

Market Insight

**Third
Quarter
2008**



At a glance: Comparing third quarters

The rosy Manhattan commercial real estate market has started to feel the effects of the financial crisis and the weakened economy. The effect of the credit crunch has been cited as being the immediate culprit of the third quarter (Q3 08) decline in sales volume. Sales Volume declined by 50% when compared to the prior period, which had an inflated sales volume owing to the Macklowe Properties dispositions. Sales volume declined by 61% when compared to the same period one year-ago .

The effects of the credit freeze, mixed in with the general economic uncertainty, and topped off by the cash is king sentiment have created a bowl of "sitting on the fence", which seems to be the delectable dish of choice in satisfying some investors' appetites. Still, others remain highly optimistic and have taken proactive measures to take full advantage of the Manhattan real estate market. They believe the fundamentals remain strong and expect to be rewarded once the credit freeze thaws. Significant amounts of capital have been raised for opportunistic investments once the extreme irrationalities trickle out of the market. Some speculate that there may be insufficient inventory for the monies looking to make their way into the market, which is still one of choice for many prudent investors.

Total market with all asset classes: comparison Q3 2006 through 2008

Sales volume (millions)	Q3 2006	Q3 2007	Q3 2008	All asset classes \$/SF	Q3 2006	Q3 2007	Q3 2008
Chelsea	\$218	\$315	\$69	Chelsea	\$523	\$464	\$540
Garment District	\$444	\$1,331	\$30	Garment District	\$531	\$648	\$405
Gramercy	\$788	\$608	\$63	Gramercy	\$557	\$564	\$977
Hudson Sq/Meatpacking	\$98	\$114	\$101	Hudson Sq/Meatpacking	\$786	\$702	\$923
Lower Manhattan	\$191	\$769	\$196	Lower Manhattan	\$410	\$661	\$296
Midtown	\$4,412	\$3,722	\$3,481	Midtown	\$732	\$899	\$549
Portfolio				Portfolio			
Soho	\$115	\$410	\$117	Soho	\$711	\$916	\$693
Tribeca	\$199	\$307	\$4	Tribeca	\$463	\$190	\$697
Upper Manhattan	\$298	\$311	\$71	Upper Manhattan	\$180	\$212	\$221
Upper East Side	\$218	\$286	\$139	Upper East Side	\$783	\$567	\$825
Upper West Side	\$362	\$748	\$186	Upper West Side	\$412	\$511	\$560
Village (East & West)	\$46	\$92	\$78	Village (East & West)	\$506	\$750	\$926
	Q3 2006	Q3 2007	Q3 2008	Total market*	\$578	\$605	\$537
Total number of transactions	239	273	139	<i>*Weighted average</i>			
Total bldg SF (thousands)	12,785	14,902	8,446				
Total sales vol (millions)	\$7,391	\$9,013	\$4,535				

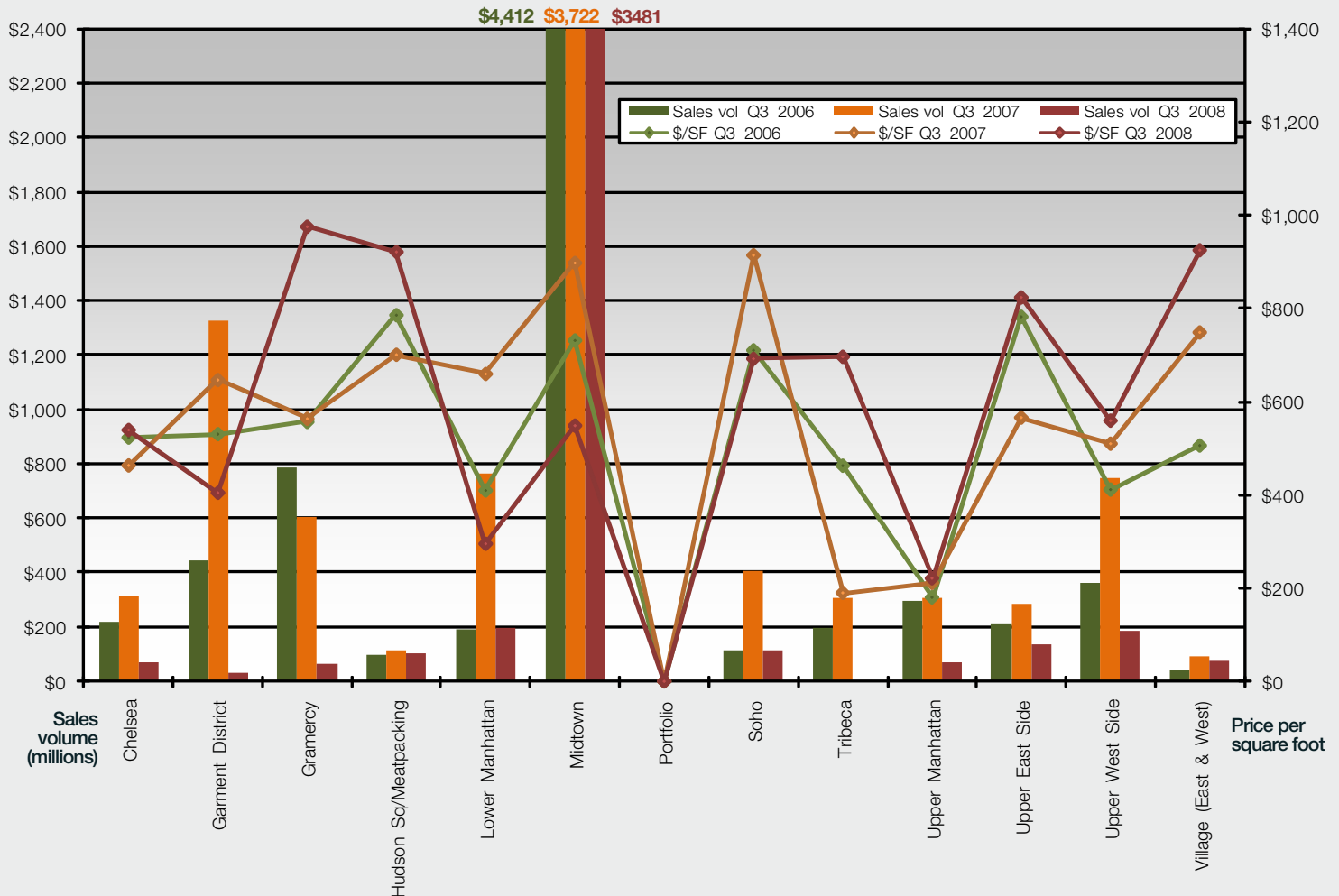
Overall, investor optimism in the Manhattan real estate market remains little changed due the strength of its performance metrics such as price per square foot which, despite of the credit freeze, was \$537 in Q3 08. For the third quarter 2008, eight of the twelve manhattan submarkets had increases in their respective price per square foot compared to the Q2 07. Of the eight, seven were double digit increases and the eight was a mere 1% shy of the double digit increase club.

Note: For a key explaining the above submarkets, including the zip codes used to determine the submarket boundaries, please see page 9.

At a glance: submarkets

Third quarters 2006 - 2008

Comparing total sales volume and price per square foot by submarket



Sales volume declined in the majority of submarkets in Q3 2008 compared to the same quarter in 2006 and 2007. At the same time, price per square foot increased in more than of submarkets in Q3 2008.

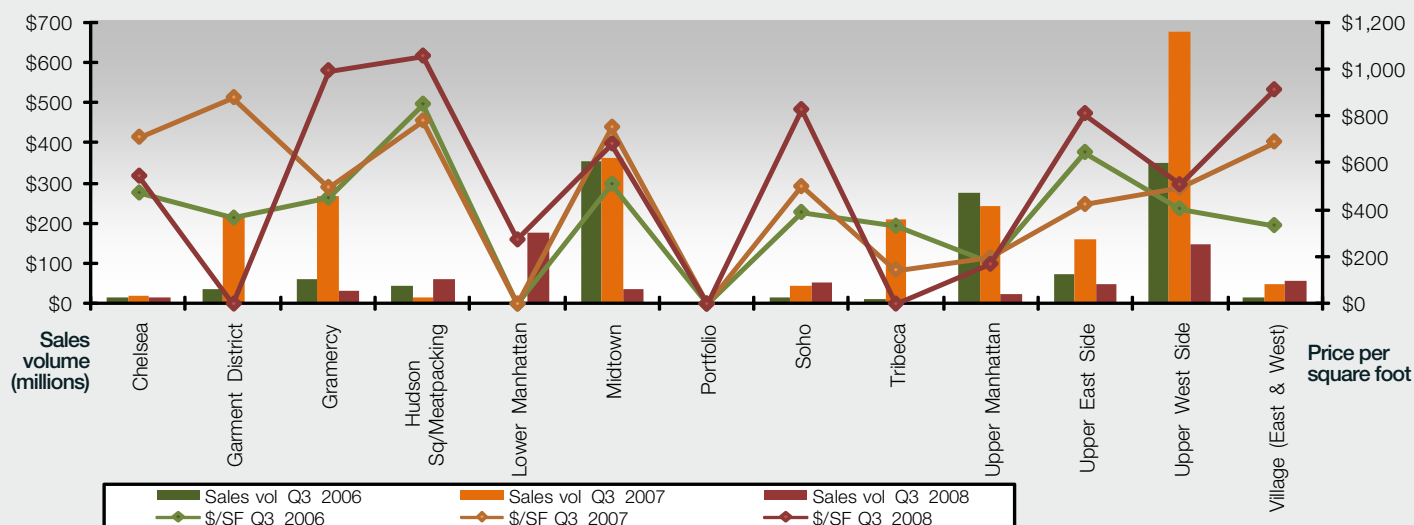
Rather than a cause for concern, statistics for third quarter 2008 reflects the ongoing chaos in the credit markets. While 2006 and 2007 were record years for sales, the volume this year is still off owing to the weakened economy and the general investor uncertainty that comes along with it.

Asset class: Office

Sales volume (millions)	Q3 2006	Q3 2007	Q3 2008
Chelsea	\$88	\$20	\$26
Garment District	\$209	\$1,033	\$0
Gramercy	\$558	\$261	\$0
Hudson Sq/Meatpacking	\$0	\$4	\$0
Lower Manhattan	\$82	\$769	\$0
Midtown	\$3,840	\$3,010	\$3,291
Portfolio			
Soho	\$27	\$199	\$29
Tribeca	\$180	\$61	\$0
Upper Manhattan	\$0	\$0	\$2
Upper East Side	\$55	\$34	\$49
Upper West Side	\$0	\$8	\$0
Village (East & West)	\$0	\$13	\$0
Office	Q3 2006	Q3 2007	Q3 2008
Total number of transactions	40	48	28
Total bldg SF (thousands)	7,653	6,734	6,230
Total sales vol (millions)	\$5,039	\$5,411	\$3,396

Office \$/SF	Q3 2006	Q3 2007	Q3 2008
Chelsea	\$375	\$624	\$316
Garment District	\$392	\$625	\$0
Gramercy	\$527	\$605	\$0
Hudson Sq/Meatpacking	\$0	\$782	\$0
Lower Manhattan	\$247	\$661	\$0
Midtown	\$763	\$961	\$541
Portfolio	\$0	\$0	\$0
Soho	\$702	\$1,078	\$984
Tribeca	\$471	\$761	\$0
Upper Manhattan	\$0	\$0	\$630
Upper East Side	\$1,347	\$1,303	\$1,307
Upper West Side	\$0	\$808	\$0
Village (East & West)	\$0	\$683	\$0
Office total*	\$658	\$803	\$545

*Weighted average

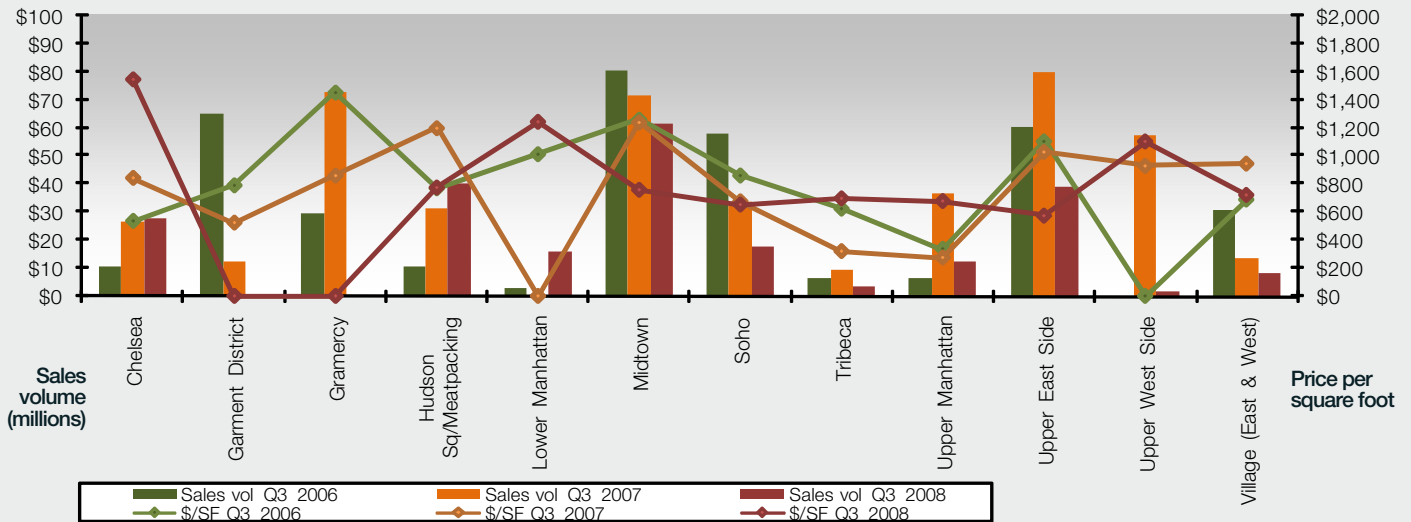


Commercial tenants paid 3 percent less for occupying space in Midtown Manhattan in the third quarter compared to the same period last year, resulting in the first quarterly decline in seven years. On average tenants paid \$98.08 per square foot for rent and services such as electricity and maintenance. In contrast, costs in Lower Manhattan rose 11 percent to \$59.15 per square foot. Overall, Manhattan's average rent was \$79.72 per square foot as of September 2008.

Manhattan office sales has a weighted average price per square foot of \$545/sf in the third quarter of 2008. Overall Manhattan saw a decrease in its office sales price per square foot with the UES being its only exception. At \$1,303/sf it experienced a marginal increase >1% when compared to the same period in 2007 but was down by 3% compared to Q3 2006.

Asset class: Retail

Sales volume (millions)	Q3 2006	Q3 2007	Q3 2008	Retail \$/SF	Q3 2006	Q3 2007	Q3 2008
Chelsea	\$11	\$27	\$28	Chelsea	\$537	\$847	\$1,548
Garment District	\$65	\$13	\$0	Garment District	\$791	\$526	\$0
Gramercy	\$29	\$73	\$0	Gramercy	\$1,455	\$863	\$0
Hudson Sq/Meatpacking	\$11	\$32	\$40	Hudson Sq/Meatpacking	\$770	\$1,203	\$775
Lower Manhattan	\$3	\$0	\$16	Lower Manhattan	\$1,014	\$0	\$1,245
Midtown	\$80	\$72	\$61	Midtown	\$1,261	\$1,244	\$759
Soho	\$58	\$34	\$18	Soho	\$862	\$678	\$653
Tribeca	\$7	\$9	\$4	Tribeca	\$624	\$321	\$697
Upper Manhattan	\$7	\$36	\$12	Upper Manhattan	\$337	\$276	\$678
Upper East Side	\$60	\$80	\$39	Upper East Side	\$1,106	\$1,033	\$573
Upper West Side	\$0	\$57	\$2	Upper West Side	\$0	\$933	\$1,104
Village (East & West)	\$31	\$13	\$8	Village (East & West)	\$690	\$949	\$722
Retail	Q3 2006	Q3 2007	Q3 2008	Retail total*	\$904	\$759	\$773
Total number of transactions	52	58	29	<i>*Weighted average</i>			
Total bldg SF (thousands)	399	587	295				
Total sales vol (millions)	\$361	\$445	\$228				

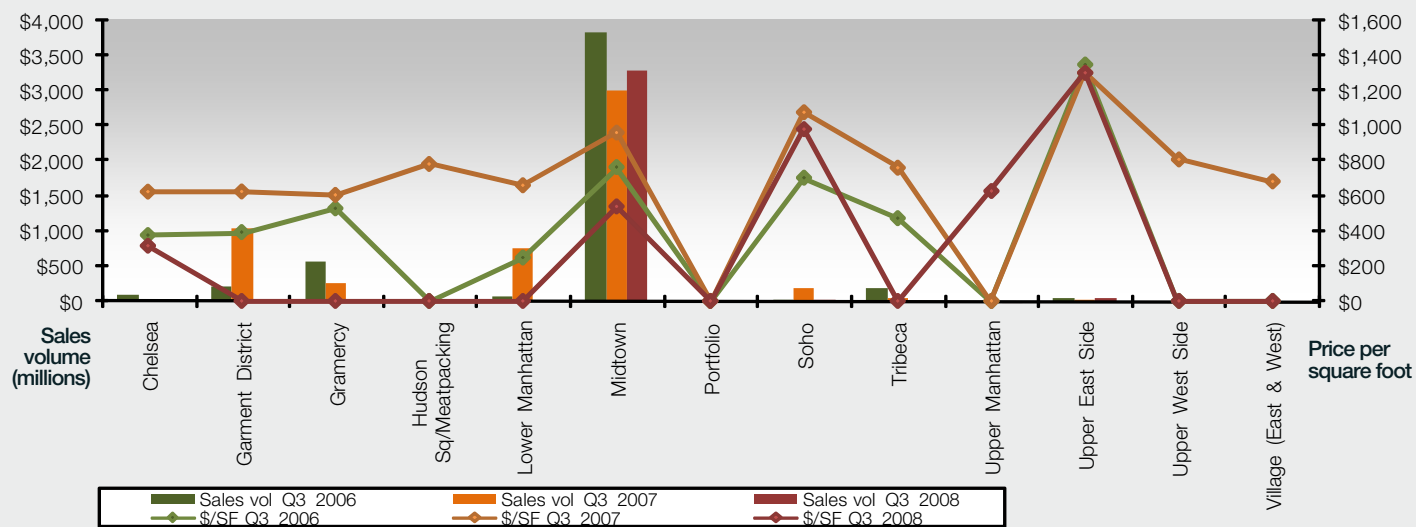


The economic downturn has slowed the pace of Manhattan's retail market. The average asking rents decreased by 3% to \$129 per square foot, compared with the year-earlier period. However, some corridors and submarkets showed surprising strength with their asking rents up dramatically. The average asking rent for retail in the UES submarket was up 11 percent from a year ago, to \$190 per square foot. Midtown South showed a 6 percent increase, to \$111, and Downtown was up 1 percent, to \$110. Most notably, the biggest winners based on the largest percentage increases in average asking rents for ground floor retail space were: TriBeCa (Hudson Street from Chambers to Canal streets) which saw a meteoric rise of 60% bringing its asking rents to approximately \$120psf, and Herald Square (West 34th Street between 5th Avenue and 7th Avenue) which experienced a healthy 38% increase bringing its rents to a hefty \$643psf.

For the quarter, the weighted average price per square foot for Manhattan retail sales was \$773/sf. The number was down compared to the same period in 2006 but marginally higher than the \$759/sf for the same period in 2007.

Asset class: Multifamily

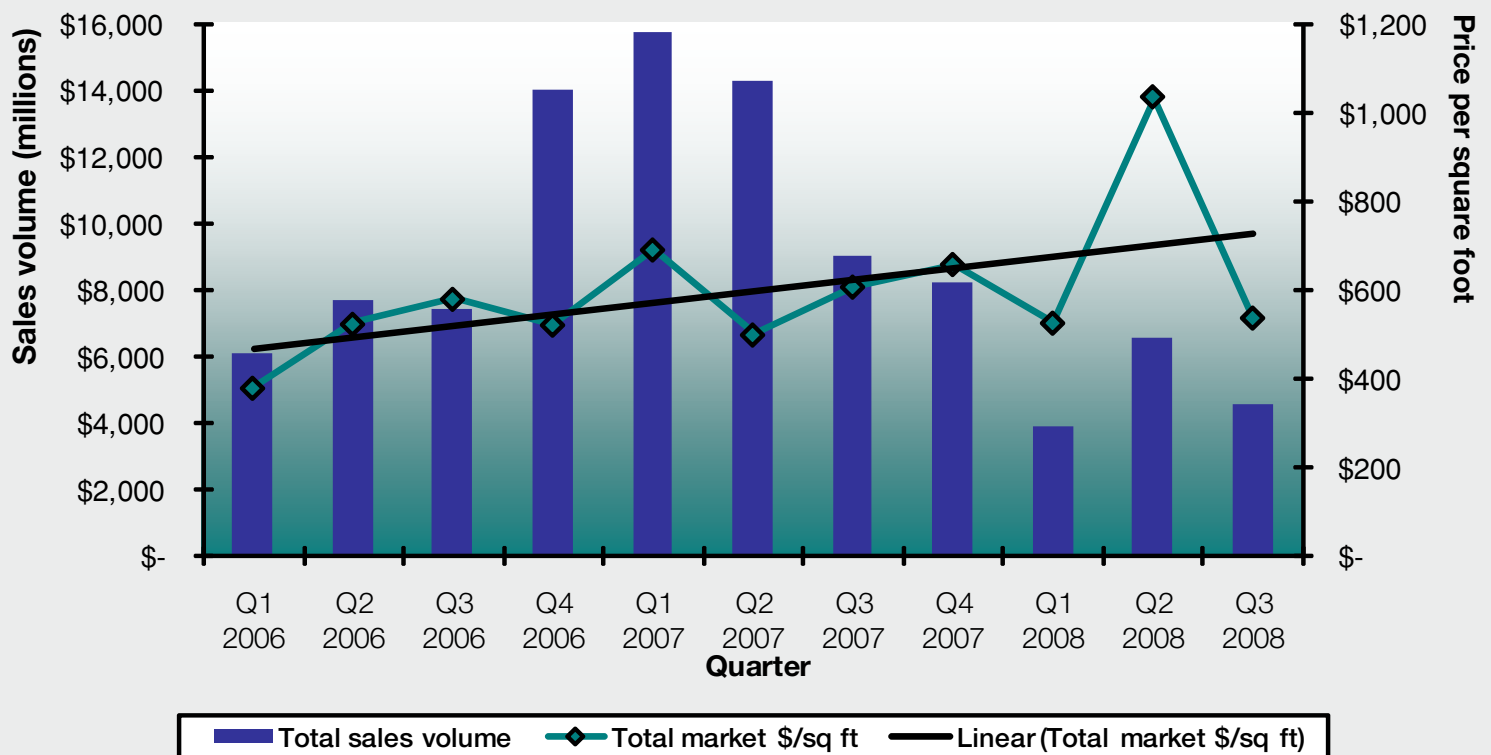
Sales volume (millions)	Q3 2006	Q3 2007	Q3 2008	Multifamily \$/SF	Q3 2006	Q3 2007	Q3 2008
Chelsea	\$17	\$20	\$15	Chelsea	\$471	\$709	\$544
Garment District	\$37	\$218	\$0	Garment District	\$365	\$878	\$0
Gramercy	\$60	\$267	\$31	Gramercy	\$450	\$496	\$992
Hudson Sq/Meatpacking	\$46	\$17	\$61	Hudson Sq/Meatpacking	\$848	\$779	\$1,054
Lower Manhattan	\$0	\$0	\$177	Lower Manhattan	\$0	\$0	\$273
Midtown	\$353	\$363	\$36	Midtown	\$509	\$752	\$681
Portfolio				Portfolio	\$0	\$0	\$0
Soho	\$17	\$47	\$54	Soho	\$389	\$499	\$826
Tribeca	\$12	\$212	\$0	Tribeca	\$330	\$144	\$0
Upper Manhattan	\$274	\$244	\$26	Upper Manhattan	\$175	\$197	\$169
Upper East Side	\$75	\$160	\$51	Upper East Side	\$644	\$423	\$809
Upper West Side	\$350	\$677	\$148	Upper West Side	\$404	\$493	\$507
Village (East & West)	\$16	\$49	\$59	Village (East & West)	\$333	\$689	\$910
Multifamily	Q3 2006	Q3 2007	Q3 2008	Multifamily total*	\$340	\$383	\$452
Total number of transactions	111	124	66	<i>*Weighted average</i>			
Total bldg SF (thousands)	3,693	5,942	1,455				
Total sales vol (millions)	\$1,257	\$2,273	\$658				



Small multi-family assets have been a bright spot in these uncertain market conditions. With financing still available from Fannie Mae and Freddie Mac, as well as local and regional banks, the multi-family sector is holding up compared to larger, more expensive assets. The strong Manhattan rental market have fueled this sectors popularity among conservative investors looking for assets with low risk and steady growth, inherent characteristics of the Manhattan multifamily sector. The price per square foot stood at a commanding \$452/sf for Q3 2008. This was 25% and 15% higher than that of the same period for 2006 and 2007 respectively. Comparing the third quarters of 2006 to 2007 and 2007 to 2008, Manhattan's multi-family sector have increase incrementally by 11% from 06 to 07 and 15% from 07 to 08.

At a glance: Market performance 2006-2008

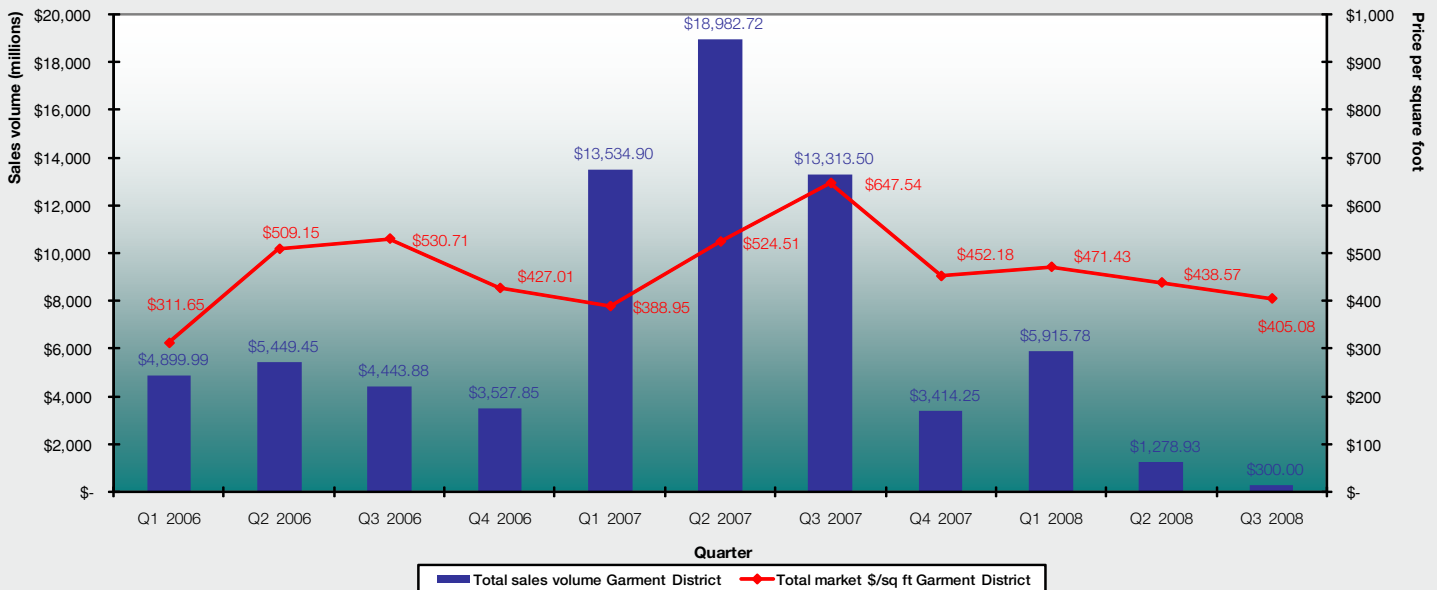
Historic market review with all asset classes



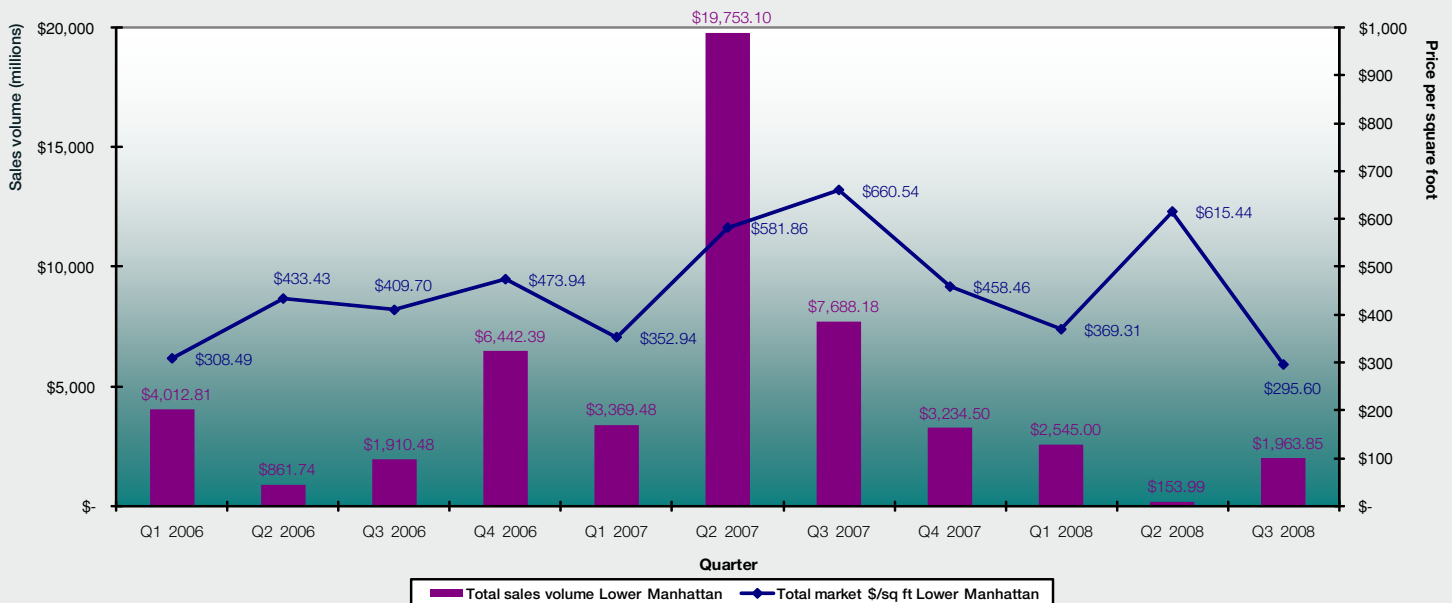
- Comparing the past ten quarters, 2008 is below the 2006 Q1 sales which represented a balanced Manhattan market being driven by its fundamentals with little speculation influence.
- The decrease in sales volume in 2008 may reflect the fact that liquidity in the debt market has dried up.
- Buyers and sellers alike have stepped to the sidelines and are watching keenly for signs of an end to the credit freeze and economic uncertainty to jump back into the game at which point both the number of transactions and the sales volume of the market should return to some semblance of normalcy
- Transactions appear to have 'stalled': the number of transactions in the majority of the submarkets have declined by double digits percentages, almost all upward of 20%.

At a glance: Selected submarket performers 2006-2008

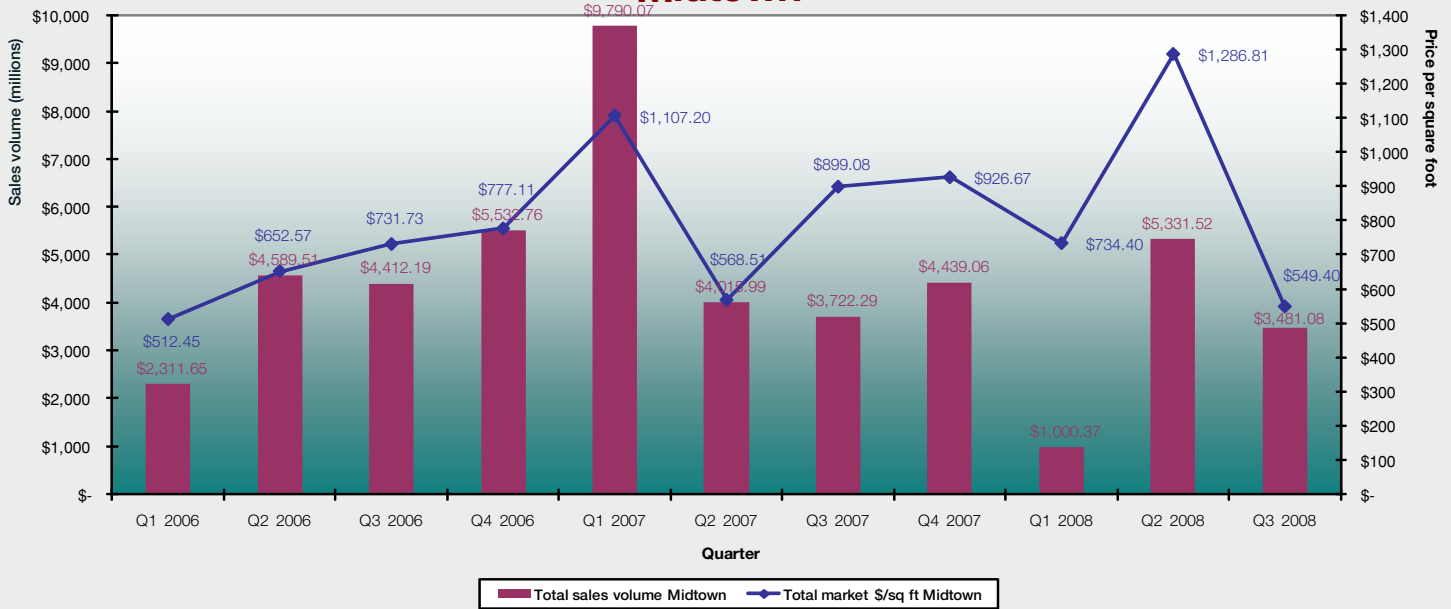
Garment District



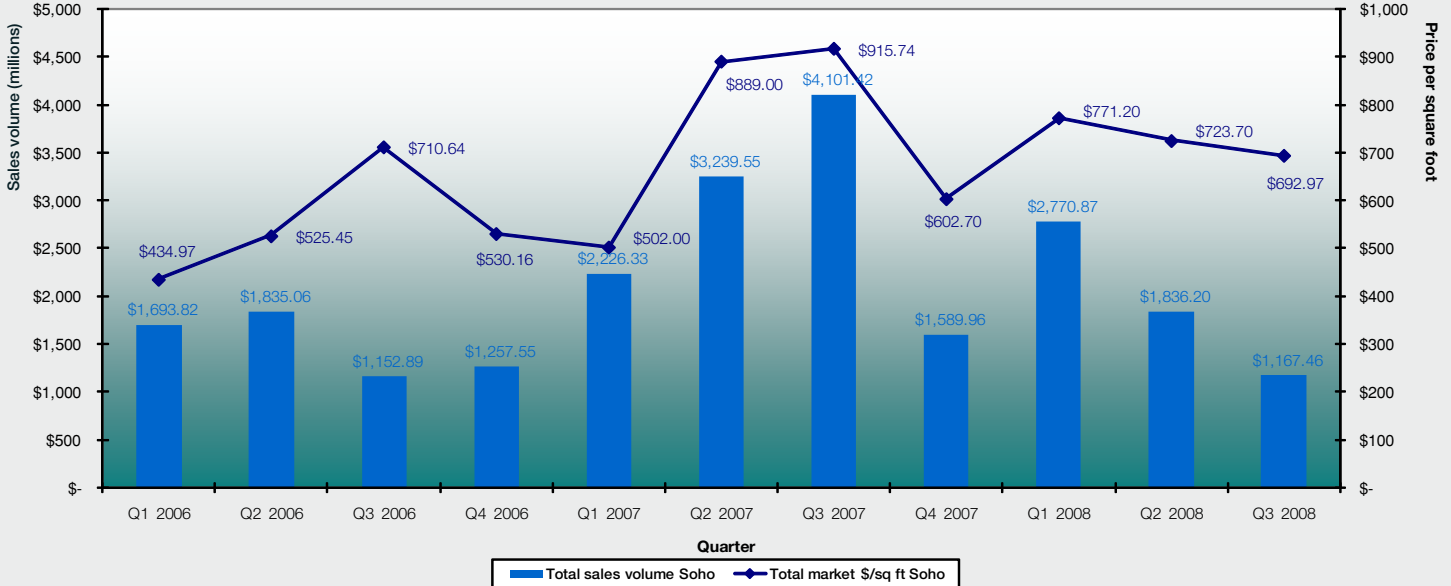
Lower Manhattan



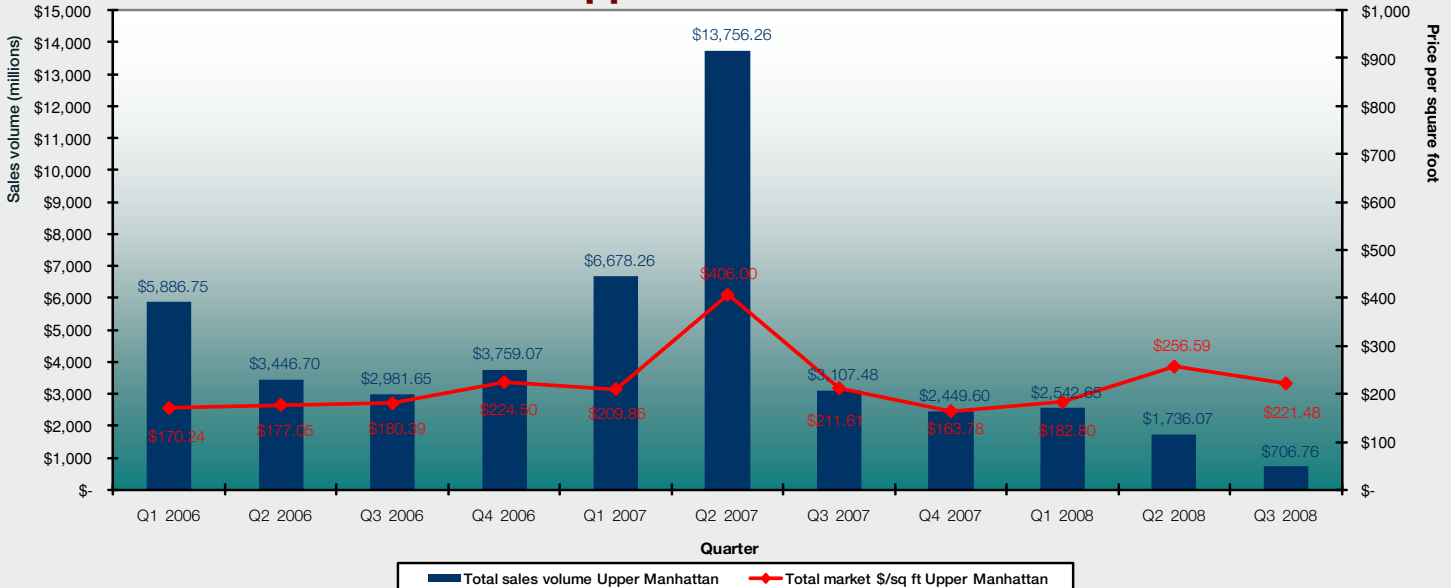
Midtown



Soho



Upper Manhattan



Who we are

Soho Properties, Inc. is a commercial real estate investment firm founded by Sharif El-Gamal in 2003 in New York City. The Soho Properties team arranges and participates in real estate investments in office, residential and retail property markets in New York City, generating opportunities for its clients through the acquisition of both single assets as well as portfolios.

Acquisitions

We are a company focused on pursuing the real value in real estate investments, especially when pricing dislocations create value-driven opportunities. Soho Properties unlocks the value in an investment by successfully executing various strategies, which include re-tenanting/repositioning assets, renovations, aggregations, developments and participating in unique opportunistic situations. Soho Properties acts as a principle and arranger of real estate investments by forming joint ventures with institutional and high net worth real estate investors. Such strategic partnerships are formed to identify opportunities whereby our investors can capitalize on market mis-pricing to earn superior risk-adjusted returns. Soho Properties investment strategies are IRR driven, executed to create value and manage risks through an involved investment and asset-management process. The company utilizes an efficient and tailored operating system and a well-defined and proven development process.

Consulting

We provide advice on successfully navigating the New York City real estate market. Our expertise includes:

- Equity sourcing: Assisting investors in sourcing funds for an intended acquisition.
- Strategy & analysis: Devising financial strategies and analytical models to optimize investors' returns and asset performance.
- Private placement memorandums: Drafting private real estate prospectuses which include marketing studies, asset positioning strategies, financial projections & forward-looking statements.
- Investment advising: Providing strategies for the allocation of funds per specific New York City submarkets and asset classes.
- Leveraging networks: Leveraging our industry knowledge and professional networks as needed to assist investors.

Property management

We provide expertise and advice on managing real estate assets in New York City. We aim for complete financial, operational and legal compliance of residential and commercial real estate investments. Our task is to preserve and increase a building's value.

In conclusion

We deliver all of the above in an intimate and personal manner. Everything we do passes a strict underwriting review, going through an advisory committee to ensure our investments make good fiscal sense. They reflect current market events, demonstrate solid comparable standards, provide a minimum 15% IRR and, moreover, reflect the needs of our investors. The company restricts participation in its real estate opportunities to select high-net-worth, accredited institutions and investors.

We look forward to a prosperous partnership!

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