

LOETS 21, LLC

June 12, 2012

Re: [REDACTED]

Dear Investor:

I am pleased to report that the Project has been progressing extraordinarily well and that our condominium plan has been approved by the Attorney General's office, which will enable us to offer units for sale.

Our exclusive agent for the sale of the units, Prudential Douglas Elliman, has strongly recommended that we change the scope of the Project to build-out and fully finish the residential units rather than simply build them to a minimal "white box." Their analysis of the marketplace has revealed that the incremental costs of fully finishing the units will yield a significant additional return to the venture and promote a quicker sale of the units.

In order to generate the funds necessary to change the scope to fully build out and finish the residential units, the Company is planning to obtain new financing. Because of the advanced stage of the Project and the strength of the marketplace, we have received numerous offers to refinance in order to fund the new scope of the work. We are seriously considering obtaining financing from an affiliate of 40 North LLC. The financing would be for approximately \$25,500,000. The proceeds will be used to pay off the existing debt and to fund the additional improvements.

As a result of changing the scope of the Project, the projected sell out period would be extended to approximately six months. The waterfall for the venture was structured to give the Investor Members a 100% return on their investment. In order to accomplish this, the waterfall provided that the first available cash would be used to return capital, then to pay the developer's fee and any member loans and then distributions would be 25% to the Managing Member and 75% to the Investor Members until the Investor Members have received their proportionate share of \$7,450,000 (the "Additional Profit Participation") based on their interests in the Company. Thereafter, 100% available cash flow goes to the Managing Member. In light of the extended timing for the Project to accommodate the change in scope, I propose that Additional Profit Participation be increased to \$8,850,000, which will be distributed proportionately to the Investor Members. The additional \$1,400,000 will increase the return to the Investor Members by approximately 20%. This will reward the Investor Members for accommodating the

additional time necessary for the change in scope and for the additional debt of the Project. The increases in Additional Profit Participation will come from the Managing Member's promote.

In preparation of moving forward with the finished units we have hired internationally renowned interior designer, Kelly Hoppen. Kelly has had enormous success in designing residences that have quickly sold out. I have included her website here so you can familiarize yourself with her outstanding work www.kellyhoppen.com. In addition, I have included layouts for the unit layouts.

Recently, the New York Times featured Madison Square Park in its Sunday Real Estate section. I have included this piece as part of this letter.

An interesting note is that when the exterior of the building was being cleaned they removed the Chapman sign and found chiseled into the stone "Clarence B Whitman and Sons" see picture enclosed. In consultation with our marketing professionals, we have decided to name the building as the THE WHITMAN.

We hope to launch our multifaceted marketing campaign shortly. I will advise you when the website www.TheWhitman.com is live.

If you have any questions about the new scope of work or the refinancing, please contact me to discuss it.

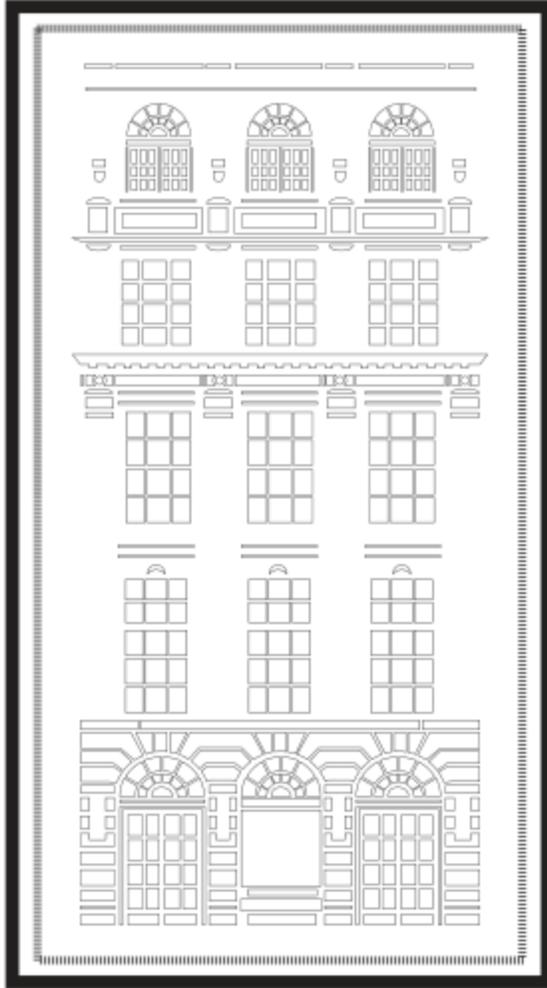
Best regards,

LOFTS 21, LLC

By: AdvanceStar LLC, Managing Member

By: 

David J. Mitchell, Manager



THE
WHITMAN
madison square park

THE
WHITMAN
madison square park

RESIDENCES

SERVICES

FLOORPLANS

THE PARK



THE
KELLY HOPPEN COLLECTION
PARKSIDE





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STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

ERIC T. SCHNEIDERMAN
ATTORNEY GENERAL

DIVISION OF ECONOMIC JUSTICE
REAL ESTATE FINANCE BUREAU

[REDACTED]

RE: Chapman Condominium (The)
File Number: CD110051 Amount Offering \$39,950,150.00
Filing Fee: \$30,000.00 Receipt Number: [REDACTED]
Acceptance Date: 05/09/2012

Dear Sponsor:

The offering literature submitted for the subject premises is hereby accepted and filed. Unless extended by duly filed amendment, the effectiveness of the filing shall expire twelve months from this date. All advertising and solicitation material must be consistent with the contents of the filed offering literature. Any material change of facts or circumstances affecting the property or the offering requires an immediate amendment.

Any misstatement or concealment of material fact in the literature filed renders this filing void ab initio. This office has relied on the truth of the certification of sponsor, sponsor's principals and sponsor's experts, as well as the transmittal letter of sponsor's attorney.

The issuance of this letter is conditioned upon the faithful performance of all of the obligations of the sponsor, its agents and instrumentalities, which are required by law or set forth in the offering literature. If there is a failure or neglect to perform any such obligations when required, the effectiveness of this letter shall be suspended, and all offering and sales shall cease, pending further action by this office. Issuance of this letter is further conditioned on the collection of all fees imposed by law. This letter is your receipt for the above filing fee.

The filing of the offering literature shall not in any way be construed as approval of the contents or terms thereof by the Attorney General of the State of New York. Nor does it waive or limit the Attorney General's authority to take enforcement action for violation of Article 23-A of the General Business Law or other applicable provisions of law.

Very truly yours,

Carol Stephens / CS

Carol Stephens
Assistant Attorney General

A Square Comes Full Circle

By [JOHN FREEMAN GILL](#)

May 11th, 2012

STAND in the bright green expanse of Madison Square Park with a Shake Shack burger in your hand, and you will see three early 20th-century skyscrapers that speak of the square's longtime commercial identity: the Flatiron Building, the Metropolitan Life Tower, and the gold-crowned New York Life Building.



Multimedia

Indeed, the square has had a commercial flavor for so much of its existence that it is easy to forget its earlier, if ephemeral, incarnation as the social center of fashionable New York. In the Civil War era, elegant brownstones adorned the north, east and south edges of the square, and a lavish mansard-roofed mansion built by Winston Churchill's grandfather stood across Madison Avenue from the park's northeastern corner.

Although all of these dwellings are long gone, residential real estate is nonetheless enjoying a back-to-the-future moment on Madison Square. Over the past few years, three century-old buildings on the north side of the square have been converted to or expanded for luxury condominiums, with another conversion on the way. The 1884 Western Union Telegraph Building, at the square's southwestern corner, has been redeveloped to include condo apartments with open floor plans. And the Toy Center North building, a shuttered prewar hulk on the square's western edge at 1107 Broadway, is likewise being transformed into loft-style condos, by the Witkoff Group.

Luxury residences are changing the skyline, too. The partly completed One Madison Park, a 50-story tower on 23rd Street and Madison, is again under construction after a hiatus compelled by financial and legal wranglings. The Related Companies, HFZ Capital Group and Amalgamated Bank took title last month and hope to bring its 69 condos to market near the end of the year.

Paige Novick, a jewelry designer, is one of the recent buyers drawn to the area by the handsomely renovated park and the generous spaces in the converted turn-of-the-20th-century loft and office buildings around it. In 2007, she and her husband, David Hoffman, a partner in a private equity firm, combined two condo units on the 11th floor of the former Gift Building, a Beaux Arts structure named for the giftware showrooms it once housed. The couple would not disclose what they paid, but real estate records show that comparable square footage in the Grand Madison, as the building has been rechristened, sold for a total of about \$4.1 million.

“It felt very Old World,” Ms. Novick said of the converted 1907 building, “yet it had modern, loft like, luxurious apartments with high ceilings and large windows and lots of light.”



A long line for the Shake Shack snakes through Madison Square Park in Manhattan. The neighborhood’s commercial identity has in places ceded to the residential in recent years.

Combining units allowed the couple to custom-build a 3,500-square-foot four-bedroom home for themselves and their young son, Luca. An extra bathroom became a pantry. The superfluous second kitchen became a closet and changing area. And a bedroom was removed to create a vast living-dining area with a jaw-dropping view of the Empire State Building, at once colossal and intimate in its proximity.

Ms. Novick works nearby on 22nd Street, so the 2010 opening of the Italian-food emporium Eataly allowed much easier grocery shopping and impromptu get-togethers with friends. Located in the former Toy Center South building on 23rd Street and Fifth, Eataly has become her de facto commissary and after-work meeting spot.

“I’ve been saying this for years,” said Jennifer Brown, the executive director of the Flatiron/23rd Street Partnership, a business improvement district, “and for a while I was saying it in a hopeful way, but now I know it’s coming to fruition: This is one of the great live-work communities in New York.”



WHAT YOU’LL FIND

Since the advent of Sky House, a 55-story condo at [REDACTED] and several luxury towers along the Avenue of the Americas, people have been moving to the Madison Square Park area in droves. From 2000 to 2010, nearly 2,000 housing units were added to the blocks between 21st and 31st Streets from the Avenue of the Americas to Park Avenue South, according to census data provided by Susan Weber-Stoger, a demographer at Queens College. The population soared by 46 percent, to 9,625, with median household income (in 2010 dollars) rising by 40 percent, to \$124,504.

A major catalyst for growth was the changing perception of the seven-acre park, which was derelict in the 1900s but one of the city’s green jewels by 2001, after a \$5 million renovation; it is now watched over by the nonprofit Madison Square Park Conservancy. Once “the great divide” between the desirable Flatiron district and the wholesale district of the north, the park “has now become the great anchor” for both areas, said Vicki Musso, a Corcoran senior vice president who has lived on 22nd Street since 1986. Across Madison Avenue, the Metropolitan Life Tower has been acquired by Marriott International, which plans to turn it into a hotel, in partnership with Ian Schrager, beginning late this year.

The opening of trendy hotels like the Ace and their restaurants and boutiques has brought new foot traffic and cachet to the area north of Madison Square Park, which in

local shorthand is often called NoMad. But the transformation is far from complete. Broadway remains a pretty grungy strip, where rows of costume-jewelry wholesalers and wig shops are interrupted by occasional pockets of glamour.

One, on 28th Street, is the new NoMad Hotel, its restaurant run by Daniel Humm and Will Guidara, the chef-manager team behind Eleven Madison Park. The NoMad's book-lined lounge has become a hangout, as has its mahogany bar, which serves up cocktails like the Gilsey, named for the 1871 French Second-Empire cast iron co-op on 29th.



The Gilsey House, a co-op on Broadway.

The mix of quirky old and swanky new holds appeal for some. Jeff Krantz, a computer-chip distributor who in 2001 paid \$865,000 for an 1,800 square-foot loft on West 30th Street, likes to take his guitar to Ultra Sound Studios, “where you can play loud and play badly and no one complains.” On his 10th wedding anniversary, he grabbed chocolate croissants for his family at Stumptown Coffee Roasters, ran around the corner for a bouquet in the flower district, “and I was a hero to everybody.”

Whether NoMad will retain its unpolished element for long is uncertain. “It’s like the Flatiron district before it was gentrified,” said Mara Flash Bum, a senior vice president of

Sotheby's International Realty, who lives nearby. "It's like the Old West: You see the tumbleweed coming, and all of a sudden you've got the new stagecoach town."



The lawn at Madison Square Park in Manhattan. A major catalyst for growth in the area was the changing perception of the seven-acre park, which was derelict in the 1990s but one of the city's green jewels by 2001, after \$5 million renovation.

WHAT YOU'LL PAY

Prices are still discounted relative to the Flatiron district, with co-ops offering particular value. "Most spaces are trading below \$1,000 per square foot, though some need work," Ms. Blum said. She noted that one of her current listings, a full-floor loft with a "gazillion windows" on West 30th Street, is being offered at \$727 a square foot.

Condos usually range "from \$1,100 per square foot to well over \$2,000" if they face the park or have great views, said Leonard Steinberg, a managing director of Prudential Douglas Elliman. A search on [REDACTED] found 45 listings. "There's been a definite, noticeable uptick" in the pace of sales lately, Mr. Steinberg said. "But on average, nothing sells in less than 150 days."

THE COMMUTE

Residents rave about the accessibility. The 1, 6, N and R trains stop at 23rd and 28th. The F and M stop at 23rd. Pennsylvania Station is a short walk.



Rooftop gathering places are all the rage in the area. On 23rd Street and Fifth, Eatly operates a rooftop “birreria.”

WHAT TO DO

Rooftop gathering places are all the rage in the area. On 23rd Street and Fifth, Eatly operates a rooftop “birreria.” The penthouse garden at 230 Fifth and the rooftop pool at the Gansevoort Park Hotel both offer Empire State Building views.

Andrew Zabler, a co-developer of the Ace and NoMad Hotels, said the NoMad would open a rooftop restaurant in early June. “Hotels tend to do bars on the roof,” he said. “We’re going to run a seasonal restaurant up there from around Memorial Day to Labor Day.”

The Madison Square Park Conservancy hosts free concerts in the park Wednesday evenings from June 20 to Aug. 8, as well as free performances for children Tuesdays and Thursdays at 10:30 ████, June 12 to Aug. 9. Pet Sounds, a snaking network of vibrantly colored pipe railings by the artist Charles Long, was installed this month in the park; it will remain until Sept. 9.

THE SCHOOLS

Zoned public elementary schools include Public School 40 on East 19th Street and P.S. 11 on West 21st. Each earned an A on its most recent city progress report, and another, P.S. 33 in Chelsea, earned a B. Many middle-schoolers are zoned for Junior High School 104 on East 21st Street, which earned a B.

Nearby high schools include Baruch College Campus High School on East 25th. SAT averages last year were 520 in reading, 587 in math, and 533 in writing, versus 436, 460, and 431 citywide.

THE HISTORY

The right arm and torch of the Statue of Liberty were exhibited in Madison Square Park for several years beginning in 1876 to raise money for the statue's construction. Both torch and park figure prominently in Jack Finney's evocative 1970 time-travel novel "Time and Again."

The Deal is in the Details: 141-145 Fifth Avenue, The MetroGrid Report, April 2012

By [BARBARA BYRNE DENHAM](#)

April 25th, 2012



One of the more noteworthy sales in the Flatiron District in recent months was the retail condominium at 141-145 Fifth Avenue. The property's prime location, situated two blocks south of Madison Square Park, long-term high credit tenancy and excellent visibility made for a unique investment opportunity. An LLC led by Samson Management bought the retail condo in a 1031 Exchange from S.L. Green and joint partner Jeff Sutton of Wharton Properties for \$46 million or nearly \$4,700 per square foot. While the price seems high, the underlying asset clearly justified the price.

Two retail tenants occupy the space bought in the package: footwear and apparel store, Cole Haan, and HSBC Bank. Cole Haan leased 3,200 square feet of space in 2009. Their lease will expire in 2024. HSBC's lease expires in 2022. The two retail condominium units sold include the entire grade and a portion of lower level space, totaling 9,860 square feet.

The buyer was represented by Eastern Consolidated's Vice Chairman, Brian Ezratty. According to Mr. Ezratty, "the buyer was the perfect fit for this property. With a 1031 requirement and strong financials, the LLC met all of the criteria of the seller. And the sales price, which included the assumption of a mortgage, met the purchaser's 1031 requirement of cash, mortgage and a reasonable return on equity."

In September 2005 a joint venture consisting of Savanna Partners, the City Investment Fund and S.L. Green Realty Corp. purchased the property. Savanna divided the building into a retail component (floors 1-2) and a (potential) residential component (floors 3-12) through a Tenancy in Common Agreement with S.L. Green. Savanna assumed ownership of the residential component, and S.L. Green assumed ownership of the retail component. Savanna then converted these upper floors to residential. The conversion took approximately four years, but all 32 units sold by April 2011. The average size of the condominiums is 1,700 square feet.

Few buildings rival the classic architectural splendor of 141-145 Fifth Avenue. Built on the Southeast corner of Fifth Avenue and East 21st Street in 1896 by Robert Maynicke, it was originally the Merchant Bank of New York building. Its white brick, banded columns and distinctive domed roof cupola are representative of the beaux-arts architecture popular in New York City around the turn of the last century. In contrast to the sleek modernist towers rising throughout the city, the building features elaborate terracotta decoration. This is the first building designed by Maynicke to be converted for strictly residential use.

The Flatiron District, The MetroGrid Report, April 2012

By [BARBARA BYRNE DENHAM](#)

April 25th, 2012

The Flatiron District has earned considerable prominence over the last few years as the City's true "Tech Hub" given the number of technology firms that have opened in the area including Tumblr and Gilt Group.

The area has long been a popular place to live and work given its broad base of retail and restaurant offerings, its loft-style buildings and its proximity to Madison Square Park, Gramercy Park and Union Square. But its hip reputation has clearly attracted more and more entrepreneurs over the last few years. The anecdotal reports in the media suggest that creative types prefer to set up shop in close proximity to each other, and they eschew the more corporate environments of Downtown and Midtown.

In fact, a recent diagram in the New York Times that mapped 400 technology start-ups showed that the majority were in Midtown South, "within blocks of venture capital investors and veteran start-ups" (such as Google). The area's lower rents and restaurants and bars were cited as "a big draw."

This "Tech" title is not exactly new; the area had been known as "Silicon Alley" in the late 1990s before the dotcom bubble burst. Few people have opted to re-adopt the "Silicon Alley" nickname given the demise of so many earlier start-ups.

But given the resurgence of the technology industry in New York City together with the waning fortunes of Wall Street as well as the Mayor's drive to attract an engineering school to Roosevelt Island to stir future economic development, the Flatiron District will likely see increasingly more attention. As many look to lease and buy real estate here, the area could become the City's next business hub.

This current issue of MetroGrid covers the Flatiron District¹ and reviews the area's commercial real estate sales transactions. More importantly, we analyze the impact that the growth of technology firms has had on real estate values over the last two years by analyzing the trends against those in Manhattan overall. The results show that the growth in technology firms has indeed strengthened real estate values.

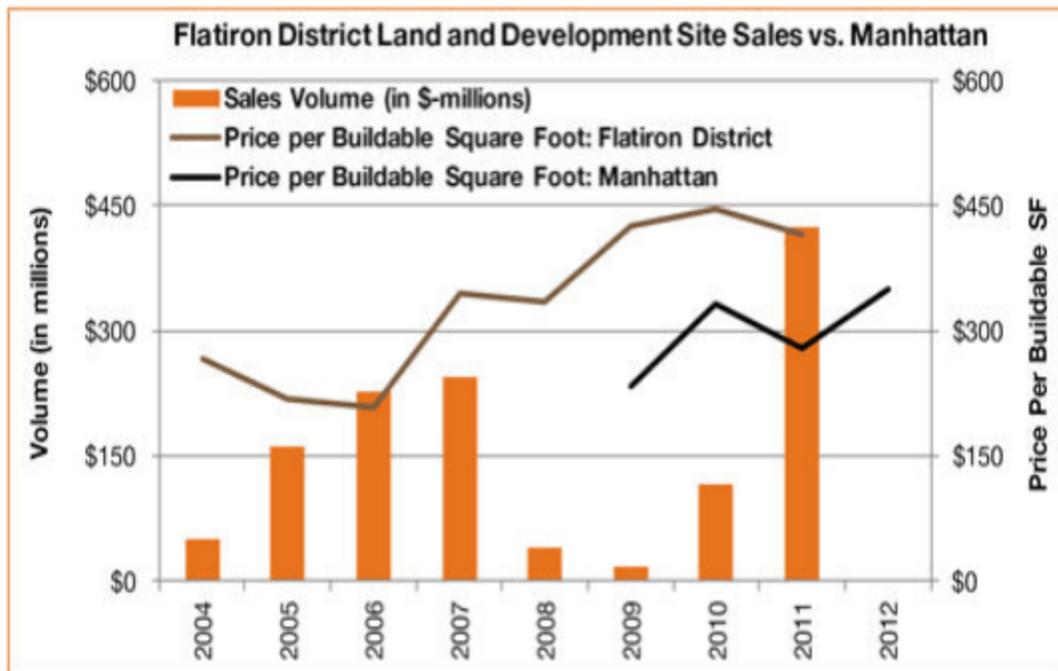
As per Peter Hauspurg, Chairman and CEO, "The growth in the Flatiron District has been stunning. Landlords and investors have taken note of the interest in this area given the tenancy mix, the

number of landmarked buildings and the retail offerings. The demand for investment in this area exceeds the supply of available properties by a considerable margin.”

Development Sites

As shown in the chart below, the market for development site sales was moribund during the recession. From mid 2008 through 2010, only seven properties traded hands and all of these were small. Last year, however, the market came alive as a number of prominent properties were sold to developers interested in either ground-up development or a conversion.

¹Because a number of firms have opened not only in the heart of the Flatiron District but just outside of its perimeter, we have broadened our geographic boundaries to include the areas from 14th Street to 30th Street west of Sixth Avenue as well as the Broadway corridor just south of there to Prince Street.



Source: Eastern Consolidated, CoStar, Property Shark and NYC Department of Finance

Note in the chart above that development site sales in the Flatiron District have sold at a premium to those in Manhattan over the last three years, and this premium has held steady. The prices paid for development sites in the Flatiron District averaged more than \$400 per buildable square foot in 2010 and 2011 while the average price paid in Manhattan was closer to \$300.

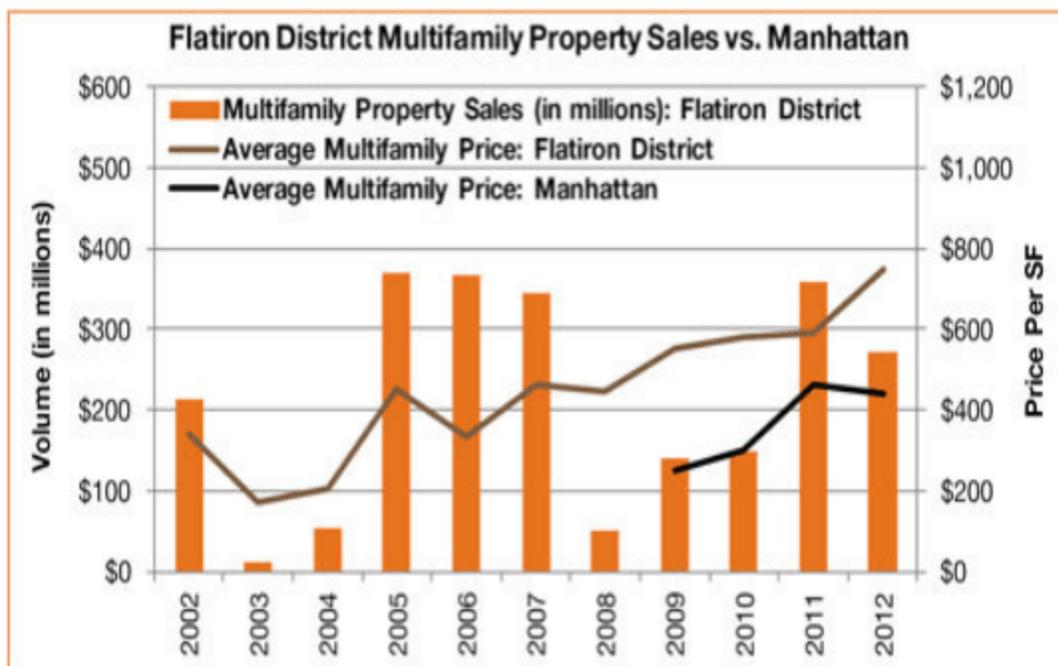
The largest sale in 2011 was for 1107 Broadway, the former Toy Building. The Witkoff Group purchased the building at auction for \$191 million as part of the Lehman Brothers bankruptcy proceedings. Witkoff’s plans reportedly include converting the former 16-story, 305,000-square-foot office building to residential condos. Also, at the end of last year, Toll Brothers bought 400 Park Avenue South for \$134 million where they are planning to build a 400,000-square-foot residential building.

The prices paid per buildable square foot for these sites reflect the desirability of living so close to Madison Square Park and near a wide selection of restaurants. The fact that there has not been a development site sale thus far in 2012 is more a reflection of the lack of supply of sites than a lack of demand to construct new buildings. Prices for development sites have climbed in Manhattan already this year. The evidence in other property markets suggests that the price for land in the Flatiron District has likely increased as well in the last few months.

Multifamily

The multifamily market also slowed during the recession years but picked up steam in 2011 as nine buildings traded hands. Thus far in 2012, seven buildings in the broader Flatiron District have traded hands.

As shown in the chart below, the prices for multifamily buildings in the Flatiron District have picked up dramatically in 2012 and at a more rapid rate than in Manhattan as indicated by the flatter black line. This suggests that buildings near the technology corridor have increased in value at a faster rate than in Manhattan overall.



Source: Eastern Consolidated, CoStar, Property Shark and NYC Department of Finance

For example, the leasehold at 2 Cooper Square sold for \$134 million, over \$1,000 per square foot. This new building, built in 2011, is close to Foursquare's current office, 36 Cooper Square, although Foursquare is moving to 568 Broadway in SoHo. Just south of Cooper Square, 640 Broadway at Crosby Street, sold for \$700 per square foot. These buildings are just south of the Flatiron District but are close to buildings with a significant technology concentration.

Further north, Silverstone Property Group bought 501-505 Second Avenue at East 28th Street in

February for \$53 million or nearly \$500 per square foot. This is closer to the overall average price for Manhattan multifamily buildings of \$500 per square foot in the first quarter. While the number of transactions are too few to draw many conclusions, these examples suggest that being closer to Broadway and the technology hub raises the value of the property.

In 2011, 30 sales transactions were closed in or near the Flatiron District. The largest of which was for 290 Third Avenue, The Electra, which INVESCO purchased from JP Morgan Asset Management. The sale, for \$122.5 million, worked out to just less than \$680 per square foot and accounted for the jump in the total volume last year. In 2010, 29 transactions were closed but the total volume was half of that in 2011. Note that in 2012, volume has already climbed to more than two-thirds of the total volume in 2011.

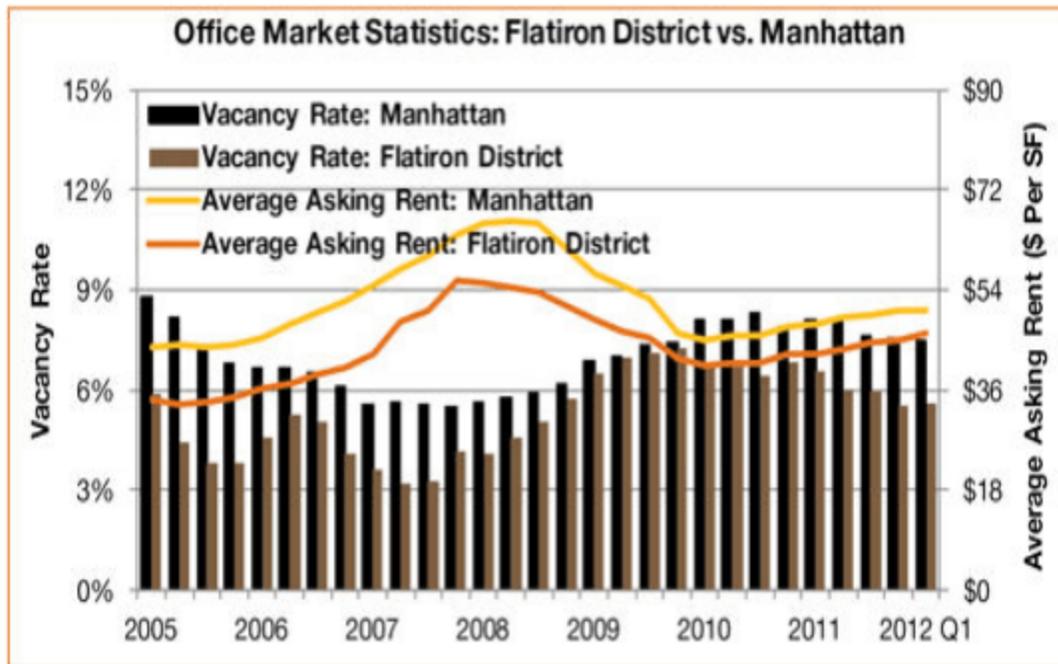
The demographics of the Flatiron District have changed dramatically over the last few years as more and more new buildings have opened and more families now live in the area and take advantage of the many amenities surrounding Madison Square Park. Since 2006, nearly 2 million square feet of residential space² has been added from new construction or conversions and another 1 million square feet of new residential properties is planned for the immediate area. These added residents have not only helped the multifamily market considerably, but they have added a seven-day-a-week crowd to the area boosting the retail and restaurant markets that used to suffer from low weekend foot traffic.

²As per the Flatiron 23rd Street Partnership

Office

Office properties in the Flatiron District differ from those in Midtown and Downtown in that they tend to be much older with loftier ceilings, smaller lobbies and fewer amenities. As a result, average asking rents tend to be lower than the Manhattan average overall. The chart below shows how the Class A and B buildings in the Flatiron District have consistently earned lower rents than overall Manhattan Class A and B buildings. Currently, the Flatiron District average asking rent is \$46 per square foot which is 8.5% lower than the Manhattan average of \$50 per square foot.

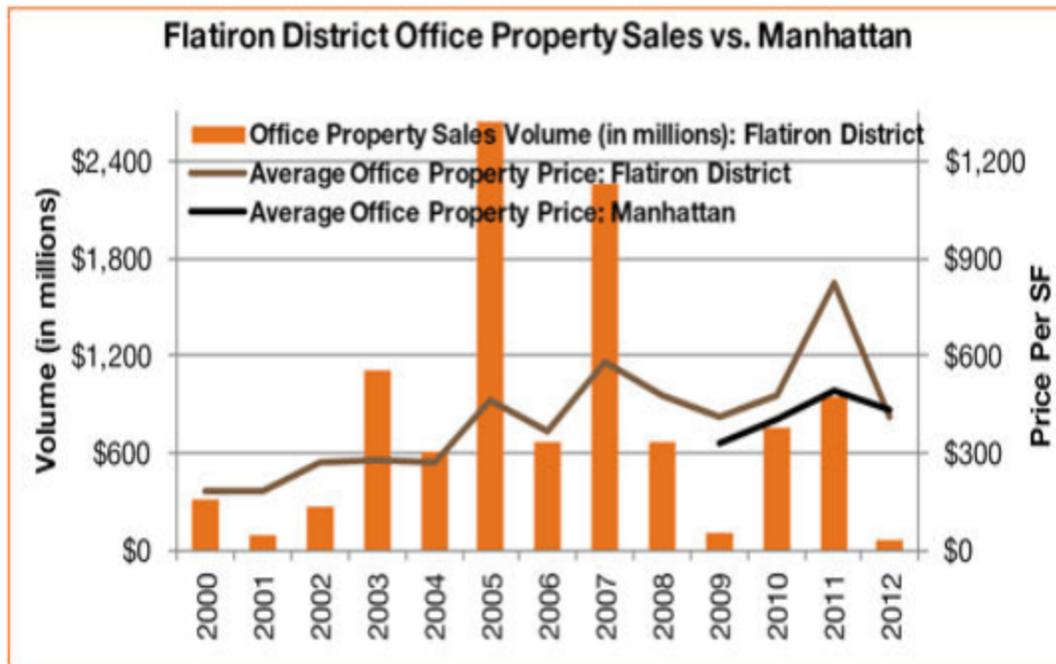
Yet because these lower rents and the retail and restaurant mix in the Flatiron District are “a big draw” as mentioned above, vacancy rates have been consistently lower than across Manhattan. The current Class A and B Flatiron District vacancy rate is 5.6%, considerably lower than the Manhattan average of 7.5%.



Source: Eastern Consolidated and CoStar

Despite the lower rents paid in the Flatiron District, the prices paid for office properties carry the same real estate premium that was apparent in multifamily and land sales, although the premium was less consistent than for multifamily properties. Once again, it is difficult to draw too many conclusions based on the limited number of office transactions over the last few years especially since a few of the properties are at the very high end of the market while a number of class C properties sold as well. In short, while office rents are generally lower in the Flatiron District than elsewhere in Manhattan, the prices paid for office buildings have been higher. This is likely due to the strong retail tenancy in the Flatiron District, but it also suggests that landlords have a more favorable outlook for the area's future relative to other neighborhoods.

The chart below shows that the average sales price for office properties in the Flatiron District jumped to more than \$800 per square foot last year. This was largely due to a number of high-end building sales. Most notable was the sale of 200 Fifth Avenue that L&L Holding Company bought at auction from the Lehman Brothers estate. The building sold for more than \$700 million or close to \$840 per square foot. In addition to its prime office location facing Madison Square Park, 200 Fifth Avenue has premium retail space including Mario Batali's very popular Eataly artisanal marketplace. Just across the street, Thor Equities bought out Goldman Sachs as an equity partner in 245 Fifth Avenue with the Moinian Group. The price paid was \$161 million or just over \$1,000 per square foot.



Source: Eastern Consolidated, CoStar, Property Shark and NYC Department of Finance

The average price paid for office properties across Manhattan held steady at \$500 per square foot in 2010 and 2011. Thus far this year, the average has fallen to \$440 per square foot.

Only one significant Flatiron District property has traded in 2012: the commercial portion of 15-19 East 26th Street that Savanna bought from a consortium that included Angelo, Gordon & Co, Belvedere Capital, Metropolitan Realty Associates and Walter & Samuels. The building that has high-profile tenants such as Vera Wang faces the north side of Madison Square Park and features a restaurant on the ground floor. The new owners plan a major upgrade. The other sale, 157 East 25th Street is a Class C office building that needs major capital improvements.

Note in the chart above that while the volume of office property sales fell in 2009, the price held steady. This was due to one sale: Thor Equities sold 901 Broadway, the original Lord & Taylor building built by James Giles in the 19th century, to Karass Broadway for \$24.6 million or more than \$1,600 per square foot.

Hotels

Oddly, there had been only a few hotels in the Flatiron District until a number were opened in the last few years. The Mave Hotel and the Ace Hotel opened in 2009, the Gansevoort Park Hotel opened in 2010 and Hotel Verite at 19th and Broadway opened last year. Finally, NoMad Hotel at 1170 Broadway and the Flatiron Hotel at 1141 Broadway are opening this year.

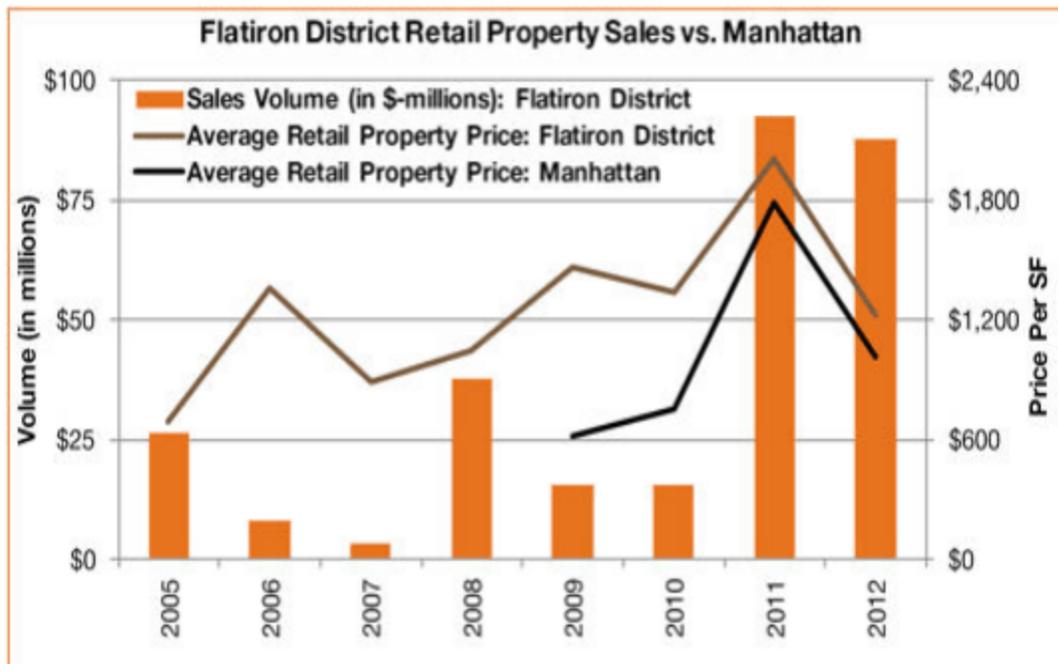
Because of the relatively limited supply of hotels, the sales of hotels have been few and far between. In January, Marriott bought the "Clock Tower" at 5 Madison Avenue to be converted into a new "Edition" brand of high-end hotels developed with Ian Schrager. This property had been purchased by Africa Israel USA in 2007 for the intention of converting the property into condominiums but the project was never completed. Marriott paid \$165 million for the partially

completed property and they hope to have the hotel opened by 2014 according to media reports.

The only other hotel sale in recent years was for the W Union Square that Host Hotels & Resorts acquired in 2010 for \$188 million or \$940 per square foot in an REO sale.

Retail Properties

The Flatiron District is well known for its retail, and recent sales of retail properties show how well valued these assets are. One noteworthy sale in recent weeks was the retail condominium at 141-145 Fifth Avenue. Samson Management bought the 8,650-square-foot condo from SL Green [see [Deal is in the Details](#)] for \$46 million or more than \$4,000 per square foot. The property features two tenants -- Cole Haan and HSBC.



Source: Eastern Consolidated, CoStar, Property Shark and NYC Department of Finance

The chart above shows how the volume of retail property sales has soared over the last 18 months, increasing fivefold in 2011 over 2010. Already in 2012, volume has nearly eclipsed that of 2011 based on two transactions for more than \$40 million each. In addition to the sale mentioned above, Epic, LLC bought the retail property at 25 West 14th Street from Vornado for \$41 million or \$670 per square foot. The property includes a tanning salon, a gym and a music store.

Note in the chart above that the "premium" for retail real estate in the Flatiron district has consistently been over \$200 per square foot since 2010. This consistency is surprising given the broad range of retail transactions that have closed both in the Flatiron District and in Manhattan where prices are often very erratic depending on the location and tenancy of the property.

Conclusion

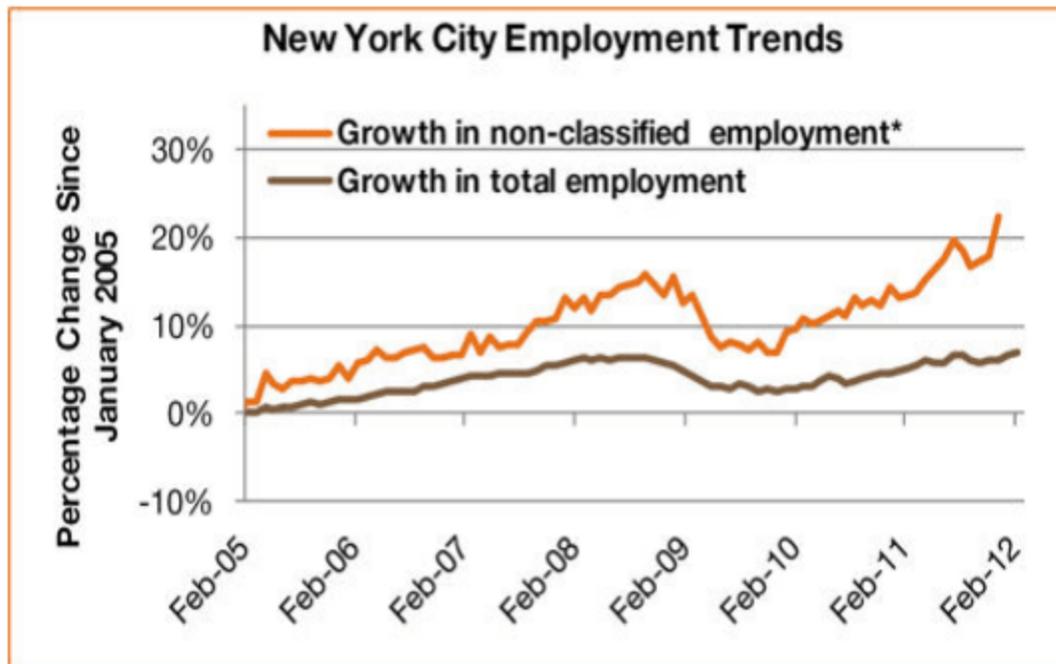
The analysis above shows how property values in the Flatiron District increased at a stronger rate than the rest of Manhattan over the last two years. The overall conclusion to be drawn from the statistics is that the growth in technology companies in the Flatiron District had a positive impact on property sales. Every property type displayed this pattern.

New York's technology prowess has been covered by the media, mostly in the form of anecdotal reporting on firms that have succeeded here. But there have been very few statistical reports on the impact that these companies have had on the overall New York City economy. Because so many of these companies are new and difficult to classify, capturing them in the monthly employment statistics has been challenging for the New York State Department of Labor. The recent revised employment figures from the Labor Department show that the City's economy added 86,500 jobs in 2011. The original estimate of the number of added jobs in New York City for 2011 was 36,500 jobs. Thus, an added 50,000 jobs were created that had not been captured by the original survey.

The reason why the Labor Department revises its estimates on an annual basis is to align its estimates of employment from its original survey of employers (based on a sample of firms) to the number of employees reported by all businesses required to pay unemployment insurance, which covers the population of businesses. Any gaps in the two series of data are usually attributed to new businesses not captured by the original survey. Thus, the employment count increased dramatically to incorporate the number of new businesses formed over the last year or so.

The breakdown of the data by industry shows that many of the added jobs were likely in technology-related industries that are not adequately classified as per the rigid definitions of the North American Industrial Classification System (NAICS).

The chart below shows the growth in employment that was captured in the information and professional business services broader sectors but was not classified as per the NAICS industries³ within these sectors. The growth in this non-classified employment clearly outpaced the overall employment in New York City. This strongly suggests that the City has added a number of jobs in technology-related industries, although verifying this premise is difficult to do.



Source: Eastern Consolidated and NYS Department of Labor

³*Non-classified employment in the information sector includes those that were not captured in film, broadcasting, publishing and telecommunications; non-classified employment in the professional business services sectors includes those outside of legal, accounting, advertising, engineering, computer systems design, management consulting and employment services.

While the jobs numbers are hard to pin down, every week the media reports on another technology-related company outgrowing its space and looking for more or newer space, and the scope of these searches is not wide – firms want to stay in or close to the Flatiron District to retain the energy that the area generates.

Ironically, the office rents have started to rise in a number of these buildings but they have not accelerated as they might have had this been Wall Street firms expanding on Wall Street or Midtown. This is because the overall size of the leases secured is still less than 100,000 square feet and so many of these buildings are old with more columns and smaller floorplates than the traditional office buildings in Midtown and Downtown.

Still, New York City's profile as a technology center has grown considerably following the Mayor's international campaign to attract an engineering campus to Roosevelt Island. The City's effort to court Cornell, its partners and any other institution willing to invest in technology here has spread a worldwide message that New York City will be a center for technological innovation for the next generation.

Thus, the outlook for technology-related industries is more favorable now than it has been in more than a decade. Creative companies clearly prefer to set-up operations in close proximity to each and near neighborhood amenities like parks and nice restaurants, all of which bodes well for the Flatiron District for the next decade.