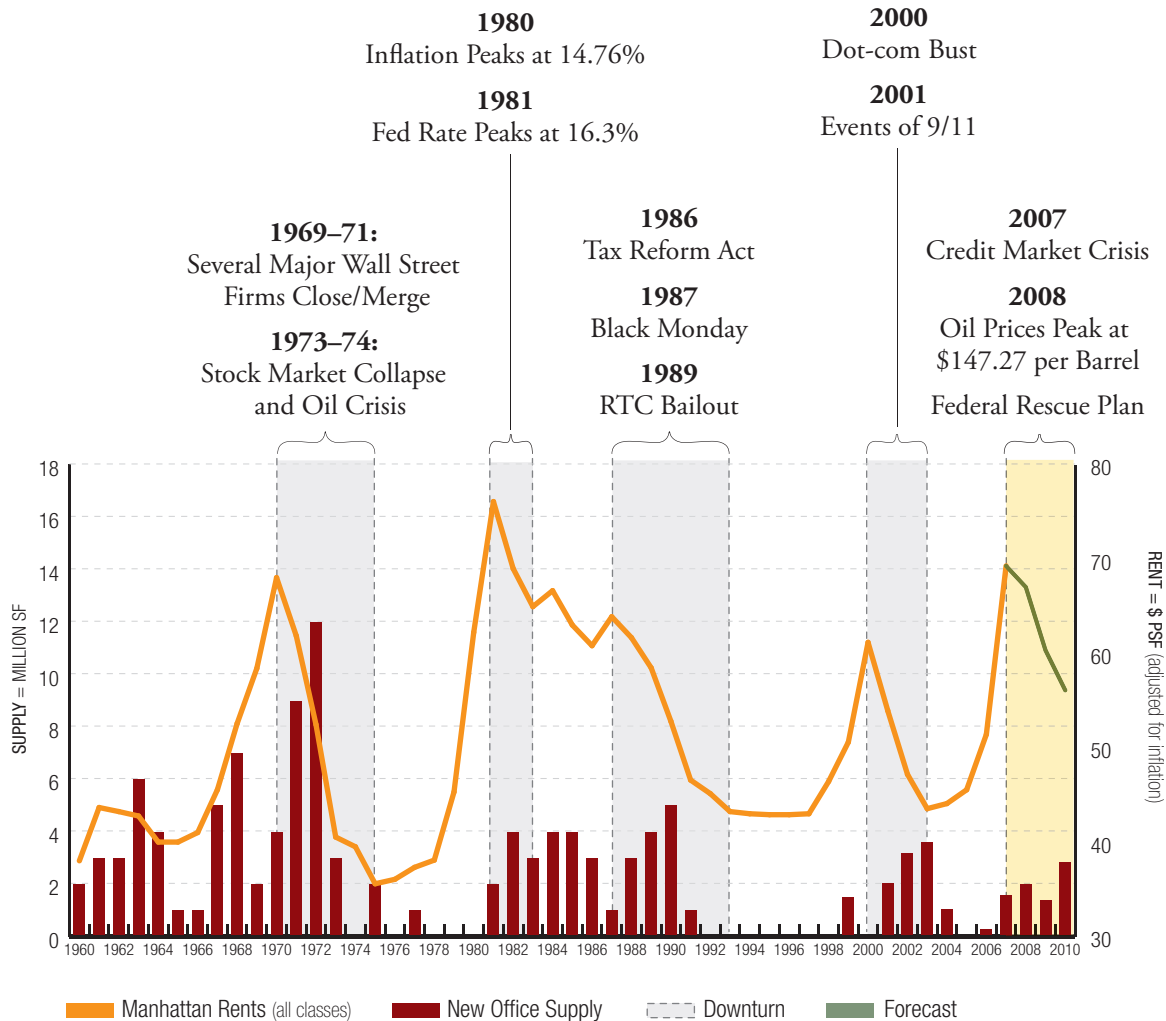
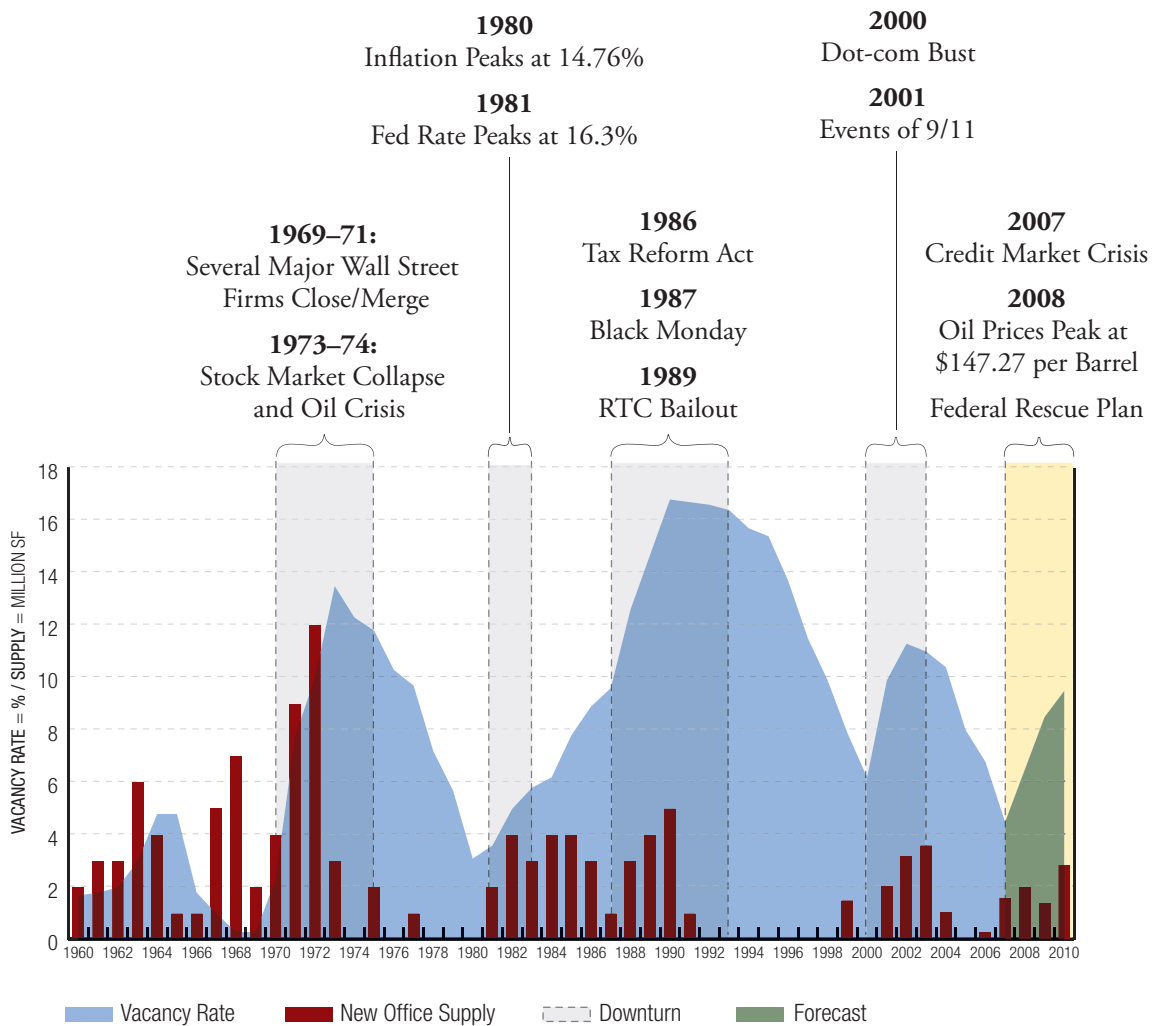


Learning From History: It's not the Apocalypse



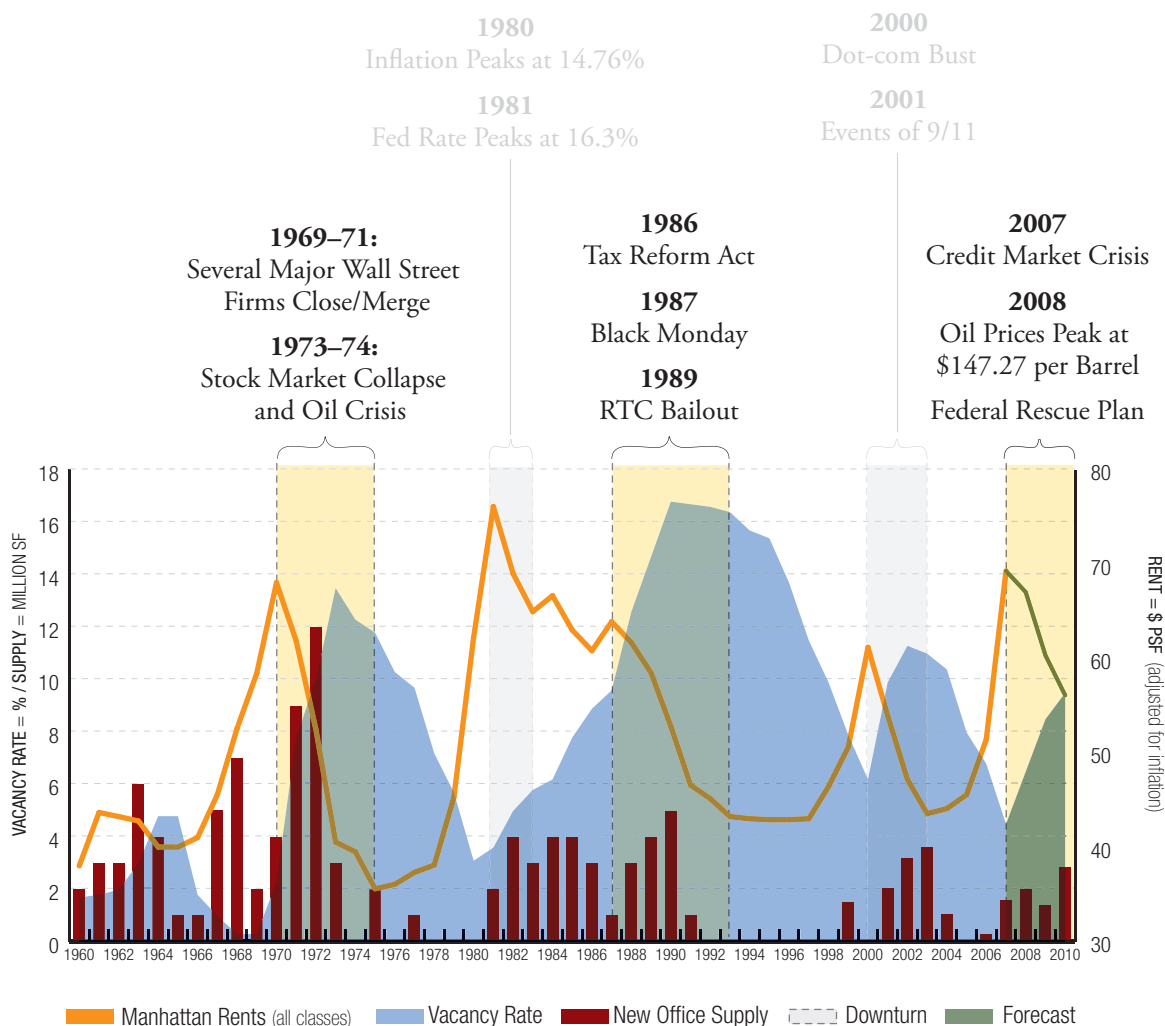
ASKING RENTS (Inflation Adjusted)

- Four sustained real estate downturns in Manhattan over last 48 years
- Each one precipitated by a U.S. economic event and/or energy crisis
- These market declines lasted an average of 4 years in duration
 - **Shortest down-cycle:** 2 years
 - **Longest down-cycle:** 6 years
- On average, asking rents declined from 7% to 8% per annum during down-cycles



VACANCY RATE

- Vacancy increases were exacerbated by a slowdown in demand and the addition of new office product
 - **1973:** Vacancy peaked at 13.5% after 73 million SF was built from 1967–1973
 - **1990:** Vacancy reached a historical high at 16.8% after 60 million SF was built from 1981–1990
- We predict vacancy to reach between 8.5% and 9% over the next 24 months
- A flight to quality space for tenants will occur, as available Class A space increases and rents decline in Midtown and Downtown



FORECAST

- We believe the present real estate cycle shares characteristics with the 1971–1975 and 1988–1994 cycles that were brought on by:
 - a financial crisis
 - an energy breakpoint
 - a federal bailout
- These market declines lasted an average of 5 years:
 - **1971–1975:** 4 years
 - **1988–1994:** 6 years
- Our view is that this cycle will be shorter in duration than these two previous cycles—primarily because of the lack of new supply in the existing development pipeline
- Over the next 24 months we expect asking rents to decline by an average of 7% per annum and vacancy to rise between an 8.5% to 9% range

The Power of Perspective

We bring the fresh and qualified thinking you need to **succeed** in this market.

Our professionals can help you.

Tenants

- **Reduce** real estate expenses
- **Evaluate** sublease options
- Cost-effectively **reconfigure** space to meet future needs
- Create, **implement** new workplace strategies
- **Monetize** leaseholds
- **Outsource** selected real estate functions

Owners

- **Reduce** operating expenses
- **Develop** repositioning strategies for sale and lease
- **Source** fresh capital and refinancing solutions
- **Implement** tenant retention programs
- **Manage** property foreclosures and Deed-in-Lieu processes
- **Outsource** selected real estate functions

**Meet your Challenges
Call Grubb & Ellis**

David Arena, President — 212.326.4747

