

Q1 2018

Office Insight

2018 is off to an auspicious start following major announcements by JPMorgan Chase and Google

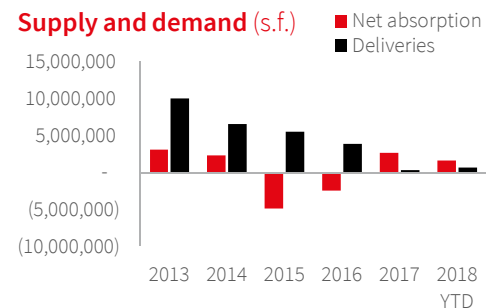
- JPMorgan Chase announced that it will tear down and reconstruct 270 Park Avenue, capitalizing on the Midtown East rezoning that could counterbalance the recent westward and southward migration trends.
- Google closed on its acquisition of Chelsea Market for \$2.4 billion, cementing its office park in the Meatpacking District in Midtown South.
- Class A vacancy dipped by 30 basis points quarter-over-quarter to 8.5%, though impending supply additions should apply upward pressure.

Tight labor market conditions have reinforced office occupiers' desire to upgrade their offices, oftentimes consolidating their footprints into more efficient, dynamic workspaces while doing so. JPMorgan Chase will tear down and rebuild its 1958-vintage headquarters at 270 Park Avenue, expanding the building's footprint by approximately 1.0 million square feet after the acquisition of air rights through the recently passed Midtown East rezoning. Some employees will be relocated to a nearby 418,241-square-foot suite at 390 Madison Avenue, bringing the newly redeveloped tower to full occupancy. Google made headlines when it acquired 75 Ninth Avenue (Chelsea Market) for \$2.4 billion – the second-most expensive office purchase in the history of New York City. As a result, the tech giant further entrenched its campus environment spread across four adjacent buildings in the trendy Meatpacking District. Elsewhere in the burgeoning west side, Roc Nation signed a lease for the 73,000 square feet of available office space at the newly delivered 540 West 26th Street. Facebook also continued to grow in Midtown South, expanding its presence at its New York City headquarters at 770 Broadway by 78,000 square feet. Also of note, Greenberg Traurig finalized a 140,000-square-foot lease at One Vanderbilt – a high-profile tower under construction adjacent to Grand Central Terminal.

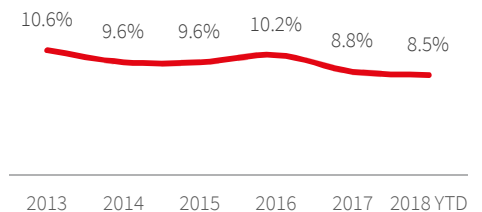
Outlook

Vacancy rates are expected to tick upward in the coming quarters largely as a result of looming large-block availabilities at existing buildings in Midtown, several boutique office developments in Midtown South, and the delivery of 3 World Trade Center in Downtown. However, reasonably priced, efficient product should continue to attract an outsized share of demand, putting pressure on landlords to upgrade commoditized properties to remain competitive – or offer increasingly competitive concessions packages.

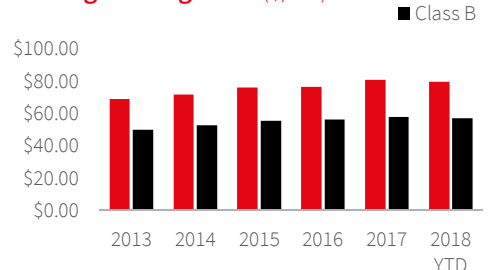
Fundamentals	Forecast
YTD net absorption	1,638,265 s.f. ►
Under construction	15,388,411 s.f. ▲
Total vacancy	8.5% ▲
Average asking rent (gross)	\$72.48 p.s.f. ►
Concessions	Rising ▲



Total vacancy



Average asking rents (\$/s.f.)



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New York City

Q1 2018

Office Statistics

	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD Completions (s.f.)	Under Development (s.f.)
Financial District	Totals	37,832,410	-98,870	-98,870	-0.3%	9.7%	11.7%	\$54.69	0	0
Tribeca/City Hall	Totals	17,839,836	124,520	124,520	0.7%	4.8%	5.6%	\$49.58	0	0
Water Street Corridor	Totals	23,000,384	-199,762	-199,762	-0.9%	7.1%	9.0%	\$58.13	0	0
World Trade Center	Totals	18,402,964	10,518	10,518	0.1%	7.5%	10.4%	\$80.28	0	2,861,402
Downtown	Totals	97,075,594	-163,594	-163,594	-0.2%	7.8%	9.7%	\$61.96	0	2,861,402
Columbus Circle	Totals	23,847,963	39,927	39,927	0.2%	4.1%	5.0%	\$74.69	0	560,000
Grand Central	Totals	71,070,135	-36,807	-36,807	-0.1%	7.2%	9.0%	\$67.78	0	2,595,109
Penn Plaza/Garment	Totals	46,027,021	15,967	15,967	0.0%	5.3%	7.6%	\$77.81	0	7,139,745
Plaza District	Totals	101,300,813	365,553	365,553	0.4%	7.4%	9.4%	\$93.14	136,428	670,000
Times Square	Totals	40,429,798	450,429	450,429	1.1%	8.8%	10.3%	\$74.39	0	0
Midtown	Totals	282,675,730	835,069	835,069	0.3%	6.9%	8.7%	\$79.40	136,428	10,964,854
Chelsea	Totals	22,974,985	432,361	432,361	1.9%	5.0%	6.3%	\$77.53	363,037	873,492
Gramercy Park	Totals	21,927,005	255,839	255,839	1.2%	3.4%	4.1%	\$82.10	106,453	173,985
Greenwich Village	Totals	5,833,147	196,655	196,655	3.4%	2.9%	3.0%	\$85.68	77,480	40,381
Hudson Square	Totals	10,876,931	45,362	45,362	0.4%	6.8%	8.4%	\$86.71	0	156,938
SoHo	Totals	4,746,149	36,573	36,573	0.8%	8.2%	9.8%	\$86.67	0	317,615
Midtown South	Totals	66,358,217	966,790	966,790	1.5%	4.8%	5.9%	\$82.43	546,970	1,562,411
New York City	Totals	446,109,541	1,638,265	1,638,265	0.4%	6.8%	8.5%	\$74.99	683,398	15,388,667
Financial District	A	14,784,239	-101,139	-101,139	-0.7%	8.1%	10.2%	\$61.86	0	0
Tribeca/City Hall	A	4,372,411	77,883	77,883	1.8%	0.0%	1.6%	\$60.00	0	0
Water Street Corridor	A	21,466,270	-165,645	-165,645	-0.8%	7.6%	9.2%	\$58.23	0	0
World Trade Center	A	18,402,964	10,518	10,518	0.1%	7.5%	10.4%	\$80.28	0	2,861,402
Downtown	A	59,025,884	-178,383	-178,383	-0.3%	7.1%	9.2%	\$68.56	0	2,861,402
Columbus Circle	A	17,313,834	26,085	26,085	0.2%	4.6%	5.3%	\$78.10	0	560,000
Grand Central	A	39,521,926	480,868	480,868	1.2%	7.7%	10.0%	\$72.88	0	2,595,109
Penn Plaza/Garment	A	18,993,954	-187,889	-187,889	-1.0%	5.0%	7.1%	\$92.95	0	7,139,745
Plaza District	A	86,262,738	268,552	268,552	0.3%	7.7%	9.8%	\$97.43	136,428	670,000
Times Square	A	32,030,829	254,333	254,333	0.8%	6.4%	7.9%	\$78.89	0	0
Midtown	A	194,123,281	841,949	841,949	0.4%	6.9%	8.9%	\$86.96	136,428	10,964,854
Chelsea	A	14,112,221	367,627	367,627	2.6%	3.9%	4.7%	\$92.69	363,037	873,492
Gramercy Park	A	12,855,343	217,606	217,606	1.7%	3.2%	3.7%	\$87.56	106,453	173,985
Greenwich Village	A	1,992,903	87,964	87,964	4.4%	3.4%	3.4%	\$111.30	77,480	40,381
Hudson Square	A	7,505,495	55,348	55,348	0.7%	8.1%	10.1%	\$90.18	0	156,938
SoHo	A	1,871,218	-32,822	-32,822	-1.8%	8.2%	10.7%	\$101.53	0	317,615
Midtown South	A	38,337,180	695,723	695,723	1.8%	4.7%	5.6%	\$91.71	546,970	1,562,411
New York City	A	291,486,345	1,359,289	1,359,289	0.5%	6.7%	8.5%	\$82.87	683,398	15,388,667
Financial District	B	23,048,171	2,269	2,269	0.0%	10.7%	12.7%	\$51.05	0	0
Tribeca/City Hall	B	13,467,425	46,637	46,637	0.3%	6.4%	6.9%	\$49.33	0	0
Water Street Corridor	B	1,534,114	-34,117	-34,117	-2.2%	0.8%	6.8%	\$40.27	0	0
Downtown	B	38,049,710	14,789	14,789	0.0%	8.7%	10.4%	\$50.68	0	0
Columbus Circle	B	6,534,129	13,842	13,842	0.2%	2.7%	4.0%	\$63.91	0	0
Grand Central	B	31,548,209	-517,675	-517,675	-1.6%	6.5%	7.8%	\$59.95	0	0
Penn Plaza/Garment	B	27,033,067	203,856	203,856	0.8%	5.5%	8.0%	\$59.22	0	0
Plaza District	B	15,038,075	97,001	97,001	0.6%	5.5%	6.7%	\$60.72	0	0
Times Square	B	8,398,969	196,096	196,096	2.3%	18.1%	19.6%	\$66.30	0	0
Midtown	B	88,552,449	-6,880	-6,880	0.0%	6.8%	8.5%	\$61.47	0	0
Chelsea	B	8,862,764	64,734	64,734	0.7%	6.6%	8.8%	\$55.11	0	0
Gramercy Park	B	9,071,662	38,233	38,233	0.4%	3.8%	4.7%	\$67.61	0	0
Greenwich Village	B	3,840,244	108,691	108,691	2.8%	2.6%	2.8%	\$69.06	0	0
Hudson Square	B	3,371,436	-9,986	-9,986	-0.3%	3.8%	4.6%	\$59.49	0	0
SoHo	B	2,874,931	69,395	69,395	2.4%	8.3%	9.3%	\$70.67	0	0
Midtown South	B	28,021,037	271,067	271,067	1.0%	5.0%	6.2%	\$62.58	0	0
New York City	B	154,623,196	278,976	278,976	0.2%	7.0%	8.6%	\$58.18	0	0