

# Office Outlook

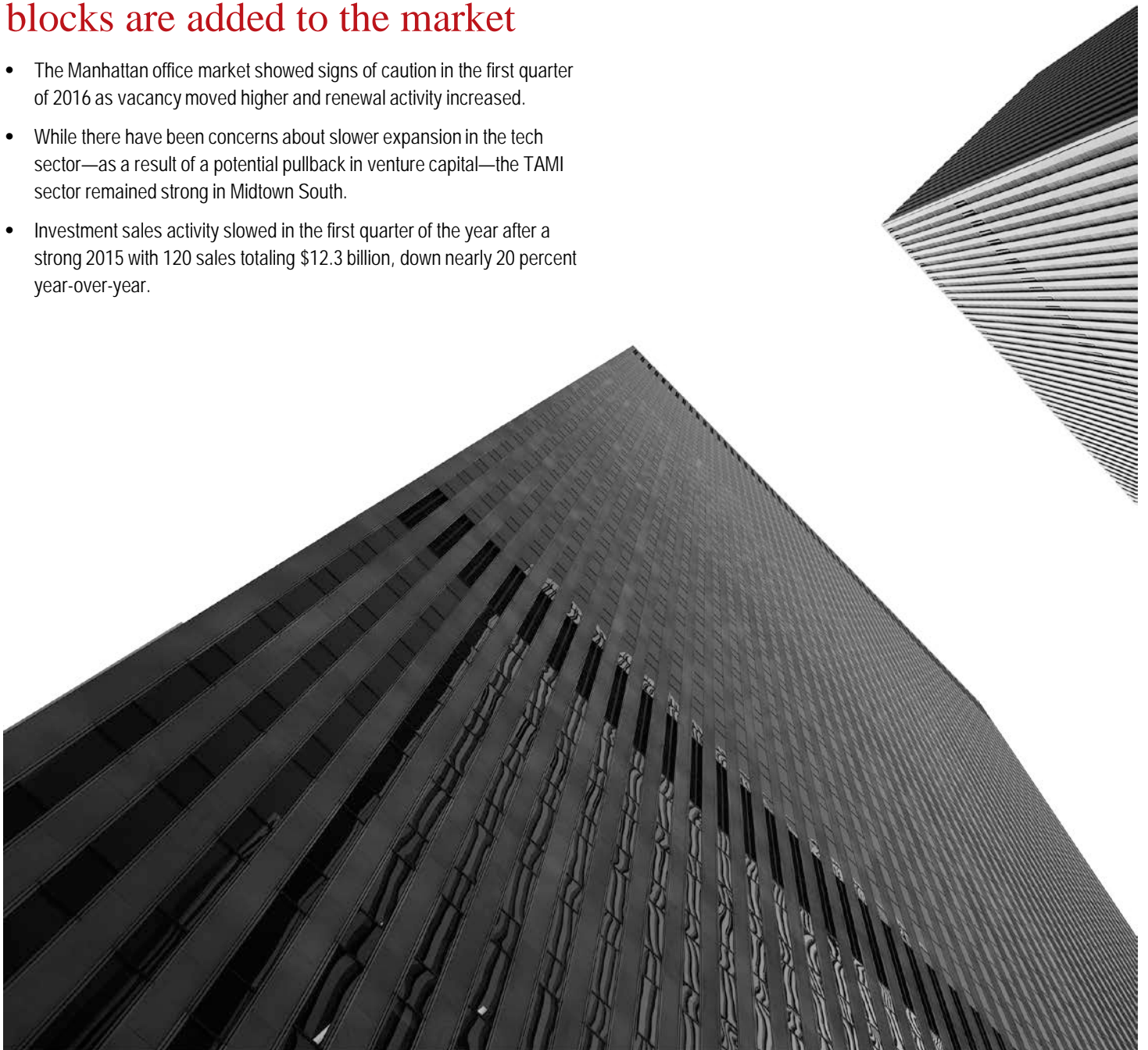
New York | Q1 2016



---

## Vacancy moves higher as large blocks are added to the market

- The Manhattan office market showed signs of caution in the first quarter of 2016 as vacancy moved higher and renewal activity increased.
- While there have been concerns about slower expansion in the tech sector—as a result of a potential pullback in venture capital—the TAMI sector remained strong in Midtown South.
- Investment sales activity slowed in the first quarter of the year after a strong 2015 with 120 sales totaling \$12.3 billion, down nearly 20 percent year-over-year.



## New York overview

The Manhattan office market showed signs of caution in the first quarter of 2016 as vacancy moved higher and renewal activity—rather than relocations and expansions—captured the bulk of top transactions. Manhattan Class A vacancy rose as several large blocks were returned to the market. The vacancy rate for Midtown Class A space increased to 11.6 percent, up from 10.4 percent at year-end 2015. Average asking rents were also higher as a result of newer and higher quality product becoming available. Despite a slightly restrained market, several high-profile leases were successfully closed and more are expected by year-end. However, with decision makers focused on external events, including the presidential election and the future regulatory environment, new activity could remain light over the next three quarters.

The New York City unemployment rate, currently at 5.4 percent, has dramatically decreased since the financial crisis in 2009 when it peaked at 10.2 percent. Total employment continued to climb in the first quarter of 2016, reaching 4.3 million payrolls in the first quarter—the highest in the city's history. The city's Office of Management and Budget is forecasting that private employment growth will drop from 2.9 percent to 1.7 percent by year-end, indicating that the rate of growth could be peaking.

Through the first quarter, renewals accounted for half of the top 20 leases in Manhattan, in contrast to last year, when relocations

comprised the majority of leasing activity. McGraw Hill Financial Inc. renewed at 55 Water Street in Lower Manhattan for 900,027 square feet in the largest lease of the quarter. Salesforce.com subleased 202,678 square feet at 1095 Avenue of the Americas in a transaction that included a provision to replace MetLife's name atop the building with its own, in full view of highly-trafficked Bryant Park. In Midtown South, Facebook continued its massive expansion in a 200,668-square-foot commitment at 225 and 233 Park Avenue South, which are currently undergoing significant renovations to combine the buildings. In a separate lease, Facebook expanded its footprint at 770 Broadway onto an additional 79,735-square-foot floor previously occupied by J.Crew.

While there have been concerns about slower expansion in the tech industry—as a result of a potential pullback in venture capital—the TAMI sector (technology, advertising, media and information) remained strong in Midtown South, accounting for 89.2 percent of first-quarter leasing activity. In addition to Facebook's expansions, NY1 News and the marketing arm of Anheuser-Busch InBev signed significant leases to begin the year, an indication that tenants continue to view Midtown South as a competitively advantageous location in attracting and retaining creative talent—despite record-high rental rates. At \$79.58 per square foot, and much higher for new and improved product, Midtown South Class A rents have been comparable with Midtown for much of this cycle. Yet at 5.9 percent, Midtown South's Class A vacancy rate is one of the lowest in the country.



In the face of rising vacancy elsewhere, some landlords have begun reducing rents, but the evidence has been mostly anecdotal. New construction and existing space returning to the market in top-tier buildings like 390 Madison Avenue and 250 West 55th Street have outweighed reductions elsewhere. The Midtown Class A average asking rent recorded a 1.0 percent increase to \$81.09 per square foot in the first quarter despite a dip in February. The Midtown overall average asking rent recorded greater gains—2.4 percent year-to-date to \$74.98 per square foot—as demand for Class B space has tightened vacancy.

If leasing activity continues at this pace, it is anticipated that the vacancy rate will drift sideways over the remaining year, with little upward or downward pressure on rents. In the longer term, some contend that there is not enough demand to meet the approximately 16 million square feet of new and returned office blocks scheduled to hit the market between 2017 and 2020—especially if the economy slips into a recession. Under that scenario, a glut in office supply is almost certain. A more bullish outlook would suggest job growth remaining positive as recessions are notoriously hard to predict.

While recessions and real estate cycles are unavoidable, previous cycles have demonstrated that the New York office market responds efficiently to shifts in demand—by delaying or shelving planned construction, converting obsolete office buildings to residential use, or repositioning underperforming assets. Moreover, the current market is arguably better positioned than it has been in the past. Tenants have become more efficient in their occupancy, with less excess capacity or “shadow space” than in the years prior to the financial crisis, as well as smaller square-foot-per-employee ratios. In the event of a moderate downturn, many tenants could have significantly less surplus space. What has depressed pricing in previous recessions has been the onslaught of sublease space at heavily discounted pricing.

**Tristan Ashby**

Vice President, Research Director

## Capital Markets overview

2015 was the most active year on record for the New York City investment sales market with nearly 600 transactions totaling \$60.3 billion. In fact, 2015 marked the first time that New York City was the top global investment market. Global and domestic investors continued to recognize the safety, security and capital appreciation afforded by New York City real estate. Foreign investors accounted for more than 47 percent of all sales transactions in 2015, with participation from 25 different countries.

Despite the frenetic activity in 2015, the beginning of 2016 witnessed global macroeconomic uncertainty due to Asian stock market volatility, a weakening oil market and currency devaluation in China. While fundamentals stabilized through the latter half of the first quarter, the instability resulted in a marked slowdown in investment sales activity with 120 sales totaling \$12.3 billion, down nearly 20 percent year-over-year.

The office segment of the market continues to be the most active by volume, with \$6.7 billion in sales, accounting for more than 54 percent of all activity. There were four Midtown Class A office sales accounting for \$3.3 billion (49 percent) of this volume. Class A office pricing remained stable at \$1,059 per square foot and an average cap rate of 4.1 percent. The multifamily segment of the market continued to record the most deal flow, with 40 transactions accounting for 33 percent of all deals in the market. There were eight multifamily transactions greater than \$100 million recorded in the first quarter of 2016. While nearly every product type continued to see capital appreciation, the condominium development market slowed over the last three months. Though there were several land and redevelopment deals put into contract at the end of 2015 that closed in 2016, very few deals were on the market as of quarter-end. The hotel segment of the market recorded a resurgence, with nearly \$500 million of activity year-to-date and multiple deals under contract set to close in the second quarter.

Foreign participation has been highest in the hotel market with several Asian investors actively seeking and acquiring limited-service hotels.

There remains no shortage of liquidity on the debt side of the market, despite the volatility in the CMBS markets. Domestic and foreign commercial banks, insurance companies, REITs and private equity firms continue to be active lenders for income-producing assets. However, lenders have become much more cautious for condominium development projects, especially those in non-core residential locations.

During the first quarter of 2016, the national unemployment rate hit its lowest level since 2008 at 4.9 percent. While U.S. employment remains strong, wage growth has been stagnant at less than 2.5 percent growth year-over-year. A healthy economic environment generally results in wage growth in excess of 4 percent per annum. This, coupled with turbulent global markets, will likely result in the Fed not instituting rate hike increases until later in the year. The low interest rate environment is expected to continue into 2017.

New York City has been and will continue to be the primary destination for capital seeking a flight to safety. The scarcity value of quality assets is anticipated to enhance the long-term appreciation of such assets. While it is likely that 2016 investment sales volumes will not eclipse the record established in 2015, capital values and long-term appreciation will continue to drive capital, both domestic and foreign, to New York City real estate.

**Scott Latham**  
Vice Chairman

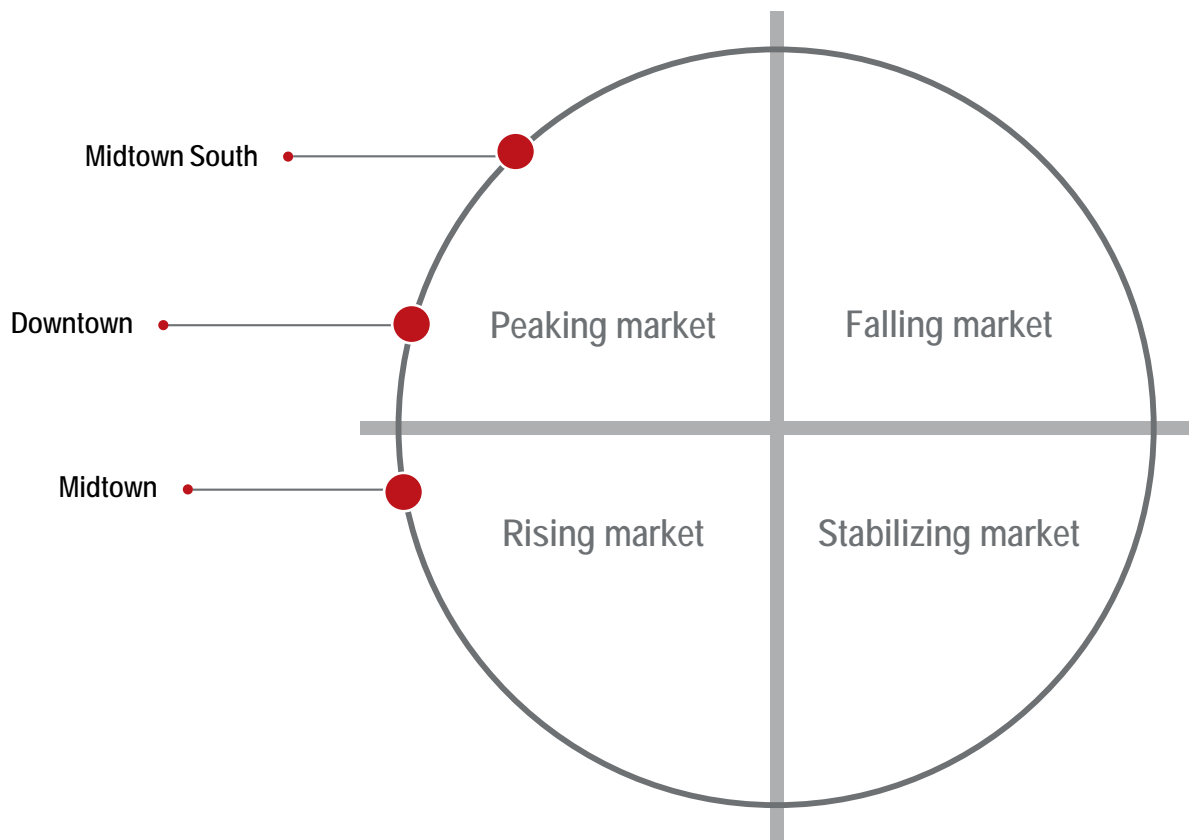
**Jon Caplan**  
Vice Chairman

**Yoron Cohen**  
Vice Chairman

**Richard Baxter**  
Vice Chairman



## New York property clock



### Clock description

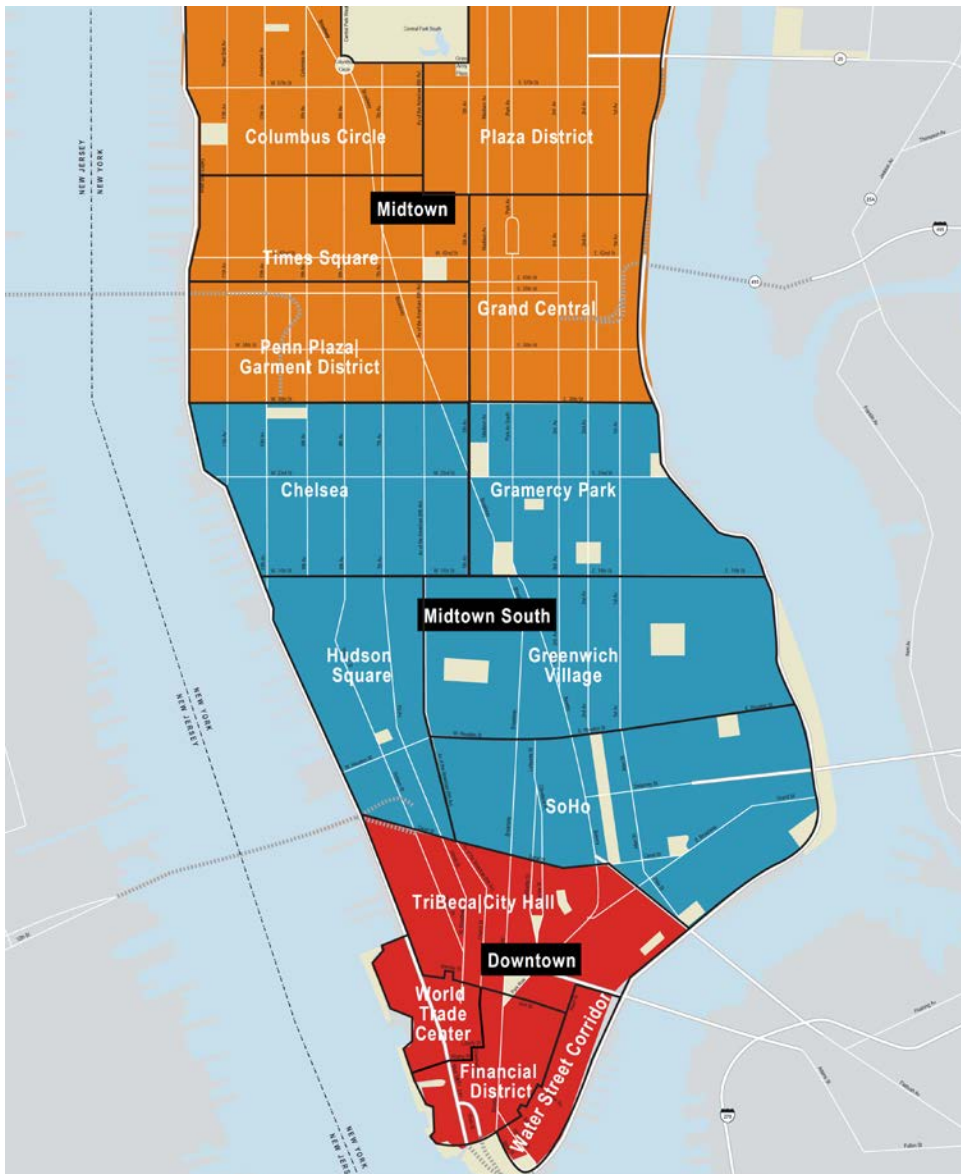
- This diagram illustrates JLL's estimate of the location of each prime office market within its individual rental cycle at the end of the quarter.
- Markets can move around the clock at different speeds and directions.
- The diagram is a convenient method of comparing the relative position of markets in their rental cycle.
- The position is not necessarily representative of investment or development market prospects.
- The position refers to prime face rental values.

### Q1 2016 positions

- **Midtown South** – The tech industry began to show some signs of a slowdown, both in hiring and venture capital inflows, at the end of 2015. The rate of growth in Midtown South is decelerating as warnings arise of a potential pullback in venture capital funding and firms raising less capital.
- **Downtown** – Demand in Downtown remains strong for Class B and other value space, which could drive vacancy lower and absorption higher through the end of year. For many tenants constrained to Manhattan either as part of their mission or for logistical reasons, Downtown is often the last affordable option.
- **Midtown** – Despite the stock market's steady recovery, tenants and landlords may remain cautious in the near term as political and economic uncertainty is anticipated to weigh on the market through 2016. With several new construction projects slated for completion in 2018 and beyond, tenants with longer-term lease expirations may find a more favorable market.

## New York market definitions

The New York City market is comprised of three major submarkets: Downtown, Midtown and Midtown South. These markets are further divided into four, five and five submarkets, respectively.



*Midtown submarkets: Columbus Circle, Grand Central, Penn Plaza/Garment District, Plaza District, Times Square*

*Midtown South submarkets: Chelsea, Gramercy Park, Greenwich Village, Hudson Square, SoHo*

*Downtown submarkets: Financial District, Tribeca/City Hall, World Trade Center, Water Street Corridor*

## New York space statistics

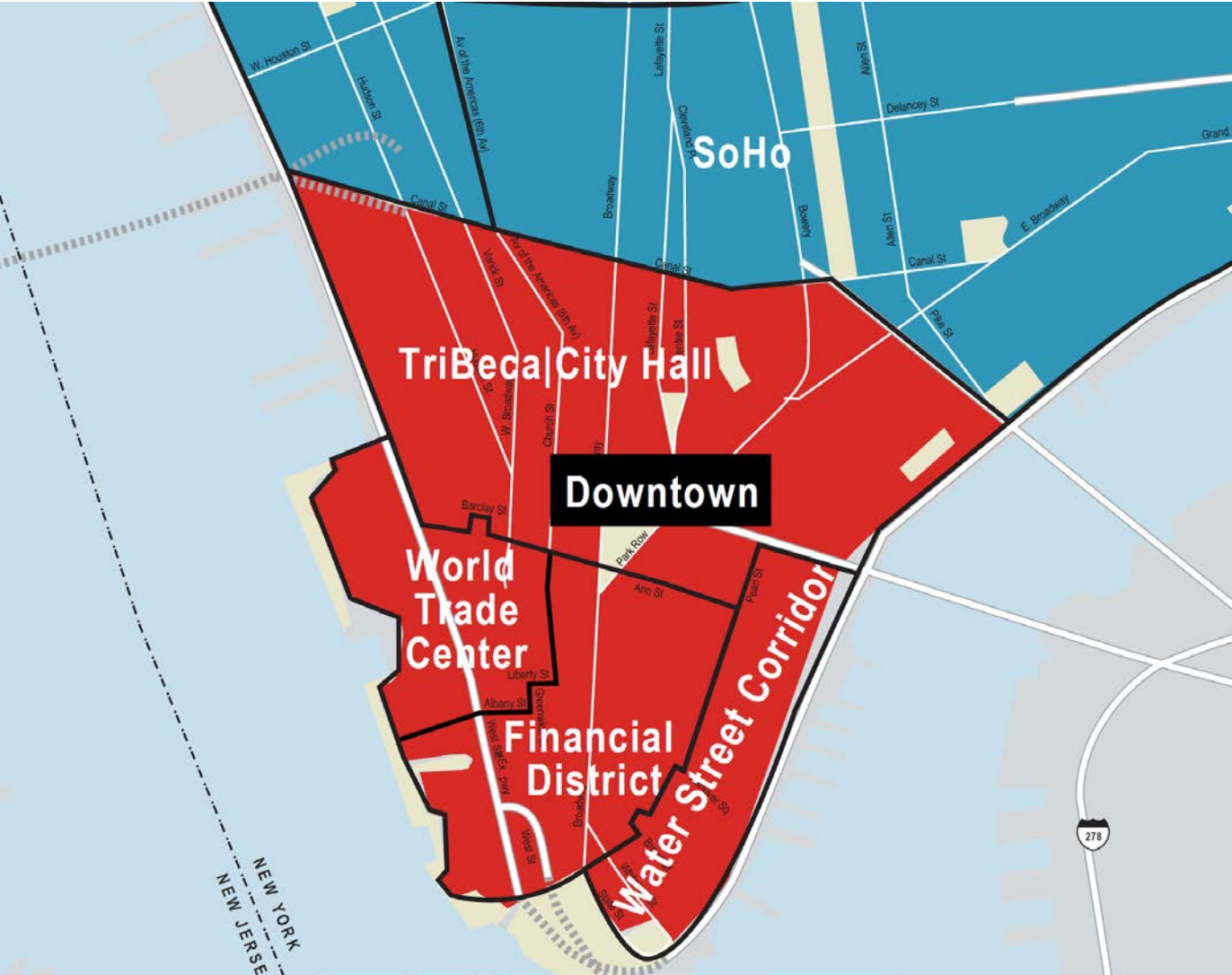
	Current inventory (s.f.)	Under construction (s.f.)	YTD completion (s.f.)	Overall net absorption (s.f.)	YTD overall net absorption (s.f.)	YTD overall net absorption (% of inventory)	Overall vacancy	Overall asking rent (gross \$ p.s.f.)
<b>Midtown</b>								
Columbus Circle	25,296,466	0	0	-101,341	-101,341	-0.4%	6.8%	\$69.77
Grand Central	72,205,869	858,710	0	-1,142,456	-1,142,456	-1.6%	12.1%	\$69.35
Penn Plaza/Garment District	46,189,228	8,403,106	0	-340,966	-340,966	-0.7%	10.3%	\$63.44
Plaza District	103,086,508	670,000	0	-167,236	-167,236	-0.2%	10.3%	\$86.27
Times Square	40,221,709	0	0	272,103	272,103	0.7%	10.1%	\$74.77
<b>Midtown market totals</b>	<b>286,999,780</b>	<b>9,931,816</b>	<b>0</b>	<b>-1,479,896</b>	<b>-1,479,896</b>	<b>-0.5%</b>	<b>10.4%</b>	<b>\$74.98</b>
<b>Midtown South</b>								
Chelsea	23,417,520	739,779	0	-112,898	-112,898	-0.5%	6.0%	\$59.37
Gramercy Park	21,982,308	0	0	-1,269	-1,269	0.0%	7.4%	\$73.21
Greenwich Village	5,801,496	0	0	-78,633	-78,633	-1.4%	3.7%	\$66.77
Hudson Square	10,646,931	820,413	0	-83,214	-83,214	-0.8%	9.9%	\$74.41
SoHo	4,730,123	0	0	-59,876	-59,876	-1.3%	6.1%	\$73.74
<b>Midtown South market totals</b>	<b>66,578,378</b>	<b>1,560,192</b>	<b>0</b>	<b>-335,890</b>	<b>-335,890</b>	<b>-0.5%</b>	<b>6.9%</b>	<b>\$68.61</b>
<b>Downtown</b>								
Financial District	37,695,289	0	0	-1,469	-1,469	0.0%	11.1%	\$52.95
Tribeca/City Hall	17,721,155	0	0	-53,629	-53,629	-0.3%	8.1%	\$49.61
Water Street Corridor	22,475,340	0	0	103,105	103,105	0.5%	10.8%	\$51.89
World Trade Center	18,402,964	2,861,402	0	186,861	186,861	1.0%	14.0%	\$75.40
<b>Downtown market totals</b>	<b>96,294,748</b>	<b>2,861,402</b>	<b>0</b>	<b>234,868</b>	<b>234,868</b>	<b>0.2%</b>	<b>11.1%</b>	<b>\$57.73</b>
<b>Market totals</b>	<b>449,872,906</b>	<b>14,353,410</b>	<b>0</b>	<b>-1,580,918</b>	<b>-1,580,918</b>	<b>-0.4%</b>	<b>10.0%</b>	<b>\$70.18</b>

# New York Downtown





# New York Downtown boundaries



**Tribeca/City Hall**

South of Canal Street, west of the East River and Pearl Street, north of Ann Street and east of West Street.

**World Trade Center**

South of Vesey Street, but inclusive of 7 World Trade Center, west of Trinity Place, north of Albany Street and east of the Hudson River.

**Financial District**

South of Ann Street, west of Pearl Street, east of the Hudson River, south of Albany Street and east of Trinity Street.

**Water Street Corridor**

South of the Brooklyn Bridge, west of the East River and east of Pearl Street.

# Downtown

## Quarter in review

The largest transaction in New York for the first quarter occurred Downtown with McGraw Hill Financial signing a renewal for 900,027 square feet at 55 Water Street. With lighter new leasing activity, however, Downtown's overall vacancy rate remained unchanged at 11.1 percent. Although migration to Downtown has slowed recently as pricing has increased, two sizable tenants made the move in the first quarter as pricing still remains considerably lower than comparable space elsewhere in Manhattan.

Much of this quarter's leasing activity was due to renewals or tenants moving within the market. New York Life Insurance Co. signed a renewal for 53,818 square feet at 120 Broadway and ABM Industries Inc. committed to relocating from 120 Broadway into 44,025 square feet at 1 Liberty Plaza. Two high-profile migrations were announced: Rocket Fuel Inc. will be relocating from Midtown into 41,982 square feet at 195 Broadway and Mic Network Inc., the online media outlet, leased the entire 82nd floor, or 36,099 square feet, at One World Trade Center.

With no new large blocks of space added to the inventory in the first quarter, Class A vacancy drifted lower to 11.6 percent from 12.0 percent at year-end. Year-over-year, Downtown's Class A vacancy rate dropped to 11.5 percent from 13.5 percent in the first quarter of 2015. The City Hall/Tribeca submarket, which shares many of the same characteristics as Midtown South's creative inventory, sustained the lowest vacancy rate of 8.1 percent.

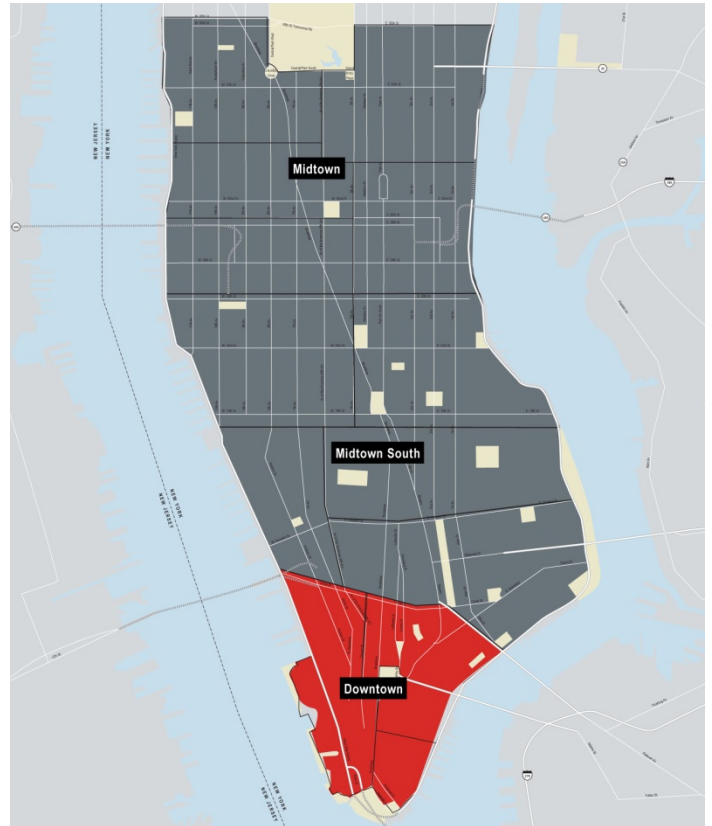
Average asking rents in Lower Manhattan, which have surged in recent years, rose slightly to \$57.73 per square foot this quarter, an increase of less than 1.0 percent from \$57.60 per square foot at year-end 2015. Year-over-year, the submarket's overall rates grew 2.6 percent from \$56.25 per square foot in the first quarter of 2015. Class A average asking rents grew to \$62.72 per square foot in the first quarter of 2016, an increase of less than 1.0 percent from \$62.54 per square foot in the previous quarter. The Downtown Class A asking rent rose 2.3 percent year-over-year from \$61.33 per square foot.

A portion of the World Trade Center Transportation Hub, the soaring and highly-anticipated station designed by Santiago Calatrava, opened in March as the overall complex continues to take shape. The grandiose complex—designed to improve pedestrian mobility to the Trade Center, Brookfield Place and the newly delivered Fulton Center—will connect several subway lines and the New Jersey PATH to a single hub.

## Market outlook

Demand remains strong for Class B and other value space Downtown, which could drive vacancy lower and absorption higher through the end of year. For many tenants constrained to Manhattan either as part of their mission or for logistical reasons, Downtown is often the last

## Submarket boundaries map

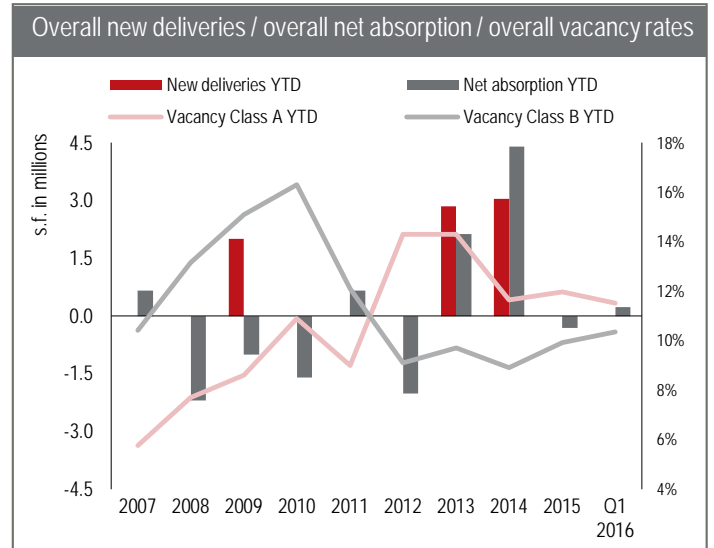
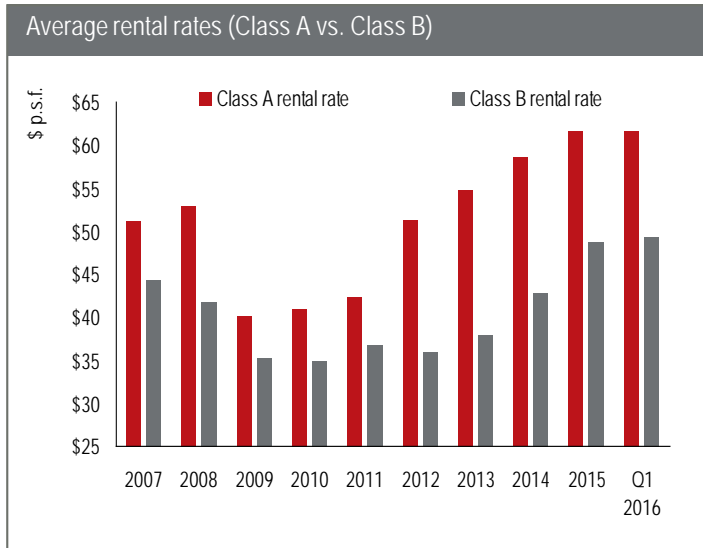


### Key market indicators—Q1 2016

Stock	➡	96,294,748 s.f.
Overall net absorption	⬇	234,868 s.f.
Overall vacancy rate	➡	11.1%
Average asking rent	⬆	\$57.73 p.s.f.
Under construction	➡	2,861,402 s.f.

affordable option. Near-term future availabilities for Class A product—with the exception of Three World Trade Center—are beginning to dwindle. While some major tenants could be giving back space in the next few years, most options for tenants in the market are reflected in the current vacancy rate.

# Downtown



**Significant lease transactions**

McGraw Hill Financial 55 Water Street	Class A 900,027 s.f.
NY Life Insurance 120 Broadway	Class B 53,818 s.f.
ABM 1 Liberty Plaza	Class A 44,025 s.f.
Rocket Fuel 195 Broadway	Class B 41,982 s.f.

**Large availabilities**

375 Pearl Street	Class B 762,612 s.f.
4 World Trade Center	Class A 732,955 s.f.
1 World Trade Center	Class A 714,351 s.f.
180 Maiden Lane	Class A 683,667 s.f.

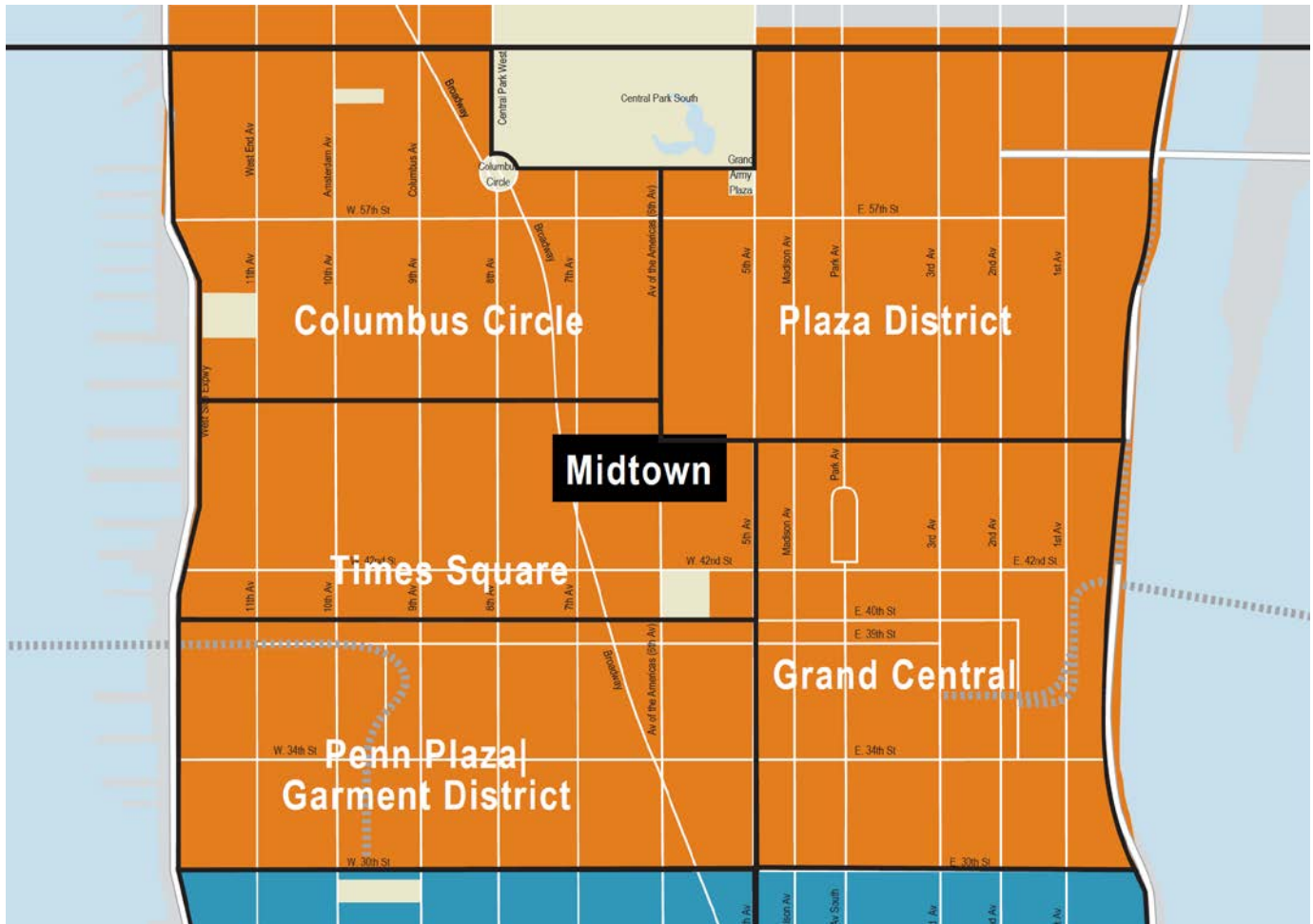
**Recent sales transactions**

388-390 Greenwich Street 2,634,670 s.f.	Class A \$759 p.s.f.
--	-------------------------

# New York Midtown



## New York Midtown boundaries



### Columbus Circle

South of West 66th Street, west of Central Park West and Avenue of the Americas, north of West 50th Street, east of the Hudson River.

### Plaza District

South of East 65th Street, west of the East River, north of 47th Street, east of Avenue of the Americas.

### Grand Central

South of East 47th Street, north of East 30th Street, east of Fifth Avenue.

### Times Square

South of West 50th Street, west of Avenue of the Americas, north of West 40th Street, east of the Hudson River.

### Penn Plaza / Garment

South of 40th Street, west of Fifth Avenue, north of 30th Street, east of the Hudson River.

# Midtown

## Quarter in review

The first months of the year were met with caution in Midtown as renewal activity increased and some landlords adjusted pricing in several buildings. Midtown leasing activity, though a bit lighter than last year, continued to outperform the larger Manhattan market. Year-to-date, six of the eight leases sized 100,000 square feet and greater were signed in Midtown, similar to eight of the ten large-block leases signed in the first quarter of last year. Renewals have returned this quarter, accounting for half of the top ten leases in stark contrast to the first quarter of last year, when two of the top ten leases were renewals.

Large renewals signed in the first quarter include DLA Piper at 1251 Avenue of the Americas, Omnicom Group, Inc. at 220 East 42nd Street, UBS at 299 Park Avenue and Mitsui & Company at 200 Park Avenue. The largest transaction of the quarter, however, was Salesforce's sublease of 202,678 square feet at 1095 Avenue of the Americas from MetLife. As part of the sublease, Salesforce will take over the signage on the building. MetLife is vacating the space as it consolidates several New York offices (1095 Avenue of the Americas, 277 Park Avenue and 27-01 Queens Plaza North) into one location at 200 Park Avenue where it expanded by 495,551 square feet in the first quarter of last year. It was announced that Citadel will relocate to approximately 200,000 square feet at 425 Park Avenue from 601 Lexington Avenue. The commitment marks the first pre-leasing engagement at 425 Park Avenue, which is currently undergoing an extensive renovation scheduled for completion in 2018.

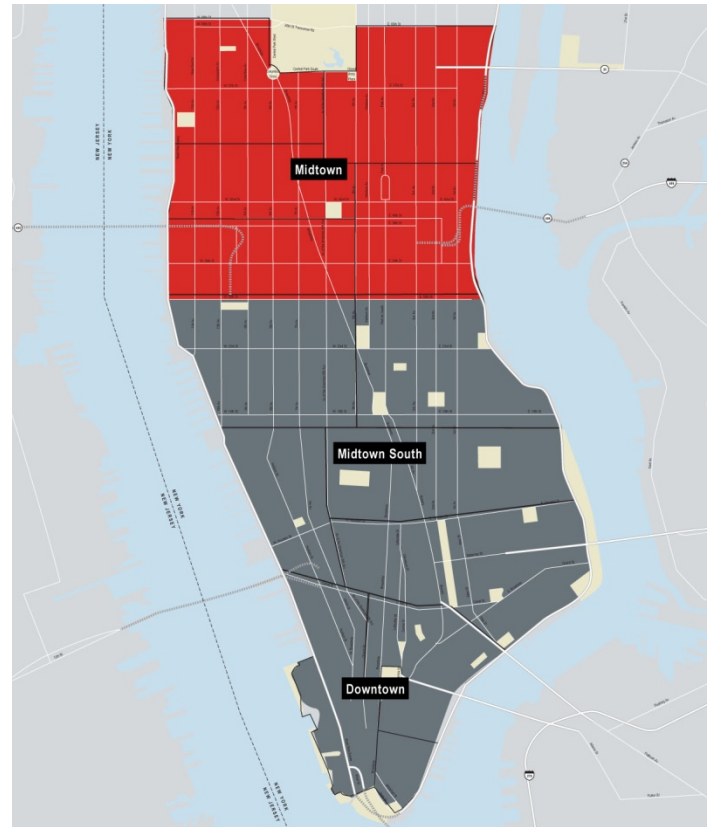
With the return of large blocks to the market, the Midtown Class A vacancy rate increased for the sixth consecutive month to 11.6 percent, up from a recent low of 9.8 percent recorded in September 2015. Large blocks added to the market in the first quarter include 390 Madison Avenue (the overhaul of 380 Madison Avenue slated for completion in early 2017) and space vacated by the Associated Press at 5 Manhattan West (the redeveloped 450 West 33rd Street.)

In the face of rising vacancy, some landlords have begun reducing rents in Midtown. New construction and existing space returning to the market in top-tier buildings like 390 Madison Avenue and 250 West 55th Street, however, outweighed the reductions. The Midtown Class A average asking rent recorded a 1.0 percent increase to \$81.09 per square foot in the first quarter, despite a dip in February. The Midtown overall average asking rent recorded greater gains—2.4 percent year-to-date to \$74.98 per square foot—as demand for Class B space has tightened vacancy.

## Market outlook

Despite the stock market's steady recovery, tenants and landlords may remain cautious in the near term as political and economic uncertainty is anticipated to weigh on the market through 2016. Activity, however, will not come to a halt. Renewals will likely lead large-block leasing activity in Midtown in the near-term as tenants opt to defer any major

## Submarket boundaries map



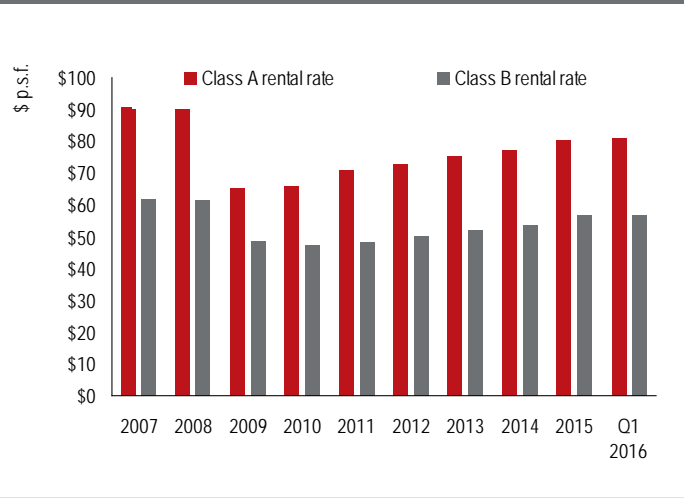
### Key market indicators—Q1 2016

Stock		286,999,780 s.f.
Overall net absorption		-1,479,896 s.f.
Overall vacancy rate		10.4%
Average asking rent		\$74.98 p.s.f.
Under construction		9,931,816 s.f.

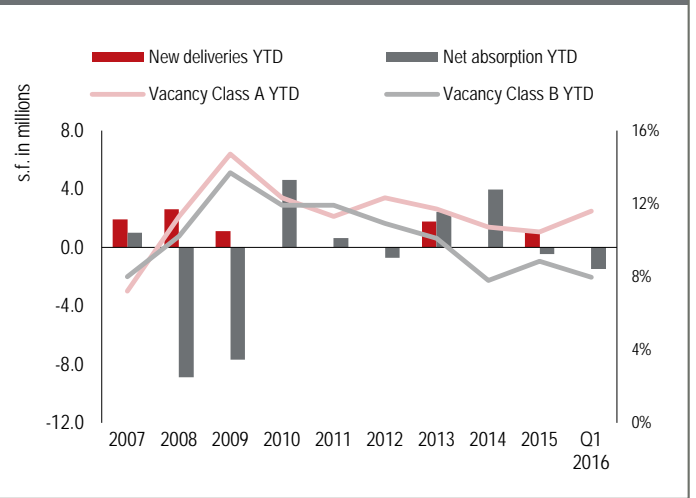
decisions to a later date. With several new construction projects slated for completion in 2018 and beyond, tenants with longer-term lease expirations may find a more favorable market. The impact to future vacancy, though, may not be as great as projected since pre-commitments have already removed a few upcoming projects from availability, including 10 and 30 Hudson Yards. Further pre-commitments for new construction could temper the impact expected on the market.

# Midtown

Average rental rates (Class A vs. Class B)



Overall new deliveries / overall net absorption / overall vacancy rates



## Significant lease transactions

Salesforce 1095 Avenue of the Americas	202,678 s.f.
Citadel 425 Park Avenue	200,000 s.f.
DLA Piper 1251 Avenue of the Americas	199,140 s.f.
Omnicom Group 60 East 42nd Street	167,003 s.f.
ING Financial 1133 Avenue of the Americas	132,400 s.f.

## Large availabilities

390 Madison Avenue	Class A 843,710 s.f.
4 Times Square	Class A 817,252 s.f.
75 Rockefeller Plaza	Class A 568,505 s.f.
222 East 41st Street	Class A 376,765 s.f.

## Recent sales transactions

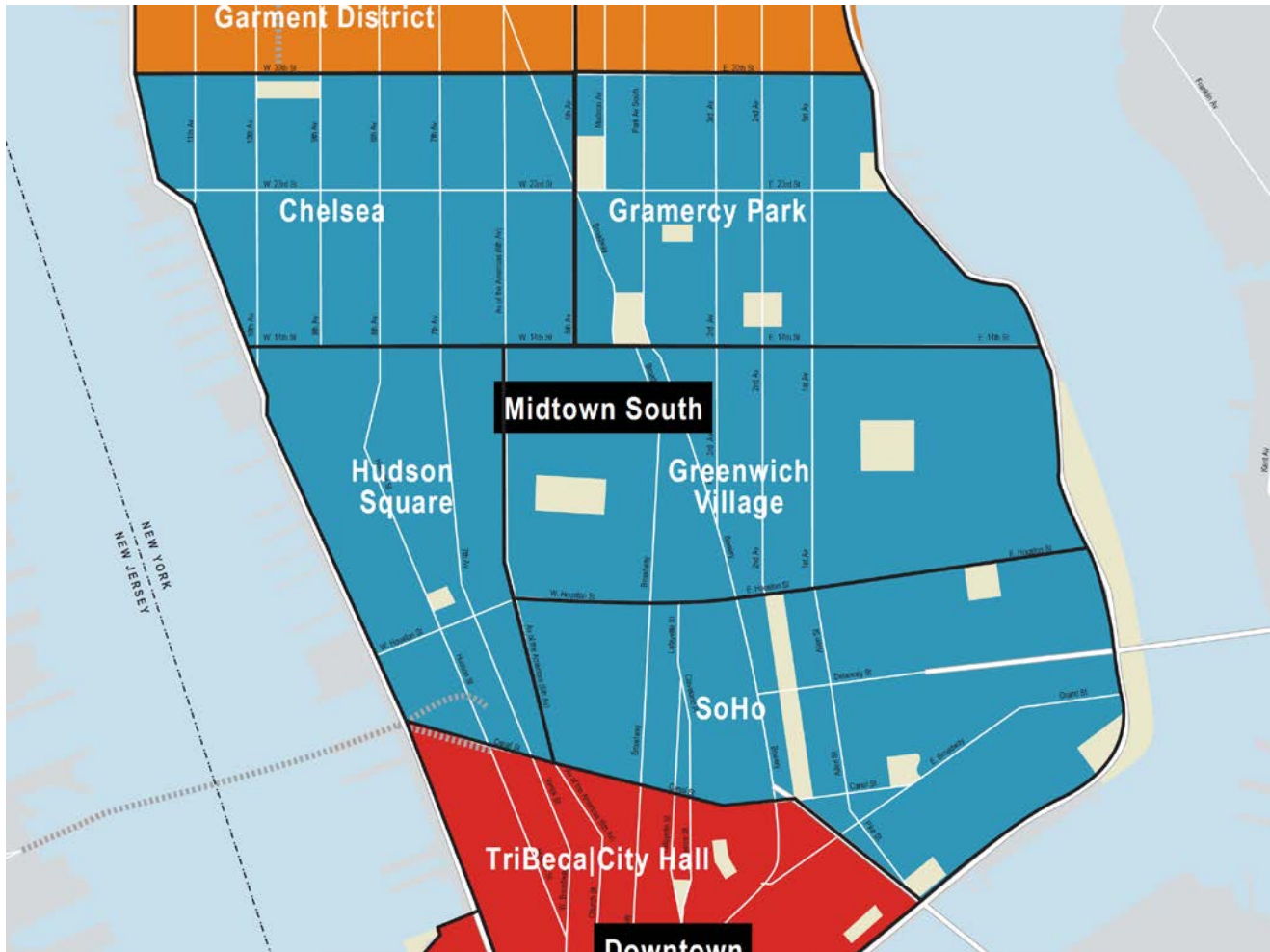
787 Seventh Avenue 1,761,781 s.f.	Class A \$1,097 p.s.f.
5 Times Square (50% interest) 1,101,779 s.f.	Class A \$1,452 p.s.f.

## New York Midtown South





## New York Midtown South boundaries



### Chelsea

South of 30th Street, west of Fifth Avenue, north of 14th Street and east of the Hudson River.

### Gramercy Park

South of 30th Street, west of the East River, north of 14th Street and east of Fifth Avenue.

### Greenwich Village

North of Houston Street, south of 14th Street, west of the East River and east of Avenue of the Americas.

### Hudson Square

South of 14th Street, west of Avenue of the Americas, north of Canal Street and east of the Hudson River.

### SoHo

South of Houston Street, west of the East River, north of Canal Street, and east of Avenue of the Americas.

# Midtown South

## Quarter in review

Although Midtown South remains one of the tightest markets in the country—with a Class A vacancy rate of 5.9 percent—leasing activity has slowed and rent growth has flattened even as it reaches historic highs. Still, demand was strong in the first quarter as the market continued to attract and retain marquee players in the tech sector and other creative industries.

In the largest lease of the year, Facebook continued its massive expansion in Manhattan in a 200,668-square-foot commitment at 225 and 233 Park Avenue South, which are currently undergoing significant renovations to combine the two buildings. NY1 News renewed its lease at 75 Ninth Avenue, otherwise known as Chelsea Market, for 82,870 square feet. Additionally, two leases were signed with rents in excess of \$100 per square foot this quarter. Facebook expanded its footprint at 770 Broadway onto an additional 79,735-square-foot floor previously occupied by J.Crew. The social media giant now occupies 356,992 square feet in the fully-occupied building, which is more than triple the amount it originally committed to three years ago. The second above-market lease was inked by Todd Street Productions Inc. in a short-term renewal for 17,052 square feet at Google's 111 Eighth Avenue.

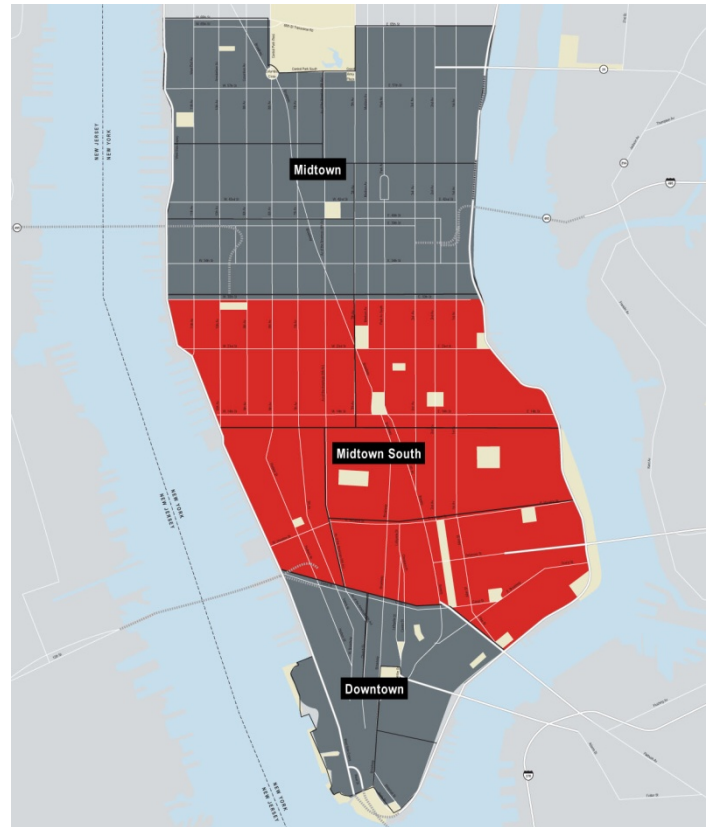
Class A vacancy increased 0.3 percentage points from last quarter to 5.9 percent as the result of new inventory: 161 Avenue of the Americas and 233 Spring Street, which will be combined under the name "One SoHo Square," were added to Hudson Square's inventory. Class B vacancy rose 0.9 percentage points to 7.6 percent as a result of space added in Chelsea and Hudson Square. As blocks of Class A space remain scarce, landlords of Class B buildings have seized the opportunity to implement significant capital improvement programs to improve lobbies and provide amenities that facilitate the live, work, play environment which creative tenants factor heavily during real estate decisions. A prime example is Two Trees Management's 50 West 23rd Street which has become a hot spot for technology companies upon the completion of its \$25 million renovation. Two Trees Management signed online employee training platform Grovo for 70,140 square feet and Dropbox for 31,270 square feet this quarter.

Only two large blocks—those that exceed 100,000 square feet—are currently available in the market after the majority of space that was available at 225 Park Avenue South and 50 West 23rd Street was leased this quarter. Overall vacancy rose 0.6 percentage points from year-end 2015 to 6.9 percent, with vacancy increasing slightly in all submarkets with the exception of SoHo. Vacancy is expected to remain low despite several new developments under construction or slated for delivery in the next few years as these projects are small in size and priced at the top of the market.

Class A and Class B rents both increased by 1.5 percent quarter-over-quarter to \$79.59 and \$63.04 per square foot, respectively. Although overall rents increased slightly to \$68.61 per square foot, the rate of growth in Midtown South is decelerating as warnings arise of a potential pullback in venture capital funding and firms raising less capital.

As a result of low vacancy, Midtown South recorded its lightest quarter of leasing activity, totaling approximately 870,332 square feet, since

## Submarket boundaries map



### Key market indicators—Q1 2016

Stock	➡	66,578,378 s.f.
Overall net absorption	▼	-335,890 s.f.
Overall vacancy rate	▲	6.9%
Average asking rent	▲	\$68.61 p.s.f.
Under construction	➡	1,560,192 s.f.

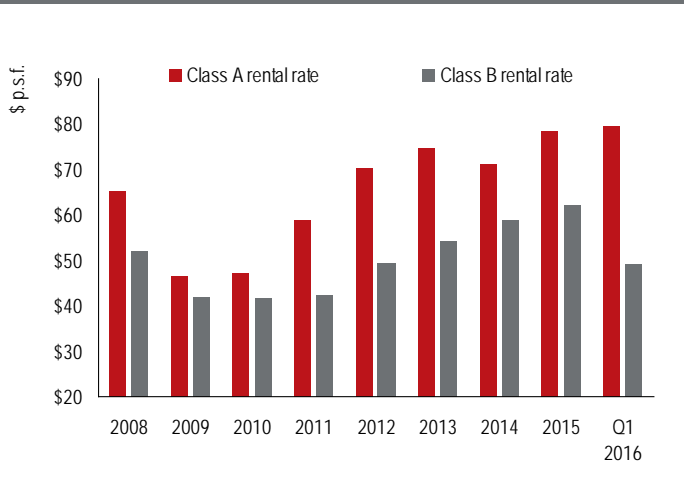
the fourth quarter of 2010. Ongoing demand will be tested in the submarket as space is priced at the top of the Midtown South market.

## Market outlook

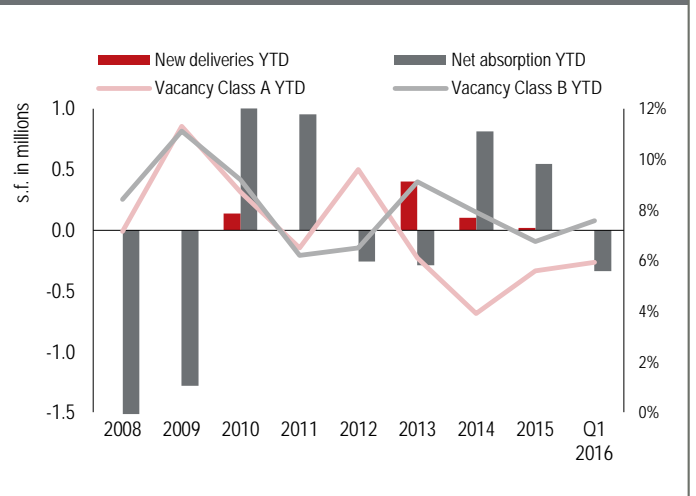
Midtown South's growth industry, the tech sector, began to show some signs of a slowdown, both in hiring and venture capital inflows at the end of 2015. The San Francisco office market, often seen as an early indicator for Midtown South, has recorded a significant jump in marketed sublease space among technology companies. A similar increase in excess space may occur in the New York market as consolidation occurs throughout the industry or as tenants can no longer rationalize the higher rents as available funding tightens.

# Midtown South

Average rental rates (Class A vs. Class B)



Overall new deliveries / overall net absorption / overall vacancy rates



Significant lease transactions

Facebook 225 & 233 Park Avenue South	Class A 200,668 s.f.
NY1 News 75 Ninth Avenue	Class A 82,870 s.f.
Facebook 770 Broadway	Class A 79,735 s.f.
Grovo 50 West 23rd Street	Class B 70,140 s.f.

Large availabilities

233 Spring Street	Class B 132,191 s.f.
261-271 Eleventh Avenue	Class B 100,000 s.f.

Recent sales transactions

63 Madison Avenue (49% interest) 815,000 s.f.	Class A \$727 p.s.f.
430 West 15th Street 85,202 s.f.	Class A \$1,643 p.s.f.

# New York appendix

Statistics

Contiguous space

New construction and map

Glossary



## New York Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Direct vacancy (%)	Total vacancy (%)	Average asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Columbus Circle	Totals	25,296,466	-101,341	-101,341	-0.4%	5.4%	6.8%	\$69.77	0	0
Grand Central	Totals	72,205,869	-1,142,456	-1,142,456	-1.6%	10.4%	12.1%	\$69.35	0	858,710
Penn Plaza/Garment	Totals	46,189,228	-340,966	-340,966	-0.7%	8.3%	10.3%	\$63.44	0	8,403,106
Plaza District	Totals	103,086,508	-167,236	-167,236	-0.2%	8.9%	10.3%	\$86.27	0	670,000
Times Square	Totals	40,221,709	272,103	272,103	0.7%	8.8%	10.1%	\$74.77	0	0
<b>Midtown</b>	<b>Totals</b>	<b>286,999,780</b>	<b>-1,479,896</b>	<b>-1,479,896</b>	<b>-0.5%</b>	<b>8.8%</b>	<b>10.4%</b>	<b>\$74.98</b>	<b>0</b>	<b>9,931,816</b>
Chelsea	Totals	23,417,520	-112,898	-112,898	-0.5%	4.8%	6.0%	\$59.37	0	739,779
Gramercy Park	Totals	21,982,308	-1,269	-1,269	0.0%	6.2%	7.4%	\$73.21	0	0
Greenwich Village	Totals	5,801,496	-78,633	-78,633	-1.4%	1.9%	3.7%	\$66.77	0	0
Hudson Square	Totals	10,646,931	-83,214	-83,214	-0.8%	8.5%	9.9%	\$74.41	0	820,413
SoHo	Totals	4,730,123	-59,876	-59,876	-1.3%	4.7%	6.1%	\$73.74	0	0
<b>Midtown South</b>	<b>Totals</b>	<b>66,578,378</b>	<b>-335,890</b>	<b>-335,890</b>	<b>-0.5%</b>	<b>5.6%</b>	<b>6.9%</b>	<b>\$68.61</b>	<b>0</b>	<b>1,560,192</b>
Financial District	Totals	37,695,289	-1,469	-1,469	0.0%	10.3%	11.1%	\$52.95	0	0
Tribeca/City Hall	Totals	17,721,155	-53,629	-53,629	-0.3%	7.8%	8.1%	\$49.61	0	0
Water Street Corridor	Totals	22,475,340	103,105	103,105	0.5%	7.5%	10.8%	\$51.89	0	0
World Trade Center	Totals	18,402,964	186,861	186,861	1.0%	13.2%	14.0%	\$75.40	0	2,861,402
<b>Downtown</b>	<b>Totals</b>	<b>96,294,748</b>	<b>234,868</b>	<b>234,868</b>	<b>0.2%</b>	<b>9.7%</b>	<b>11.1%</b>	<b>\$57.73</b>	<b>0</b>	<b>2,861,402</b>
<b>New York City</b>	<b>Totals</b>	<b>449,872,906</b>	<b>-1,580,918</b>	<b>-1,580,918</b>	<b>-0.4%</b>	<b>8.5%</b>	<b>10.0%</b>	<b>\$70.18</b>	<b>0</b>	<b>14,353,410</b>
Columbus Circle	A	17,370,464	-140,619	-140,619	-0.8%	6.2%	7.9%	\$74.98	0	0
Grand Central	A	39,504,012	-1,192,154	-1,192,154	-3.0%	14.0%	15.9%	\$74.98	0	858,710
Penn Plaza/Garment	A	18,095,692	-284,538	-284,538	-1.6%	10.3%	12.2%	\$72.49	0	8,403,106
Plaza District	A	85,911,374	-279,644	-279,644	-0.3%	9.7%	11.2%	\$88.47	0	670,000
Times Square	A	31,959,230	271,624	271,624	0.8%	8.3%	9.1%	\$80.43	0	0
<b>Midtown</b>	<b>A</b>	<b>192,840,772</b>	<b>-1,625,331</b>	<b>-1,625,331</b>	<b>-0.8%</b>	<b>10.1%</b>	<b>11.6%</b>	<b>\$81.09</b>	<b>0</b>	<b>9,931,816</b>
Chelsea	A	10,592,111	37,439	37,439	0.4%	1.5%	2.2%	\$70.31	0	739,779
Gramercy Park	A	10,721,487	-32,611	-32,611	-0.3%	7.4%	8.3%	\$78.66	0	0
Greenwich Village	A	1,915,423	-6,783	-6,783	-0.4%	1.2%	1.2%	\$75.00	0	0
Hudson Square	A	4,589,421	-7,959	-7,959	-0.2%	9.6%	10.7%	\$96.26	0	820,413
SoHo	A	964,765	9,113	9,113	0.9%	4.2%	6.4%	\$72.87	0	0
<b>Midtown South</b>	<b>A</b>	<b>28,783,207</b>	<b>-801</b>	<b>-801</b>	<b>0.0%</b>	<b>5.1%</b>	<b>5.9%</b>	<b>\$79.59</b>	<b>0</b>	<b>1,560,192</b>
Financial District	A	14,246,623	7,135	7,135	0.1%	11.3%	11.8%	\$58.57	0	0
Tribeca/City Hall	A	4,372,411	0	0	0.0%	0.5%	0.5%	\$60.00	0	0
Water Street Corridor	A	20,941,226	54,826	54,826	0.3%	8.0%	11.5%	\$51.96	0	0
World Trade Center	A	18,402,964	186,861	186,861	1.0%	13.2%	14.0%	\$75.40	0	2,861,402
<b>Downtown</b>	<b>A</b>	<b>57,963,224</b>	<b>248,822</b>	<b>248,822</b>	<b>0.4%</b>	<b>9.9%</b>	<b>11.5%</b>	<b>\$62.72</b>	<b>0</b>	<b>2,861,402</b>
<b>New York City</b>	<b>A</b>	<b>279,587,203</b>	<b>-1,377,310</b>	<b>-1,377,310</b>	<b>-0.5%</b>	<b>9.5%</b>	<b>11.0%</b>	<b>\$76.88</b>	<b>0</b>	<b>14,353,410</b>
Columbus Circle	B	7,926,002	39,278	39,278	0.5%	3.6%	4.6%	\$50.23	0	0
Grand Central	B	32,701,857	49,698	49,698	0.2%	6.1%	7.4%	\$54.32	0	0
Penn Plaza/Garment	B	28,093,536	-56,428	-56,428	-0.2%	7.0%	9.0%	\$55.47	0	0
Plaza District	B	17,175,134	112,408	112,408	0.7%	4.5%	5.8%	\$64.05	0	0
Times Square	B	8,262,479	479	479	0.0%	10.9%	13.9%	\$60.53	0	0
<b>Midtown</b>	<b>B</b>	<b>94,159,008</b>	<b>145,435</b>	<b>145,435</b>	<b>0.2%</b>	<b>6.3%</b>	<b>8.0%</b>	<b>\$56.71</b>	<b>0</b>	<b>0</b>
Chelsea	B	12,825,409	-150,337	-150,337	-1.2%	7.5%	9.0%	\$57.14	0	0
Gramercy Park	B	11,260,821	31,342	31,342	0.3%	5.0%	6.5%	\$66.46	0	0
Greenwich Village	B	3,886,073	-71,850	-71,850	-1.8%	2.2%	5.0%	\$65.65	0	0
Hudson Square	B	6,057,510	-75,255	-75,255	-1.2%	7.7%	9.2%	\$65.88	0	0
SoHo	B	3,765,358	-68,989	-68,989	-1.8%	4.9%	6.0%	\$73.98	0	0
<b>Midtown South</b>	<b>B</b>	<b>37,795,171</b>	<b>-335,089</b>	<b>-335,089</b>	<b>-0.9%</b>	<b>6.0%</b>	<b>7.6%</b>	<b>\$63.04</b>	<b>0</b>	<b>0</b>
Financial District	B	23,448,666	-8,604	-8,604	0.0%	9.6%	10.7%	\$49.15	0	0
Tribeca/City Hall	B	13,348,744	-53,629	-53,629	-0.4%	10.2%	10.7%	\$49.46	0	0
Water Street Corridor	B	1,534,114	48,279	48,279	3.1%	0.4%	1.7%	\$45.48	0	0
World Trade Center	B	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0
<b>Downtown</b>	<b>B</b>	<b>38,331,524</b>	<b>-13,954</b>	<b>-13,954</b>	<b>0.0%</b>	<b>9.5%</b>	<b>10.3%</b>	<b>\$49.23</b>	<b>0</b>	<b>0</b>
<b>New York City</b>	<b>B</b>	<b>170,285,703</b>	<b>-203,608</b>	<b>-203,608</b>	<b>-0.1%</b>	<b>6.9%</b>	<b>8.4%</b>	<b>\$55.89</b>	<b>0</b>	<b>0</b>

## Midtown buildings with large contiguous blocks of space

A	A	A	A	B
A	A	A	A	
A	A	A	A	
A	A	A	A	
A	A	A	B	
A	A	A	B	
A	A	A	B	
A	A	A	B	
A	A	A	B	
A	A	A	B	

### 41 Blocks 9,070,414 s.f.

390 Madison Avenue – 843,710 s.f.

4 Times Square – 817,252 s.f.

75 Rockefeller Plaza – 568,505 s.f.

222 East 41st Street – 376,765 s.f.

575 Fifth Avenue – 367,585 s.f.

285 Madison Avenue – 365,029 s.f.

5 Manhattan West – 306,004 s.f.

9 West 57th Street – 278,200 s.f.

Tower 46 (55 West 46th Street) – 259,668 s.f.

1271 Avenue of the Americas – 238,192 s.f.

237 Park Avenue – 230,566 s.f.

1633 Broadway – 212,122 s.f.

485 Lexington Avenue – 210,373 s.f.

65 East 55th Street – 208,049 s.f.

335 Madison Avenue – 190,824 s.f.

7 Bryant Park – 184,751 s.f.

One Park Avenue – 177,267 s.f.

1325 Avenue of the Americas – 171,697 s.f.

1345 Avenue of the Americas – 169,226 s.f.

11 Times Square – 162,968 s.f.

12 East 49th Street – 159,306 s.f.

110 East 60th Street – 156,917 s.f.

111 West 33rd Street – 156,862 s.f.

622 Third Avenue – 153,837 s.f.

1501 Broadway – 147,108 s.f.

405 Lexington Avenue – 145,813 s.f.

350 Madison Avenue – 133,830 s.f.

1675 Broadway – 132,724 s.f.

5 Manhattan West – 129,480 s.f.

1301 Avenue of the Americas – 128,708 s.f.

1211 Avenue of the Americas – 127,672 s.f.

114 West 41st Street – 127,412 s.f.

1 Penn Plaza – 122,686 s.f.

135 West 50th Street – 122,589 s.f.

2 Herald Square – 122,057 s.f.

237 Park Avenue – 121,812 s.f.

5 Bryant Park – 120,698 s.f.

31 West 52nd Street – 115,230 s.f.

424-438 West 33rd Street – 103,343 s.f.

530 Fifth Avenue – 101,942 s.f.

335 Madison Avenue – 101,635 s.f.

## Midtown South buildings with large contiguous blocks of space

A

B

---

### ***2 Blocks: 232,191 s.f.***

233 Spring Street – 132,191 s.f.

261-271 Eleventh Avenue – 100,000 s.f.

## Downtown buildings with large contiguous blocks of space

A	A	B
A	A	
A	A	
A	A	
A	A	
A	A	
A	B	
A	B	
A	B	
A	B	

**21 Blocks: 5,903,431 s.f.**

- 375 Pearl Street – 762,612 s.f.
- 4 World Trade Center – 732,955 s.f.
- 1 World Trade Center – 714,351 s.f.
- 180 Maiden Lane – 683,667 s.f.
- 28 Liberty Street – 477,922 s.f.
- 195 Broadway – 289,181 s.f.
- 1 Liberty Plaza – 263,509 s.f.
- 200 Vesey Street – 201,580 s.f.
- 55 Water Street – 190,879 s.f.
- 1 State Street – 188,213 s.f.
- 1 Liberty Plaza – 156,230 s.f.
- 300 Vesey Street – 150,580 s.f.
- 28 Liberty Street – 139,972 s.f.
- 28 Liberty Street – 138,984 s.f.
- 1 World Trade Center – 125,955 s.f.
- 233 Broadway – 121,944 s.f.
- 17 Battery Place North – 121,189 s.f.
- 60 Hudson Street – 120,000 s.f.
- 85 Broad Street – 115,221 s.f.
- 1 World Trade Center – 104,420 s.f.
- 1 New York Plaza – 104,067 s.f.

*Contiguous blocks greater than 100,000 square feet*




## Market CBD under construction




Market/building	Class	Developer/owner	RBA	Pre-leased	Major tenants signed	Delivery date
<b>CBD</b>						
<b>Downtown</b>						
Three World Trade Center	Trophy	Silverstein Properties	2,861,402 s.f.	37.0%	GroupM	2018
<b>Midtown</b>						
30 Hudson Yards	Trophy	Related Companies	2,600,000 s.f.	100.0%	Time Warner, KKR, Wells Fargo	2019
1 Manhattan West	Trophy	Brookfield Properties	2,300,000 s.f.	32.5%	Skadden	2019
10 Hudson Yards	Trophy	Related Companies	1,725,250 s.f.	92.8%	Coach, L'Oréal, SAP, BCG, Sidewalk Labs	2016
55 Hudson Yards	Trophy	Related Companies / Mitsui Fudosan	1,556,136 s.f.	5.4%	Boies, Schiller & Flexner	2018
390 Madison Avenue	Trophy	L&L Holding Company	858,710 s.f.	0.0%	N/A	2017
425 Park Avenue	Trophy	L&L Holding Company	670,000 s.f.	29.9%	Citadel	2018
855 Avenue of the Americas	A	The Durst Organization	204,950 s.f.	70.8%	Nike	2016
<b>Midtown South</b>						
One SoHo Square	A	Rockpoint Group / Stellar Management	700,000 s.f.	11.4%	Warby Parker	2016
510 West 22nd Street	A	Vornado Realty Trust / Albanese Organization	174,200 s.f.	0.0%	N/A	2017
61 Ninth Avenue	A	Vornado Realty Trust / Aurora Capital	165,000 s.f.	0.0%	N/A	2017
540 West 26th Street	A	Savanna	163,000 s.f.	52.4%	Avenues: The World School	2017
125 West 25th Street	A	Normandy Real Estate Partners	138,021 s.f.	29.5%	Peloton	2016
860 Washington Street	A	Romanoff Equities	120,413 s.f.	18.1%	Delos	2016
430 West 15th Street	A	Atlas Capital Group	99,558 s.f.	100.0%	Palantir Technologies	2016
<b>CBD totals</b>			<b>14,353,410 s.f.</b>	<b>47.2%</b>		

## Manhattan CBD select sales


*Downtown 388-390 Greenwich Street*

	Class	A
	RBA	2,634,670 s.f.
	Buyer	Citigroup
	Seller	SL Green Realty
	Price per s.f.	\$759
	Date sold	January 2016


*Midtown 787 Seventh Avenue*

	Class	A
	RBA	1,761,781 s.f.
	Buyer	CalPERS
	Seller	AXA Investment
	Price per s.f.	\$1,097
	Date sold	February 2016

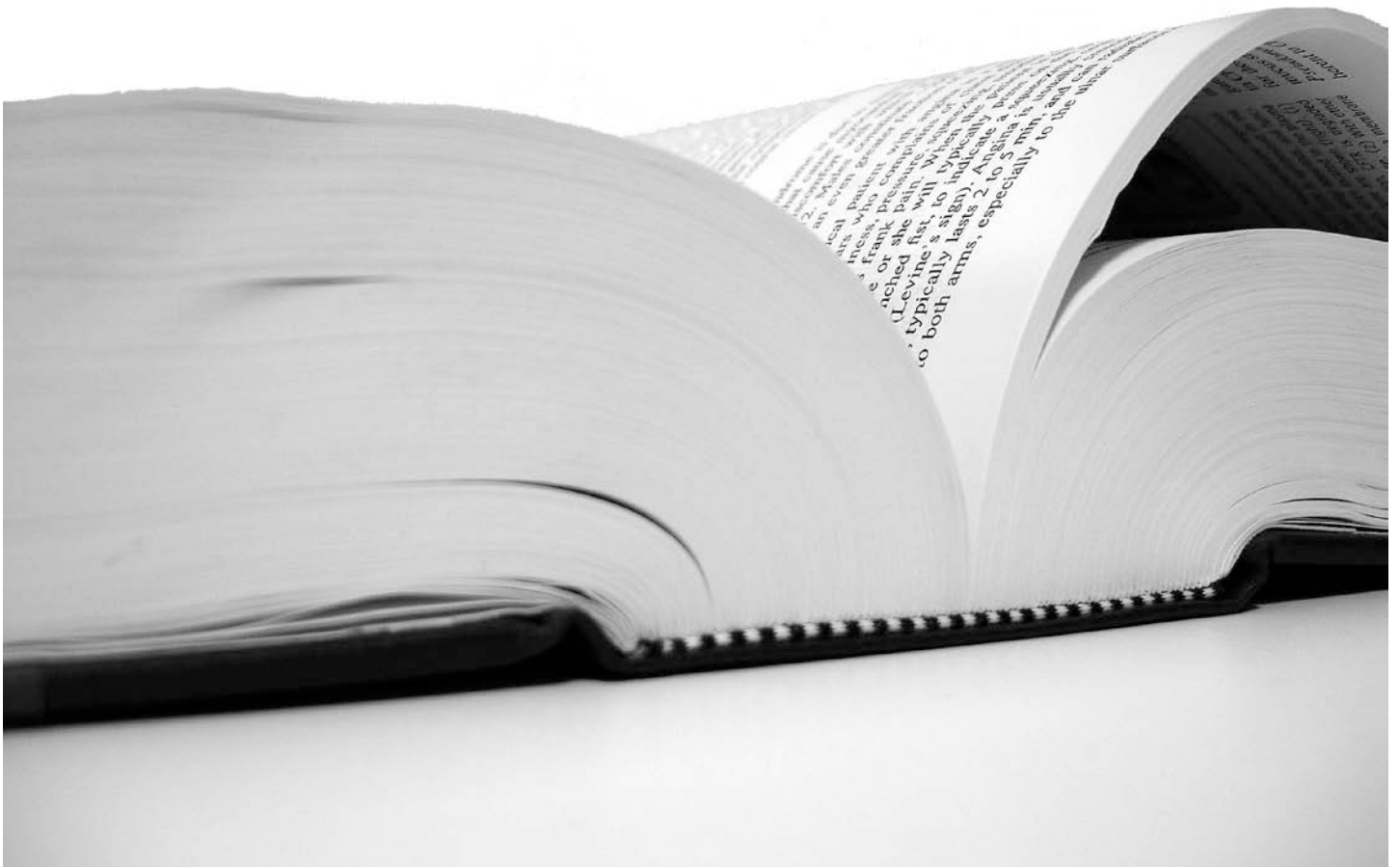
*Midtown 5 Times Square (50% interest)*

	Class	A
	RBA	1,101,779 s.f.
	Buyer	RXR Realty
	Seller	David Werner
	Price per s.f.	\$1,452
	Date sold	February 2016

*Midtown South 63 Madison Avenue (49% interest)*

	Class	A
	RBA	815,000 s.f.
	Buyer	Jamestown Properties
	Seller	George Comfort & Sons / Loeb Partners Realty
	Price per s.f.	\$727
	Date sold	February 2016

# Glossary



## Common real estate terms

**Active requirements:** Tenants actively seeking space in the market

**Average asking rent:** Quoted at a gross price exclusive of tenant electricity based on a weighted average of available space

**Available space:** Existing space that is being actively marketed for immediate or future occupancy, including both direct and sublease space

**Build-out:** The cost of configuring and finishing new space in accordance with a tenant's specifications

**Build to suit:** A method of leasing property whereby the landlord builds a new building in accordance with a tenant's specifications

**Capital improvement:** Any major physical development or redevelopment to a property that extends the life of the property. Examples include upgrading the elevators, replacement of the roof and renovations of the lobby

**Class:** Building classification system broken down by Trophy, Class A, B and C buildings. Location, building amenities, mechanical/HVAC systems, age of building and tenant roster are some of the components that determine an office building's class

**Concessions:** Cash expended by the landlord in the form of rent abatement, build-out allowance or other payments to induce the tenant to sign a lease. The level of concessions fluctuates with supply and demand conditions in the market and is up for negotiation in a similar fashion to rental rates

**Contiguous space:** Adjoining office space

**Delivered buildings:** Buildings that have completed construction and are ready for tenant build-out. May or may not yet have a Certificate of Occupancy

**Direct rent:** Rents quoted directly from the landlord on vacant space

**Effective rent:** The rental rate actually achieved by the landlord or tenant after deducting the value of concessions from the base rental rate paid; usually expressed as an average rate over the term of the lease

**Face rental rate:** The "asking" or nominal rental rate published by the landlord

**Gross leases:** The quoted rents include tax and operating costs (property taxes, insurance and maintenance expenses)

**Hard cost:** The cost of actually constructing property improvements  
Indirect (soft) costs: Development costs other than material and labor costs, which are directly related to the construction of improvements, including administrative and office expenses, commissions, architectural, engineering and financing costs

**Lease:** A legally binding agreement whereby the owner of real property (i.e., landlord) gives the right of possession to another (i.e., tenant) for a specified period of time (i.e., term) and for a specified consideration (i.e., rent)

**Leased space:** Existing space under contract, regardless of if it is occupied; also includes subleased space

**NNN leases:** The quoted rents do not include tax and operating costs (property taxes, insurance and maintenance expenses)

**Net absorption:** Net change in occupied space between two dates measured as square footage. (i.e. a measure of the total square feet leased over a period of time taking into consideration office space vacated in the same area during the same period)

**Occupied space:** Total supply minus available space

**Operating expense:** The actual costs associated with operating a property, including maintenance, repairs, management, utilities, taxes and insurance

**Preleased space:** Space that has been leased prior to construction completion date or Certificate of Occupancy date

**Proposed construction:** Buildings are proposed when permits are in place, site is being actively marketed but significant base building has not yet commenced. Proposed asking rents are not included in market calculations

**Shell space:** The interior condition of the tenant's usable square footage when it is without improvements or finishes. Shell construction typically denotes the floor, windows, walls and roof of an enclosed premises and may include some HVAC, electrical or plumbing improvements but not demising walls or interior space partitioning

**Sublease space:** Leased space that is being actively marketed by the tenant under contract to another party

**Tenant at will:** One who holds possession of premises by permission of the owner or landlord, but without agreement for a fixed term

**Tenant improvement allowance (TI):** Improvements to land or buildings to meet the needs of tenants. May be new improvements or remodeling, and may be paid for by the landlord, the tenant, or shared

**Total supply:** The entire area of an office building comprised of both usable space and an allocated portion of the common area

**Turn key project:** A project in which the developer is responsible for the total completion of a building (including interior design and construction) or demised premises to the customized requirements of a future owner or tenant

**Under construction:** Buildings are under construction when significant work is underway from ground up development (i.e. steel is going up)

**Under renovation / rehab:** Buildings are under renovation / rehab when significant base building renovation is underway

**Vacant space:** Direct existing space being actively marketed for immediate occupancy as of the survey date, not including sublease space



### All About JLL

JLL (NYSE: JLL) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. A Fortune 500 company with annual fee revenue of \$5.2 billion and gross revenue of \$6.0 billion, JLL has more than 230 corporate offices, operates in more than 80 countries and has a global workforce of more than 60,000. On behalf of its clients, the firm provides management and real estate outsourcing services for a property portfolio of 4.0 billion square feet, or 372 million square meters, and completed \$138 billion in sales, acquisitions and finance transactions in 2015. Its investment management business, LaSalle Investment Management, has \$56.4 billion of real estate assets under management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit [www.jll.com](http://www.jll.com).

### About JLL Research

JLL research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

#### New York Headquarters

Corporate Office  
330 Madison Avenue  
New York, NY 10017  
tel +1 212 812 5700  
fax +1 212 412 3544

#### Downtown Office

28 Liberty Street  
New York, NY 10005  
tel +1 212 418 2635

[www.us.jll.com](http://www.us.jll.com)