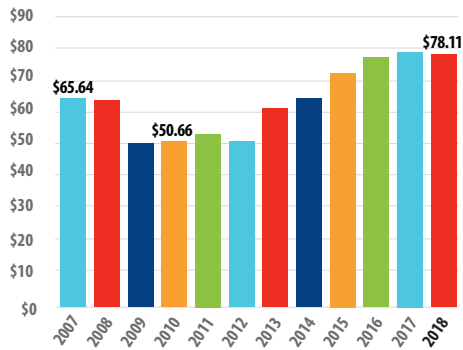
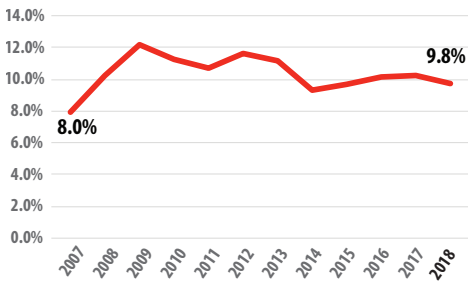


New York City

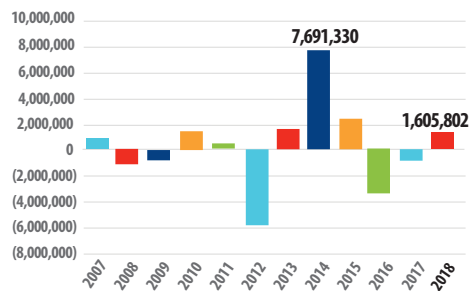
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



All data is preliminary as of 12/28/2018

Fourth Quarter Highlights Show Large Renewal/Expansions in 2018, Leasing Volume at Record Levels and Vacancy Rate Below 10 Percent

Office leasing volume in Manhattan rose to a record level of 36.0 million square feet in 2018, preliminary data show.

Leasing activity across all markets was supported by a significant number of tenants that renewed their leases and expanded their footprints, including three tenants that signed leases in the fourth quarter for office spaces totaling 350,000 square feet or more.

In Midtown, leasing activity increased 17 percent in 2018 to over 23.5 million square feet. It rose 45 percent to 7.0 million square feet in Midtown South, but declined 21 percent to 5.3 million square feet Downtown.

Overall, the office vacancy rate in Manhattan declined by 40 basis points to 9.8 percent year-over-year in the fourth quarter, while asking rents remained relatively flat at an average \$78.11 per square foot for all building classes.

In 2018, Midtown South saw the taking rents for Class A office space hitting a high water mark of \$195.00 per square foot for the top floor at 412 West 15th Street, a newly developed boutique office building in Chelsea that was delivered at the end of 2017. Even with concessions, the net effective rent of \$176.00 was the highest on record in Midtown South.

Midtown: Large Tenant Renewals and Expansions Help Push Vacancy Rate Lower

Midtown leasing activity throughout 2018 was robust, as the submarket continued to capture the lion's share of large-block transactions greater than 100,000 square feet. Major leases included renewals and expansions and a number of pre-leased deals.

Bloomberg LP's 468,000-square-foot renewal at 120 Park Avenue was the most significant transaction in Midtown in the fourth quarter.

Throughout the year, there were other renewals/expansions executed along the prestigious Park Avenue corridor (JPMorgan Chase & Co – 855,000 square feet at 277 Park Avenue) and elsewhere in the Plaza District

(Evercore Partners Inc. – 350,000 square feet at 55 East 52nd Street).

In addition, large occupiers secured blocks of space in newer properties by pre-leasing in buildings such as 66 Hudson Boulevard (Pfizer – 800,000 square feet) and 441 Ninth Avenue (Peloton – 312,000 square feet) in the Hudson Yards/Manhattan West area, and 390 Madison Avenue (JPMorgan Chase & Co. – 418,241 square feet) and 1271 Avenue of the Americas (Latham & Watkins – 407,000 square feet) in the respective submarkets of Grand Central and Sixth Avenue/Rockefeller Center.

The overall steady flow of robust leasing activity in Midtown in the fourth quarter resulted in an 80-basis point decline in the vacancy rate to 9.5 percent, down from 10.3 percent the previous year.

Midtown recorded average asking rents of \$84.59 for all building classes in the fourth quarter, down just under two percent from \$86.22 compared to the fourth quarter a year ago and also down less than two percent quarter-over-quarter.

Midtown South: Tech Regains its Dominance, While Financial Service Firms Support High-Water Mark Pricing for Modern Development

Strong leasing velocity in Midtown South in 2018 was propelled by technology firms that regained their dominance.

By year-end, technology/advertising/media/information (TAMI) tenants accounted for 37 percent of the total 7.0 million square feet of leasing activity in Midtown South, compared to co-working tenants, which constituted 29 percent of the total activity.

Google contributed to the trend with the execution of new leases in Hudson Square (280,000 square feet at 315 Hudson Street and 180,000 square feet at 345 Hudson Street). In the fourth quarter, Twitter expanded to 215,000 square feet at 249 West 17th Street, which will increase its presence within the tech hub.

The largest transaction in Midtown South in the fourth quarter was Ralph Lauren's 350,000-square-foot expansion at 601 West 26th Street, which will consolidate employees into a larger space.

Average asking office rents in Midtown South represented the highest rental increase throughout Manhattan, rising to an average \$81.19 for all building classes, an increase of just under 12 percent year-over-year in the fourth quarter and up almost two percent from the third quarter.

The increase in rent is partly attributed to new development, including 40 10th Avenue and 412 West 15th Street, both in Chelsea, and 300 Lafayette Street in SoHo.

Taking rents for Class A office space in Midtown South hit a high water mark in 2018 when a financial services firm leased 3,738 square feet for \$195.00 a square foot on the top floor of the newly constructed boutique office tower at 412 West 15th Street. Taking rents for other spaces under 10,000 square feet in the same building ranged from \$135.00 to \$180.00 in the first half of the year. Even with concessions comprised of up to 12 months free rent on average and tenant improvement allowances ranging from \$125.00 to \$135.00 per square foot, this building remained the

highest priced on a net effective rent basis.

Although Midtown South saw higher pricing in some buildings, particularly for newer product, strong leasing velocity drove the overall vacancy rate to 7.7 percent by the end of the quarter compared to 7.8 percent a year ago.

Downtown: Despite Full-Year Leasing Volume Decline, Resurgence of Government/Public Administration Activity Propels Quarterly Velocity

The Downtown market experienced a 21 percent decline in leasing volume for the full year, yet the fourth quarter reached a post-2013 quarterly high and rose 76 percent year-over-year. This jump was primarily due to a resurgence of government/public administration tenant activity, which was absent throughout most of the year.

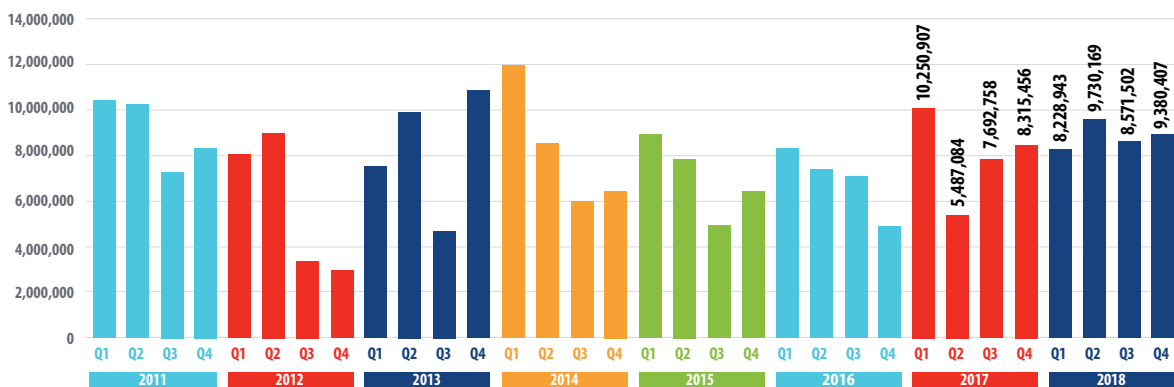
The largest transaction in the fourth quarter Downtown was executed by the New York City Housing Authority (NYCHA), with a 422,264-square-foot renewal at 90 Church Street.

Despite the leasing variability within this market throughout the year, and the delivery of new product at 3 World Trade Center at the end of the second quarter, the overall vacancy rate for Downtown was flat year-over-year at 12.1 percent.

Asking rents Downtown were highest at 3 World Trade Center, ranging from the \$70s to \$90s. Overall, the Downtown market's average asking rent of \$62.69 for all classes in 2018 declined one percent from the prior quarter and declined less than two percent year-over-year.

In conclusion, while we saw transactions for newer product close at rental rates reaching new heights in the first half of the year, particularly within Midtown South and Downtown, net absorption ended positive for the full year across all three markets as leasing activity for existing and new product remained strong throughout the entire year. Robust leasing pushed the overall vacancy rate down by 40 basis points year-over-year to 9.8 percent by the end of 2018.

Historical Leasing Activity by Quarter

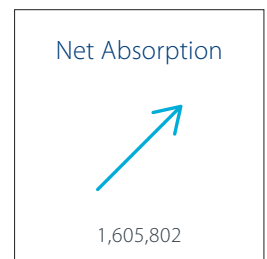
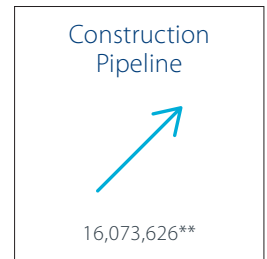


| | 2017 | 2018 |
|---------------|---------------|---------------|
| Midtown | 20,072,615 SF | 23,532,279 SF |
| Midtown South | 4,885,339 SF | 7,098,455 SF |
| Downtown | 6,788,251 SF | 5,340,287 SF |

All data is preliminary as of 12/28/2018 | At Avison Young, we track office properties that are 20,000 square feet and greater

Market Indicators

Year-to-Date*



* Compared to year-end 2017
** Includes 7.7 MSF coming online within the next 12 Months

Notable Lease Transactions

| Tenant | Address Submarket | Size Lease Type |
|-----------------------------------------|------------------------------------------------|------------------------|
| Bloomberg LP | 120 Park Avenue Grand Central | 468,000 SF Renewal |
| New York City Housing Authority (NYCHA) | 90 Church Street Tribeca/City Hall | 422,254 SF Renewal |
| Ralph Lauren | 601 West 26th Street Chelsea | 350,000 SF Expansion |
| Peloton | 441 Ninth Avenue Hudson Yards/Manhattan West | 312,000 SF New Lease |
| Millenium Management | 399 Park Avenue Plaza District | 300,000 SF New Lease |

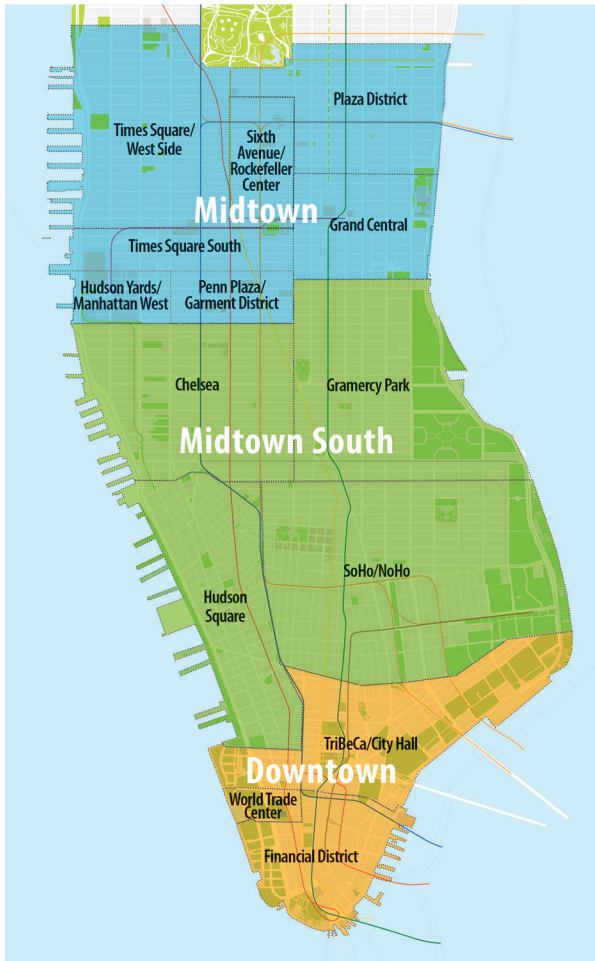
Markets by the Numbers

| Submarket | Inventory (SF) | Direct Vacant (SF) | Sublet Vacant (SF) | 4th Quarter 2018 Overall Vacancy Rate | 4th Quarter 2018 Net Absorption (SF) | Year-To-Date Absorption | Current Under Construction (SF)* | Overall Average Asking Rent Class A | Overall Average Asking Rent Class B |
|---------------------------------|--------------------|--------------------|--------------------|---------------------------------------|--------------------------------------|-------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| Midtown | | | | | | | | | |
| Grand Central | 54,819,358 | 4,848,512 | 1,013,095 | 10.7% | 353,489 | 27,169 | 1,733,000 | \$76.40 | \$58.69 |
| Penn Plaza/Garment | 19,969,798 | 1,129,689 | 626,224 | 8.8% | 498,048 | 192,055 | 0 | \$71.26 | \$60.69 |
| Hudson Yards/Manhattan West | 11,035,904 | 794,953 | 75,266 | 7.9% | 80,573 | (870,219) | 5,517,000 | \$114.43 | \$0.00 |
| Plaza District | 76,861,806 | 5,736,347 | 1,895,651 | 9.9% | 58,477 | 1,343,754 | 705,244 | \$95.35 | \$63.39 |
| Sixth Avenue/Rockefeller Center | 55,985,260 | 3,690,903 | 782,981 | 8.0% | 498,166 | 789,265 | 0 | \$93.64 | \$63.73 |
| Times Square South | 24,964,930 | 1,682,550 | 549,391 | 8.9% | 91,998 | 327,826 | 0 | \$72.24 | \$57.78 |
| Times Square/West Side | 37,362,312 | 3,240,754 | 643,450 | 10.4% | (975,474) | (290,088) | 0 | \$81.50 | \$61.81 |
| Total | 280,999,368 | 21,123,708 | 5,586,058 | 9.5% | 605,277 | 1,519,762 | 7,955,244 | \$88.35 | \$59.98 |
| Midtown South | | | | | | | | | |
| Chelsea | 23,161,279 | 931,726 | 711,019 | 6.9% | 395,140 | 243,488 | 0 | \$141.60 | \$60.58 |
| Hudson Square | 14,134,729 | 822,028 | 235,264 | 7.5% | 945,454 | 208,203 | 0 | \$88.51 | \$61.71 |
| Gramercy Park | 30,808,894 | 2,353,384 | 422,923 | 9.0% | (545,523) | (715,264) | 115,000 | \$83.55 | \$63.63 |
| SoHo/NoHo | 8,859,381 | 306,111 | 151,356 | 5.2% | 57,645 | 316,099 | 0 | \$143.54 | \$63.23 |
| Total | 76,964,283 | 4,413,249 | 1,520,562 | 7.7% | 852,716 | 52,526 | 115,000 | \$98.60 | \$62.38 |
| Downtown | | | | | | | | | |
| TriBeCa/City Hall | 18,957,427 | 1,085,563 | 226,977 | 6.6% | 323,801 | (80,284) | 0 | \$62.77 | \$53.30 |
| Financial District | 53,199,740 | 4,923,866 | 1,100,443 | 11.3% | 488,004 | 248,625 | 0 | \$58.72 | \$52.11 |
| World Trade Center | 26,276,698 | 3,599,205 | 1,030,687 | 17.6% | (61,588) | (134,827) | 310,000 | \$71.61 | \$48.46 |
| Downtown Total | 98,433,865 | 9,608,634 | 2,358,107 | 12.1% | 750,217 | 33,514 | 310,000 | \$64.43 | \$51.59 |
| Manhattan Overall Total | 456,397,516 | 35,145,591 | 9,464,727 | 9.8% | 2,208,210 | 1,605,802 | 8,380,244 | \$82.52 | \$59.12 |

All data is preliminary as of 12/28/2018

*Excludes 7.7 MSF coming online within the next 12 months.

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

Hudson Yards/Manhattan West: Carved out section that borders West 36th Street on the north, the Hudson River on the west, West 30th Street on the south and Ninth Avenue on the east

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)



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

© 2019 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.