

BROOKLYN OFFICE MARKET SUMMARY: 4Q 2010

MARKET HIGHLIGHTS

- The growing optimism of Brooklyn business people is a positive sign of change.
- Overall vacancy dropped slightly, encouraged by decline in rents by 3.8% from one year ago.
- Notable increase in office leasing activity in Class B and Class C buildings. Class B leasing increased by 112.8% and Class C by 196.3% from 2009

The market improved in 2010 with vacancy dropping slightly, encouraged by rents which declined by 3.8% from one year ago. The average overall office vacancy rate of 7.1% in 2010 declined from 8.5% office vacancy rate reported one year ago. The office vacancy rate declined slightly to 6.7% in the fourth quarter from the third quarter rate of 6.8%. The fourth quarter rate also dropped from 8.5% office vacancy rate reported one year ago. The average office rental rate picked up marginally to \$27.54 per square foot from the third quarter rate of 27.41 per square foot, indicative of recovery in the market. However, it still remained below the \$28.56 per square foot reported one year ago.

Leasing Volume

Office leasing activity has been impressive. Supported by lower rates and improving economic activity overall office leasing activity totaled 948,333 square feet in 2010 increasing dramatically by 195.5% from one year ago.

There was a notable increase in office leasing activity in Class B and Class C buildings, while Class A leasing remained unchanged. Class B leasing increased 36% from the third quarter and also increased by 112.8% from one year ago. Class C leasing increased by 20% from the third quarter and also increased by 196.3% from one year ago. Apparently tenants taking advantage of lower rates are moving in to lock rents before landlords can flex their pricing muscle.

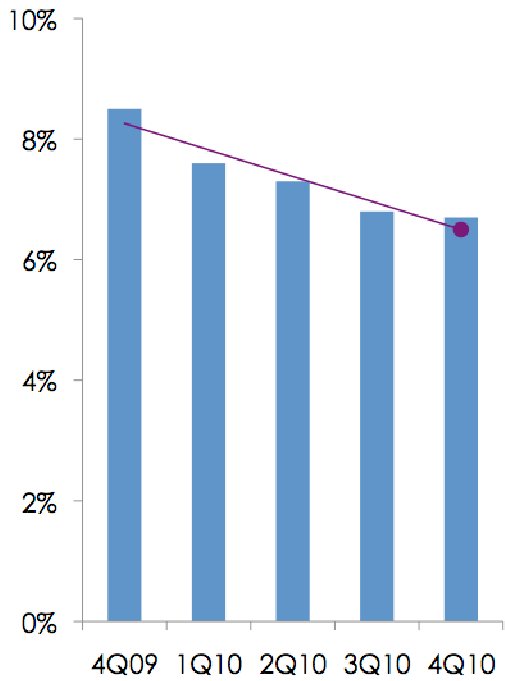
One of the notable office leases in 2010 was the City's Department of Information and Telecommunication which took 72,000 square feet at Two Metro Tech. Another large transaction was for the Art Institute of New York (AiNYC) which signed a five year lease for the entire 41,500 square feet at 67 Livingston Street in Downtown Brooklyn. Thus enabling AiNYC to consolidate student housing at one location which is currently spread across Brooklyn and Manhattan.

Sales

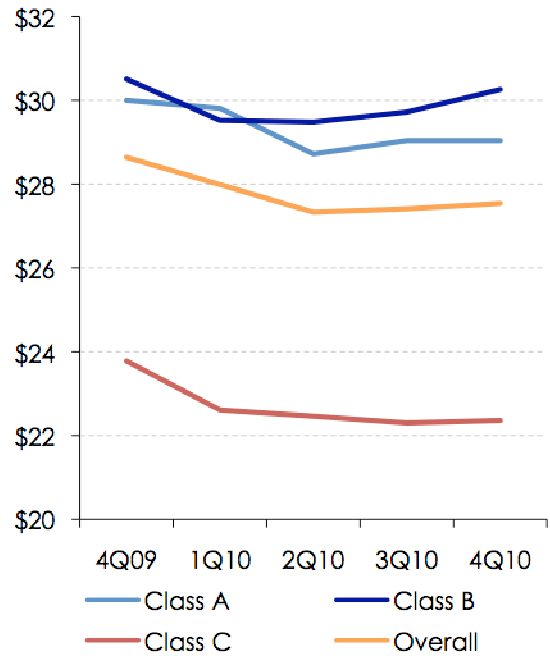
Sales market was favorable to buyers because prices were down. The average price per square foot declined by 11% to \$185 per square foot from \$207 per square foot one year ago, reflecting market weakness driven by the economic turmoil, further compounded by the credit crisis and uncertainty. Even though overall commercial sales were strong in 2010 with 778 sales totaling over \$ 1 billion, sales in office properties were down from one year ago. Office sales totaled 447,168 square feet in 2010, down by 61% from 2009. The total dollar volume of \$82.7 million decreased by 65% from an already slowed 2009.

There are plenty of opportunities in office sales market, as the financial markets continue to stabilize, capital markets loosen up, and credit becomes easier to access, office properties sales will thrive again.

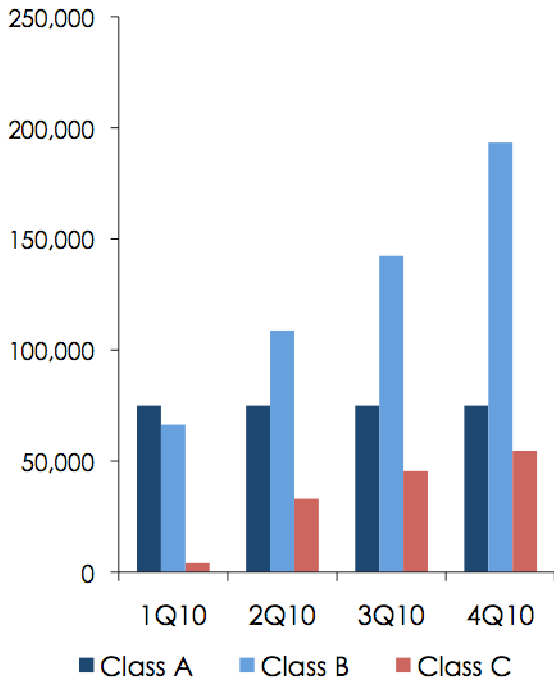
Overall Vacancy Rate



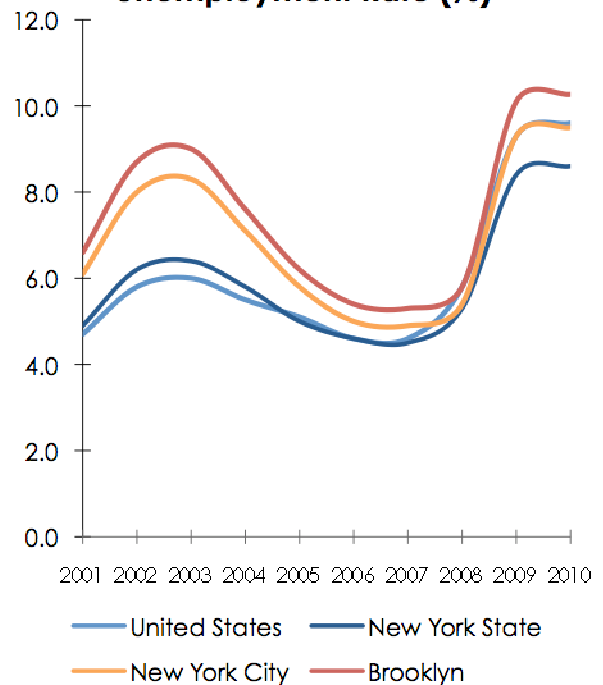
Rental Rate Trends



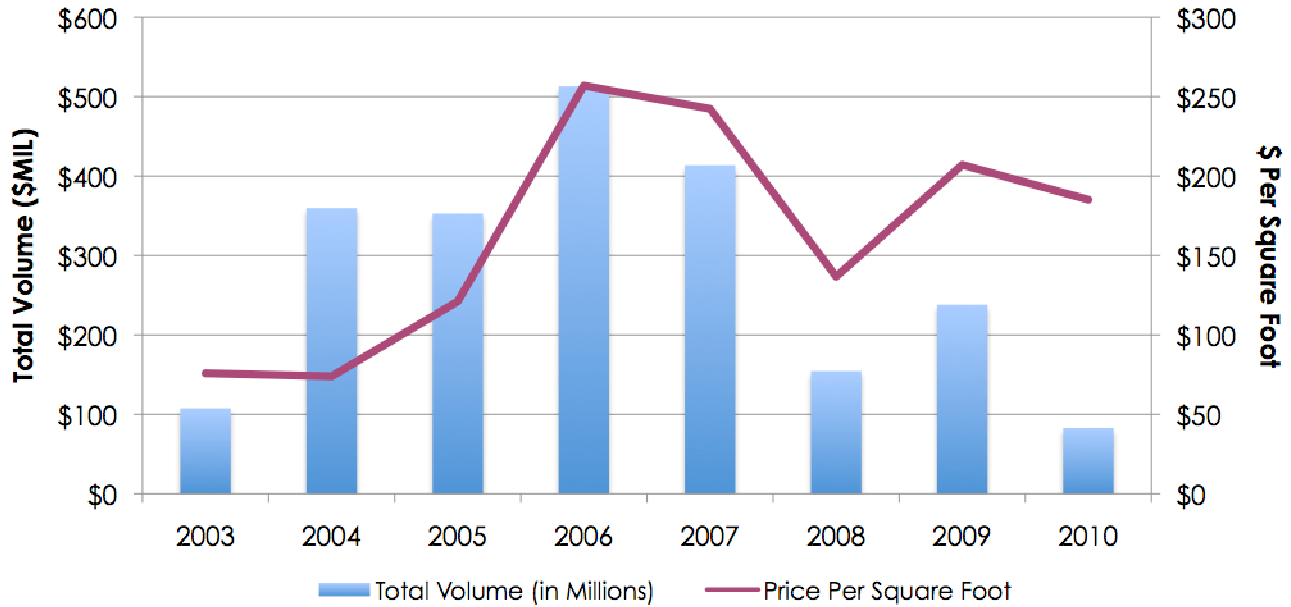
Leasing Activity



Unemployment Rate (%)



Sales Activity



205 Montague Street Sales Deal

One of the notable Brooklyn office property sales in 2010 was 205 Montague Street, formerly known as the Brooklyn Savings Bank. The 5-story, 76,000 square foot building was sold to Midtown Equities by Treeline for \$33 Million, at \$434 per square foot, with a profit of approx. \$8 million. At the time of sale it was fully occupied and had long-term leases in place. This is the building where Jackie Robinson made history when he first signed to the Brooklyn Dodgers. The building is an icon of the area and is prominently located on the corner of Cadman Plaza West and Montague Street. Built in 1962 and last altered in 2000, it is particularly noted for its white masonry and extensive glass facade. The ground floor is leased to two major banks with offices above. 205 Montague Street anchors Montague Street's retail community, the highest depositing banking corridor in Brooklyn.

Montague Street contains a number of commercial office towers and is also home to over 100 retail tenants. The high-rise towers at



Montague Street provide more than 700,000 square feet of Class A office space. Tenants enjoy superb transit connections and a diverse customer base of affluent residents, local workers and students, and international visitors.

Montague Street is easily accessible by car and mass transit. The Court Street/Borough Hall subway station, located directly below Montague Street, is one of the busiest in the system. On an average weekday, more than 34,000 people pass through the turnstiles, placing it among the top 5% of the subway's stations by ridership.

Economy and Employment

Brooklyn's job market is primarily dependent on national and city economy, ebb and flow in population dynamics, also it is deemed to be a reasonable back-office for New York businesses. Approximately 25,000 people living in the borough found work during the first half of 2010, according to the Department of Labor's recent statistics. Brooklyn has many opportunities for growth; as the recovery gains momentum it is having a positive impact on Brooklyn businesses. Just looking at the unemployment figures by itself portrays a very bleak picture where Brooklyn is trailing behind national, New York State and New York City's unemployment rate. Even though among the five boroughs Brooklyn is the second highest in unemployment with 10.5% rate, employment remained steady in 2010 with only a nominal 343 job loss than one year ago. Brooklyn beats the record in terms of employment and stays ahead in retaining employment over national, New York State and New York City.

Job growth is promising in Brooklyn. Since 2009, Brooklyn has added 34,000 jobs or 3.6%. In terms of industries there are no surprises; real estate construction and manufacturing were hard hit due to recession, poor economy, and the housing industry crisis. Winners are the Leisure & Hospitality Industry with an increase of 10.8% followed by Professional and Business Services with 10.2% increase. Other noteworthy industries with future growth are Service Providing Industry with 4.8% growth and Education and Health Services with 4.2% growth.

Brooklyn Employment	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2006	577,203	50,770	81	23,922	26,768	375,223	100,439
2007	590,981	50,861	60	25,882	24,919	384,955	104,304
2008	600,059	50,170	62	26,730	23,378	393,765	105,954
2009	590,619	44,742	70	23,906	20,766	397,200	103,935
2010	609,220	42,752	95	22,883	19,774	416,218	107,498
Growth (Loss) Since 2009	18,601	-1,990	25	-1,023	-992	19,018	3,563
Growth (Loss) Since 2009 %	3.1%	-4.4%	35.7%	-4.3%	-4.8%	4.8%	3.4%
Growth (Loss) Since 2007	18,239	-8,109	35	-2,999	-5,145	31,263	3,194
Growth (Loss) Since 2007 %	3.1%	-15.9%	58.3%	-11.6%	-20.6%	8.1%	3.1%

Brooklyn Employment	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2006	6,624	31,508	31,333	154,652	24,302	26,365	65,372
2007	6,685	31,829	32,539	158,065	25,633	25,899	66,111
2008	6,754	32,214	33,430	162,655	27,202	25,556	67,577
2009	6,746	29,620	34,549	168,080	28,435	25,837	68,537
2010	6,692	29,000	38,086	175,179	31,517	28,246	68,537
Growth (Loss) Since 2009	-54	-620	3,537	7,099	3,082	2,409	0
Growth (Loss) Since 2009 %	-0.8%	-2.1%	10.2%	4.2%	10.8%	9.3%	0.0%
Growth (Loss) Since 2007	7	-2,829	5,547	17,114	5,884	2,347	2,426
Growth (Loss) Since 2007 %	0.1%	-8.9%	17.0%	10.8%	23.0%	9.1%	3.7%

Brooklyn Wages

Brooklyn's total wages declined in 2010 by 12% from 2009; New York City's total wages grew nominally by 1.2% during that period from \$263 billion to \$267 billion.

Brooklyn's average wages grew by 2% in 2010 from 2009 which is above New York City's average wage growth: \$73,917 to \$74,714 or 1%.

Brooklyn Total Wages	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2006	\$34,087,044,000	\$2,090,699,000	\$1,943,000	\$1,123,463,000	\$965,293,000	\$13,187,123,000	\$3,363,079,000
2007	\$36,048,061,000	\$2,174,208,000	\$1,553,000	\$1,272,662,000	\$899,993,000	\$14,037,602,000	\$3,629,197,000
2008	\$37,448,532,000	\$2,227,853,000	\$1,948,000	\$1,377,839,000	\$848,066,000	\$14,609,213,000	\$3,687,047,000
2009	\$37,519,587,000	\$2,047,734,000	\$2,117,000	\$1,293,951,000	\$751,667,000	\$14,741,246,000	\$3,606,565,000
2010 Annualized	\$32,896,176,000	\$1,784,684,000	\$2,226,000	\$1,130,446,000	\$652,014,000	\$14,712,024,000	\$3,553,918,000
Growth (Loss) Since 2009	-4,623,411,000	-263,050,000	109,000	-163,505,000	-99,653,000	-29,222,000	-52,647,000
Growth (Loss) Since 2009 %	-12.3%	-12.8%	5.1%	-12.6%	-13.3%	-0.2%	-1.5%
Growth (Loss) Since 2007	-3,151,885,000	-389,524,000	673,000	-142,216,000	-247,979,000	674,422,000	-75,279,000
Growth (Loss) Since 2007 %	-8.7%	-17.9%	43.3%	-11.2%	-27.6%	4.8%	-2.1%

Brooklyn Total Wages	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2006	\$351,552,000	\$1,708,210,000	\$1,131,032,000	\$5,569,757,000	474,594,000	\$588,899,000	\$3,531,400,000
2007	\$366,875,000	\$1,809,980,000	\$1,222,507,000	\$5,889,141,000	525,865,000	\$594,036,000	\$3,624,442,000
2008	\$401,849,000	\$1,778,643,000	\$1,269,234,000	\$6,297,459,000	563,022,000	\$611,957,000	\$3,774,402,000
2009	\$395,111,000	\$1,543,510,000	\$1,319,854,000	\$6,658,083,000	578,187,000	\$639,936,000	\$3,941,626,000
2010 Annualized	\$390,860,000	\$1,523,402,000	\$1,404,484,000	\$6,606,900,000	579,644,000	\$652,818,000	\$4,020,458,520
Growth (Loss) Since 2009	-4,251,000	-20,108,000	84,630,000	-51,183,000	1,457,000	12,882,000	78,832,520
Growth (Loss) Since 2009 %	-1.1%	-1.3%	6.4%	-0.8%	0.3%	2.0%	2.0%
Growth (Loss) Since 2007	23,985,000	-286,578,000	181,977,000	717,759,000	53,779,000	58,782,000	396,016,520
Growth (Loss) Since 2007 %	6.5%	-15.8%	14.9%	12.2%	10.2%	9.9%	10.9%

Brooklyn Average Annual Wages	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2006	\$36,163	\$41,179	\$24,143	\$46,963	\$36,062	\$35,145	\$33,484
2007	\$37,524	\$42,748	\$25,846	\$49,172	\$36,117	\$36,466	\$34,794
2008	\$39,272	\$44,406	\$31,502	\$51,546	\$36,276	\$37,101	\$34,799
2009	\$39,661	\$45,767	\$30,059	\$54,126	\$36,198	\$37,113	\$34,700
2010	\$40,454	\$46,682	\$30,660	\$55,209	\$36,922	\$37,855	\$35,394
Growth (Loss) Since 2009	793	915	601	1,083	724	742	694
Growth (Loss) Since 2009 %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Growth (Loss) Since 2007	2,930	3,934	4,814	6,037	805	1,389	600
Growth (Loss) Since 2007 %	7.8%	9.2%	18.6%	12.3%	2.2%	3.8%	1.7%

Brooklyn Average Annual Wages	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2006	\$53,072	\$54,214	\$36,098	\$36,015	\$19,529	\$20,358	57,180
2007	\$54,884	\$56,865	\$37,570	\$37,258	\$20,515	\$21,101	64,662
2008	\$59,496	\$55,213	\$37,967	\$38,717	\$20,698	\$21,588	55,094
2009	\$58,571	\$52,111	\$38,203	\$39,613	\$20,334	\$22,116	56,553
2010	\$59,742	\$53,153	\$38,967	\$40,405	\$20,741	\$22,558	57,684
Growth (Loss) Since 2009	1,171	1,042	764	792	407	442	1,131
Growth (Loss) Since 2009 %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Growth (Loss) Since 2007	4,858	-3,712	1,397	3,147	226	1,457	-6,979
Growth (Loss) Since 2007 %	8.9%	-6.5%	3.7%	8.4%	1.1%	6.9%	-10.8%

Government Sector and Average Annual Wages 2010 Data not available.

Assumptions:

No change in Government sector employment in 2010

Government Sector Total wages - 2% cost of living increase in 2010

Average Annual Wages - 2% cost of living increase in 2010



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New Developments

According to Downtown Brooklyn Partnership as of October 2010, 60,000 square feet office space was considered for approval, review and design. 222,000 square feet was added in office development projects in Downtown Brooklyn. 26,000 square feet office space is under construction and 1,380,000 square feet office development space is being planned. Even though in 2010 there was a slight increase in inventory by 6% to 17.3 million square feet, it is a promising change. The Forest Ratner project at the Brooklyn Navy Yards is not only emotionally and psychologically a morale booster, but also enables the borough to be competitive in terms of new, modern structure which will help attract business and revenue. Brooklyn College is set to open its Graduate School of Cinema which will offer nine different degree programs in the Brooklyn Navy Yard beginning in the fall semester 2013. New York City, moving to open a new school for applied science and engineering, is considering the Brooklyn Navy Yard for its location.

Summary

Still, the market is in recovery. It is also tough to compete against Manhattan for commercial real estate leasing, but the future seems positive. The growing optimism of Brooklyn business people is a positive sign of change. Recently there has been news coverage of different businesses, including Fortune 500 companies, targeting Brooklyn for business expansion and relocation which shows rising confidence in Brooklyn market.