

# DOWNTOWN MANHATTAN OFFICE MARKET

THIRD QUARTER 2017

## Downtown continues to attract 100,000 SF users

Leasing activity surpasses 2016's total

The Downtown market continued its momentum through Q3 2017, attracting large users across different industries. Through the first half of 2017, large users continued to migrate south, mostly relocating from Midtown South. The TAMI sector has been the main driver in relocations from Midtown South to Downtown, including Spotify and Business Insider. This trend extended into Q3 2017 with MacMillan Publishing relocating from 175 Fifth Avenue to 120 Broadway taking 260,836 SF.

Momentum from the World Trade Center has spilled over into the Financial District, posting 567,851 SF of positive absorption, recording two transactions over 100,000 SF, and accounting for a majority of the leasing activity this quarter. As a result, leasing activity has surpassed 2016's totals. The government sector was active this quarter, recording two of the top three transactions. Both the average asking rents and availability rate remain at an all-time high, impacted by the addition of 3 World Trade Center last quarter.

### ECONOMY






#### Unemployment rate ticks up to 4.9%, remains stable

Despite an uptick in New York City's unemployment rate, levels remain stable. Private sector jobs increased 2.4% year-over-year adding 89,000 jobs. The greatest gains were in education and health services, professional and business services, and financial activities; all growing sectors. Further, the year-over-year private sector growth was 1.7% above the national average.

### AVAILABILITY

#### Large blocks added, remains stable

Q3 2017's availability rate ended at 13.8%. Major additions came from the Insurance District where 449,000 SF of the former AON space at 199 Water Street was added. This space was already on the market, but now fell within twelve months of tenant possession with an occupancy of Q3 2018. As a result, the Insurance District's Q3 2017 availability rate ended at 11.7%. Other additions include 82,000 SF of sublet space at 1 North End Avenue, causing a slight uptick in the World Trade Center submarket, whose availability rate ended at 17.5%.

TRENDLINES	
5-YEAR TREND	CURRENT QUARTER
<b>AVAILABILITY</b> 	<b>13.8%</b> Availability rate remains stable
<b>ABSORPTION</b> 	<b>48,713 SF</b> Positive net absorption observed
<b>RENTAL RATE</b> 	<b>\$63.63 PSF</b> Asking rents remained stable
<b>CAP RATE</b> 	<b>4.6%</b> Cap rate remains stable
<b>AVERAGE OFFICE SALE PRICE</b> 	<b>\$623 PSF</b> Sale value decreased

# DOWNTOWN MANHATTAN OFFICE MARKET

THIRD QUARTER 2017

## ABSORPTION

### Downtown witnessed 48,713 SF of positive net absorption

After absorbing 1.8 million SF from 3 World Trade Center last quarter, Downtown returns to positive territory, posting positive 48,713 SF of net absorption. The Insurance District was the driving force in achieving positive net absorption recording 567,851 SF of positive absorption—steered by the NYC Department of Investigations lease of 276,000 SF at 180 Maiden Lane and MacMillan Publishing 260,836 SF lease at 120 Broadway. City Hall/Tribeca posted 87,171 SF of positive absorption driven by the 70,180 SF NYC Department of Sanitation lease at 375 Pearl Street.

The 449,000 SF former AON Space at 199 Water contributed to the Insurance District's 557,310 SF of negative absorption. The addition of 82,000 SF of sublet space at 1 North End Avenue caused the World Trade Center to post 49,000 SF of negative absorption.

## Notable Lease Transactions

COMPANY	ADDRESS	SQUARE FEET	LEASE TYPE
NYC Department of Investigations	180 Maiden Lane	276,000	New Lease
MacMillan Publishing	120 Broadway	260,836	New Lease
NYC Department of Sanitation	375 Pearl Street	70,180	New Lease

## AVERAGE ASKING RENT

### Flat quarter-over-quarter

Downtown's average asking rent ended the quarter at \$63.63 PSF, virtually unchanged from last quarter. The addition of the 1.8 million SF at 3 World Trade Center last quarter, which was priced in the mid \$80's, rose the average asking rent to an all-time high.

## Office Market Indicators by Submarket

SUBMARKET	INVENTORY	NET ABSORPTION	VACANCY RATE	DIRECT AVAILABILITY RATE	AVAILABILITY RATE	CLASS A AVERAGE RENT PSF	CLASS B AVERAGE RENT PSF	OVERALL AVERAGE RENT PSF
City Hall/Tribeca	11,078,136	87,171	11.5%	10.7%	11.4%	\$66.57	\$47.78	\$65.56
Financial District	37,189,781	567,851	10.1%	10.4%	11.7%	\$56.05	\$52.63	\$55.90
Insurance District	8,763,966	(557,310)	4.4%	8.6%	11.8%	\$54.92	\$49.44	\$53.75
World Trade Center	34,198,853	(48,999)	12.2%	15.3%	17.5%	\$71.03	\$51.40	\$70.00
<b>Downtown Total</b>	<b>91,230,736</b>	<b>48,713</b>	<b>10.5%</b>	<b>12.1%</b>	<b>13.8%</b>	<b>\$64.48</b>	<b>\$50.86</b>	<b>\$63.63</b>

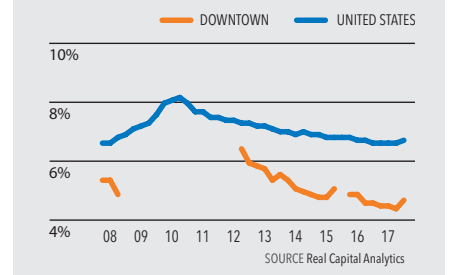
## CONTACT

Danny Mangru  
 Research Manager  
 212.537.7690  
 danny.mangru@transwestern.com

## METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Downtown Manhattan. This report includes single-tenant and multi-tenant Class A and B office properties with at least 75,000 SF.

## CAP RATES



## OUTLOOK

### More movement to the south may be on the horizon

High demand for new construction along with large floor plates and the new tenant mix in Downtown all contribute to a strong outlook. With Hudson Yards and Manhattan West close to full capacity, large tenants will continue to consider World Trade Center. ■