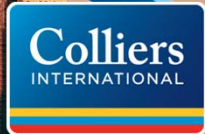


Market Report MANHATTAN OFFICE 2Q 2015



Accelerating success.

	2Q 2015	Quarter-to-Quarter Change	Year-to-Year Change	YTD 2015
Leasing Activity MSF	8,087,659	↓ -2.8%	↓ -8.0%	16,409,154
Absorption SF	2,890,076	↑ 4,311,409	↑ 948,973	1,468,743
Availability Rate	10.1%	↓ -0.6pp	↓ -0.9pp	N/A
Average Asking Rent (\$/SF/YR)	\$68.47	↑ 1.3%	↑ 6.2%	N/A

Note: pp (percentage points)



Manhattan closed 2Q 2015 with positive absorption, higher average asking rents and declining availability. However, overall Manhattan leasing velocity dropped slightly – 2.8% to 8.09 million square feet (MSF) – as compared to the previous quarter. Were the level of

leasing activity from the first half of 2015 to continue through to the end of the year, full-year leasing would fall 12.2% below 2014's 37.38 MSF. Leasing is still 11.5% above the ten year rolling average.

Within the 17 smaller Manhattan submarkets, leasing in Penn Plaza/Garment Center was strongest during the quarter at 1.71 MSF with the Skadden, Arps' lease to anchor 1 Manhattan West. Year-to-date (YTD) the Plaza District led at 3.60 MSF.

With Morgan Stanley's renewal at 750 Seventh Avenue, FIRE (financial services, insurance and real estate) companies had the largest share of leasing by industry sector at 38%; down slightly from 40% the previous quarter. Professional services firms and TAMI (technology, advertising, media and information services) companies followed tied at 20%.¹ Skadden, Arps' deal and Bloomberg's lease at 919 Third Avenue were the most significant transactions for those industries, respectively. Consumer goods/retailers posted the largest increase in leasing share during the quarter, especially in Midtown South, increasing 10 percentage points (pp) to 14%.² The public sector lagged with only 4% of Manhattan leasing – down from 11% the previous quarter – led by the Port Authority's 62,000 square foot renewal at 115 Broadway.

Leases from executive suites/co-working companies – a subset within FIRE – were among the largest leases in all three submarkets during the quarter. Indeed, WeWork alone now occupies 1.92 million square feet as one of Manhattan's largest private sector leaseholders and a significant driver of tenant demand. By comparison, Goldman Sachs occupies slightly more

than 2 million square feet; Bloomberg leases 1.87 million square feet and PwC occupies 800,000 square feet.

Manhattan availability declined 0.6pp to 10.1%, quarter-over-quarter. Significantly sized blocks of space were removed at 7 Bryant Park when Bank of China, the building's owner, decided to occupy rather than market the building's base floors and at 919 Third Avenue after Bloomberg's deal. Of the smaller submarkets, Columbus Circle recorded the highest drop in availability – 1.5pp to 10.4%. YTD, Greenwich Village outpaced the other submarkets. There, availability decreased from 6.4% to 3.4%. For the quarter, availability increased most in Hudson Square; up 1.9pp to 15.8%. But, YTD, City Hall's availability has spiked from 2.8% to 12.4. Manhattan's sublet availability declined from 1.4% to 1.2%, quarter-to-quarter.

Inventory remains high. Presently, there are 19 blocks of at least 250,000 square feet of available contiguous space; over half of which are Downtown.³ The World Trade Center submarket alone has six of those 19 blocks, more than any submarket, due to new construction at the World Trade Center as well as recent tenant relocations.⁴ Sublet availability decreased 0.3pp to 1.5%; the largest single quarterly decline since 2010 and considerably lower than its Great Recession high of 3.4% in 2009.

Positive absorption of 2.89 million square feet offset the negative 1.42 million square feet from 1Q 2015. YTD, absorption is positive 1.47 million square feet.

Manhattan's average asking rent was up 1.3% to \$68.47/square foot; the ninth successive quarter of rising rents and the longest uninterrupted period since 2004-2008. Asking rent averages increased in all three Manhattan markets as well as eleven of the smaller submarkets; breaking records in some cases.⁵

¹ Includes leasing from identified tenants.

² Includes leases from: Nike with 148,000 square feet at 855 Avenue of the Americas; Foot Locker with 145,000 square feet at 330 West 34th Street; Anheuser-Busch with 75,000 square feet at 119-125 West 24th Street; Michael Kors with a 74,000 square foot renewal/expansion at 11 West 42nd Street; Polo Ralph Lauren with a 62,000 square foot expansion at 601 West 26th Street and Republic Clothing with a 51,000 square foot sublease at 1411 Broadway.

³ Includes existing buildings and buildings under construction ready for tenant fit-out within next 12 months.

⁴ Large blocks include spaces at 1 Liberty Plaza, 300 Vesey Street, 195 Broadway, 4 World Trade Center and 1 World Trade Center.

⁵ Columbus Circle, Grand Central, U.N. Plaza, Times Square, Chelsea, Gramercy Park, Murray Hill, Penn Plaza/Garment, Financial District, Insurance District and Tribeca.

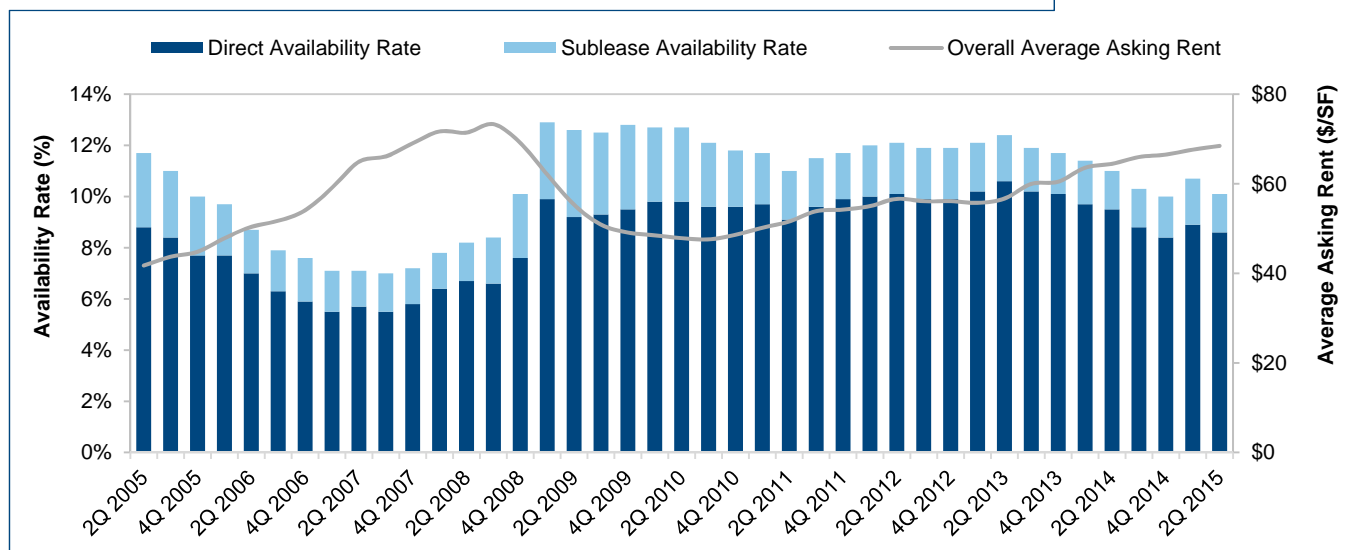
Manhattan Office Market Report 2Q 2015

Tribeca posted the greatest \$/SF increase for the quarter and YTD; with an asking rent average now at \$70.61/ square foot. Greenwich Village declined sharply -- by \$5.52/ square foot -- during 2Q 2015. But, YTD, City Hall's average has decreased by \$5.44/ square foot, more than any other submarket.

Increases were across building types as well: Class A rents were up 1.3% to \$72.02/ square foot; though still below the \$84.02/ square foot all-time high from 3Q 2008. Demand for Class A space exceeded its proportionate share (63.2%) of the overall market with 71.1% of all leasing activity. Class B buildings crossed the \$60.00/ square foot threshold for the first time at \$60.95/ square foot. At \$51.26/ square foot, Class C buildings were also at record average asking rent levels.

In the first half of the year, the weighted rent abatement period decreased to 8.6 months with several large renewal transactions closing during the first half of the year. But leases signed for anchor tenants in renovated or recently constructed buildings helped to increase the weighted work allowance to \$60.55/ square foot. Concessions continue to counterbalance the rising average asking rent. While the average asking rent has risen 13.2% over the last 18 months, the net effective rent increased by only 10.0%

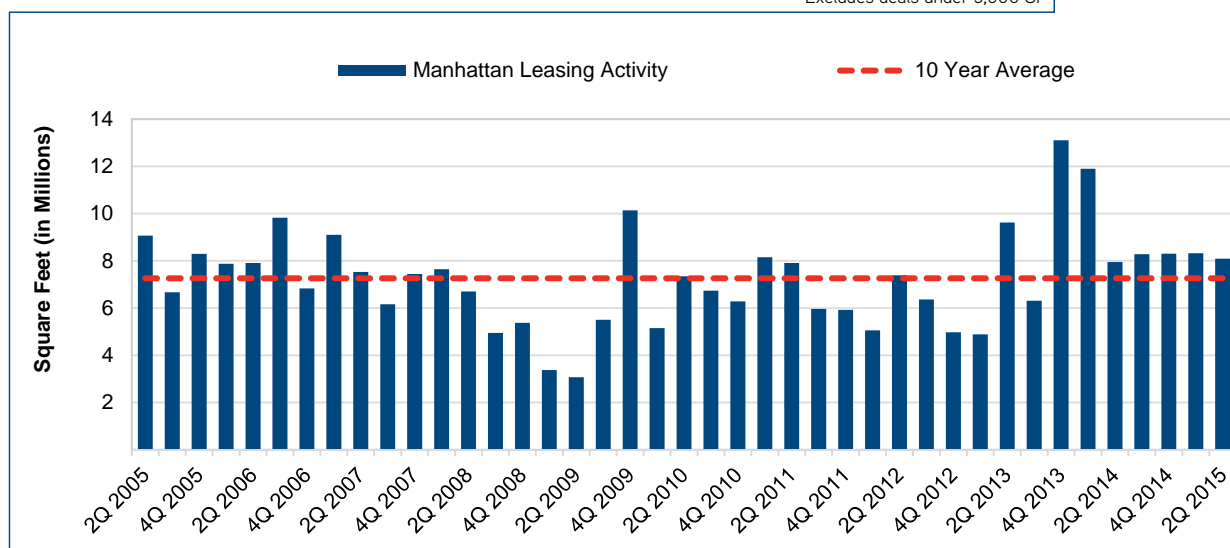
Manhattan | Overall Average Asking Rent and Overall Availability Rate



Source: Colliers International Research

Manhattan | Overall Leasing Activity

*Excludes deals under 5,000 SF

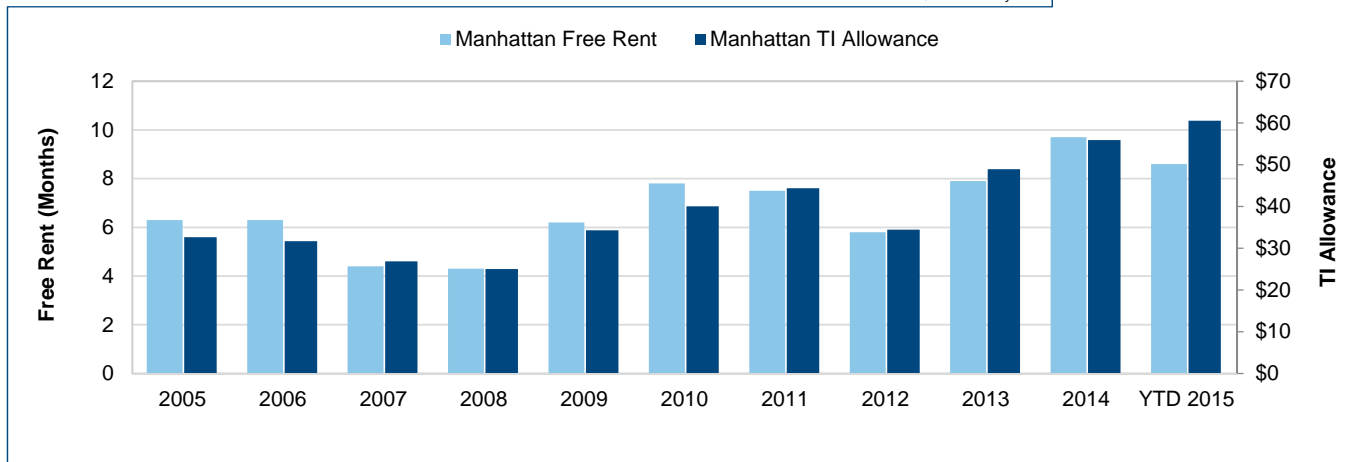


Source: Colliers International Research

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Manhattan | Concessions

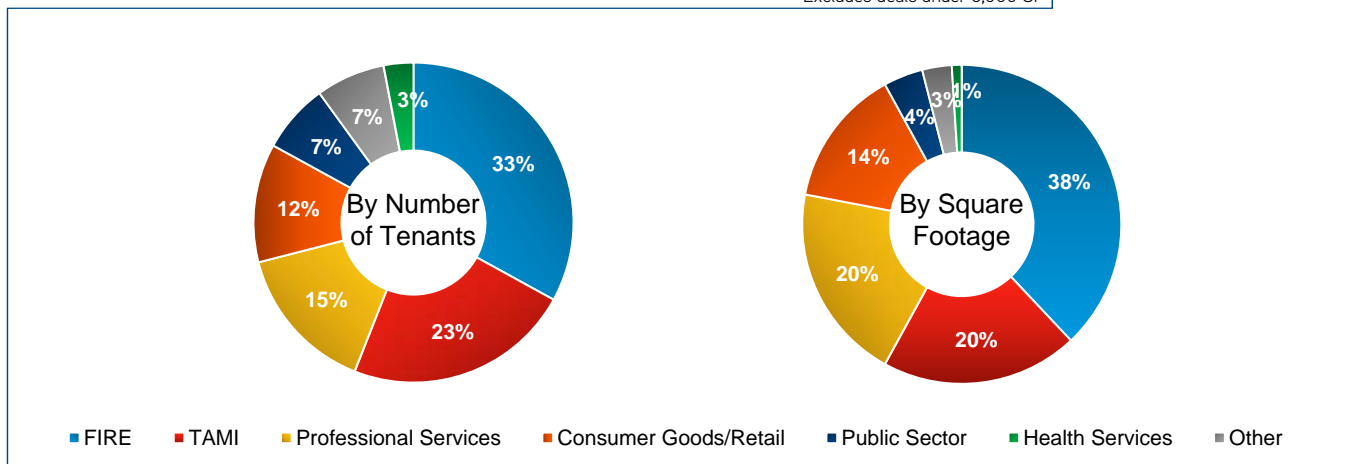
*Direct deals, term > 5 years



Source: Colliers International Research

Manhattan | Leasing Activity by Industry (2Q 2015)

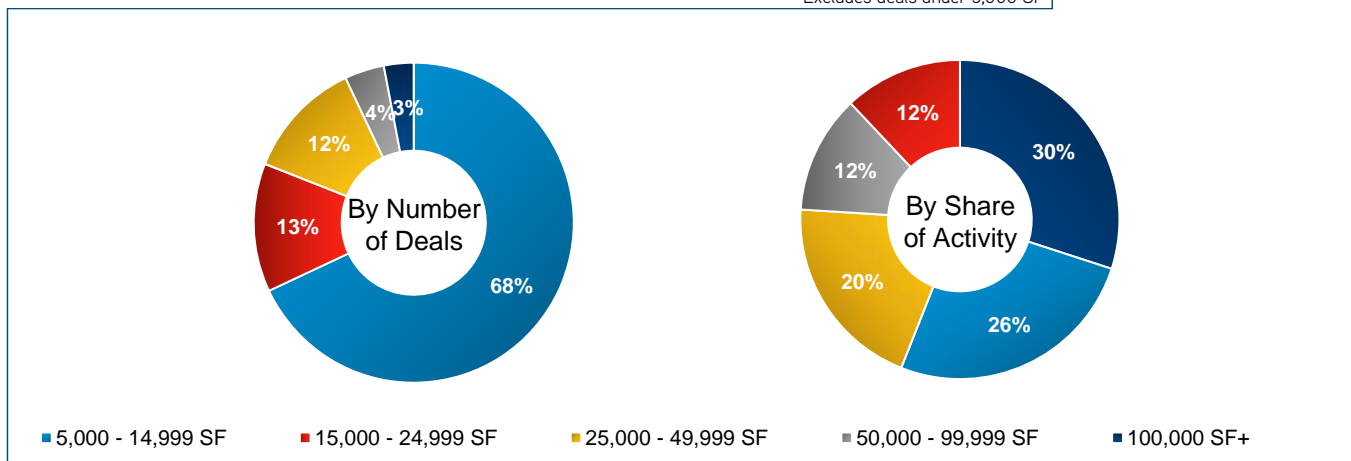
*Excludes deals under 5,000 SF



Source: Colliers International Research

Manhattan | Leasing Activity by Size (2Q 2015)

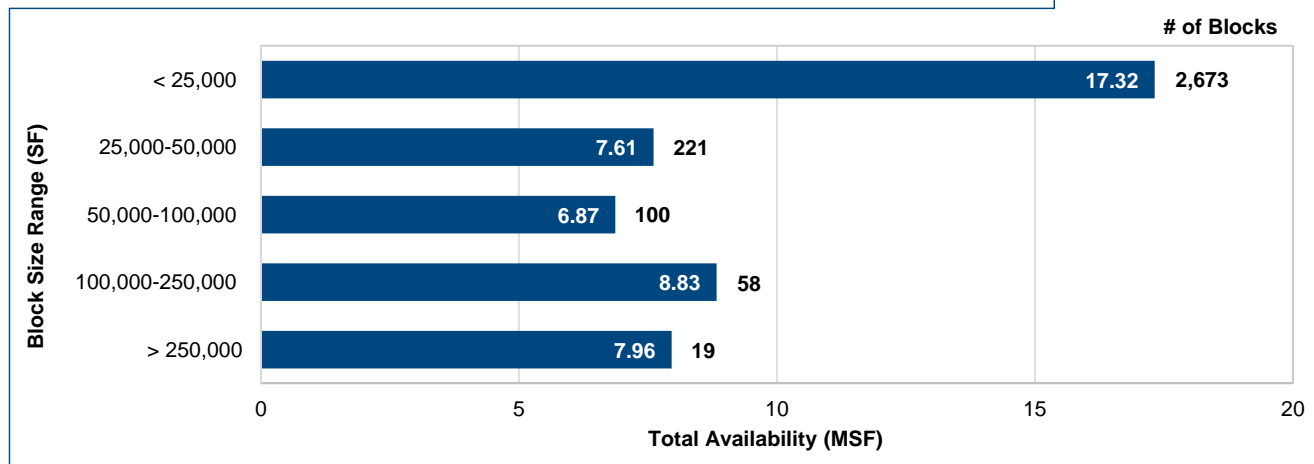
*Excludes deals under 5,000 SF



Source: Colliers International Research




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Manhattan | Available Blocks of Space



Source: Colliers International Research

Top 2Q 2015 Leases

Submarket	Address	SF Leased	Tenant	Submarket	Lease Type
 MIDTOWN	750 Seventh Avenue	414,759	Morgan Stanley	Times Square	Renewal
	919 Third Avenue	254,556	Bloomberg L.P.	Plaza District	New Lease
	One Vanderbilt	200,000	TD Bank	Grand Central	New Lease
 MIDTOWN SOUTH	1 Manhattan West	545,009	Skadden, Arps, Slate, Meagher & Flom LLP	Penn Plaza / Garment	New Lease
	855 Avenue of the Americas	147,954	Nike, Inc.	Penn Plaza / Garment	New Lease
	330 West 34 th Street	144,987	Foot Locker, Inc.	Penn Plaza / Garment	New Lease
 DOWNTOWN	1 New York Plaza	68,383	Morgan Stanley	Financial District	Expansion
	115 Broadway	62,264	The Port Authority of NY & NJ	World Trade Center	Renewal
	1 New York Plaza	45,729	Globe Tax Services, Inc.	Financial District	New Lease

ECONOMIC INDICATORS

GDP
Gross Domestic Product
\$17,419 (1Q 2015) [in billions]



Decrease from
4Q 2014

CCI
Consumer Confidence Index
101.4 (June 2015)



Increase from
May 2015

NYC
Unemployment Rate
5.9% (May 2015)



Decrease from
April 2015

Source: U.S. Department of Commerce, The Conference Board, New York State Department of Labor

Manhattan Market Overview

Submarket	Inventory	Overall Availability Rate	Leasing Activity (QTR)	Net Absorption (QTR)	Overall Average Asking Rent	Class A Average Asking Rent	Class B Average Asking Rent
Midtown	234,039,911	10.1%	4,308,592	2,208,463	\$77.93	\$80.23	\$55.88
Columbus Circle	32,858,874	10.4%	463,732	484,347	\$65.61	\$67.39	\$51.16
Plaza District	84,779,867	9.3%	1,462,171	602,265	\$90.85	\$92.03	\$60.73
Times Square	58,669,893	10.6%	1,337,986	816,262	\$78.05	\$82.22	\$56.97
Grand Central	54,332,724	11.1%	1,044,703	327,155	\$68.80	\$69.72	\$55.47
U.N. Plaza	3,398,553	1.5%	0	(21,566)	\$63.65	\$64.25	\$49.00
Midtown South	163,787,088	7.6%	2,976,011	205,910	\$64.13	\$74.72	\$65.29
Penn Plaza/Garment	58,625,633	7.4%	1,711,747	480,144	\$58.49	\$70.90	\$54.92
Murray Hill	13,494,237	6.8%	186,118	(110,754)	\$60.88	\$68.09	\$54.49
Chelsea	39,970,952	6.1%	520,546	176,194	\$65.30	\$129.31	\$66.41
Gramercy Park	25,529,756	7.6%	150,844	(140,665)	\$74.45	\$92.00	\$74.37
Greenwich Village	5,653,596	3.4%	110,971	43,282	\$68.94	\$98.00	\$56.57
Soho	7,508,492	6.8%	98,103	5,317	\$68.51	-	\$70.69
Hudson Square	13,004,422	15.8%	197,682	(247,608)	\$69.93	\$70.00	\$73.00
Downtown	106,910,605	14.1%	803,056	475,703	\$55.07	\$56.30	\$46.78
Tribeca	8,204,488	5.8%	0	(67,650)	\$70.61	-	\$62.16
World Trade Center	38,622,236	19.2%	279,125	(51,249)	\$62.25	\$64.36	\$46.44
Financial District	42,063,267	13.3%	440,338	524,981	\$50.83	\$51.83	\$42.79
Insurance District	10,309,040	5.7%	69,860	7,744	\$46.61	\$48.56	\$41.66
City Hall	7,711,574	12.4%	13,733	61,877	\$48.10	\$48.16	\$39.86
Manhattan	504,737,604	10.1%	8,087,659	2,890,076	\$68.47	\$72.02	\$60.95

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United States: **140**

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\$2.3

billion in
annual revenue

1.7

billion square feet
under management

16,300

professionals
and staff

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