

### MARKET OVERVIEW/

Throughout the Flatiron district, retail and commercial vacancy rates are low, while asking rents for office space are rising. Interest in the Flatiron district does not appear to be ebbing, despite these factors. The emergence of a significant residential community and nearly one million square feet of planned residential space should continue to enhance the interest in and vibrancy of the area.

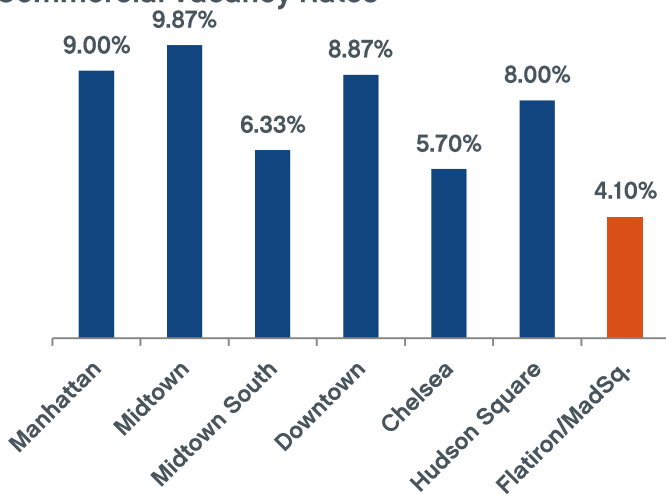
### COMMERCIAL OFFICE MARKET/

Midtown South continues its multi-quarter trend of being the most popular and active commercial office leasing market in New York City. This popularity and interest has largely been driven by the tech, new media and creative sectors, which have found welcoming communities, landlords, amenities, accessibility and reasonable prices in locations like Flatiron, one of the neighborhoods that comprise the Midtown South submarket.

#### Vacancy Rates

Midtown South vacancy rates (i.e. space not occupied by a tenant, available or unavailable) declined slightly in the second quarter from the first quarter. In the Flatiron district, Class A vacancy rates are below 4% while vacancy rates for Class B and C spaces are just over 4%.

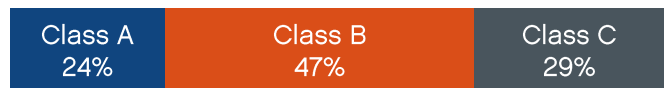
#### Commercial Vacancy Rates



#### Rents

Asking rents rose to their highest levels since 2008, up 6% to 11% in Midtown South, which was the only submarket to see an increase. Flatiron district rents ranged from \$42 to \$56 per square foot. One deal that was recently signed for Class A space garnered asking rents of approximately \$80 per square foot.

#### Vacant Commercial Space in Flatiron, by class



#### Availability

Availability rates (i.e. any vacant or occupied space being marketed as direct or sublease at any time) were the lowest since 2008. They remained stable in the first and second quarter for Midtown South at approximately 10%. The Flatiron district saw a slight decrease for this period, but still hovered around 10%.

#### Recent Office Building Sales

Sales of several commercial office buildings were announced or closed in the first half of 2012.

- 304 Park Avenue South, 215,000 SF - sold to SL Green by Walter & Samuels for \$135 million
- 386 Park Avenue South, 260,000 SF - sold to William Macklowe by Savanna and Monday Properties for \$110-\$120 million
- 202 Fifth Avenue (Commodore Criterion), 40,000 SF - purchased by Porcelanosa for \$40 million

### RECENT LEASES/

#### NYS Council on the Arts

300 Park Avenue South  
10 years, 13,000 SF  
Nonprofit Mgmt.

#### Estee Lauder

28-40 West 23rd Street  
66,000 SF  
Cosmetics

#### Team Detroit

257 Park Avenue South  
12,000 SF  
Advertising

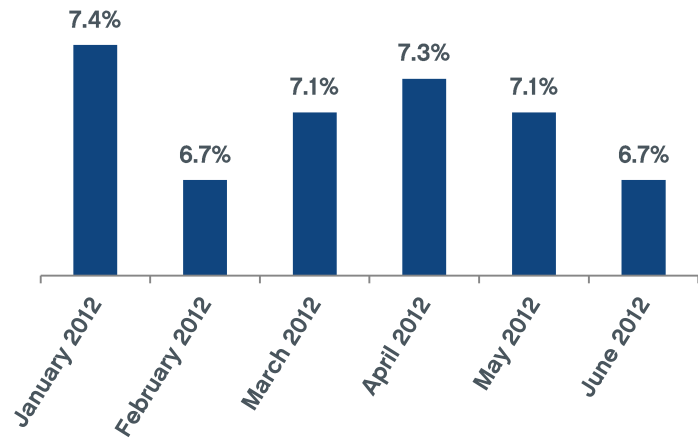
#### Eurasia Group

149 Fifth Avenue  
22,000 SF  
Research & Consulting

### RETAIL MARKET/

Retail asking rents in the Flatiron district remained steady during the first and second quarter of 2012. The retail vacancy rate for the district continues to be low, standing at 6.7% for the month of June with an average of 7% for the first half of the year.

#### Retail Vacancy Rates – Flatiron District



#### Active Leasing Environment

The Flatiron district continues to experience a very active retail leasing environment. In the first half of 2012, 22 new ground level retail businesses opened in the Flatiron District. The vacancy rate of 6.7% for June 2012 is looking to head even lower in the second half of 2012, as an additional five leases were signed in July.

Many retail spaces throughout the district under 10,000 SF have experienced fairly short times on the market. Spaces such as 921 Broadway, 43 and 37 West 26<sup>th</sup> Streets, and 303 Park Avenue South have all had tenants vacate the space and new leases signed within only a few months.

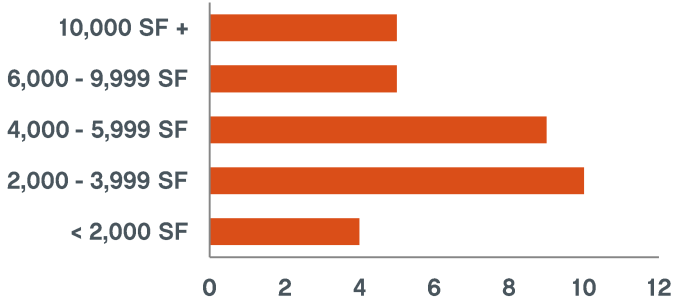
#### Dramatic Changes on Two Streets

Two streets in the western part of the Flatiron district will be dramatically different in the coming months. West 26<sup>th</sup> Street, between Broadway and 6<sup>th</sup> Avenue, has leases signed for four new restaurants. West 21<sup>st</sup> Street, between 5<sup>th</sup> and 6<sup>th</sup> Avenues, will see four new businesses open in the next six months.

#### Large Spaces Coming to Market

Two spaces, each of approximately 20,000 SF, will be coming to market shortly. 695 Sixth Avenue, which has been home to Staples since the early 1990's and 1107 Broadway, the condo conversion from the Witkoff Group, are both being represented by CBRE.

#### Retail Spaces Available



#### Notable Lease Signings

- Club Monaco renewed its lease at 160 Fifth Avenue and also expanded into the adjacent storefront.
- Starbucks will be opening a seventh location in the Flatiron district at 50 Lexington Avenue, across from Baruch College.
- Enveloper Ink, a paper and print material store, has taken 10,000 SF at 45 West 21<sup>st</sup> Street, formerly home to the club known as Duvet.

### ABOUT US/

The Flatiron/23rd Street Partnership Business Improvement District, formed in 2006, is a nonprofit organization whose mission is to enhance the area's reputation as one of New York's most vital and exciting neighborhoods. This is accomplished by maintaining a clean and safe environment for the district's businesses, residents, and visitors; by spearheading area improvement projects; and by marketing the diverse business and retail options in this vibrant and historic neighborhood.