

**MARKET OVERVIEW/**

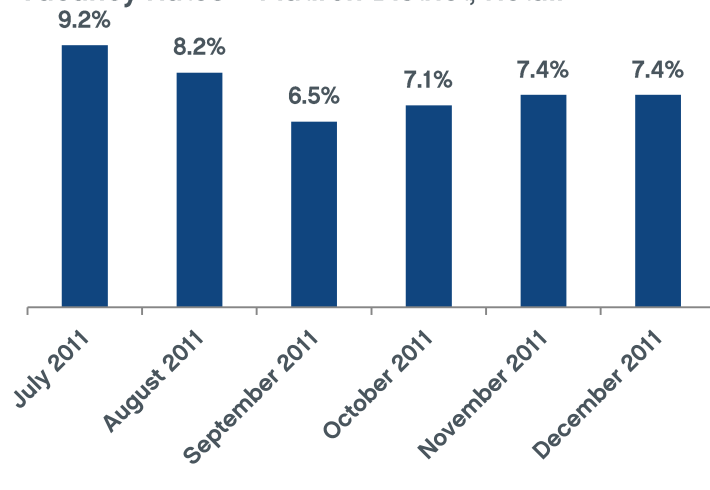
The Flatiron district continues to be a desirable location for retail and office tenants. Vacancies are low and increases in rents are beginning to reflect that fact. The area continues to present numerous opportunities for investment and development. The final disposition of the residential tower at One Madison Park and the purchase of the MetLife Clock Tower by Marriott International will have a dramatic impact on the area.

**RETAIL MARKET/**

**A Tight Retail Market**

Retail asking rents in the Flatiron District remained flat from one quarter to the next. The retail vacancy rate for the Flatiron district continues to be one of the lowest in the City at 7.4%, a continuous reminder that the district is a retail destination in and of itself. It is important to note that the vacancy rate is higher than recorded in the previous quarter.

**Vacancy Rates – Flatiron District, Retail**



**New & Notable**

Continuing the trend of Flatiron as food Mecca, is the recent completion of the restoration and leasing of the historic properties at 929-933 Broadway by Thor Equities. Coming soon to these beautifully restored and landmarked retail spaces are: Whisk, the Williamsburg based artisanal kitchen supply store; Le Pain Quotidien, the coffee and pastry chain; and Flatiron Wines, with its selection of great wines from around the globe.

**Ground Level Retail Analysis**

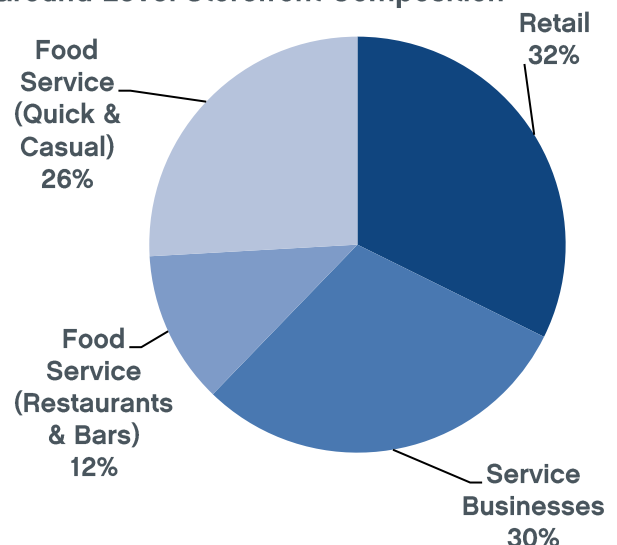
A recently completed survey of ground floor storefronts in the Flatiron district found an increase in the number of retail storefronts throughout the district. Several of these spaces were either new, having been recently converted to retail use or are due to property owners subdividing large retail spaces into multiple smaller storefronts.

This move to subdivide and renovate retail spaces diversifies retail offerings for customers and neighborhoods and also meets the needs of retailers who are seeking smaller spaces with less overhead that can be supported by shrinking margins on goods and services.

A noteworthy example of this can be seen at 655 Sixth Avenue which until recently had included only a single storefront for Men’s Wearhouse. When they relocated across the street, the property owner converted the store to six smaller retail spaces and has subsequently attracted several notable tenants.

A comprehensive survey and analysis of the Flatiron district’s ground level businesses revealed a relatively even mix of retail, food, and service businesses.

**Ground Level Storefront Composition**



**Other notable statistics:**

- National retailers, service or food businesses make up 30% of the district’s ground floor businesses.
- Locally based independent retailers, service or food businesses make up 70% of the district’s ground floor businesses.

### COMMERCIAL OFFICE MARKET/

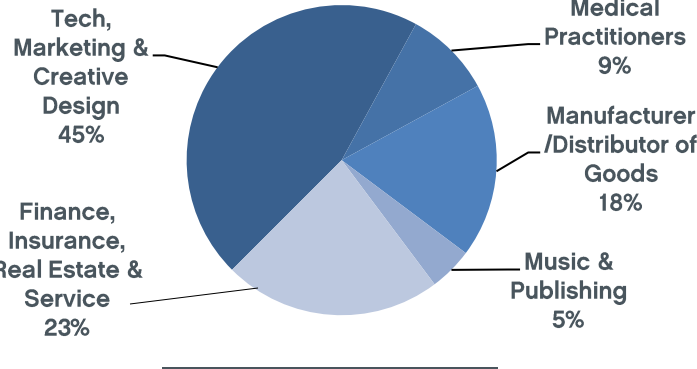
### Record Leasing & Renovations

The Midtown South submarket in the fourth quarter of 2011 continued to be one of the tightest central business districts for leasing in the entire country. Average asking rents slowly crept higher in the Flatiron district as a result of the shrinking availability.

Further proof of the area's popularity is the near unanimous reporting by various firms on the "tenacious" or "robust" leasing volume in the area. Flatiron itself outperformed its five year quarterly leasing average by double.

and to meet the needs of new tenants. Recent examples of this can be seen at 245 Fifth Avenue, which has been redesigned and renovated with higher-end finishes and glass front offices in the hopes of attracting new or established tech firms. The owners of 386 Park Avenue South (Monday Properties), has made a \$30 million capital improvement investment that includes a new lobby, new windows, new elevator cabs, new common corridors, renovated restrooms and new heating and cooling systems. 300 Park Avenue South (Rockrose) relocated and expanded the lobby and entrance to their building, and 50 West 23<sup>rd</sup> Street (Two Trees Management) is renovating the lobby and façade, which will be followed by renovations of the building's interior common spaces.

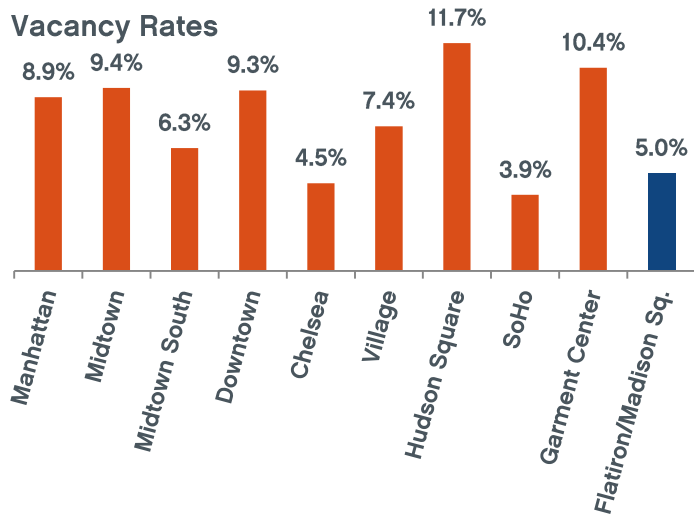
#### Q4 2011 Leasing by Sector



#### Trends

The appeal of the Flatiron district is attributable to a variety of factors. Among them is the quality and flexibility of the landlords and the commercial space. A trend that seems to be emerging among property owners in the area is to invest in renovation and improvements to make their spaces more attractive

#### Vacancy Rates



### RECENT LEASES/

<b>AppNexus</b> 28 West 23 <sup>rd</sup> Street 66,000 Square Feet Asking Rent: \$55/SF Advertising Technology	<b>Sugar Publishing</b> 386 Park Avenue South 26,250 Square Feet Asking Rent \$45/SF Online Content Creator
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<b>C.Wonder</b> 1115 Broadway 24,000 Square Feet Asking Rent \$39/SF Apparel/Lifestyle
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<b>HFP Capital Markets</b> 386 Park Avenue South 13,100 Square Feet Investment Banking
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### 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.