



# 666 Fifth Ave

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Columbia University  
MSRED '20*



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## EXECUTIVE SUMMARY

Finders Development Corp. is seeking an equity partner for the acquisition and value-add development of an attractive trophy building, **666 Fifth Ave. New York, NY 10103**, located at the heart of the Plaza District in New York City. The development project will consist of the **renovation of 39 stories of commercial office space and a reconfiguration of the HVAC system to create class A commercial office spaces and amenities** serving the high demand of office-using employment sectors, FIRE (finance, insurance and real estate) and TAMI (technology, advertising, media, and information) as well **two floors of retail** to enhance the community experience.

666 Fifth Ave is an **iconic building with direct transportation access in a prime location**, but it is outdated and requires a major transformation. **A full exterior and interior renovation** of the building will not only save 28 metric tons of embedded carbon as an alternative to demolition, but also preserve its unique character and history. The building offers **1,548,459 sq ft of rentable floor area** and has the potential to be one of the most successful commercial properties in Manhattan's Midtown neighborhood.

The ground floor and mezzanine levels as well as two floors below grade are currently owned by Vornado Realty Trust and function as commercial retail stores including famous apparel retailers such as Zara, Hollister Co, and Uniqlo. The former property owners of the 39 floors above these retail levels have suffered from paying its debts and are offering a 99-year lease.

Finders Development Corp. is currently negotiating terms to close a deal for \$1.1 million and intends to carry out the redevelopment as of right given zoning conditions (*highlighted in detail under Zoning Analysis*). The project is expected to be **commence construction in April 2021, complete in July 2023 and be fully leased in Q4 2026**. The project requires a **total development budget of \$2 billion**. The project will be funded with a **\$1.1 million acquisition loan** and **\$1.2 million construction loan**.

Based on the sponsor's rent assumptions of average **107/rsf for office spaces, \$200/rsf for retail spaces, a 2.0% increase in rent growth** for the office portion, and **5.0% Opex ratio**, the project generates a **stabilized NOI at year 6 of \$177 million**, and a **26% development yield**. Based on a sale at the end of lease-up (Year 6) at an exit cap rate of 5.0%, the projected returns are: **levered IRR: 24%, 5.7x equity multiple**.

*Finders Development Corp. is seeking an LP equity investment of \$732 million in exchange for a 10% share in the partnership.*

Sources			
Sources		% of Cost	% of PP
Construction Loan	\$1,225,364,098	58%	110%
Interest Reserve	\$66,169,661	3%	6%
Equity	\$816,909,398	39%	73%
Total Sources	\$2,108,443,157	100%	

Uses		Per Unit	PSF
Purchase Price	\$1,111,590,000		\$ 751.27
Closing & Finance Costs			\$ -
Hard & Soft Costs	\$930,683,496		\$ 629.00
Total Uses	\$2,042,273,496		\$1,380

Returns Summary			
	IRR	Multiple	Cash on Cash
<b>Project Level:</b>			
Unlevered	16%	3.7x	15%
Levered	24%	5.7x	38.4%
<b>LP Equity</b>			
	15%	3.6x	162%

# INVESTMENT HIGHLIGHTS

## *Opportunity to acquire a trophy building in the Plaza District*

For decades, the Plaza District has been synonymous with **high end office and retail space**, hosting premier brands along Fifth Ave and Madison Ave and some of the largest office leases. In addition to the major retail corridors, the surrounding residential and commercial neighborhoods contribute to the **significant foot traffic**. With its wide consumer population, the Plaza District continues to preserve its **extended sales cycle**.

## *Prime location on Fifth Ave with direct transportation access*

The site is conveniently located within close proximity to the N, Q, R, W, 1, 2, 4, 5, 6, A, B, C, D, and F Subway lines within a five-block radius. There is also **direct access available to the E and M Subways** at 53rd Street Station on top of Fifth Avenue. The site is also only an **11-minute walk to Grand Central Terminal**. Whether for locals or business travelers, the site is very accessible from all directions and to **key transfer locations, such as JFK, within three stops**.

## *Unmet Demand*

An increasing trend in leasing activity in the Midtown region since 2016 presents a demand for high end office space. Asking rents have jumped from 2% between 2015-2018 to 10% in 2019. Major leasing activity is driven by the FIRE and TAMI industries which will help drive the projected tenants to 666 Fifth Ave.

## *Attractive Risk-Adjusted Returns*

The proposed redevelopment project provides an attractive risk-adjusted return. The expected project-level levered return is 24%. The return to the LP investors is projected to be 15%, a 3.6x equity multiple

### Project Scope

**1.5M sq ft**

### Project Type

**89% Office  
11% Retail**

### Development Period

**24 months**

### Stabilized Valuation

**\$177M**

### LP Contribution

**\$735 M**

### Project IRR

**24%**

### Development Yield

**26%**

### Cash on Cash

**38%**





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## DEVELOPMENT CONCEPT

*The development concept and programming aims to capitalize an unmet commercial market demand at the center of the Plaza District by providing a mix-use program dominated by office space. The primary construction will include reconfiguring of the ventilation system to be located around the cores and a new curtain wall system to provide floor to ceiling windows. (1)*

### **CLASS A OFFICE**

31 of the 39 floors will consist of 1,180,158 sq ft of class A office spaces catering to high-end tenants in the FIRE and TAMl industries. By providing office space as the primary program, the project expects to meet a continually growing demand in the Plaza District. The rents will be relative to the respective floors, increasing in price as they move higher and take advantage of exceptional views such as that of Central Park.

### **AMENITIES**

The building has terraces provided by the set backs on the 8th, 10th, and 15th floors. The terraces on the 8th and 15th floors will be for the private use of tenants on these respective floors. The 10th floor, including its rooftop terrace, will be combined with the 11th floor as spaces for amenities for the entire building. These include large conference halls, lounges, and cafes. In addition, floors 27 and 28 will also provide additional amenities with more exceptional views of the city and surrounding neighborhood.

### **RETAIL**

The two retail levels on the second and third floors will acknowledge the evolving nature of retail shops and be committed to offering space for sustainable agriculture and a high-quality selection of natural and organic foods and products. This will create a synergy between not only the office space and the proposed retail but also the retail on the ground and below-grade levels. Consumers, and especially tenants occupying the office spaces, will be able to work within the building and do their groceries or grab food from the various open buffets and catering.





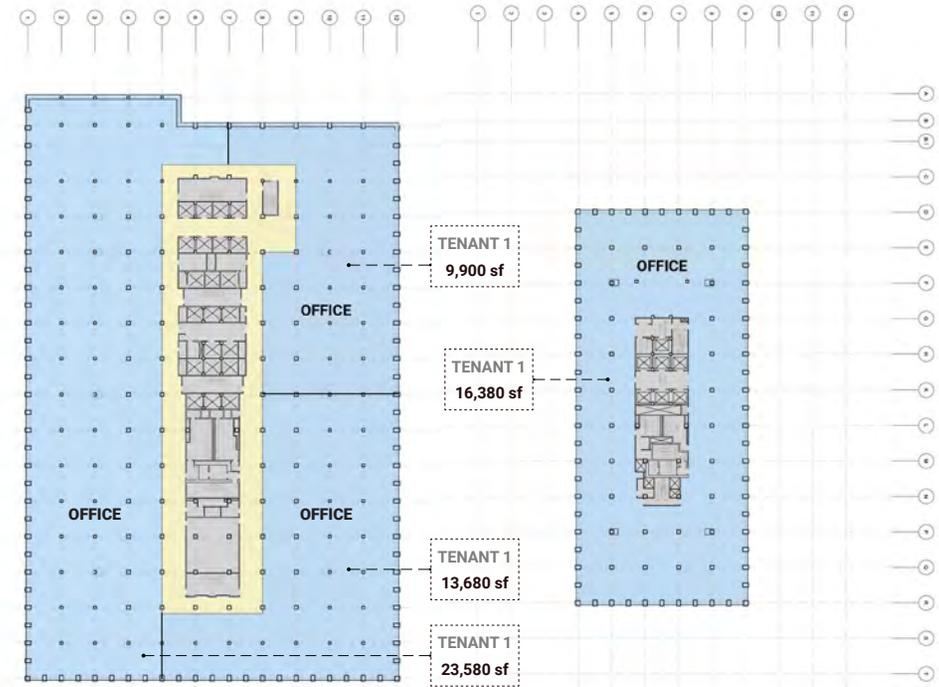
# PROGRAMMING : OFFICE

## LOCATION

666 Fifth Ave will provide 55 units of class A office space across 1,180,159 rentable sq ft. These units are scattered on floors 4-9, 12-26 and 29-39. The building provides terraces as it setbacks on the 8th, 10th, 11th, and 15th floors allowing for an increase in price for those particular floors.

## UNIT MIX + PRICING

The project is focused on high-end, established tenants in the FIRE and TAMI industries. To accomodate different scale tenants, a variety in the size of office units features large scale offices from over 32,000 sq ft to medium size units for a minimum 8,800 sq ft. In addition, pricing/sf changes as the floor number increases to reflect the exceptional views that are provided and to give tenants alternate leasing options. (2)



Typical Low Rise Plan

Typical High Rise Plan

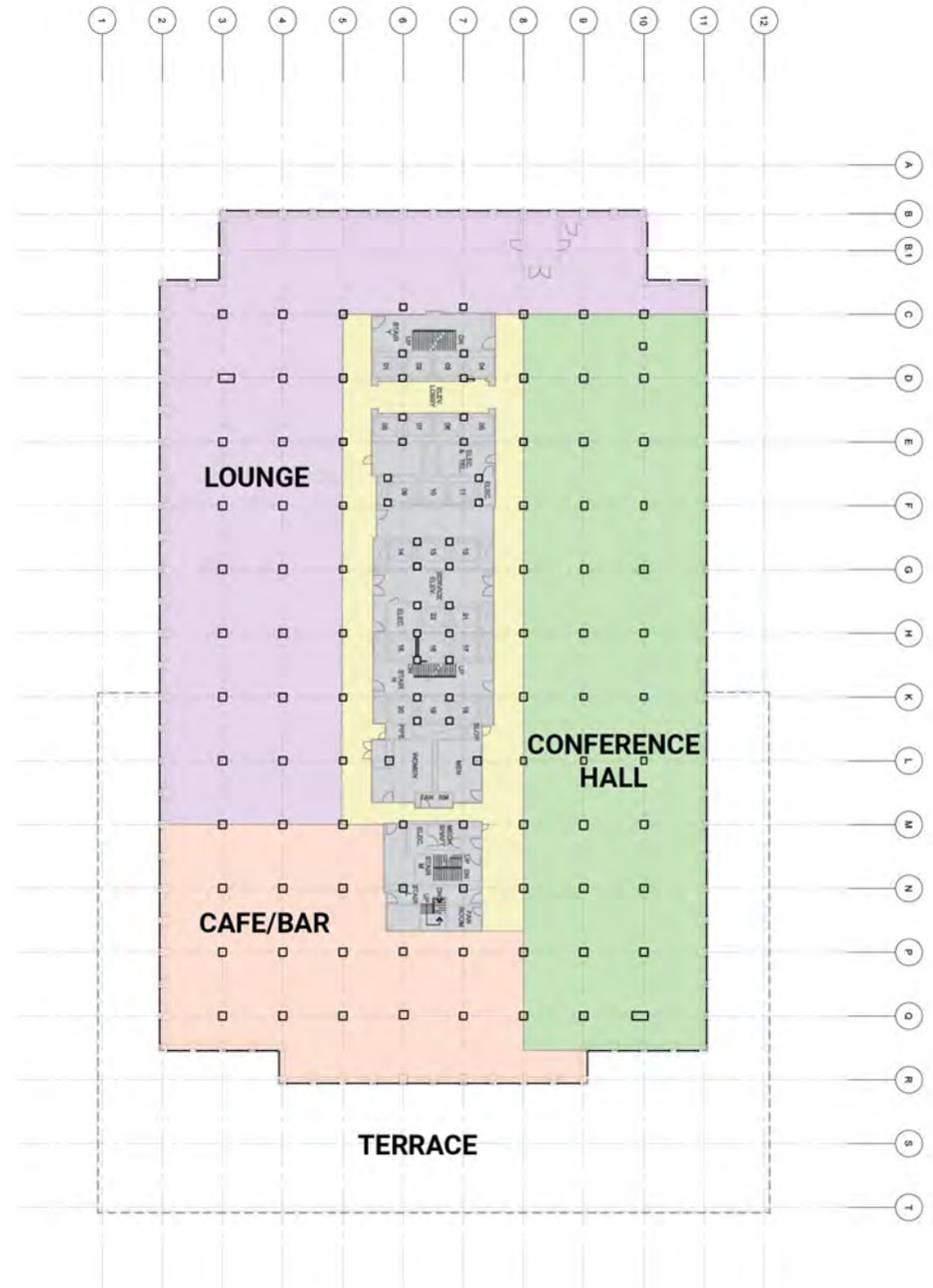
Date	31-Jan-20	31-Jan-21	31-Jan-22	31-Jan-23	31-Jan-24	31-Jan-25	31-Jan-26	31-Jan-27	31-Jan-28	31-Jan-29	31-Jan-30	31-Jan-31
Year	0	1	2	3	4	5	6	7	8	9	10	11
<b>Office Lease Assumptions</b>												
<b>Projected Net Operating Income</b>												
Floor 4-7	85	87	88	90	92	94	96	98	100	102	104	106
Floor 8 (Terrace)	90	92	94	96	97	99	101	103	105	108	110	112
Floor 9	90	92	94	96	97	99	101	103	105	108	110	112
Floor 10 (Terrace)	100	102	104	106	108	110	113	115	117	120	122	124
Floor 11-14	92	94	96	98	100	102	104	106	108	110	112	114
Floor 15 (Terrace)	105	107	109	111	114	116	118	121	123	125	128	131
Floor 16-24	105	107	109	111	114	116	118	121	123	125	128	131
Floor 24-33	120	122	125	127	130	132	135	138	141	143	146	149
Floor 34-38	130	133	135	138	141	144	146	149	152	155	158	162
Floor 39	160	163	166	170	173	177	180	184	187	191	195	199
Rent Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Office Revenue</b>												
Floor 4-7	27,931,671	28,490,304	29,060,110	29,641,313	30,234,139	30,838,822	31,455,598	32,084,710	32,726,404	33,380,932	34,048,551	34,729,522
Floor 8 (Terrace)	7,393,678	7,541,551	7,692,382	7,846,230	8,003,154	8,163,218	8,326,482	8,493,011	8,662,872	8,836,129	9,012,852	9,193,109
Floor 9	6,558,239	6,689,404	6,823,192	6,959,656	7,098,849	7,240,826	7,385,642	7,533,355	7,684,022	7,837,703	7,994,457	8,154,346
Floor 10 (Terrace)	7,286,932	7,432,671	7,581,324	7,732,951	7,887,610	8,045,362	8,206,269	8,370,395	8,537,803	8,708,559	8,882,730	9,060,384
Floor 11-14	23,426,561	23,895,093	24,372,994	24,860,454	25,357,663	25,864,817	26,382,113	26,909,755	27,447,950	27,996,909	28,556,848	29,127,985
Floor 15 (Terrace)	4,396,931	4,484,869	4,574,567	4,666,058	4,759,379	4,854,567	4,951,658	5,050,691	5,151,705	5,254,739	5,359,834	5,467,031
Floor 16-24	23,735,118	24,209,820	24,694,017	25,187,897	25,691,655	26,205,488	26,729,598	27,264,190	27,809,474	28,365,663	28,932,976	29,511,636
Floor 24-33	30,139,832	30,742,629	31,357,482	31,984,631	32,624,324	33,276,810	33,942,346	34,621,193	35,313,617	36,019,890	36,740,287	37,475,093
Floor 34-38	16,325,742	16,652,257	16,985,302	17,325,009	17,671,509	18,024,939	18,385,438	18,753,146	19,128,209	19,510,774	19,900,989	20,299,009
Floor 39	4,018,644	4,099,017	4,180,998	4,264,617	4,349,910	4,436,908	4,525,646	4,616,159	4,708,482	4,802,652	4,898,705	4,996,679
<b>Total Income</b>	<b>151,213,349</b>	<b>154,237,616</b>	<b>157,322,368</b>	<b>160,468,816</b>	<b>163,678,192</b>	<b>166,951,756</b>	<b>170,290,791</b>	<b>173,696,607</b>	<b>177,170,539</b>	<b>180,713,950</b>	<b>184,328,229</b>	<b>188,014,793</b>

# PROGRAMMING : AMENITIES

## DESIGN

Office tenants will also have exclusive access to more than 175,000 sf of amenity space on the 10th, 11th, 27th and 28th floors, including a rooftop, cafes, lounges and large conference halls. The green rooftop will feature an outdoor kitchen and chaise lounges for use during the warm seasons.

While offices and most amenity spaces will be finished in a carrara marble flooring, a wooden finish will be used where appropriate (in certain lounge areas) to create a calming effect and bridge the natural greenery.



11th Floor - Amenities

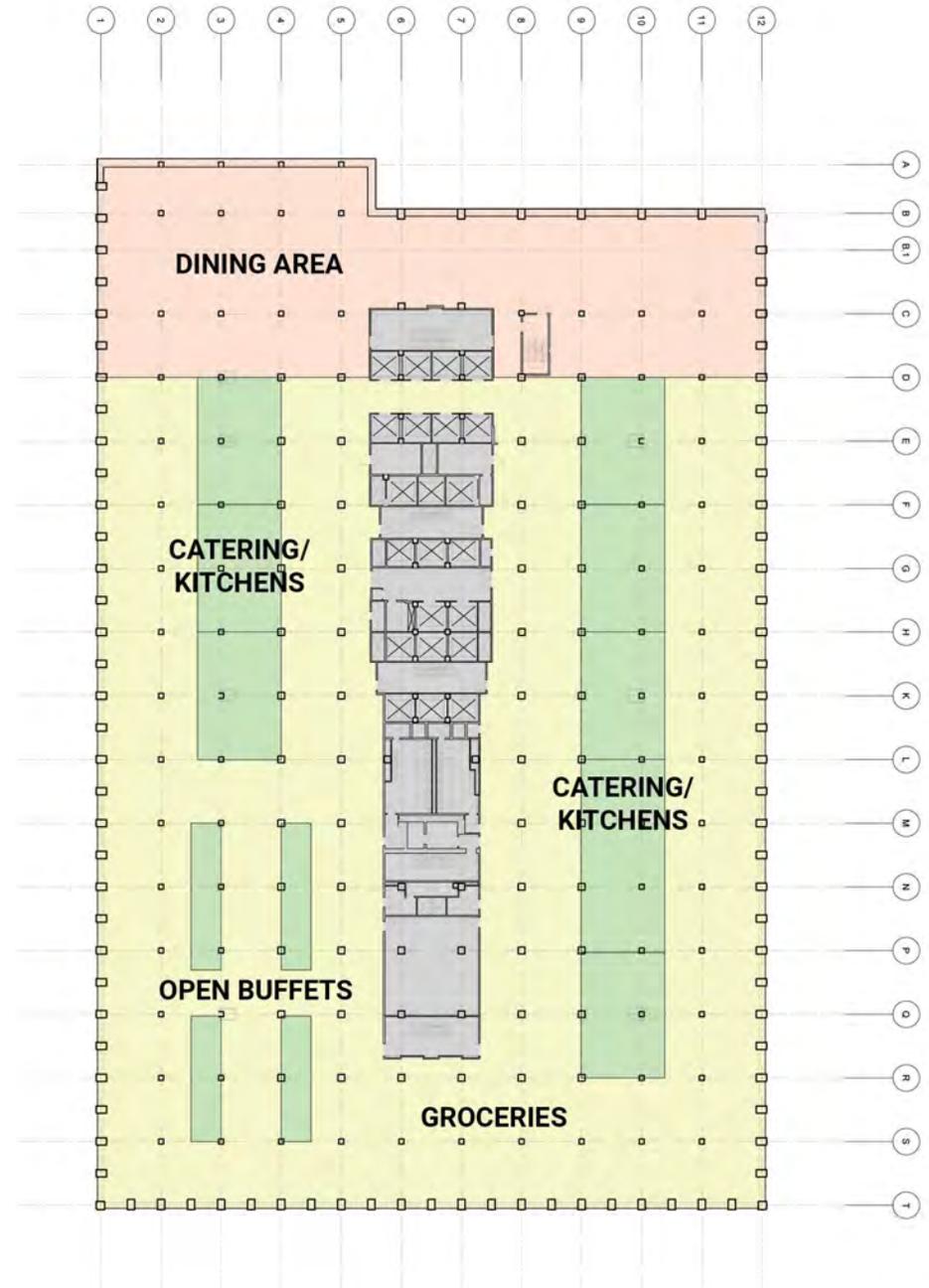
# PROGRAMMING : RETAIL

## PURPOSE

Physical retail stores have been evolving into a new community experience. Consumers are interested in a shopping experience in which they can not only buy clothing but also shop for groceries and work within. Such stores serve as key amenities within some of Manhattan's largest new mixed-use developments. Areas in Manhattan with high foot traffic is witnessing the growth of the food hall concept. The design concept behind including organic food suppliers within the retail levels serves two purposes.

1. To create a synergy in which necessary daily activities can take place in the same building - making it more convenient for tenants.
2. To drive more foot traffic from the surrounding neighborhoods.

In line with the project's high-end target tenants, the two retail levels occupying the 2nd and 3rd floors will be leased out to established organic suppliers such as Whole Foods Market or Trader Joe's. Such retail chains have proven their success in urban settings and will be a unique offering within a trophy building.



2nd Floor - Retail

# DESIGN CONCEPT

## RENOVATIONS

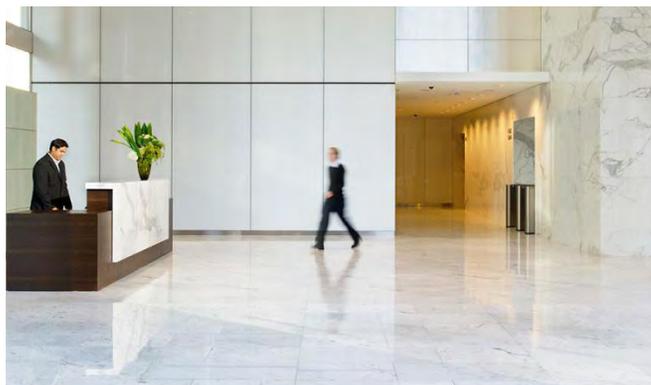
666 Fifth Avenue's value-add development will consist of a renovation of all floors above the existing retail into class A office space for leasing with two extra floors of retail above the existing (making a total of three floors above grade). Piping and ductwork will be improved and exposed where the slab to slab heights fall below 12 ft to eliminate unnecessary congestion within the spaces. Reconfiguring the ventilation system to be located around the cores in order to achieve floor to ceiling windows as well as exposed ceilings will provide maximum daylight, and make the offices and amenity areas feel more spacious.



The facade will be torn down, redesigned, and rebuilt floor by floor. Though a lot of budget and effort has been put into the existing facade when it was first designed by Carson and Ludin Architects in 1957, a new curtain wall facade will help achieve the desired floor-to-ceiling glazing.



Office Curtain Wall Section



# AMENITIES & SERVICES

Tenants will have exclusive access to over 175,000 sq ft of amenity space located on the 10th, 11th, 27th, and 28th floors. Services and facilities will include:

- Terrace (10th floor)
- Cafes
- Conference Halls
- Lounges





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## **APPENDIX**

# SITE OVERVIEW

666 Fifth Ave is a through lot, commercial and office building located between 52nd and 53rd streets in Midtown Manhattan, New York City.

The building is located with in the **C5-2.5, C5-3, and MID zoning districts**. C5 central commercial districts include continuous retail frontage that serve the metropolitan region. Typical permitted **uses include department stores, large office buildings, and mixed-use** with residential space above office or commercial floors. Other permitted uses include **hotels** and **custom manufacturing** that is in line with the character of the district. A bonus for additional floor area is available in return for providing a public plaza however, **the rebuilding of 666 Fifth Ave will be done as of right as the building is built over the permitted FAR**. The maximum FAR for this lot is 15.0 (926,325 sq ft of as-of-right floor area), the property has **1,246,882 sq ft of existing gross floor area**.

The special Midtown District (MID) zone is designated to guide development in the area with three goals: growth, stabilization, and preservation. Special bonuses are also permitted under this zone for several reasons such as subway station improvements, theater rehabilitation, or public plaza spaces. However, as noted above, this redevelopment will not seek any discretionary action.

**3 main entrances facing 52nd and 53rd streets serve the users.** Two of these entrances are positioned opposite of eachother on either side, while the third entrance is located more inward on 53rd street.

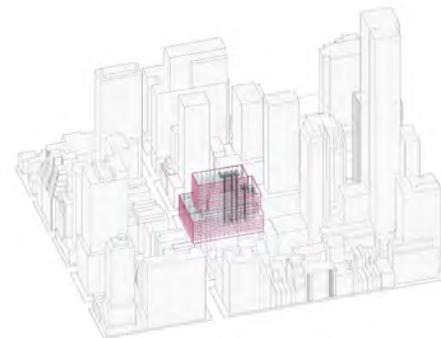
**The building is also 'grandfathered in' meaning it is exempt from certain new provisions under the zoning ordinance.** One example is the use of street signage where there has formerly been flexibility with typically non-permitted street signage that has been erected before certain street signage bans were carried out.

## 666 Fifth Ave, New York, NY 10103

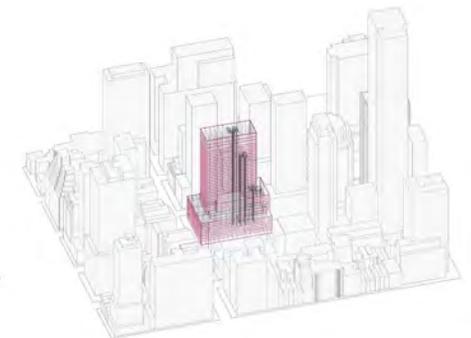
### Zoning and Site Analysis

<b>Neighborhood:</b>	Midtown Manhattan
<b>Address:</b>	666 Fth Avenue, 10103
<b>Block #:</b>	1268
<b>Lot #:</b>	7502
<b>Zoning District:</b>	C5-2.5, C5-3, MID
<b>Community District:</b>	Manhattan Community District 5
<b>City Council District:</b>	Council District 4

<b>Existing Condition</b>	40-Story Commercial and Office Building
<b>Site Dimensions</b>	200.83 ft x 315 ft
<b>Lot Area</b>	61,755 sq ft
<b>Land Use</b>	Commercial & Office Buildings
<b>Stree Conditions</b>	Through Lot: Wide Street (100 ft)
<b>Zoning Intersections</b>	None found
<b>Other Existing Conditions</b>	Grandfather Clause
<b>Commercial FAR</b>	15.0; 926,325 sq ft
<b>Existing Gross Floor Area</b>	1,246,882 sq ft
<b>Number of Floors</b>	41
<b>Building Height (roof)</b>	483 ft
<b>Permitted Sign Regulation</b>	3X Street Frontage



Permitted FAR : 926,325 sq ft



Built: 1,246,882 sq ft

## SITE CONDITIONS

The proposal is seeking to redevelop the existing building without any discretionary zoning action, including all floors above the ground level owned by Vornado Realty Trust. Since the property last changed hands in 2007, maintenance has been relatively low, with the exception of a complete lobby renovation in 1999 that created new retail space, a glass curtain wall covering the first and second floors and side entrances on 52nd and 53rd streets, and a modernization of the building's elevators.

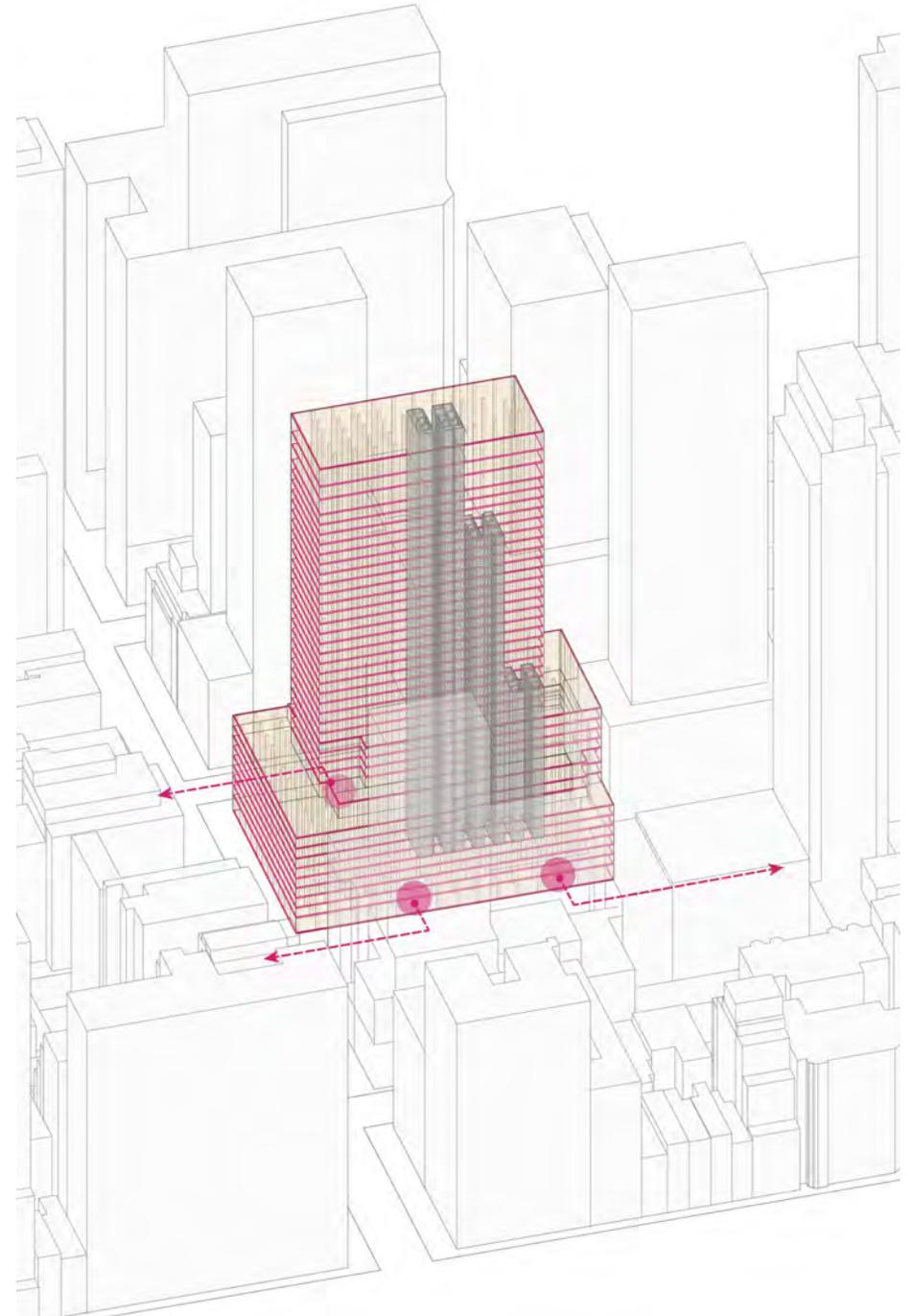
### **ELEVATORS**

24 Westinghouse elevators serve the entire building; 20 passenger elevators (8 cars in the low-rise elevator bank, 6 cars in the mid-rise bank, and 6 cars in the high-rise bank). The remaining 4 elevators are a set of internal freight cars (one that services from the Sub-Basement to the 19th floor [6'-6" long by 6'-8" wide by 7'-4" high] and one that services from the Sub-Basement to the 39th floor [5'-7" long by 6'-8" wide by 9'-2" high with a 5'x2'x2' doghouse in the ceiling to accommodate large deliveries]) and a set of burwak cars that service from the loading dock to the basement and Sub-Basement (5'-3" long by 6'-8" wide by 7'-7" high each). The loading dock is located on 53rd Street and includes two bay and two burwak freight cars that operate 8:30 - 5:30 pm.

### **FLOOR PLATES + HEIGHTS**

Floor plates currently range from 24,000 sq ft to 78,500 sq ft. With the repositioning of the HVAC system around the cores, there will be a decrease in rentable sq ft. With the proposed design, these lost numbers will be compensated when redesigning the facade and building the curtain wall a few feet beyond the existing perimeter.

Slab-to-slab heights range from 8'-8" to 11'-8 1/2". Where ceiling heights are low, the ductwork coverings on the ceilings will be torn down to achieve additional height.





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# PLAZA DISTRICT OVERVIEW

*The day time population of the Midtown region is over 12,800 people.*

According to labor statistic for the New York City Region (Bronx, Kings, New York, Queens and Richmond Counties) **private sector jobs in New York City increased by 1.8%** (+71,000) to 4,122,000 in December 2019. Most of these gains were recorded in the educational and health services (+44,900), followed by professional and business services (+24,600), trade, transportation, and utilities (+8,900), leisure and hospitality (+6,200), and information (+700). Losses were reported in financial activities (-7,100), natural resources, mining, and construction (-4,500), manufacturing (-1,700), and other services (-1,000). [NYS Dept. of Labor]

The city's seasonally adjusted unemployment rate was 3.9% in December 2019, a 0.1% decrease from the previous years recorded rate. **58.1% of the city's working age population (16+) were recorded as working, 66% of which are employed in the private sector in the Midtown region**, according to December 2019 statistics.

## BUILT ENVIRONMENT + SURROUNDING USES

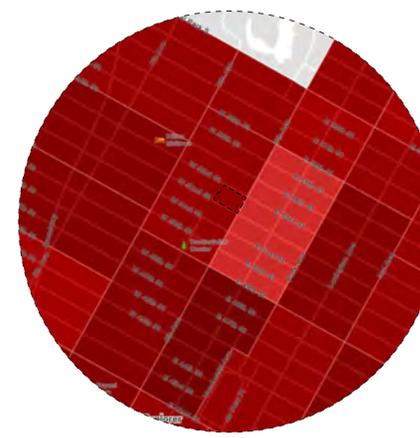
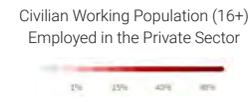
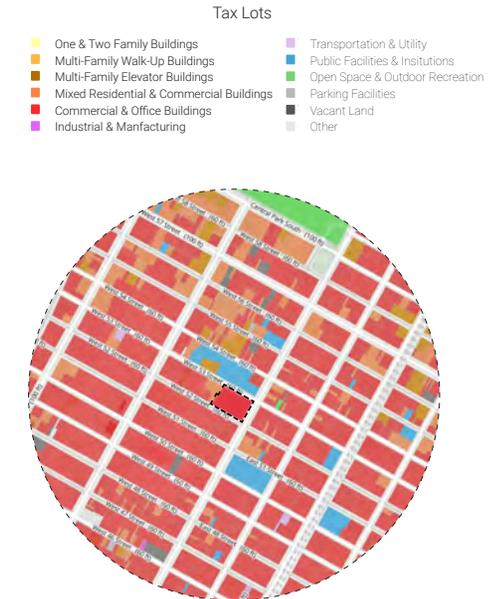
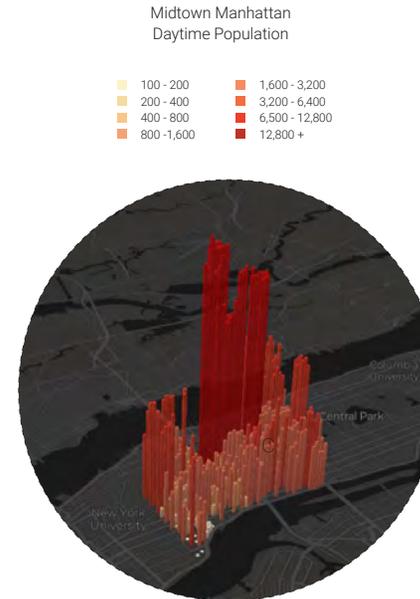
A large majority of building uses in the Plaza District is commercial and office buildings (65.55%). This is followed by mixed-use residential and commercial buildings (14.44%) located mostly north of the site. Most of these buildings were built during the 'tall office building' boom of the early 1900's.

There are no vacant lots nearby and **much of the existing constructions in the area are residential and hotel developments**. 53 West 53rd Street (block 1269 - north of the site) was developed and completed in 2019 by LendLease Construction and features an 82-story, luxury condo tower. 11 West 53rd, on the same block is a 16-story enlargement development by Turner Construction Corp. **The nearest business developments are 2 blocks away with only 7 and 24-stories proposed** by Turner Construction Company and Folor Inc respectively.

**Avg. Household Size**  
**2 people**

**College-Educated**  
**74.4%**

**Avg. Household Income**  
**\$163,830**



# OFFICE MARKET

NY State Dept. of Labor data shows a static 1.3% growth rate in office-using employment between 2018 and 2019. While total private-sector employment in the city reached a record high in 2019 (4.06 million), office-using employment reached 1.71 million with the addition of 22,100 jobs. Trending data suggests that **office-using employment will continue to be a strength.**

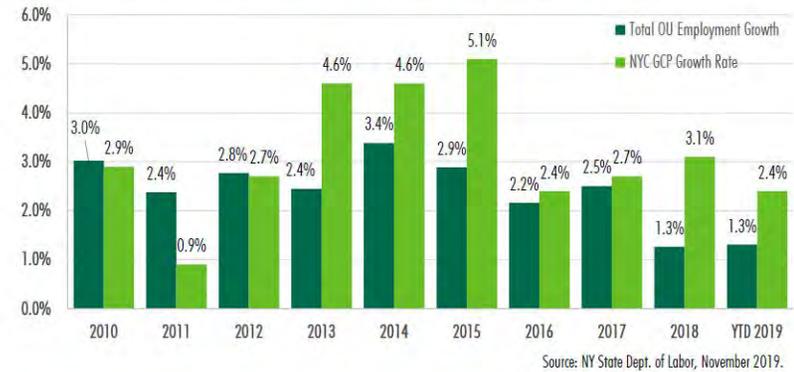
**Annual leasing activity (not including renewals) (3), totalled more than 31.6 million sq ft in 2019.** A majority of leasing activity occurred in Midtown South at 7.0 million sq ft and Downtown at 7.3 million sq ft. While these numbers compared modestly to the prior five-year annual average, **activity picked up during late 2019 and brought momentum to the Midtown market in 2020.**

2018 leasing activity was dominated by the sector, FIRE (finance, insurance and real estate), which lost about 2,500 jobs the following year. **TAMI (technology, advertising, media, and information) accounted for 25% of 2019's entire leasing activity (31.6 million sq ft).** In fact, major tech companies like Google and Facebook made significant lease commitments in 2019 to accommodate future growth which suggests that there will be extensive technology employment growth in NYC in the years ahead.

Studies also showed a **high demand** for not only **medium blocks of 25,000 to 49,999 sq ft. and 50,000 to 99,999 sq ft** but also renovated buildings. The most striking trend in the market was the declining leasing velocity of non-renovated or "commodity" space (-16% of the total). Commodity space leasing captured about half as much square footage of leasing in 2019 ( 3.25 million sq ft) as it did in 2018.

In addition, **Class B and C office stock in NYC is projected to decrease further between 2013-2025,** spiked by the conversion of existing office space into residential, the high cost to develop commercial space, and incongruities between the required leasing terms of tenants and owners. These conversions also create an oversupply of residential stock.

Figure 1: Annual Office-Using Employment Growth Rate vs. Gross City Product Growth Rate 2010-2019 | New York City



JANUARY 2020 CBRE Research

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Figure 2: NYC Office-Using Employment Totals by Industry | 2010-2019\*

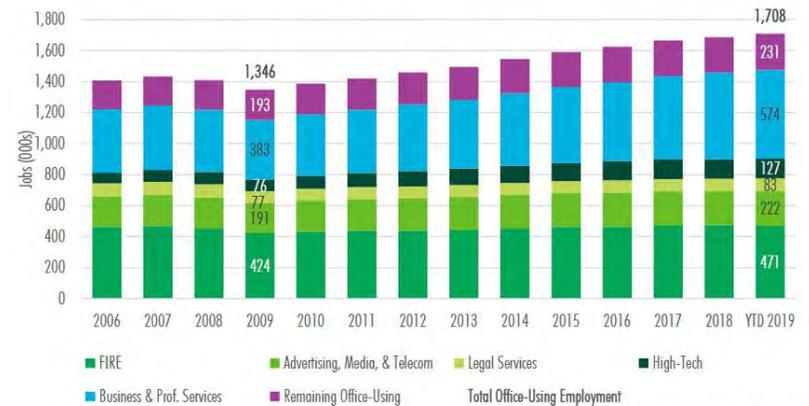
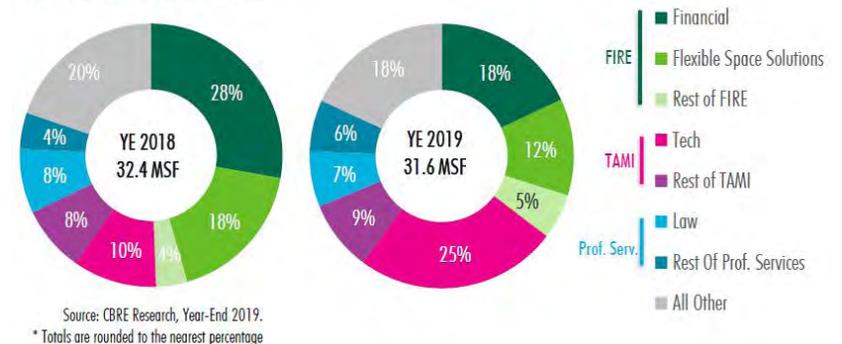


Figure 8: Leasing Activity By Industry Segment\*



# OFFICE MARKET

The tech industries who had tremendous leasing activity in 2019 at 7.57 million sq ft. With an average assumed \$325/sf spent on renovation costs, Finders Development Corp. will be able to ask for **\$85+/sf in rents for office space and project a 2% growth each year.** This price will increase about 0.03% per each floor above.

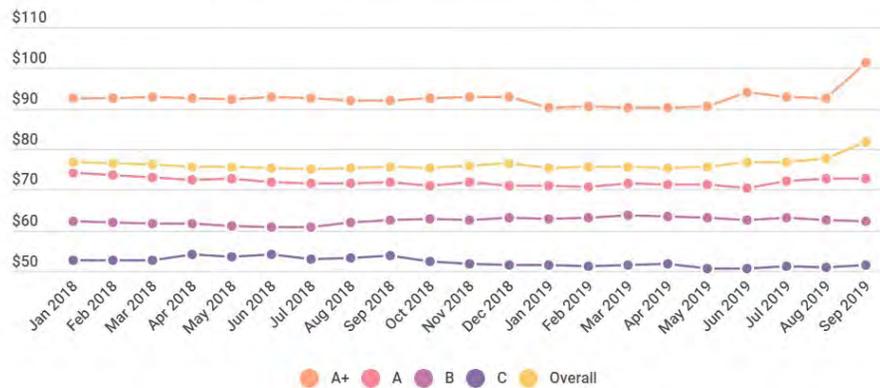
Manhattan office class type lease rate trends between 2018 and 2019 show an overall increase. Specifically Class A+ demand has shown a drastic increase in the third quarter, followed by a slight increase in Q3 in Class C offices which showed an overall decrease since Q3 2018. Class A and Class B offices have maintained a steady pattern, however they not declined. **Class A lease rate trends show an overall increase** starting at the beginning of the third quarter.

(4) See Appendix for trends in lodging.

Submarket	Inventory	Overall Availability Rate	Leasing Activity (Full Year)	Net Absorption (Full Year)	Overall Average Asking Rent	Class A Average Asking Rent	Class B Average Asking Rent
Midtown	239,745,244	11.1%	15,850,838	(3,471,415)	\$85.80	\$89.04	\$62.56
Columbus Circle	33,057,818	12.7%	2,339,677	(1,099,384)	\$78.04	\$80.08	\$73.16
Grand Central	57,132,678	10.4%	3,952,955	(564,661)	\$85.13	\$86.56	\$63.44
Plaza District	85,959,939	11.9%	5,664,397	(587,076)	\$96.92	\$98.23	\$63.13
Times Square	60,146,720	10.2%	3,893,809	(1,197,358)	\$76.15	\$82.50	\$54.23
U.N. Plaza	3,448,089	6.7%	-	(22,936)	\$65.49	\$65.49	-



Manhattan Lease Rate Trend Q1 2018 - Q3 2019



# RETAIL MARKET

The Plaza District showed unusually high leasing activity during Q4 of 2019 with 97,703 sq ft of newly leased retail space over 11 deals. **Food and beverage was the most active industry** with over 670,000 sq ft over 208 new leases. Of those, two of the top leasing transactions (5) took place in the Plaza District.

**Major new retailers in the area include the Fasano Hotel and Restaurant Group**, a high-end Brazilian hospitality company, who plans to open a new Italian eatery at 280 Park Avenue and replace the former 20,000 sq ft Four Seasons Restaurant. The neighborhood will also add **a new Urbanspace**, famous for its collaborations with local chefs and dining hall concepts, situated at a through block location at 135 West 50th Street for 18,394 sq ft.

Market data on asking rents are based on ground floor retail only and though there is a preference for street level retail, certain **precedents such as the Shops at Hudson Yards or Columbus Circle in the Time Warner Center have reversed the initial skepticism that above ground retail will struggle**. With careful design and leasing, perhaps through new typologies, second and third floor retails can continue to be a part of an already existing routine across the country. In fact, the Apple store on Fifth Ave offers no single merchandise on the ground level and is packed on an average day. [citylab]

## GROCERY INDUSTRY

According to a report released by ABS Partners in June 2019, the U.S. **grocery industry's continuing growth will be steady over the next 5 years**. Though, grocery sales growth rarely exceed the overall retail growth, **they almost never show a decline due to the industry's resilience to economic downturn**.

Technology will play a role in redefining the future of retail, however, diversification of experience for customers persists to be a key strategy. The **grocery e-commerce share of the overall online retail market is substantially low and accounts for about 2-3%** (between \$17 billion - \$26 billion) of the total grocery market.

Figure 5: Most Active Neighborhoods by SF Leased | Q4 2019

Neighborhood	Number of deals	Leased (Sq. Ft.)
Midtown West	2	229,282
Plaza District	11	97,703
Times Square	5	90,189
Wall Street/Financial	5	46,876
Grand Central	2	41,845
Upper Madison Avenue	10	29,551
SoHo	9	27,730
Nolita	12	27,046
Greenwich Village	7	26,290
Penn Plaza Herald Square	3	23,862

Source: CBRE Research, Q4 2019.

Figure 6: Most Active Tenant Type by SF Leased | Q4 2019

Tenant Type	Number of deals	Leased (Sq. Ft.)
Automotive	1	227,782
Food & Beverage	27	139,773
Apparel	22	79,930
Entertainment	2	49,436
Financial Services	7	44,376
Electronics	1	40,313
Health Care	7	16,317
Non-Profit	1	16,000
Health Club	3	15,672
Pharmacy	3	13,700

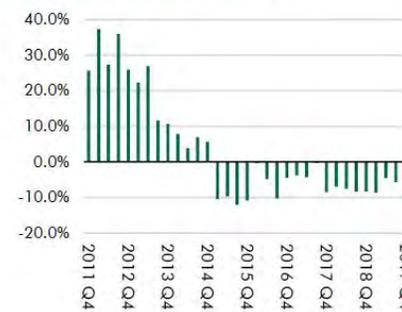
Source: CBRE Research, Q4 2019.

Figure 7: Top Lease Transactions | Q4 2019

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
BMW of Manhattan	227,782	555 West 57th Street	Midtown West	Automotive
Best Buy	40,313	535 Fifth Avenue	Grand Central	Electronics
RAD Entertainment Group LLC	39,436	1515 Broadway	Times Square	Entertainment
Target	31,526	243 West 42nd Street	Times Square	Retail Sales
Fasano	20,000	280 Park Avenue	Plaza District	Food & Beverage
Yard House	20,000	1441 Broadway	Penn Plaza/Herald Square	Food & Beverage
Urbanspace	18,394	135 West 50th Street	Plaza District	Food & Beverage
New York Public Library	16,000	285 Lafayette Street	Nolita	Non-Profit
Citibank	13,000	1 Broadway	Wall Street/Financial	Financial Services
Club Monaco	12,865	597 Fifth Avenue	Plaza District	Apparel

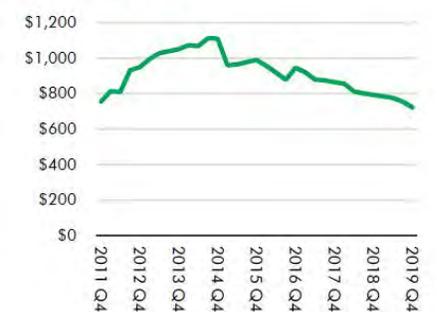
Source: CBRE Research, Q4 2019.

Figure 9: Year-over-Year Asking Rent Change



Source: CBRE Research, Q4 2019.

Figure 10: Average of Corridors



Source: CBRE Research, Q4 2019.

'The pace of e-commerce grocery growth depends on consumer demand and the industry's ability to fund it.' Though numbers are likely to increase in the distant future, for now, large brands are already investing in ways to adjust store contents and to accommodate for a easier check-outs and unique experiences.



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## KEY ASSUMPTIONS

**Purchase Price:** \$1.1 billion

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**Total Development Budget:** The total development budget is \$2.04 billion. Initial hard costs are based on RS Means data and reflect the cost estimates of construction in New York. *The estimated construction costs are also in line with other developers in the area such as Brookfield Properties.*

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**Debt Financing:** Total loan proceeds of \$1.67 billion  
\$1.03 billion permanent loan post upon construction completion at the end of 24 months

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**Equity Capitalization:** Total equity capitalization of \$816 million.

- Finders Development Corp. to contribute \$81.6 million (10%)
- LP equity partner to contribute \$735.2 million (90%)

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**Distribution Waterfall:** All partners to receive distributions pari-passu up to a preferred return of 15%

- Finders Development Corp. receives 25% promote over the preferred return
- Finders Development Corp. receives 45% promote over a 25% return hurdle

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**Schedule:** 24 months of redevelopment to accommodate for interior renovations and facade renewal

- Commercial lease-up period of 30 months, and sale upon stabilization (year 11)

---

**Pricing:** Average price per sq ft of \$107 for office and \$200 for retail which reflects comparable leases in the Plaza District. Unit prices range from \$85 - \$160 for office space

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**Valuation/Sale** Analysis assumes sale of property at stabilization at \$306 million valuation based on a 10-year DCF analysis using a 6.0% discount rate and a 5.0% exit cap rate

# CAPITAL STRUCTURE

Capitalization					
		<u>Total (\$)</u>	<u>Factor (%)</u>	<u>Promote</u>	
<b><u>Debt:</u></b>					
	Construction Loan	\$1,225,364,098	49%		
	Interest Reserves	\$66,169,661	3%		
	Operating Reserves	\$382,313,598	15.3%		
Total Debt		\$1,673,847,357	67%		
<b><u>Equity:</u></b>					
		\$816,909,398			
	LP Investment	\$735,218,459	30%	90%	80%
	GP Investment	\$81,690,940	3%	10%	20%
Total Equity		\$816,909,398	33%	100%	100%

Returns Summary			
	<u>IRR</u>	<u>Multiple</u>	<u>Cash on Cash</u>
<b><u>Project Level:</u></b>			
Unlevered	16%	3.7x	15%
Levered	24%	5.7x	38.4%
<b><u>LP Equity</u></b>	15%	3.6x	162%

# PROFORMA

Date	31-Jan-19	31-Jan-20	31-Jan-21	31-Jan-22	31-Jan-23	31-Jan-24	31-Jan-25	31-Jan-26	31-Jan-27	31-Jan-28	31-Jan-29	31-Jan-30
Year	0	1	2	3	4	5	6	7	8	9	10	11
<b>Office Lease Assumptions</b>												
<b>Projected Net Operating Income</b>												
Floor 4-7	85	87	88	90	92	94	96	98	100	102	104	106
Floor 8 (Terrace)	90	92	94	96	97	99	101	103	105	108	110	112
Floor 9	90	92	94	96	97	99	101	103	105	108	110	112
Floor 10 (Terrace)	100	102	104	106	108	110	113	115	117	120	122	124
Floor 11-14	92	94	96	98	100	102	104	106	108	110	112	114
Floor 15 (Terrace)	105	107	109	111	114	116	118	121	123	125	128	131
Floor 16-24	105	107	109	111	114	116	118	121	123	125	128	131
Floor 24-33	120	122	125	127	130	132	135	138	141	143	146	149
Floor 34-38	130	133	135	138	141	144	146	149	152	155	158	162
Floor 39	160	163	166	170	173	177	180	184	187	191	195	199
Rent Growth Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Office Revenue</b>												
Floor 4-7	27,931,671	28,490,304	29,060,110	29,641,313	30,234,139	30,838,822	31,455,598	32,084,710	32,726,404	33,380,932	34,048,551	34,729,522
Floor 8 (Terrace)	7,393,678	7,541,551	7,692,382	7,846,230	8,003,154	8,162,218	8,323,482	8,493,011	8,662,872	8,836,129	9,012,852	9,193,109
Floor 9	6,558,239	6,689,404	6,823,192	6,959,656	7,098,849	7,240,826	7,385,642	7,533,355	7,684,022	7,837,703	7,994,457	8,154,346
Floor 10 (Terrace)	7,286,932	7,432,671	7,581,324	7,732,951	7,887,610	8,045,362	8,206,269	8,370,395	8,537,803	8,708,559	8,882,730	9,060,384
Floor 11-14	23,426,561	23,895,093	24,372,994	24,860,454	25,357,663	25,864,817	26,382,113	26,909,755	27,447,950	27,996,909	28,556,848	29,127,985
Floor 15 (Terrace)	4,396,931	4,484,869	4,574,567	4,666,058	4,759,379	4,854,567	4,951,658	5,050,691	5,151,705	5,254,739	5,359,834	5,467,031
Floor 16-24	23,735,118	24,209,820	24,694,017	25,187,897	25,691,655	26,205,488	26,729,598	27,264,190	27,809,474	28,365,663	28,932,976	29,511,636
Floor 24-33	30,139,832	30,742,629	31,354,822	31,984,631	32,624,324	33,276,810	33,942,346	34,621,193	35,313,617	36,019,890	36,740,287	37,475,093
Floor 34-38	16,325,742	16,652,257	16,985,302	17,325,009	17,671,509	18,024,939	18,385,438	18,753,146	19,128,209	19,510,774	19,900,989	20,299,009
Floor 39	4,018,644	4,099,017	4,180,998	4,264,617	4,349,910	4,436,908	4,525,646	4,616,159	4,708,482	4,802,652	4,898,705	4,996,679
<b>Total Income</b>	<b>151,213,349</b>	<b>154,237,616</b>	<b>157,322,368</b>	<b>160,468,816</b>	<b>163,678,192</b>	<b>166,951,756</b>	<b>170,290,791</b>	<b>173,696,607</b>	<b>177,170,539</b>	<b>180,713,950</b>	<b>184,328,229</b>	<b>188,014,793</b>
<b>Retail Lease Assumptions</b>												
<b>Potential Gross Income</b>												
Floor 2	250	250	250	250	250	250	250	250	250	250	250	250
Floor 3	150	150	150	150	150	150	150	150	150	150	150	150
Rent Growth Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Retail Revenue</b>												
Floor 2	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993	20,537,993
Floor 3	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796	12,322,796
<b>Total Income</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>	<b>32,860,789</b>
<b>NET OPERATING INCOME (Operating)</b>	<b>184,074,138</b>	<b>187,098,405</b>	<b>190,183,158</b>	<b>193,329,605</b>	<b>196,538,981</b>	<b>199,812,545</b>	<b>203,151,580</b>	<b>206,557,396</b>	<b>210,031,328</b>	<b>213,574,739</b>	<b>217,189,018</b>	<b>220,875,583</b>
<b>Effective Gross Income</b>												
Occupancy	0.0%	25.0%	40.0%	70.0%	85.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
<b>Income</b>												
Office	0	38,559,404	62,928,947	112,328,171	139,126,463	158,604,168	161,776,251	165,011,776	168,312,012	171,678,252	175,111,817	178,614,054
Retail	0	8,215,197	13,144,316	23,002,553	27,931,671	31,217,750	31,217,750	31,217,750	31,217,750	31,217,750	31,217,750	31,217,750
<b>TOTAL EGI (before debt, before tax)</b>	<b>1,111,590,000</b>	<b>46,774,601</b>	<b>76,073,263</b>	<b>135,330,724</b>	<b>167,058,134</b>	<b>189,821,918</b>	<b>192,994,001</b>	<b>196,229,526</b>	<b>199,529,762</b>	<b>202,896,002</b>	<b>206,329,567</b>	<b>209,831,804</b>
<b>Capital Expenditure:</b>												
<b>Beginning Balance</b>												
Capex Reserve Contributions		4,677,460	7,607,326	13,533,072	16,705,813	18,982,192	19,299,400	19,622,953	19,952,976	20,289,600	20,632,957	20,983,180
Capital Improvements		-	-	-	-	1,000,000	-	-	-	-	-	-
Tenant Improvements	\$12	-	-	-	-	-	46,453,770	-	-	-	-	-
Broker Commissions	6%	-	-	-	-	-	10,217,447	-	-	-	-	-
Ending Balance Capex Reserve		4,677,460	12,284,786	25,817,859	42,523,672	60,505,864	23,134,047	42,756,999	62,709,976	82,999,576	103,632,532	124,615,713
<b>TOTAL NET OPERATING INCOME (Property)</b>		<b>42,097,141</b>	<b>73,143,397</b>	<b>134,082,438</b>	<b>176,170,180</b>	<b>212,363,398</b>	<b>177,529,248</b>	<b>199,740,620</b>	<b>222,333,785</b>	<b>245,316,377</b>	<b>268,696,186</b>	<b>292,481,156</b>
<b>Unlevered Cash Flow</b>												
NOI	0	42,097,141	73,143,397	134,082,438	176,170,180	212,363,398	177,529,248	199,740,620	222,333,785	245,316,377	268,696,186	-
Acquisition Cost	1,111,590,000											
Closing Cost	11,115,900											
Renovation Cost	930,683,496	279,205,049	279,205,049	0	0	0	0	0	0	0	0	0
Sales Proceed	0	0	0	0	0	0	0	0	0	4,196,636,070	0	0
Sales Cost	0	0	0	0	0	0	0	0	0	251,798,164.2	0	0
<b>Unlevered Cash Flow</b>	<b>1,215,774,250</b>	<b>237,107,908</b>	<b>206,061,652</b>	<b>134,082,438</b>	<b>176,170,180</b>	<b>212,363,398</b>	<b>177,529,248</b>	<b>199,740,620</b>	<b>222,333,785</b>	<b>245,316,377</b>	<b>4,717,130,421</b>	<b>0</b>
Cash on Cash		2.4%	4.1%	7.6%	9.9%	12.0%	10.0%	11.3%	12.5%	13.8%	15.1%	
<b>Levered Cash Flow</b>												
<b>Unlevered Cash Flow</b>	<b>1,215,774,250</b>	<b>237,107,908</b>	<b>206,061,652</b>	<b>134,082,438</b>	<b>176,170,180</b>	<b>212,363,398</b>	<b>177,529,248</b>	<b>199,740,620</b>	<b>222,333,785</b>	<b>245,316,377</b>	<b>4,717,130,421</b>	<b>0</b>
Loan Proceed - Acquisition (after Upfront fee)	1,219,237,277											
Interest Payment		73,521,846	73,521,846	0	0	0	0	0	0	0	0	0
Loan Payback	0		1,225,364,098	0	0	0	0	0	0	0	0	0
Loan Proceed - Permanent (after Upfront fee)	0	0	1,031,574,984	0	0	0	0	0	0	0	0	0
Interest Payment	0	0	0	128,946,873	128,946,873	128,946,873	128,946,873	128,946,873	128,946,873	128,946,873	128,946,873	128,946,873
Loan Payback	0	0	0	0	0	0	0	0	0	0	1,031,574,984	0
Interest & TI Reserve	66,169,661											
Reserve Draw		73,521,846	73,521,846	0	0	0	0	0	0	0	0	0
<b>Levered Cash Flow</b>	<b>62,706,634</b>	<b>237,107,908</b>	<b>399,850,765</b>	<b>5,135,565</b>	<b>47,223,306</b>	<b>83,416,525</b>	<b>48,582,375</b>	<b>70,793,747</b>	<b>93,386,912</b>	<b>116,369,504</b>	<b>3,556,608,563</b>	<b>0</b>
Cash on Cash		6.0%	10.5%	19.2%	25.2%	30.4%	25.4%	28.5%	31.8%	35.1%	38.4%	
Debt Yield		4.1%	7.1%	13.0%	17.1%	20.6%	17.2%	19.4%	21.6%	23.8%	26.0%	
<b>Levered Cash Flow</b>												

<b>Unlevered</b>	
Profit	4,425,722,658
PV	3,180,439,304
NPV	1,964,665,055
IRR	16%
Equity Multiple	3.7x

<b>Levered</b>	
Profit	3,321,851,192
PV	1,719,291,641
NPV	1,656,585,007
IRR	24%
Equity Multiple	5.7x





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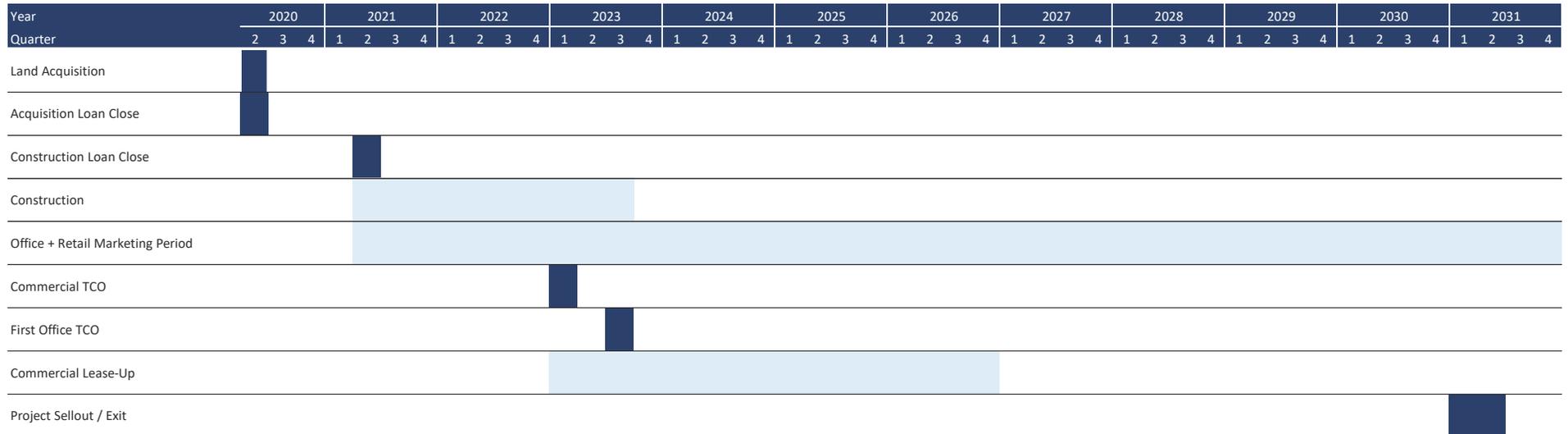
# PROJECT DELIVERY SCHEDULE

Finders Development Corp. is currently negotiating terms to close a deal for \$1.1 billion. The project is expected to **commence construction on April, 2021, continue for 24 months, deliver by July, 2023.**

The marketing process for the office and retail will begin upon the start of construction. **All units are expected to close by the December, 2026.**

Stabilization is expected to be reached by Q4 2026, after which the project will fully capitalize its returns and sell sell out, paying off its construction loan.

Acquisition Date:	Jan 31, 2020
Construction Start:	Apr, 31, 2021
Construction Loan Close	Apr, 31, 2021
Construction Completion:	Jan 31, 2020
Commercial Stabilization:	Dec 31, 2026
Sellout / Exit:	Jan 31, 2031



# MARKETING STRATEGY

## OFFICES + RETAIL

As an established and fully-integrated real estate services company, Finders Development Corp. intends to work with CBRE for the leasing of 666 Fifth Ave. CBRE's specialization in marketing strategies for all types of commercial real estate in addition to their many years of experience and market knowledge will lend itself to a successful partnership.

At least 40% of the rentable sq ft is anticipated to be in contract by the end of the construction period. This equals to more than 25,800 sq ft per month and will help achieve the velocity between the first TCO and sellout.



## EXIT

Finders Development Corp. intends to exit the property at the end of the ten year lease-hold. With the renovations upon acquisition and new capital improvements to be invested at year 5, the property's value will offer attractive returns at sell out.

Both domestic and international buyers have formerly expressed interest in the building but deals fell through before a close. For this reason, Finders Development Corp. sees several potential buyers upon exit. These include major players in Manhattan's major retail market and who have a large portfolio.





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# RISK & MITIGANTS

## RISKS

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**Development Risks:** Construction; unions, cost overruns, time overrun, difficult & expensive area for construction.

**Market Saturation:** NYC's net absorption in 2019 was negative 3.26M Square Feet, indicating that space vacated / supplies exceeded new leasing. In other words, supplies are accelerating faster than demand.

**Competition risk:** New buildings are being developed with higher ceilings. Our redevelopment proposal restricts us with a lower existing ceiling height.

**"WeWork bust":** WeWork is the largest tenant in NYC office market with a high risk of default. If they default on their leases, the rent levels for office will drop due to high vacancy in the market.

**Community opposition:** The community may oppose the redevelopment project for causing noise disturbance during construction. In addition, replacing the current facade with a new one may bring up speculations regarding the building being a historical landmark.

Lease-Up taking longer than expected

## MITIGANTS

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Finders Development Corp will work with top tier contractors with similar experience in the Plaza District as well as the project type. Such contractors include Tishman and Turner) High construction contingency in place.

There is a high inflow of jobs coming to the city as well as new sectors such as technology. The project is well located to major transportation links that allows employees to commute easily from Manhattan to Queens and Long Island City.

Compensate the low ceilings for completely renewed MEP systems, latest technology infrastructure suitable for technology tenants and floor-to-ceiling glazing for maximum sunlight. Exposed duct work will also mitigate the effects of low heights.

The projected LTV (60%) provides cushion against dropping rents. A drop in rent will affect the entire office market, placing 666 Fifth Ave at an advantage over older building in less prime locations.

Finders Development Corp. will have an open dialogue and work closely with community boards to insure a smooth development process.

Current low vacancy rates in the market lend itself to some flexibility during lease-up period



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## **APPENDIX**

# APPENDIX

1 The current ventilation system runs through the perimeter of the floor plates. One of each alternating column is also a fake column with vertical vents running through. Reconfiguring the location of the ventilation system will not only eliminate all of the fake columns but also the ductwork along the windows and allow for a curtain wall with large window coverage.



2 Annual leasing activity in recent years has been the highest ever since the years 1998-2000. There were a recorded 33 transactions in 2019 for 100,000 sq ft. or more - the third consecutive year with 30+ transactions of that size. Leasing of blocks averaged at 250,000 sq ft or more. A majority of these large leases took place in the Midtown Market with Google and Facebook leasing over 1 million sq ft, followed by Publicis renting over 977,000 in Midtown South. [CBRE]

Figure 5: Annual Leasing Activity Trends | Highest Ever Three-Year Total



Source: CBRE Research, Year-End 2019.

Figure 4: Largest Transactions | 2019

TENANT	ADDRESS	SF	MARKET	TYPE
Google	550 Washington Street	1,300,000	Midtown South	Lease
Morgan Stanley	1 New York Plaza	1,253,589	Downtown	Renewal
Facebook	50 Hudson Yards	1,201,409	Midtown	Lease
Publicis	375 Hudson Street	977,265	Midtown South	Renewal/Expansion
New York City Health & Hospitals Corporation	100 Pearl Street	526,552	Downtown	Lease
LinkedIn	350 Fifth Avenue	501,409	Midtown	Renewal/Expansion
Cravath Swaine & Moore LLP	Two Manhattan West	481,678	Midtown	Lease
McCann-Erickson Advertising	622 Third Avenue	464,598	Midtown	Renewal
EmblemHealth	55 Water Street	439,080	Downtown	Renewal
WeWork	437 Madison Avenue	362,197	Midtown	Lease
Shearman & Sterling LLP	599 Lexington Avenue	338,057	Midtown	Renewal
Amazon	460 W 34th Street	335,408	Midtown	Lease
Dentsu	341 Ninth Avenue	322,000	Midtown South	Lease
American International Group (AIG), Inc.	1271 Avenue of the Americas	320,237	Midtown	Lease
Uber	3 World Trade Center	307,970	Downtown	Lease
Justworks, Inc.	55 Water Street	270,400	Downtown	Lease

Source: CBRE Research, Year-End 2019.

Comparable Properties						
Label	Address	Year Built	Year Renovated	Building SF	Floor Count	Rent/SF
A	666 Fifth Ave	1957	1999	1,548,459	41	
B	425 Park Ave	1957	2019	670,000	43	
C	1100 Avenue of the Americas	1906	2020	386,180	15	
D	1407 Broadway	1950	2015	1,100,000	43	
E	75 Rockefeller Plaza	1947	2017	623,000	33	\$ 84.58
F	390 Madison Ave	1952	2018	862,154	32	\$ 91.17
G	1271 Avenue of the Americas	1959	2016	2,100,000	48	\$ 94.47
H	7 East 49th	1923		1,042,944	36	

**E 75 Rockefeller Plaza**

Building Overview		Average Rent per Floor Height	
Building SF	623,000	Low Rise	\$ 82.50
Rented SF	231,238	Mid Rise	\$ 86.67
Occupancy	37.12%	High Rise	\$ -
Vacancy	62.88%	Average Price PSF	\$ 84.58

Recent Lease Transactions						
Floors Occupied	Number of Floors	Starting Rent	Transaction SF	Transaction Date	Level	
18 -	0.5	\$ 92.00	4,122	2020	Mid Rise	
12	1	\$ 85.00	14,116	2017	Mid Rise	
6 - 7	2	\$ 83.00	61,000	2017	Mid Rise	
17 -	1	\$ 92.00	27,000	2016	Mid Rise	
2 - 15	14	\$ 82.50	125,000	2016	Low Rise	

**F 390 Madison Ave**

Building Overview		Average Rent per Floor Height	
Building SF	862,154	Low Rise	\$ 81.00
Rented SF	623,034	Mid Rise	\$ 84.50
Occupancy	72.26%	High Rise	\$ 108.00
Vacancy	27.74%	Average Price PSF	\$ 91.17

Recent Lease Transactions						
Floors Occupied	Number of Floors	Starting Rent	Transaction SF	Transaction Date	Level	
2 - 6	3	\$ 80.00	145,369	2018	Low Rise	
14	1	\$ 80.00	58,148	2018	Mid Rise	
22 - 32	11	\$ 108.00	211,724	2018	High Rise	
15 - 22	8	\$ 89.00	1,073	2017	Mid Rise	
7 - 12	6	\$ 82.00	206,720	2016	Low Rise	

**G 1271 Avenue of the Americas**

Building Overview		Average Rent per Floor Height	
Building SF	2,100,000	Low Rise	\$ 81.20
Rented SF	421,024	Mid - Low Rise	\$ 92.67
Occupancy	20.05%	Mid - High Rise	\$ 85.00
Vacancy	79.95%	High Rise	\$ 98.50
		Top - High Rise	\$ 115.00
		Average Price PSF	\$ 94.47

Recent Lease Transactions						
Floors Occupied	Number of Floors	Starting Rent	Transaction SF	Transaction Date	Level	
37 - 41	5	\$ 100.00	242,600	2019	High Rise	
35	1	\$ 97.00	3,600	2019	High Rise	
22 -	1	\$ 97.00	19,515	2019	Mid - Low Rise	
20 - 21	2	\$ 91.00	77,672	2019	Mid - Low Rise	
11 - 12	2	\$ 91.00	77,637	2019	Low Rise	
23	1	\$ 90.00	38,314	2019	Mid - Low Rise	
42 - 48	7	\$ 115.00	236,632	2018	Top - High Rise	
25 - 34	10	\$ 85.00	407,000	2018	Mid - High Rise	
14.5 - 17	3.5	\$ 80.00	137,986	2018	Low Rise	
18 - 22	5	\$ 79.00	270,000	2017	Low Rise	
2 - 3	2	\$ 79.00	148,000	2017	Low Rise	
4 - 9	6	\$ 77.00	400,000	2016	Low Rise	

4 The peak ADR for Q3 in 2019 in Midtown East was \$295.36. In general, however, occupancies, ADR, and RevPAR, show a decrease in % change from 2018 for both luxury and upscale lodging.

2020

Property	Location	Neighborhood	Owner/Developer	Anticipated Opening/Closing	Rooms
Springhill Suites	111 E 24th St	Midtown South	McSam Hotel Group	Jan-20	129
Residence Inn & Courtyard by Marriott	215 Pearl St	Lower Manhattan	The Lam Group	Feb-20	326
Pestana Park Avenue	23 E 39th St	Midtown East	SLG2 Holdings LLC	Feb-20	95
The FIDI Hotel	11 Stone St	Lower Manhattan	Premier Emerald LLC	Apr-20	143
The Allen	139 Orchard St	Lower Manhattan	Fortuna Realty Group, Elk Investors	Apr-20	96
Hyatt Centric	16 E 39th St	Midtown East	McSam Hotel Group	May-20	162
Oleo Hotel	305 W 48th St	Midtown West	YYY Atlas 48	May-20	116
Hilton Grand Vacation	12 E 48th St	Midtown East	Hidrock Realty, Inc.	May-20	161
GR7 by Pestana	338 W 39th St	Midtown West	McSam Hotel Group	Jun-20	177
TownPlace Suites & Springhill Suites	140 W 28th St	Midtown South	McSam Hotel Group	Jun-20	526
Six Senses New York	76 11th Ave	Midtown South	HFZ Capital	Jun-20	137
Le Meridien Hotel	292 5th Ave	Midtown South	McSam Hotel Group	Jun-20	182
Renaissance Hotel	233 W 125th St	Uptown	The Lam Group	Aug-20	210
Unnamed Hotel	16-18 E 30th St	Midtown East	The LeTap Group	Aug-20	100
Hotel Indigo	8-12 Maiden Ln	Lower Manhattan	10-12 MLane LLC	Nov-20	180
Aman Hotel	730 5th Ave	Midtown West	OKO Group	Dec-20	83
RH Guesthouse	55 Gansevort St	Lower Manhattan	Delshah Capital	Dec-20	14
Unnamed Hotel	113-117 W 24th St	Midtown South	The Lam Group	Dec-20	360

Third Quarter 2019 Manhattan Lodging Index

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
2019 Market Average	90.2%	90.8%	90.2%	90.4%	\$264.18	\$245.68	\$337.76	\$278.50	\$229.32	\$223.07	\$304.74	\$251.61	87.4%	\$264.55	\$231.25
2018 Market Average	89.5%	90.3%	90.2%	90.0%	\$243.96	\$239.94	\$330.95	\$271.14	\$218.32	\$216.66	\$298.45	\$243.99	86.0%	\$258.43	\$222.29
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Market Average	-0.8%	-0.5%	0.0%	-0.5%	-4.0%	-2.3%	-2.0%	-2.6%	-4.8%	-2.9%	-2.1%	-3.1%	-1.6%	-2.3%	-3.9%

By Neighborhood

	Occupancy				ADR				RevPAR				September YTD		
	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Jul	Aug	Sep	Q3	Occ	ADR	RevPAR
Upper Manhattan – 2019	84.3%	83.7%	83.2%	83.8%	\$311.43	\$316.61	\$463.75	\$369.31	\$279.56	\$264.94	\$385.94	\$309.32	81.5%	\$352.66	\$287.41
Upper Manhattan – 2018	84.2%	85.3%	83.8%	84.5%	\$318.05	\$312.60	\$453.62	\$360.07	\$267.92	\$266.61	\$380.16	\$304.06	80.7%	\$347.78	\$280.73
Midtown West – 2019	92.7%	93.0%	91.9%	92.5%	\$247.67	\$238.67	\$318.74	\$267.61	\$229.51	\$221.84	\$292.99	\$247.63	89.5%	\$285.09	\$228.26
Midtown West – 2018	91.6%	92.8%	91.5%	92.1%	\$238.26	\$233.56	\$311.65	\$260.55	\$218.18	\$216.86	\$286.45	\$240.00	87.7%	\$248.73	\$218.16
Midtown East – 2019	89.9%	90.4%	89.4%	89.9%	\$264.43	\$264.80	\$395.58	\$303.71	\$237.70	\$230.32	\$363.81	\$273.07	86.1%	\$284.62	\$244.95
Midtown East – 2018	88.5%	88.9%	89.8%	89.1%	\$250.18	\$249.39	\$388.89	\$295.36	\$221.42	\$221.66	\$348.77	\$263.03	84.7%	\$277.42	\$235.06
Midtown South – 2019	88.5%	90.3%	89.5%	89.4%	\$224.00	\$219.17	\$289.66	\$243.79	\$198.31	\$197.87	\$269.33	\$218.06	87.2%	\$230.92	\$201.32
Midtown South – 2018	88.5%	89.7%	90.1%	89.3%	\$217.73	\$218.02	\$293.37	\$242.91	\$191.61	\$195.50	\$264.31	\$216.81	86.2%	\$229.51	\$197.93
Lower Manhattan – 2019	87.9%	88.9%	90.0%	88.9%	\$266.75	\$260.26	\$348.26	\$291.47	\$234.44	\$231.33	\$313.42	\$259.15	85.8%	\$278.39	\$238.86
Lower Manhattan – 2018	88.2%	89.3%	88.9%	88.8%	\$253.13	\$247.44	\$338.36	\$279.36	\$223.38	\$220.90	\$300.64	\$248.04	85.1%	\$268.20	\$228.31
	% Change from 2018				% Change from 2018				% Change from 2018				% Change from 2018		
Upper Manhattan	-0.2%	1.9%	0.7%	0.8%	-4.0%	-1.3%	-2.2%	-2.5%	-4.2%	0.6%	-1.5%	-1.7%	-1.0%	-1.4%	-2.3%
Midtown West	-1.2%	-0.2%	0.0%	-0.5%	-3.8%	-2.1%	-2.2%	-2.6%	-4.9%	-2.2%	-2.2%	-3.1%	-2.0%	-2.5%	-4.4%
Midtown East	-1.5%	-1.7%	0.4%	-1.0%	-5.4%	-2.1%	-1.8%	-2.7%	-6.8%	-3.8%	-1.4%	-3.7%	-1.5%	-2.5%	-4.0%
Midtown South	-0.6%	-0.6%	0.6%	-0.2%	-2.6%	-0.5%	1.3%	-0.4%	-3.4%	-1.2%	1.9%	-0.6%	-1.1%	-0.6%	-1.7%
Lower Manhattan	0.4%	0.5%	-1.2%	-0.1%	-5.1%	-4.9%	-2.8%	-4.2%	-4.7%	-4.5%	-4.1%	-4.3%	-0.8%	-3.7%	-4.4%

5 The most notable transaction in the fourth quarter under the active leading food and beverage industry was Yard House, an American sports bar chain which leased more than 20,000 sq ft at Times Square and Fasano Hotel and Restaurant Group and Urbanspace leasing in the Plaza District.

The availability of ground-floor retail spaces across Manhattan's shopping corridors show a slight increase (219 spaces). Fifth Avenue's availability decreased from 12 ground floor spaces to 8. Landlords are putting an effort to subdivide large spaces and offer better pricing which has proven to be successful.

Figure 7. Top Lease Transactions | Q4 2019

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
BMW of Manhattan	227,782	555 West 57th Street	Midtown West	Automotive
Best Buy	40,313	535 Fifth Avenue	Grand Central	Electronics
RAD Entertainment Group LLC	39,436	1515 Broadway	Times Square	Entertainment
Target	31,526	243 West 42nd Street	Times Square	Retail Sales
Fasano	20,000	280 Park Avenue	Plaza District	Food & Beverage
Yard House	20,000	1441 Broadway	Penn Plaza/Herald Square	Food & Beverage
Urbanspace	18,394	135 West 50th Street	Plaza District	Food & Beverage
New York Public Library	16,000	285 Lafayette Street	NoHo	Non-Profit
Citibank	13,000	1 Broadway	Wall Street/Financial	Financial Services
Club Monaco	12,865	597 Fifth Avenue	Plaza District	Apparel

Source: CBRE Research, Q4 2019.

Figure 11. Average Asking Rent\* | Q4 2019

Neighborhood	Corridor Parameters	Total direct ground floor availabilitys Q4 2019	Q4 2019	Q3 2019	Quarter over quarter change	Q4 2018	Year over year change	
Upper West Side	Broadway   72nd to 86th Streets	19	\$267	\$262	1.8%	\$277	(3.6%)	
Upper East Side	Third Avenue   60th to 72nd Streets	16	\$218	\$232	(5.9%)	\$240	(9.1%)	
Upper Madison Ave	Madison Avenue   57th to 72nd Streets	34	\$911	\$954	(4.5%)	\$1,088	(16.3%)	
Plaza District	Fifth Avenue   49th to 59th Streets**	8	\$3,000	\$3,150	(4.8%)	\$3,280	(8.5%)	
Grand Central**	Fifth Avenue   42nd to 49th Streets	8	\$828	\$836	(0.9%)	\$927	(10.6%)	
Times Square	Broadway & Seventh Avenue   42nd to 47th Streets	10	\$1,615	\$1,820	(11.3%)	\$1,850	(12.7%)	
Herald Square**	34th Street   Fifth to Seventh Avenues	11	\$509	\$521	(2.4%)	\$600	(15.2%)	
Flatiron/Union Square	Broadway   14th to 23rd Streets	12	\$365	\$384	(4.8%)	\$389	(6.2%)	
Flatiron/Union Square	Fifth Avenue   14th to 23rd Streets	10	\$344	\$346	(0.7%)	\$474	(19.0%)	
SoHo	Broadway   Houston to Broome Streets	22	\$466	\$486	(4.0%)	\$577	(19.1%)	
Soho	Prince Street   Broadway to West Broadway	5	\$719	\$705	2.0%	\$715	0.6%	
SoHo	Spring Street   Broadway to West Broadway	9	\$646	\$720	(10.3%)	\$730	(11.5%)	
Meatpacking	14th Street   Eighth to Tenth Avenues	13	\$340	\$353	(3.8%)	\$351	(3.2%)	
Meatpacking	Gansevoort   Little West 12th Street   Ninth to Tenth Avenues	19	\$357	\$357	0.0%	\$364	(1.8%)	
Meatpacking	Washington Street   14th to Gansevoort Streets	2	\$575	\$575	0.0%	\$467	23.2%	
Downtown	Broadway   Battery Park to Chambers Street	21	\$413	\$394	4.7%	\$414	(0.3%)	
All	Average of corridors	-	\$723	\$756	(4.3%)	\$793	(8.8%)	
Total direct ground floor availabilitys Q4 2019			Q4 2019	Q3 2019	Quarter over quarter change	Q4 2018	Year over year change	
Aggregate Average Asking Rent**			219	\$617	\$669	(7.8%)	\$680	(9.3%)