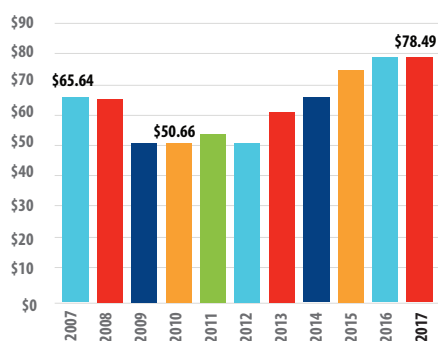
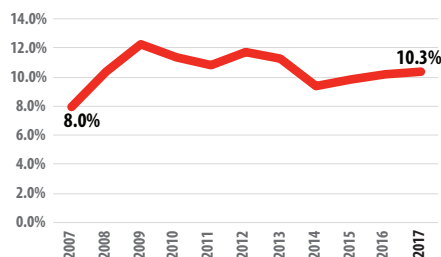


New York City

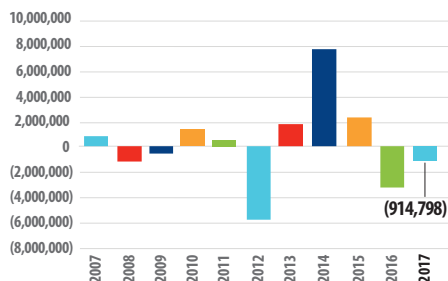
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



All data is preliminary as of 12/19/2017

Early Look: Strong Demand For Manhattan Office Leasing – Volume Rises Above Prior Levels

An early look shows strong fourth quarter leasing activity across all Manhattan markets that positions total 2017 volume ahead of last year, which represents the highest yearly level since 2014. Preliminary fourth quarter leasing volume of 7.4 million square feet is up 50.0 percent year-over-year, as large-block leases (greater than 100,000 square feet) had a prominent showing across all markets, while at the same time deals 25,000 square feet and less were more significant in Midtown and Downtown. For the full year, total leasing volume of 31.0 million square feet is currently up over 10.0 percent annually and in line with its five-year average, with Downtown activity driving this metric more significantly. For Manhattan overall, healthy leasing demand across a diverse tenant mix has vacancy currently at 10.3 percent and a market that remains in equilibrium.

Midtown Quarterly Leasing Up Over 35.0 Percent Year-Over-Year; Large Leases Dominate

Midtown's fourth quarter leasing activity is up 35.0 percent year-over-year, with twice as many large-block leases executed than a year ago (12 versus six). In addition to the majority of these leases which took place in the Sixth Avenue/Rockefeller Center submarket, Times Square South also secured a large-block tenant as Avison Young represented Comcast in its 104,000-square-foot new lease at 1407 Broadway. While this was the only technology/advertising/media/information (TAMI) large-block lease executed in Midtown for the quarter, throughout the year we saw a continued flight to quality to new and efficient office space in Hudson Yards and the surrounding area among a diverse range of tenants. Given strong leasing activity in Midtown, particularly in the fourth quarter, the vacancy rate for this period declined to 10.4 percent from 10.6 percent a year ago. The overall (all classes) average asking rent for the fourth quarter of \$86.05 is up less than 1.0 percent from \$85.69 one year ago and down 1.0 percent from the prior quarter.

Midtown South Continues to Diversify Beyond TAMI

While Midtown South remains dominated by TAMI tenants, it continues to grow more diverse. In the fourth quarter, two of the three large-block transactions in this market were executed by financial services tenant Mastercard (212,500-square-foot new lease at 150 Fifth Avenue) and health services tenant Flatiron Health (107,000-square-foot new lease at 161 Avenue of the Americas). In addition to this activity, Midtown South has continued to attract a diverse tenant-mix primarily in the mid-to-small size range of 40,000 square feet and below. The overall vacancy rate for Midtown South of 7.8 percent in the fourth quarter, is up modestly from 7.7 percent year-over-year. This increase is largely the result of direct and sublease space in excess of 510,000 square feet in Hudson Square becoming available. The average asking rent for the period of \$72.54 (relatively stable with the prior quarter), is up 4.0 percent from \$69.60 one year ago.

Downtown Quarterly Leasing Velocity Up Over 475.0 Percent Year-Over-Year; Shift Away From FIRE

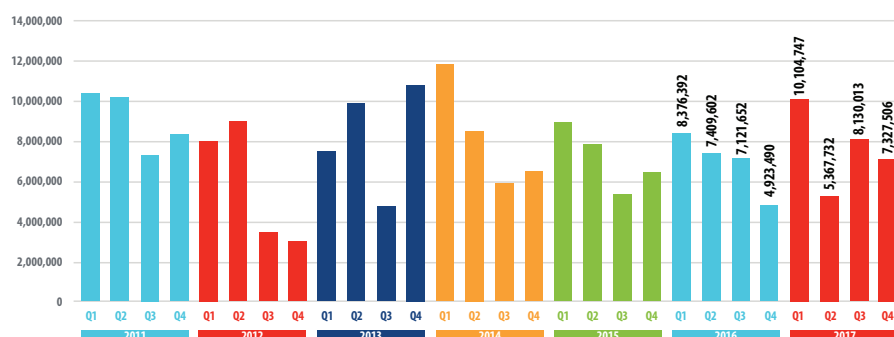
The Downtown office leasing market experienced quarterly volume growth in line with its five-year average and represented the highest level since the fourth quarter of 2015. The strong fourth quarter leasing velocity, which is up over 475.0 percent year-over-year, is attributed to a continued shift away from traditional financial services activity. The two new large-block leases signed in the market this quarter were executed by the New York City Economic Development Corporation and the Department of Small Business Services (government/public administration entity – 222,137 square feet at 1 Liberty Plaza) and McKinsey & Co. (professional business services entity – 200,000 square feet at 3 World Trade Center). In addition, various TAMI tenants commenced a large number of leases that were 25,000 square feet and less. The overall vacancy rate for Downtown of 12.0 percent for the fourth quarter is up from 11.0 percent year-over-year. In

(Downtown Continued)

In addition to availability at 3 World Trade Center, there are significant amounts of direct space at 28 Liberty Street in the Financial District (Milbank – vacating 259,519 square feet and JPMorgan Chase – downsizing by 105,909 square feet) being made available. The overall average asking rent for Downtown of \$63.74 for the period, is up 3.0 percent from \$61.65 one year ago and down 2.0 percent from the prior quarter.

The appetite across all Manhattan markets is healthy. Whether a large or small sized tenant, there are plenty of quality space options that remain suitable.

Historical Leasing Activity by Quarter



	Fourth Quarter 2016	Fourth Quarter 2017
Midtown	3,707,493 SF	5,096,811 SF
Midtown South	1,024,551 SF	1,126,848 SF
Downtown	191,446 SF	1,103,847 SF

- All data is preliminary as of 12/19/2017
- At Avison Young, we track office properties that are 20,000 square feet and greater

Notable Lease Transactions

Tenant	Address Submarket	Size Lease Type
EY	1 Manhattan West Penn Plaza/Garment	604,295 SF New lease
Bank of America	1100 Avenue of the Americas Sixth Avenue/Rockefeller Center	386,000 SF New lease
Sidley Austin LLP	787 Seventh Avenue Sixth Avenue/Rockefeller Center	347,672 SF Renewal
Ann, Inc.	7 Times Square Times Square/West Side	303,672 SF Renewal
Mizuho Americas	1271 Avenue of the Americas Sixth Avenue/Rockefeller Center	270,000 SF New lease

Market Indicators

Year-to-Date

Market Inventory



451,461,031 SF
(445,805,012 SF*)

Construction Pipeline



9,721,900 SF**

Vacancy Rate



10.30% (10.20%*)

Year-to-Date Net Absorption



-914,798 SF

Overall Average Asking Rent



\$78.49 PSF (\$77.88 PSF*)

* Compared to year-end 2016

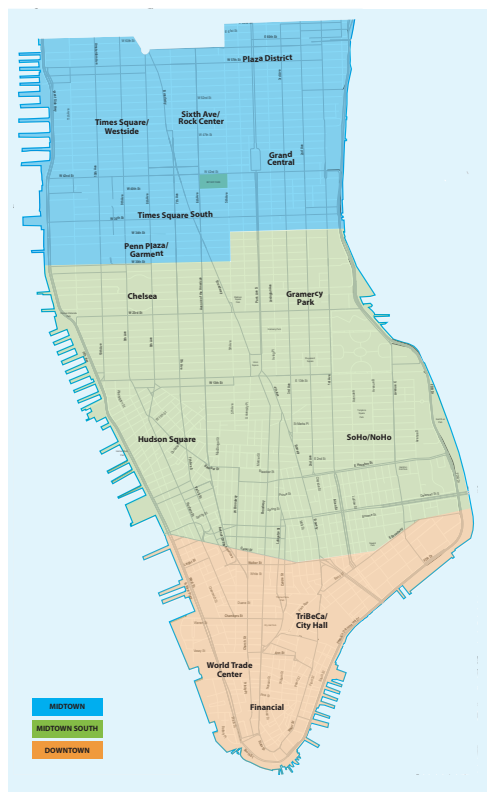
** Reduced by 6.3M SF coming online within the next 12 months

Markets by the Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	4Q17 Overall Vacancy Rate	4Q17 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	5,037,571	860,105	10.8%	287,673	813,298	1,733,000	\$76.20	\$58.92
Penn Plaza/Garment	25,414,784	1,262,662	720,306	7.2%	(346,005)	269,954	6,716,000	\$71.06	\$61.54
Plaza District	77,489,890	7,053,727	1,955,278	11.6%	471,055	(874,743)	870,000	\$105.39	\$61.63
Sixth Avenue/Rockefeller Center	55,834,791	4,439,723	855,539	9.5%	129,082	405,676	0	\$87.70	\$62.44
Times Square South	24,493,961	2,206,533	633,234	11.6%	38,946	199,409	0	\$73.75	\$58.32
Times Square/West Side	37,234,925	3,105,688	594,658	9.9%	(755,055)	(401,588)	0	\$80.94	\$67.92
Total	275,140,667	23,105,904	5,619,120	10.4%	(174,304)	412,006	9,319,000	\$90.08	\$62.01
Midtown South									
Chelsea	23,173,889	1,261,942	651,686	8.2%	(83,666)	(82,596)	402,900	\$135.90	\$54.96
Hudson Square	13,749,608	961,602	303,893	9.2%	(17,734)	63,825	0	\$91.52	\$71.38
Gramercy Park	30,536,623	1,542,313	533,856	6.8%	115,121	114,582	0	\$69.49	\$64.46
SoHo/NoHo	8,624,666	567,100	138,189	8.2%	49,124	(84,717)	0	\$104.71	\$71.40
Total	76,084,786	4,332,957	1,627,624	7.8%	62,845	11,094	402,900	\$101.10	\$63.62
Downtown									
TriBeCa/City Hall	19,824,655	965,240	267,016	6.2%	299,089	130,880	0	\$56.59	\$54.03
Financial District	51,658,758	5,186,175	900,447	11.8%	(101,592)	(289,270)	0	\$58.76	\$49.39
World Trade Center	28,752,165	4,136,813	585,174	16.4%	15,299	(1,179,508)	0	\$75.84	\$47.92
Total	100,235,578	10,288,228	1,752,637	12.0%	212,796	(1,337,898)	0	\$65.57	\$49.72
Manhattan Overall Total									
Manhattan Overall Total	451,461,031	37,727,089	8,999,381	10.3%	101,337	(914,798)	9,721,900	\$82.99	\$61.11

All data is preliminary as of 12/19/2017

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 Avenue South submarkets)

Hudson Square: Borders Morton Street on the north, the Hudson River on the west, Chambers Street on the south and Sixth 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)



Intelligent
Real Estate
Solutions

avisonyoung.com

Avison Young — New York
1166 Avenue of the Americas
15th Floor
New York, NY 10036
212.729.7140

For more information, please contact:

A. Mitti Liebersohn
President & Managing Director, NYC Operations
212.729.7734
mitti.liebersohn@avisonyoung.com

Marisha Clinton
Senior Director of Research, Tri-State
212.729.1193
marisha.clinton@avisonyoung.com



Corey Deslandes
Research Manager
212.729.6973
corey.deslandes@avisonyoung.com

© 2017 Avison Young. All rights reserved.
E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.