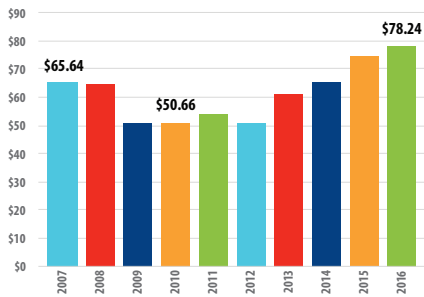
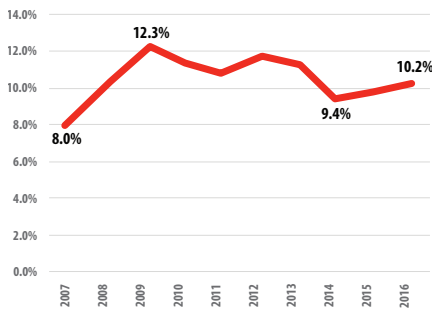


New York City

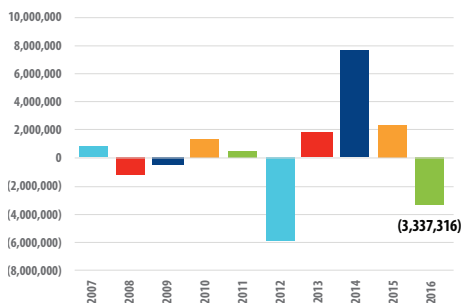
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



Ups and Downs Throughout the Year, but Growing Diverse Tenant-Mix Prevails

The first half of 2016 started out slower than 2015 in terms of office leasing velocity; the third quarter proved more robust, but this strength appeared to be short-lived. Preliminary volume for the fourth quarter shows a 25.0 percent annual decline (4.7 million versus 6.3 million square feet). However, full year leasing activity overall is shaping up for just a 1.0 percent annual decline, currently at 27.6 million square feet; a growing diverse tenant-mix continues to drive activity across most markets.

Large Block Tenants Most Active in Midtown, Hudson Yards Highly Favored

This growing broad tenant-mix is most notable in Midtown, which garnered six of the seven large-block leases (greater than 100,000 square feet) during the fourth quarter across financial services, business and legal occupants. While Hudson Yards activity appeared to come more alive during the quarter as shown below among the notable leases, the overall Midtown market vacancy rate of 10.6 percent rose from 10.2 percent and 10.1 percent from last quarter and last year, respectively. The increase is attributed to the rise in large blocks of direct and sublease space coming on line in the Grand Central (in excess of 320,000 square feet of direct space), Plaza District (in excess of 245,000 square feet of sublease space) and Sixth Avenue/Rockefeller Center (in excess of 230,000 square feet of sublease space) submarkets. Overall (all classes) average asking rents of \$85.69 are up 1.0 percent from the prior quarter and up 10.0 percent from one year ago.

Midtown South Remains Dominated by TAMI

Still dominated by technology, advertising, media and information services (TAMI) tenants, Midtown South captured one of the seven large-block lease signings during the fourth

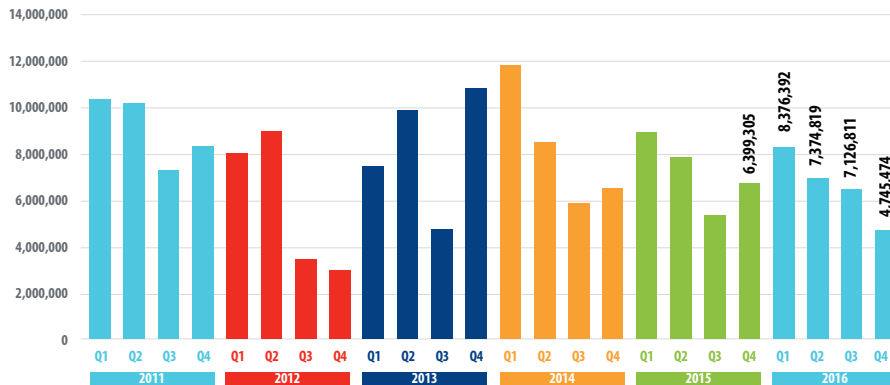
quarter, which was executed by Major League Baseball Advanced Media. This was the second large lease signed by the entity during the quarter (the first was signed by the MLB business services parent company in Midtown) and was a 141,000-square-foot sublease at 245 West 17th Street in Chelsea. The overall vacancy rate in Midtown South came in at 7.7 percent for the quarter, higher than the 7.0 percent and 6.6 percent in the prior quarter and year, respectively. The increase is the result of additional sublease space hitting the market elsewhere in Chelsea (in excess of 277,000 square feet at 601 West 26th Street from Tommy Hilfiger, who has signaled a move to Midtown). Overall average asking rents of \$70.25 are up 7.0 percent from the prior quarter and up 2.0 percent from one year ago.

Downtown Leasing Moderates During the Fourth Quarter

The Downtown market experienced the softest leasing activity during the fourth quarter and was down annually, which is a reversal from last quarter, as more tenant types (less price-sensitive financial services and law firms) shift their focus to Midtown. As a result, the overall Downtown vacancy rate came in at 11.0 percent, which is up from 10.2 percent last quarter, but down from 11.4 percent a year ago. Overall average asking rents of \$61.65 are up 3.0 percent from the prior quarter and up 2.0 percent from one year ago.

While overall leasing activity has slowed considerably in the fourth quarter and year-to-date, negative net absorption is being impacted by both direct and sublease space on the market, it is broadened tenant demand that has kept the overall office leasing market afloat. Now that the election dust has settled, we watch for optimistic signs of what could be a new normal in a market that remains healthy.

Historical Leasing Activity by Quarter



	Fourth Quarter 2015	Fourth Quarter 2016
Midtown	4,305,061 SF	3,661,667 SF
Midtown South	1,151,919 SF	902,940 SF
Downtown	942,325 SF	180,867 SF

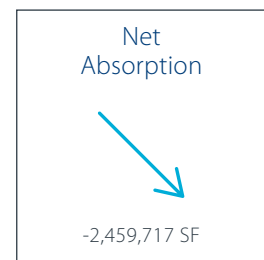
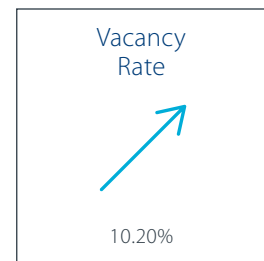
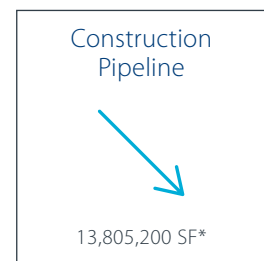
* Preliminary as of 12/29/2016

Notable Lease Transactions

Tenant	Address Submarket	Size Lease Type
BlackRock	50 Hudson Yards Penn Plaza/Garment	850,000 SF New lease
Major League Baseball (MLB)	1271 Avenue of the Americas Sixth Avenue/Rockefeller Center	400,000 SF New lease
Hogan Lovells	390 Madison Avenue Grand Central	206,720 SF New lease
Point 72 Asset Management	55 Hudson Yards Penn Plaza/Garment	176,366 SF New lease
National Basketball Association (NBA)	645 Fifth Avenue Plaza District	175,000 SF Renewal

Market Indicators

Year-to-date market indicators overall compared to year-end 2015



*Reduced by 1.2M SF coming on line within the next 12 months

Markets By The Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	4Q16 Overall Vacancy Rate	4Q16 Net Absorption (SF)	Year-To-Date Absorption	Current Under Construction (SF)	Overall Asking Rent Class A	Overall Asking Rent Class B
Midtown									
Grand Central	54,672,316	5,921,975	788,999	12.3%	(674,783)	(1,362,828)	1,733,000	\$72.93	\$59.77
Penn Plaza/Garment	23,858,648	1,715,786	484,870	9.2%	145,888	(481,668)	8,125,500	\$81.59	\$60.19
Plaza District	76,608,007	6,114,886	1,892,459	10.5%	(659,219)	(938,955)	670,000	\$102.42	\$58.95
Sixth Ave./Rockefeller Center	56,231,791	4,565,673	1,135,265	10.1%	333,310	(271,984)	0	\$90.18	\$53.55
Times Square South	24,493,961	2,281,975	757,201	12.4%	(37,782)	102,383	0	\$75.70	\$56.37
Times Square/West Side	37,234,925	2,654,111	644,647	8.9%	(237,041)	207,758	0	\$83.06	\$57.73
Total	273,099,648	23,254,406	5,703,441	10.6%	(1,129,627)	(2,745,294)	10,528,500	\$88.41	\$57.28
Midtown South									
Chelsea	22,646,797	1,246,487	584,545	8.1%	(591,539)	(677,409)	415,700	\$119.27	\$40.20
Hudson Square	13,408,474	961,079	182,124	8.5%	(155,075)	(294,708)	0	\$89.37	\$67.75
Gramercy Park	30,651,251	1,642,379	548,372	7.1%	266,143	315,700	0	\$76.53	\$53.74
SoHo/NoHo	8,624,666	478,166	142,406	7.2%	(75,562)	(150,833)	0	\$100.67	\$71.29
Total	75,331,188	4,328,111	1,457,447	7.7%	(556,033)	(807,250)	415,700	\$100.02	\$56.53
Downtown									
TriBeCa/City Hall	19,824,655	1,218,524	144,612	6.9%	(176,908)	(410,259)	0	\$55.47	\$47.61
Financial District	51,658,758	4,679,594	1,117,758	11.2%	(389,786)	166,433	0	\$61.53	\$47.03
World Trade Center	25,890,763	3,146,851	395,628	13.7%	(207,363)	459,054	2,861,000	\$70.67	\$49.75
Total	97,374,176	9,044,969	1,657,998	11.0%	(774,057)	215,228	2,861,000	\$63.77	\$48.22
Manhattan Overall Total	445,805,012	36,627,486	8,818,886	10.2%	(2,459,717)	(3,337,316)	13,805,200	\$82.22	\$55.55

* Preliminary as of 12/29/16

About the Market



Midtown

Plaza District: Borders East 62nd and West 59th Streets on the North, Seventh Avenue on the West, East 47th and West 56th Streets on the South and the East River on the East (includes prior Park Avenue submarket)

Grand Central: Borders East 47th Street on the North, Fifth Avenue on the West, East 35th Street on the South and the East River on the East

Sixth Avenue/Rockefeller Center: Carved out section that borders West 56th Street on the North, Seventh Avenue on the West, West 41st Street on the South and Fifth Avenue on the East

Times Square/West Side: Borders West 64th Street on the North, the Hudson River on the West, West 41st Street on the South and Fifth Avenue on the East (includes Columbus Circle)

Times Square South: Borders West 41st Street on the North, the Hudson River on the West, West 36th Street on the South and Fifth Avenue on the East

Penn Plaza/Garment District: Borders West 36th Street on the North, the Hudson River on the West, West 30th Street on the South and Fifth Avenue on the East (includes Hudson Yards and Manhattan West)

Midtown South

Chelsea: Borders West 30th Street on the North, the Hudson River on the West, West 12th Street on the South and Fifth Avenue on the East (includes prior Flatiron submarket)

Gramercy Park: Borders East 35th Street on the North, Fifth Avenue on the West, East 12th Street on the South and the East River on the East (includes prior Union Square/Madison Square/Park Ave South submarkets)

Hudson Square: Borders Morton Street on the North, the Hudson River on the West, Chambers Street on the South and 6th Avenue/Avenue of the Americas on the East

SoHo/NoHo: Borders East 12th Street on the North, Sixth Avenue/Avenue of the Americas on the West, Canal Street/East Broadway on the South and the East River on the East (includes Greenwich Village)

Downtown

TriBeCa/City Hall: Borders Canal Street/East Broadway on the North, West Street on the West at Warren Street, Ann Street on the South and the East River on the East (all of upper-lower Manhattan); (includes prior insurance submarket)

World Trade Center: Borders Vesey Street on the North, the Hudson River on the West, Albany Street on the South and Church Street/Trinity Place on the East

Financial District: Borders Albany and Ann Streets on the North, the Hudson River on the West, South Street on the South and the East River on the East (rest of lower Manhattan)



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