

DOWNTOWN MANHATTAN OFFICE MARKET

FOURTH QUARTER 2017

Leasing activity surpasses 5 million SF in 2017

Average asking rents continue to rise

The Downtown market continued its momentum through the end of 2017, attracting large users across different industries, particularly from the government, technology, and financial services sector. While 2016 only witnessed three transactions over 100,000 SF, through year-end 2017, eight transactions were recorded over 100,000 SF. As a result, leasing activity has surpassed five million SF, outpacing 2016's total. This quarter, the New York Economic Development Corporation leased 219,000 SF at 1 Liberty Plaza.

Despite a healthy year of leasing, both the availability rate and average asking rent increased throughout 2017 to an all-time high, primarily driven by the additions of new construction in the World Trade Center area. As a result, the availability rate rose 150 basis points year-over-year to 13.8% and the average asking rent increased 12% over the same period to \$64.78 PSF. With this increase in availability and competitive pricing driven by new construction, a new diverse tenant mix, and large floor plates, the Downtown market, in both existing and new product, has continued to become an attractive option for sizable tenants across Manhattan.

ECONOMY






Unemployment rate drops to 4.7%, remains stable

Private sector jobs increased 1.8% year-over-year, adding 68,000 jobs. The greatest gains were in education and health services, professional and business services, and financial activities - all growing sectors. Further, the city's year-over-year picture remained positive with six sectors adding jobs through 2017.

AVAILABILITY

Unchanged quarter-over-quarter, remained stable

The Q4 2017 availability rate ended at 13.8%, virtually unchanged from last quarter, but up 150 basis points year-over-year. City Hall/Tribeca's availability rate was down 80 basis points to 10.6%, driven by mid-sized transactions at 233 and 408 Broadway. The Financial District posted a 40 basis point increase with the addition of 140,000 SF at 28 Liberty Street and 89,000 SF at 120 Broadway. Another major addition includes 227,000 SF at 101 Greenwich Street.

TRENDLINES	
5-YEAR TREND	CURRENT QUARTER
AVAILABILITY 	13.8% Availability rate remains stable
ABSORPTION 	29,321 SF Positive net absorption observed
RENTAL RATE 	\$64.78 PSF Asking rents remained stable
CAP RATE 	4.5% Cap rate remains stable
AVERAGE OFFICE SALE PRICE 	\$620 PSF Sale value decreased

DOWNTOWN MANHATTAN OFFICE MARKET

FOURTH QUARTER 2017

ABSORPTION

Downtown witnessed 29,321 SF of negative net absorption

Due to the large blocks of space added in the World Trade Center and Financial District submarkets, Downtown posted 29,000 SF of negative net absorption. The Financial District witnessed 138,000 SF of negative net absorption driven by the addition of the large blocks of space at 28 Liberty Street and 120 Broadway. While the World Trade submarket did record the largest transaction of the quarter—New York City Economic Development Corporation’s 219,000 SF lease at 1 Liberty Plaza, it did witness 16,000 SF of negative net absorption.

Notable Lease Transactions

COMPANY	ADDRESS	SQUARE FEET	LEASE TYPE
New York City Economic Development Corporation	1 Liberty Plaza	219,486	New Lease
Lewis, Brisbois, Bisgaard & Smith	77 Water Street	100,952	Renewal/Expansion
NYU Langone	14 Wall Street	74,069	Renewal

AVERAGE ASKING RENT

Large block added drives 2% increase

Downtown’s average asking rent ended the quarter at \$64.78 PSF, up 2% from last quarter and 12% year-over-year. There was relatively minimal movement among the Downtown submarkets except for the Insurance District and Financial District, both posting a 3% increase. The addition of 140,000 SF at 28 Liberty Street increased the Financial District’s average asking rent to \$55.26 PSF, which was priced in the mid \$60’s to low \$70’s PSF. The addition of 71,000 SF at 110 William Street, drove an increase in the Insurance District to \$55.26 PSF.

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	93,884	10.2%	10.1%	10.6%	\$66.96	\$49.24	\$65.92
Financial District	37,189,781	(137,806)	9.6%	10.5%	12.1%	\$57.73	\$52.98	\$57.44
Insurance District	8,763,966	31,121	4.9%	8.7%	11.4%	\$56.27	\$51.86	\$55.26
World Trade Center	34,198,853	(16,520)	12.6%	14.6%	17.3%	\$71.86	\$51.68	\$71.01
Downtown Total	91,230,736	(29,321)	10.3%	11.8%	13.8%	\$65.64	\$51.93	\$64.78

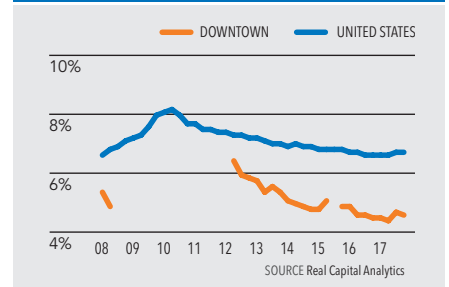
CONTACT

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

New availability and competitive pricing will continue to drive the Downtown market

With large blocks coming to the market in the coming months, the increase in availability along with competitive pricing will continue to attract sizable tenants in the market. ■