

MARKET OVERVIEW/

Interest in the Flatiron District continues to be strong. Creative and tech tenants remain a driving force behind the commercial office market. Retail growth, namely restaurants, flourished in the first half of this year, notably on 26th Street and along Broadway. Residential condo conversion and a hotel development are underway on streets adjacent to Madison Square Park; when completed, foot traffic will be further enhanced in this already vibrant area located in the center of the District

COMMERCIAL OFFICE MARKET/

The demand for commercial office space in the Flatiron District has remained steady. As a submarket of Midtown South, the District is part of a Manhattan's most popular commercial office leasing market. Historically, space in the Flatiron District had been attractive, in some part, due to reasonable rents; in a testament to the District, vacancy rates remain low in spite of rising rents.

Vacancy Rates

Midtown South vacancy rates (i.e. space not occupied by a tenant, available or unavailable) declined slightly in the first quarter of 2013 from the fourth quarter of 2012. According to TechStarter Reports for ABS Partners Real Estate, Class A vacancy rates for the Flatiron District fell to less than 3% in the first quarter of 2013 and to less than 5% for the second quarter of 2013. For the first quarter in Flatiron, the average vacancy rate for Class A and B spaces was 6%, comparative numbers at right.

Rents

Asking rents continued to rise in both Midtown South and the Flatiron District. In the Flatiron District, rents ranged from an average of \$74 per square foot for Class A space to an average of \$42 per square foot for Class C space. For the first and second quarters, the average asking rent for commercial office space in the Flatiron District was \$55-\$57 per square foot, more than the Midtown South average asking rent of \$50.59 per square foot as reported by Colliers International.

RECENT LEASES/

AppNexus

28-40 West 23rd Street
10 years, 220,000 SF
Renewal & Expansion
Tech

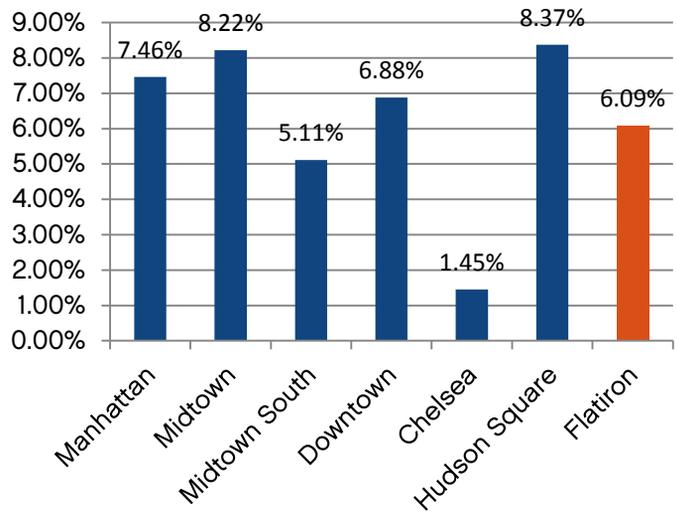
Samsung

30 West 26th Street
5 years, 7,900 SF
New Lease
Tech

Notable New Tech Incubator

At the end of the first quarter, investment fund and business accelerator 500 Startups announced its expansion into the New York market. Focusing on start-ups catering to consumers and small to midsized businesses, the Mountain View, CA-based company opened their incubator at 27th Street and Park Avenue South. Desk space for 35 people is available for \$500 per desk, per month.

Commercial Vacancy Rates



Recent Office Building Sales

Sales of several commercial office buildings were announced or closed in the first half of 2013.

- 920 Broadway, 110,000 SF – sold by Yeshiva University for \$58.5 million
- 30 West 21st Street, 60,000 SF – sold by Kimco Realty Corporation to Skyway Development Group for \$38.5 million
- 225 Fifth Avenue (retail portion), 40,000 SF – sold by Ceres Real Estate to CIM Group for > \$78 million

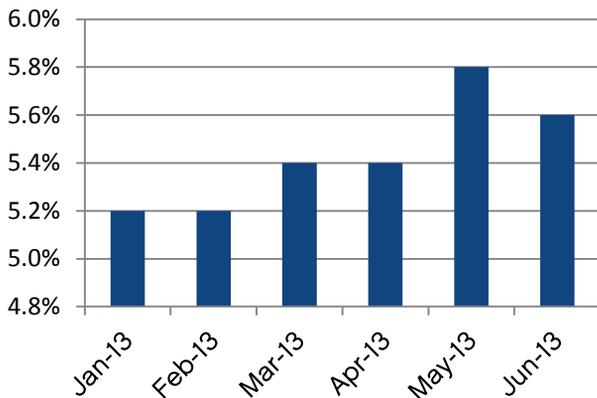
RETAIL MARKET/

With the popularity of the commercial office market remaining strong, the Flatiron District is prime for retailers looking for value, growth, and strong foot traffic. The retail vacancy rate for the District continues to be low, standing at 6.1% for the month of June with an average of 5.5% for the first half of the year. In REBNY's spring retail report released in early May, rents on Broadway between 14th and 23rd Streets rose 50% over last year to \$322 per square foot.

In a testament to the attraction of big name retailers to the Flatiron District, DKNY recently opened the brand's first concept store at 168 Fifth Avenue. Across the street at 155 Fifth Avenue, C. Wonder will open a new store this fall following its holiday pop-up store in 2012.

The Flatiron District continues to experience a very active retail leasing environment. In the first half of 2013, 20 new ground level retail businesses opened in the Flatiron District. The District remains a dining destination with 14 of the 20 new businesses being bars or restaurants.

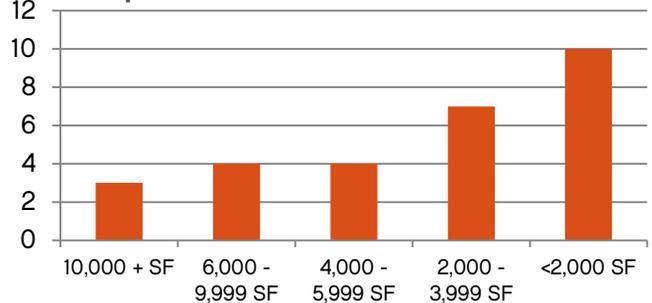
Retail Vacancy Rates – Flatiron District



Spaces on the Market

At 1107 Broadway, 20,000 SF of retail space is available through CBRE. On 23rd Street between Fifth and Sixth Avenues, there are prime retail spaces on both the north and south sides of the street at 200 Fifth Avenue, 23 West 23rd Street and 50 West 23rd Street.

Retail Spaces Available



Restaurant Development and Destination Retail

On the northwest side of the Flatiron BID's boundaries, a new cluster of restaurants has emerged. In the first quarter of 2013, two new restaurants opened on West 26th Street between Broadway and 6th Avenue: Hanjan and Grey Bar. These restaurants join the Flatiron Room and Maysville, which opened in the third and fourth quarters of 2012 respectively. On Broadway between 25th and 26th Streets, sandwich shop Num Pang opened in March, and further north on Broadway, farm-to-table Sweetgreen opened in late July. Also announced for 2014, The Smith is slated to open at 27th Street and Broadway.

Eataly and Marimekko have elevated the retail game at the corner of 23rd Street and Fifth Avenue. In January 2014, they will be joined by LEGO which has signed a 10 year lease for 7,703 SF and will replace Fidelity Investments.

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.