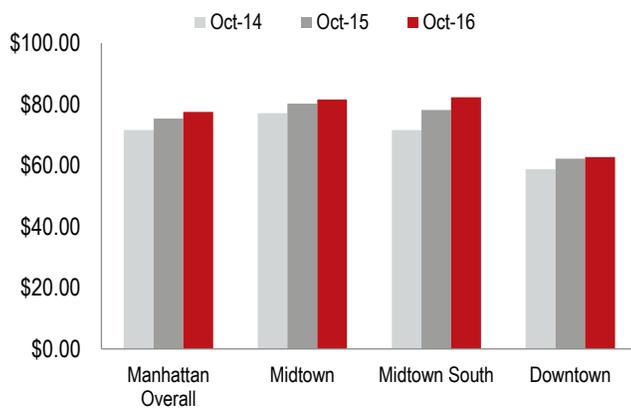


# Monthly Market Update

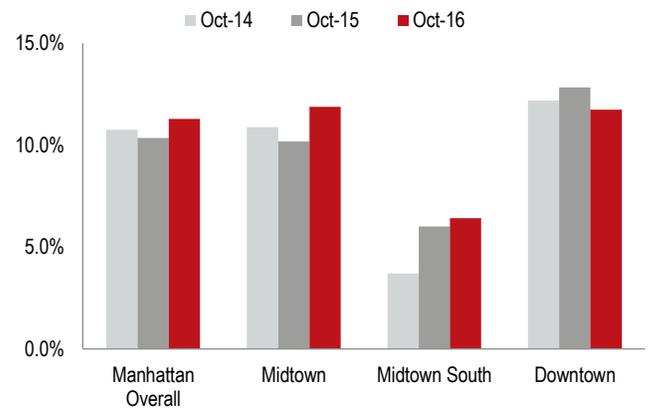
New York City Office Outlook | November 2016



## MANHATTAN Class A Asking Rents



## MANHATTAN Class A Vacancy Rates



### MIDTOWN

- The pace of leasing activity in Midtown picked up in October with several large and mid-sized leases signed during the month.
- Despite a slowdown in the first half of 2016, large-block leases in the second half of 2016 have already surpassed the second half of 2015.



### MIDTOWN SOUTH

- Midtown South leasing activity continued to be light in October after several years of strong velocity.
- Class A product in Midtown South is now priced at the top of the market and 5.3 percent higher year over year.



### DOWNTOWN

- AIG is leaving approximately 360,000 square feet at 32 Old Slip, pushing Water Street Corridor vacancy up 100 basis points in October to 11.9 percent.
- WeWork expanded into an additional 39,099 square feet at 85 Broad Street. The firm now occupies roughly 274,000 square feet in the building.



### BROOKLYN & LONG ISLAND CITY

- Vice Media and its subsidiary, Carrot Creative, are expanding at 55 Washington Street. The two firms signed leases for 30,000 square feet and 43,700 square feet, respectively.
- Uber and Lyft signed leases for 11,068 and 12,200 square feet, respectively, at the Falchi Building in Long Island City.



# MIDTOWN

The pace of leasing activity in Midtown picked up in October with several large and mid-sized leases signed during the month. Vacancy in the Midtown market continued to push upward with the addition of sublease space, bringing the overall average asking rent down for the month.

Large-block leasing picked up in October with four leases signed for greater than 100,000 square feet. The fourth quarter is on track to surpass a slow third quarter when only six large-block leases were signed. In the largest lease of the month—and the third largest of the year—MLB will relocate to approximately 400,000 square feet at 1271 Avenue of the Americas from 245 Park Avenue. Hogan Lovells signed a commitment to relocate to 239,601 square feet at 390 Madison Avenue from 875 Third Avenue. This marks the first lease signed at the under-construction 390 Madison Avenue, a redevelopment of 380 Madison Avenue. 55 Hudson Yards secured another tenant with Point 72's lease of 175,000 square feet in the tower, a relocation from 330 and 510 Madison Avenue. The NBA renewed 175,000 square feet at 645 Fifth Avenue.

55 West 46th Street gained two additional tenants with Nixon Peabody and Comcast leasing 66,297 square feet and 45,045 square feet, respectively, at the tower known as Tower 56. WeWork will add yet another Manhattan location to its network with a lease of 65,500 square feet at 311 West 43rd Street.

Overall asking rents slipped in October by 0.2 percent to \$81.75 per square foot as an increase in sublease vacancy weighed on the market. The Class A average asking rent was also down 0.2 percent to \$81.75 per square foot. Midtown Class A vacancy has increased twelve of the past thirteen months to 11.9 percent from the most recent low of 9.8 percent in September of last year. The overall vacancy also increased in October to 10.7 percent from 10.5 percent in September.

Despite a slowdown in the first half of 2016, large-block leases in the second half have already surpassed the second half of 2015





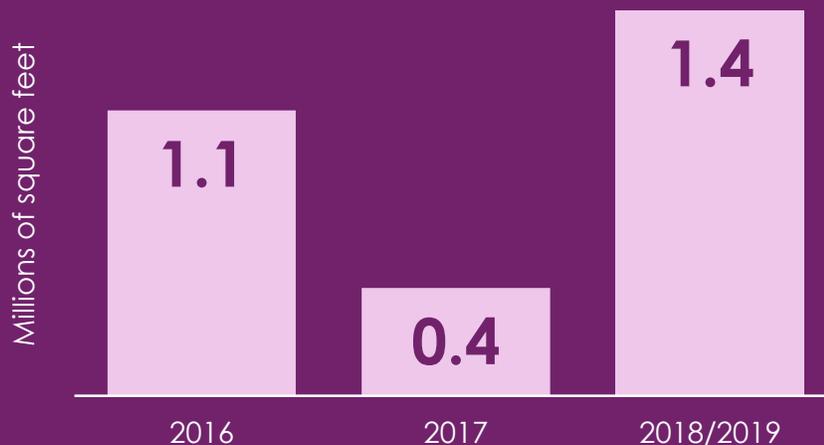
## MIDTOWN SOUTH

Midtown South leasing activity continued to be light in October after several years of strong velocity. This is mostly a function of a tight market and higher rents as demand still remains strong for space in the area which has become a hub for the creative sector. Deloitte Digital, a digital advertising subsidiary of Deloitte, inked a sublease for 37,358 square feet at 330 Hudson Street from Pearson. The space represents an expansion from its current office at 140 Broadway.

Despite a rise in vacancy, Midtown South remains one of the tightest markets in the country. The 0.6-percentage-point increase in Class A vacancy from last month to 6.4 percent was largely due to the addition of an 80,508-square-foot sublease at 75 Varick Street. Overall vacancy increased to 7.6 percent from 7.0 percent last month as Hudson Square and Gramercy Park added several larger blocks of space to the market.

The average overall asking rent in the market over the year increased from \$69.07 to \$72.11 per square foot. However, the increase is largely the result of the addition of new and renovated product to the market. Class A product in Midtown South is now priced at the top of the market averaging \$82.39 per square foot—5.3 percent higher than it was this time last year.

### New office developments in Midtown South unlikely to offset increased demand





## DOWNTOWN

Overall vacancy rates rose in each of Downtown's four submarkets during October, as moderate leasing activity was not enough to offset large blocks and subleases coming to market, many of which had been anticipated for several months. Downtown's combined overall vacancy rate of 11.3 percent represents a 60-basis-point increase during October alone. The majority of this increase comes from AIG's move out of roughly 360,000 square feet at 32 Old Slip. This caused vacancy in the Water Street Corridor to increase a full 100 basis points in October, from 10.9 percent to 11.9 percent. Other large vacancies to hit October statistics include a 61,970-square-foot sublease at 225 Liberty Street, listed on behalf of Commerzbank, as well as 40,442 square feet of negative absorption at 7 World Trade Center due to Ameriprise Financial's move to One World Trade Center. It is worth noting that the positive absorption from the Ameriprise Financial relocation was recorded upon lease signing in the second quarter of the year, and the net effect on 2016 absorption has been negligible.

WeWork expanded once again at 85 Broad Street when the office-space-sharing firm committed to another 39,099 square

feet on the 27th floor of the building. WeWork now occupies roughly 274,000 square feet at the 1.1 million-square-foot building. Other October transactions in the Downtown market include a 20,768-square-foot relocation by business services firm Microtek from 90 Broad Street to 180 Maiden Lane, as well as a 15,046-square-foot sublease at 199 Water Street by global re-insurer SCOR.

Asking rents across the Downtown market declined 0.2 percent on the month, from \$58.04 per square foot to \$57.91. Aside from the Water Street Corridor, where the addition of the AIG space at 32 Old Slip helped boost average asking rents 1.9 percent during October from \$52.73 per square foot to \$53.71, overall asking rents declined in each Downtown submarket. The main causes for the decline were an increase in sublease activity at the World Trade Center, as well as new Class B vacancies in the Financial District and the Tribeca/City Hall submarkets, currently the two least expensive Manhattan submarkets. Looking forward, Downtown activity is expected to improve in the coming months as some large transactions in the pipeline should close before the end of the year.

Average starting rent - 2016



For small Downtown leases (below 10,000 square feet) signed in 2016, pre-built units command a **10.9** percent rent premium over the competition

November 2016

## SUBMARKET STATISTICS

	Class A			Class B			Overall		
	Inventory	Vacancy Rate	Asking Rent (p.s.f.)	Inventory	Vacancy Rate	Asking Rent (p.s.f.)	Inventory	Vacancy Rate	Asking Rent (p.s.f.)
<b>Midtown</b>									
Columbus Circle	17,370,464	8.0%	\$77.58	7,926,002	4.3%	\$53.96	25,296,466	6.9%	\$72.93
Grand Central	39,504,012	15.2%	\$74.33	32,701,857	8.0%	\$55.97	72,205,869	12.0%	\$68.92
Penn Plaza / Garment	18,095,692	11.9%	\$74.17	28,093,536	9.4%	\$57.54	46,189,228	10.4%	\$65.01
Plaza District	85,911,374	11.6%	\$89.26	17,175,134	6.5%	\$58.04	103,086,508	10.7%	\$86.35
Times Square	31,959,230	10.6%	\$79.76	8,262,479	13.8%	\$60.48	40,221,709	11.3%	\$74.90
<b>Total</b>	<b>192,840,772</b>	<b>11.9%</b>	<b>\$81.64</b>	<b>94,159,008</b>	<b>8.4%</b>	<b>\$57.38</b>	<b>286,999,780</b>	<b>10.7%</b>	<b>\$75.49</b>
<b>Midtown South</b>									
Chelsea	10,592,111	3.1%	\$72.19	12,825,409	9.4%	\$60.29	23,417,520	6.5%	\$62.35
Gramercy Park	10,721,487	7.7%	\$80.16	11,260,821	7.8%	\$68.51	21,982,308	7.8%	\$74.23
Greenwich Village	1,915,423	3.3%	\$103.97	3,886,073	2.7%	\$68.96	5,801,496	2.9%	\$83.10
Hudson Square	4,589,421	12.4%	\$88.62	6,057,510	10.6%	\$70.22	10,646,931	11.4%	\$78.95
SoHo	964,765	6.5%	\$73.86	3,765,358	9.5%	\$73.67	4,730,123	8.9%	\$73.71
<b>Total</b>	<b>28,783,207</b>	<b>6.4%</b>	<b>\$82.39</b>	<b>37,795,171</b>	<b>8.5%</b>	<b>\$66.23</b>	<b>66,578,378</b>	<b>7.6%</b>	<b>\$72.11</b>
<b>Downtown</b>									
Financial District	14,246,623	11.7%	\$58.81	23,448,666	11.8%	\$49.55	37,695,289	11.7%	\$53.07
Tribeca / City Hall	4,372,411	0.2%	\$60.00	13,348,744	9.5%	\$49.62	17,721,155	7.2%	\$49.71
Water Street Corridor	20,942,226	12.7%	\$53.78	1,534,114	1.4%	\$44.70	22,475,340	11.9%	\$53.71
World Trade Center	18,402,964	13.5%	\$75.37	0	0.0%	\$0.00	18,402,964	13.5%	\$75.37
<b>Total</b>	<b>57,963,224</b>	<b>11.7%</b>	<b>\$62.79</b>	<b>38,331,524</b>	<b>10.6%</b>	<b>\$49.55</b>	<b>96,294,748</b>	<b>11.3%</b>	<b>\$57.91</b>
<b>Manhattan</b>	<b>279,587,203</b>	<b>11.3%</b>	<b>\$77.55</b>	<b>170,285,703</b>	<b>8.9%</b>	<b>\$57.14</b>	<b>449,872,906</b>	<b>10.4%</b>	<b>\$70.99</b>

## CLOSED LEASING TRANSACTIONS

Size (s.f.)	Tenant	Address	Submarket	Type
400,000	MLB	1271 Avenue of the Americas	Plaza District	New
239,601	Hogan Lovells	390 Madison Avenue	Grand Central	New
175,000	NBA	645 Fifth Avenue	Plaza District	Renewal
175,000	Point 72	55 Hudson Yards	Penn Plaza/Garment District	New

## 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. JLL is a Fortune 500 company with, as of December 31, 2015, revenue of \$6.0 billion and fee revenue of \$5.2 billion, more than 280 corporate offices, operations in over 80 countries and 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 \$59.7 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's 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 300 professional researchers 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.

---

### Midtown Manhattan

330 Madison Avenue  
New York, NY 10017  
+1 212 812 5700

### Leasing

Peter Riguardi +1 212 812 5719

### Capital Markets

Jon Caplan +1 212 812 6440  
Richard Baxter +1 212 812 6443

### Research

Tristan Ashby +1 212 812 5848

[jll.com/newyork](http://jll.com/newyork)

©2016 Jones Lang LaSalle, Inc. All rights reserved. All information contained herein is from sources deemed reliable; however, no representation or warranty is made as to the accuracy thereof.

Printing information: paper, inks, printing process, recycle directive.