



Niantic Partners Newsletter
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New York City News:

- Nomura is relocating from its current American headquarters in Downtown, signing one of the largest new office leases in Midtown since 2004. It will occupy more than 900,000 square feet at Worldwide Plaza, between 49th and 50th Streets at 8th Avenue. This will cause the Midtown leasing market to become tighter, and exacerbates the coming space availability around the world financial center. Year-to-date leasing in Midtown continues to outpace 2010, with the vacancy rate declining from 9.8% in May 2010 to 8.2% in May 2011, and average asking rents increasing from \$54.63 to \$59.84 per square foot.
- Select retail markets in have had significant increases in asking rents, such as the Fifth Avenue corridor from 42nd to 49th Streets, which saw an increase of 10.6% from last quarter. Cap rates on recent transactions remain in the range of 5.25-5.75%, as investors expect rents to continue to increase for properties located in core locations.

National Office Market Trends: A joint annual forecast report by Real Estate Research Corporation (RERC), Deloitte, and Real Capital Analytics (RCA) alternative capital sectors, especially equity funds, began returning to the secondary office market in late 2010. This is a result of heavy competition in late 2010 for properties in gateway markets, turning some buyers to secondary markets and less well-stabilized properties. Nationally, the office market was a standout for investment in 2010, with cap rates declining by nearly 200 basis points to 7.2% and total sales volume increasing from \$17.3 billion to \$41.2 billion. Looking forward, 2011 is expected to have 35 million square feet of net absorption in the office market. Although annual absorption ranged from 62 million to 89 million square feet from 2005-2007, even this moderate forecast will continue to drive down vacancy rates by approximately 1.0% yearly in the near term due to limited new space completions.

Apartment Market Trends: The apartment market has performed strongly since early 2009, particularly for the upper tier of apartment properties, which have seen cap rate compression over the past 12 months. The current low supply of apartments coupled with increased demand from job growth in select markets has helped to drive an increase in both occupancy and effective rental rates. High quality, urban apartment buildings located near growing employment centers are expected to see sustained growth in rental rates in both the near and long term, particularly as 20-plus "Echo Boomers" who were forced to live with family members during the downturn begin to live separately.

Niantic Partners is a real estate investment company based in New York City. Niantic's professionals combine a successful track record in real estate acquisitions, financing and asset management with capital markets experience across many industry sectors. Niantic's principals have acquired more than six million square feet of office space and 16,000 apartment units over many cycles. The firm has also participated in investments in retail and industrial properties. The firm's investors have included institutions, individuals, trusts and public company shareholders. Niantic's principals have a proven ability to create value through timely acquisitions, careful attention to asset management and creative financing. www.nianticpartners.com