THE GOTHAM COMMERCIAL REAL ESTATE MONITOR
MARKS PANETH & SHRON LLP

Fear of Flooding: Hurricane Sandy Still Washing Away Luster of Lower Manhattan Real Estate

- The majority of New York commercial property executives – 63% – said in our June-July survey they think the potential for flooding in Lower Manhattan will increase interest in commercial properties in *other* parts of Manhattan less prone to flooding. Fewer than a quarter of the executives disagreed with that view.

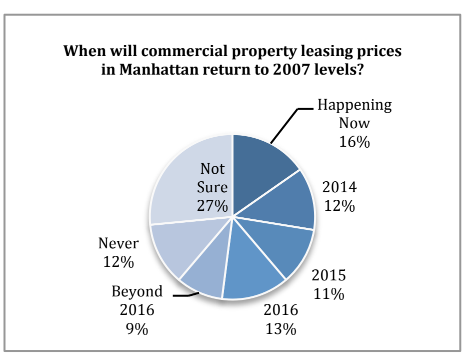
- Only 43% of New York real estate executives said they are even somewhat confident there will be a significant government effort to minimize the potential for future flooding in Lower Manhattan.

- The brighter side: Fewer property executives said they believe that values in Lower Manhattan will have been permanently lowered by the effects of Sandy than did at the beginning of the year. In the current summer survey, only 9% said values are permanently lowered, compared with 19% in the winter (January 2013). And more executives – 40% in the current survey, compared with 26% in January – said there's no impact on property values because of Sandy.

In the Global Context, Manhattan Commercial Real Estate is Overvalued

- Most property executives (54%) put Manhattan commercial real estate in the overvalued category when compared commercial property in other major global cities. And only 28% said Manhattan commercial property is fairly valued. This sentiment is largely unchanged from the beginning of the year.

- Is foreign investment behind this view? The vast majority of executives – 82% – said foreign investment has an influence on commercial property values in Manhattan, with 47% saying it has a great deal of influence.



When Will Leasing Prices Return to Pre-Recession Levels? Not for a While

- Only 15% of property executives think Manhattan office and other commercial leasing prices are returning to 2007 levels now. And only 12% believe they will do so in 2014. Nearly a third (32%) think it will happen in 2016, beyond 2016 or never.

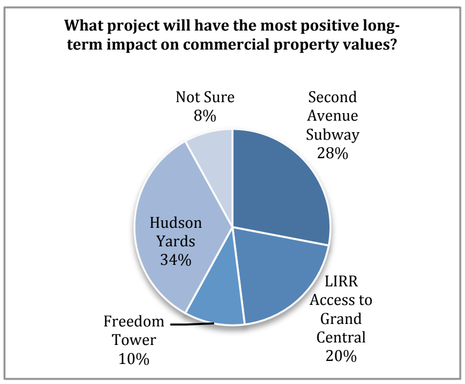
Downtown Brooklyn: Where Office Rents Will Skyrocket Next

- Downtown Brooklyn was the spot executives most frequently chose as the place where office rents will skyrocket next. (Seventeen percent chose this neighborhood in the current survey.)

- Following closely as the next hot office area were the Garment Center and Hell's Kitchen (16% for each). Only 13% chose the Financial District, and only 10% chose the Grand Central area.

- Other neighborhoods thought of as "emerging" didn't garner as much confidence. Seven percent chose Long Island City, 8% DUMBO, and 6% Harlem as the next hot office areas.

Development Projects with the Biggest Potential Impact on Nearby Commercial Property Values



- Executives were most likely to choose the Hudson Yards project on the far West Side (34%) as the major development project that will have the biggest positive, long-term impact on property values in its respective neighborhood. It was followed by the Second Avenue Subway (28%), Long Island Railroad access to Grand Central (20%) and the World Trade Center redevelopment (10%).

Methodology

The *Gotham Commercial Real Estate Monitor* from Marks Paneth & Shron represents the findings of a survey of over 100 top commercial real estate professionals in the New York City market. They included owners and managers of commercial property, commercial real estate brokers and agents, and attorneys and accountants specializing in this sector. The inaugural survey was completed in January 2013. The research employed self-administered questionnaires completed online by respondents. The list of professionals surveyed was compiled by Marks Paneth & Shron LLP, 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 May 6 to July 1, 2013.