

THE GOTHAM COMMERCIAL REAL ESTATE MONITOR

MARKS PANETH LLP

Commercial Real Estate Executives Doubt New Mayor Will Support their Interests

- Only 7% of New York commercial real estate executives said in our **fourth quarter 2013 survey** that they think Mayor Bill de Blasio will strongly support the interests of the city's commercial property owners. Twenty-one percent said they're "not at all confident" he will, and 21% said they're not "too confident" he will.

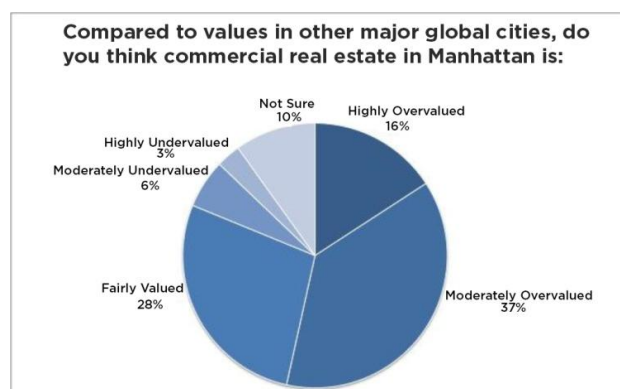


- By contrast, the vast majority of commercial real estate executives – 76% – gave Mayor Michael Bloomberg high marks for supporting their interests in our late 2012 survey.

Where Will Office Rents Peak? Think Posh: Flatiron, Midtown East, Grand Central

- A quarter of real estate executives said office rents will level off in Flatiron/Midtown South, the Grand Central area and the "Plaza District," i.e., northeast Midtown in the vicinity of the Plaza Hotel.
- At the same time, executives continue to expect rents in hot emerging office districts to skyrocket – namely Garment Center/Herald Square, Downtown Brooklyn and Hell's Kitchen.

Manhattan Commercial Property Values Remain Overvalued – but Don't Pose Too Much Risk for Investors



- Thirty-eight percent of executives said Manhattan commercial real estate is moderately overvalued compared with property in other major global cities. Sixteen percent said it's highly overvalued, and 28% said it's fairly valued. These views are virtually unchanged from those expressed in two of our earlier surveys conducted within the last 12 months.

- Despite the view that valuations are too high, property executives don't think there's significant risk in investing in Manhattan commercial property. Only 2% said there's a "high" risk associated with such investments, and 35% said there's a moderately low or low risk. Forty-eight percent characterized the risk as "moderate".

Real Estate Executives Regaining Faith in Lower Manhattan Property Values

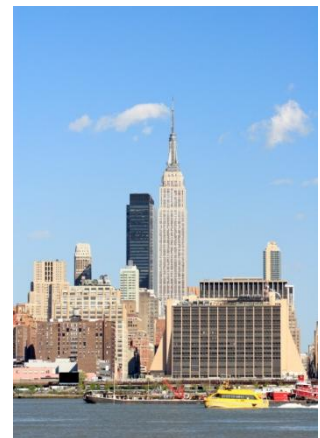
- As the physical effects of Hurricane Sandy fade away, property executives are finally reversing their negative view on the prospects for Lower Manhattan commercial property values. Only 6% said they believed property values in Lower Manhattan will drop in 2014. Just a half-year earlier, in June 2013, nearly a third of executives (32%) thought values would decline.
- Importantly, the majority – 51% – believe property in Lower Manhattan will get pricier this year.

But Don't Count on Government to Help Prevent Another Sandy-Like Flooding Downtown

- Fully half of executives (50%) said they're "not confident" that there will be significant government effort to prevent future flooding in Lower Manhattan.

The City's Commercial Real Estate Mega-Projects: Which One has the Biggest Impact?

- Over a six-month period, the number of property executives who believe the Hudson Yards project will be the mega-development with the biggest positive long-term impact on surrounding commercial property values increased significantly: to 52% from 34%.
- Many real estate executives are also optimistic about the potential positive effects of the Second Avenue Subway (24% said it will have the biggest impact on surrounding values) and LIRR East Side Access to Grand Central Terminal (20%).
- Only 4% think the new World Trade Center (aka Freedom Tower) might have the most positive long-term impact.



Disruptions from Second Avenue Subway Construction

- Most executives – 51% – said not enough has been done to minimize the negative impact of the subway project on retail establishments and commercial property values.

Methodology

The Gotham Commercial Real Estate Monitor from Marks Paneth represents the findings of a survey of over 100 top commercial real estate professionals in the New York City market. Professionals participating in the research include owners and managers of commercial property, commercial real estate brokers and agents, and attorneys and accountants specializing in the sector. The inaugural survey was completed in January 2013 and the second in June 2013. The research employed self-administered questionnaires completed online by respondents. The list of professionals surveyed was compiled by Marks Paneth, the research sponsor. In addition, a link to the survey site was included in an online trade publication. Interviews were completed during the period of November 7-30, 2013.