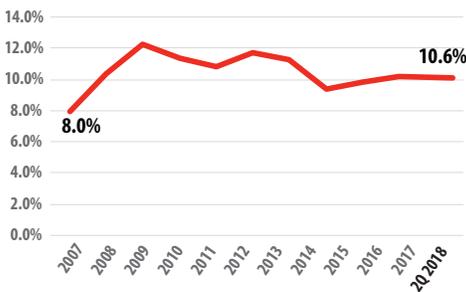


New York City

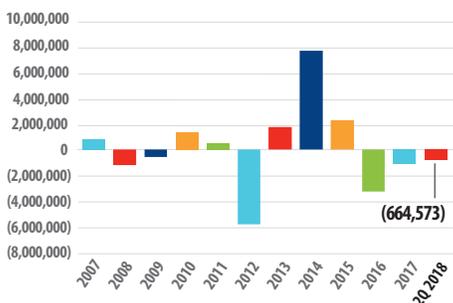
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



All data is preliminary as of 6/20/2018

Early Barometer Shows Employment Gains Drive Leasing Volume

The New York City employment picture remains positive with private sector job growth up 2.1 percent as of May. The greatest employment gains for the second quarter of 2018 are seen in the educational and health sectors, as well as the professional and business services sectors, translating into strong office leasing velocity across Manhattan. This activity represents 30.0 percent of the leasing volume during the quarter, with such transactions making up seven of the fifteen large-block deals (greater than 100,000 square feet) executed. Meanwhile, financial services employment growth has surpassed its five-year average, with the sector also driving strong leasing activity among various sized tenants. As a result of positive employment growth and an overall healthy leasing environment, preliminary second quarter volume of 9.0 million square feet is over 20.0 percent above its five-year quarterly average. Leasing volume for the full first half of 2018 now sits in line with its five-year average, which is attributed to the growing diverse tenant mix.

Midtown: Healthy Leasing as Larger Tenants Continue to Scoop Up Newer Product

Midtown's second quarter leasing activity is up over 50.0 percent year-over-year, with volume for the total first half of the year up 20.0 percent. A total of eight of the fifteen large block leases were consummated in Midtown during the second quarter of this year compared to eight for the same period last year. The largest of these transactions was the 1,100,000-square-foot lease executed by Deutsche Bank at 1 Columbus Circle. With this move not scheduled until 2021, the bank will relocate from Downtown and shrink its presence in Manhattan by 30.0 percent. Many of the remaining large block leases were executed by tenants who favor new construction and are relocating within Midtown – health services provider Pfizer (from Grand Central into 800,000 square feet at 66 Hudson Boulevard – The Spiral currently under construction); legal services firm Blank Rome Tenzer Greenblatt LLP (from Grand Central to Sixth Avenue/Rockefeller Center into 138,000 square feet at 1271 Avenue of the Americas, under renovation until 2019); and the law firm of McDermott Will & Emery (within Grand

Central into 105,539 square feet at 1 Vanderbilt Avenue, under construction until 2020). Excluding these large block deals, Midtown continued to gain its fair share of additional financial and legal services activity with a significant number of transactions within the 30,000 to 80,000-square-foot range and below. This activity attributed to the 80-basis point year-over-year decline in the vacancy rate to 10.2 percent from 11.0 percent. Meanwhile, the overall average asking rent of \$82.86 for the second quarter is down 4.0 percent from one year ago and in line with the prior quarter, driven partly by less modern space that is being left behind.

Midtown South: Diverse Tenant Mix With Tech, Health, Education & Co-Working Drives Rents Higher

For Midtown South, quarterly leasing volume is currently up over 80.0 percent year-over-year and over 65.0 percent through the total first half of the year. A market typically dominated by tech occupiers, Midtown South leasing activity continues to be bolstered by a mix of co-working, health and educational tenant transactions. In addition to the large block media and tech deals executed by Discovery Communications (362,000 square-foot headquarters relocation from Silver Spring, MD to 230 Park Avenue South) and Facebook (320,000 - additional square feet at 770 Broadway), health services provider NYU Langone Medical Center (150,000-square-foot expansion at 1 Park Avenue) and educational services tenant New York University (125,000 square-foot renewal at 105 East 17th Street) also commenced sizable transactions during the second quarter. In the co-working space within Midtown South, WeWork executed two deals in the 30,000 to 45,000-square-foot range, in addition to 100,000 square feet at 214 West 29th Street. Knotel executed five deals in the 13,000 to 45,000-square-foot range. Throughout Manhattan, we expect co-working activity to continue to increase. For the first half of 2018, co-working made up 10.0 percent of all leasing activity in the borough, up from 3.0 percent a year ago. Despite strong leasing velocity for Midtown South, the overall vacancy rate came in at 9.1 percent, above 7.7 percent a year ago. This increase is primarily attributed to vacant space being left behind at 345 and 375 Hudson Street

(Midtown South continued)

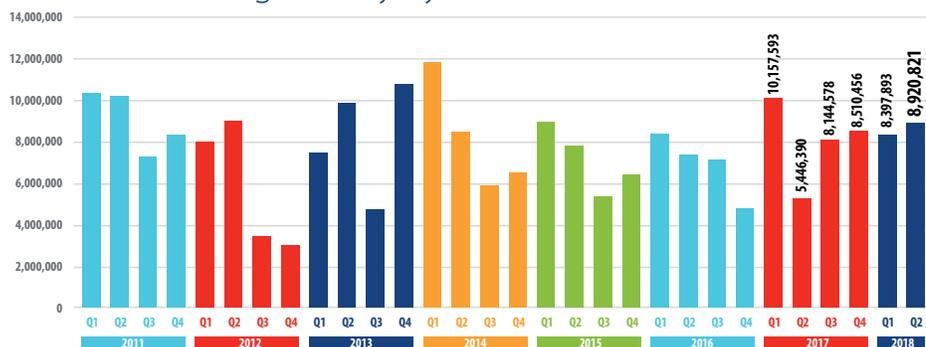
by Penguin Random House (who is consolidating space into nearly the entire 1745 Broadway property in Midtown). The second quarter overall average asking rent for this market of \$77.80 is up 8.0 percent year-over-year and in line with the prior quarter. The 8.0 percent annual increase for Midtown South represents the highest rental rise throughout any of the markets in Manhattan.

Downtown: Leasing Velocity Rebounds; Professional and Business Services Activity a Key Driver

Office leasing volume for the Downtown market is up over 70.0 percent year-over-year, but down over 35.0 percent through the first half of the year given a soft first quarter. Large block transactions for the second quarter included activity by professional and business services tenants McKinsey & Co. (moving from the Plaza District in Midtown into 186,000 square feet at 3 World Trade Center) and Wolters Kluwer (moving from the Google building in Chelsea within Midtown South into 130,000 square feet at 28 Liberty Street), given the preference for new and modern product. The average deal size for the majority of the remaining transactions executed in the second quarter was 30,000 square feet and below. The overall vacancy rate for Downtown came in at 12.8 percent, above the 12.1 percent from a year ago. The increase is the result of over 300,000 square feet of sublease space on the market by Condé Nast at 1 World Trade Center. Overall average asking rent of \$62.19 for the second quarter is down 4.0 percent year-over-year and down 3.0 percent from the prior quarter.

In conclusion, the overall office leasing market through mid-year remains healthy, with a fair number of larger tenants taking up new and more modern space. With the vacancy rate at 10.6 percent, down from 10.7 percent a year ago, the overall Manhattan market remains in equilibrium.

Historical Leasing Activity by Quarter



	Second Quarter 2017	Second Quarter 2018
Midtown	3,442,000 SF	5,336,558 SF
Midtown South	1,123,449 SF	2,031,040 SF
Downtown	900,941 SF	1,553,223 SF

All data is preliminary as of 6/20/2018
 At Avison Young, we track office properties that are 20,000 square feet and greater

Notable Lease Transactions

Tenant	Address Submarket	Size Lease Type
Deutsche Bank	1 Columbus Circle Times Square/West Side	1,100,000 SF New Lease
Pfizer	66 Hudson Boulevard Hudson Yards/Manhattan West	800,000 SF New Lease
CMC	519 Eighth Avenue Penn Plaza/Garment District	160,000 SF New Lease
Touro College	320 West 31st Street Penn Plaza/Garment District	146,028 SF New Lease
Blank Rome Tenzer Greenblatt LLP	1271 Avenue of the Americas Sixth Avenue/Rockefeller Center	138,000 SF New Lease

Market Indicators

Year-to-Date

Market Inventory

450,784,199 SF
(451,461,031 SF*)

Construction Pipeline

10,586,000 SF

Vacancy Rate

10.60% (10.2%*)

Net Absorption

-1,486,440 SF

Overall Average Asking Rent

\$76.49 PSF (\$78.51 PSF*)

* Compared to year-end 2017

Markets by the Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	2nd Quarter 2018 Overall Vacancy Rate	2nd 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	5,304,853	960,977	11.4%	(206,165)	(377,054)	1,733,000	\$73.21	\$58.24
Penn Plaza/Garment	19,969,798	1,776,036	855,767	13.2%	(495,993)	(683,835)	700,000	\$69.82	\$59.82
Hudson Yards/Manhattan West	5,519,295	226,781	18,224	4.4%	(12,232)	(245,005)	7,483,000	\$114.01	\$0.00
Plaza District	76,861,806	6,368,150	1,772,025	10.6%	186,429	835,577	670,000	\$100.13	\$60.80
Sixth Avenue/Rockefeller Center	55,985,260	3,989,512	741,365	8.5%	973,076	532,272	0	\$88.61	\$65.56
Times Square South	24,964,930	1,913,115	657,884	10.3%	134,569	(11,232)	0	\$74.71	\$57.47
Times Square/West Side	37,362,312	2,823,800	615,031	9.2%	(209,394)	155,285	0	\$81.24	\$63.10
Total	275,482,759	22,402,247	5,621,273	10.2%	370,290	206,008	10,586,000	\$87.81	\$59.95
Midtown South									
Chelsea	22,937,710	1,327,426	735,594	8.9%	(216,256)	(164,387)	0	\$147.22	\$58.75
Hudson Square	13,865,383	1,526,119	333,903	13.4%	131,697	(594,527)	0	\$89.70	\$73.03
Gramercy Park	30,743,242	1,725,773	670,003	7.8%	(551,794)	(334,733)	0	\$71.30	\$62.99
SoHo/NoHo	8,743,981	518,316	121,806	7.3%	32,275	45,798	0	\$88.83	\$71.01
Total	76,290,316	5,097,634	1,861,306	9.1%	(604,078)	(1,047,849)	0	\$99.22	\$64.89
Downtown									
TriBeCa/City Hall	19,351,851	1,180,066	285,322	7.6%	(316,348)	(233,132)	0	\$58.35	\$59.67
Financial District	53,199,740	5,194,323	1,228,690	12.1%	137,129	(150,079)	0	\$58.17	\$50.08
World Trade Center	26,459,533	3,820,571	935,882	18.0%	(251,566)	(261,388)	0	\$72.57	\$48.23
Downtown Total	99,011,124	10,194,960	2,449,894	12.8%	(430,785)	(644,599)	0	\$63.95	\$52.31
Manhattan Overall Total	450,784,199	37,694,841	9,932,473	10.6%	(664,573)	(1,486,440)	10,586,000	\$81.06	\$60.39

All data is preliminary as of 6/20/2018

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

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)



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