

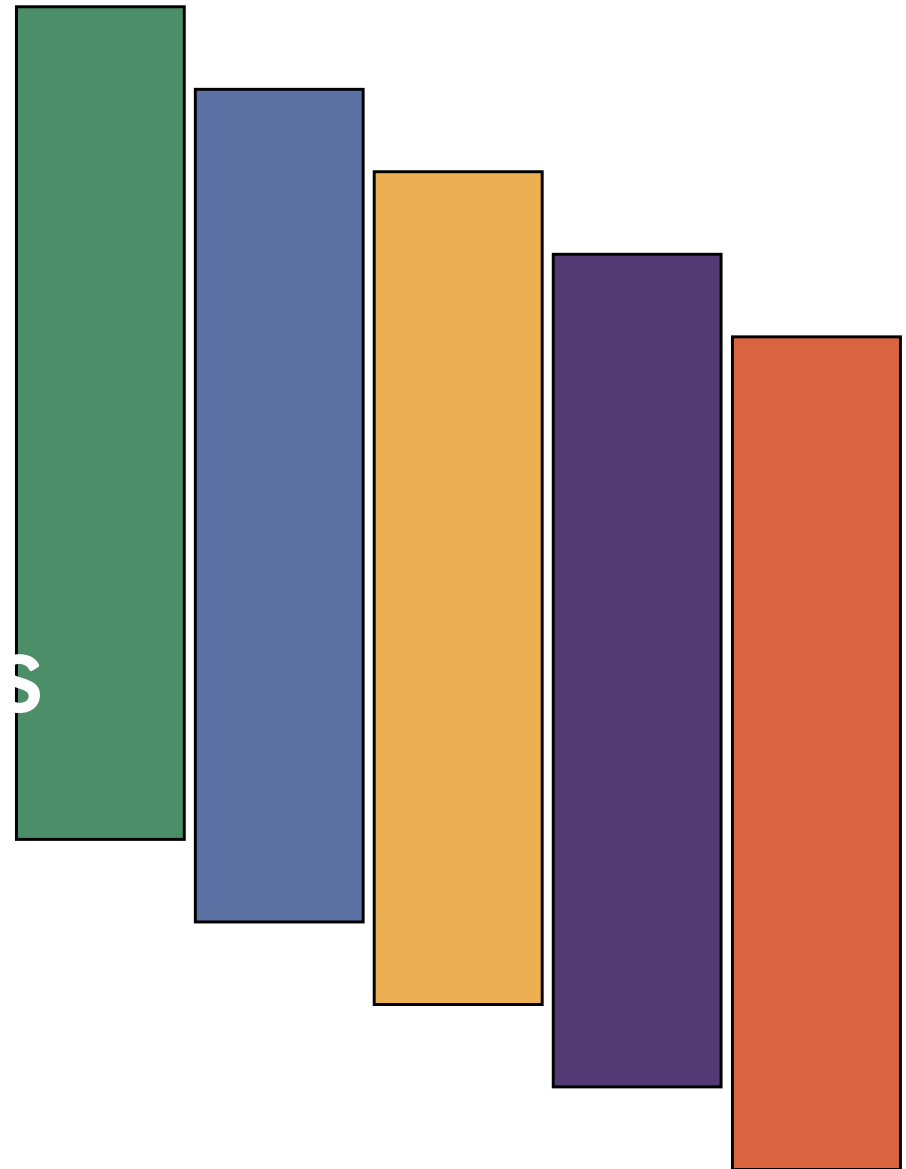
Business Review Day Manhattan Market Outlook May 17, 2006

John Powers
Co-Chairman, New York Tri-State Region

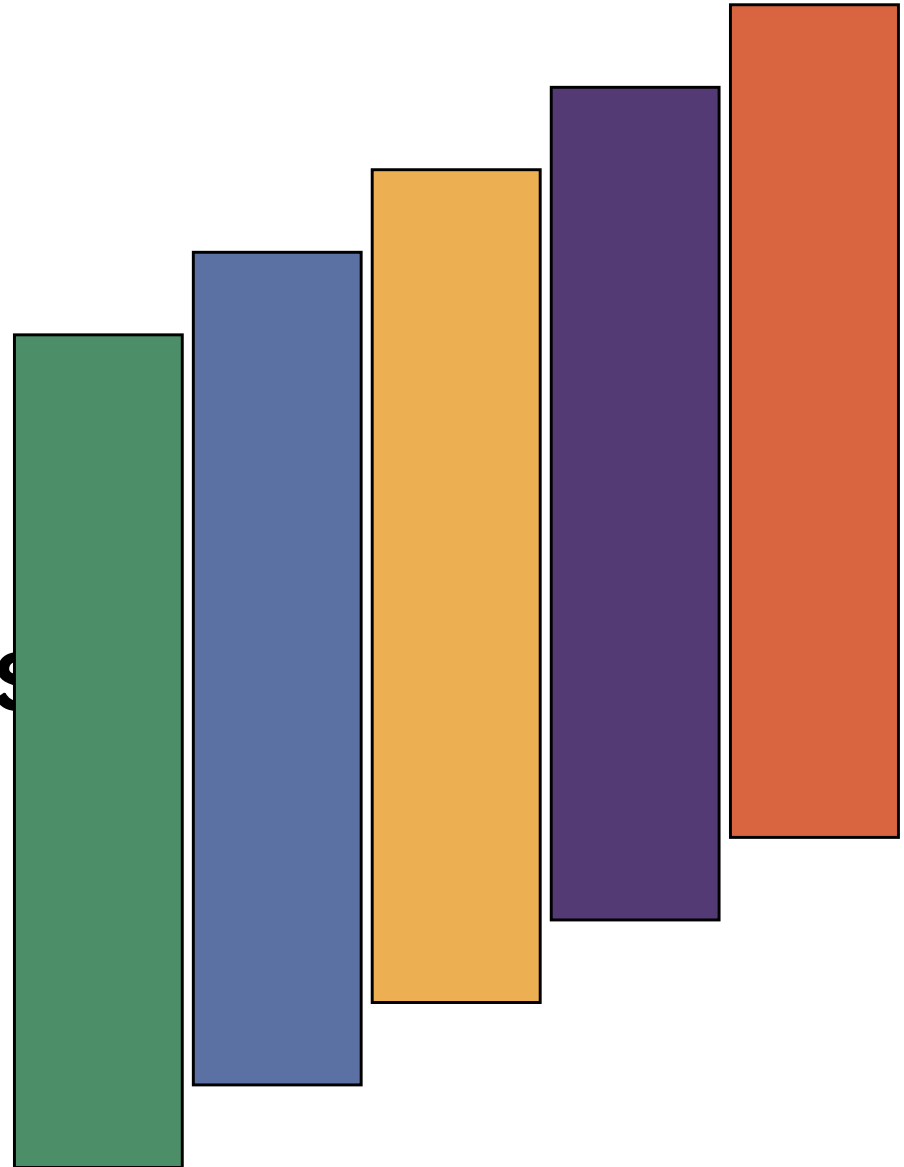
100 A CENTURY OF SERVICE
1906 | 2006

CBRE
CB RICHARD ELLIS

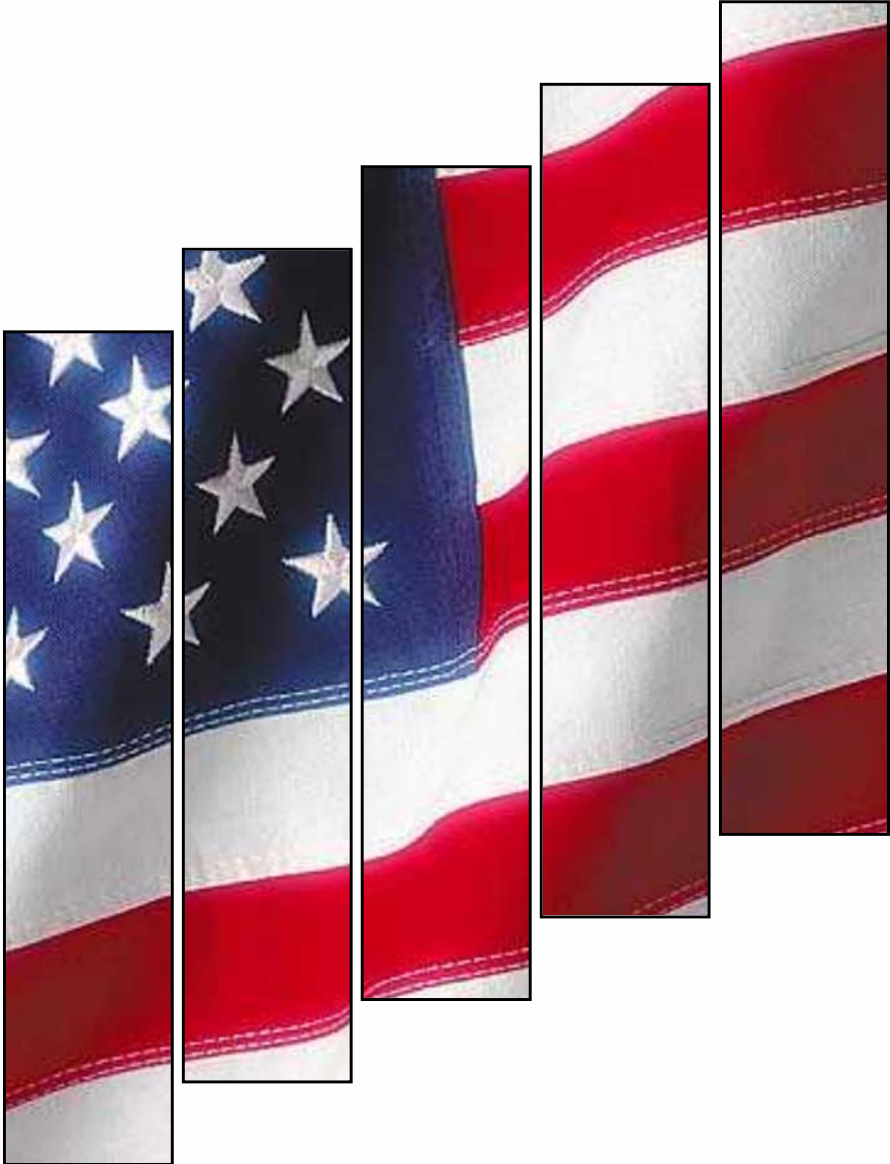
Downhill Speed



Downhill Speed Reconsidering Price Constraints

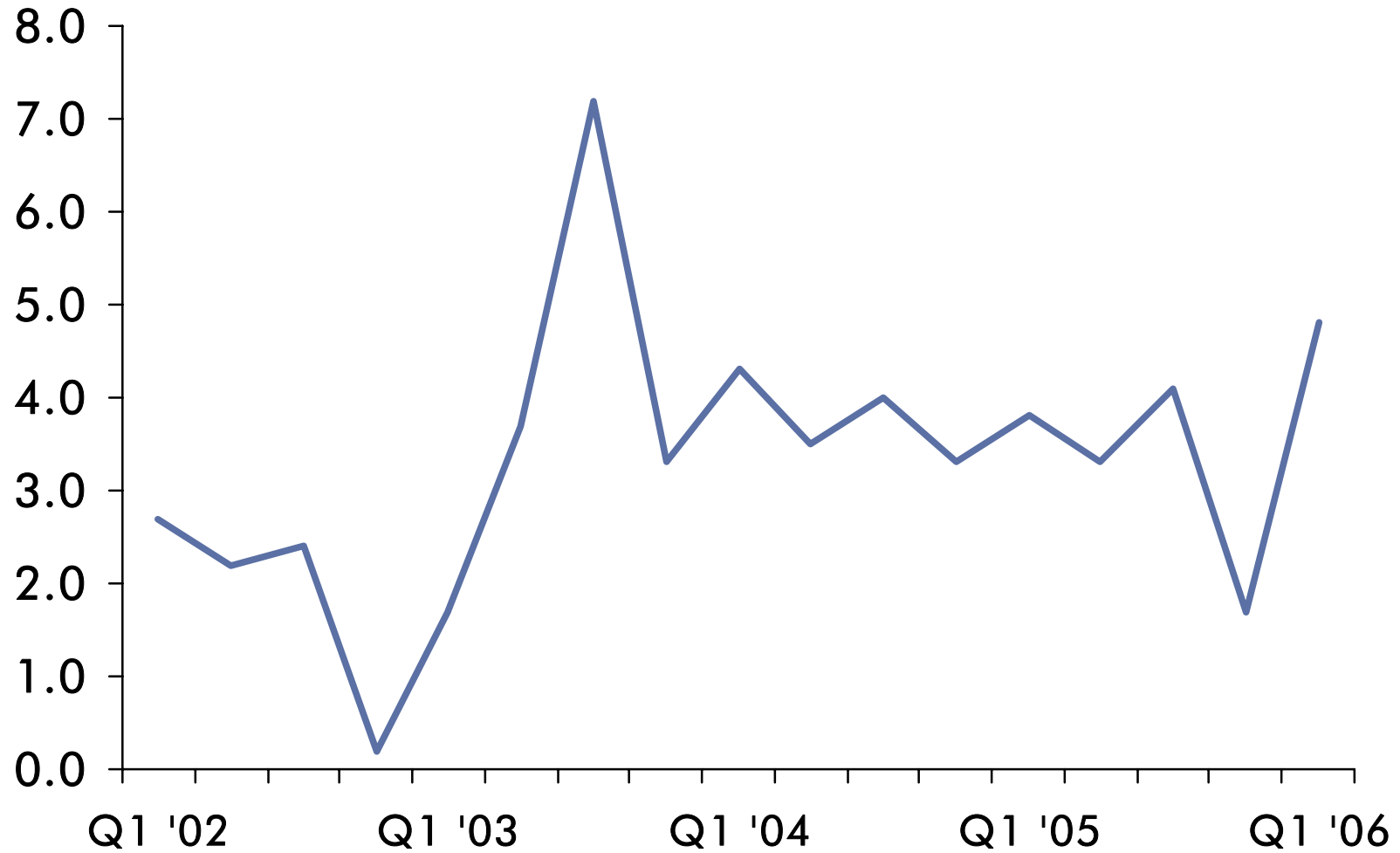


GDP Growth Strong



U.S. Economy

Overview: U.S. GDP (2002 – 2006 YTD)



First Quarter 2006 Real GDP up 4.8%

Economic Performance

	3Q '05	4Q '05	1Q '06
Job Growth	1.6%	1.5%	1.5%
Unemployment Rate	5.1%	4.9%	4.7%

Source: Federal Reserve Bank

Economic Performance

	3Q '05	4Q '05	1Q '06
Personal Income	2.6%	9.4%	6.7%
Productivity	4.2%	-0.3%	3.2%
Personal Consumption	7.9%	3.8%	7.6%

Source: Federal Reserve Bank

Economic Performance

	February	March	April
Durable Goods ⁽¹⁾	0.4%	4.2%	N/A
Retail Sales ⁽¹⁾	6.7%	7.9%	N/A
New Housing Starts ⁽¹⁾	2.5%	1.9%	N/A
Consumer Sentiment	86.7	88.9	87.4
Consumer Confidence	102.7	107.5	109.6

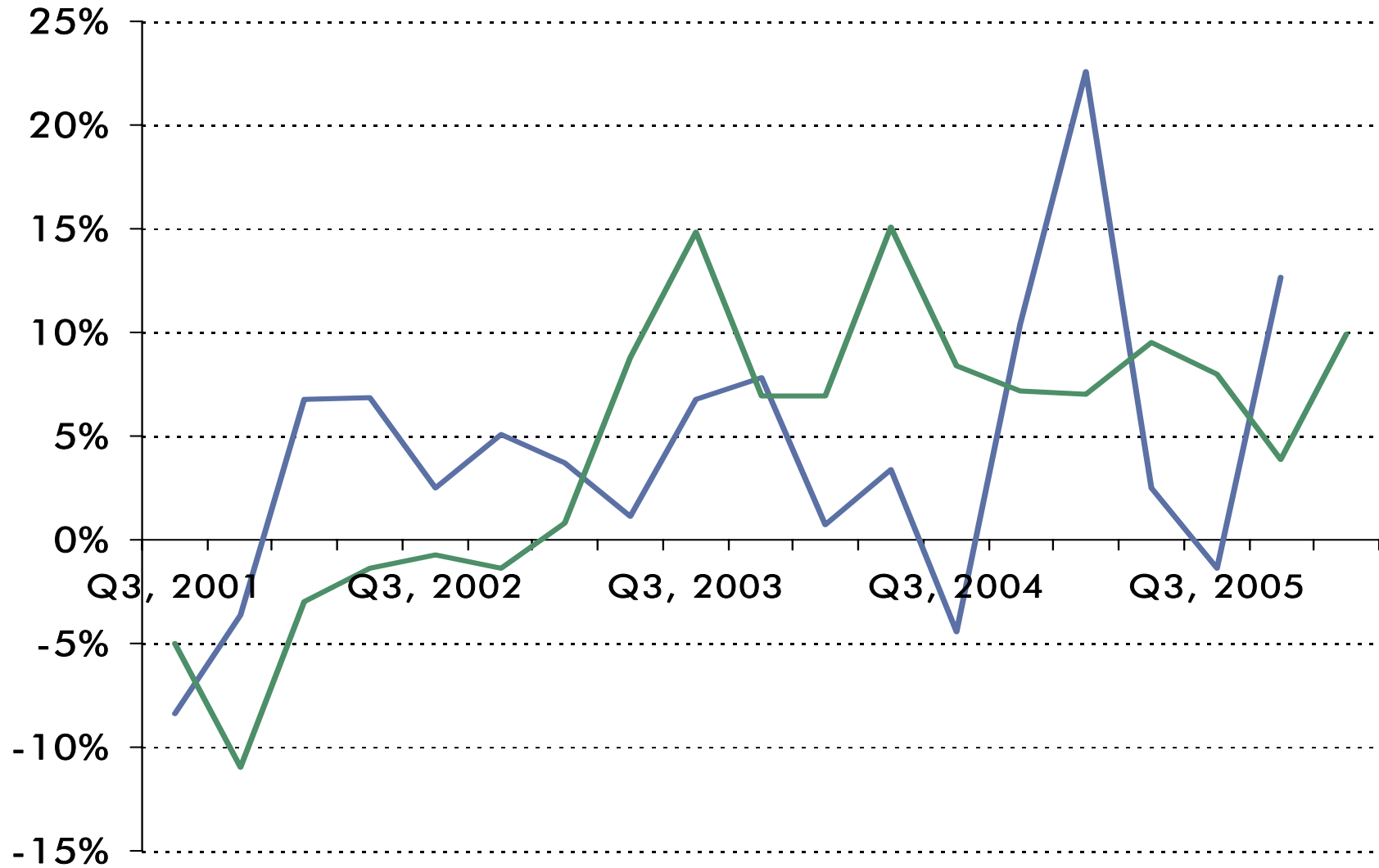
(1) Year over year

Source: Federal Reserve Bank

Corporate Profits

% Change Qtr.
Over Qtr.

■ Corporate Profits ■ Fixed Investment



Wall Street Performance

	<u>2004</u>	<u>2005</u>	<u>YTD 2006</u>
NASDAQ	↑ 9%	↑ 1%	↑ 2%
S&P 500	↑ 11%	↑ 3%	↑ 3%
Dow Jones	↑ 3%	↓ 1%	↑ 6%



U.S. Economy

USD is Again Weakening Versus EURO

Euros to 1 USD



Imports / Exports

	3Q 2005	4Q 2005	1Q 2006
Exports	2.5%	5.1%	12.1%
Imports	2.4%	12.1%	13.0%

Source: Bureau of Labor Statistics

Economic Performance

	2004	2005	1Q '06
Consumer Price Index	3.3%	3.4%	4.3%
Producer Price Index	4.2%	5.4%	-2.5%

Gold at \$680 per ounce!

Source: Federal Reserve Bank

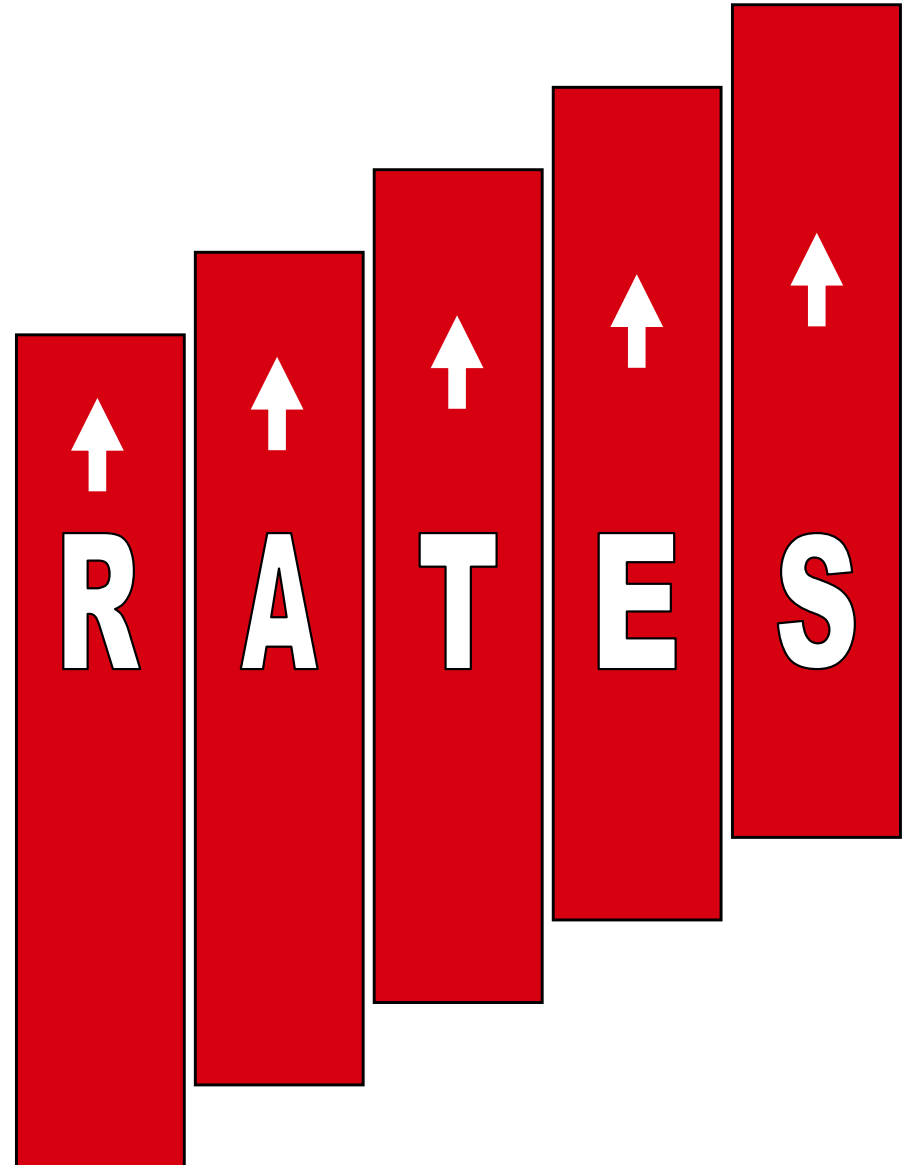
National Economy Has Momentum ...

But how long will it
continue



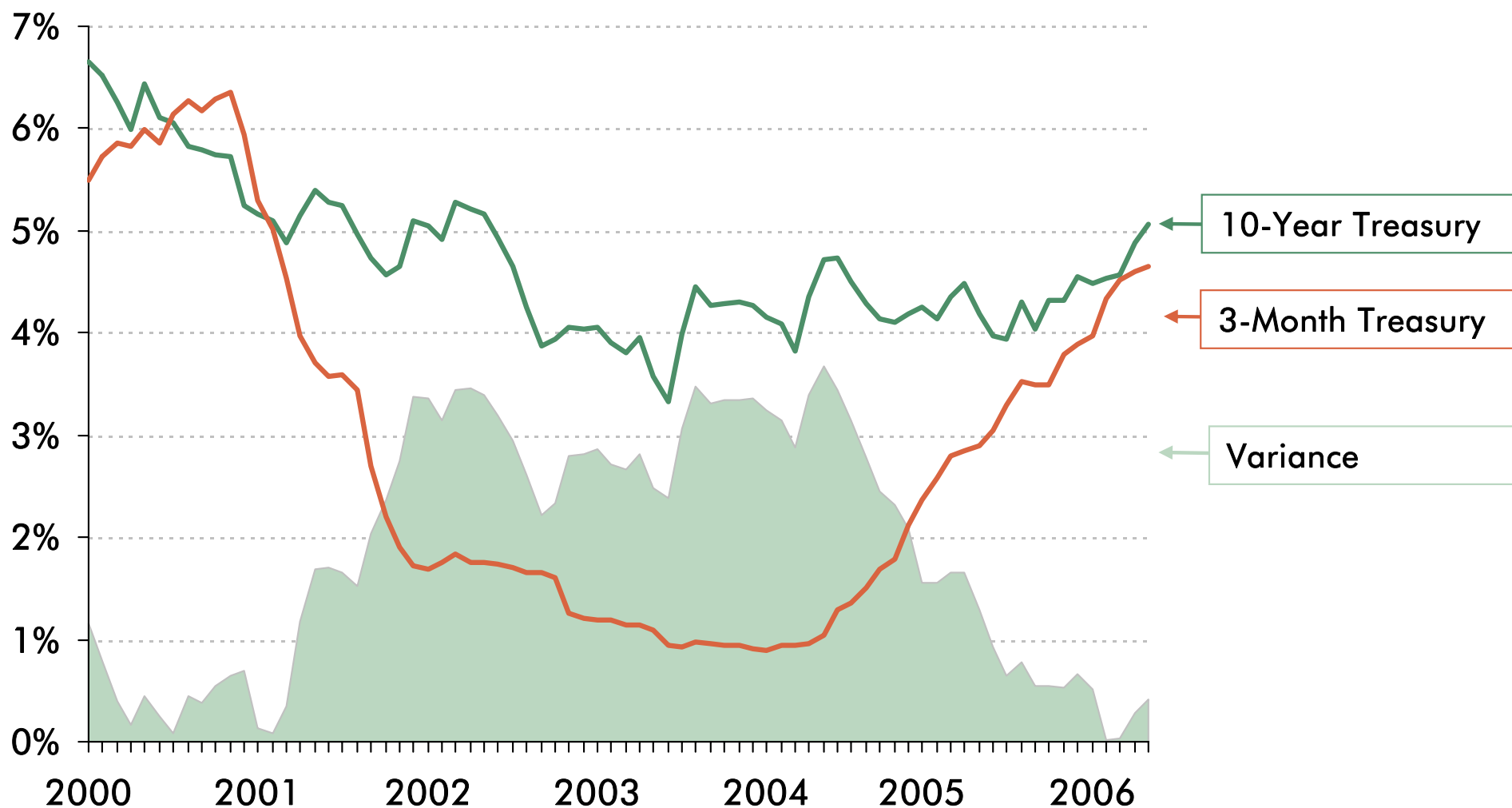
How Long Will It Last ...

***HIGHER
INTEREST***



Interest Rates

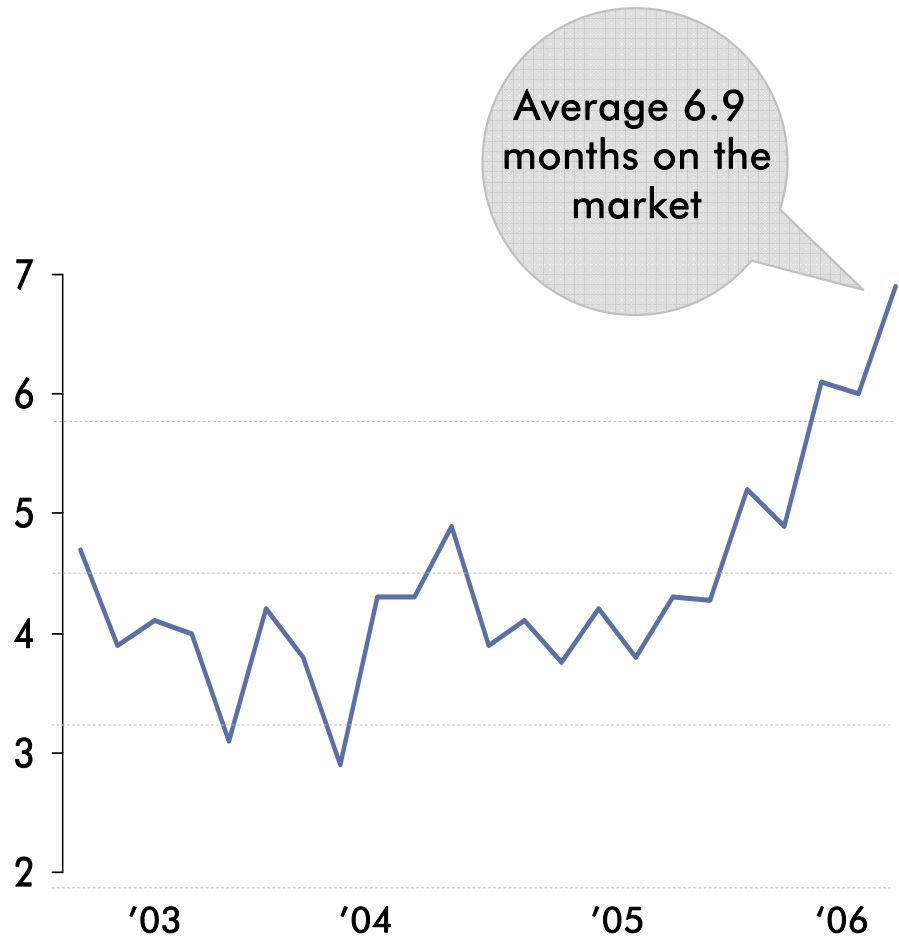
10-Year and 3-Month Constant Maturity Rates



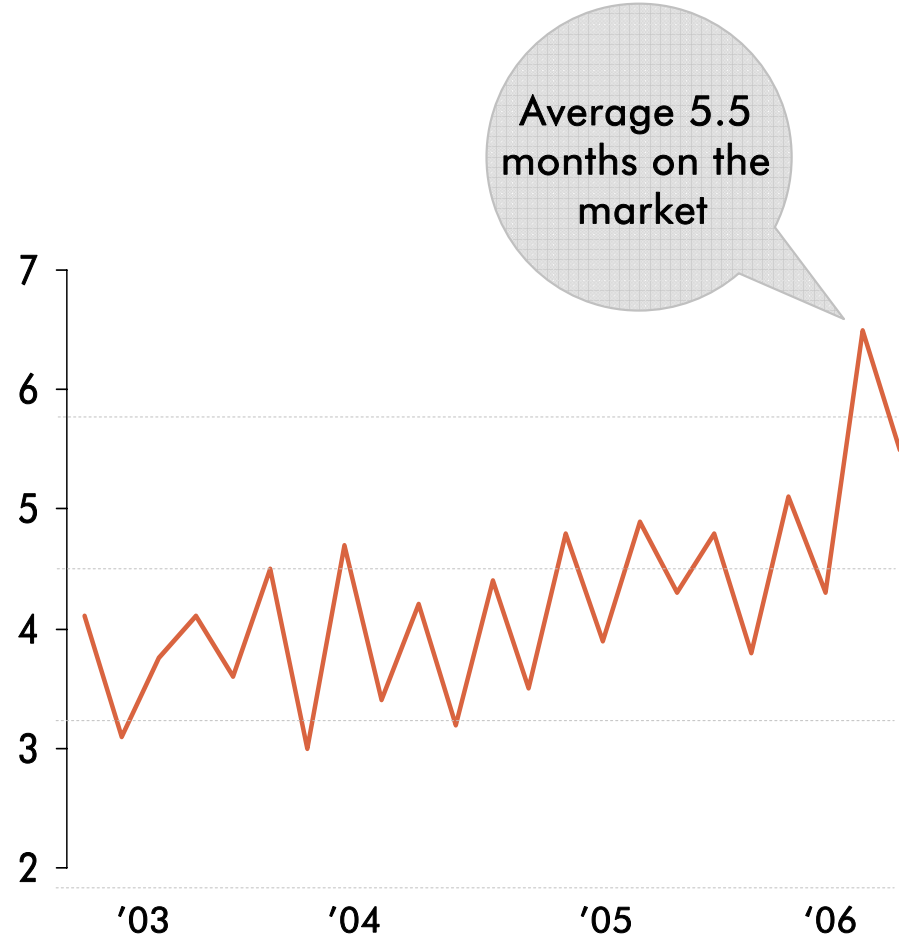
HOUSING HAS PEAKED



Toward A Buyer's Market



CONDOS AND CO-OPS



NEW SINGLE-FAMILY HOMES

OIL PRICES



U.S. Economy

Increasing Oil Prices

NYMEX Crude Oil Futures



U.S. Economy

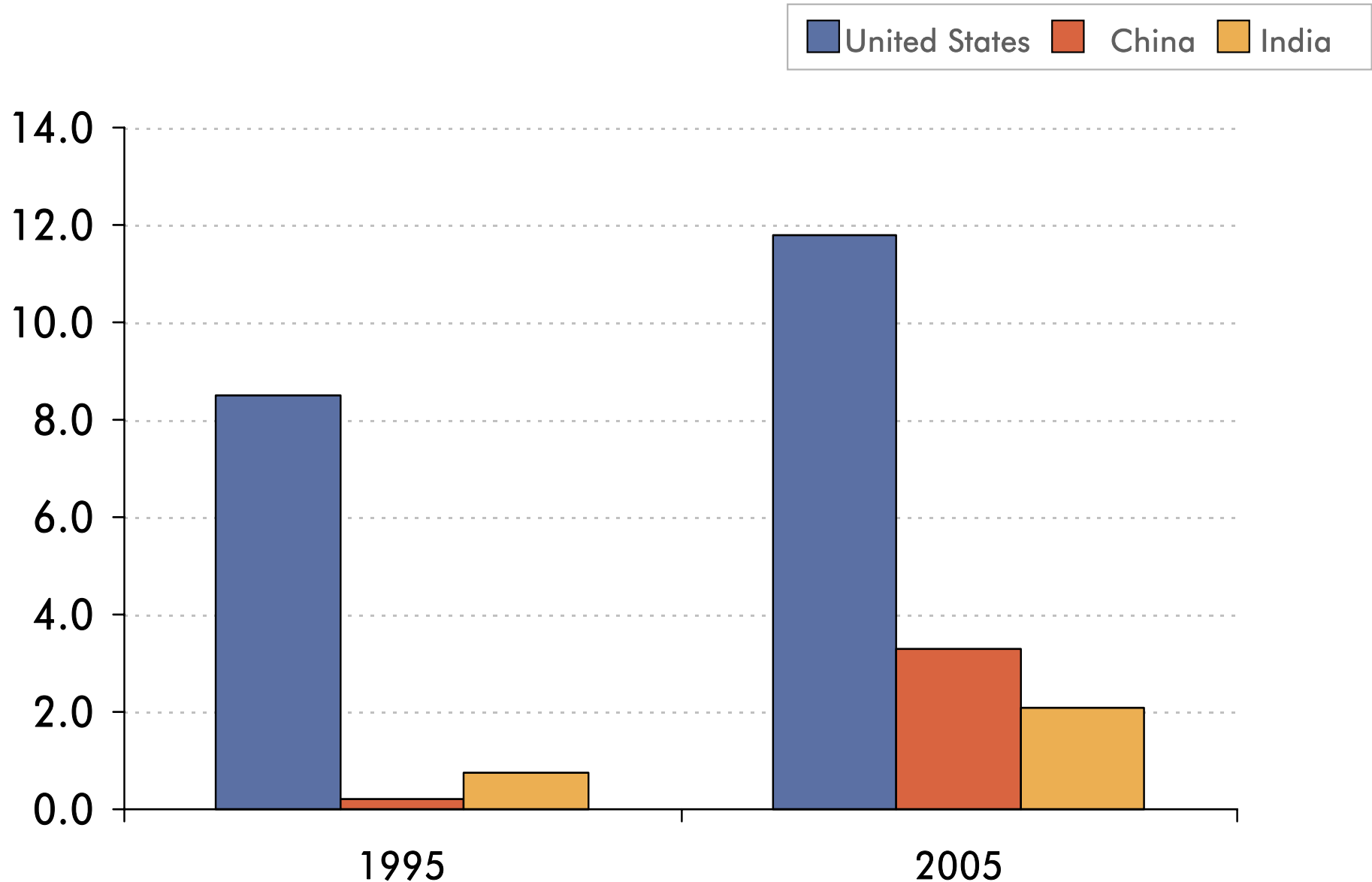
Increasing Gasoline Prices

NYMEX Unleaded Gasoline Futures



U.S. Economy

Average Daily Oil Imports (Millions of Barrels)

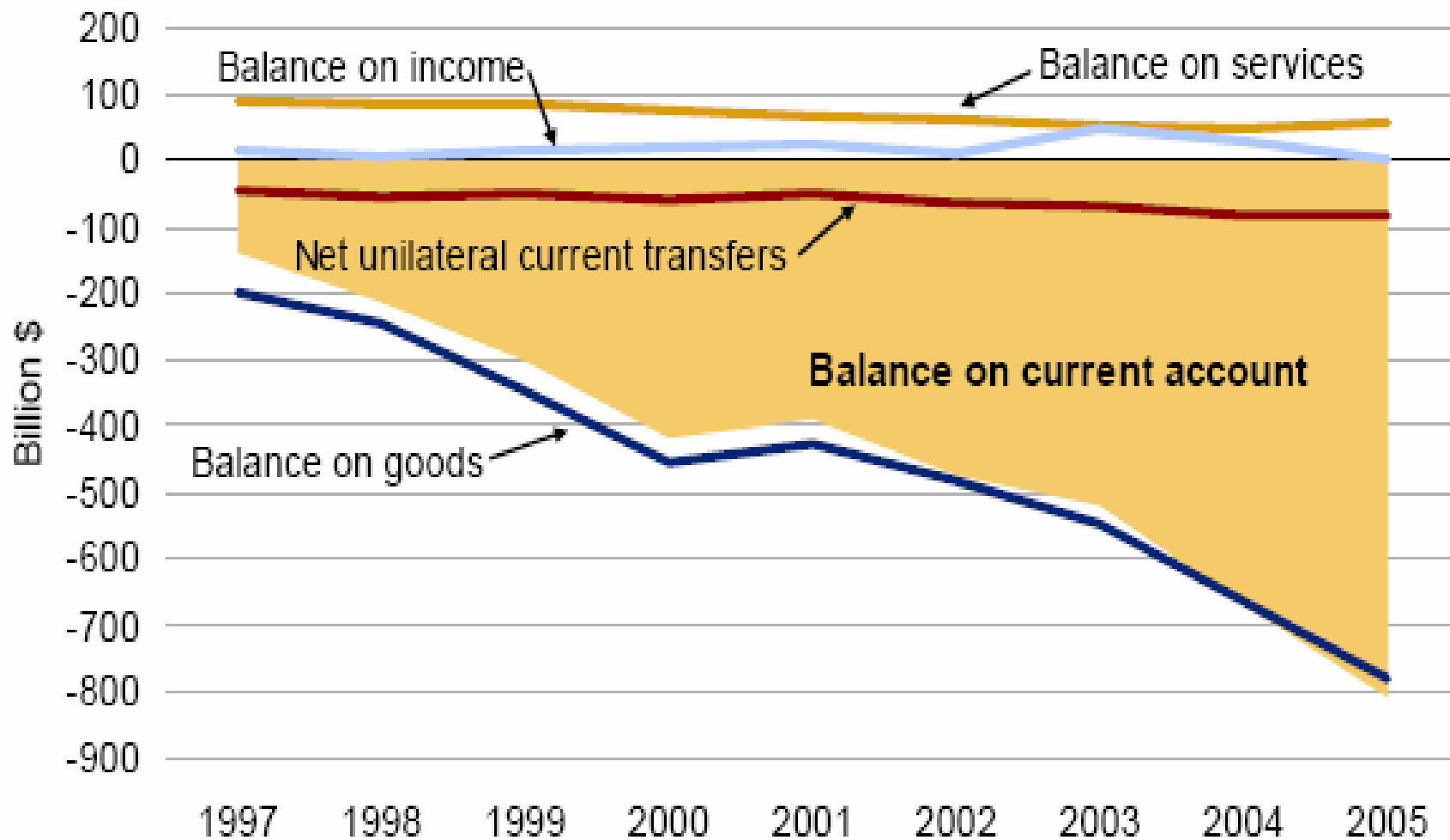


GROWING DEFICIT\$



Growing Current Account Deficit

Income and Services Little Offset



Largest Foreign Holders of US Debt

Total Held Over \$4.1 Trillion – 48%

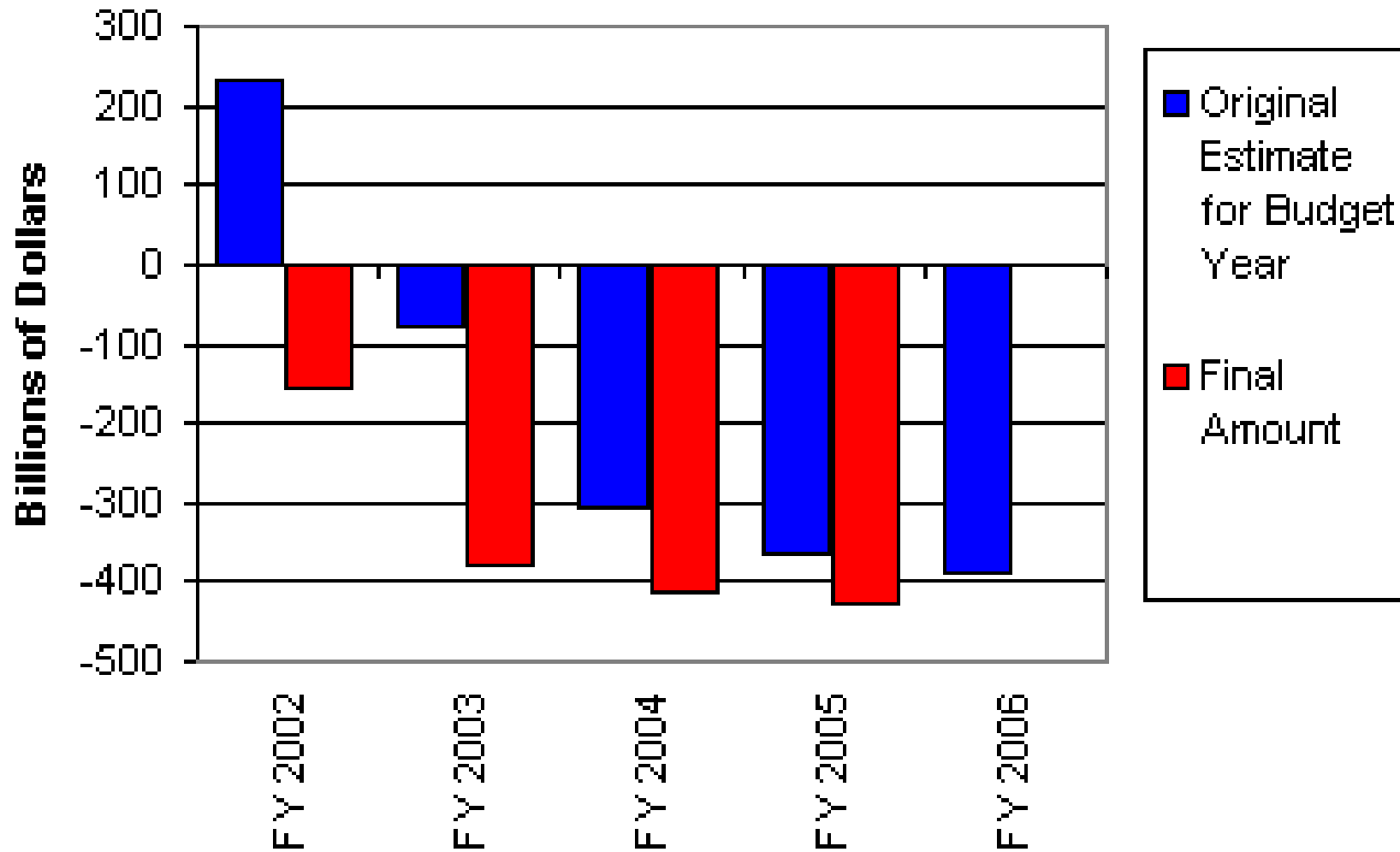
	Amount By Country	
Japan	\$814 Billion	} 32%
China	\$485 Billion	
UK	\$283 Billion	
Others	\$2,536 Billion	

Source: US Treasury Dept. 6/2005

Growing Federal Deficit

Federal Deficit at **\$8.4 Trillion** and Growing

Estimated and Actual Surplus/Deficit (FY 02-06)



How Long Will It Last ...

**ONGOING
TOLL**



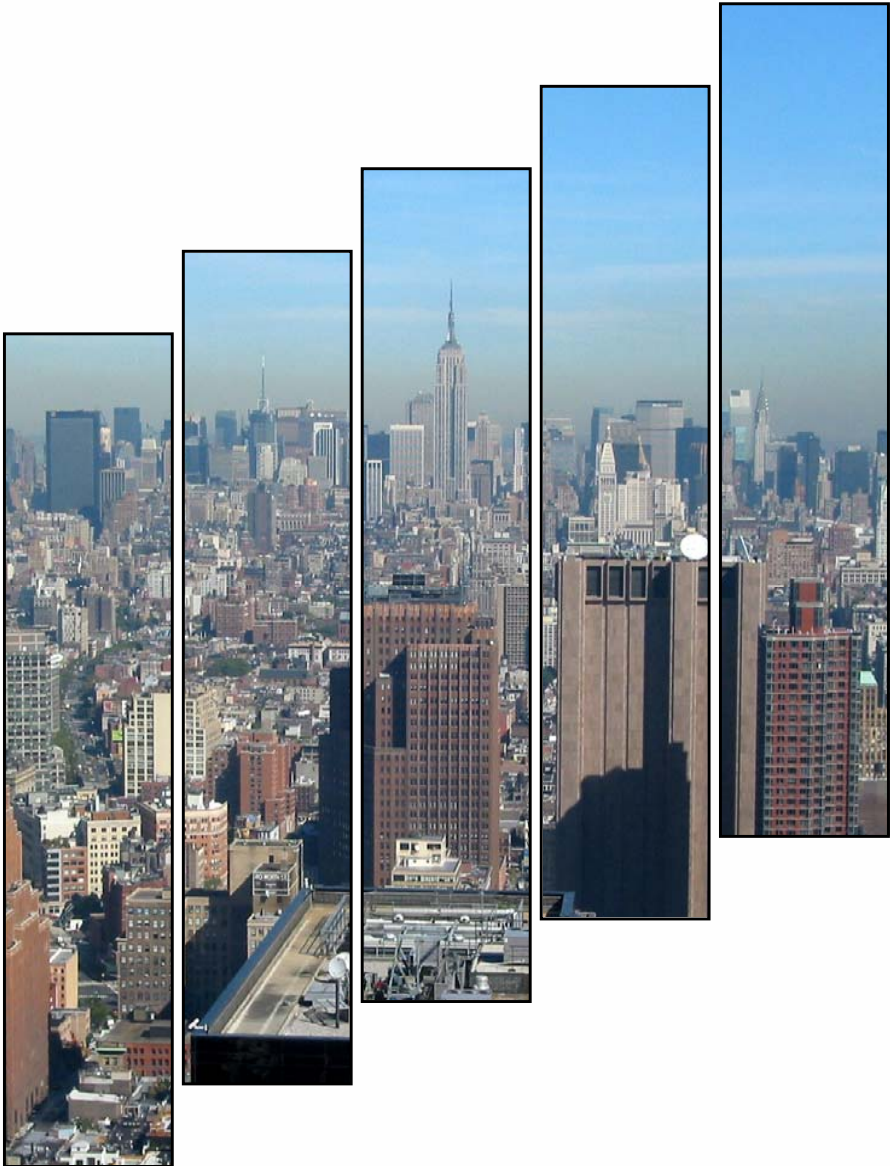
Economic Forecast

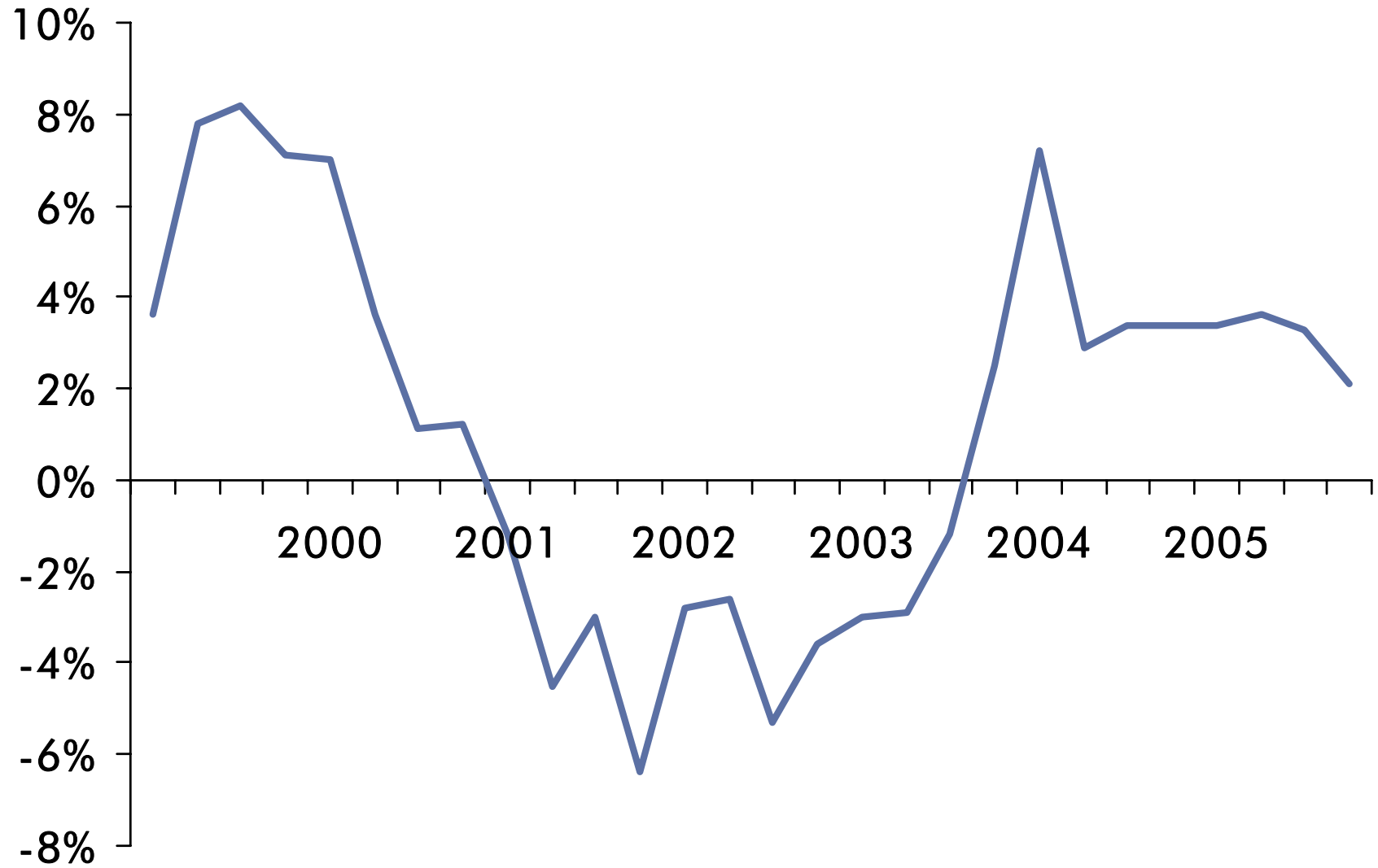
	2005	2006		2007
	FY	1Q	FY	FY
GDP / Consensus	3.2	4.8	3.5	3.0
Bottom 10%			2.9	2.3
Unemployment	5.1	4.7	4.8	4.8
Inflation (CPI)	3.4	2.3	2.4	2.4

Actual / Consensus

Source: Blue Chip Economic Indicators

On a Roll





Economic Indicators – New York City

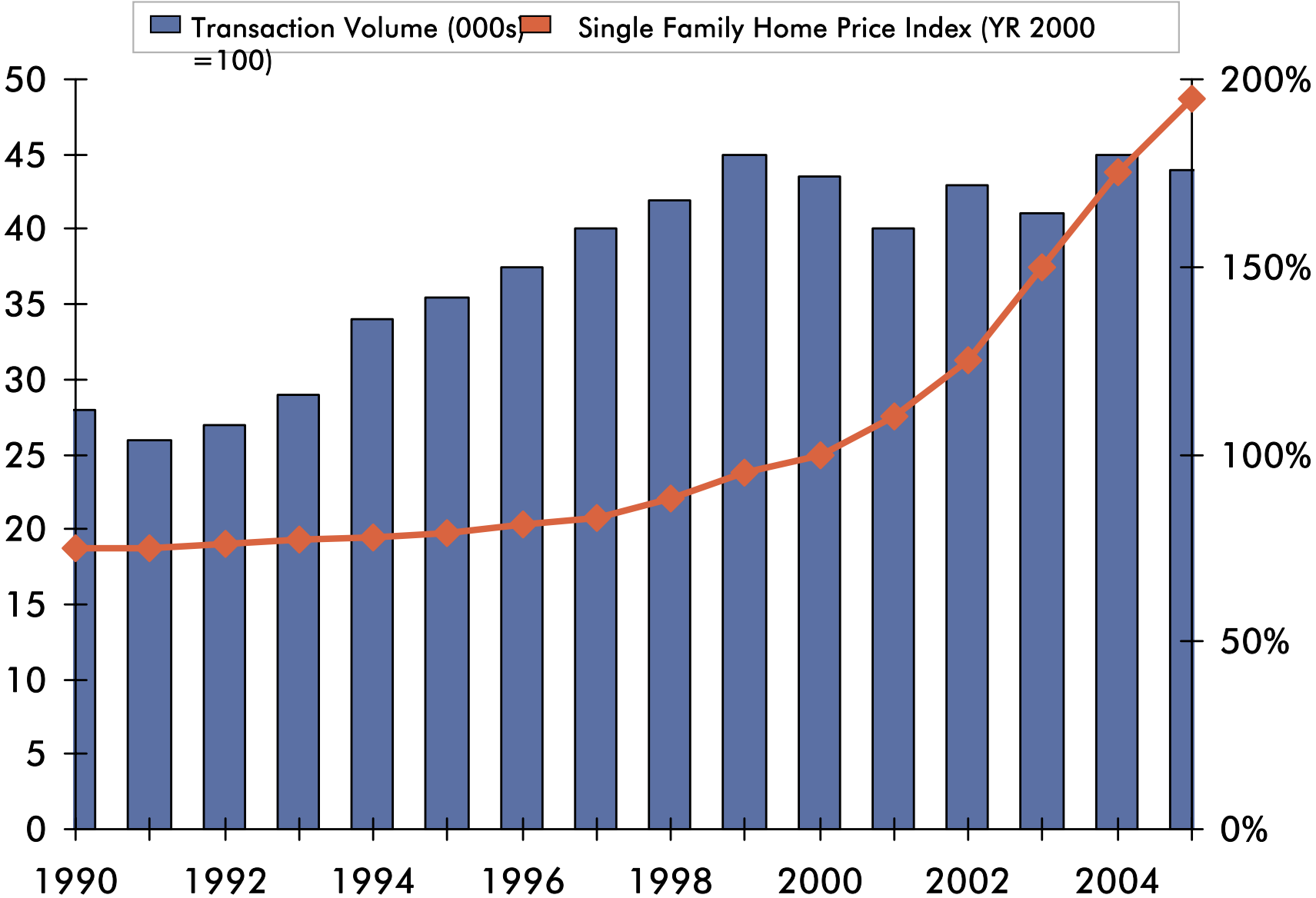
	GCP Growth	Job Growth	Inflation	Unemployment
2005 vs. 2004	3.4% ↑	1.4% ↑	3.9% ↑	5.8% ↓

* NYC ranked 9th in terms of job growth when compared to the 19 largest metropolitan areas.

Source: New York City Comptroller

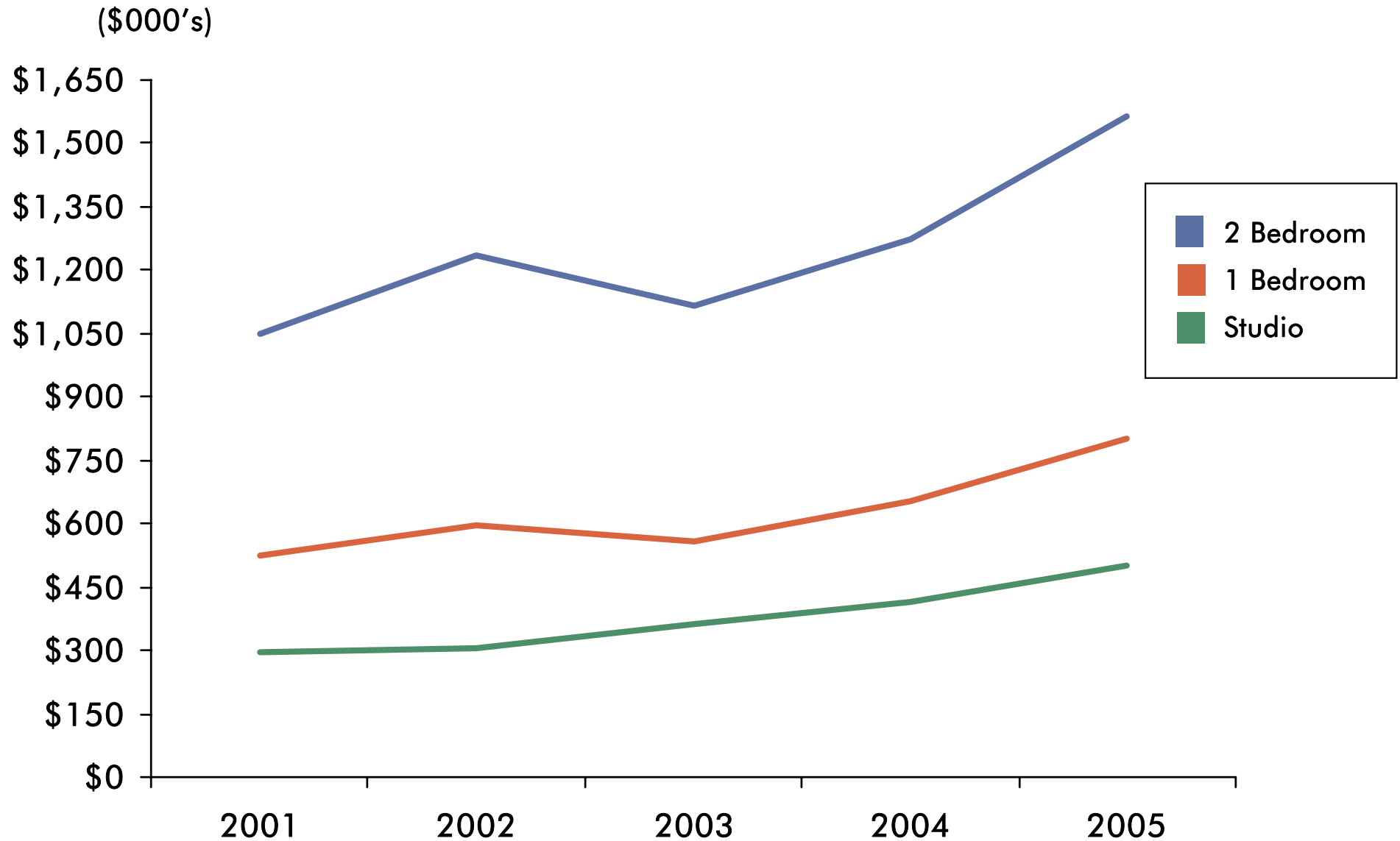
New York City Economy

Metropolitan NY Residential Sales



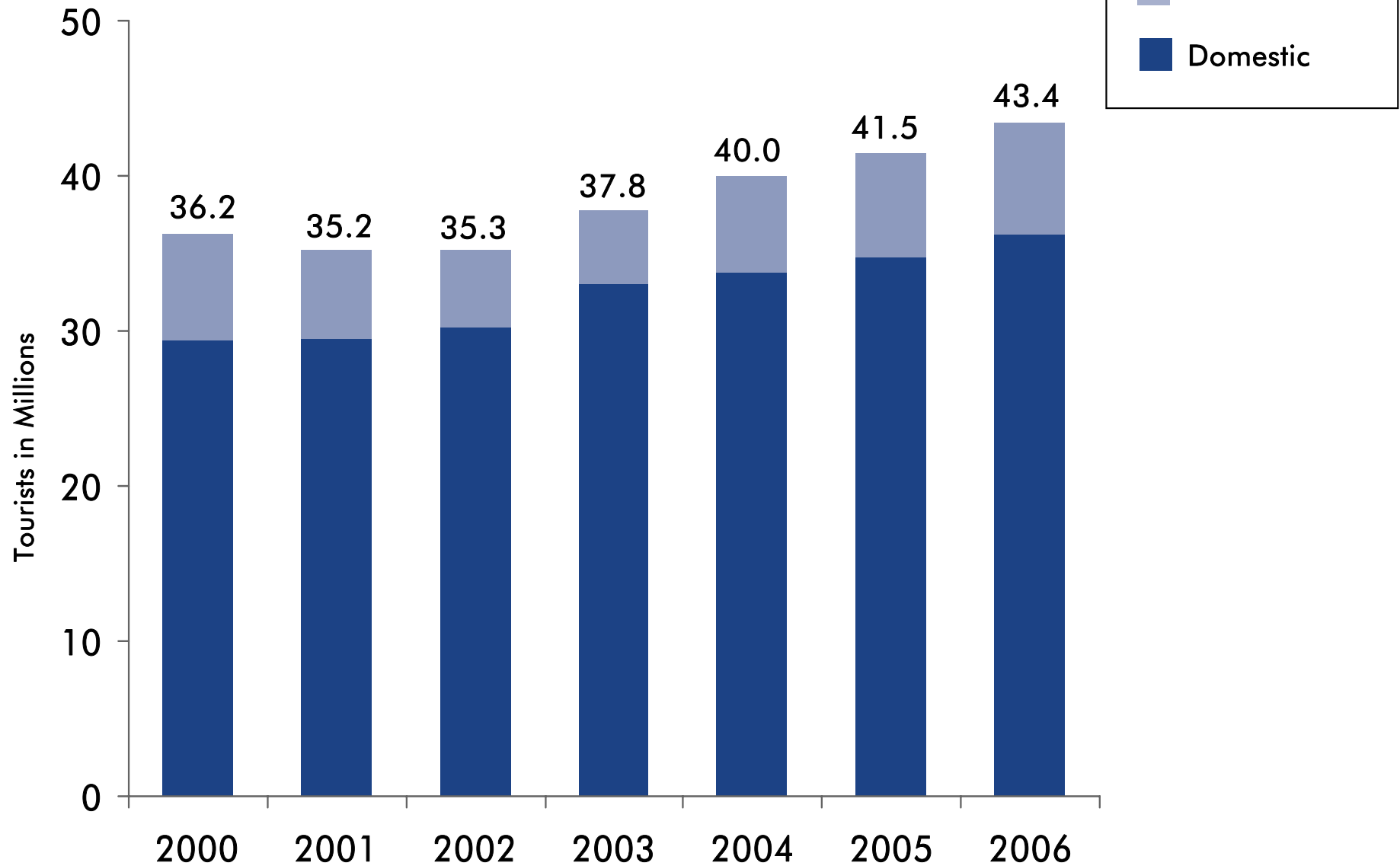
New York City Economy

Manhattan Residential Condo Market (Avg. Sale Prices)



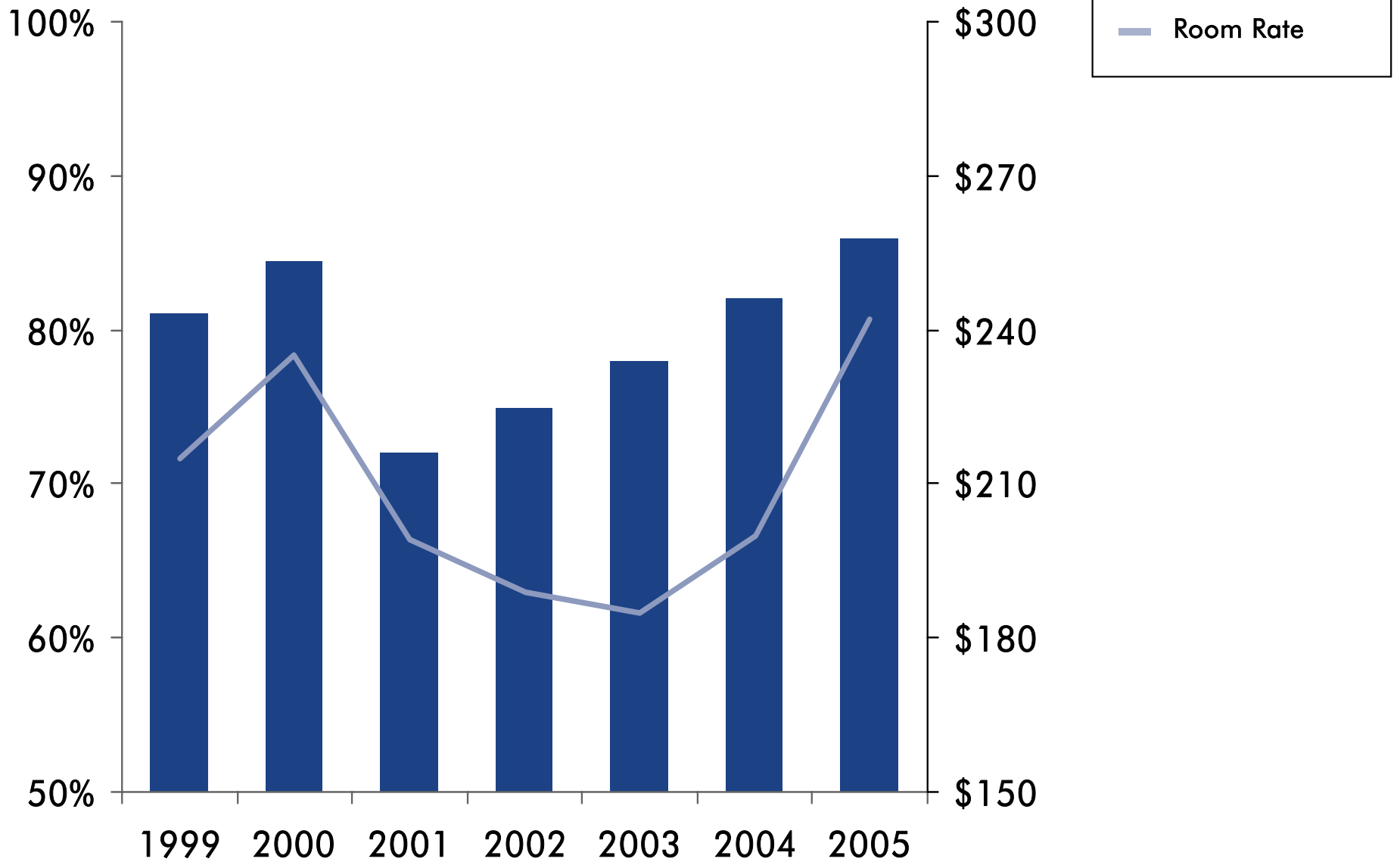
New York City Economy

New York Visitors



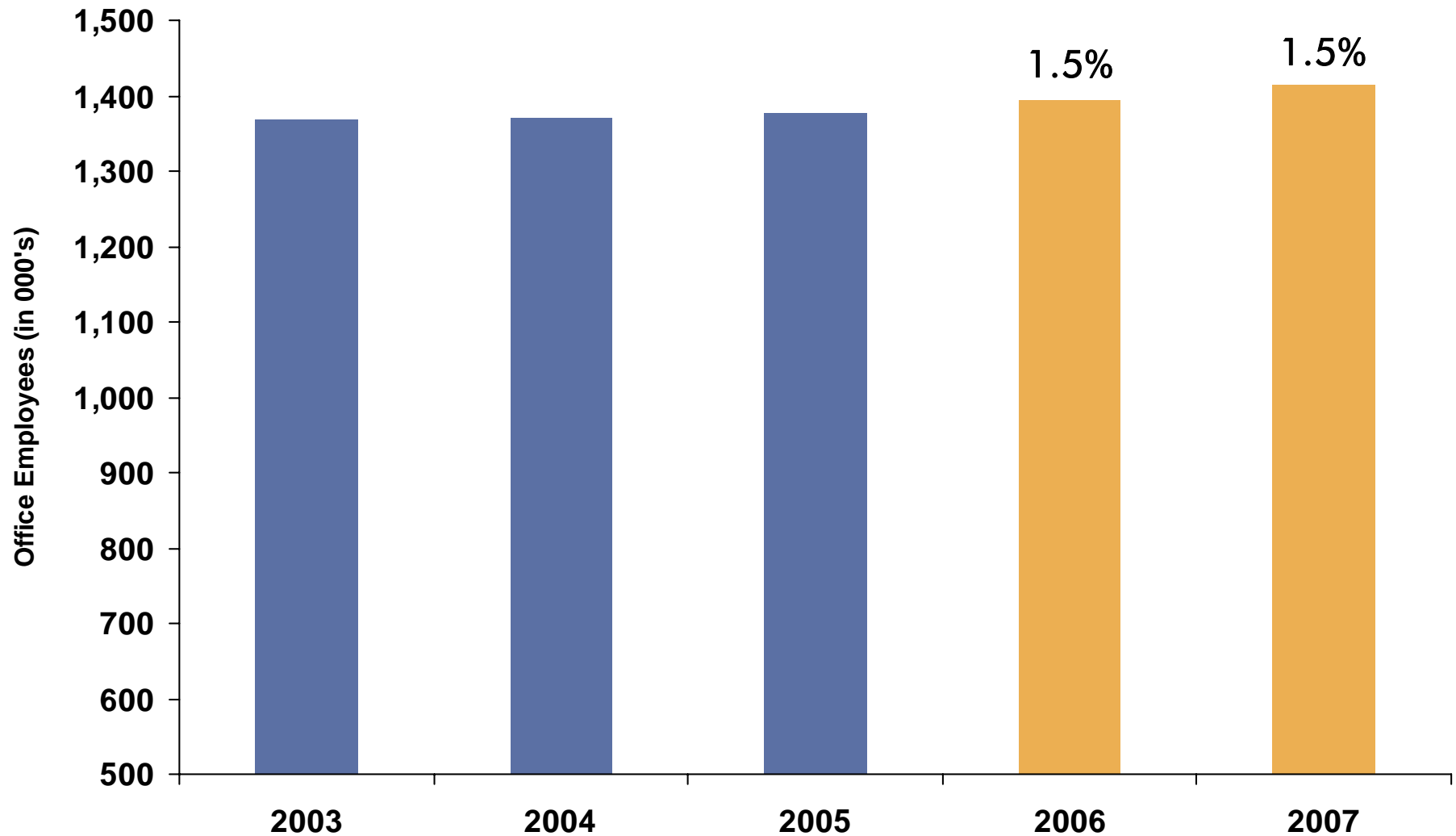
New York City Economy

Hotel Occupancy Rates



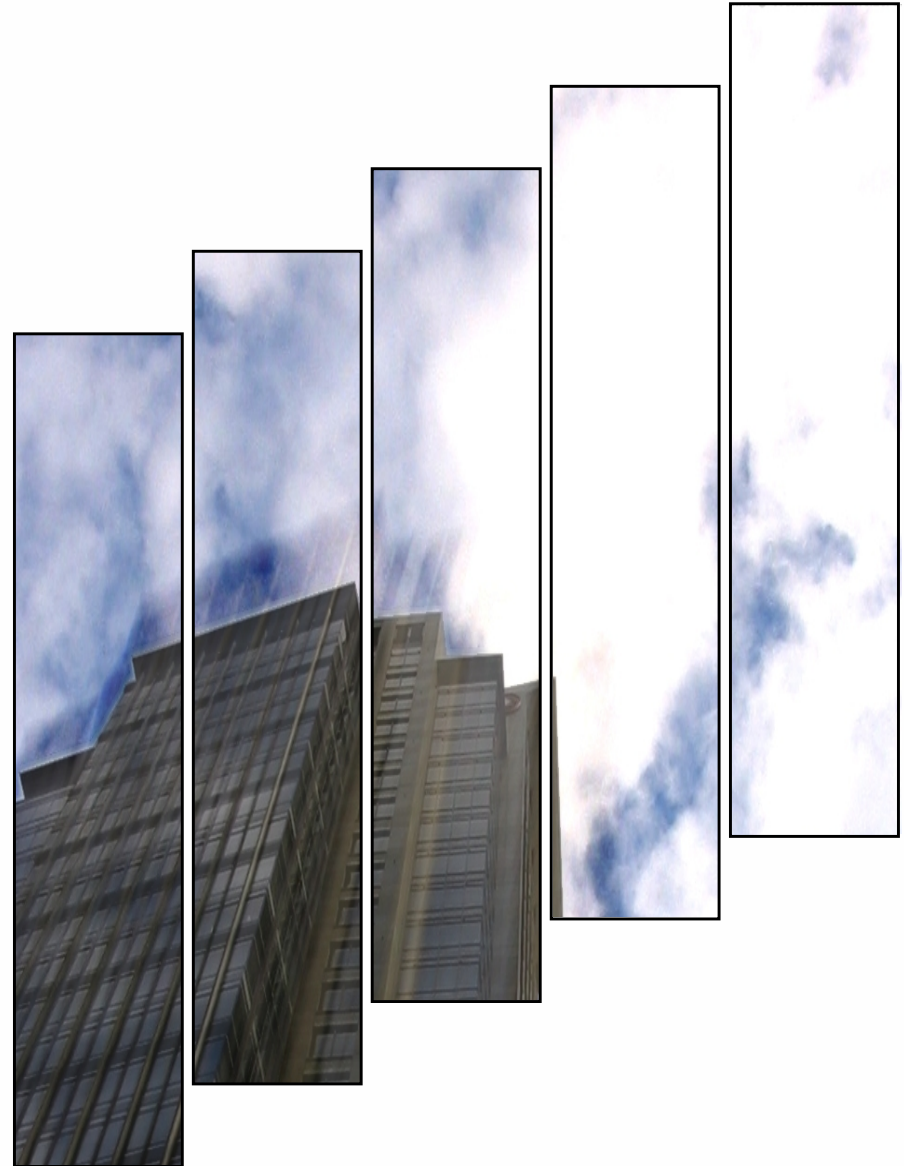
New York City Economy

Office-Based Employees



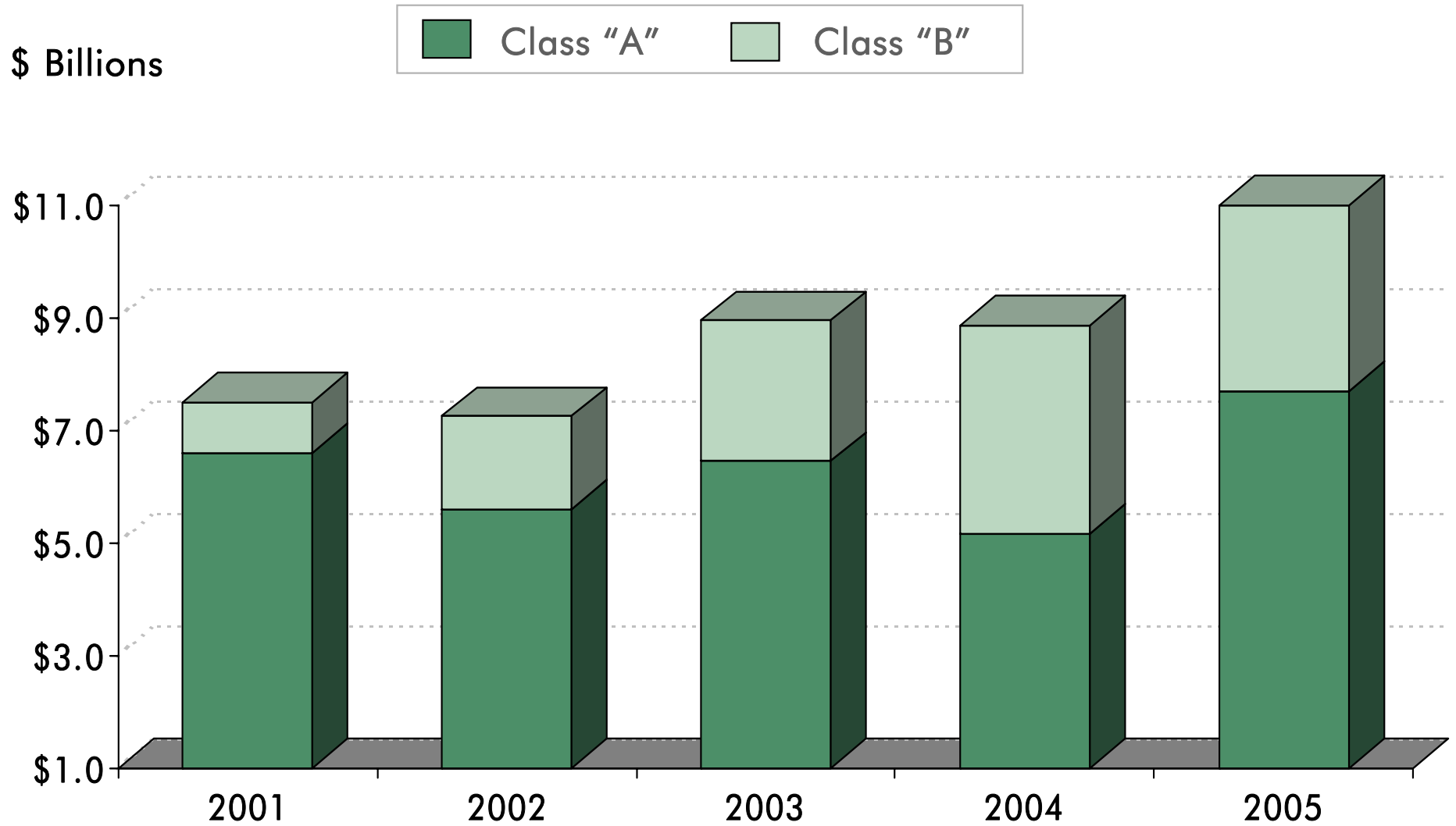
INVESTMENT SALES

Where is the top?



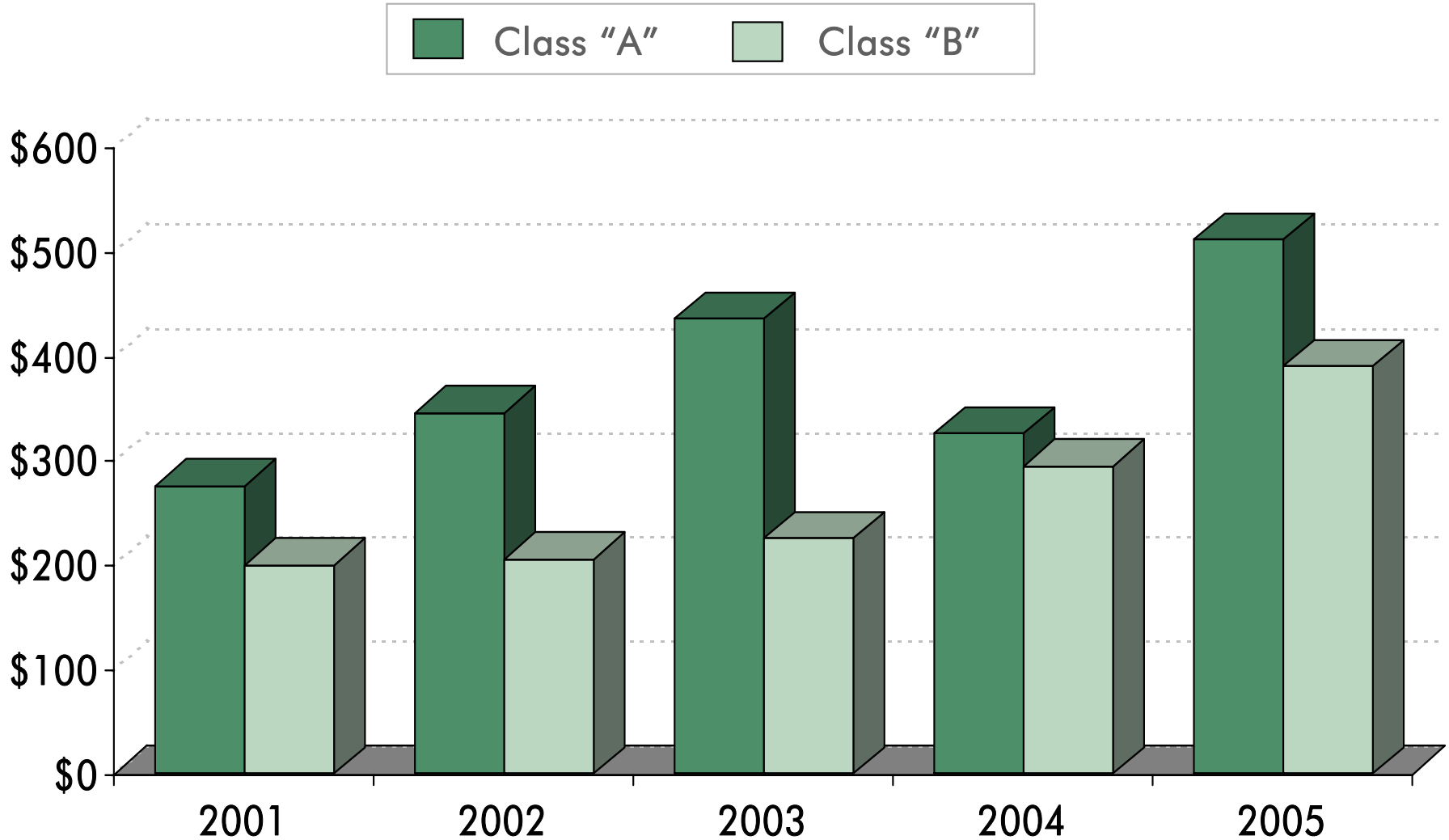
Investment Sales

Dollar Transaction Volume



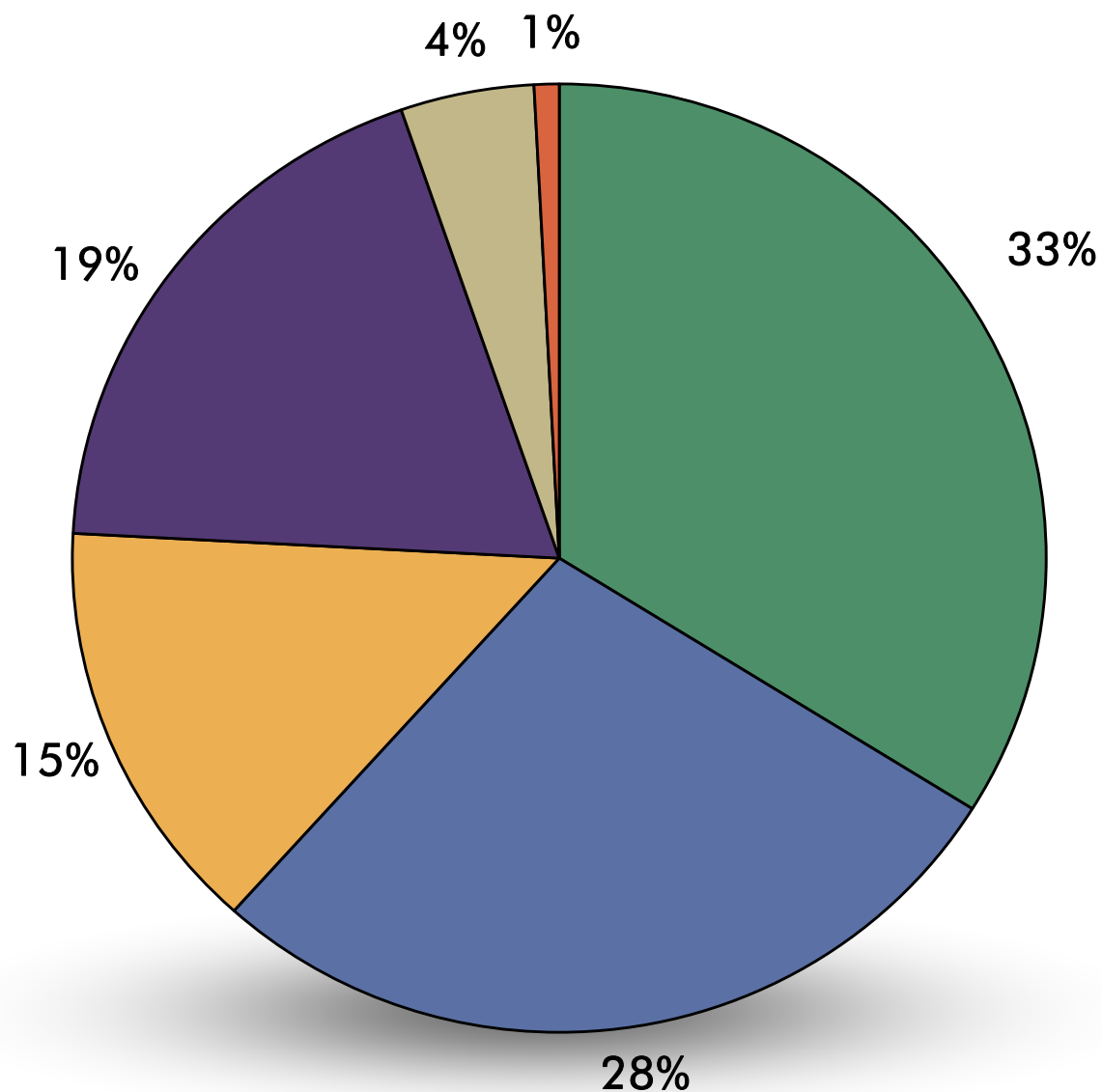
Investment Sales

Average Price Per Square Foot, Class A and B



Investment Sales

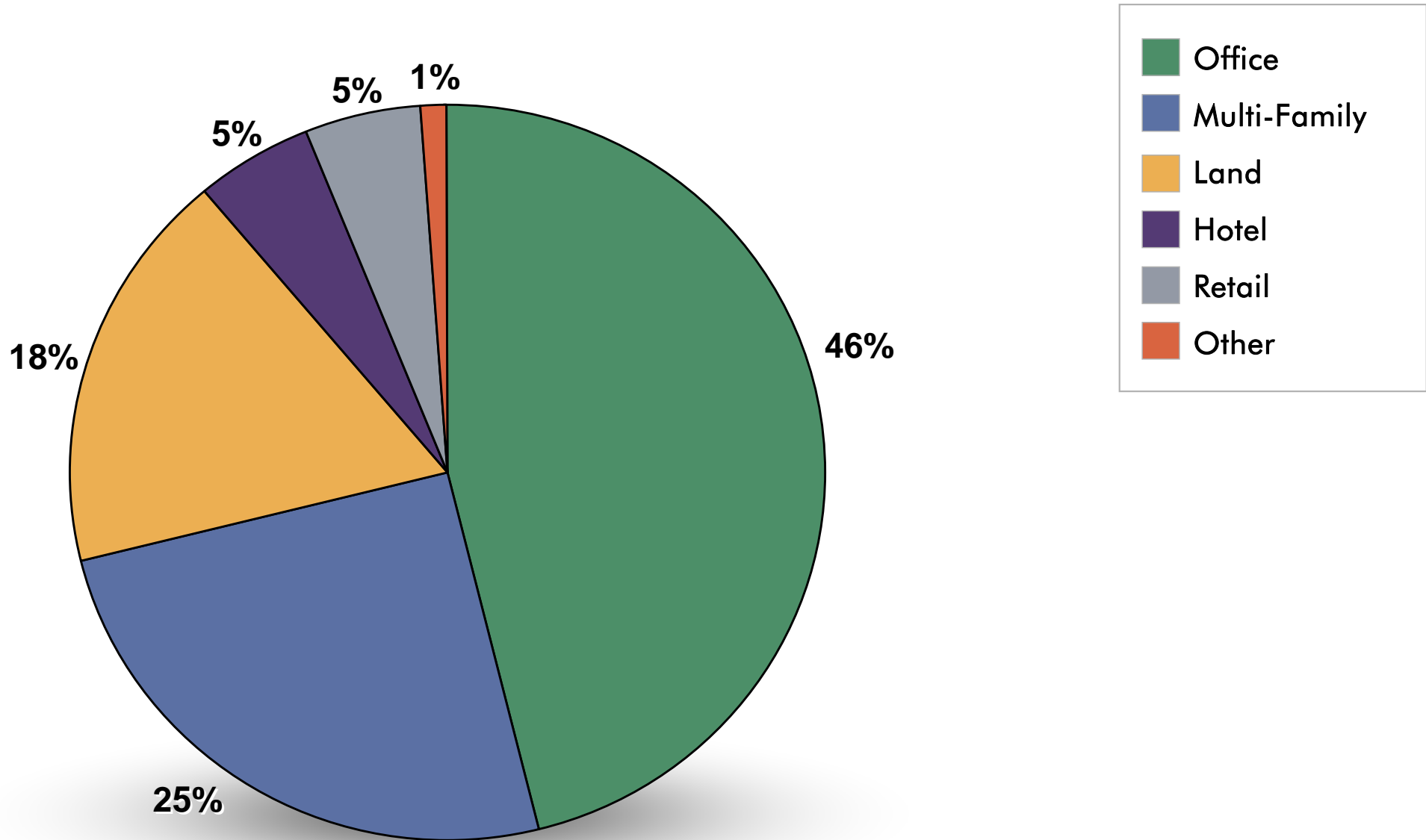
2005 Volume (Percentage by Buyer) *



- Local (individuals & companies)
- National (public/private companies)
- Foreign
- REIT
- Fund
- Non Profit

Investment Sales

2005 Volume (Percentage by Property Type)



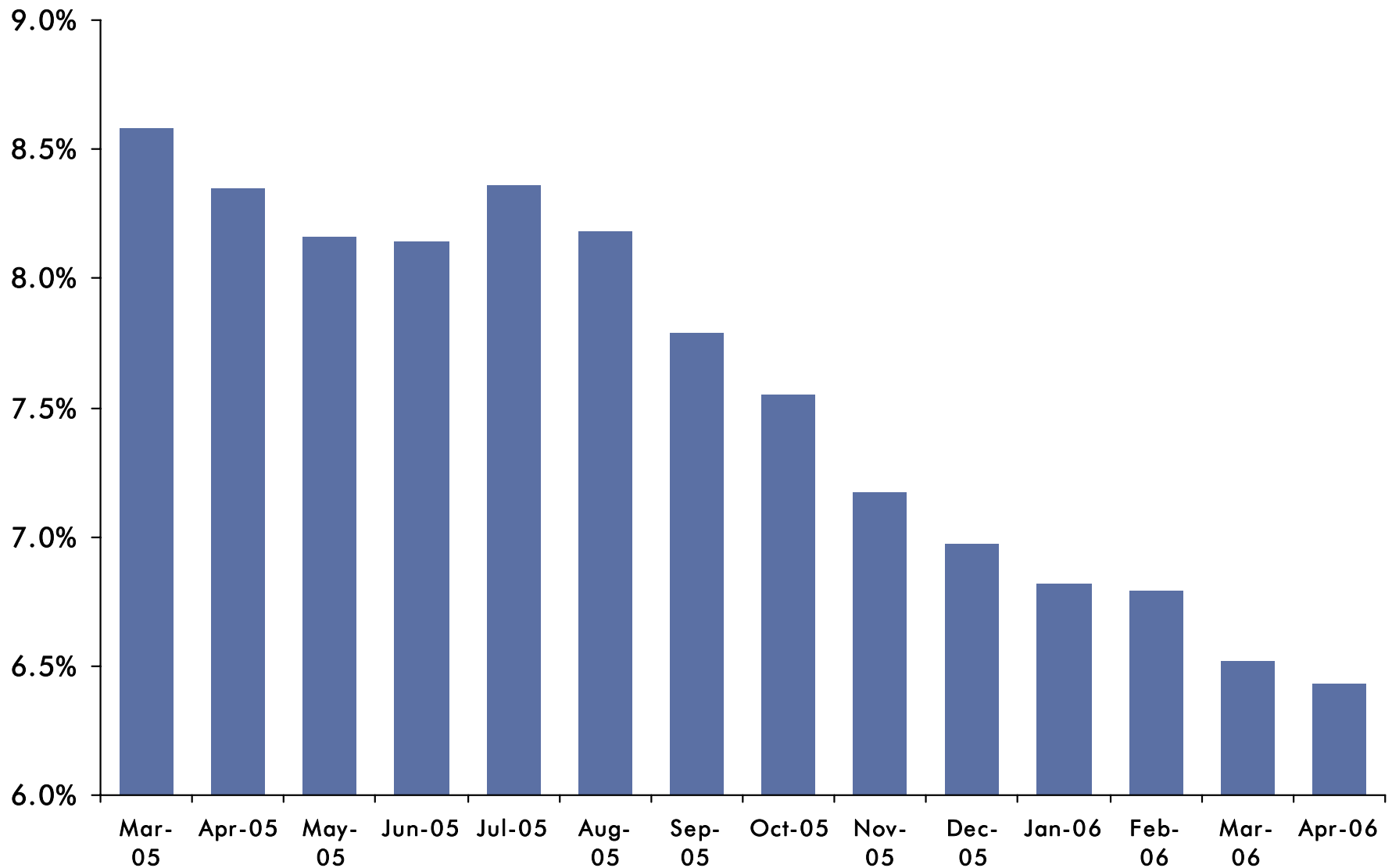
OFFICE LEASING

*Measured
Improvement*



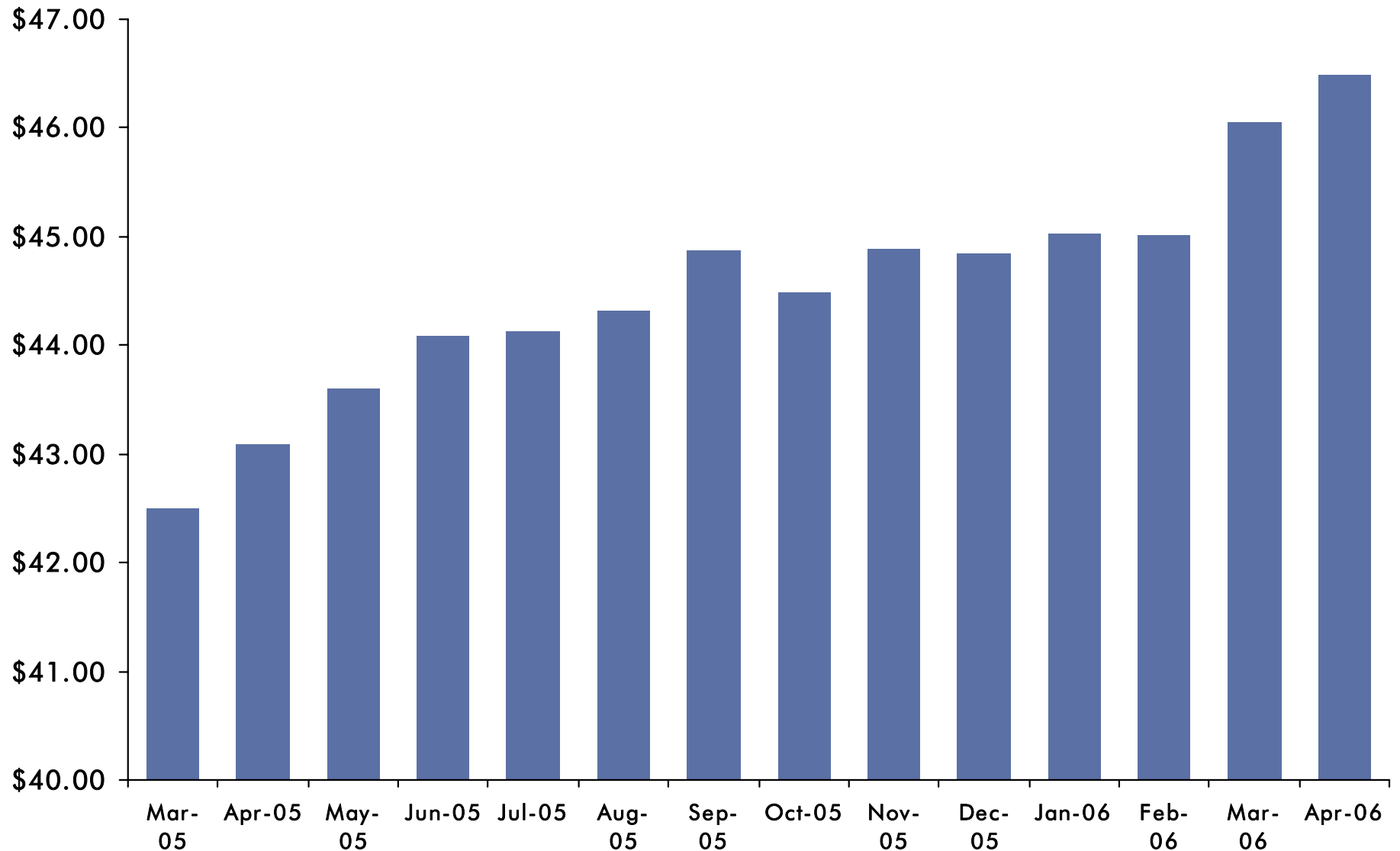
NYC Office Market

Manhattan Vacancy Rates – Last 12 Months



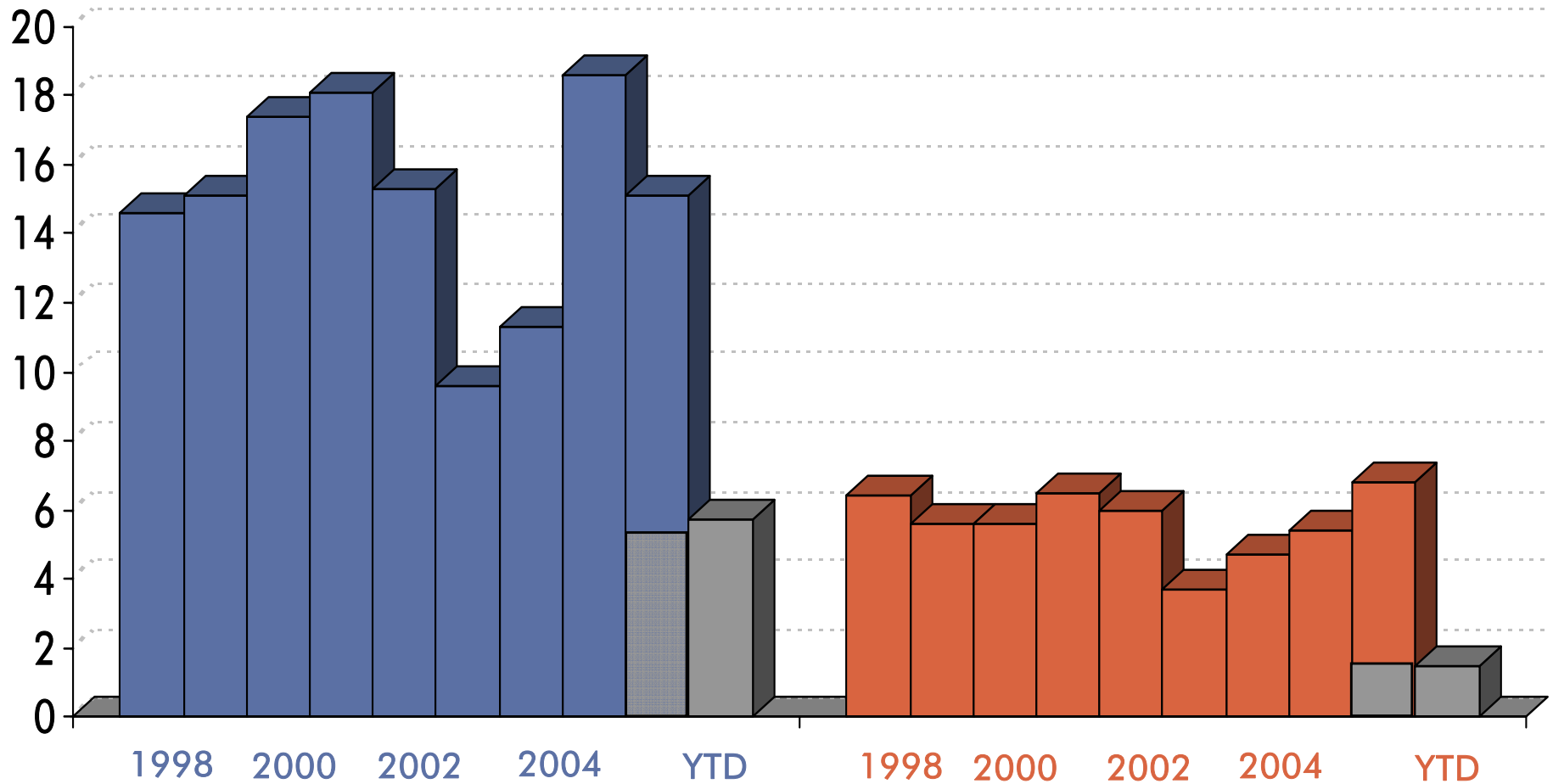
NYC Office Market

Manhattan Average Asking Rents – Last 12 Months



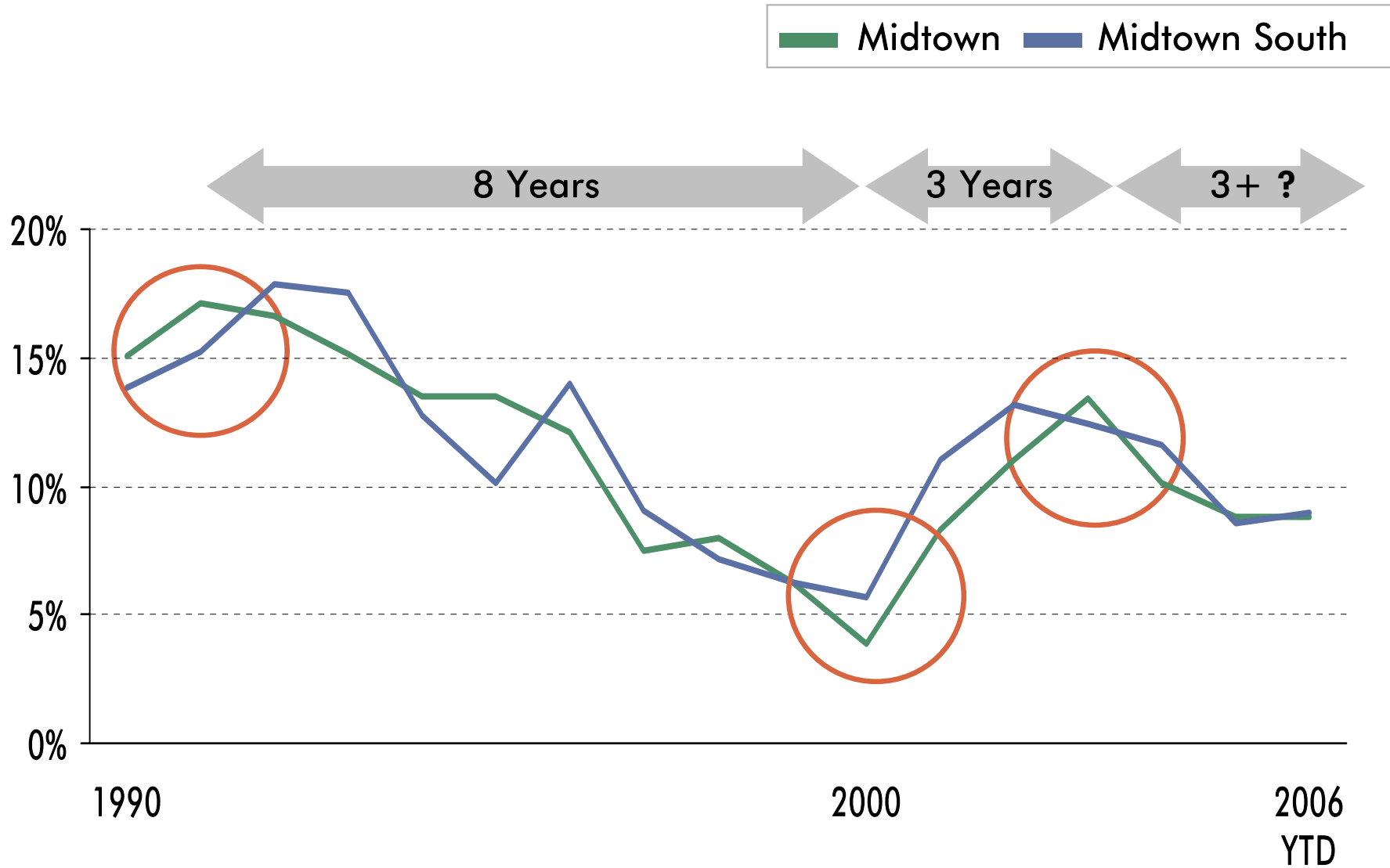
Annual Leasing Activity

RSF (mm)



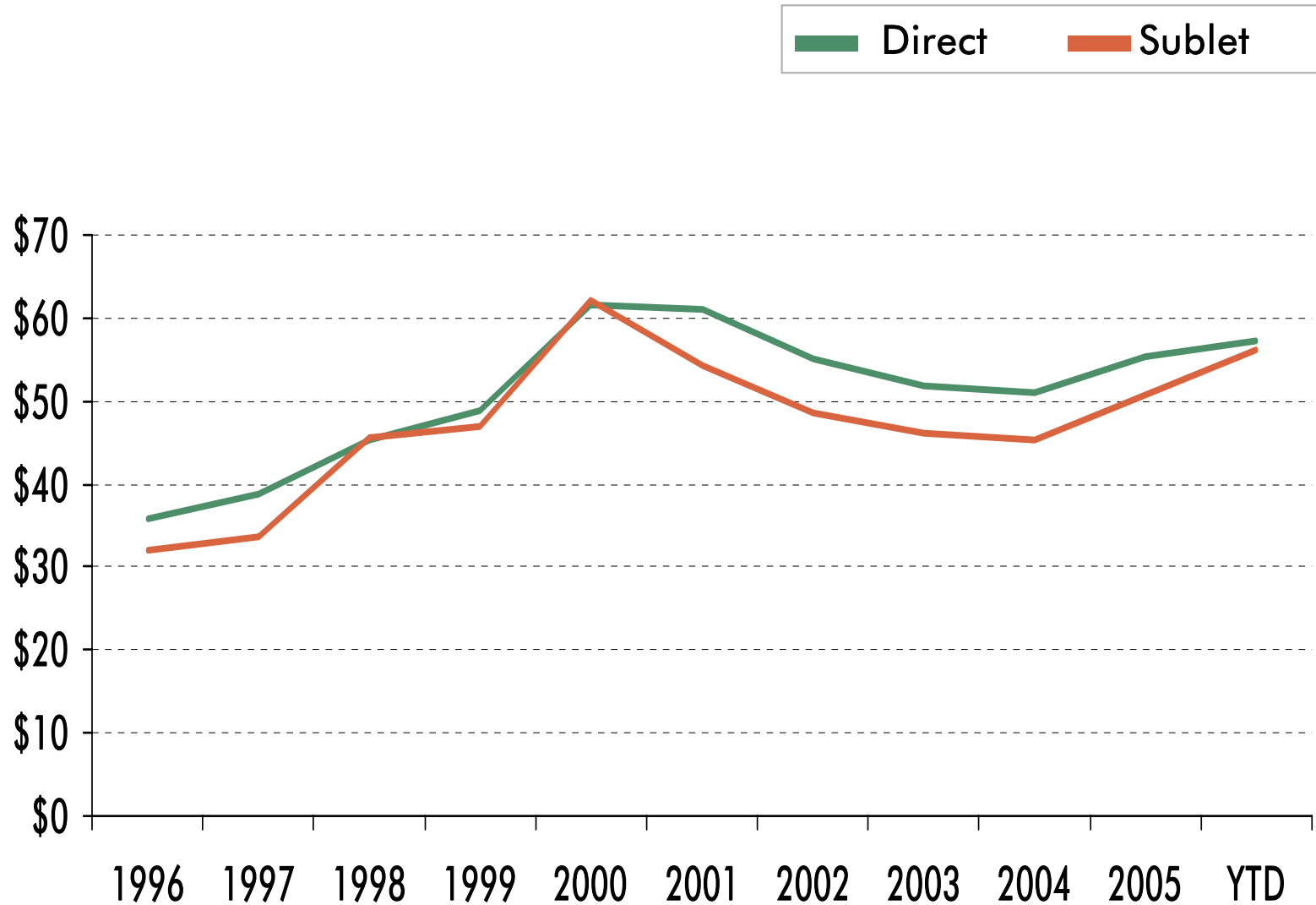
Office Market

Availability Rates – Market Inflection Points



Office Market

Midtown Asking Rents

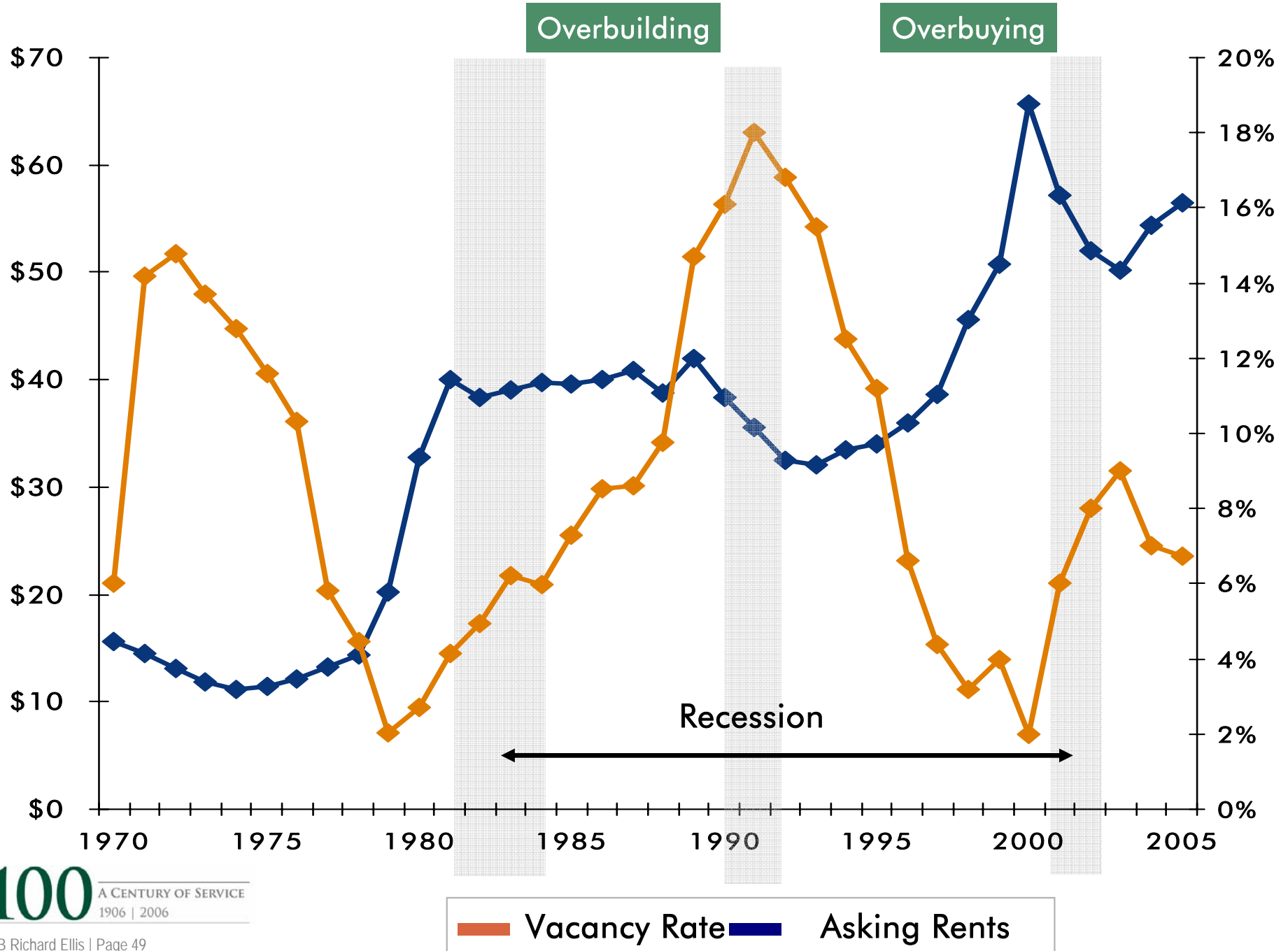


How will the office
market react ?

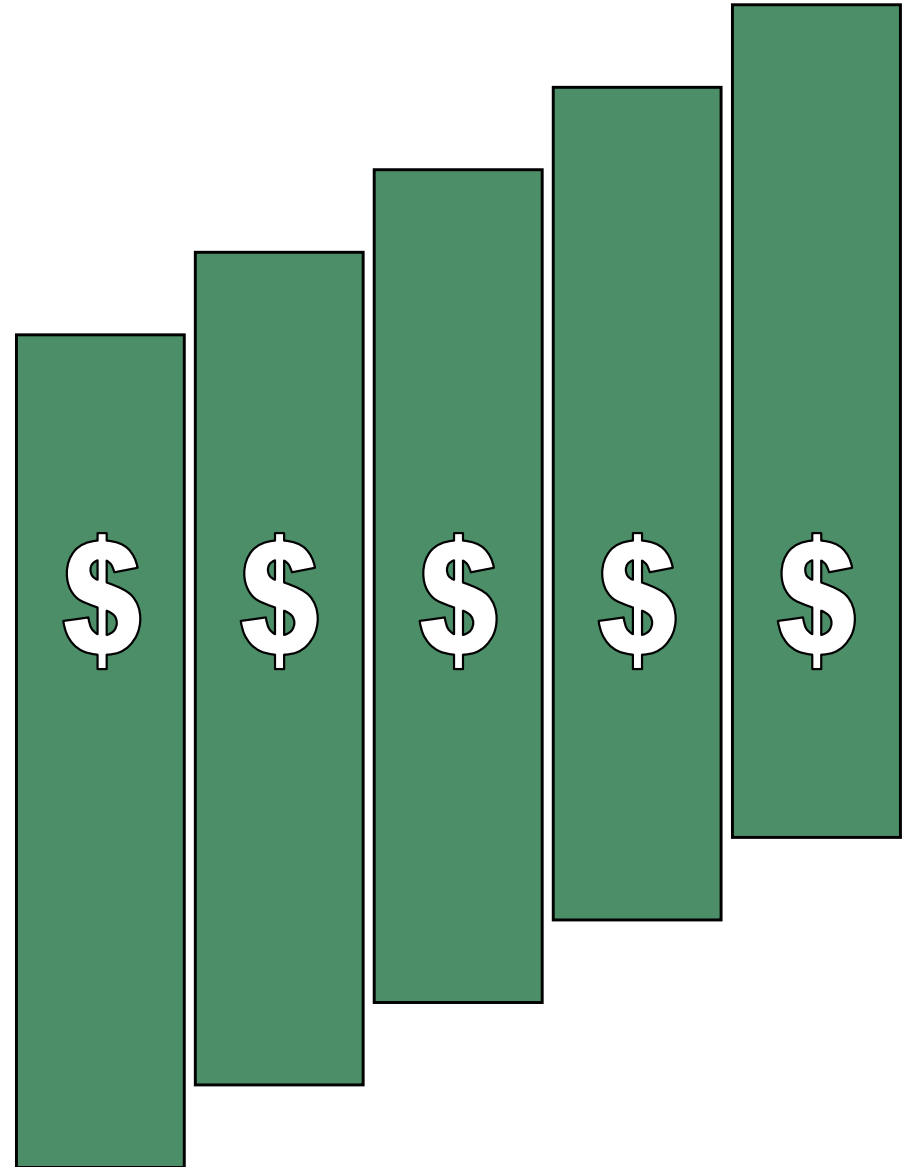


Still Believe "Build it and They Will Come"

Historical Asking Rents and Vacancy Rates



RECORD PROFITS



Financial Services

**BEAR
STEARNS**

citibank



UBS

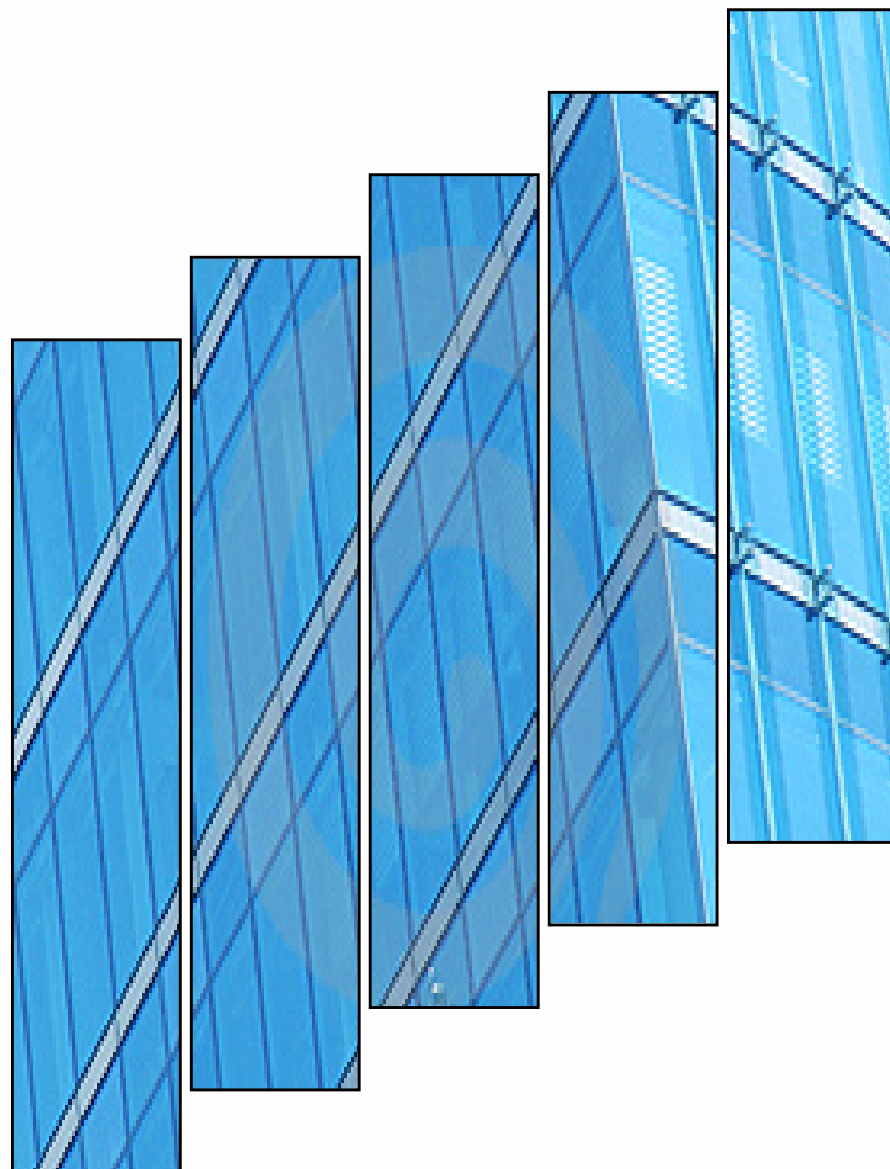
 **JPMorganChase**

LEHMAN BROTHERS



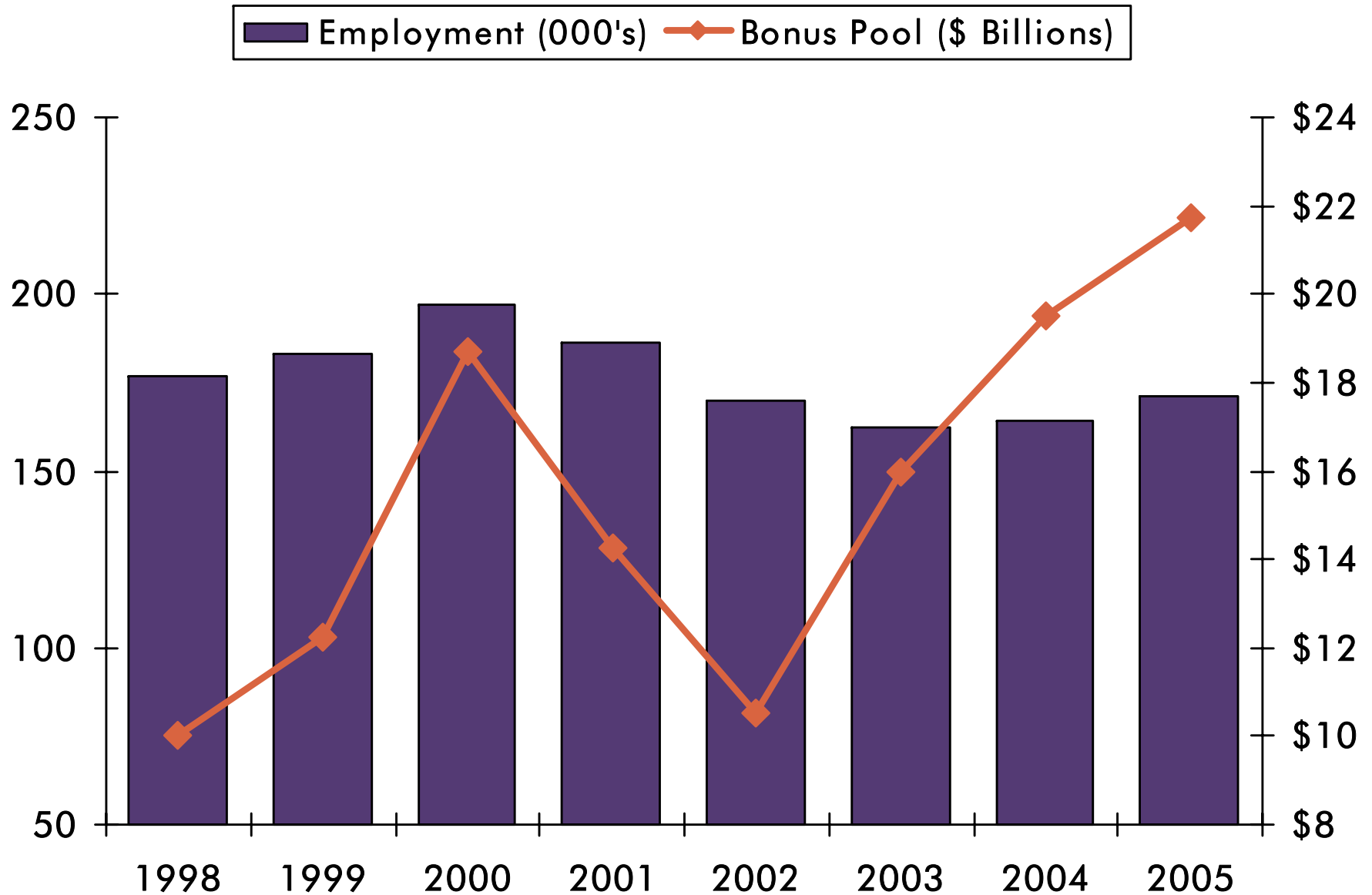
Merrill Lynch

Morgan Stanley



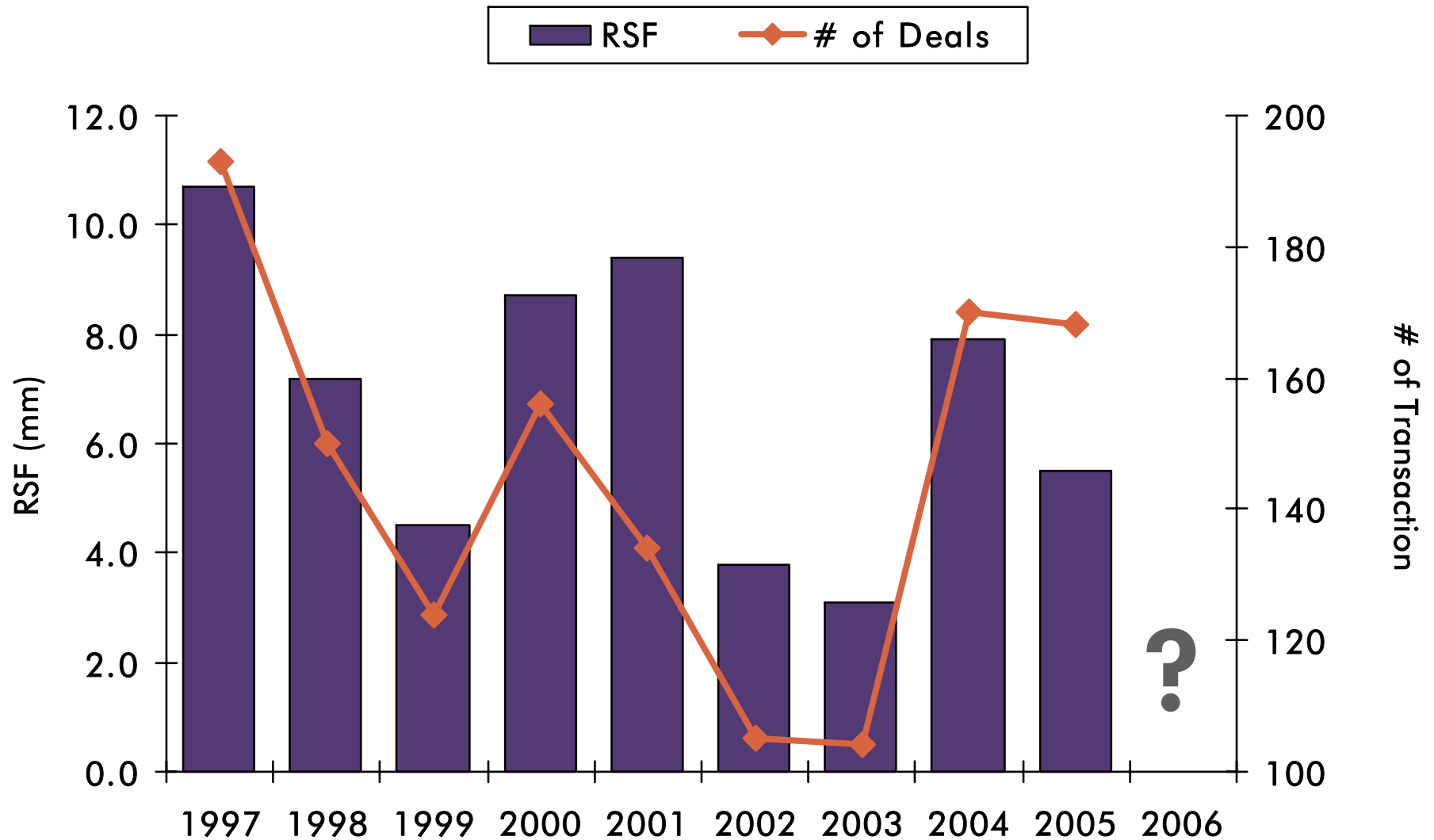
Financial Services

Increasing Wall Street Profits to Increase Hiring



Financial Services Office Leasing Transactions

All Manhattan



Manhattan Office Market – Annual Snapshot

Largest Midtown Blocks Available (>100,00 RSF)

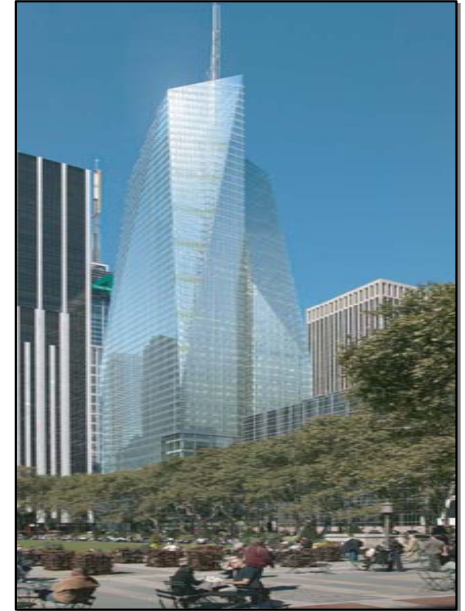
April 2005 vs. April 2006

	Total RSF	Direct Blocks	Sublet Blocks
April 2005 Blocks	6.5 million	16	12
- Absorption	(3.0 million)	(5)	(11)
+ New Blocks	1.2 million	4	3
April 2006 Blocks	4.7 million	15	4

30% Fewer Blocks in 1 Year

Manhattan Office Market – Annual Snapshot

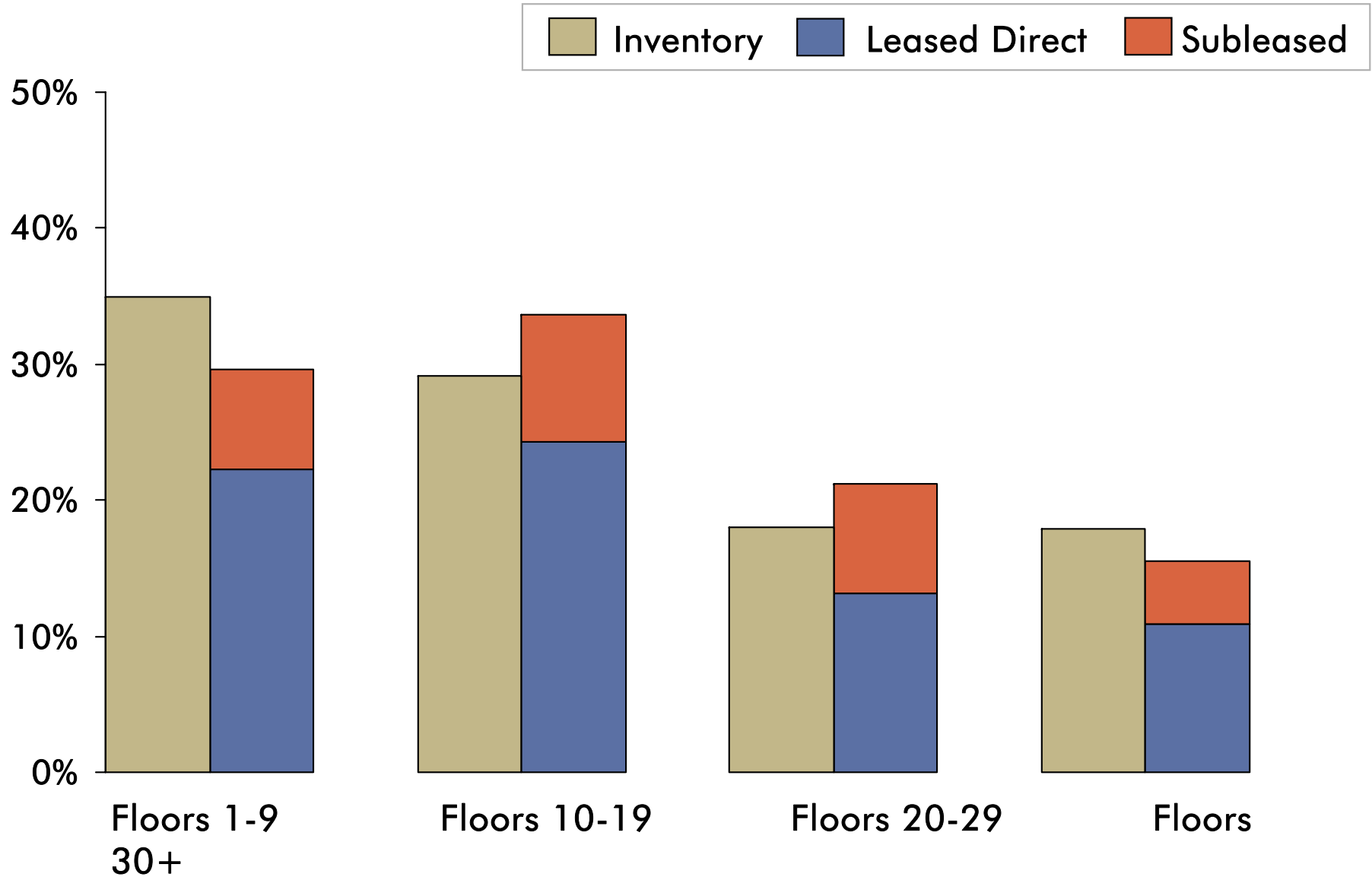
New Space Coming on to Market



229 West 43 rd St.	1095 Ave/Americas	620 Eighth Avenue	One Bryant Park
3Q 2007	4Q 2006	1Q 2007	1Q 2008
Old New York Times	Verizon	New York Times	Bank of America
680,000 sf	100,000,000 sf	707,540 sf	350,000 sf

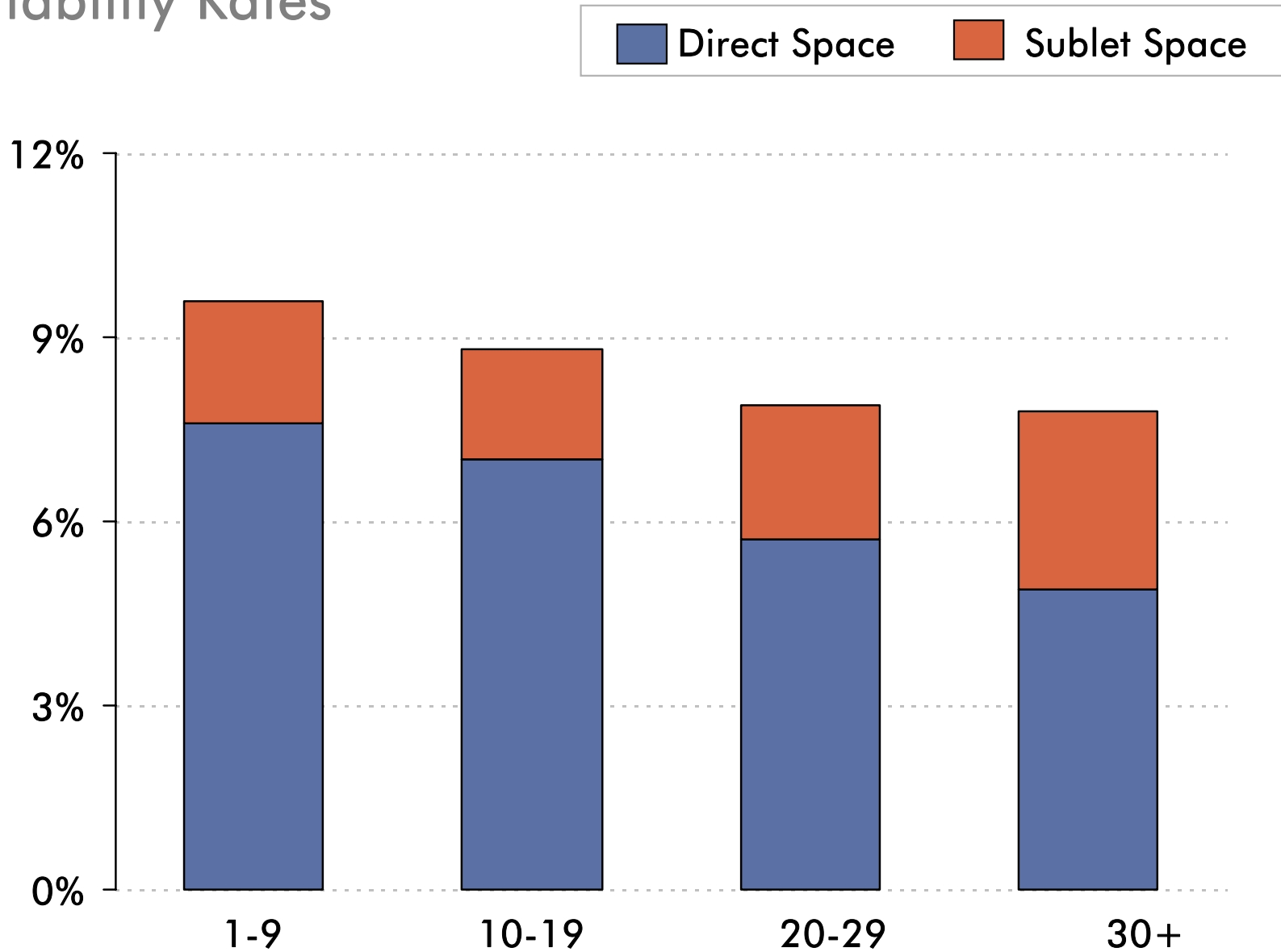
Office Market - Floor Height

Inventory, Direct vs. Sublet Space Leased



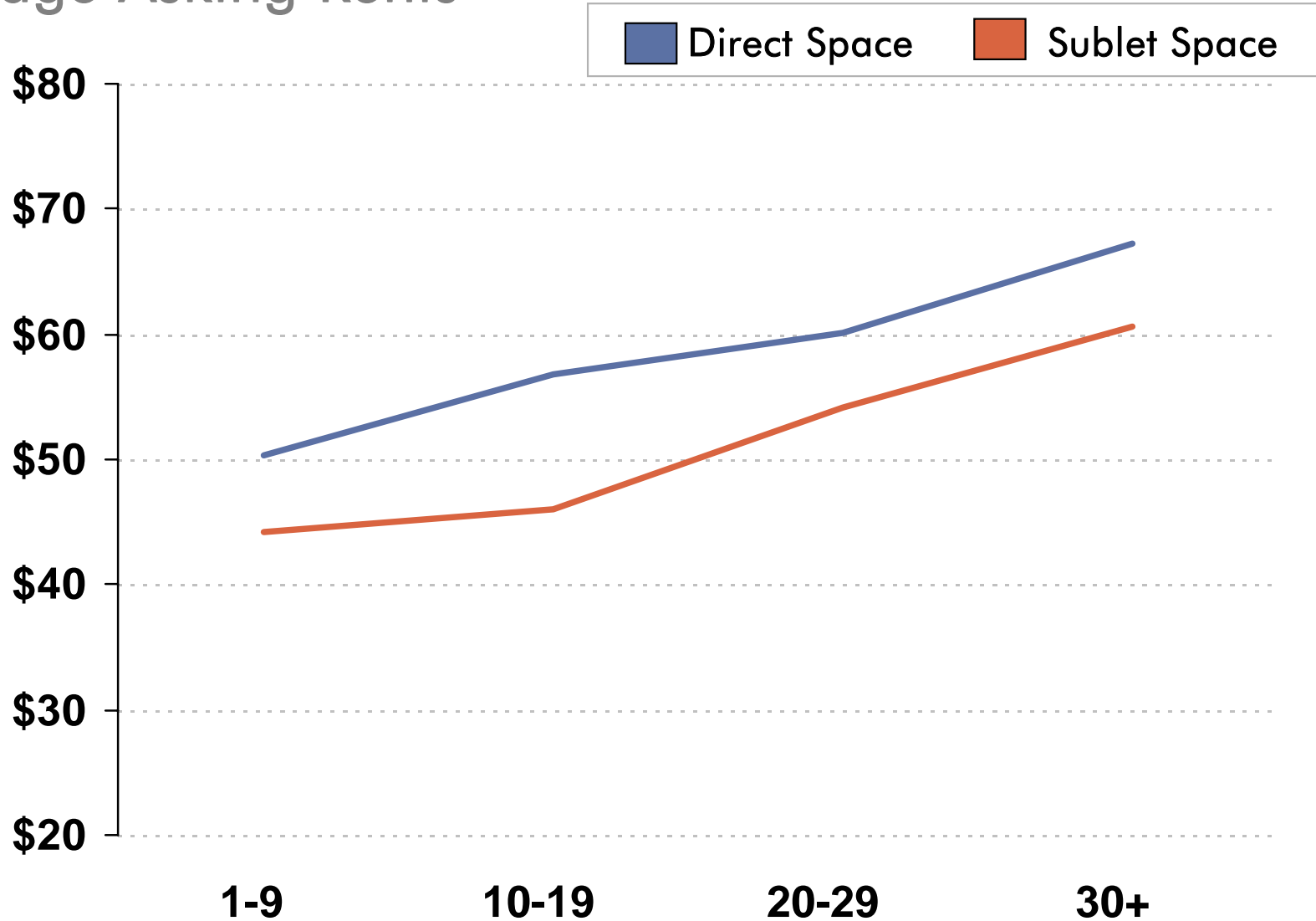
Office Market – Floor Height

Availability Rates



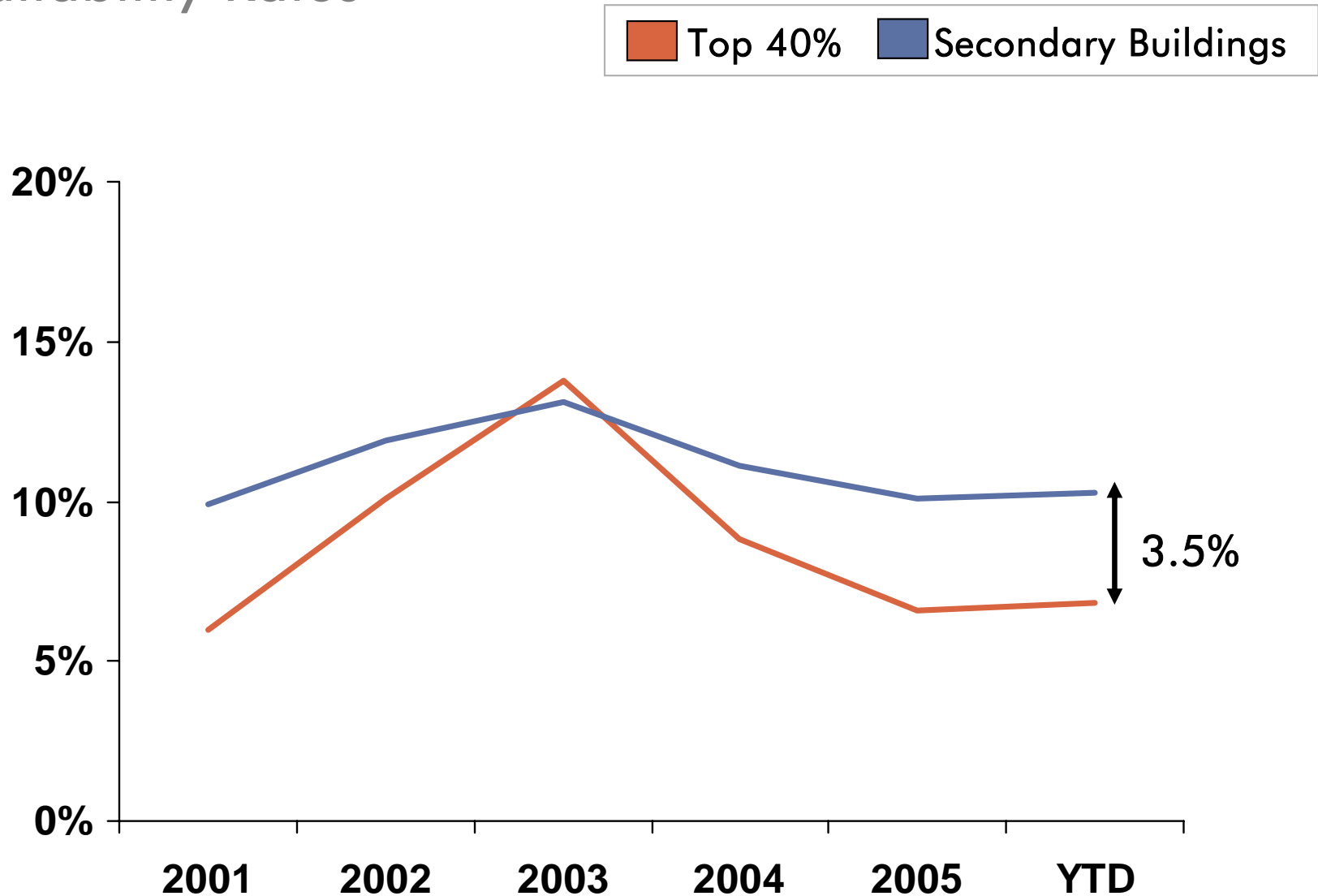
Office Market – Floor Height

Average Asking Rents



Office Market

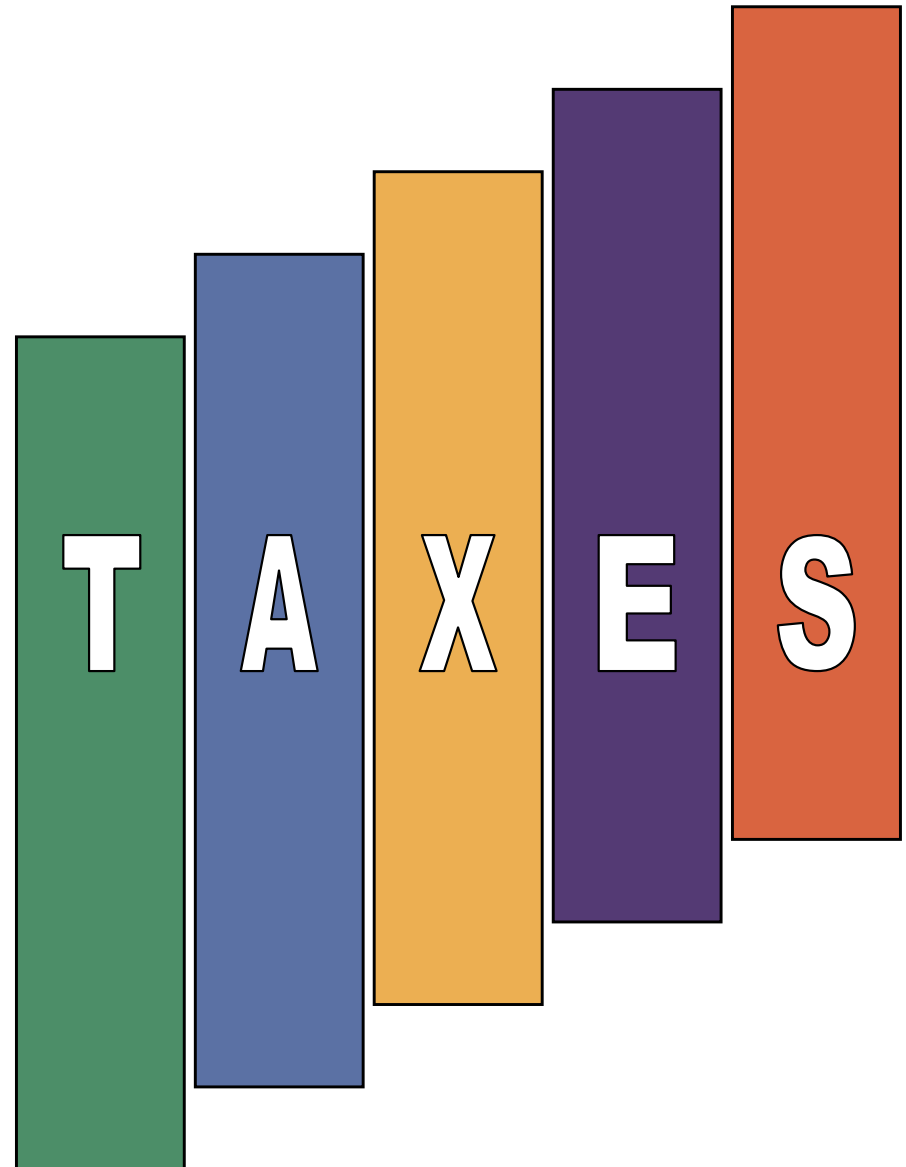
Availability Rates



How will the office
market react ?

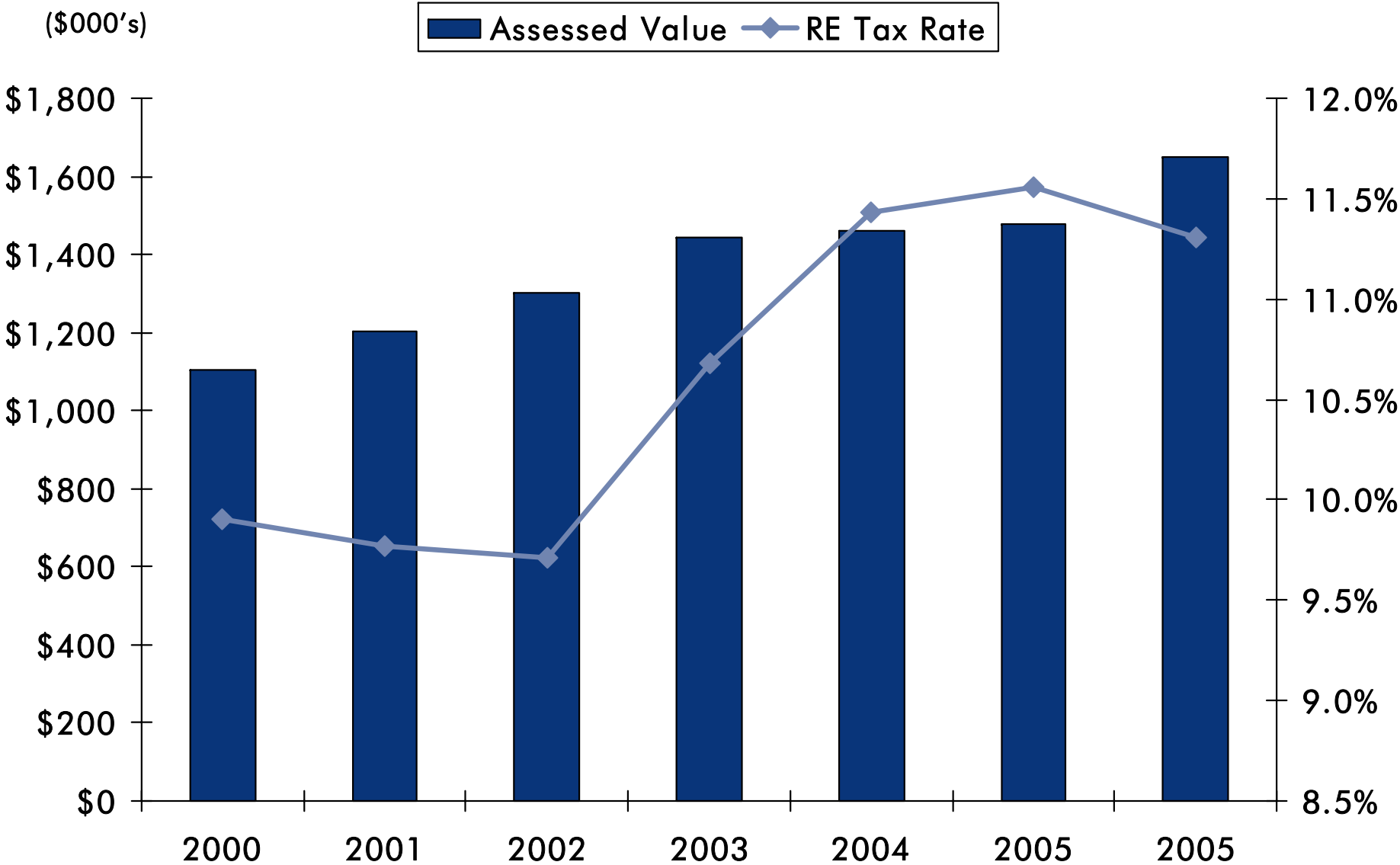


Corporate costs are
going up



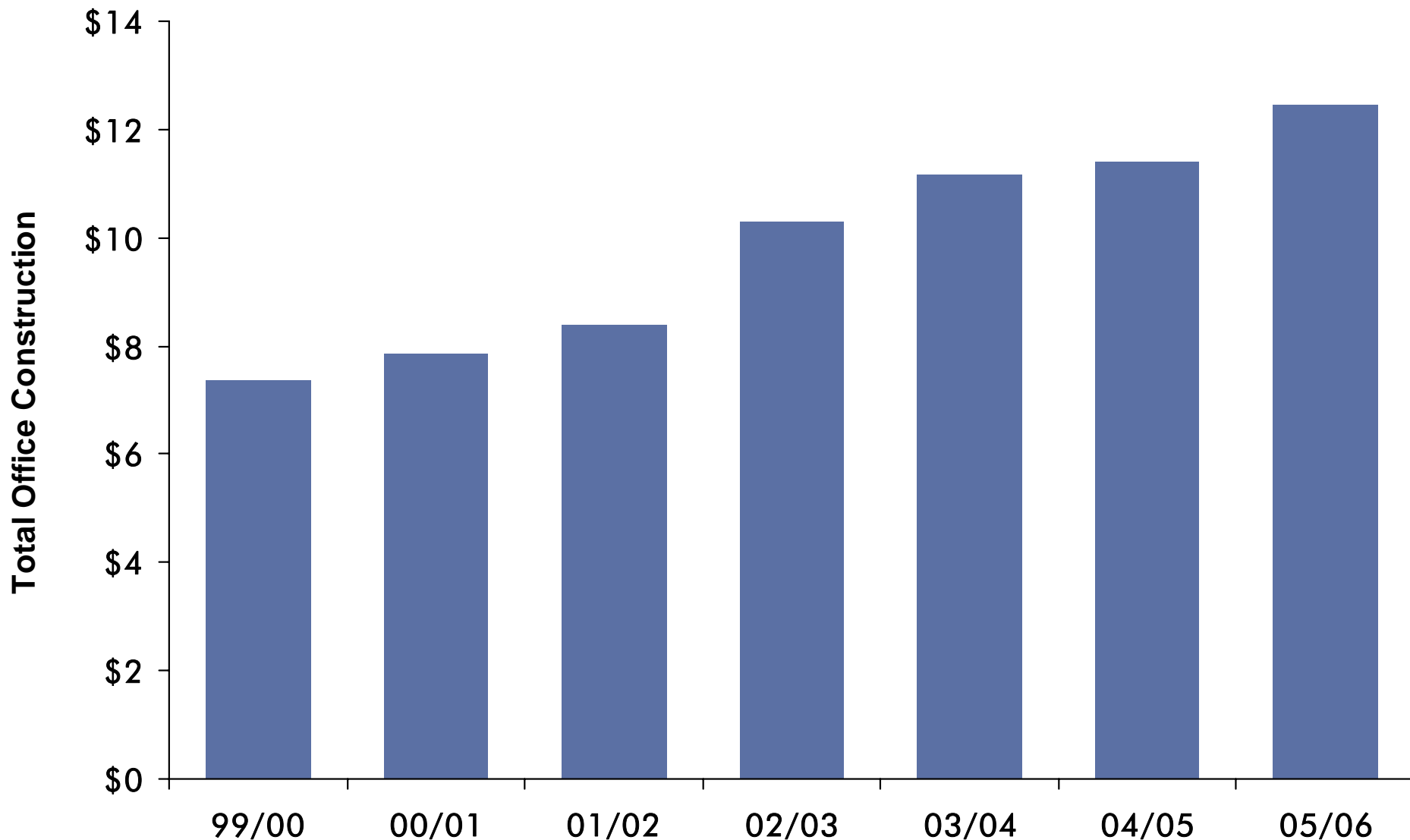
Manhattan Office Market – Annual Snapshot

25 Midtown Buildings (in \$000's)



Manhattan Office Market – Annual Snapshot

Midtown Sample Tax Bill – Average Real Estate Tax per RSF

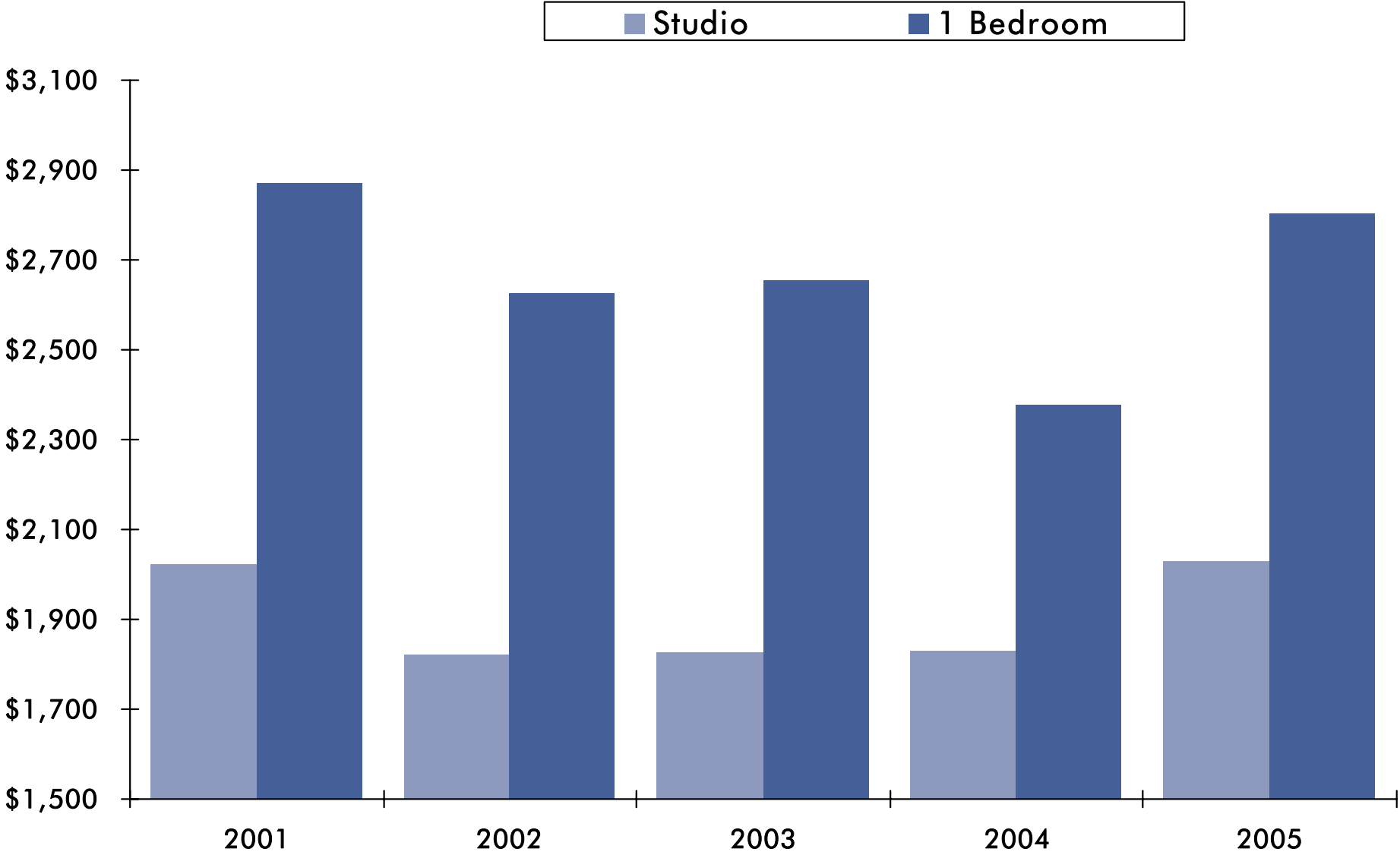


Living costs are
going up



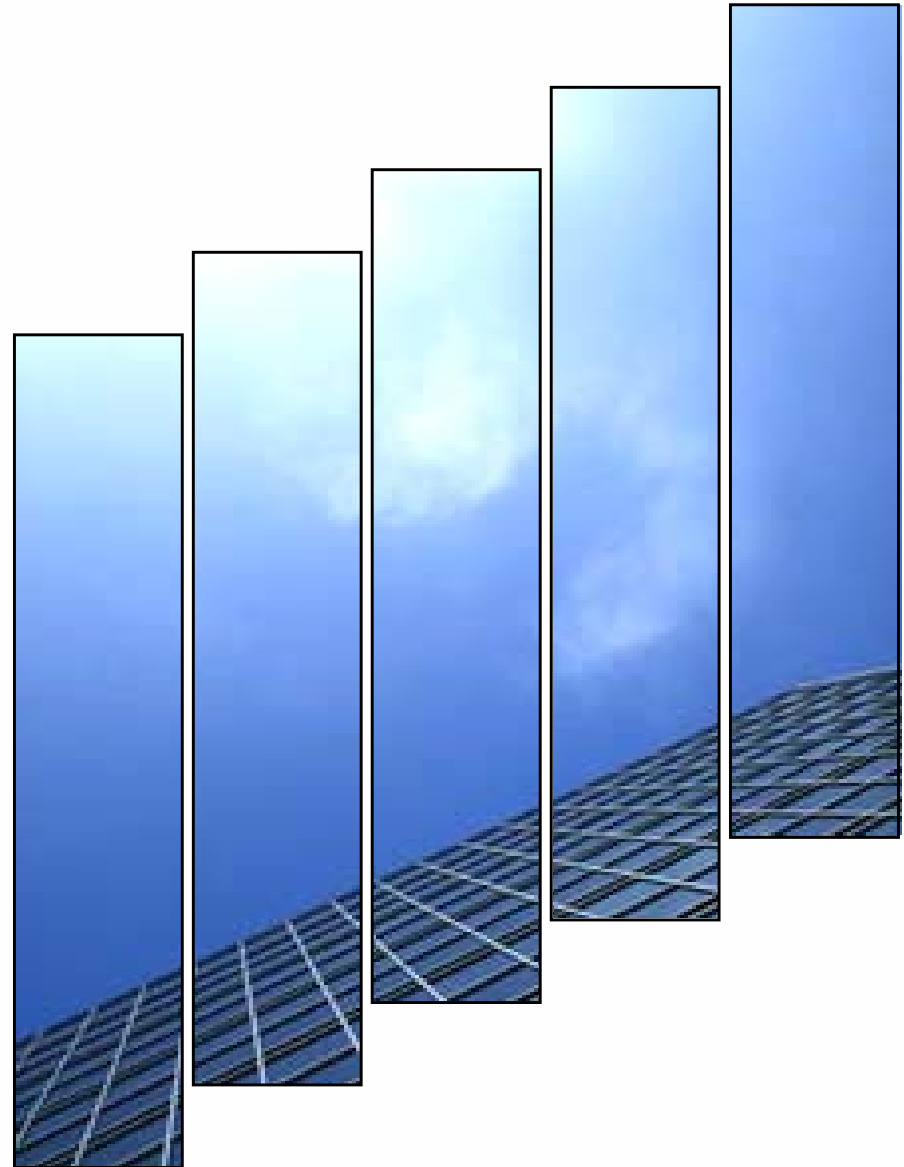
Manhattan Office Market – Annual Snapshot

Average Rental Rates



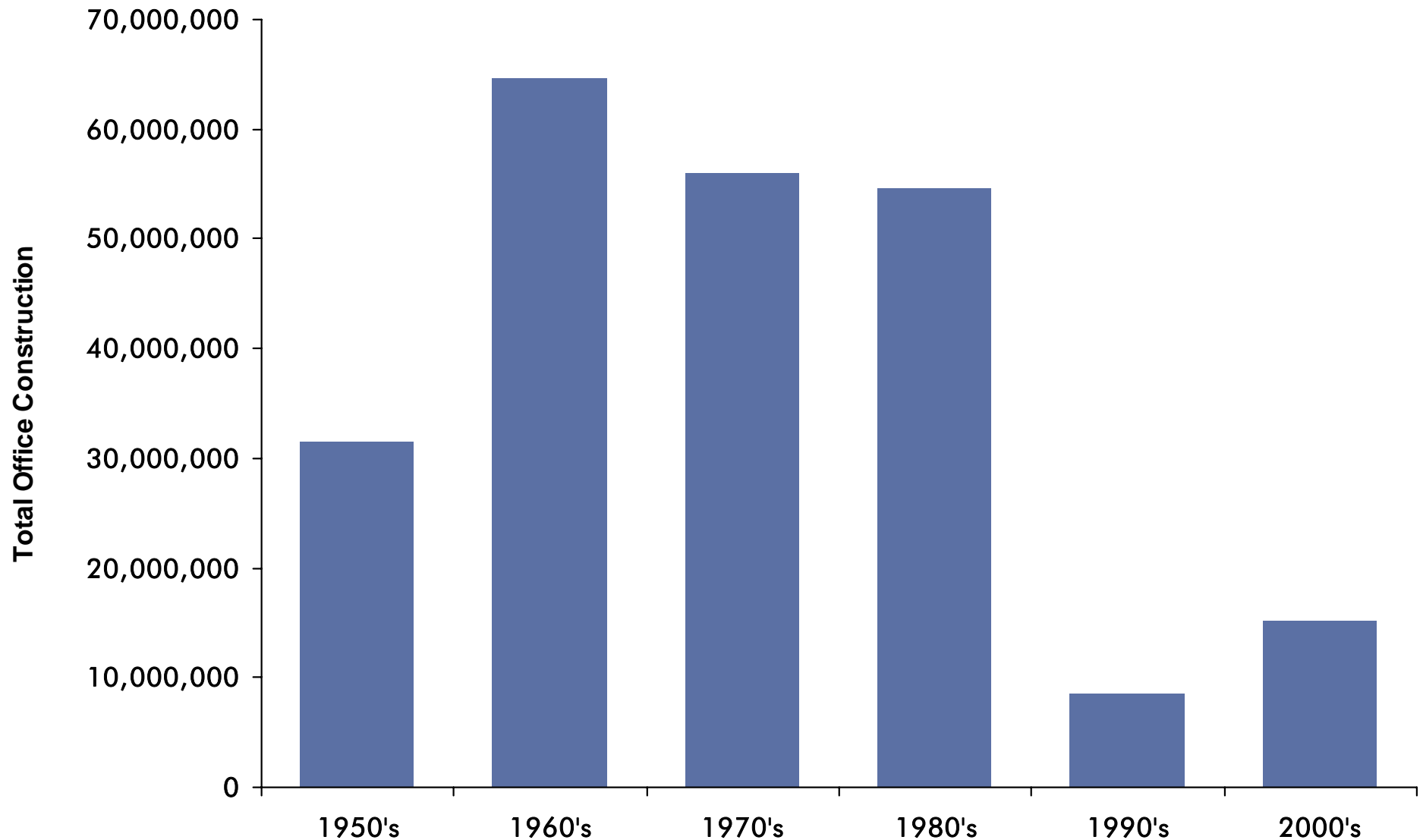
Source: Corcoran

*HOW HIGH
CAN IT GO?*



Still Believe "Build It and They Will Come"

Manhattan Office Construction



New Construction

1999 - 2005



4 Times Square
1999
Conde Nast



3 Times Square
2001
Reuters



5 Times Square
2002
Ernst & Young



1745 Broadway
2002
Random House



383 Madison Ave.
2002
Bear Stearns



222 East 41st St.
2002
Jones, Day,
Reavis & Pogue



60 Columbus Circle
2003
Time Warner



731 Lexington Ave.
2004
Bloomberg



300 Madison Ave.
2004
CIBC



7 Times Square
2004
Ann Taylor

New Construction

2006



620 Eighth Ave.
2006
New York Times



One Bryant Park
2006
Bank of America

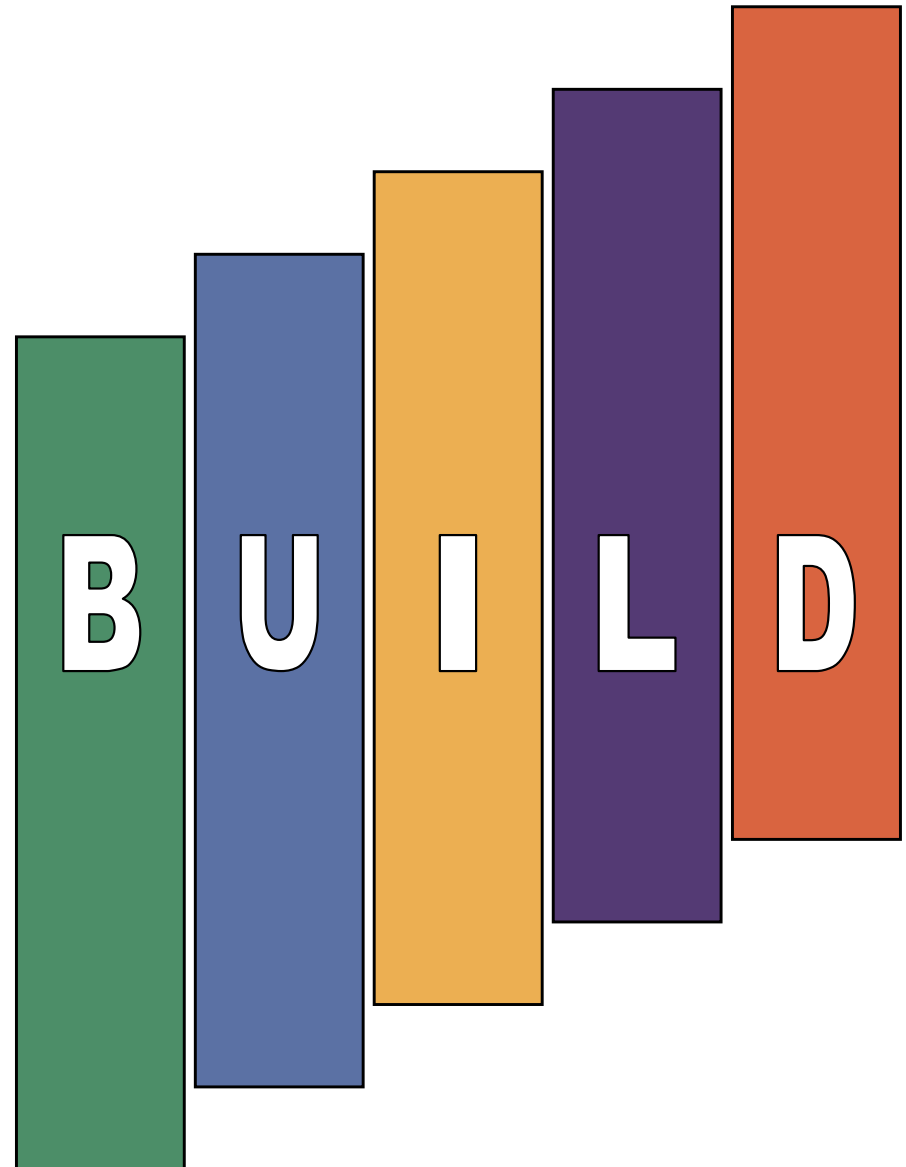


505 Madison Ave.
2006
CIT

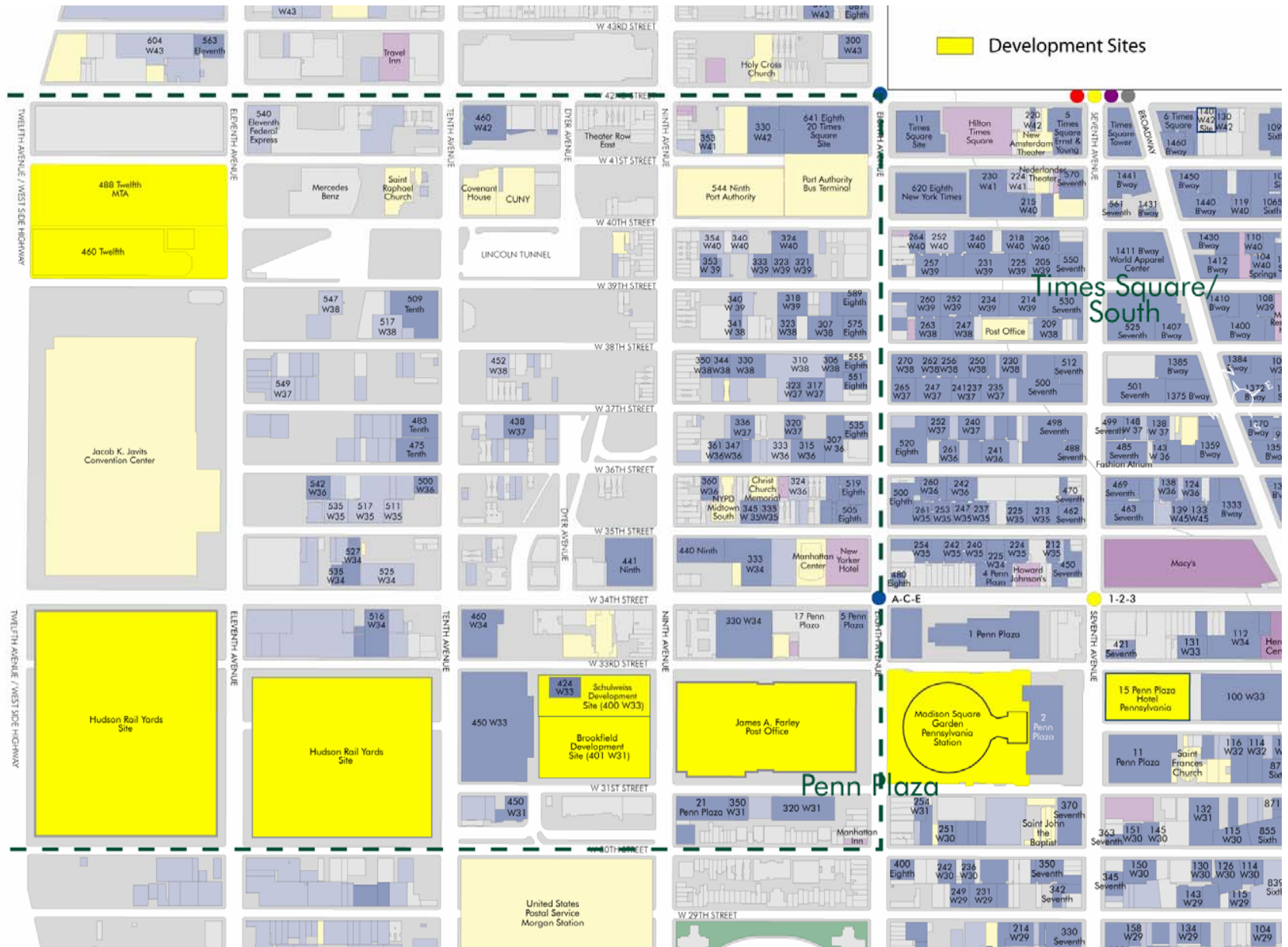


Site 26
2006
Goldman Sachs

Build it and they
will come



Select Westside Development Sites



Westside Development



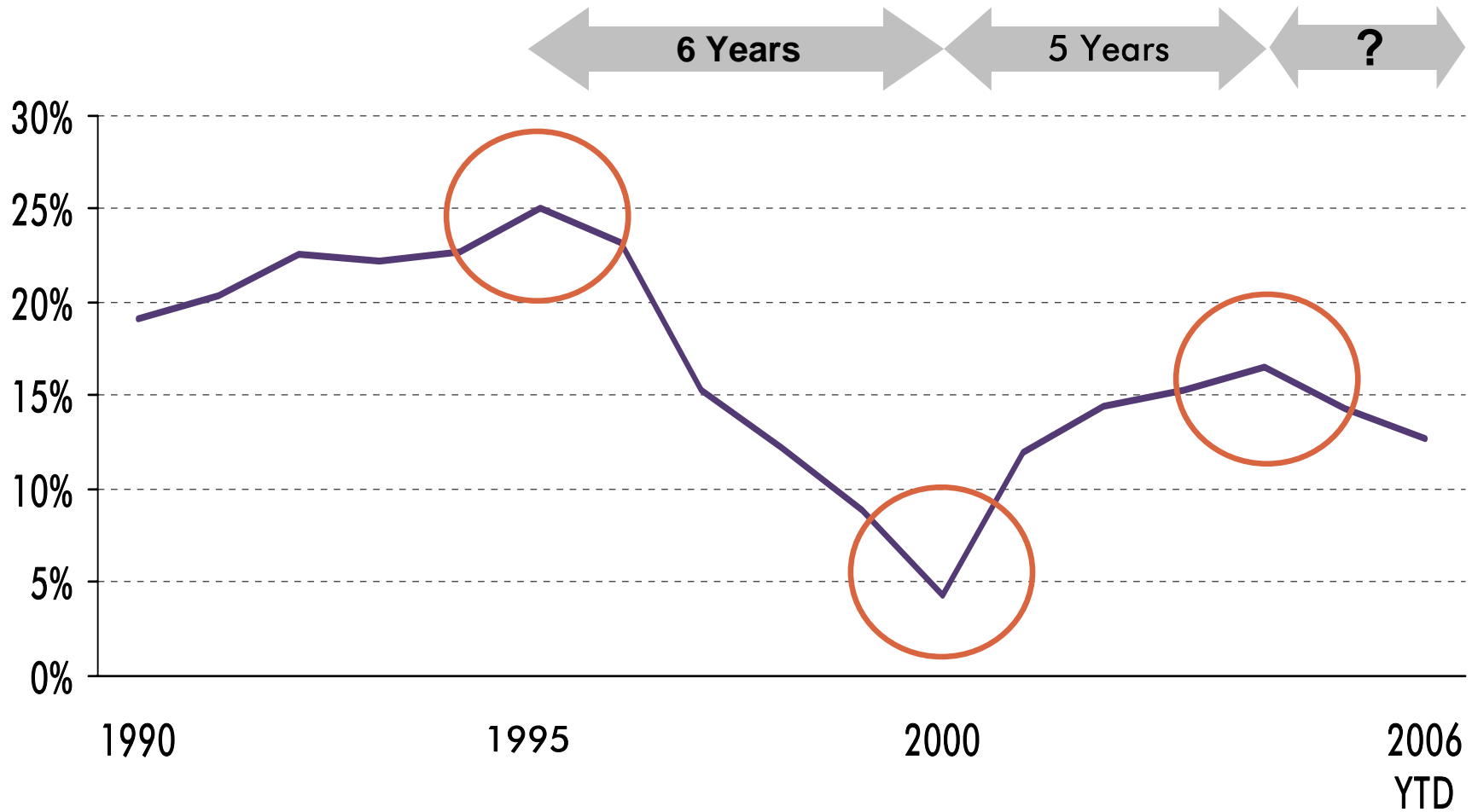
100 A CENTURY OF SERVICE
1906 | 2006

DOWNTOWN MANHATTAN



Downtown Office Market

Downtown Availability Rates – Market Inflection Points



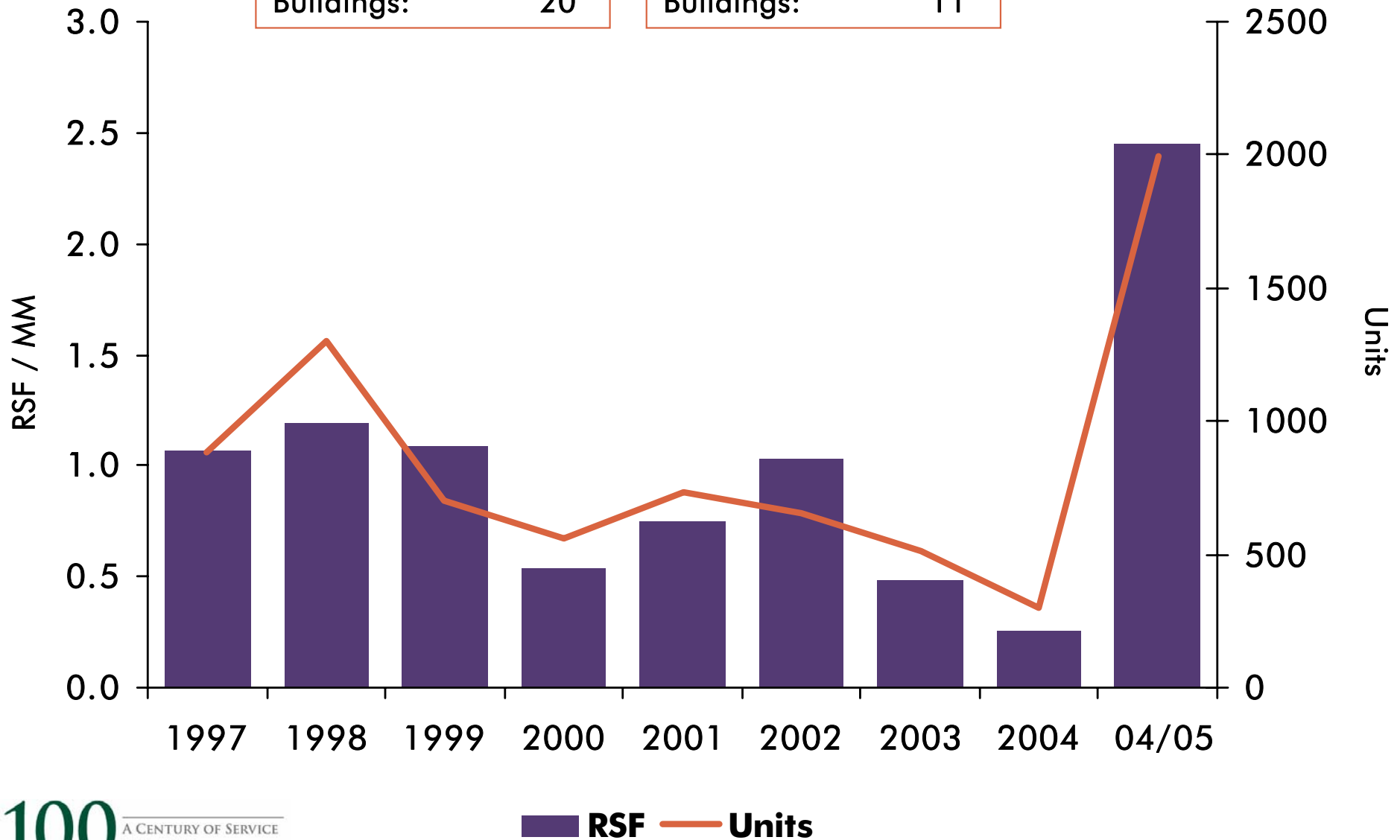
Downtown Residential Conversions

Completed

Units: 5,562
RSF: 6,158,576
Buildings: 20

Proposed

Units: 3,000
RSF: 3,684,000
Buildings: 11



Planned & Proposed Residential Conversions from Commercial

Downtown Manhattan



* Partial Building

100 Maiden Lane represents a potential project

Source: City of New York Department of City Planning

Downtown

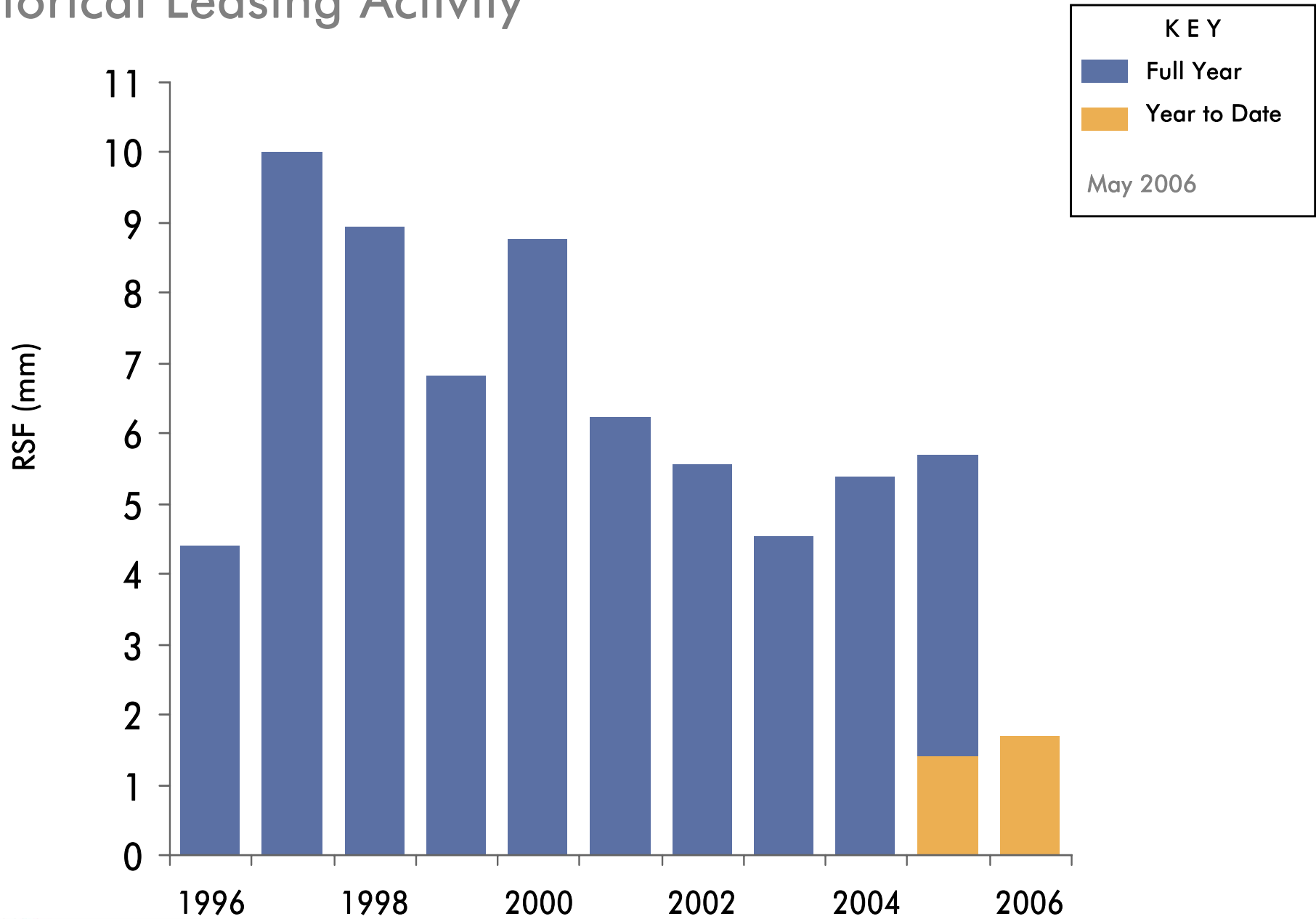
World Trade Center Transportation Hub



Santiago Calatrava's design

Downtown

Historical Leasing Activity



Manhattan Office Market – Annual Snapshot

Largest Downtown Blocks Available (>100,000 RSF)

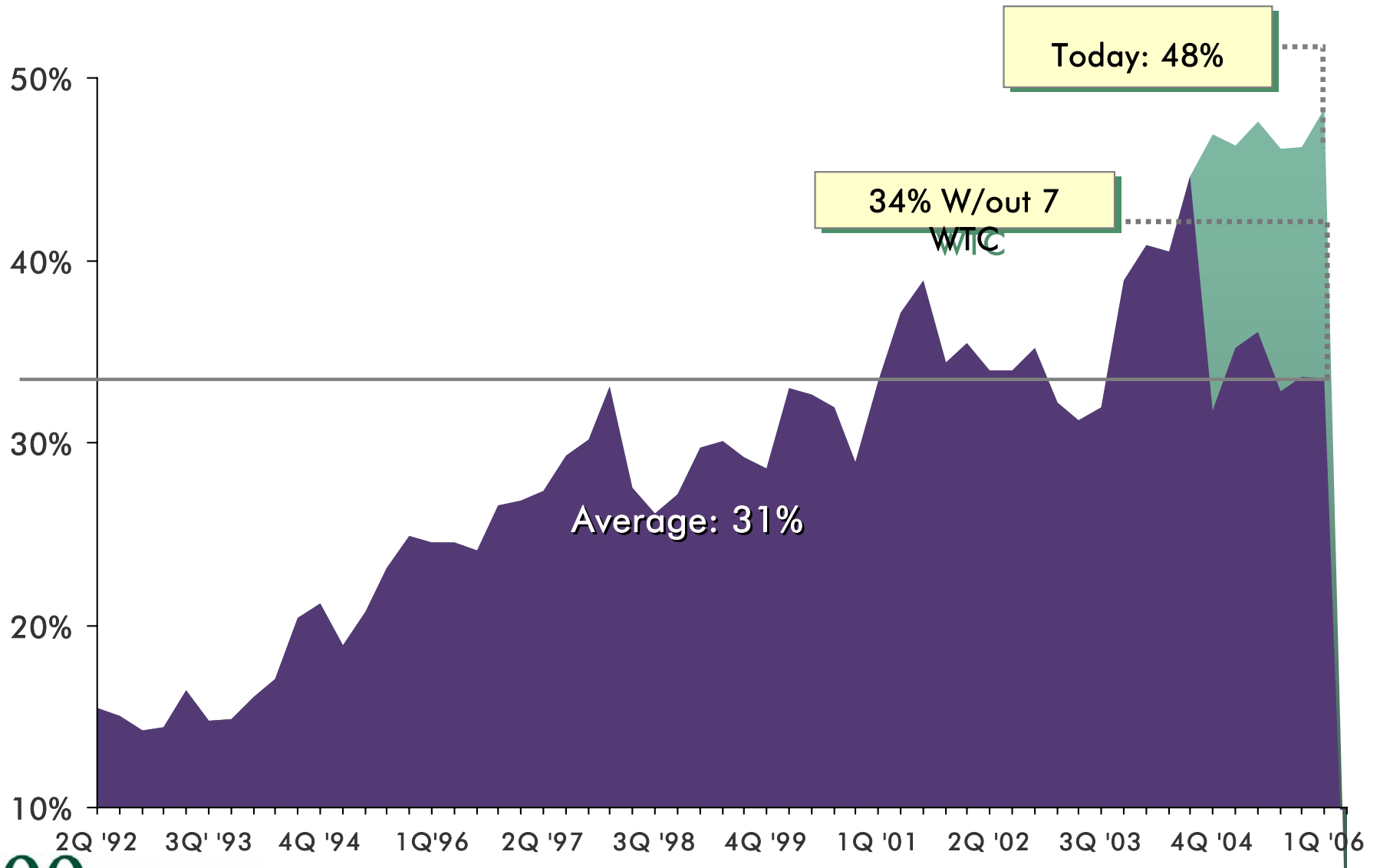
January 2004 vs. April 2006

	Total RSF	Direct Blocks	Sublet Blocks
April 2005 Blocks	5.5 million	22	0
- Absorption	(3.3 million)	(10)	0
+ New Blocks	2.5 million	4	2
April 2006 Blocks	4.7 million	16	2

20% Fewer Blocks in over 2 Years

Asking Rents

% Discount of Downtown to Midtown



Incentive Programs - Downtown

- World Trade Center Sites and 7 World Trade Center
 - Annual rent reduction incentive
 - Commercial rent tax exemption
 - Sales tax exemption
 - PILOT
- Other Downtown Incentives
 - REAP
 - Commercial Rent Tax Exemption
 - Sales Tax Exemption
- Pre-1975 Buildings
 - Real Estate Tax Abatement
 - Lower Manhattan Energy Program

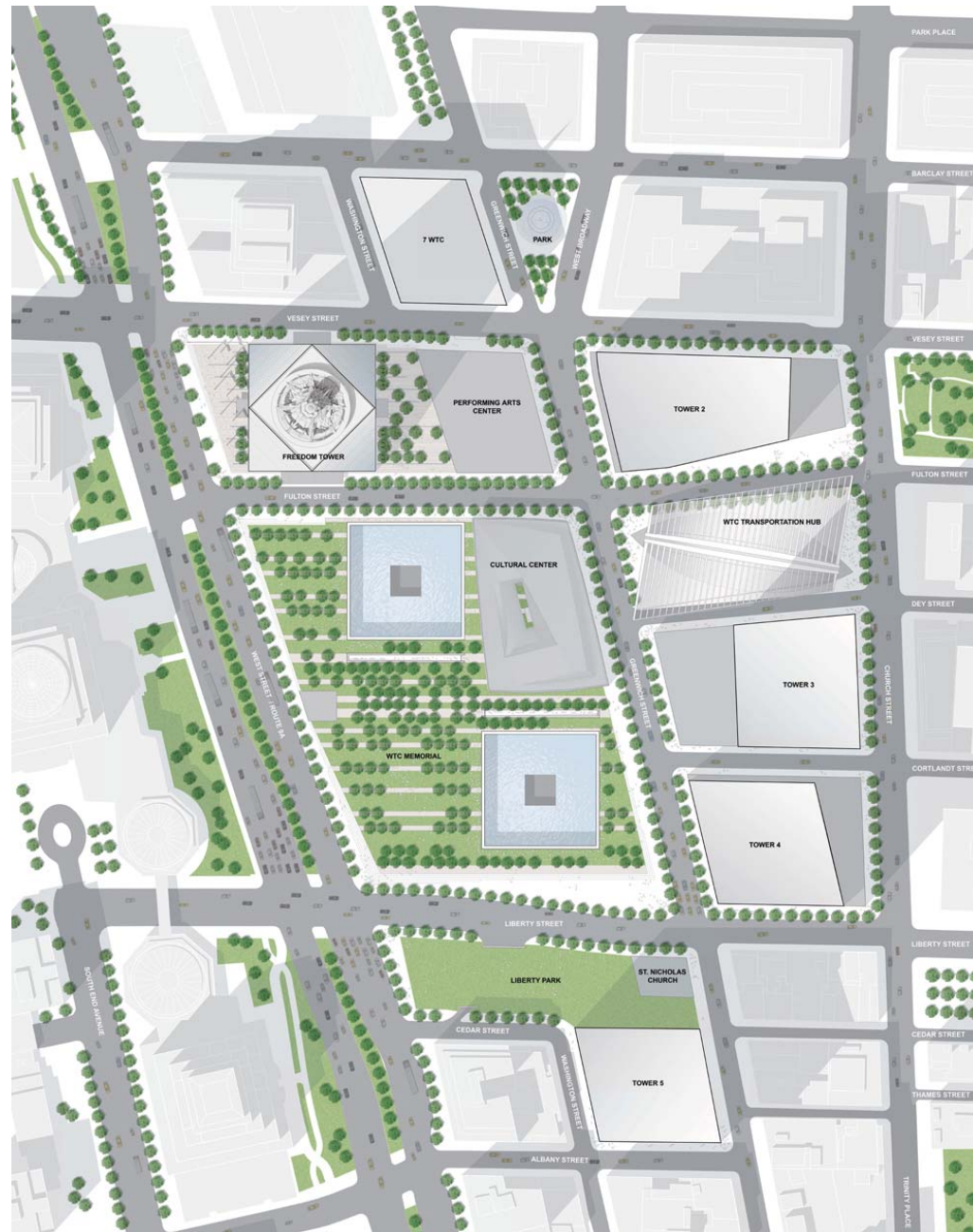
Downtown

Resolution Reached on Demolition

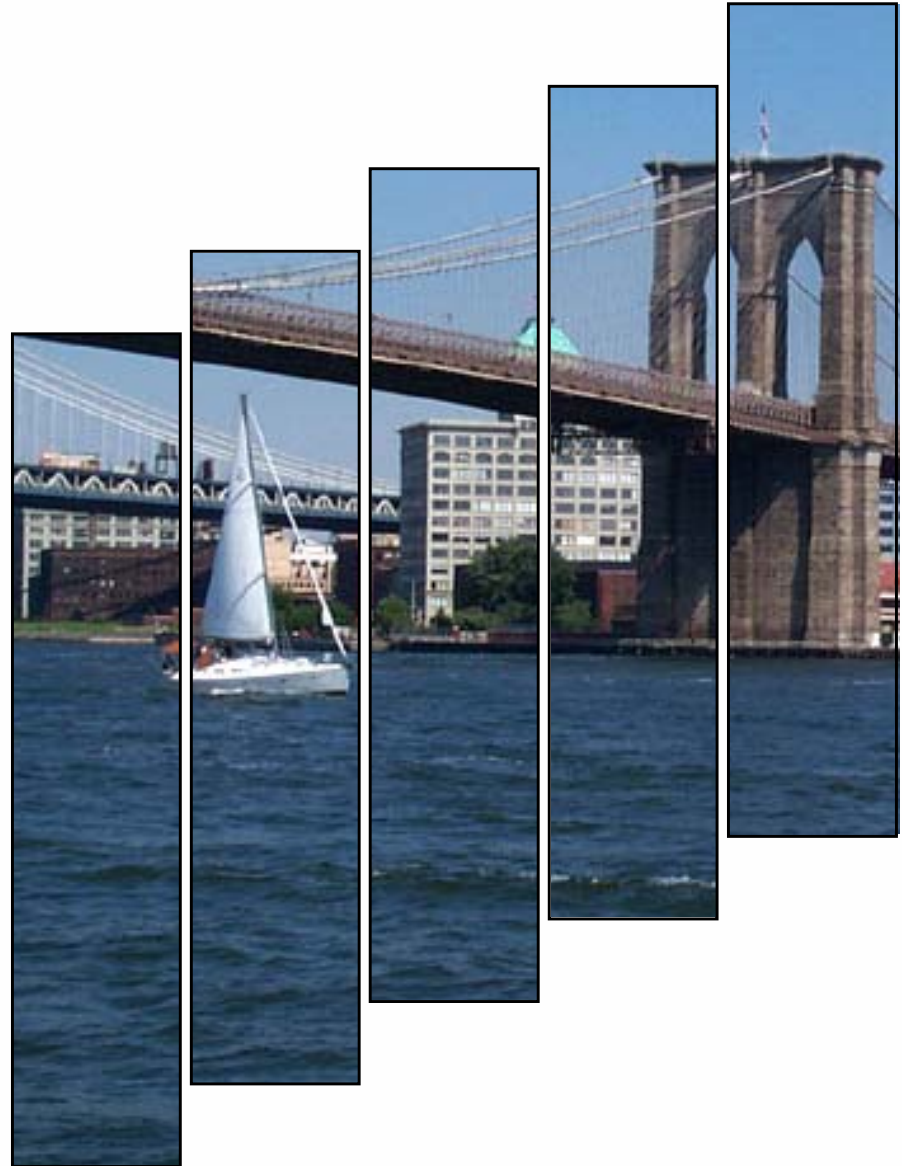


130 Liberty Street

Lower Manhattan Rebuilding

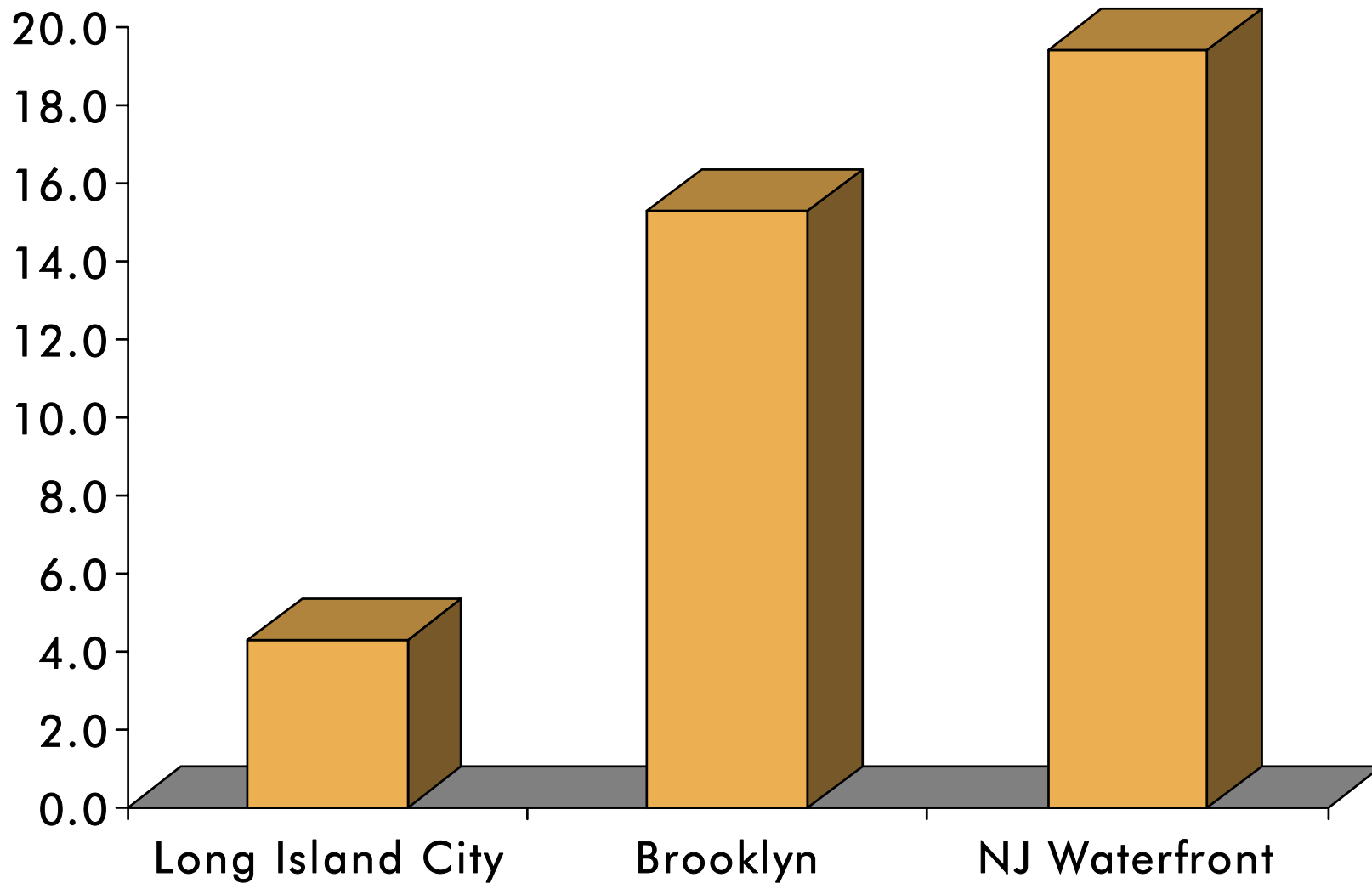


ACROSS THE RIVERS



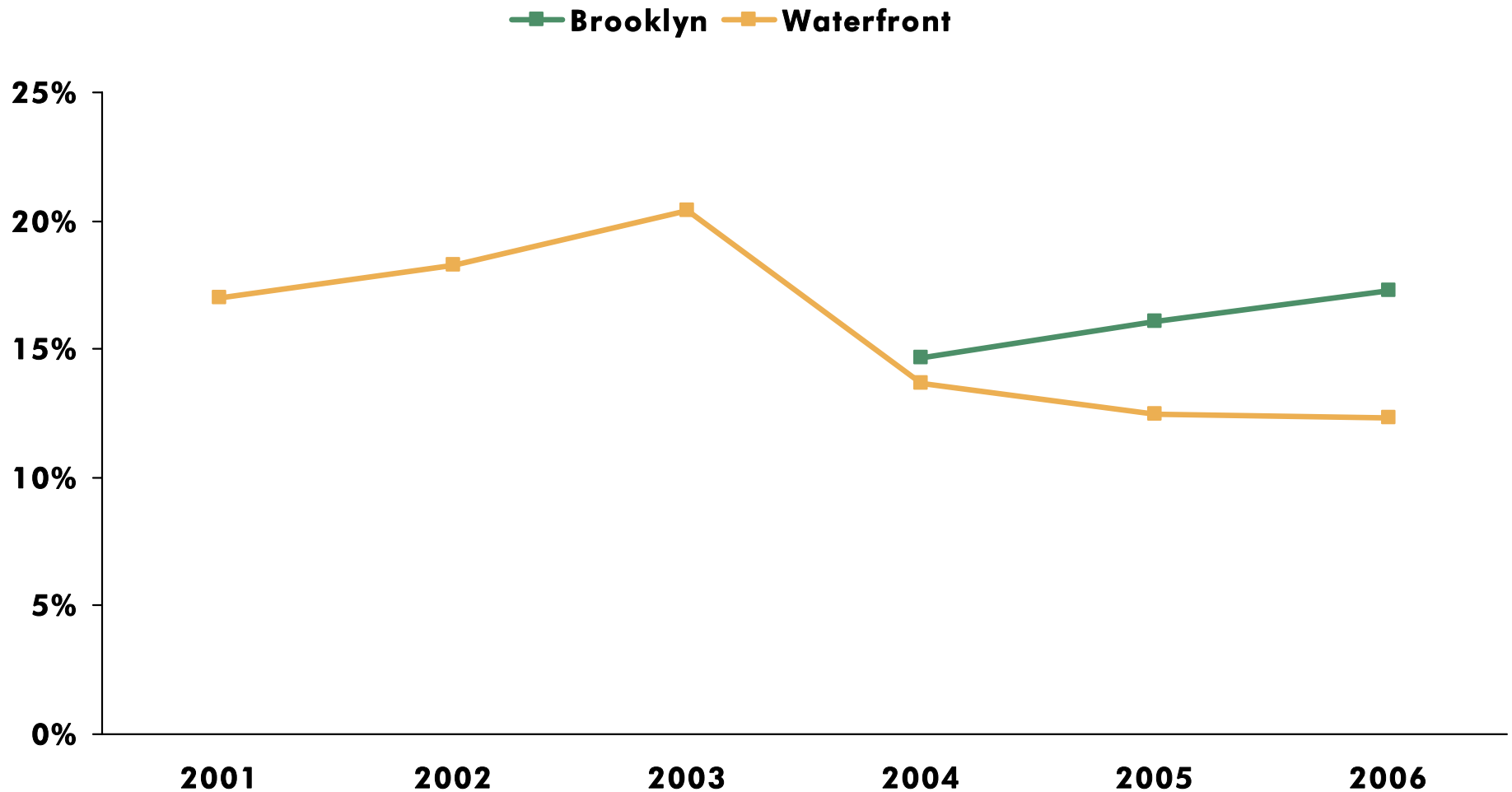
Alternative Office Markets

Size of Markets (Millions RSF)



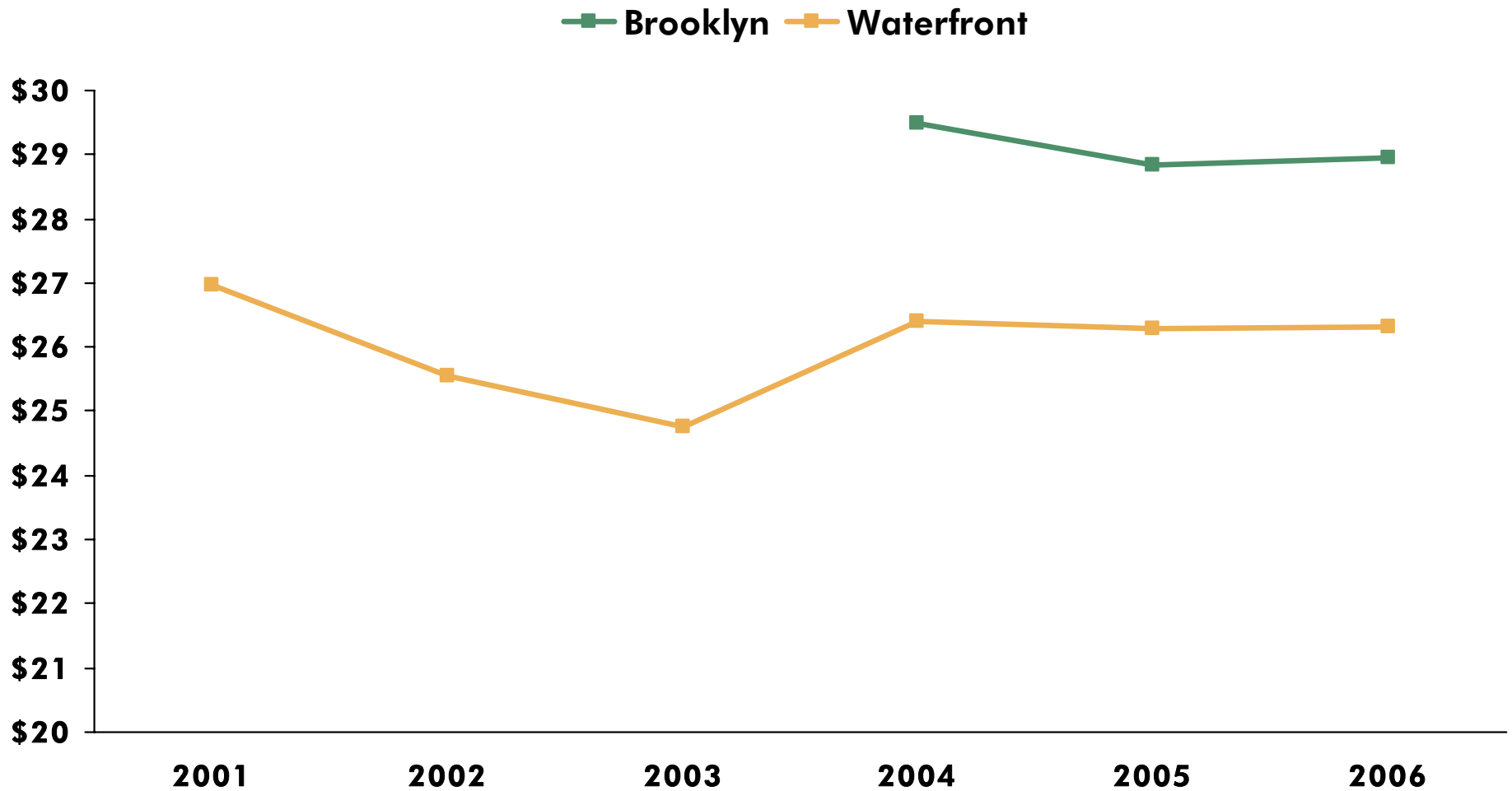
Alternative Office Market

Historical Availability Rates



Alternative Office Market

Average Asking Rent



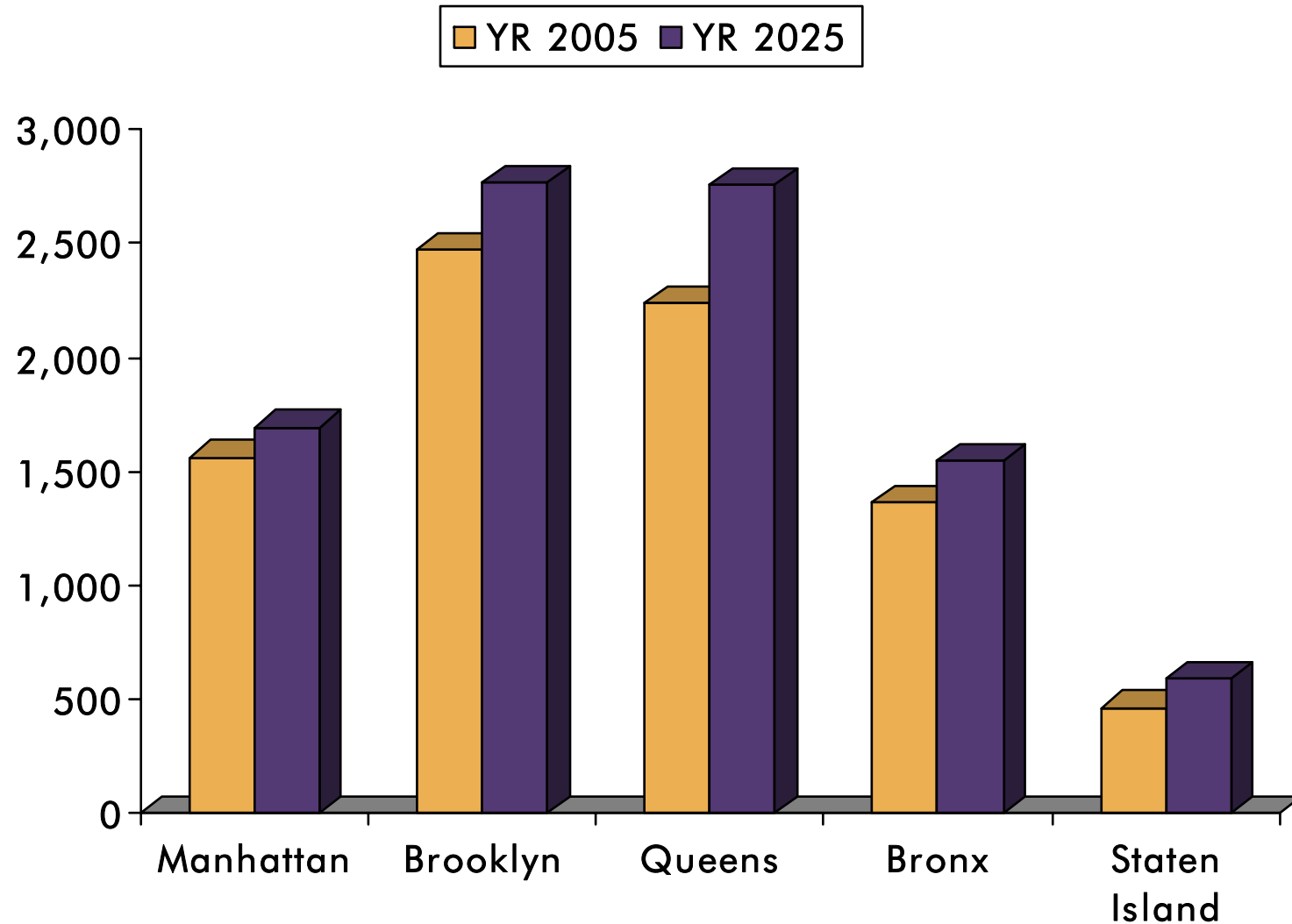
Alternative Office Market

Long Island City



New York City Economy

NYC Population Boom (YR 2005 – vs. 2025 Estimate)



New York City Economy

NYC Population Change (YR 2005 – vs. 2025 Estimate)

