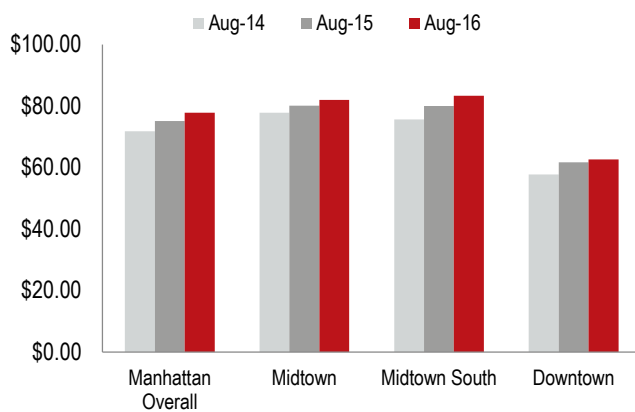


Monthly Market Update

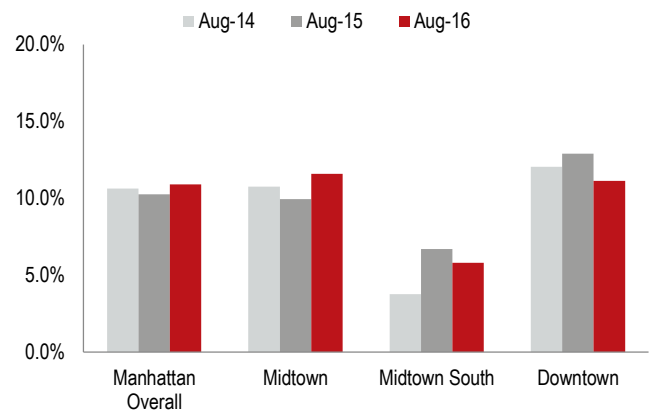
New York City Office Outlook | September 2016



MANHATTAN Class A Asking Rents



MANHATTAN Class A Vacancy Rates



MIDTOWN

- WeWork increased its New York foothold in the second-largest lease of the month in Midtown.
- New construction in Hudson Yards continues to attract tenants from the Plaza District.



MIDTOWN SOUTH

- Midtown South leasing activity was light in August, continuing a trend of fewer large-block leases year-to-date.
- Pricing in Midtown South remains at the top of the market.



DOWNTOWN

- Downtown leasing activity was driven by three FIRE sector leases at 4 World Trade Center.
- The leases bring 4 World Trade Center to an occupancy rate of 78 percent, up from roughly 69 percent at the end of July.



BROOKLYN & LONG ISLAND CITY

- Kushner Companies, CIM Group and LIVWRK recently closed on the purchase of the Watchtower building in DUMBO for \$340 million from Jehovah's Witnesses.
- Rubenstein Partners and Heritage Equity Partners obtained a \$197 million construction loan for a 500,000-square-foot development at 25 Kent Avenue in Williamsburg.



MIDTOWN

WeWork increased its New York foothold in the second-largest lease of the month in Midtown. The shared office space provider signed a lease for 159,306 square feet at 12 East 49th Street, in space formerly occupied by Saks Fifth Avenue. In the largest lease recorded in August, law firm Dentons renewed 191,108 square feet at 1221 Avenue of the Americas through 2025. The only other lease in excess of 100,000 square feet signed during August was Morgan Stanley’s renewal and expansion of 108,394 square feet at 399 Park Avenue.

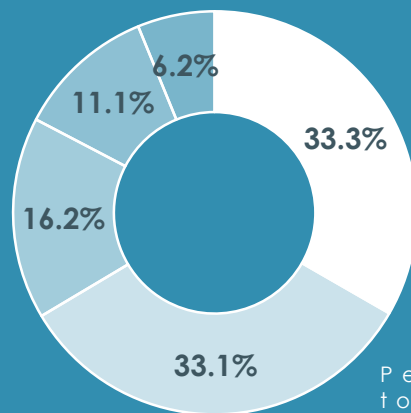
New construction in Hudson Yards continues to attract tenants from the Plaza District. E-trading platform MarketAxess reportedly signed a lease to relocate to 83,000 square feet at 55 Hudson Yards from 299 Park Avenue. MarketAxess joins other tenants relocating from the Plaza District including Boston Consulting Group, Wells Fargo and Boies, Schiller & Flexner.

The Penn Plaza/Garment District recorded a 5.0 percent increase in average asking rents month over month to \$74.08 per square foot as a result of the return of a large block of space at 5 Manhattan West. The Class A vacancy rate in the

submarket increased to 11.8 percent in August from 11.3 percent in July with the addition of the returned space. Despite the return of a large sublease block at 777 Third Avenue from Avon—the cosmetics manufacturer plans to relocate its headquarters from New York to the United Kingdom—the Plaza District recorded a slight decrease in Class A vacancy to 11.3 percent from 11.4 percent in July. The average Plaza District Class A asking rent dropped half a percent to \$88.12 per square foot as a result of the uptick in sublease availability.

Both overall and Class A vacancy remained flat month over month in Midtown at 10.5 percent and 11.6 percent, respectively. Year over year, however, the Midtown Class A vacancy rate remains high compared with 9.9 percent in August 2015. The Class A average asking rent is up 2.3 percent year over year to \$81.94 per square foot.

New construction in Hudson Yards lures tenants from the Plaza District and Columbus Circle submarkets



- Plaza District
- Columbus Circle
- Penn Plaza/Garment District
- Times Square
- Midtown South

Percentage of total square feet

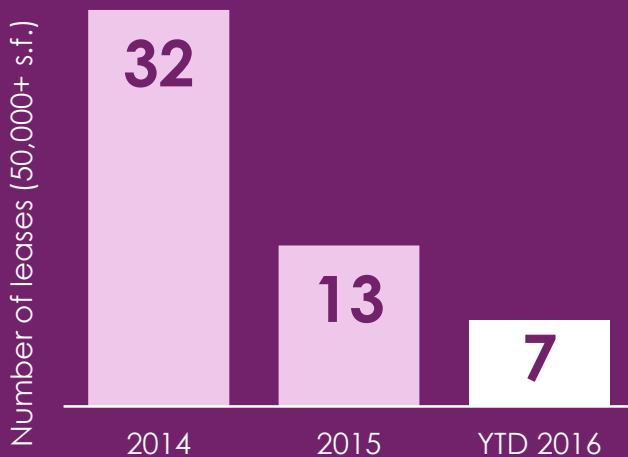


MIDTOWN SOUTH

Midtown South leasing activity was light in August, continuing a trend of fewer large-block leases year to date. Space, however, remained tight as no new large blocks of direct space came to market. Although Class A vacancy was flat for the month at 5.8 percent, this marks a 0.9-percentage-point decrease from this time last year. Class B vacancy declined 0.3 percentage points month over month to 7.5 percent as several mid-sized leases were signed including a 67,500-square-foot sublease at 360 Park Avenue South. As a result of the aforementioned sublease, only three large blocks are currently available in the next 12 months in Midtown South. Further out, several new, albeit small, construction projects in the Meatpacking District are under development. Overall vacancy is slightly lower on both a monthly and annual basis, declining 0.1 percentage points to 6.8 percent.

Pricing in Midtown South remains at the top of the market. The average Class A rent increased \$0.22 per square foot from last month to \$83.28 as an above-market sublease came to market at 51 Astor Place, previously occupied by Claren Road Asset Management. The overall average rent increased \$0.65 per square foot from last month to \$71.97.

An additional sublease of note added this month was an entire floor at 225 Park Avenue South, representing a portion of BuzzFeed’s 194,123-square-foot space leased at the end of 2014. Although the current Midtown South sublease vacancy rate remains low at 1.6 percent, any weakness in the market as a result of a decrease in venture capital funding will most likely first appear with the addition of sublease space.



Leases 50,000 square foot or larger have significantly dropped since 2014 amid tight vacancy in Midtown South



DOWNTOWN

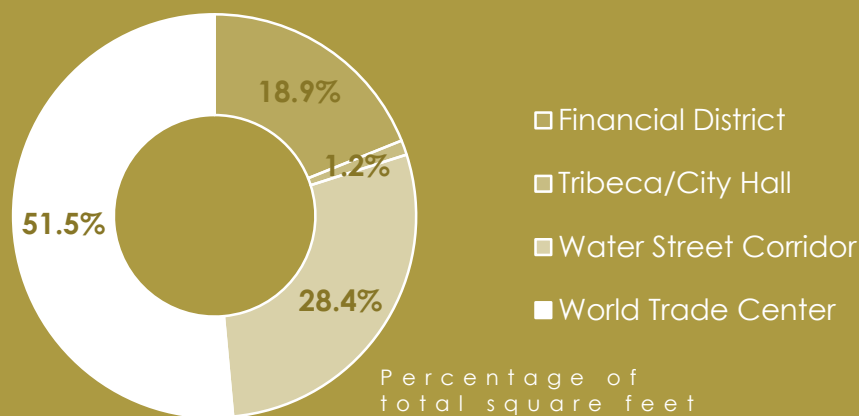
Downtown leasing activity in August was driven primarily by three FIRE sector leases at Silverstein Properties' 4 World Trade Center. The most notable lease was that of Zurich American Insurance Company. The insurance giant relocated from One Liberty Plaza to occupy 131,876 square feet across the 52nd through 54th floors of the building. The other two notable August leases in the building were signed by financial services firm Global Atlantic Financial Group and insurance agency Validus. The two firms signed on for 44,000 square feet and 24,489 square feet in the building, respectively. All three companies relocated operations from other Downtown locations, highlighting a flight to newer product among Downtown FIRE sector occupants. The leases bring 4 World Trade Center to an occupancy rate of 78 percent, up from roughly 69 percent at the end of July.

Overall asking rental rates in the Downtown market declined slightly from \$58.24 per square foot at the end of July to the current rate of \$57.86 per square foot. This slight decline is mainly due to the leases signed at 4 World Trade Center, which

took pricier spaces off the market. Average asking rents in the World Trade Center submarket of \$76.07 per square foot represent a 32 percent premium over the Downtown market as a whole. Due to this strong leasing activity, the overall vacancy rate for the World Trade Center submarket declined 90 basis points during the month, from 13.7 percent to 12.8 percent.

Other notable leases for the month of August include a 42,550-square-foot headquarter relocation by 9/11 Widows and Victims to 88 Greenwich Street in the Financial District. The nonprofit tripled its footprint after the move from 120 Liberty Street. Allied Advertising also signed a new lease for 28,098 square feet on the 13th floor of 233 Broadway in the Tribeca/City Hall submarket. Lastly, DeSimone Consulting Engineers signed a 25,000-square-foot lease at 140 Broadway in the Financial District. The firm expanded by 10,000 square feet after its relocation from Midtown South.

More than half of new Downtown Class A leasing activity year to date took place in the World Trade Center submarket



September 2016

SUBMARKET STATISTICS

	Class A			Class B			Overall		
	Inventory	Vacancy Rate	Asking Rent (p.s.f.)	Inventory	Vacancy Rate	Asking Rent (p.s.f.)	Inventory	Vacancy Rate	Asking Rent (p.s.f.)
Midtown									
Columbus Circle	17,370,464	8.1%	\$80.53	7,926,002	4.4%	\$52.79	25,296,466	7.0%	\$75.00
Grand Central	39,504,012	14.3%	\$75.70	32,701,857	7.6%	\$55.84	72,205,869	11.3%	\$69.79
Penn Plaza / Garment	18,095,692	11.8%	\$74.08	28,093,536	9.5%	\$56.46	46,189,228	10.4%	\$54.27
Plaza District	85,911,374	11.3%	\$88.12	17,175,134	5.8%	\$62.44	103,086,508	10.4%	\$85.81
Times Square	31,959,230	10.7%	\$80.75	8,262,479	13.8%	\$60.28	40,221,709	11.3%	\$75.62
Total	192,840,772	11.6%	\$81.94	94,159,008	8.1%	\$57.42	286,999,780	10.5%	\$75.69
Midtown South									
Chelsea	10,592,111	2.3%	\$72.19	12,825,409	8.9%	\$60.24	23,417,520	5.9%	\$62.40
Gramercy Park	10,721,487	7.5%	\$80.33	11,260,821	6.4%	\$67.71	21,982,308	6.9%	\$74.48
Greenwich Village	1,915,423	3.3%	\$104.60	3,886,073	2.7%	\$66.36	5,801,496	2.9%	\$80.89
Hudson Square	4,589,421	10.8%	\$91.89	6,057,510	8.7%	\$65.89	10,646,931	9.6%	\$78.65
SoHo	964,765	5.8%	\$74.91	3,765,358	9.2%	\$75.51	4,730,123	8.5%	\$75.41
Total	28,783,207	5.8%	\$83.28	37,795,171	7.5%	\$65.11	66,578,378	6.8%	\$71.97
Downtown									
Financial District	14,246,623	11.1%	\$58.60	23,448,666	11.1%	\$49.60	37,695,289	11.1%	\$53.07
Tribeca / City Hall	4,372,411	0.2%	\$60.00	13,348,744	8.9%	\$49.62	17,721,155	6.8%	\$49.71
Water Street Corridor	20,942,226	11.9%	\$52.57	1,534,114	1.7%	\$44.62	22,475,340	11.2%	\$52.49
World Trade Center	18,402,964	12.8%	\$76.07	0	0.0%	\$0.00	18,402,964	12.8%	\$76.07
Total	57,963,224	11.1%	\$62.63	38,331,524	10.0%	\$49.57	96,294,748	10.7%	\$57.86
Manhattan	279,587,203	10.9%	\$77.85	170,285,703	8.4%	\$56.85	449,872,906	9.9%	\$71.18

CLOSED LEASING TRANSACTIONS

Size (s.f.)	Tenant	Address	Submarket	Type
191,108	Dentons	1221 Avenue of the Americas	Plaza District	Renewal
159,306	WeWork	12 East 49th Street	Plaza District	New
131,876	Zurich American Insurance Company	4 World Trade Center	World Trade Center	New
108,394	Morgan Stanley	399 Park Avenue	Plaza District	Renewal/expansion

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