



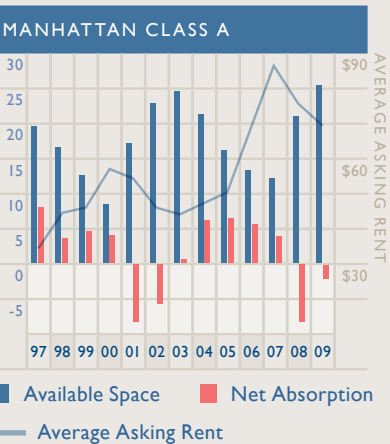
Barometer

OFFICE | FIRST QUARTER | 2009



MARKET INDICATORS

	Q1 09 Actual	Q2 09 Estimated
VACANCY RATE	↗	↗
NET ABSORPTION	↘	↘
CONSTRUCTION	↘	→
RENTAL RATE	↘	↘
CAP RATES	↗	↗



Doom and Gloom Mixed with a Silver Lining?

Doom and gloom. Financial crisis. Perfect storm. Leasing slowdown. As economic buzzwords reverberate through media reports and quarterly reviews, pundits seem resigned to the fact that the only forecasts ahead are negative. Certainly these are unique times, evident in ever-increasing job losses and a tightening credit crunch, but is this once-in-a-lifetime economic crisis a once-in-a-lifetime real estate crisis as well? A quick look at several Manhattan Class A first quarter statistics does confirm deteriorating conditions, but it also reveals these figures are not historically exclusive.

- » Highest vacancy rate (10.8%) since the 11.3% in December 2003
- » Most direct space available (14.8-mm-sf) since the 14.9-mm-sf in October 2003
- » Most sublet space available (10.2-mm-sf) since the 10.4-mm-sf in April 2003

Big blocks of space continue to wash over the commercial market, leaving landlords and owners to tread in the wake of a tenant's market. Currently, 42 blocks of 100,000-sf or greater remain available Midtown, compared to 23 from a year ago, amounting to an 83% jump year-to-year. Midtown South faces 16 big blocks on the market, a 77% increase from the 9 listed in March 2008; while 14 large spaces pervade Downtown Manhattan, a 40% boost from the 10 blocks available this time last year.

Large financial institutions continue to scale back with sharp employment reductions. With this main driver of New York City's commercial space out of commission, Manhattan's resurgence will be led by the vast intellectual capital comprising the city. As seen in previous downturns, one silver lining in a tenants' market is the entrepreneurial spirit it fosters, promising nonprofits and small-cap companies a place to prosper in a market not just reserved for the affluent. Thus, as smaller "bread and butter"

NEW YORK CITY EMPLOYMENT GROWTH BY SELECT INDUSTRY MAR 08 TO MAR 09

Industry (Total Employment Level)	Change (Mar 08 to Mar 09)
Manufacturing (83,000)	(14,700)
Banking (88,900)	(4,800)
Construction (120,700)	(12,800)
Information (165,100)	(2,700)
Education (165,400)	7,600
Securities (171,100)	(16,900)
Insurance & Real Estate (176,900)	(2,400)
Business Services (250,600)	(9,500)
Leisure & Hospitality (302,400)	(4,400)
Professional Services (333,800)	(9,700)
Trade, Transport & Utilities (552,800)	(23,400)
Government (559,600)	(4,100)
Health (563,800)	6,500

Source: NYC Office of the Comptroller



deals spread across industries, the health and education realms have emerged alongside the established legal and media sectors as current and future drivers of leasing activity. But don't count out financial services either as smaller firms born out of the larger banks should bloom across Manhattan.

Unfortunately, this recession is expected to drag out through 2009 and into 2010 as well. New York City private sector job losses, for the first three months of 2009, were at 22,700. For the full year, some 150,000 jobs are expected to evaporate with another 120,000 in 2010

and only minimal growth in 2011. Firms will continually be pressed to be more resourceful and innovative in a difficult business environment, from reducing office space per employee to relocating personnel, and working with real estate professionals to accommodate these evolving space requirements.

Midtown

The eye of the economic storm descended on Midtown Manhattan in the first quarter, as record direct and sublet space levels swept over the submarket. Propelled by the spike in

availabilities, Midtown's vacancy rate reached 12.2%, its highest level since 12.3% of August 1996. While the 12-mm-sf of direct space approaches the 12.3-mm-sf high of August 1996, most noteworthy is 7.8-mm-sf of sublet space saturating the market, an all-time high since Colliers ABR begin tracking figures (December 1991). Average asking rents dropped 8.9% since 4Q08, falling to \$74.82/sf.

Midtown South

Midtown South saw its overall vacancy rate soar 170 basis points during the first quarter,

VACANCY RATES/ASKING RENTS BY SUBMARKET

MIDTOWN CLASS A					MIDTOWN SOUTH OVERALL					DOWNTOWN CLASS A				
Submarket	Vacancy Rate		Avg Asking Rent		Submarket	Vacancy Rate		Avg Asking Rent		Submarket	Vacancy Rate		Avg Asking Rent	
	Dec 08	Mar 09	Dec 08	Mar 09		Dec 08	Mar 09	Dec 08	Mar 09		Dec 08	Mar 09	Dec 08	Mar 09
Plaza	11.5%	14.6%	\$86.25	\$77.49	Flatiron	10.8%	13.1%	\$48.53	\$44.15	Financial	7.6%	7.6%	\$49.40	\$44.41
Midtown West	7.5%	13.8%	\$85.17	\$80.90	Chelsea	9.1%	11.1%	\$42.62	\$39.08	World Trade	9.0%	7.8%	\$75.00	\$64.79
Times Square	9.9%	9.8%	\$83.35	\$77.57	SoHo/NoHo/Village	10.2%	13.0%	\$53.48	\$46.98	City Hall/Insurance	6.4%	7.1%	\$44.99	\$42.58
Rockefeller Center	7.1%	8.2%	\$91.42	\$88.47	TriBeCa	12.6%	13.0%	\$50.40	\$42.92					
Grand Central	11.3%	14.0%	\$74.40	\$64.32	Hudson Square	20.6%	18.8%	\$44.69	\$44.69					
Penn Plaza/Garment	6.2%	7.3%	\$56.94	\$56.08										

Source: Colliers

MAJOR LEASING TRANSACTIONS FOR FIRST QUARTER 2009

Firm	Address	Square Feet	Submarket	Circumstances
Penguin Group USA	375 Hudson Street	297,980	Hudson Square	Renewal/Expansion
MetSchools	100 Church Street	200,000	World Trade	New
Vantone Industrial Co Inc.	1 World Trade Center	190,000	World Trade	New (pre-lease)
Bloomberg LP	731 Lexington Avenue	180,000	Plaza	Expansion
Polo Ralph Lauren	650 Madison Ave	150,000	Plaza	Renewal
Sonnenschein, Nath & Rosenthal	2 World Financial Center	135,000	World Trade	Relocation
Kirkland & Ellis	153 East 53rd Street	120,000	Plaza	Expansion
Daiwa Securities	32 Old Slip	112,000	Financial	Renewal
Interactive Data Corp	100 Church Street	65,000	World Trade	New
TSX Operating	229 West 43rd Street	59,294	Times Square	New
Phoenix Constructors	100 Broadway	55,000	Financial	Renewal

Source: Colliers

MAJOR MANHATTAN INVESTMENT SALES FOR FIRST QUARTER 2009

Address	Sale Price	Square Feet	Price/Square Feet	Submarket	Buyer
1540 Broadway*1	\$355 Million	905,533	\$392	Times Square	CBRE Investors
620 Eighth Avenue*2	\$225 Million	750,000	\$300	Times Square	W.P Carey & Co.

*1 Office Condominium

*2 Condominium Interest; Sale/Leaseback by NY Times

Source: Real Capital Analytics/Colliers ABR

OFFICE VACANCY AND ABSORPTION - BY CLASS

	Number of Buildings	Total Inventory (SF)	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current	Vacancy Rate Previous	Net Absorption Current Qtr.	Net Absorption YTD	Under Construction (SF)	Avg. Rental Rate
MANHATTAN										
MIDTOWN										
Class A	213	162,663,320	7.4%	4.8%	12.2%	9.9%	(1,854,519)	(1,854,519)	1,438,000	\$74.82
Class B	357	70,622,487	11.3%	3.0%	14.4%	12.1%	(1,198,152)	(1,198,152)	-	\$49.05
Class C	382	24,125,958	7.2%	1.5%	8.7%	6.5%	(543,686)	(543,686)	-	\$35.51
Subtotals	952	257,411,765	8.4%	4.0%	12.4%	10.2%	(3,596,357)	(3,596,357)	1,438,000	\$64.07
MIDTOWN SOUTH										
Class A	19	14,176,244	4.6%	3.1%	7.8%	5.8%	(280,850)	(280,850)	315,000	\$52.29
Class B	290	52,215,845	10.9%	3.3%	14.2%	12.4%	(946,332)	(946,332)	-	\$44.03
Class C	489	31,947,410	11.7%	1.8%	13.5%	12.2%	(419,392)	(419,392)	-	\$39.41
Subtotals	798	98,339,499	10.2%	2.8%	13.1%	11.4%	(1,646,574)	(1,646,574)	315,000	\$43.19
DOWNTOWN										
Class A	53	55,573,774	3.9%	3.6%	7.5%	7.7%	79,054	79,054	4,600,000	\$49.65
Class B	87	29,926,449	12.4%	2.0%	14.4%	14.2%	(78,672)	(78,672)	-	\$38.07
Class C	111	4,243,507	15.3%	0.3%	15.6%	15.5%	(3,008)	(3,008)	-	\$36.01
Subtotals	251	89,743,730	7.3%	2.9%	10.2%	10.2%	(2,626)	(2,626)	4,600,000	\$43.21
MANHATTAN GRAND TOTAL										
Class A	285	232,413,338	6.4%	4.4%	10.8%	9.1%	(2,056,315)	(2,056,315)	6,353,000	\$69.62
Class B	734	152,764,781	11.4%	2.9%	14.3%	12.6%	(2,223,156)	(2,223,156)	-	\$45.18
Class C	982	60,316,875	10.1%	1.6%	11.7%	10.1%	(966,086)	(966,086)	-	\$37.93
Totals	2,001	445,494,994	8.6%	3.5%	12.1%	10.4%	(5,245,557)	(5,245,557)	6,353,000	\$55.57
QUARTERLY COMPARISON AND TOTALS										
Q1-09	2,001	445,494,994	8.6%	3.5%	12.1%	10.4%	(5,245,557)	(5,245,557)	6,353,000	\$55.57
Q4-08	2,000	442,965,784	7.7%	2.8%	10.4%	9.1%	(6,098,298)	(13,791,792)	9,130,000	\$60.33
Q3-08	2,000	442,965,784	7.0%	2.1%	9.1%	8.7%	(1,677,371)	(7,693,494)	9,330,000	\$65.40
Q2-08	2,000	442,965,784	6.9%	1.8%	8.7%	7.8%	(4,006,844)	(6,016,123)	9,330,000	\$66.75
Q1-08	2,000	442,965,784	6.4%	1.4%	7.8%	7.3%	(2,009,279)	(2,009,279)	9,330,000	\$65.38
SUBURBAN										
JERSEY CITY										
Class A	30	15,729,555	4.5%	5.4%	9.9%	9.5%	(74,218)	(74,218)	-	\$29.60
Subtotals	99	19,322,305	6.8%	4.5%	11.3%	10.1%	(238,297)	(238,297)	-	\$27.02
FAIRFIELD										
Class A	221	31,270,683	14.7%	5.3%	20.0%	18.5%	(461,797)	(461,797)	975,278	\$33.82
Subtotals	1,079	57,370,862	14.1%	3.5%	17.6%	16.4%	(680,014)	(680,014)	975,278	\$31.56
WESTCHESTER										
Class A	140	25,107,922	15.4%	4.0%	19.3%	18.3%	(259,503)	(259,503)	-	\$28.12
Subtotals	646	44,228,655	14.5%	2.4%	16.9%	16.0%	(423,684)	(423,684)	-	\$30.18
SUBURBAN GRAND TOTAL										
Class A	391	72,108,160	12.7%	4.9%	17.6%	16.5%	(795,518)	(795,518)	975,278	\$31.11
Totals	1,824	120,921,822	13.1%	3.3%	16.4%	15.3%	(1,341,995)	(1,341,995)	975,278	\$30.54
QUARTERLY COMPARISON AND TOTALS										
Q1-09	1,824	120,921,822	13.1%	3.3%	16.4%	15.3%	(1,341,995)	(1,341,995)	975,278	\$30.54
Q4-08	1,824	120,921,822	12.1%	3.2%	15.3%	15.0%	(373,309)	(262,048)	975,278	\$28.99
Q3-08	1,824	120,670,994	12.3%	2.7%	15.0%	14.8%	(165,820)	111,261	1,272,335	\$29.53
Q2-08	1,824	120,670,994	12.0%	2.8%	14.8%	14.2%	(635,219)	277,081	1,272,335	\$29.15
Q1-08	1,868	120,921,822	11.9%	2.3%	14.2%	14.5%	912,300	912,300	303,944	\$29.77

Source: Colliers

closing March at 13.1% (its highest level since 12.7% from February 2004). Sublet availability increased almost 44% in the opening quarter, mirroring trends across Manhattan. Average asking rents declined nearly 7.5% since December, dipping to \$43.19/sf across all classes.

BLOCKS OF AVAILABLE SPACE 100,000 SF AND GREATER

Submarket	Mar 09	Mar 08
Midtown	42	23
Midtown South	16	9
Downtown	14	10
Manhattan Total	72	42

Downtown

Downtown Manhattan managed to buck first quarter trends across the city and nation, as the vacancy rate actually improved 20 basis points to 7.5%. Average asking rents, however, thanks to precipitous drop over January, did retreat 12% over the quarter to \$49.65/sf. Headlines over the first three months of 2009 include the World Trade Center development, including the first arms length lease signing at 1 WTC by China's Vantone Industrial Company for 190,000-sf.

Investment Sales

Investment sales continued to crawl in the first quarter. With only a handful of deals exceeding the \$100 million mark, the trickling transaction volume can be attributed to a highly constrained lending environment. Large single asset and portfolio transaction are very difficult due to lender's reluctance to use scarce liquidity for transaction being syndicated by other lenders. Indeed, loans of any size are being made primarily to long term clients of the lenders. Liquidity is less constrained on multifamily transactions due to the efforts of the Government Sponsored Enterprises (GSEs) such as Fannie Mae. Investors are reluctant to commit as increasing vacancy rates and falling rents are making it difficult to underwrite projected revenues.

Fairfield

The Class A vacancy rate for Fairfield County climbed 150 basis points in the first quarter, closing March at 20.0%. Meanwhile, the average asking rent managed to approach its 4Q07 peak, rising to \$33.82/sf (though this slight uptick is more than likely an anomaly).

In Stamford, the Class A vacancy rate spiked 430 basis points over the first three months of 2009, soaring to a record high of 27.9%. The Class A average asking rent, meanwhile, slipped to \$34.92/sf, down from \$35.54/sf in 4Q08. Over 900,000-sf of trophy office space remains slated for delivery in Stamford, between 600 Washington Blvd, 1 Harbor Point Square, and 2 Harbor Point Square.

Greenwich, due to its dependence on financial services firms, particularly hedge funds, has struggled over the past year. For the first quarter of 2009, the Class A vacancy rate jumped 200 basis points to 15.2%. Meanwhile, the average asking rent has taken a nosedive, closing the month at \$68.70/sf, down from \$78.42/sf in December and an amazing 27.9% less than its record high of \$95.33/sf in September 2008.

Westchester

The Westchester County Class A vacancy rate jumped 100 basis points during 1Q09 to reach 19.3%. The average asking rent for Class A space in Westchester retreated slightly to \$28.12/sf, yet leasing activity was bolstered somewhat by Wachovia Securities (now Wells Fargo) signing for 25,982-sf at 1133 Westchester Avenue in White Plains.

Jersey City

The Jersey City vacancy rate escalated slightly to 9.7%, a mere 20 basis points, and all the more impressive in comparison to Manhattan's rise across the Hudson. The Class A average asking rent dipped to \$29.60/sf in March, down nearly 9% from 4Q08 as leasing transactions remained few and far between.

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18
Asia Pacific 62
EMEA 95

868 million square feet
under management

11,048 Professionals

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