



Niantic Partners Newsletter
March 2011

Property Price Trends: Prices for investment-grade commercial properties continue to appreciate, increasing by 10.6% year-over-year in January 2011 per CoStar's National Composite Index. The volume of transactions for investment-grade properties also increased, rising 54% year-over-year. 2010 saw strong investor interest for leading markets such as New York City, Boston, Washington DC, and San Francisco, and investment allocation is expected to widen to incorporate more geographies in 2011.

Leasing Market Trends: NYC: Asking rents continue to increase in Midtown Manhattan, jumping by \$2.15 psf to \$57.97 psf in the month of February, per a CB Richard Ellis report. This is the highest single-month increase since June 2007. To date, 2011 is off to a strong start, with year-to-date Midtown leasing up 40% over 2010. Rental rates and vacancy rates are off their trough levels of early-2010, and metrics continue to trend positive at an accelerating rate. The Midtown South and Downtown asking rents remain relatively unchanged month over month at \$42.57 psf and \$38.01 psf, respectively. The Midtown South and Downtown asking rents remain relatively unchanged month over month at \$42.57 psf and \$38.01 psf, respectively.

Investment Trends: High-net-worth individuals are increasing their investments in real estate as the property market recovers, investing \$2.1 billion in commercial real estate in 2010, up from \$579 million in 2009, according to the Moody's/REAL Commercial Property Price Index. Low yields on 10-year Treasuries (3.48% on 3/09/11) and 10-year AAA corporate bonds (3.82% on 3/09/11) continue to spur investors seeking higher-yielding assets toward stabilized commercial properties with credit tenants. Smart real estate investments can offer strong cash flow and attractive returns at a reasonable level of risk, and also provide a hedge against inflation. Commercial real estate's straightforward investment structure has also been appealing to high-net-worth investors, especially when compared to alternative investments such as hedge funds.

Foreign Investment: Well-known international institutional and corporate investors are adding investments in prime U.S. real estate to their ownership portfolios. Equity-rich foreign investors are leading the flight to quality assets in core, mature, and transparent markets, but are expected to move up the risk curve in 2011-2012 because of the intense competition for a limited number of deals. Analysts expect foreign interest in U.S. commercial real estate to extend into ten urban markets across the country, particularly as market fundamentals recover.

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