

HWE

HODGES WARD ELLIOTT

Mark Elliott, *President*

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Firm Overview

HWE Overview



COMMERCIAL – NEW YORK CITY

- All product types
- \$1.1B in sales projected in 2019

Notable Assignments:

- 1 Queens Plaza South - Multifamily
- 45 West 45th Street - Office
- 196 Orchard Street - Retail
- 430 West 15th Street - Office



CAPITAL MARKETS

- \$8 billion of loans since 2017
- \$4 billion projected for 2019

Notable Assignments:

- Park Sixty, NYC - Medical Office
- Ritz-Carlton Bacara, Santa Barbara, CA - Hotel
- The Madison Hotel, Washington, DC - Hotel



HOTEL

- Leading hotel brokerage platform in the U.S.
- \$1.7 billion of sales 1H 2019

Notable Assignments:

- Lotte New York
- Edition Portfolio, London, Miami, New York
- 1 Hotel, Miami Beach



DATA SCIENCE

- Implementing new tools to apply big data to real estate valuation and sales
- Predictive analytics

Our track record encompasses \$65 billion of closed transactions, including more than \$25 billion over the past 5 years, and nearly \$10 billion in projected transaction volume for 2019

HWE Office Locations

We have executed transactions in 46 of 50 states (all except MT, ND, SD, WY) and 49 of the 50 most populous MSAs (based on 2018 est. populations)



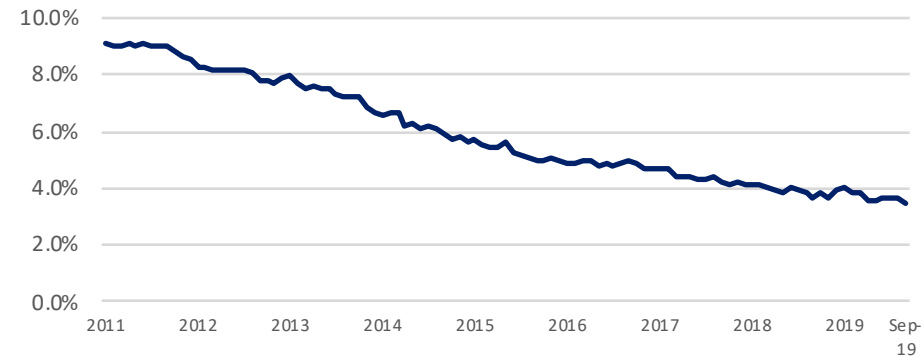
- HWE**
- Full-service brokerage/advisory platform
 - 8 offices
 - Over 70 professionals

Overview of U.S. and New York Real Estate Capital Trends

U.S. Economic Overview

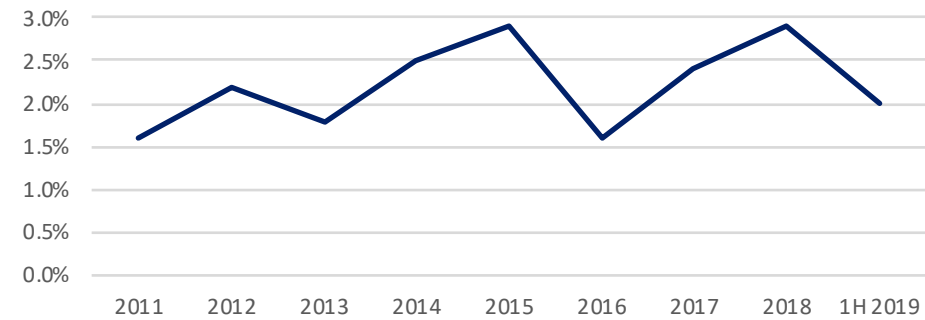
UNEMPLOYMENT

- As of September 2019, unemployment hit a 50-year low of 3.5%
- Down from 9.1% in 2011



REAL GDP GROWTH

- 1H 2019: 2.0%
- Average 2011-2018: 2.2%



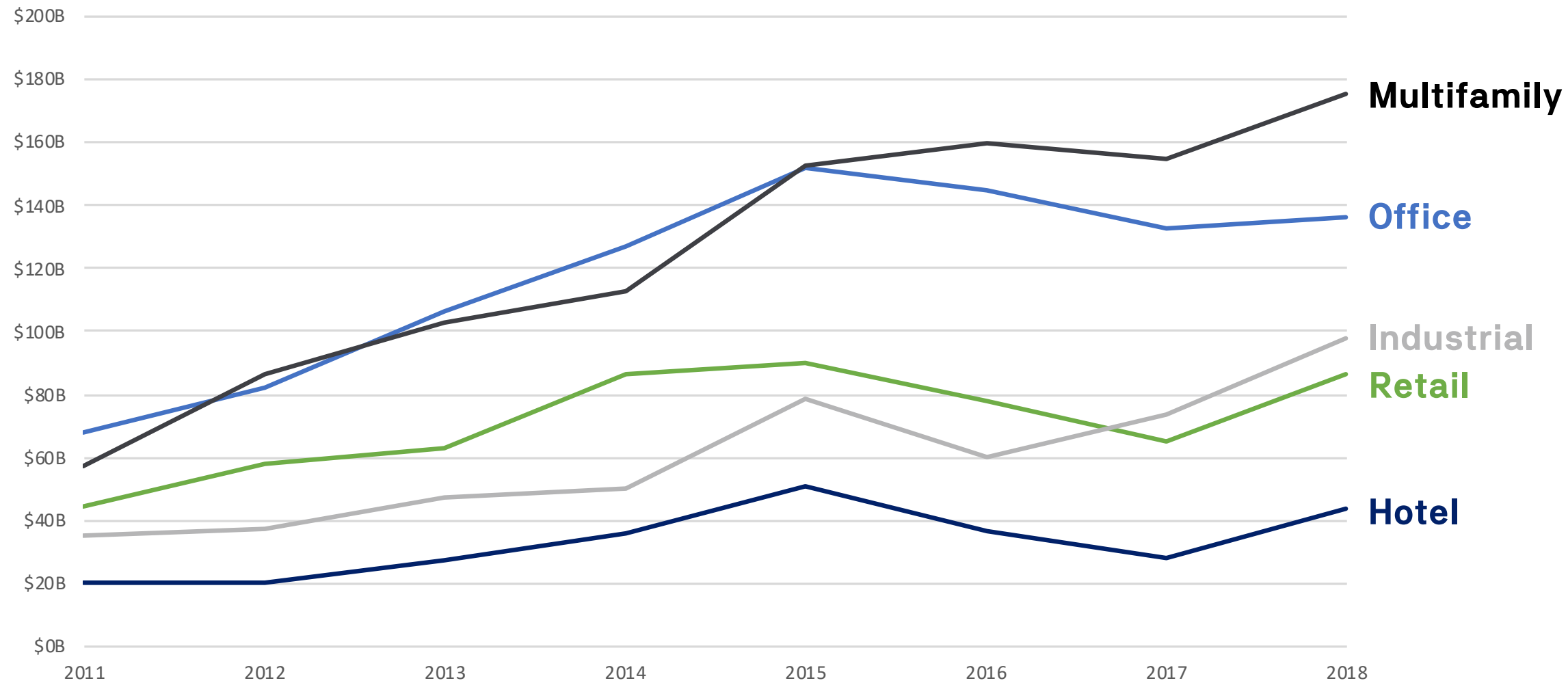
INTEREST RATES

- Short and long term rates both trending below 2%
- Benchmark 10 Year U.S. Treasury: 1.68% (as of October 11, 2019)
- Recent decline reduces hedging costs for offshore investors



U.S. Commercial Real Estate Transaction Volume

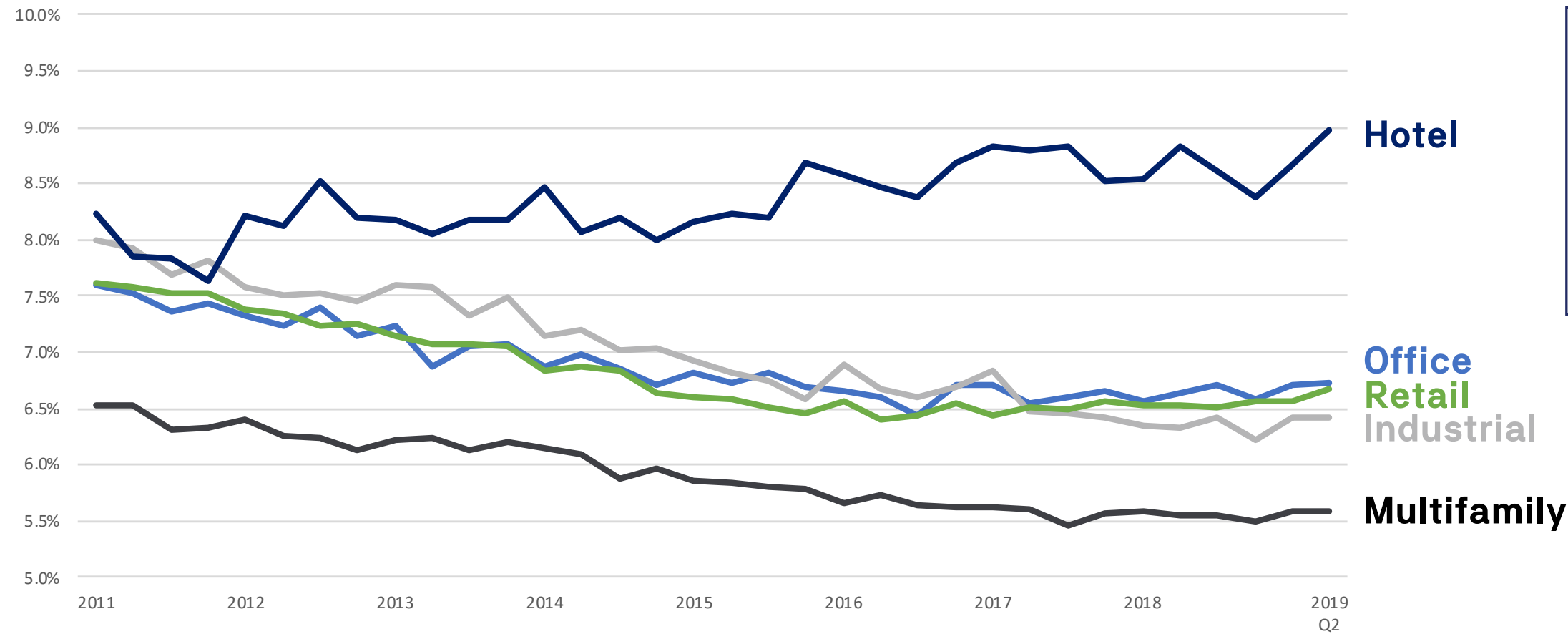
- After peaking in 2015, transaction volume reached a new cyclical high in 2018
- Multifamily and industrial have shown the strongest trends



Source: Real Capital Analytics

U.S. Cap Rates by Asset Class

- Multifamily achieves the tightest cap rates in the country
- E-commerce impact: tightening industrial rates and widening retail rates

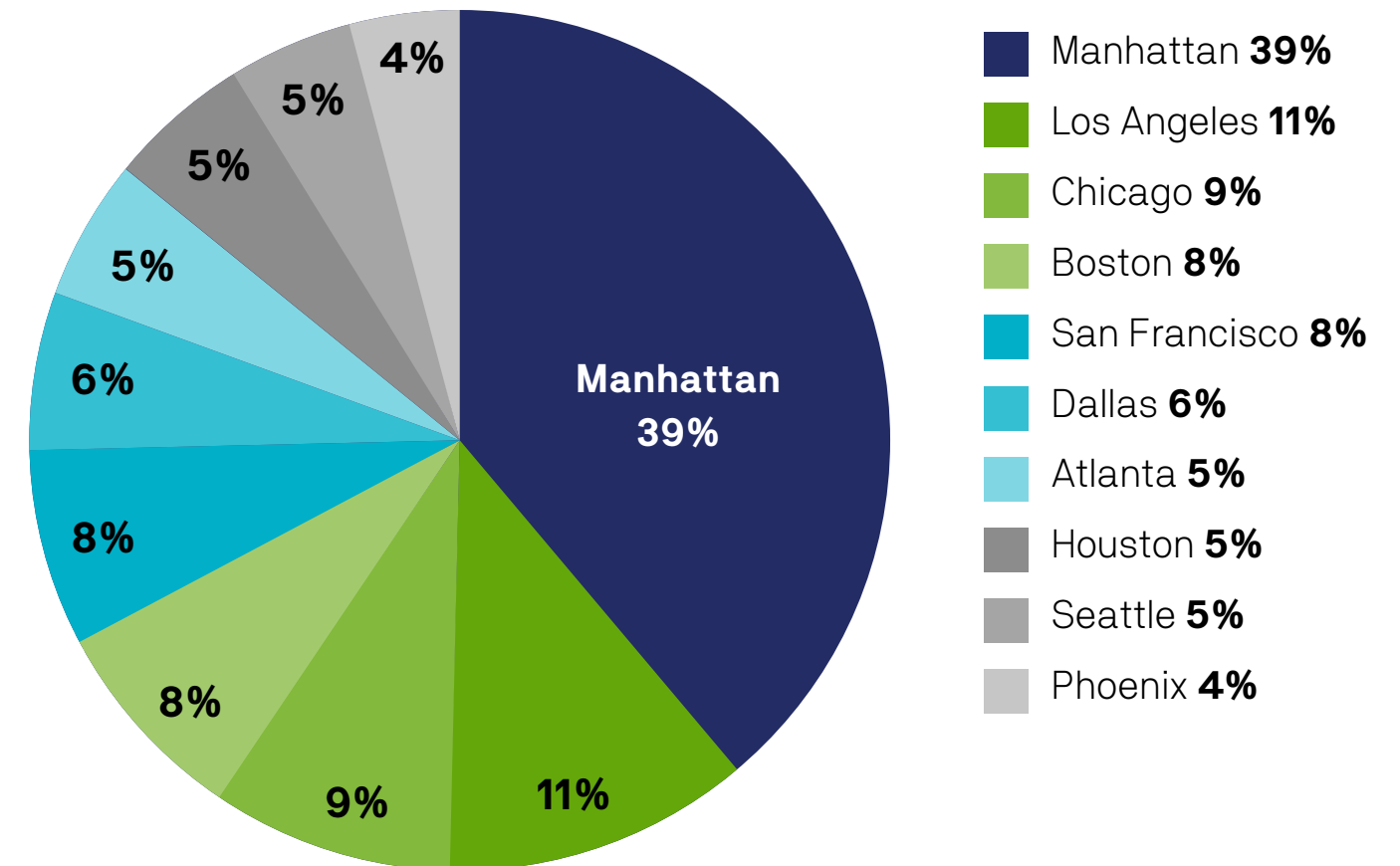


2019 U.S. CAP RATES	
Multifamily	5.6%
Industrial	6.4%
Office	6.7%
Retail	6.7%
Hotel	9.0%

Cross Border Investment in the U.S.

- Over \$260 billion of total cross border investment since 2011
- Manhattan is the most liquid market
- Attracts 39% of cross border investment among top 10 U.S. markets
- Greater than Los Angeles, Chicago, Boston and San Francisco combined

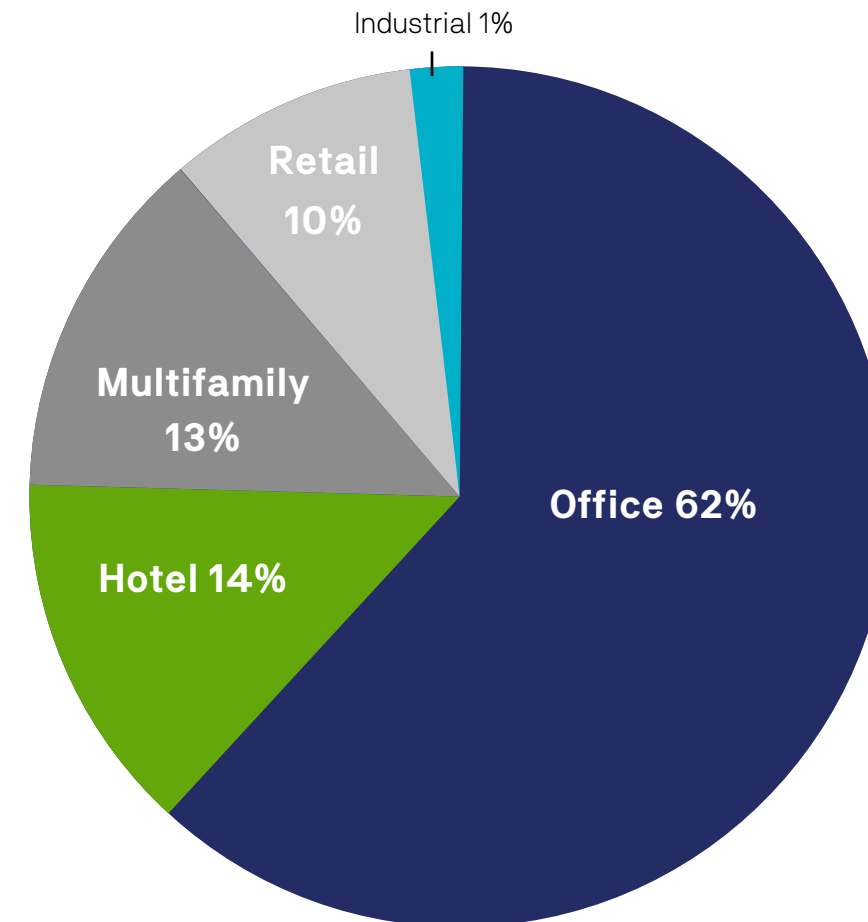
**CROSS BORDER INVESTMENT INTO TOP 10 U.S. CITIES
2011-2019 Q2 (ALL ASSET CLASSES)**



Cross Border Investment in NYC

- From 2011-2018, over \$100 billion of cross border investment has been deployed in New York City
- 62% or \$62.1 billion has been in office
- Multifamily has seen the biggest increase in cross border capital flows

**CROSS BORDER INVESTMENT INTO NYC
ASSET CLASSES 2011-2018**



NYC Economic Overview

Employment

- 3.9 million jobs
- 90,100 jobs created in the past 12 months

Largest U.S. City by Population

- 8.4 million people

Record Tourism

- Tourism increased 16 of the past 17 years
- Tourism exceeded 65 million visitors in 2018, a 42% increase over 2009

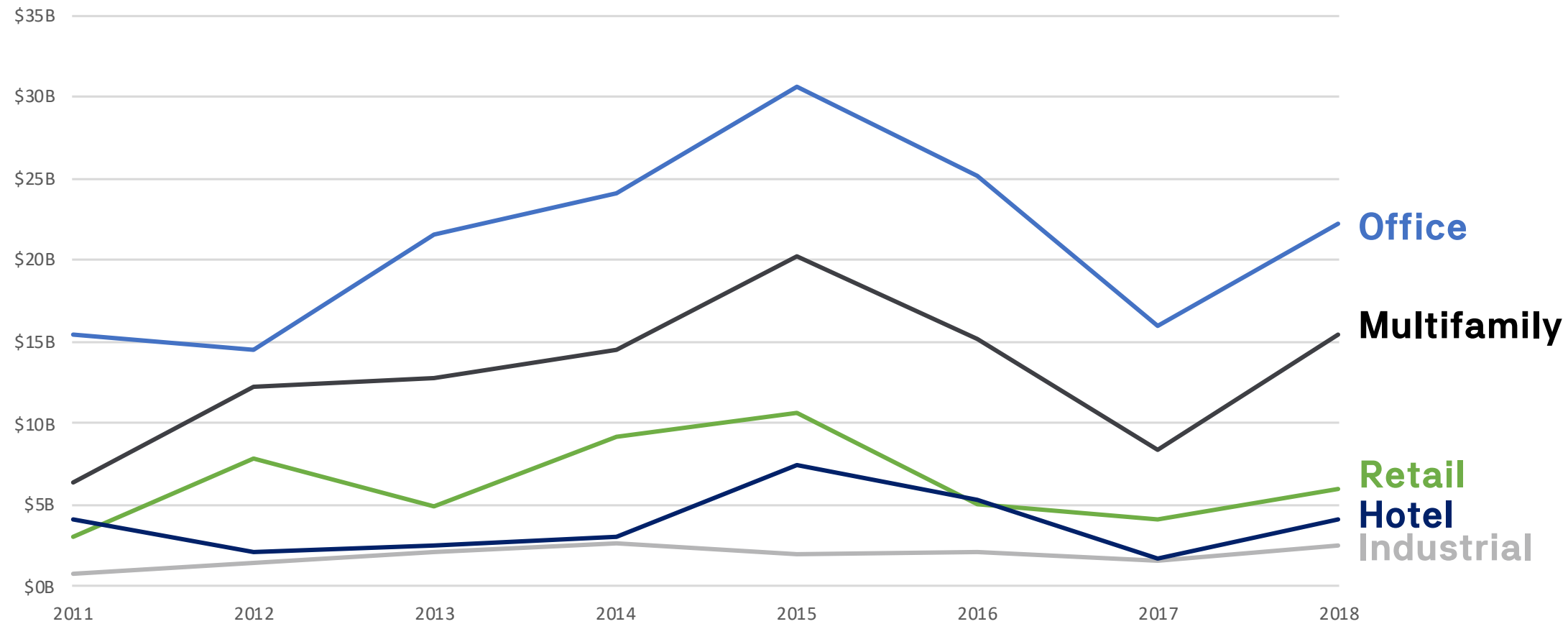
Global Business Center

- Manhattan has more Fortune 500 headquarters than any other U.S. city (45)



NYC Transaction Volume

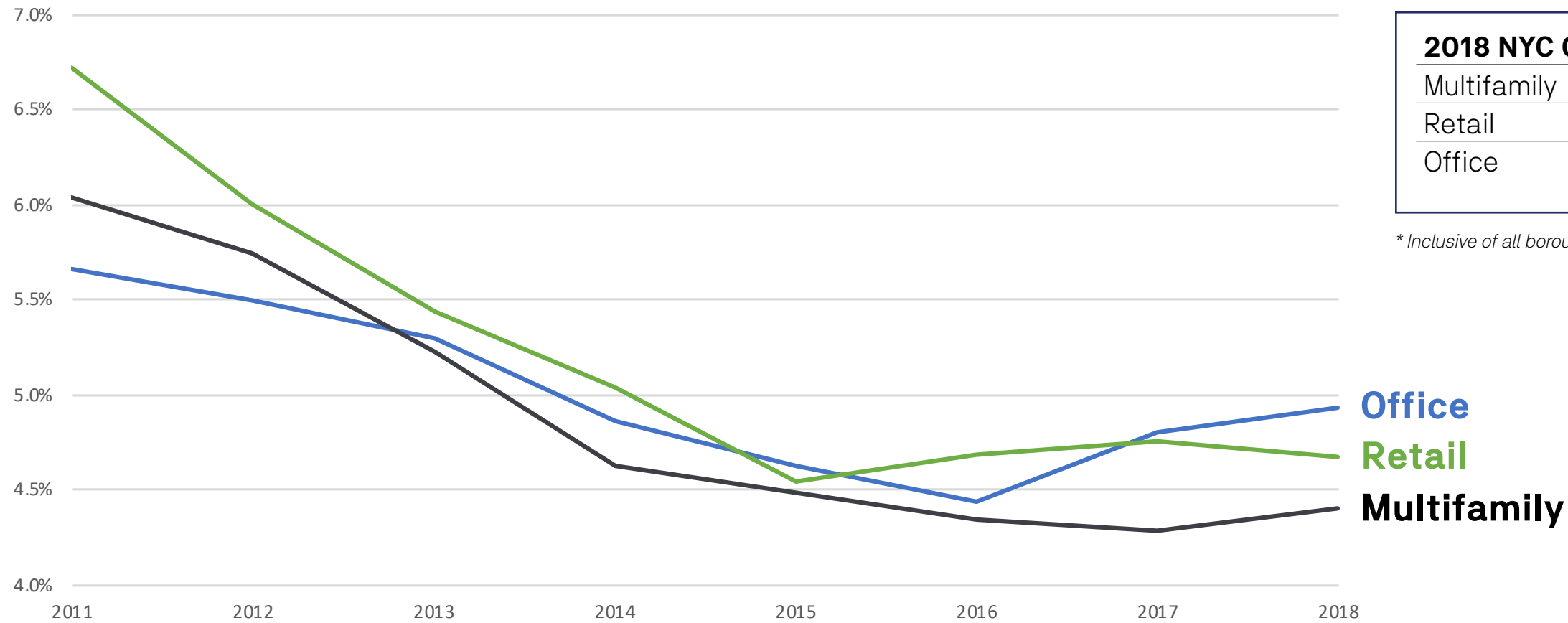
- Office and multifamily transactions historically dominate the NYC market
- Market volume peaked in 2015
- 2019 is projected to be below 2018 transaction volume



Source: Real Capital Analytics

NYC Cap Rates by Asset Class

- Generally cap rates were lowest in 2016
- Current cap rates are trending lower for office and slightly higher for multifamily and retail



2018 NYC CAP RATES*	
Multifamily	4.4%
Retail	4.7%
Office	4.9%

* Inclusive of all boroughs

NYC Property Market Overviews & HWE Case Studies

Manhattan Office Market Overview (Q2 2019)

- Manhattan is comprised of three major submarkets
 - Midtown
 - Midtown South
 - Downtown
- **Total Inventory:** 423 million square feet
- **Under Construction:** 15.7 million square feet
- **Occupancy:** ~93%
- **Asking Rent:** \$76 per square foot
- **YTD Leasing Activity:** 18.8 million square feet

2011-2018 OFFICE CAP RATES

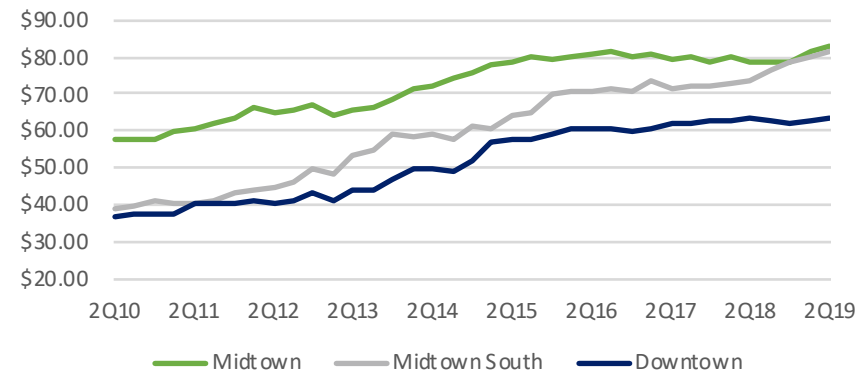
Manhattan	4.6%
San Francisco	5.3%
DC	5.5%
San Jose	5.8%
Boston	5.8%
Los Angeles	5.9%
NYC Boroughs	6.0%
Seattle	6.1%
Orange County	6.3%
Stamford	6.4%
Miami/Dade County	6.4%

Manhattan is the largest office market in the nation

Manhattan Office Fundamentals

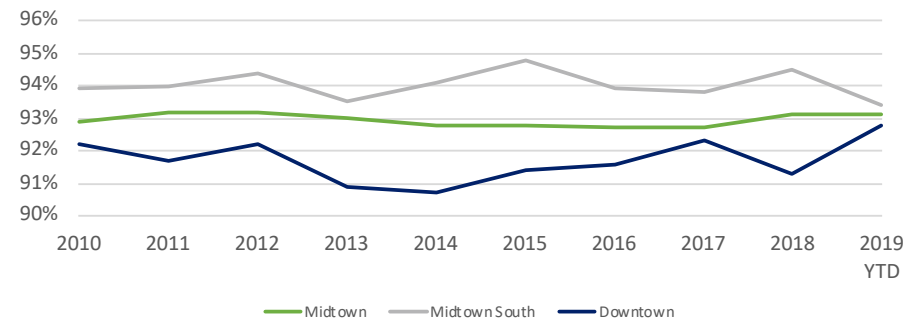
ASKING RENTS

- Office asking rents are steadily increasing year-over-year
- Midtown South is now only a 2.1% discount to Midtown



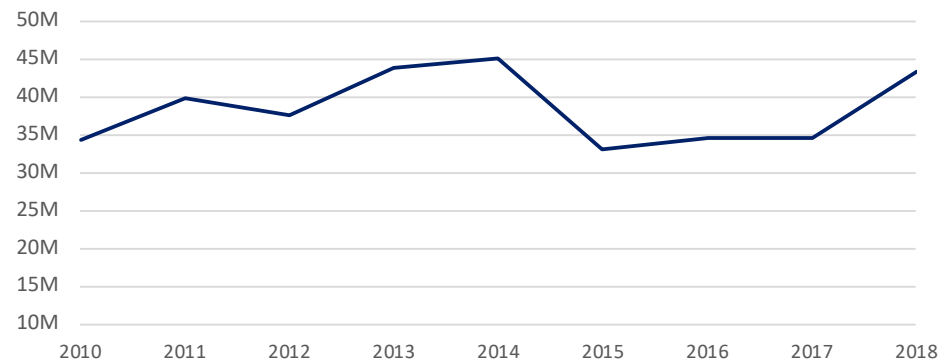
OCCUPANCY

- Occupancy has remained stable around 93%
- Occupancy Downtown is trending strongest



LEASING ACTIVITY

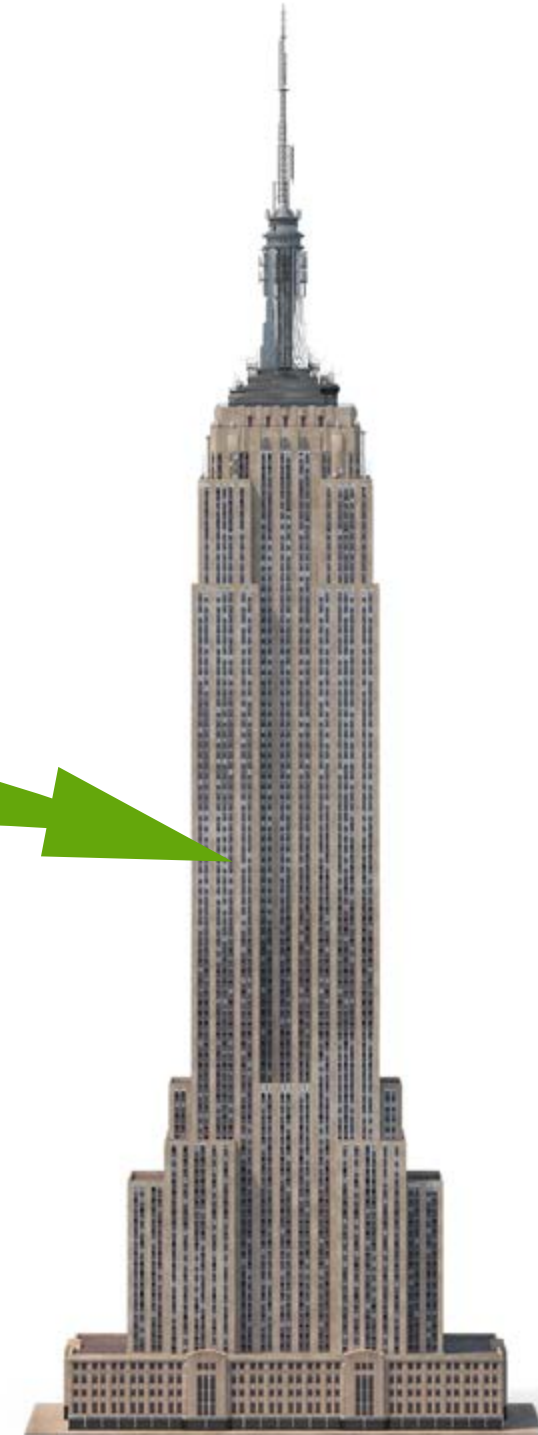
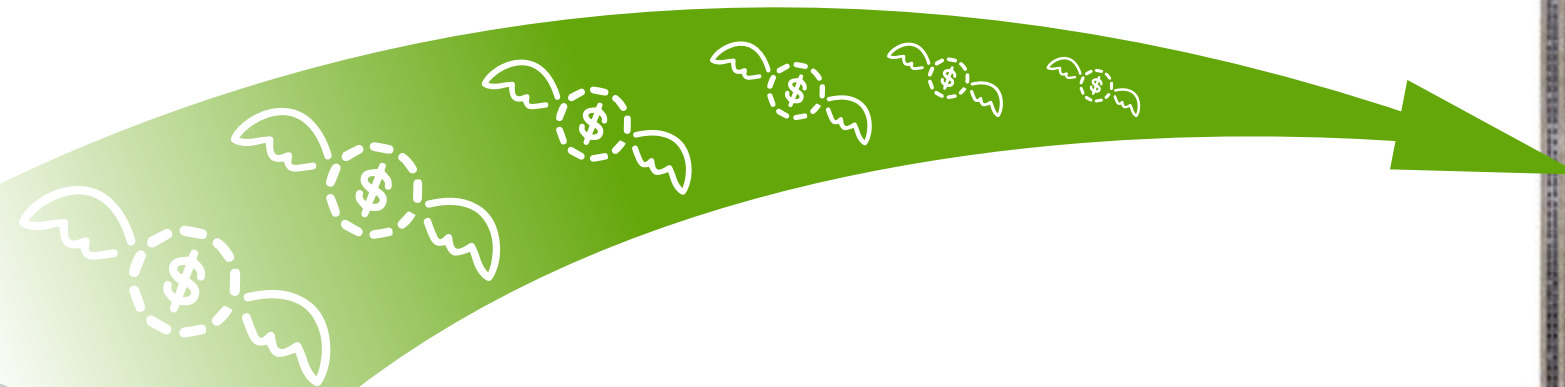
- Q2 2019 leasing activity hit a record level for the second time in the past three quarters
- 24 million SF of leasing YTD



New York Investment Opportunity for Japanese Investors

- Long term appreciation potential
- Global diversification in stable, liquid market
- Tax advantage / accelerated depreciation
 - 80% of Manhattan office buildings larger than 100,000 SF are over 50 years old
 - 88% between 100,000 - 500,000 SF are over 50 years old

Strategy: target well-leased, renovated buildings over 50 years old



430 West 15th Street



Property Address:	430 West 15th Street
Date:	2018
Price:	\$158.5M (\$1,702/RSF)
Proximate Cap Rate:	5.0%
Seller:	Nuveen
Buyer:	Invesco
Location:	Meatpacking, Manhattan
Type:	Office Leasehold
Size:	93,119 RSF
Tenants:	Live Nation (sublessee/ occupant) / Palantir (lessee)
Risk Profile:	Core

45 West 45th Street



Property Address: 45 West 45th Street

Date: 2019

Price: \$126M (\$942/RSF)

Proximate Cap Rate: 4.5%

Seller: Vanbarton Group

Buyer: AFIAA

Location: Midtown, Manhattan

Type: Office

Size: 133,726 RSF

Risk Profile: Core

44 Wall Street



Property Address:	44 Wall Street
Date:	On the Market
Price:	\$190-\$200M
Proximate Cap Rate:	TBD
Seller:	Blackstone
Buyer:	TBD
Location:	Downtown, Manhattan
Type:	Office
Size:	354,328 RSF
Risk Profile:	Core Plus

NYC Multifamily Market Overview (Q2 2019)

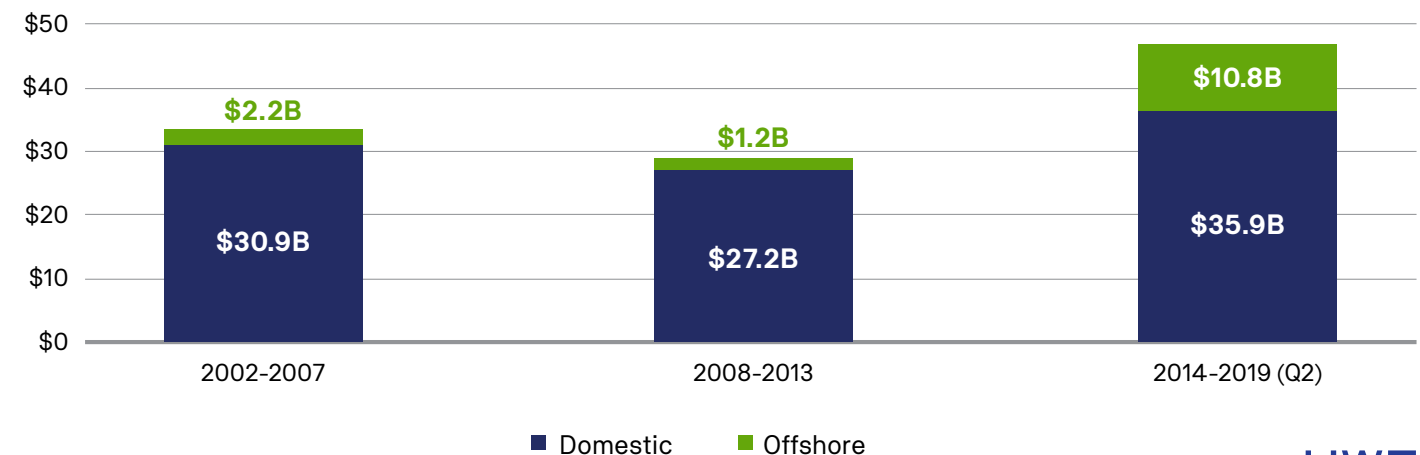
- New York City is comprised of dozens of distinct residential neighborhoods across five boroughs
- **Total Rental Inventory:** 2 million rental apartments
 - 66% of New Yorkers rent rather than own
- **Average Manhattan Price:** \$4,200/month (~\$70/sf)
- **NYC Vacancy Rate:** 1.95%

2014 - 2018 MULTIFAMILY CAP RATES

Manhattan	3.8%
San Francisco	3.9%
San Jose	4.5%
Los Angeles	4.6%
Orange Co	4.6%
San Diego	4.8%
NYC Boroughs	4.8%
East Bay	4.8%
Seattle	5.0%
Boston	5.1%
DC	5.2%

Manhattan multifamily achieves the tightest cap rates in the country.






MANHATTAN MULTIFAMILY INVESTMENT SINCE 2002



Offshore investment into Manhattan Multifamily has skyrocketed

Multifamily is Immune to Tech Disruption

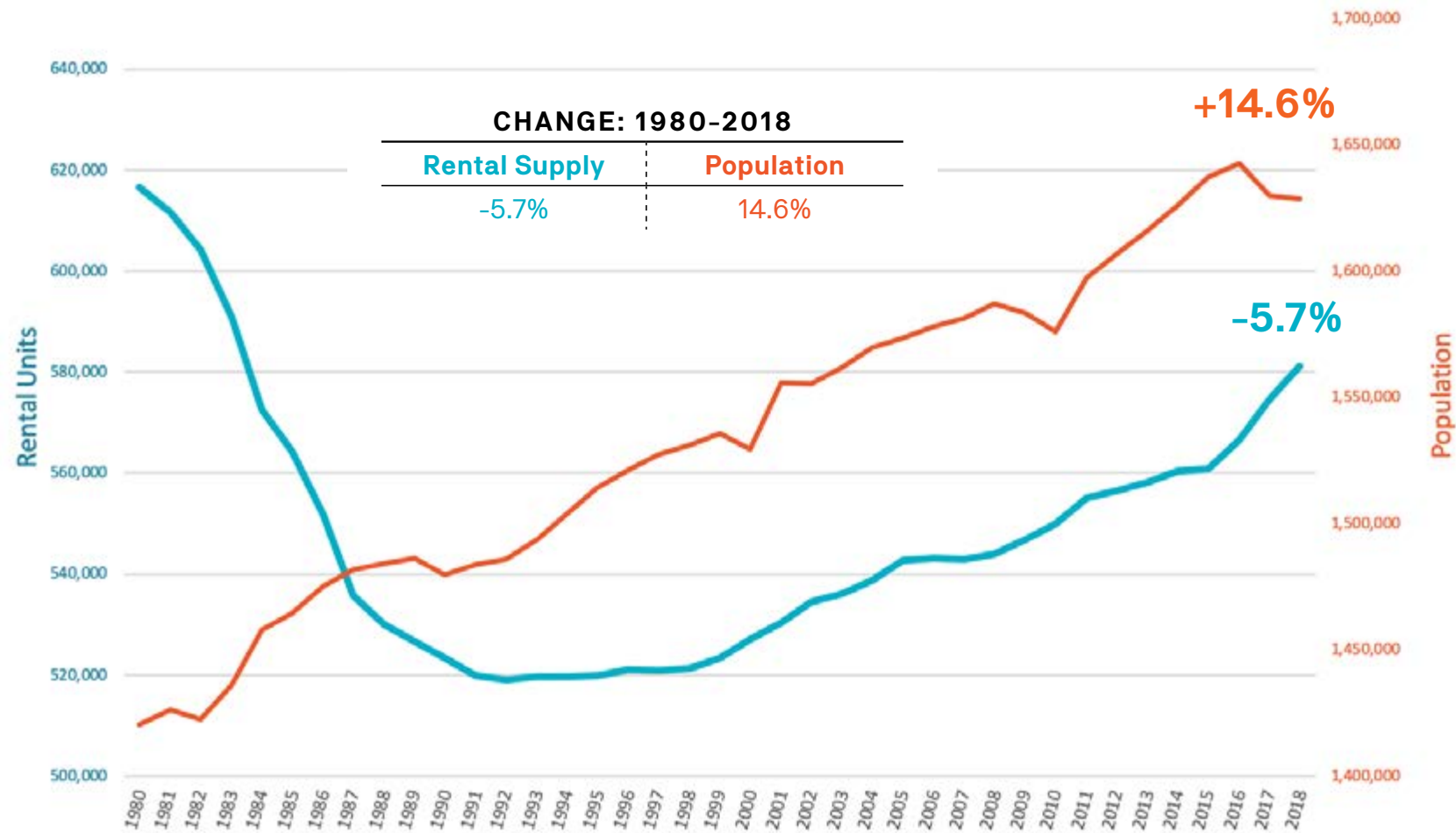
"You Can't Sleep on the Internet"

Asset Class	Tech Disruption
Hotel	
Retail	
Office	
Industrial	
Multifamily	

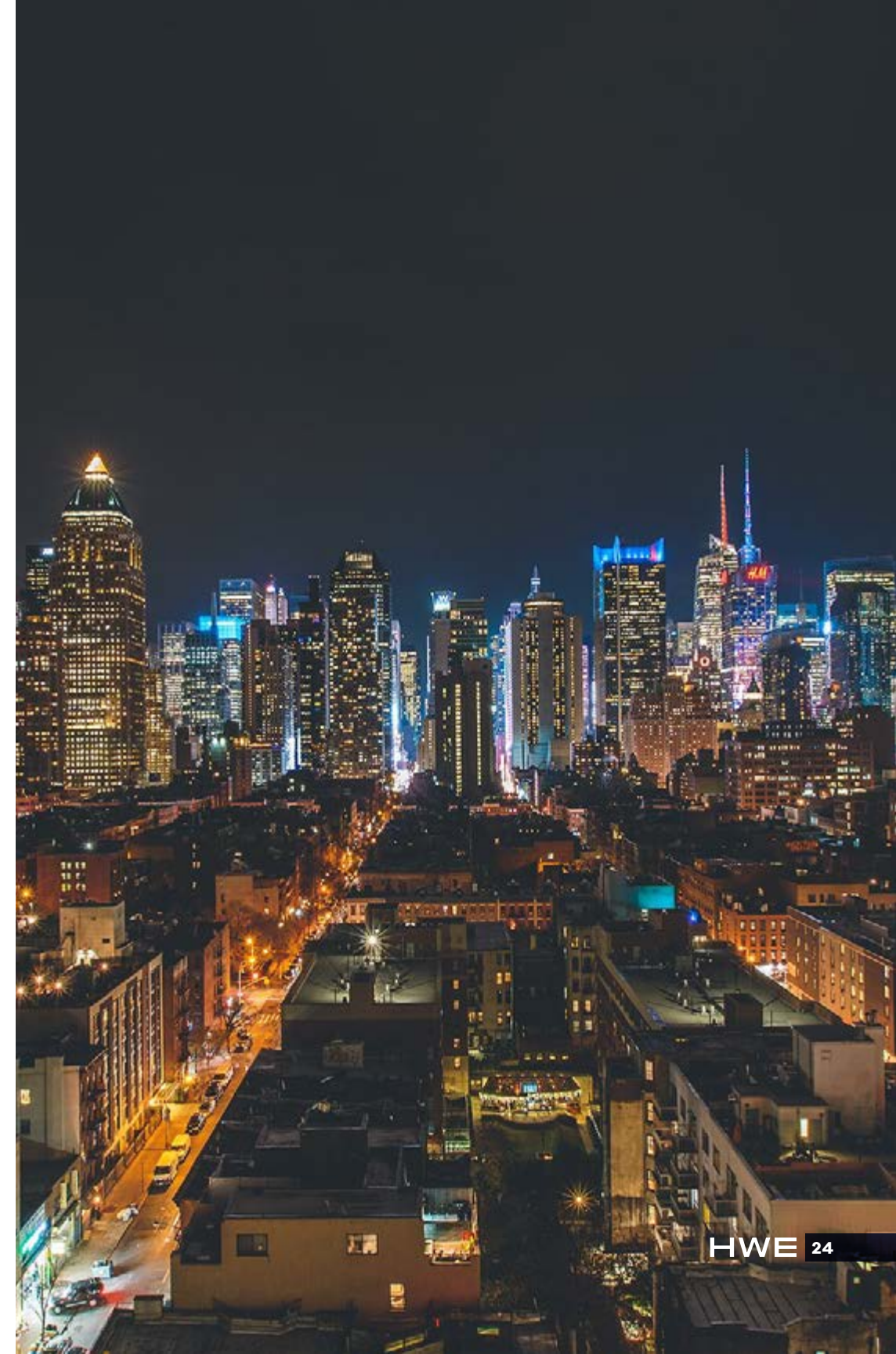
Manhattan Population Up, Supply Down

Since 1980 Manhattan population increased 14.6% while supply decreased 5.7%

MANHATTAN SUPPLY VS POPULATION



Source: Census Bureau, DOF PLUTO, DOF Property Assessments, DCP PAD, NYC HVS, NY Attorney General Office, DOB TCO Data, Pediacities, NYC Geoclient API



NYC Job Growth Drives Strong Rental Demand

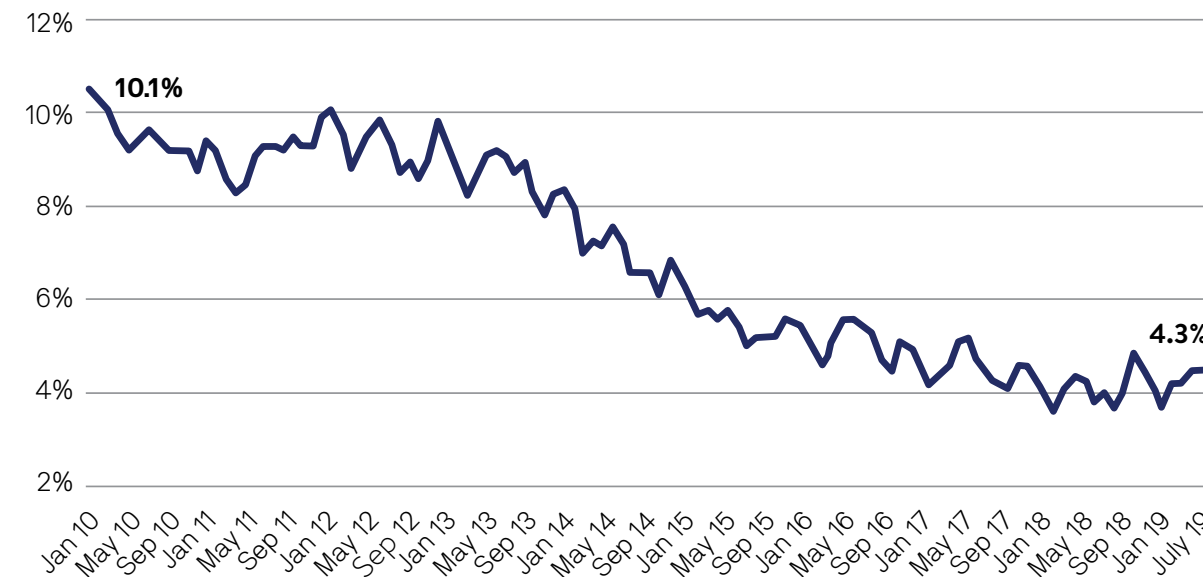
Economic Growth Creates 10 Jobs Every Hour

- NYC created 90,100 jobs during the past 12 months (Source: NYS Dept. of Labor)
- **More jobs = more renters = more rent growth**

“Manhattan year-over-year net effective median rent rose 6.5% to \$3,521, for the 47th straight month of annual increases”
- Miller Samuel



HISTORIC LOW NYC UNEMPLOYMENT



Sources: NYS Department of Labor

New Supply Absorption is Very Strong

- 99% average occupancy at new construction buildings
- Higher rent growth, lower concessions

SAMPLE OF RECENTLY DELIVERED NYC BOROUGH MULTIFAMILY

Building	Location	Open Date	Total Units	Occupancy
1 QPS	Queens	2017	391	99.5%
Huis24	Queens	2017	90	100.0%
Halo LIC	Queens	2017	284	99.6%
420 Kent Avenue	Brooklyn	2019	~300	99.5%
325 Kent Avenue	Brooklyn	2017	522	99.8%
1 Flatbush	Brooklyn	2018	183	100.0%
363 Bond	Brooklyn	2017	270	99.6%
365 Bond	Brooklyn	2016	430	98.8%
The Hub 333 Schermerhorn	Brooklyn	2017	750	100.0%
2 North 6th Place	Brooklyn	2017	554	98.6%

WILLIAMSBURG, BROOKLYN



420 Kent

Phase I is >99% leased

LONG ISLAND CITY, QUEENS



1 QPS Tower
~100% Occupied

DOWNTOWN BROOKLYN



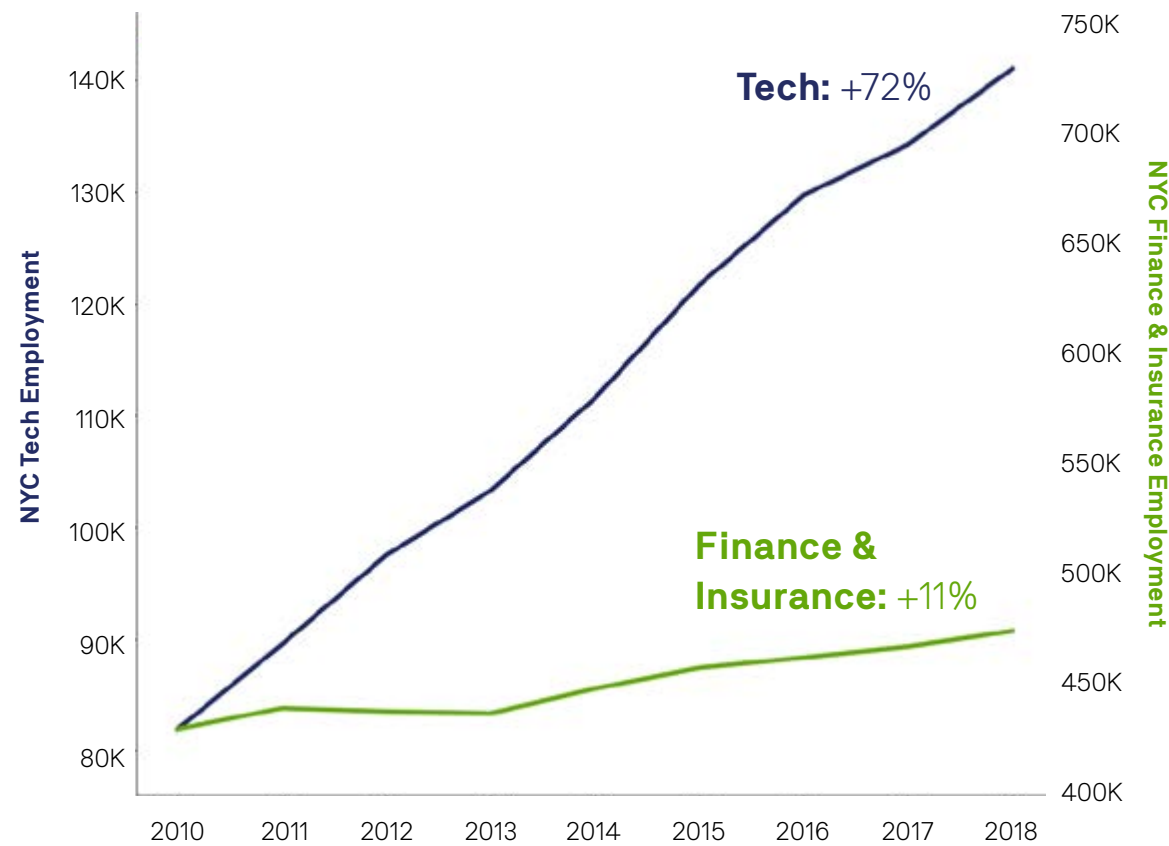
1 Flatbush
100% Occupied

Tech Salary = Permanent Renter Class

- NYC has added over 54,000 tech jobs since 2010
- Employment center of gravity is expanding beyond Manhattan
- High paying tech salaries support luxury rental costs, but not condo sales
- High turnover in jobs also leads to a renting lifestyle

Tech job growth and wages have created strong demand for rental apartments, not for sale housing

FINANCE & INSURANCE VS TECH JOB GROWTH 2010 - 2018



Source: US Bureau of Labor Statistics

DATA SCIENTIST



	amazon	facebook	Google
Salary	\$153,000	\$156,000	\$165,000
Total Tax	\$54,648	\$55,788	\$59,172
Net Take Home Pay	\$98,352	\$100,212	\$105,828
Monthly Take Home	\$8,196	\$8,351	\$8,819
Monthly Housing Budget	\$3,825	\$3,900	\$4,125

Queens Plaza South



Property Address:	23-10 23rd Street
Date:	2018
Price:	\$284M (\$1,092/RSF, ~\$726,000/Unit)
Proximate Cap Rate:	4.0%
Seller:	Property Markets Group, New Valley Capital, Kamran Hakim
Buyer:	The Carlyle Group
Location:	Long Island City, Queens, New York
Type:	Luxury Multifamily
Size:	260,000 RSF, 391 units
Risk Profile:	Core

424 Bedford



Property Address: 424 Bedford Avenue

Date: 2019

Price: \$43.8M (\$890 RSF,
~\$664,000/Unit)

Proximate Cap Rate: 3.9%

Seller: East End Capital, KBS

Buyer: Global Holdings

Location: Williamsburg, Brooklyn,
New York

Type: Luxury Multifamily

Size: 49,220 RSF, 66 Units

Risk Profile: Core

100 South 4th Street (Rocket Lofts)



Property Address:	100 South 4th Street (Rocket Lofts)
Date:	2019
Price:	\$61M (\$891/RSF, ~\$836,000/Unit)
Proximate Cap Rate:	4.0%
Seller:	Meadow Partners
Buyer:	Heidi Holterbosch
Location:	Williamsburg, Brooklyn, New York
Type:	Multifamily
Size:	68,466 RSF, 73 units and 4 retail units
Risk Profile:	Core

Retail Market Overview (as of Q2 2019)

- Manhattan retail leases were driven by the food & beverage industry followed by activewear, cosmetic and technology brands
- Retail inventory increased with new developments such as Hudson Yards, Gansevoort Row, the Seaport District and Essex Crossing
- More flexible leases in the form of shorter leases, concessions and build-outs
- Average asking rents vary significantly by location, but are generally down year-over-year and more significantly since peaking in 2015

MANHATTAN ASKING RENTS (Q2 2019)

Corridor	Submarket	Asking Rent PSF (Spring 2019)	YoY %	Peak Asking Rents PSF (Spring 2015)	Current Decline from Peak
125th Street	Harlem	\$137	10%	\$141	-3%
Broadway (Battery Park - Chambers St)	Downtown	\$401	9%	\$234	71%
Broadway (14th - 23rd St)	Midtown South	\$372	3%	\$435	-14%
West 34th Street (5th - 7th Ave)	Midtown South	\$613	1%	\$1,000	-39%
Broadway and 7th Avenue (42nd - 47th St)	Midtown	\$1,936	0%	\$2,413	-20%
East 57th Street (5th - Park Ave)	Midtown	\$944	-3%	\$1,600	-41%
Fifth Avenue (14th - 23rd St)	Midtown South	\$400	-5%	\$403	-1%
Columbus Avenue (66th - 79th St)	Upper West Side	\$279	-8%	\$447	-38%
East 86th Street (Lexington - 2nd Ave)	Upper East Side	\$365	-9%	\$456	-20%
Broadway (Houston - Broome St)	Lower East Side	\$544	-9%	\$977	-44%
Bleecker Street (7th Ave S - Hudson St)	Greenwich Village	\$294	-11%	\$481	-39%
14th Street (9th - 10th Ave)	Meatpacking District	\$277	-12%	\$372	-26%
Third Avenue (60th - 72nd St)	Upper East Side	\$226	-14%	\$363	-38%
Broadway (72nd - 86th St)	Upper West Side	\$273	-16%	\$390	-30%
Fifth Avenue (42nd - 49th St)	Midtown	\$878	-20%	\$1,200	-27%
Upper Fifth Avenue (49th - 59th St)	Midtown	\$3,047	-22%	\$3,683	-17%
Madison Avenue (57th - 72nd St)	Upper East Side	\$1,039	-25%	\$1,700	-39%
Average		\$707	-8%	\$959	-21%

Source: REBNY

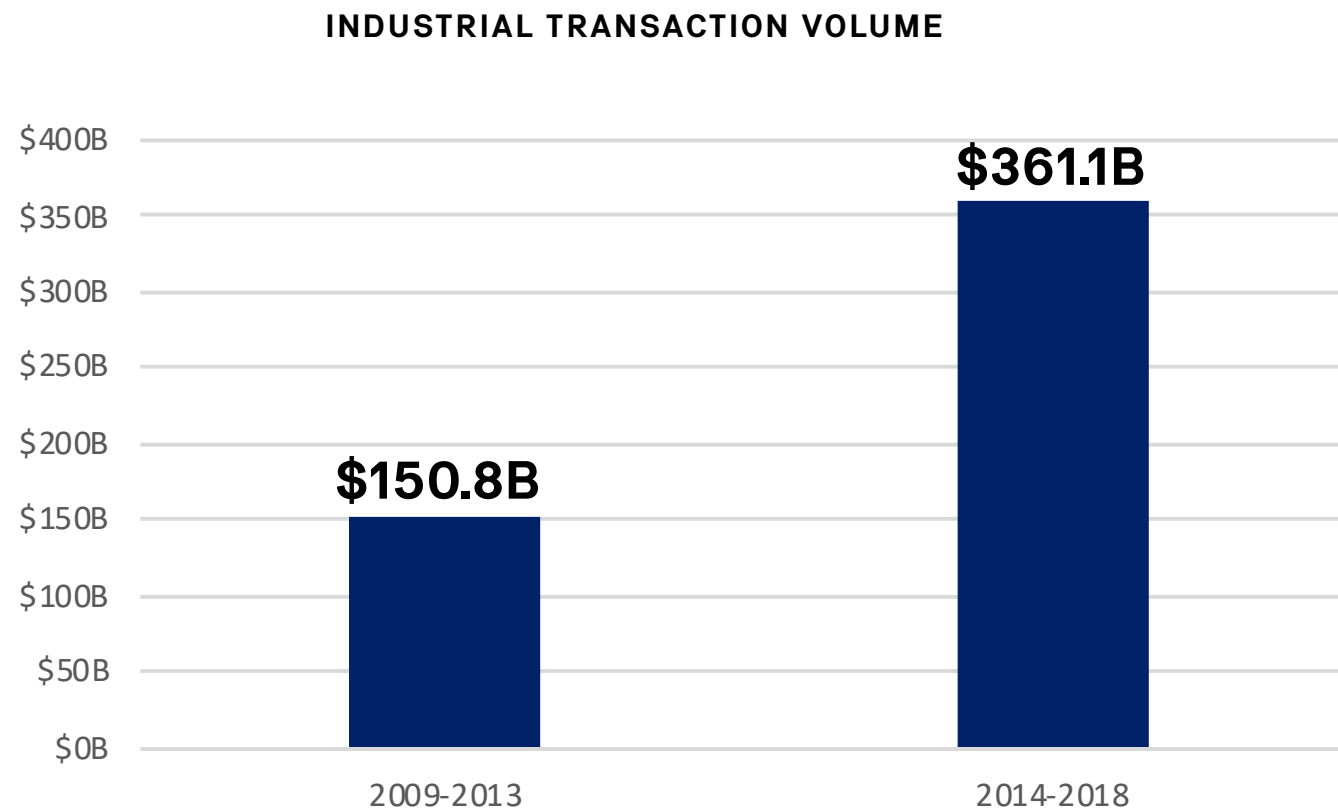
196 Orchard



Property Address:	196 Orchard Street
Date:	2019
Price:	\$89M
Proximate Cap Rate:	4.9%
Seller:	Magnum Real Estate Group and Real Estate Equities Corp
Buyer:	AR Global
Location:	Lower East Side, Manhattan
Type:	Retail
Size:	60,110 SF
Tenants:	100% leased to Marshalls, CVS, and Equinox
Risk Profile:	Core

Industrial Market Overview (as of Dec 2018)

- E-commerce has shifted the focus of real estate investors from retail to industrial
- Zoning changes in NYC have reduced the total number of sites zoned for manufacturing by 13%
- Transaction volume was nearly 2.4x more during 2014-2018 than the previous five years from 2009-2013
- Vacancy Rate: 5.2%
- Average Asking Rent: \$21.80 per square foot



Source: Real Capital Analytics, Institutional Property Advisors



640 Columbia



Property Address: 640 Columbia Street

Date: 2018

Price: \$47.5M

Total Development Cost: \$125M

Target Return on Cost: 6.5%-7.0%

Seller: 601W Companies

Buyer: Goldman Sachs A.M. /
DH Property Holdings

Location: Red Hook, Brooklyn,
New York

Type: Land

Size: 4 acres, 352,082 FAR

Risk Profile: Development

Hotel Market Overview

- With construction and land costs rising, the hotel development pipeline is expected to materially taper off in future years
- The recent M1 Text Amendment (which made hotel construction in industrial zones not as-of-right) and the expiration of Local Law 50 (hotel moratorium that previously prohibited the conversion of hotels) the Manhattan lodging market could see years of negative supply growth
- 2018 reversed recent trends, with RevPAR up 3.2% over last year
- Manhattan continues to be the highest RevPAR market in the U.S. with 2018 RevPAR of \$247.59
- 2018 is the 15th consecutive year that Manhattan posted occupancy levels above 80.0%



Hyatt Place Midtown South & Hyatt Herald Square



Property Address:	52 West 36th Street and 30 West 31st Street
Date:	2019
Price:	\$138M (\$449,511 per key)
Proximate Cap Rate:	6.0% (Acq.), 5.7% (All-in)
Seller:	Chesapeake Lodging Trust
Buyer:	Aju Hotels and Resorts
Location:	Midtown South, Manhattan
Type:	Hotel
Size:	307 keys

1 Hotel South Beach



Property Address:	2341 Collins Avenue
Date:	2019
Price:	\$610M (\$1,435,294/key)
Proximate Cap Rate:	6.5%
Seller:	Starwood Capital Group, LeFrak
Buyer:	Host Hotels
Location:	Miami Beach, Florida
Type:	Hotel
Size:	425 keys

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