

BROOKLYN MARKET SUMMARY: 4Q 2010

MARKET HIGHLIGHTS

- The growing optimism of Brooklyn business people is a positive sign of change.
- Overall vacancy dropped slightly, encouraged by decline in rents by 3.8% from one year ago.
- Notable increase in office leasing activity in Class B and Class C buildings. Class B leasing increased by 112.8% and Class C by 196.3% from 2009

The market improved in 2010 with vacancy dropping slightly, encouraged by rents which declined by 3.8% from one year ago. The average overall office vacancy rate of 7.1% in 2010 declined from 8.5% office vacancy rate reported one year ago. The office vacancy rate declined slightly to 6.7% in the fourth quarter from the third quarter rate of 6.8%. The fourth quarter rate also dropped from 8.5% office vacancy rate reported one year ago. The average office rental rate picked up marginally to \$27.54 per square foot from the third quarter rate of 27.41 per square foot, indicative of recovery in the market. However, it still remained below the \$28.56 per square foot reported one year ago.

Leasing Volume

Office leasing activity has been impressive. Supported by lower rates and improving economic activity overall office leasing activity totaled 948,333 square feet in 2010 increasing dramatically by 195.5% from one year ago.

There was a notable increase in office leasing activity in Class B and Class C buildings, while Class A leasing remained unchanged at 75,029 square feet. Class B leasing increased by 36% to 193,413 square feet from 142,381 square feet leased space of the third quarter and also increased by 112.8% from 171,465 square feet leased space one year ago . Class C leasing increased by 20% to 54,627 square feet from 45,515 square feet leased space of the third quarter and also increased by 196.3% from 27,828 square feet leased space one year ago. Apparently tenants taking advantage of lower rates are moving in to lock rents before landlords can flex their pricing muscle.

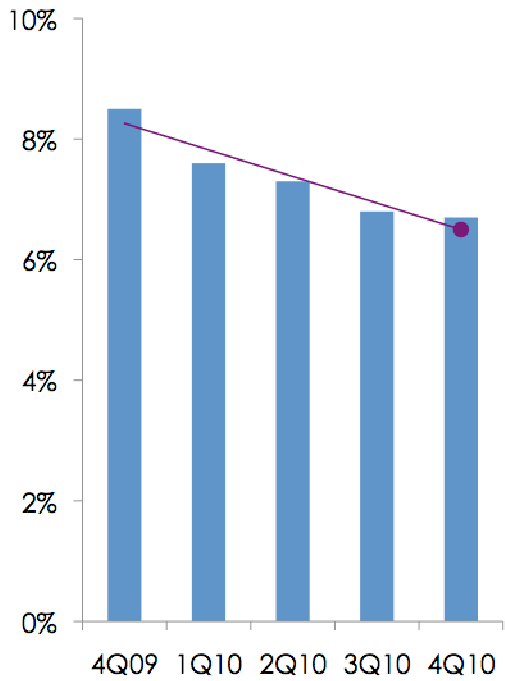
One of the notable office leases in 2010 was the City's Department of Information and Telecommunication which took 72,000 square feet at Two Metro Tech. Another large transaction was for the Art Institute of New York (AiNYC) which signed a five year lease for the entire 41,500 square feet at 67 Livingston Street in Downtown Brooklyn. Thus enabling AiNYC to consolidate student housing at one location which is currently spread across Brooklyn and Manhattan.

Sales

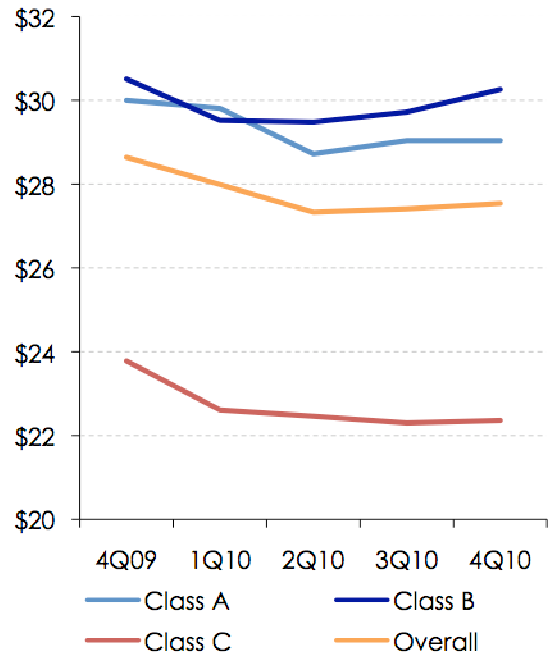
Sales market was favorable to buyers because prices were down. The average price per square foot declined by 11% to \$185 per square foot from \$207 per square foot one year ago, reflecting market weakness driven by the economic turmoil, further compounded by the credit crisis and uncertainty. Even though overall commercial sales were strong in 2010 with 778 sales totaling over \$ 1 billion, sales in office properties were down from one year ago. Office sales totaled 447,168 square feet in 2010, down by 61% from 2009. The total dollar volume of \$82.7 million decreased by 65% from an already slowed 2009.

There are plenty of opportunities in office sales market, as the financial markets continue to stabilize, capital markets loosen up, and credit becomes easier to access, office properties sales will thrive again.

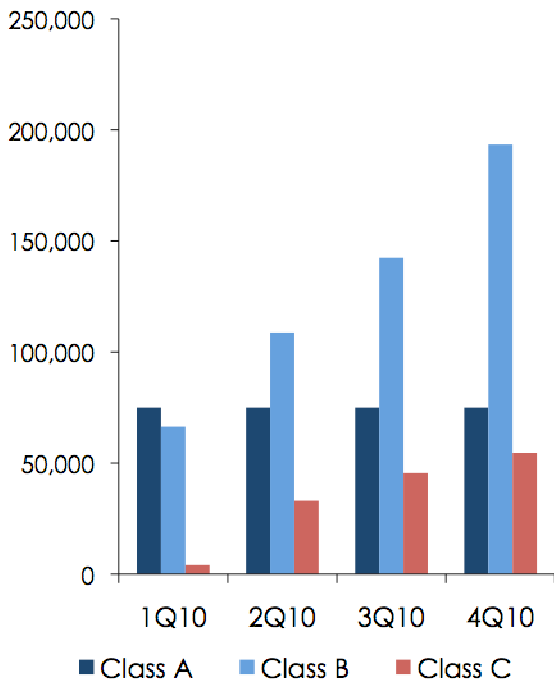
Overall Vacancy Rate



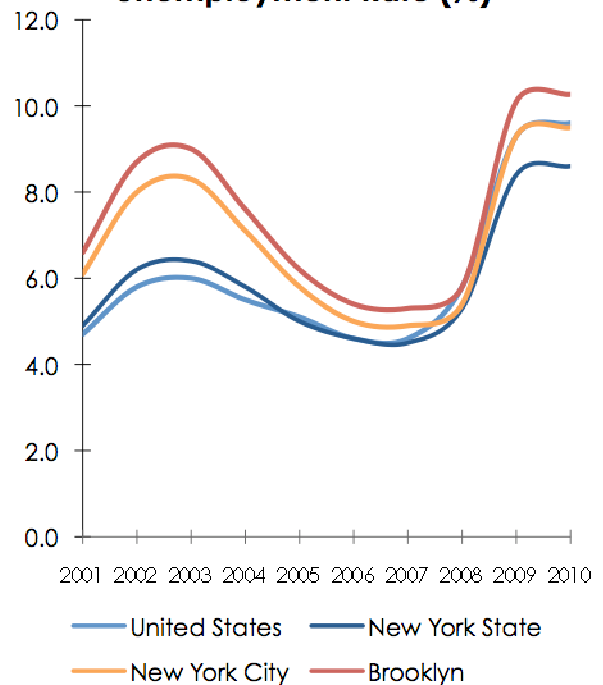
Rental Rate Trends



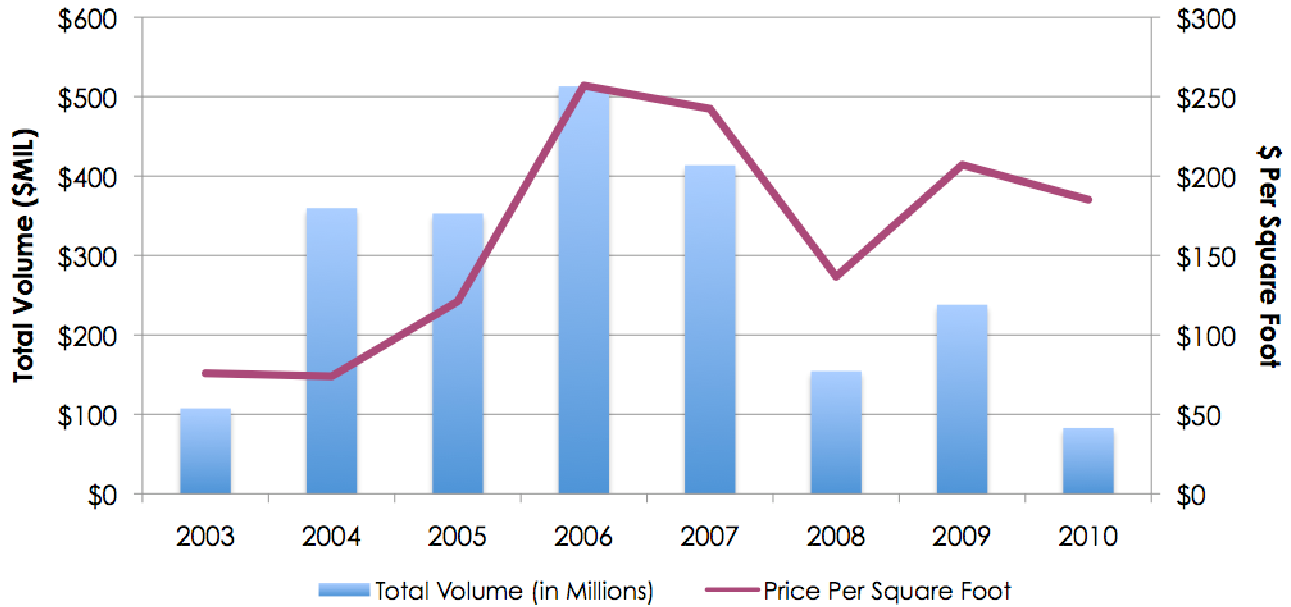
Leasing Activity



Unemployment Rate (%)



Sales Activity



205 Montague Street Deal

One of the notable Brooklyn office property sales in 2010 was 205 Montague Street, formerly known as the Brooklyn Savings Bank. The 5-story, 76,000 square foot building was sold to Midtown Equities by Treeline for \$33 Million, at \$434 per square foot, with a profit of approx. \$8 million. At the time of sale it was fully occupied and had long-term leases in place. This is the building where Jackie Robinson made history when he first signed to the Brooklyn Dodgers. The building is an icon of the area and is prominently located on the corner of Cadman Plaza West and Montague Street. Built in 1962 and last altered in 2000, it is particularly noted for its white masonry and extensive glass facade. The ground floor is leased to two major banks with offices above. 205 Montague Street anchors Montague Street's retail community, the highest depositing banking corridor in Brooklyn.

Montague Street contains a number of commercial office towers and is also home to over 100 retail tenants. The high-rise towers at



Montague Street provide more than 700,000 square feet of Class A office space. Tenants enjoy superb transit connections and a diverse customer base of affluent residents, local workers and students, and international visitors.

Montague Street is easily accessible by car and mass transit. The Court Street/Borough Hall subway station, located directly below Montague Street, is one of the busiest in the system. On an average weekday, more than 34,000 people pass through the turnstiles, placing it among the top 5% of the subway's stations by ridership.

Economy and Employment

Brooklyn's job market is primarily dependent on national and city economy, ebb and flow in population dynamics, also it is deemed to be a reasonable back-office for New York businesses. Approximately 25,000 people living in the borough found work during the first half of 2010, according to the Department of Labor's recent statistics. Brooklyn has many opportunities for growth; as the recovery gains momentum it is having a positive impact on Brooklyn businesses. Just looking at the unemployment figures by itself portrays a very bleak picture where Brooklyn is trailing behind national, New York State and New York City's unemployment rate. Even though among the five boroughs Brooklyn is the second highest in unemployment with 10.5% rate, employment remained steady in 2010 with only a nominal 343 job loss than one year ago. Brooklyn beats the record in terms of employment and stays ahead in retaining employment over national, New York State and New York City.

Job growth is promising in Brooklyn. Since 2009, Brooklyn has added 34,000 jobs or 3.6%. In terms of industries there are no surprises; real estate construction and manufacturing were hard hit due to recession, poor economy, and the housing industry crisis. Winners are the Leisure & Hospitality Industry with an increase of 10.8% followed by Professional and Business Services with 10.2% increase. Other noteworthy industries with future growth are Service Providing Industry with 4.8% growth and Education and Health Services with 4.2% growth.

Brooklyn Employment	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2001	563,581	62,232	66	23,503	38,662	344,686	94,432
2002	555,917	57,630	71	21,902	35,657	348,238	92,419
2003	551,453	54,116	83	21,737	32,296	350,834	92,387
2004	561,911	53,270	93	22,512	30,665	359,143	96,228
2005	570,452	52,010	87	23,129	28,794	368,167	98,265
2006	577,203	50,770	81	23,922	26,768	375,223	100,439
2007	590,981	50,861	60	25,882	24,919	384,955	104,304
2008	600,059	50,170	62	26,730	23,378	393,765	105,954
2009	590,619	44,742	70	23,906	20,766	397,200	103,935
2010	609,220	42,752	95	22,883	19,774	416,218	107,498
Growth (Loss) Since 2009	18,601	-1,990	25	-1,023	-992	19,018	3,563
Growth (Loss) Since 2009 %	3.1%	-4.4%	35.7%	-4.3%	-4.8%	4.8%	3.4%
Growth (Loss) Since 2001	45,639	-19,480	29	-620	-18,888	71,532	13,066
Growth (Loss) Since 2001 %	8.1%	-31.3%	43.9%	-2.6%	-48.9%	20.8%	13.8%

Brooklyn Employment	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2001	8,891	27,323	29,965	140,445	20,609	23,021	64,424
2002	7,800	27,608	30,790	144,889	20,560	24,174	65,324
2003	7,361	28,368	29,669	146,300	21,620	25,130	68,732
2004	7,216	30,971	29,306	148,533	22,021	24,868	68,511
2005	6,830	31,049	29,763	153,984	23,454	24,822	67,833
2006	6,624	31,508	31,333	154,652	24,302	26,365	65,372
2007	6,685	31,829	32,539	158,065	25,633	25,899	66,111
2008	6,754	32,214	33,430	162,655	27,202	25,556	67,577
2009	6,746	29,620	34,549	168,080	28,435	25,837	68,537
2010	6,692	29,000	38,086	175,179	31,517	28,246	68,537
Growth (Loss) Since 2009	-54	-620	3,537	7,099	3,082	2,409	0
Growth (Loss) Since 2009 %	-0.8%	-2.1%	10.2%	4.2%	10.8%	9.3%	0.0%
Growth (Loss) Since 2001	-2,199	1,677	8,121	34,734	10,908	5,225	4,113
Growth (Loss) Since 2001 %	-24.7%	6.1%	27.1%	24.7%	52.9%	22.7%	6.4%

Brooklyn Wages

Brooklyn's total wages declined in 2010 by 12% from 2009; New York City's total wages grew nominally by 1.2% during that period from \$263 billion to \$267 billion.

Brooklyn's average wages grew by 2% in 2010 from 2009 which is above New York City's average wage growth: \$73,917 to \$74,714 or 1%.

Brooklyn Total Wages	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2001	\$28,056,537,000	\$2,109,827,000	\$1,582,000	\$1,002,260,000	\$1,105,985,000	\$10,246,043,000	\$2,659,845,000
2002	\$28,834,062,000	\$2,028,059,000	\$1,654,000	\$966,796,000	\$1,059,609,000	\$10,700,289,000	\$2,712,338,000
2003	\$29,772,998,000	\$1,975,520,000	\$1,855,000	\$956,301,000	\$1,017,364,000	\$11,197,740,000	\$2,788,687,000
2004	\$31,666,866,000	\$1,984,575,000	\$2,173,000	\$989,627,000	\$992,775,000	\$12,085,587,000	\$2,997,513,000
2005	\$32,542,527,000	\$1,981,171,000	\$2,197,000	\$1,014,722,000	\$964,251,000	\$12,547,765,000	\$3,142,959,000
2006	\$34,087,044,000	\$2,090,699,000	\$1,943,000	\$1,123,463,000	\$965,293,000	\$13,187,123,000	\$3,363,079,000
2007	\$36,048,061,000	\$2,174,208,000	\$1,553,000	\$1,272,662,000	\$899,993,000	\$14,037,602,000	\$3,629,197,000
2008	\$37,448,532,000	\$2,227,853,000	\$1,948,000	\$1,377,839,000	\$848,066,000	\$14,609,213,000	\$3,687,047,000
2009	\$37,519,587,000	\$2,047,734,000	\$2,117,000	\$1,293,951,000	\$751,667,000	\$14,741,246,000	\$3,606,565,000
2010 Annualized	\$32,896,176,000	\$1,784,684,000	\$2,226,000	\$1,130,446,000	\$652,014,000	\$14,712,024,000	\$3,553,918,000
Growth (Loss) Since 2009	-4,623,411,000	-263,050,000	109,000	-163,505,000	-99,653,000	-29,222,000	-52,647,000
Growth (Loss) Since 2009 %	-12.3%	-12.8%	5.1%	-12.6%	-13.3%	-0.2%	-1.5%
Growth (Loss) Since 2001	4,839,639,000	-325,143,000	644,000	128,186,000	-453,971,000	4,465,981,000	894,073,000
Growth (Loss) Since 2001 %	17.2%	-15.4%	40.7%	12.8%	-41.0%	43.6%	33.6%

Brooklyn Total Wages	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2001	\$418,531,000	\$1,173,732,000	\$914,442,000	\$4,270,985,000	\$339,849,000	\$468,658,000	\$3,344,798,000
2002	\$373,508,000	\$1,219,117,000	\$933,328,000	\$4,604,500,000	347257000	\$510,240,000	\$3,377,367,000
2003	\$398,652,000	\$1,297,036,000	\$973,695,000	\$4,826,052,000	375344000	\$538,273,000	\$3,426,479,000
2004	\$383,902,000	\$1,631,524,000	\$1,001,441,000	\$5,134,339,000	397372000	\$539,496,000	\$3,526,542,000
2005	\$358,646,000	\$1,630,885,000	\$1,033,578,000	\$5,404,429,000	435417000	\$541,851,000	\$3,484,656,000
2006	\$351,552,000	\$1,708,210,000	\$1,131,032,000	\$5,569,757,000	474,594,000	\$588,899,000	\$3,531,400,000
2007	\$366,875,000	\$1,809,980,000	\$1,222,507,000	\$5,889,141,000	525,865,000	\$594,036,000	\$3,624,442,000
2008	\$401,849,000	\$1,778,643,000	\$1,269,234,000	\$6,297,459,000	563,022,000	\$611,957,000	\$3,774,402,000
2009	\$395,111,000	\$1,543,510,000	\$1,319,854,000	\$6,658,083,000	578,187,000	\$639,936,000	\$3,941,626,000
2010 Annualized	\$390,860,000	\$1,523,402,000	\$1,404,484,000	\$6,606,900,000	579,644,000	\$652,818,000	\$4,020,458,520
Growth (Loss) Since 2009	-4,251,000	-20,108,000	84,630,000	-51,183,000	1,457,000	12,882,000	78,832,520
Growth (Loss) Since 2009 %	-1.1%	-1.3%	6.4%	-0.8%	0.3%	2.0%	2.0%
Growth (Loss) Since 2001	-27,671,000	349,670,000	490,042,000	2,335,915,000	239,795,000	184,160,000	675,660,520
Growth (Loss) Since 2001 %	-6.6%	29.8%	53.6%	54.7%	70.6%	39.3%	20.2%

Brooklyn Average Annual Wages	Total	Goods Producing	Natural Resources & Mining	Construction	Manufacturing	Service Providing	Trade, Transportation, and Utilities
2001	\$31,145	\$33,903	\$23,825	\$42,644	\$28,606	\$29,726	\$28,167
2002	\$32,098	\$35,191	\$23,466	\$44,141	\$29,716	\$30,727	\$29,348
2003	\$32,739	\$36,505	\$22,330	\$43,995	\$31,501	\$31,917	\$30,185
2004	\$33,639	\$37,255	\$23,446	\$43,959	\$32,375	\$33,651	\$31,150
2005	\$34,475	\$38,092	\$25,331	\$43,871	\$33,488	\$34,082	\$31,984
2006	\$36,163	\$41,179	\$24,143	\$46,963	\$36,062	\$35,145	\$33,484
2007	\$37,524	\$42,748	\$25,846	\$49,172	\$36,117	\$36,466	\$34,794
2008	\$39,272	\$44,406	\$31,502	\$51,546	\$36,276	\$37,101	\$34,799
2009	\$39,661	\$45,767	\$30,059	\$54,126	\$36,198	\$37,113	\$34,700
2010	\$40,454	\$46,682	\$30,660	\$55,209	\$36,922	\$37,855	\$35,394
Growth (Loss) Since 2009	793	915	601	1,083	724	742	694
Growth (Loss) Since 2009 %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Growth (Loss) Since 2001	9,309	12,779	6,835	12,565	8,316	8,129	7,227
Growth (Loss) Since 2001 %	29.9%	37.7%	28.7%	29.5%	29.1%	23.7%	25.7%

Brooklyn Average Annual Wages	Information	Financial Services	Professional and Business Services	Education & Health	Leisure and Hospitality	Other Services	Government
2001	\$47,073	\$42,958	\$30,517	\$30,410	\$16,491	\$17,868	\$48,428
2002	\$47,888	\$44,158	\$30,313	\$31,780	\$16,890	\$18,611	\$52,009
2003	\$54,157	\$45,722	\$32,819	\$32,987	\$17,361	\$18,802	\$52,995
2004	\$53,200	\$52,679	\$34,172	\$34,567	\$18,045	\$19,028	\$56,120
2005	\$52,514	\$52,526	\$34,727	\$35,097	\$18,565	\$19,858	\$56,044
2006	\$53,072	\$54,214	\$36,098	\$36,015	\$19,529	\$20,358	57,180
2007	\$54,884	\$56,865	\$37,570	\$37,258	\$20,515	\$21,101	64,662
2008	\$59,496	\$55,213	\$37,967	\$38,717	\$20,698	\$21,588	55,094
2009	\$58,571	\$52,111	\$38,203	\$39,613	\$20,334	\$22,116	56,553
2010	\$59,742	\$53,153	\$38,967	\$40,405	\$20,741	\$22,558	57,684
Growth (Loss) Since 2009	1,171	1,042	764	792	407	442	1,131
Growth (Loss) Since 2009 %	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Growth (Loss) Since 2001	12,669	10,195	8,450	9,995	4,250	4,690	9,255
Growth (Loss) Since 2001 %	26.9%	23.7%	27.7%	32.9%	25.8%	26.2%	19.1%

Government Sector and Average Annual Wages 2010 Data not available.

Assumptions:

No change in Govt. sector employment in 2010

Government Sector Total wages 2% cost of living increase in 2010

Average Annual Wages 2% cost of living increase in 2010

Brooklyn Population

Brooklyn population is less than one-third of the entire New York City. Its population growth for 2001 – 2010 was slightly below the rest of New York City and it added comparatively less housing units. Brooklyn's median income was consistently behind the rest of New York. Nation's poor economic conditions had a negative impact on both Brooklyn and New York City income, reflecting slight decline from 2008 to 2009 for the first time over a decade. Overall the number of permits for new construction in Brooklyn was proportionate to the size of the housing stock and population.

	Population			Housing Units			Median Household Income		
	Brooklyn	New York City	Brooklyn As a % of NYC	Brooklyn	New York City	Brooklyn As a % of NYC	Brooklyn	New York City	Brooklyn As a % of NYC
2001	2,425,980	7,836,66	31%	931,708	3,212,180	29%	35,012	38,866	90%
2002	2,448,708	7,901,87	31%	932,467	3,223,004	29%	35,453	39,285	90%
2003	2,433,203	7,902,87	31%	940,176	3,246,652	29%	35,168	39,937	88%
2004	2,436,321	7,918,52	31%	943,531	3,259,092	29%	36,030	41,509	87%
2005	2,446,016	7,956,13	31%	947,632	3,275,412	29%	37,332	43,434	86%
2006	2,508,820	8,214,46	31%	954,382	3,311,119	29%	40,393	46,480	87%
2007	2,528,050	8,274,57	31%	959,465	3,325,902	29%	41,406	48,631	85%
2008	2,556,598	8,363,70	31%	967,751	3,350,926	29%	43,378	51,116	85%
2009	2,567,098	8,391,81	31%	977,590	3,375,629	29%	43,166	50,033	86%
2010	2,504,700	8,175,133	31%	1,000,293	3,371,062	29%		NA	
Growth(2001-2010)	78,720	338,457		68,585	158,882				
Growth %	3%	4%		7%	5%				

Building Permits	Brooklyn Permits	Brooklyn Units	New York City Permits	New York City Units	Brooklyn Permits As a % of NYC	Brooklyn Units As a % of NYC
2001	1,028	2,973	4,519	16,856	23%	18%
2002	1,197	5,247	4,474	18,500	27%	28%
2003	1,446	6,054	5,344	21,218	27%	29%
2004	1,407	6,825	5,604	25,208	25%	27%
2005	1,638	9,028	5,787	31,599	28%	29%
2006	1,389	9,191	5,172	30,927	27%	30%
2007	1,079	10,930	3,916	31,902	28%	34%
2008	787	12,744	2,704	33,911	29%	38%
2009	131	1,003	1,014	6,057	13%	17%
2010	140	2,093	1,074	6,727	13%	31%



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New Developments

According to Downtown Brooklyn Partnership as of October 2010, 60,000 square feet office space was considered for approval, review and design. 222,000 square feet was added in office development projects in Downtown Brooklyn. 26,000 square feet office space is under construction and 1,380,000 square feet office development space is being planned. Even though in 2010 there was a slight increase in inventory by 6% to 17.3 million square feet, it is a promising change. The Forest Ratner project at the Brooklyn Navy Yards is not only emotionally and psychologically a morale booster, but also enables the borough to be competitive in terms of new, modern structure which will help attract business and revenue. Brooklyn College is set to open its Graduate School of Cinema which will offer nine different degree programs in the Brooklyn Navy Yard beginning in the fall semester 2013. New York City, moving to open a new school for applied science and engineering, is considering the Brooklyn Navy Yard for its location.

Summary

Still, the market is in recovery. It is also tough to compete against Manhattan for commercial real estate leasing, but the future seems positive. The growing optimism of Brooklyn business people is a positive sign of change. Recently there has been news coverage of different businesses, including Fortune 500 companies, targeting Brooklyn for business expansion and relocation which shows rising confidence in Brooklyn market.