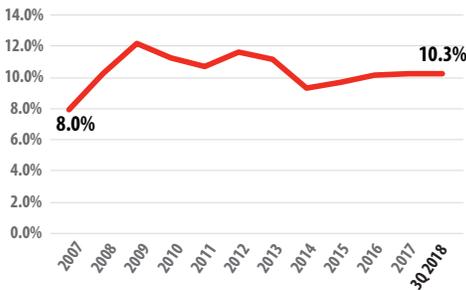


New York City

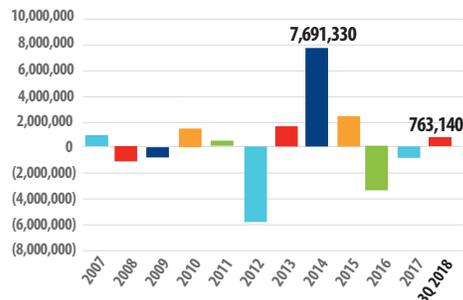
Overall Average Asking Rent



Overall Historical Vacancy



Overall Historical Net Absorption



All data is preliminary as of 9/19/2018

Early Look Reveals Increased Co-Working Presence Among Class A Properties

Co-working tenants accounted for 12.0 percent of the nearly 25 million square feet of office space leased in Manhattan in the first three quarters of 2018 compared to 4.0 percent of the 23.8 million square feet leased in the same period last year.

The stronger year-to-date leasing activity reflects that co-working operators are now securing leases in Class A buildings as well as Class B and C properties, a trend that was especially evident across all markets in the third quarter.

In the first three quarters compared to the same period last year, preliminary leasing activity in Midtown rose 16.0 percent to over 16 million square feet, in Midtown South rose 34.0 percent to 4.6 million square feet, but declined 47.0 percent to 3.3 million square feet Downtown.

Overall, third quarter Manhattan office rents and the vacancy rate remained stable year-over-year at an average \$78.72 per square foot for all building classes and 10.3 percent, respectively.

Midtown: Larger Tenant Renewals and Increased Co-Working Activity Help Drive Vacancy Declines

Midtown's leasing activity through September 2018 was robust and the market continued to capture the lion's share of large-block transactions greater than 100,000 square feet.

In the third quarter, co-working/flexible office space tenants accounted for three of the eight transactions over 100,000 square feet with locations around major transit hubs. These included leases executed by WeWork, which will occupy 258,344 square feet of a Class A building at 21 Penn Plaza; Convene, which will occupy 116,000 square feet in the Grand Central submarket in a Class A property at 530 Fifth Avenue where Avison Young is the office leasing agent; and Spaces, which will occupy nearly 110,000 square feet at 405 Lexington Avenue also within the Grand Central submarket. Four of the remaining eight large block leases represented renewals and expansions primarily in the higher priced Plaza District submarket.

The overall steady flow of leasing activity in Midtown resulted in a 60-basis point decline in the

vacancy rate year-over-year in the third quarter to 9.7 percent from 10.3 percent.

Midtown recorded average asking rents of \$85.94 for all building classes in the third quarter, a 3.0 percent quarter-over-quarter increase, but a 2.0 percent decline from \$87.30 compared to the third quarter a year ago.

Midtown South: Co-Working Accelerates Leasing Velocity, While New Development Drives Pricing

In the third quarter, co-working tenants executed over 45.0 percent of the one million square feet of total leasing activity in Midtown South, surpassing the 23.0 percent of leasing activity transacted by the technology/advertising/media/advertising (TAMI) sector.

Unlike the first and second quarters of this year when co-working tenants only leased space in Class B and Class C properties in Midtown South, during the third quarter they bolstered their presence in higher quality Class A buildings. For example, Regus leased 34,797 square feet at 413 West 14th Street and Knotel took 19,563 square feet at 250 Hudson Street.

Average office rents in Midtown South saw the highest rental increase throughout any of the markets in Manhattan, rising to an average \$79.73 for all building classes, an increase of 11.0 percent year-over-year in the third quarter, and an increase of 2.0 percent from the second quarter. The increase in rent is partly attributed to new development within the Chelsea submarket, including 40 Tenth Avenue and 540 West 26th Streets, as well as 300 Lafayette Street and 61 Crosby Street in SoHo.

Despite strong leasing velocity within Midtown South, the market showed an overall vacancy of 8.8 percent, slightly above the 8.0 percent level a year ago for several reasons. Penguin Random House vacated 345 and 375 Hudson Street to consolidate its operations into nearly all of 1745 Broadway, and 51,000 square feet of sublease office space that came on line on the fourth floor of the building from One Kings Lane, the online home furnishings retailer.

Downtown: Despite Leasing Volume Declines, Market Continues to Diversify

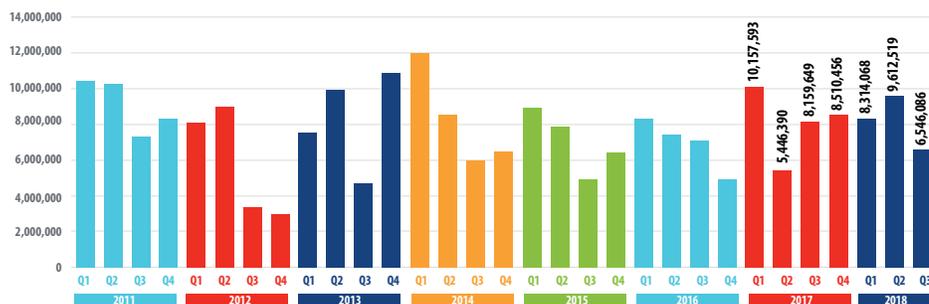
WeWork's 76,814-square-foot expansion in a Class A building at 85 Broad Street in the third quarter is further evidence of how co-working tenants are increasing their footprint beyond Class B and Class C properties. This transaction was the second largest in the Downtown market during the third quarter, behind Spotify's 85,666-square-foot sublease at 4 World Trade Center. In addition, the Downtown market continued to diversify away from traditional financial services, as evidenced by a growing number of non-profit firms that continue to make commitments within the area.

The overall vacancy rate for Downtown in the third quarter rose to 12.9 percent, from 12.2 percent in the same quarter a year ago. The rise is partly the result of over 280,000 square feet of direct space put on the market by the NYC Industrial Agency and the NYC Department of Small Business Services at 110 William Street.

Downtown's average asking rent of \$63.42 for all building classes in the third quarter, is an increase of 1.0 percent from the prior quarter and a decline of 2.0 percent year-over-year.

In conclusion, the overall Manhattan office leasing market continues to be impacted by a growing amount of co-working activity that is spreading to higher quality product. We will monitor the impact. At the same time, new development continues to drive pricing higher and a diversified tenant-mix keeps the market in equilibrium with the overall vacancy rate currently at 10.3 percent.

Historical Leasing Activity by Quarter



	Year-to-Date Through 3Q 2017	Year-to-Date Through 3Q 2018
Midtown	14,253,892 SF	16,467,004 SF
Midtown South	3,456,765 SF	4,616,112 SF
Downtown	6,171,509 SF	3,299,527 SF

- All data is preliminary as of 9/19/2018
- At Avison Young, we track office properties that are 20,000 square feet and greater

Notable Lease Transactions

Tenant	Address Submarket	Size Lease Type
1199 National Benefit and Pension Funds	330 West 42nd Street Times Square/West Side	455,461 SF Renewal
Evercore	55 East 52nd Street Plaza District	350,000 SF Renewal/Expansion
Pfizer	219 East 42nd Street Grand Central	350,000 SF New Lease
JP Morgan Chase & Co	237 Park Avenue Plaza District	270,536 SF Renewal
WeWork	21 Penn Plaza Penn Plaza/Garment	258,344 SF New Lease

Market Indicators

Year-to-Date

Market Inventory

456,639,777 SF
451,461,031 4Q17

Construction Pipeline

14,034,862 SF

Vacancy Rate

10.30%
10.2% 4Q17

Net Absorption

-723,300 SF

Overall Average Asking Rent

\$78.72 PSF
\$78.54 4Q17

* Compared to year-end 2017
* Includes 8.9 MSF coming online within the next 12 Months

Markets by the Numbers

Submarket	Inventory (SF)	Direct Vacant (SF)	Sublet Vacant (SF)	3rd Quarter 2018 Overall Vacancy Rate	3rd 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	5,319,546	895,550	11.3%	50,734	(326,320)	2,595,154	\$76.56	\$58.92
Penn Plaza/Garment	19,969,798	1,438,721	815,240	11.3%	377,842	(305,993)	0	\$71.16	\$62.14
Hudson Yards/Manhattan West	11,035,904	932,568	18,224	8.6%	(705,787)	(950,792)	9,906,770	\$117.47	\$0.00
Plaza District	76,861,806	5,918,049	1,801,026	10.0%	421,100	1,256,677	870,000	\$100.44	\$64.13
Sixth Avenue/Rockefeller Center	55,985,260	4,230,436	741,614	8.9%	(241,173)	291,099	0	\$92.83	\$64.74
Times Square South	24,964,930	1,804,440	533,460	9.4%	233,099	221,867	0	\$69.78	\$58.51
Times Square/West Side	37,362,312	2,350,488	558,242	7.8%	530,101	685,386	0	\$82.56	\$62.16
Total	280,999,368	21,994,248	5,363,356	9.7%	665,916	871,924	13,371,924	\$90.59	\$60.67
Midtown South									
Chelsea	23,161,279	1,309,474	740,811	8.8%	12,735	(151,652)	662,938	\$150.93	\$57.89
Hudson Square	14,259,807	1,293,489	709,257	14.0%	(142,724)	(737,251)	0	\$87.09	\$66.00
Gramercy Park	30,743,242	1,802,126	432,578	7.3%	161,072	(173,661)	0	\$74.19	\$63.64
SoHo/NoHo	8,859,381	427,611	111,203	5.8%	212,656	258,454	0	\$143.13	\$68.58
Total	77,023,709	4,832,700	1,993,849	8.8%	243,739	(804,110)	662,938	\$101.44	\$62.78
Downtown									
TriBeCa/City Hall	18,957,427	1,416,921	219,420	8.3%	(170,953)	(404,085)	0	\$61.95	\$70.17
Financial District	53,199,740	5,307,320	1,279,404	12.4%	(163,711)	(313,790)	0	\$58.95	\$51.77
World Trade Center	26,459,533	3,701,319	866,985	17.3%	188,149	(73,239)	0	\$73.76	\$48.09
Downtown Total	98,616,700	10,425,560	2,365,809	12.9%	(146,515)	(791,114)	0	\$64.83	\$55.90
Manhattan Overall Total	456,639,777	37,252,508	9,723,014	10.3%	763,140	(723,300)	14,034,862	\$83.29	\$60.37

All data is preliminary as of 9/19/2018

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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