

Newsletter

New York City Ground Zero and Lower Manhattan +10 Years

Who would have thought that 10 years after 9/11 Lower Manhattan would be doing so well. After losing over 14 million square feet of office space and 65,000 jobs that were eliminated or relocated, vacancy rates are now among the lowest in the nation. Lower Manhattan has been revived by many firms relocating there and also by a tourism and residential housing boom. Over \$30 billion has been invested by public and private groups since 9/11. Apartment sales in Lower Manhattan are up 151% since 2003 and the resident population downtown has more than doubled to 56,000 since 2001. Financial services and the public sector continue to be the largest employer's downtown, however the local job market has become much more diversified in the last 10 years as media companies, non-profit organizations and a total of 9 new schools have opened and moved there in the last 10 years. Last year alone 10 million tourists visited Lower Manhattan. There now are 18 hotels in Lower Manhattan and more to come vs. only 6 hotels in 2001. In addition, there are another 7 hotel projects in various stages of development in Lower Manhattan.



After years of legal back-and-forth and battles over insurance proceeds, construction is finally moving at a very rapid pace. "Freedom Tower" now tops 90 floors and it less than 2 years away from completion. Many high-profile tenants have already committed to lease space such as Conde Nast. 7 World Trade Center is already 100% leased. This is a 52-story skyscraper just north of the World Trade Center site. MSCI was the last major tenant to sign on board with a lease to occupy 125,000 square feet.

Many former office buildings have been converted into hotels and residential luxury condominium properties. Many developers see value in buying beat-up old office buildings and then converting them to another use.

The large tax incentives also being granted for development projects near Ground Zero have also helped spur development, such as Liberty Bonds and the city's 421-G tax abatement program.

Lower Manhattan currently accounts for 38% of all new construction in all commercial business districts in the entire United States. From 2001 to 2006 15 million square feet of offices below Chamber Street have been converted to residencies according to the Downtown Alliance.

One notable conversion was 10 Hanover Square where Goldman Sachs gave up its lease in 2004. This 500,000 square feet of former office space is now occupied by 500 rental apartments that are completely full.

OLD	NEW
Height (with Spire) 1,727 FT	1,776 FT
Completion Date 1970	2013 (expected)
Cost \$ 1 Billion dollars (both towers)	3.1 Billion dollars
Residential Population 25,000	56,000 (up 124%)
Median Sale Price 2- bedroom Condo Battery Park City \$ 744,000	1.5 Million (up 102%)
Price Per Square feet \$41.00	\$ 37.00 (down 10%)
Annual Visitors 4 million	9 Million (up 125%)



9/11 Post Revival by the numbers

Major Companies that have returned downtown

- Morgan Stanley in 2006
- Oppenheimer Funds in 2011
- Empire BlueCross Blue Shield 2007
- AON in 2006

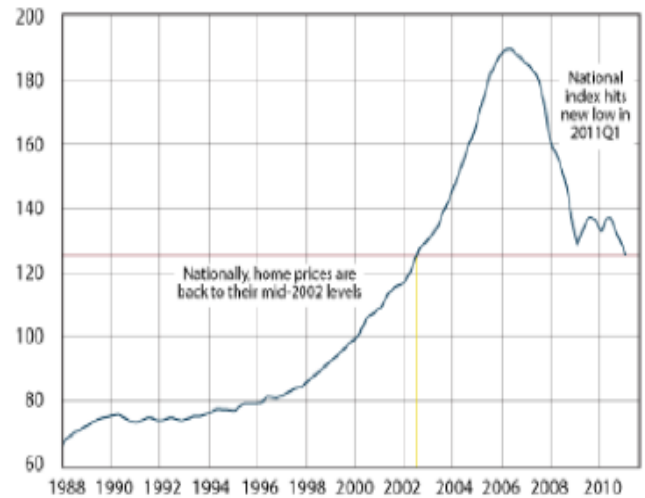
Double Dip Recession looks more likely

The odds that we will fall into a double-dip recession are now over 50%. If history is any guide, in the last 80 years during the last 2 major downturns in the 1930s and early 1980s the economy suffered such a double-dip recession not long after the first. Wall Street also has recently announced another round of job cuts that will no doubt have a negative impact on NYC and the nation. However, these job cut will impact NYC less than in the past as the economy of NYC continues to diversify away from the financial services sector.

Overall unemployment in all of the 5 boroughs of NYC remains at an average 8.7% still below the national average of over 9%. IN Manhattan alone this average is a much lower 7.1% where the bulk of economic activity remains much stronger than the other boroughs of NYC.

Double Dip: Make Mine Rocky Road

The Case-Shiller U.S. National Home Price Index



Source: Standard & Poor's, Fiserv

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Recent Transactions – Upper Manhattan

Sales activity in Northern Manhattan remained relatively light in the most recent month for which sales data is available for July as only 3 transactions totaling \$36.4 million in gross consideration sold. One of these was our recent purchase of 422 St. Nicholas Avenue, a 10 unit residential building we bought for \$1.81 million. The sale consisted of 8 free market units and 2 rent controlled apartments operating at significantly low levels. The sale represented a price of \$181,000 per unit



Monitored Transactions

This 29 unit mixed-use building is being offered for sale at \$3.9 million. We like this deal because current in-place rents are about 1/3 below free market rental rates. Providing potential for an increase in the gross income that this building may generate either through a Major Capital Improvement (MCI) program for improvement of individual units as they become vacant using the 1/40th rule. This 22,500 square foot property is being offer for sale for approximately \$175 per a square foot. This property is also located in close walking distance to New York Presbyterian Hospital



This property is a 21 unit, 5-story walk-up building located in Washington Heights.

Significant upside in current rent roll exists as 10 of the 21 units have current monthly rent of below \$1,000 a month.

However, even 'as-is' the property generates a good positive cash flow and is priced at about a 6.5% capitalization rate. We would look to acquire this property for about an 8.5X Gross Rent Roll now in place.

Crime Statistics In NYC

Washington Heights and Inwood are far safer places to live in Manhattan than Greenwich Village and the Meatpacking District according to a new survey from DNA info.com

A Crime and Safety Report that ranks every NYC neighborhood by actual crimes committed. Only midtown NYC had a higher crime rate than the Village or the Meatpacking District.



Upper Manhattan reported lower overall crime rates than Lower Manhattan by a significant amount. This report highlights the tremendous ongoing change in the neighborhoods of Upper Manhattan

Crime Statistics in NYC

The Top 10 Rankings for Total Crimes Committed in Manhattan are below

1. Upper East Side
2. Upper West Side
3. Inwood
4. Washington Heights
5. Midtown East
6. West Harlem
7. Morningside Heights
8. East Harlem
9. Lower East Side
10. Central Harlem

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