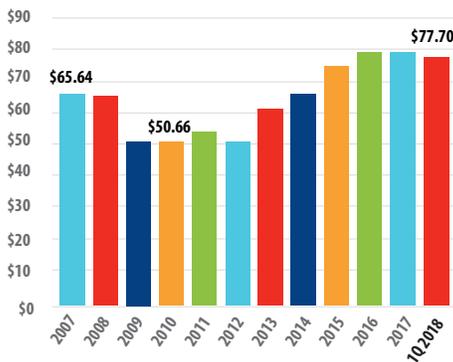
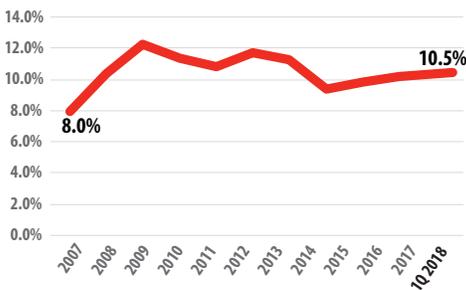


New York City

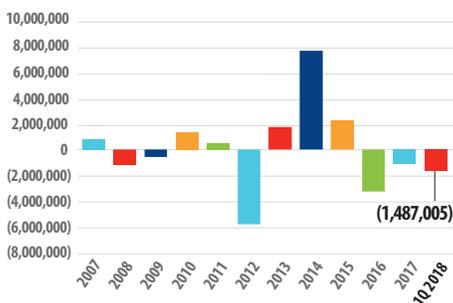
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



All data is preliminary as of 3/26/2018

Early Look: Weak First Quarter Leasing Volume Overall, but Preference Still Strong for Newer Product

After a strong end to 2017, an early look shows first quarter office leasing activity that represents the lowest level for any first quarter total in over five years. The greatest declines are attributed to the Downtown market, which experienced a reversal. As a result, preliminary first quarter leasing volume of 6.4 million square feet is down over 30.0 percent year-over-year. Despite volume declines, tenants among the FIRE category as well as others in search of newer space, had a great showing and helped to keep the overall Manhattan market in equilibrium.

Midtown's Quarterly Activity Characterized by Large Leases and Newer Product Beyond Hudson Yards

Although Midtown's first quarter leasing activity was down double-digits, the market remains the target for large-block tenants across a broad range of industries in search of newer space. A total of 11 (up from nine a year ago) of the 15 large leases this quarter in excess of 100,000 square feet were in Midtown. The largest of these transactions was a 418,000-square-foot new office lease executed by JP Morgan Chase at 390 Madison Avenue, which is currently under renovation and is now fully leased. In addition, the law firm of Latham & Watkins is in talks to execute a nearly 400,000-square-foot new agreement at 1271 Avenue of the Americas, which is also undergoing a top-to-bottom renovation. Meanwhile, others flocking to sizable new construction include NYU Langone Medical Center's announced 200,000-square-foot occupancy of the entire 159 East 53rd Street property still under development, as well as the law firm of Greenberg Traurig's agreement to secure 133,000 square feet at One Vanderbilt Avenue upon the completion of its construction in 2020. Some of this pre-leasing activity, coupled with less space coming online than a year ago, attributed to the 60-basis point annual decline in the vacancy rate to 10.4 percent from 11.0 percent.

Meanwhile, the overall average asking rent of \$83.48 for the first quarter is down 5.0 percent from one-year ago and down 3.0 percent from the prior quarter, driven partly by the older space that is being left behind.

Co-Working Continues to Boost Midtown South Leasing Activity

Midtown South leasing volume continues to be bolstered by co-working tenant activity from the likes of WeWork and Knotel. While two large-block transactions in this market were executed by WeWork (167,000 square feet at 18 West 18th Street and 122,000 square feet at 154 West 14th Street, with the latter to potentially house a large corporate tenant), the majority of the remaining new leasing activity was for deals under 35,000 square feet across a broad range of sectors. The overall vacancy rate for Midtown South of 8.6 percent is up 80 basis points from 7.8 percent a year ago, primarily due to the sublet space in excess of 145,000 square feet that came back on the market at 61 Ninth Avenue when Aetna was acquired by CVS Health (the currently under construction building was at first fully leased by Aetna). The overall average asking rent for the period of \$77.79 is up over 7.0 percent from one year ago and the prior quarter, driven by the higher asking rent for the available sublet space referenced.

Downtown Experiences a Reversal, Reducing Prior Gains in Leasing Volume

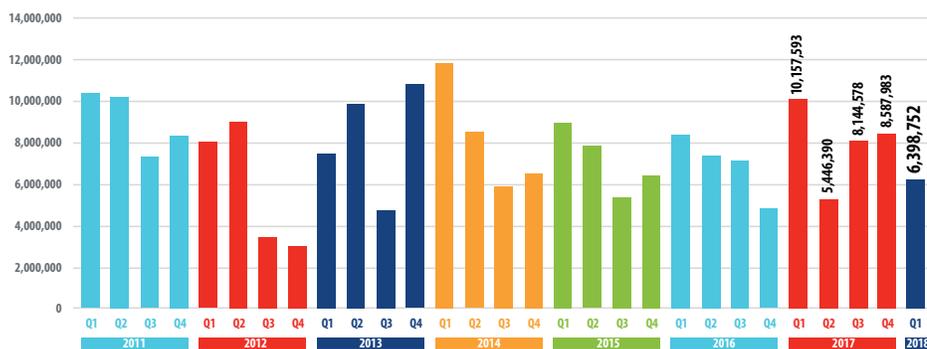
A reversal of the strong fourth quarter leasing activity, volume for the Downtown office market is currently down over 70.0 percent year-over-year for the first quarter of 2018, due in part to the absence of significant government/public administration tenant transactions. There were two large-block renewals signed in the market this quarter that were executed by Omnicom Group (TAMI tenant – 288,000 square feet at 195 Broadway) and Bank of America (FIRE tenant – 189,127 square feet at 225 Liberty). In addition to this activity, the remaining transactions were significantly less in size, with the majority of

(Downtown Continued)

them being new leases under 15,000 square feet. The overall vacancy rate for Downtown of 12.5 percent is down 30 base points from 12.8 percent a year ago. Meanwhile, the overall average asking rent for Downtown of \$64.34 for the period is relatively flat with the prior year and quarter.

Although limited, suitable leasing options remain for newer product beyond Hudson Yards within many other submarkets. In some cases, such product is being quickly pre-leased by the larger, less price sensitive tenants. We expect more landlords and owners of office real estate to allocate more capital for building improvements in order to provide a more competitive offering to a growing broader range of tenants.

Historical Leasing Activity by Quarter



	First Quarter 2017	First Quarter 2018
Midtown	5,797,352 SF	4,565,479 SF
Midtown South	1,106,460 SF	1,085,398 SF
Downtown	3,253,781 SF	747,875 SF

• All data is preliminary as of 3/26/2017
 • At Avison Young, we track office properties that are 20,000 square feet and greater

Notable Lease Transactions

Tenant	Address Submarket	Size Lease Type
JP Morgan Chase	390 Madison Avenue Grand Central	418,241 SF New Lease
Simon & Schuster	1230 Avenue of the Americas Sixth Avenue/Rockefeller Center	300,150 SF Renewal
Omnicom Group	195 Broadway Financial District	288,000 SF Renewal
NYU Langone Medical Center	159 East 53rd Street Plaza District	200,000 SF New Lease
Bank of America	225 Liberty Street World Trade Center	189,127 SF Renewal

Market Indicators

Year-to-Date

Market Inventory

449,671,916 SF
 (451,461,031 SF*)

Construction Pipeline

8,449,600 SF**

Vacancy Rate

10.50% (10.2%*)

Net Absorption

-1,487,005 SF

Overall Average Asking Rent

\$77.70 PSF (\$78.51 PSF*)

* Compared to year-end 2017
 ** Reduced by 7.0M SF coming online within the next 12 months

Markets by the Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	1Q18 Overall Vacancy Rate	1Q18 Net Absorption (SF)	Current Under Construction (SF)	Overall Asking Rent Class A	Overall Asking Rent Class B
Midtown								
Grand Central	54,672,316	5,281,718	964,591	11.4%	(357,533)	1,733,000	\$72.34	\$58.63
Penn Plaza/Garment	25,414,784	1,697,474	686,363	8.5%	(435,869)	6,716,600	\$73.73	\$61.33
Plaza District	77,687,094	6,379,595	2,133,981	11.0%	462,176	0	\$99.58	\$64.18
Sixth Avenue/Rockefeller Center	55,834,791	4,832,749	909,079	10.3%	(478,679)	0	\$87.79	\$63.46
Times Square South	24,793,961	2,126,596	621,595	11.1%	(188,424)	0	\$73.28	\$59.70
Times Square/West Side	37,217,734	2,709,424	520,013	8.7%	364,679	0	\$82.74	\$62.91
Total	275,620,680	23,027,556	5,835,622	10.4%	(633,650)	8,449,600	\$86.31	\$61.04
Midtown South								
Chelsea	22,688,665	1,308,717	595,441	8.4%	(5,525)	0	\$147.01	\$60.62
Hudson Square	13,749,608	1,188,925	805,794	14.5%	(729,224)	0	\$90.37	\$67.14
Gramercy Park	30,536,623	1,439,393	442,073	6.2%	179,577	0	\$66.30	\$64.58
SoHo/NoHo	8,624,666	561,420	147,904	8.2%	(23,404)	0	\$99.85	\$70.47
Total	75,599,562	4,498,455	1,991,212	8.6%	(578,576)	0	\$99.26	\$64.96
Downtown								
TriBeCa/City Hall	19,824,655	917,095	231,945	5.8%	83,216	0	\$61.19	\$55.63
Financial District	52,438,758	5,472,629	1,103,478	12.5%	(303,173)	0	\$59.98	\$50.94
World Trade Center	26,188,261	3,992,350	557,537	17.4%	(54,822)	0	\$76.23	\$48.00
Total	98,451,674	10,382,074	1,892,960	12.5%	(274,779)	0	\$66.34	\$51.03
Manhattan Overall Total	449,671,916	37,908,085	9,719,794	10.5%	(1,487,005)	8,449,600	\$81.32	\$60.94

All data is preliminary as of 3/26/2018

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)



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