



MANHATTAN 2Q16 OFFICE MARKET

FIRE AND HEALTH CARE TENANTS DRIVE TOP DEALS IN SECOND QUARTER

The Manhattan office market saw 9.8 million square feet of leasing in the second quarter of 2016, an uptick from the previous quarter and above the 10-year quarterly average of 9.2 million square feet. The first-half leasing total of 19.0 million square feet slightly outpaced last year's total of 18.9 million square feet through the first two quarters. Nine of the 10 biggest deals were done in Midtown, which experienced the largest quarterly leasing total in a decade. While FIRE tenants were the primary drivers of market momentum, there was a considerable increase in activity from health care companies this quarter. Several large blocks coming online this quarter counterbalanced leasing and held availability flat at 11.1%.

FIRE (financial, insurance and real estate) tenants captured 51.0% of the total square footage leased this quarter, driven largely by UBS' 890,861-square-foot renewal at 1285 Avenue of the Americas in May. UBS became the second financial giant to opt to remain in its current offices so far this year, with McGraw Hill Financial renewing its 900,000 square feet at 55 Water Street in the first quarter.

The TAMI (tech, advertising, media and information) sector saw a drop-off in leasing this quarter, accounting for 17.9% of the total square footage leased this quarter, down from 34.4% last quarter and 29.4% in 2015.

Health care companies accounted for two of the four largest deals signed in Manhattan this quarter, both of which occurred in the Grand Central submarket. In April, NYU Langone Medical Center completed a 30-year triple-net lease for the entirety of 222 East 41st Street, with plans to convert the 389,522-square-foot building to medical offices. Visiting Nurse Services of New York acquired a condo interest at 220 East 42nd Street in May, giving the health care provider 237,434 square feet of space in the building. Visiting Nurse Services will relocate from 1250 Broadway. Additionally, Memorial Sloan-Kettering Cancer Center signed a 45,000-square-foot expansion at 1 Dag Hammarskjold Plaza for a total footprint of 115,000 square feet in the building.

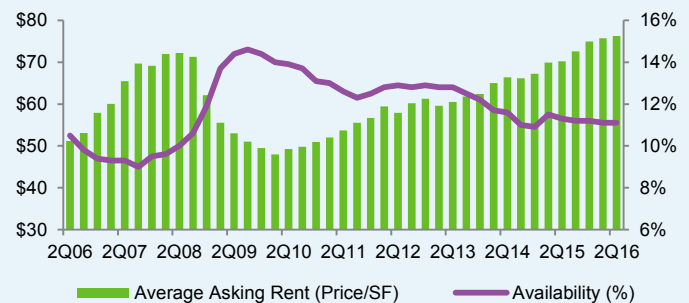
New construction and recently renovated buildings attracted several new tenant commitments in the second quarter. PricewaterhouseCoopers leased 240,605 square feet at 90 Park Avenue, which recently underwent extensive lobby renovations. Merrill Lynch opted to relocate to the newly renovated 75 Rockefeller Plaza, leasing 122,418 square feet in the building in June. Schroder Investment Management leased 72,500 square feet at the recently completed 7 Bryant Park in May, while Point72 Asset Management signed a letter of intent for 175,000 square feet at 55 Hudson Yards in June.

Current Conditions

- Leasing activity totaled 9.8 million square feet in the second quarter of 2016, outpacing the 10-year historical average.
- FIRE dominated the leasing landscape, accounting for 51.0% of the total square footage leased this quarter.
- Health care tenants signed two of the four largest deals, both of which landed in the Grand Central submarket.
- Manhattan availability was stable at 11.1%, although finished down from 11.3% one year ago.

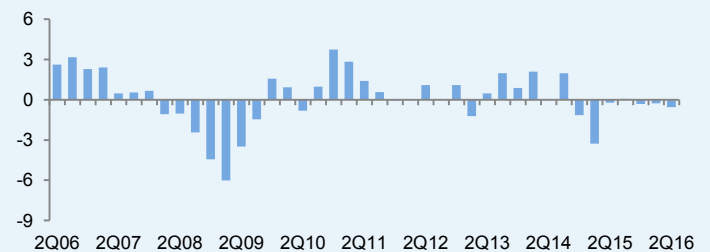
Market Analysis

Asking Rent and Availability



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	443MSF	443MSF	443MSF	↑
Availability Rate	11.1%	11.1%	11.3%	↑
Quarterly Net Absorption	-545,062	-265,716	-227,327	↓
Average Asking Rent	\$76.25	\$75.69	\$70.17	↔
Under Construction	11.9MSF	11.4MSF	8.6MSF	↑
Deliveries	1.7MSF	85,202	473,672	↑



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MIDTOWN

Renewals and Expansions Fuel Strong Quarter of Leasing

Midtown availability was stable at 11.5% in the second quarter from 11.6% in the first quarter and finished up slightly from 11.3% one year ago.

Midtown experienced the strongest quarter of leasing in a decade, with 7.2 million square feet of activity. Renewals and expansions accounted for much of the leasing, particularly in the Sixth Avenue/Rockefeller Center and Grand Central submarkets. In addition to the aforementioned UBS renewal at 1285 Avenue of the Americas, D.E. Shaw renewed its 195,375-square-foot lease at 1166 Avenue of the Americas in April. In Grand Central, law firm Alston & Bird renewed its 122,525-square-foot lease at 90 Park Avenue, New York Life Insurance renewed and expanded its footprint to 114,709 square feet at 420 Lexington Avenue, and Wells Fargo Capital Finance opted to remain in its 103,000 square feet of space at 100 Park Avenue.

Two large blocks of space hit the market in the second quarter as a result of tenant relocations to Brookfield Place. Time, Inc.'s relocation to 225 Liberty Street opened up 167,565 square feet at 135 West 50th Street, while Hudson's Bay Company's relocation from 12 East 49th Street made 159,306 square feet available in the building. Additionally, a total of 483,984 square feet became available at 399 Park Avenue as a result of Bingham McCutchen's merger with Morgan, Lewis & Bockius as well as Pinebridge Capital putting its space up for sublease.

Midtown asking rents jumped to \$82.54/SF in the second quarter from \$81.68/SF in the first quarter and finished up 6.8% from \$77.32/SF one year ago. While the large block of premium-priced space added to the market at 399 Park Avenue drove the quarter-over-quarter rent increase, the pace of rent growth has been curtailed by select landlords lowering rents in certain Midtown assets.

MIDTOWN SOUTH

Leasing Activity Remains Subdued in Tight Market

Availability remained tight in Midtown South, holding stable at 7.8% in the second quarter and finishing down from 8.6% one year ago. However, mid-sized blocks of space hitting the market in Chelsea and the Flatiron/Union Square submarket pushed total net absorption negative with 154,529 square feet this quarter.

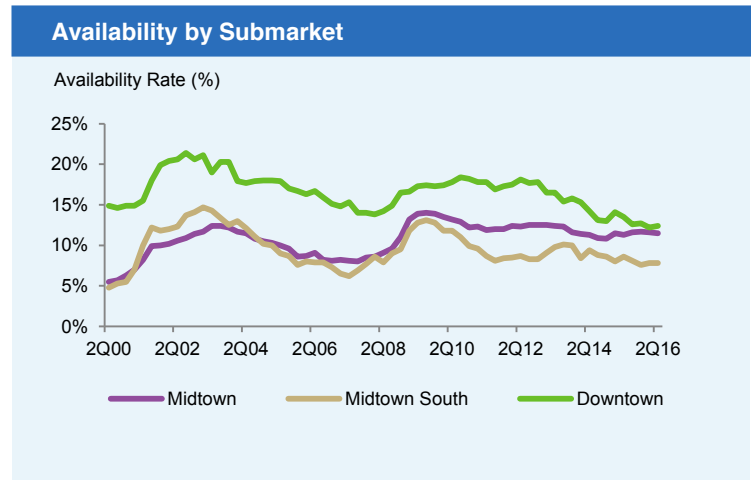
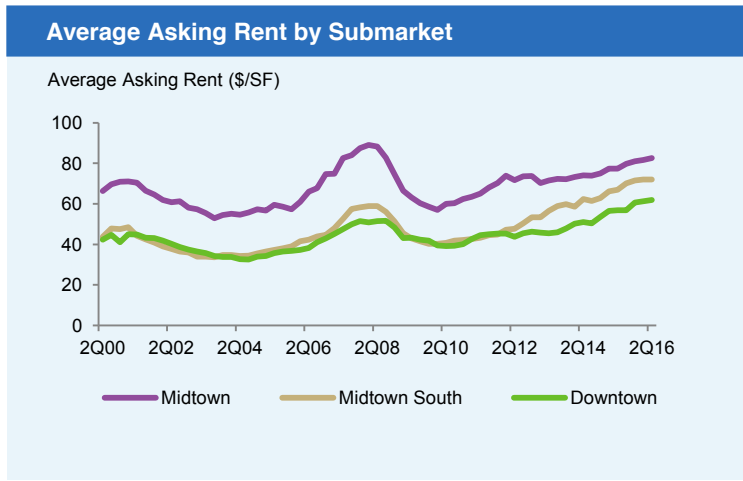
Midtown South leasing was relatively subdued in the second quarter with 1.6 million square feet of activity, consistent with the previous quarter's total but well below the 10-year quarterly average of 2.6 million square feet. The first-half leasing total of 3.2 million square feet is the lowest recorded in Midtown South in 10 years.

Credit Suisse signed the largest deal of the quarter, renewing 186,396 square feet at 11 Madison Avenue, a relatively small piece of its 1.3 million square feet total occupancy.

TECH AND CREATIVE FIRMS
ACTIVE IN HUDSON
SQUARE/MEATPACKING

The Hudson Square/Meatpacking submarket attracted considerable tenant activity this quarter. Tech education company Galvanize established its first location in New York, leasing 54,500 square feet at 315 Hudson Street in June. Additionally, creative consulting firm SY Partners leased 45,308 square feet at 395 Hudson Street while Concentric Health subleased 38,740 square feet at 330 Hudson Street.

Asking rents were stable at \$71.98/SF from \$72.00/SF in the first quarter and finished up 7.6% from \$66.90/SF at this time last year.





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DOWNTOWN

World Trade Center Attracts Three New Tenant Commitments

Downtown leasing velocity tailed off in the second quarter, with the 1.1 million square feet of activity falling considerably below the 10-year quarterly average of 1.7 million square feet. However, the 3.4 million square feet leased through the first two quarters of 2016 outpaced last year's first-half total of 2.1 million square feet by 61.7%, largely due to McGraw Hill Financial's 900,027-square-foot renewal at 55 Water Street last quarter.

The World Trade Center site saw a flurry of mid-sized tenant activity this quarter: Fintech firm Hudson River Trading agreed to relocate from 32 Old Slip to 4 World Trade Center, taking 69,000 square feet in the building; financial advisory firm Ameriprise Financial leased 37,704 square feet at 1 World Trade Center in June; and software company IPSofT subleased 27,189 square feet from FXDD at 7 World Trade Center.

The largest lease of the quarter was signed by QBE Insurance, which subleased 97,228 square feet at 55 Water Street in June.

In April, Citigroup and SL Green Realty agreed to speed up the purchase of the global banking firm's headquarters at 388-390 Greenwich Street. Citigroup sold the complex to SL Green in a sale-leaseback deal in 2007 with a \$2.0 billion option to buy the property back. The new agreement advanced the closing date from December 2017 to June 2016.

Two large blocks of space reached the market Downtown this quarter. Milbank, Tweed, Hadley & McCloy's 407,216 square feet of space at 28 Liberty Street became available as a result of the law firm's pending agreement to relocate its offices to 55 Hudson Yards. At 1 New York Plaza, AIG and Learning Tree International's combined 112,134 square feet of space reached the market this quarter.

Downtown asking rents rose to \$61.85/SF from \$61.24/SF in the previous quarter and finished up 8.8% from \$56.86/SF one year ago.

Midtown Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
UBS	1285 Avenue of the Americas	Sixth Avenue/ Rockefeller Center	Direct Renewal	890,861
NYU Langone Medical Center	222 East 41st Street	Grand Central	Direct New	389,522
PricewaterhouseCoopers	90 Park Avenue	Grand Central	Direct New	240,605
Visiting Nurse Services of New York	220 East 42nd Street	Grand Central	Direct New	237,434
D.E. Shaw	1166 Avenue of the Americas	Sixth Avenue/ Rockefeller Center	Direct Renewal	195,375

Midtown South Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Credit Suisse	11 Madison Avenue	Flatiron/Union Square	Direct Renewal	186,396
Galvanize	315 Hudson Street	Hudson Square/Meatpacking	Direct New	54,500
SY Partners	395 Hudson Street	Hudson Square/Meatpacking	Direct New	45,308
The Nielsen Company	675 Avenue of the Americas	Chelsea	Direct New	43,529
Concentric Health	330 Hudson Street	Hudson Square/Meatpacking	Sublease New	38,740

Downtown Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
QBE Insurance	55 Water Street	Downtown East	Sublease New	97,228
Hudson River Trading	4 World Trade Center	Downtown West	Direct New	69,000
Paradigm Talent Agency	140 Broadway	Downtown East	Direct New	50,604
Ameriprise Financial	1 World Trade Center	Downtown West	Direct New	37,704
Allied Advertising Public Relations	233 Broadway	Downtown West	Direct New	28,098


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Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Midtown	278,243,626	8,760,720	11.5%	-42,028	16,901	\$83.58	\$72.48	\$82.54
Eastside	24,368,076	0	9.3%	-58,414	-195,203	\$75.21	\$63.37	\$74.09
Far West Side	5,283,861	7,869,000	13.8%	70,448	-272,147	\$83.60	\$39.20	\$83.19
Grand Central	45,937,956	0	15.5%	659,204	916,698	\$78.73	\$60.21	\$77.59
Murray Hill	7,763,332	0	10.4%	-28,763	-121,055	\$62.90	\$54.09	\$61.60
Park Avenue	26,223,031	670,000	11.3%	-613,173	-446,814	\$105.68	\$85.41	\$103.24
Penn Station	20,888,972	221,720	8.5%	-20,951	-304,824	\$64.32	\$66.55	\$64.52
Plaza District	27,099,287	0	14.2%	-329,037	-358,217	\$112.04	\$90.83	\$110.57
Sixth Ave/Rock Ctr.	45,236,557	0	11.1%	180,058	482,727	\$87.84	\$89.59	\$88.07
Times Square	14,709,619	0	10.6%	29,166	84,788	\$82.21	\$55.67	\$81.82
Times Square South	35,599,003	0	10.4%	117,690	228,934	\$62.96	\$58.04	\$62.18
Westside	25,133,932	0	9.0%	-48,256	2,014	\$71.60	\$53.54	\$70.34
Midtown South	72,520,525	653,611	7.8%	-154,529	-520,996	\$73.45	\$66.37	\$71.98
Chelsea	24,218,159	428,367	7.6%	-150,693	-296,844	\$65.31	\$65.92	\$65.47
East Village	1,201,530	23,831	0.8%	8,300	-1,507	\$60.78	NA	\$60.78
Flatiron/Union Square	26,541,939	0	7.9%	-105,676	-40,556	\$71.46	\$69.59	\$71.07
Hudson Square/Meatpacking	11,658,706	120,413	10.7%	120,843	-69,859	\$87.08	\$62.34	\$83.96
Soho/Noho	8,900,191	81,000	4.9%	-27,303	-112,230	\$72.83	\$61.64	\$70.22
Downtown	92,450,458	2,500,000	12.4%	-348,505	-306,683	\$62.95	\$50.53	\$61.85
Downtown East	49,828,327	0	11.3%	-529,368	-712,940	\$58.60	\$49.24	\$57.18
Downtown West	34,016,141	2,500,000	13.1%	162,299	444,601	\$68.15	\$56.74	\$67.73
Tribeca/City Hall	8,605,990	0	16.3%	18,564	-38,344	\$61.29	\$56.86	\$61.26
Manhattan	443,214,609	11,914,331	11.1%	-545,062	-810,778	\$77.38	\$66.55	\$76.25



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ECONOMIC CONDITIONS

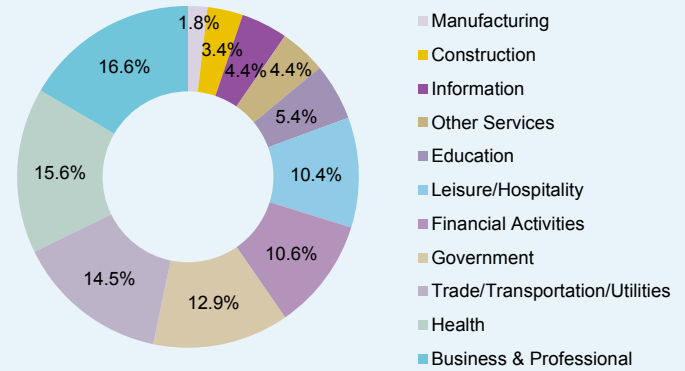
The local economy maintained steady improvement through May 2016, with payroll employment growing 2.0% over the past year to reach 4.313 million jobs. The private sector continued to spur growth, adding 80,900 jobs over the same span, while the government sector gained 4,500 jobs.

Office-using sectors saw stable growth in May: professional and business services employment grew by 2.8% over the past year; information sector employment expanded by 1.5%; while financial activities employment grew 0.3%. After a long period of sustained losses, manufacturing employment has shown positive growth over the past year. There were 900 manufacturing jobs added in the last 12 months, a 1.2% increase. Construction employment maintained a strong rate of growth, driven by the rising number of new development projects in New York City. There were 6,900 construction jobs added over the past year, a 5.0% increase.

New York unemployment dropped to 5.1% in May, down from last year's rate of 5.7% but slightly above the national rate of 4.7%.

Employment By Industry

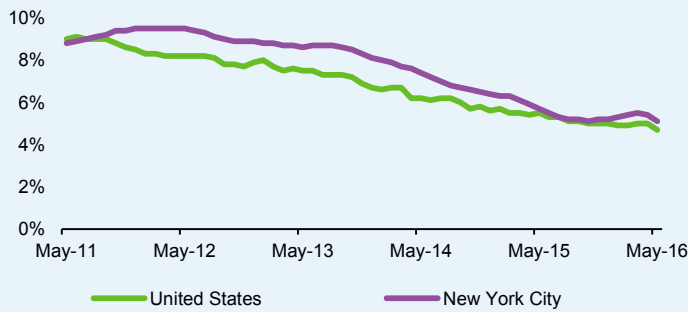
New York City, May 2016



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

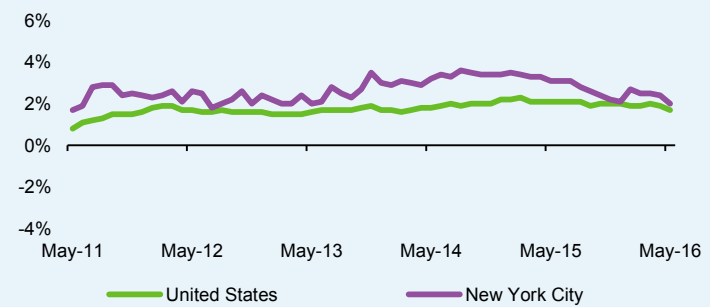
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, New York State Department of Labor

Payroll Employment

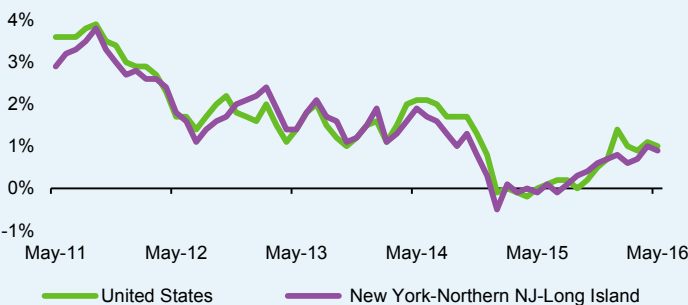
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, New York State Department of Labor

Consumer Price Index (CPI)

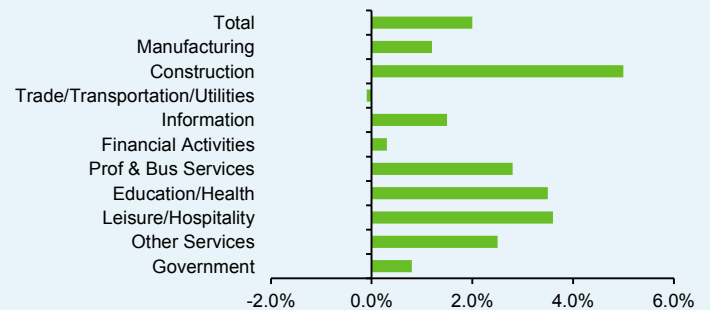
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

New York City, May 2016, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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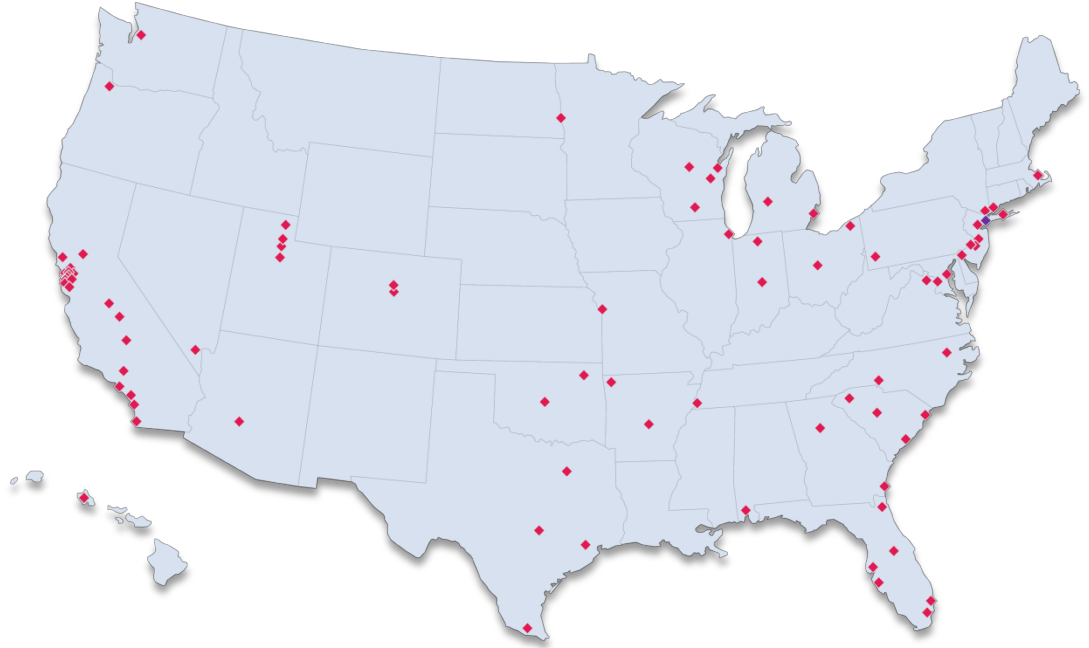
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