality space.

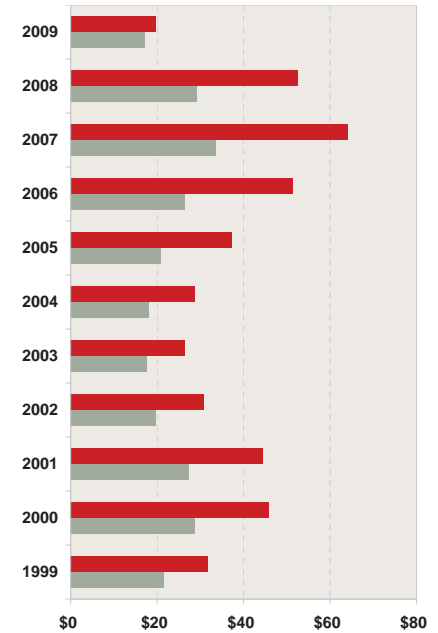
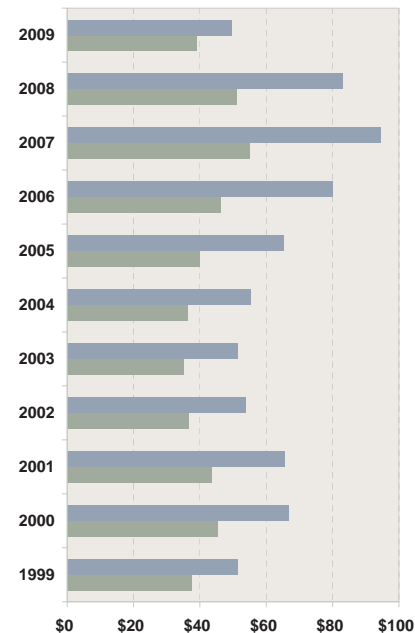
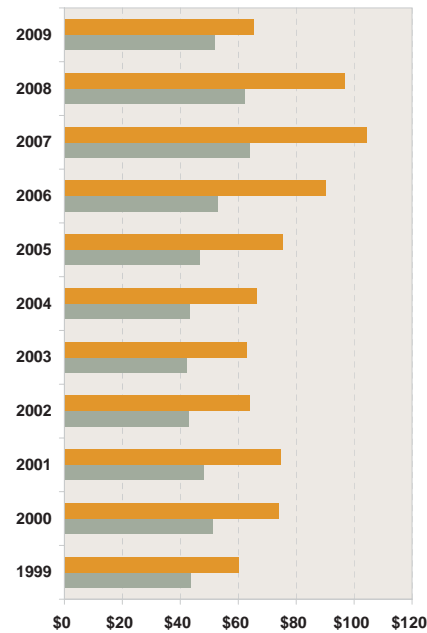
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Rent Comparison

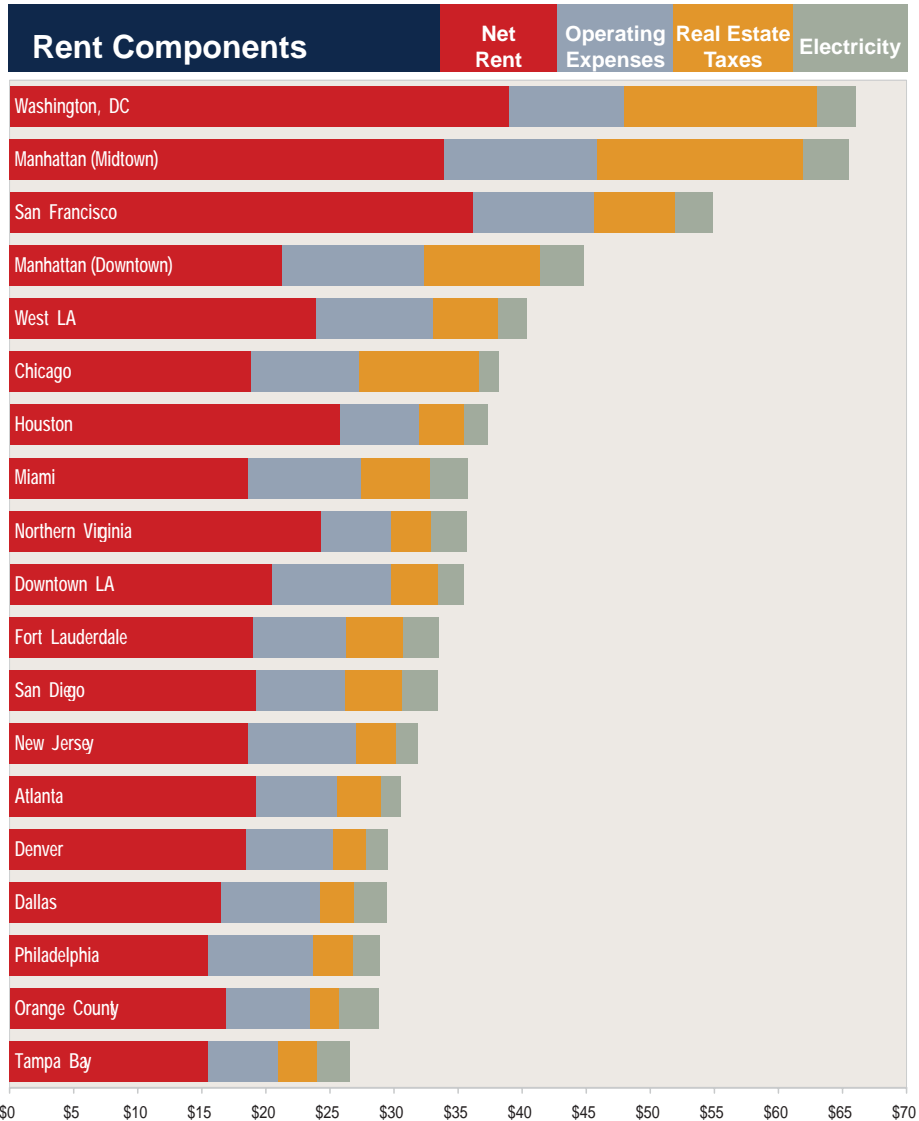
Total Rent

Tenant Effective

Landlord Effective



		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
■ Total Rent	Midtown NY	\$60.26	\$74.00	\$74.54	\$64.00	\$63.10	\$66.27	\$75.42	\$90.05	\$104.55	\$96.86	\$65.49
	■ U.S. Average	\$43.67	\$51.22	\$48.14	\$42.81	\$42.09	\$43.37	\$46.68	\$53.01	\$64.07	\$62.24	\$51.73
■ Tenant Effective Rent	Midtown NY	\$51.38	\$66.61	\$65.66	\$53.72	\$51.26	\$55.17	\$65.06	\$80.06	\$94.34	\$82.95	\$49.62
	■ U.S. Average	\$37.63	\$45.44	\$43.68	\$36.73	\$35.15	\$36.35	\$40.00	\$46.14	\$55.02	\$51.14	\$38.98
■ Landlord Effective Rent	Midtown NY	\$31.76	\$45.88	\$44.38	\$30.86	\$26.44	\$28.78	\$37.33	\$51.26	\$64.06	\$52.44	\$19.57
	■ U.S. Average	\$21.61	\$28.74	\$27.33	\$19.65	\$17.64	\$18.06	\$20.79	\$26.39	\$33.63	\$29.21	\$17.11



The Studley Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. This study focuses on the true cost of occupancy rather than only analyzing average asking rents.

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Glossary

Concessions Includes tenant improvements, free rent and other non-rent incentives that a tenant may receive as part of the lease terms.

Landlord Effective Rent An estimate of rent received from a tenant less related expenses.

Net Rent The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus lease concessions, which are amortized over the average market lease term, using an 8.0% interest rate and beginning-of-period payments.

Tenant Electricity Payments made by the tenant, whether to the landlord or public utility, or by the landlord, as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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