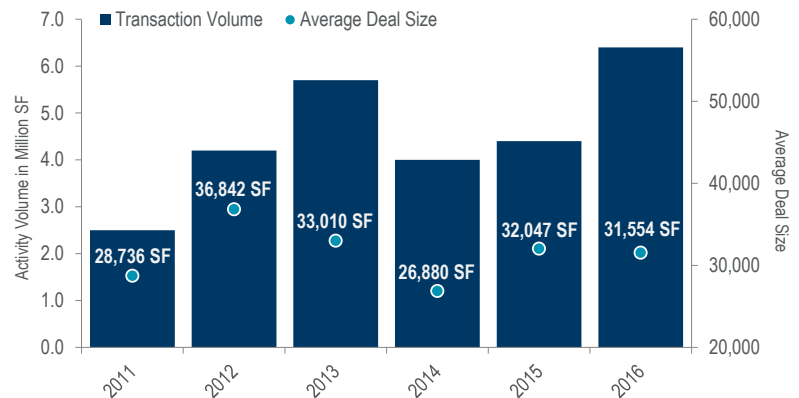


# Not-for-Profit & Public Sector Year-in-Review 2016



## Not-for-Profit and Public Sector Outperforms Its Five-Year Average

In 2016, the not-for-profit and public sector recorded its most active year during the current expansion cycle for transaction activity, from both a number of transactions completed and square footage basis. A total of 203 lease and sales transactions were completed in 2016 which totaled more than 6.4 million square feet (MSF) of combined leasing and sales volume, up 51.9% and 54.0%, respectively, from the recent five-year average. The increase in the number of transactions closed in 2016 was fueled by not-for-profit and public sector sales activity, which tripled its output from 16 in 2015 to 48 in 2016.



Despite the significant increase in total number of sales, the total square footage sold edged up negligibly year-over-year from 2.1 to 2.3 MSF in 2016. The number of leasing transactions increased as well, up 27.1% to 155 leases signed, and the square footage leased skyrocketed by 80.0% with over 4.1 MSF of leases signed. The jump in square footage leased can be attributed to larger leases signed in 2016, which included lease consolidations as a result of regional hospital mergers. This also increased the average square footage leased to 26,556 square feet (SF) in 2016, up 37.6% from 2015. Not-for-profit and public sector leasing accounted for 9.9% of Manhattan's new leases signed greater than 10,000 SF in 2016. This was significantly higher than the 4.3% market share averaged during the previous five years. Renewal activity increased within the not-for-profit and public sector organizations, accounting for 23.3% of the square footage leased in 2016, up from 17.7% in 2015.

Manhattan real estate pricing became more expensive over the past three years—overall asking rents are up 14.9% to \$73.27 per square foot (PSF)—which resulted in not-for-profit and public sector tenants examining more cost-efficient real estate options. In 2016, 69.4% of the square footage leased was from not-for-profit and public sector tenants that moved to a submarket with below average market rents or remained in place in order to save on one-time capital costs associated with relocations. In addition, some organizations are becoming more efficient with their space, such as Visiting Nurse Service of NY, which leased space on larger floorplates, thereby condensing the number of floors they occupy. Grand Central was the most sought-after submarket in 2016, as 25 tenants leased or renewed space in the area, benefitting from asking rents 12.0% below the Midtown average. These tenants accounted for 24.6% of the year's activity due to the two largest lease transactions occurring within the Grand Central submarket. Not-for-profit and public sector organizations doubled their output of large leases signed compared to 2015, with eight leases greater than 100,000 SF completed in 2016. The table below highlights the top five transactions of 2016, three of which occurred in Midtown.

### Top Five Leasing Transactions

TENANT	ADDRESS	MARKET	TYPE	SIZE (SF)
NYU Langone Medical Center	222 East 41st Street	Grand Central	Relocation	389,892
Visiting Nurse Service of NY	220 East 42nd Street	Grand Central	Relocation	308,000
Department of Health	90 Church Street	World Trade	Renewal	204,835
DCAS NYC Department of Finance	375 Pearl Street	City Hall	Relocation	182,750
United Nations	304 East 45th Street	East Side	Renewal	144,894

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The not-for-profit sub-sector was more active in 2016 with 94 total lease and sales transactions completed, a 62.1% increase from 2015; however, the average deal size was smaller and transaction volume only reached 1.4 MSF. The education sector almost tripled the number of transactions completed compared to 2015 and was the second most active group within the larger public community during 2016, with 33 completed leases and investments. Both the medical and government sectors were active as well, each with 27 transactions completed, but the medical sector nearly doubled the square footage output of the government sector 2.1 MSF to 1.1 MSF. The medical sector averaged over 76,000 SF per transaction due to three transactions accounting for 61.8% of the total volume.

The not-for-profit and public sector completed 48 investment transactions in New York City during 2016, as these organizations sold or purchased over 2.3 MSF totaling more than \$1.2 billion. Organizations within the not-for-profit and public sector continued to monetize assets and sold 24 office buildings or condos, totaling over \$681.7 million—up from the 13 sold in 2015. The average price per square foot of these sites decreased significantly from 2015, down 28.8% to \$561 PSF. Of the 24 assets sold, not-for-profits sold 12 while religious organizations sold nine.

## Transactions by Not-for-Profit & Public Sectors

SECTOR	# OF TRANSACTIONS	TOTAL SF	AVG. DEAL SIZE
Not-for-Profit	94	1,447,711	15,401
Education	33	1,021,649	30,959
Medical	27	2,062,769	76,399
Government	27	1,094,067	40,521
Religious	13	382,171	29,398
Membership Org.	9	397,075	44,119
<b>TOTAL</b>	<b>203</b>	<b>6,405,442</b>	<b>31,554</b>

## Top Investment Sales

CLOSED	NOT-FOR-PROFIT	ADDRESS	SIZE (SF)	SALE PRICE	PRICE PSF
Q1 16	St. Luke's Roosevelt Hospital Center	411-421 West 114th Street	577,679	\$111,500,000	\$193
Q1 16	Jewish Theological Seminary	3080 Broadway/525 West 122nd Street	230,351	\$173,000,000	\$751
Q4 16	NY Public Library	188-198 Madison Avenue	102,484	\$93,500,000	\$912
Q4 16	Girl Scouts of the United States of America	420 Fifth Avenue	71,960	\$48,213,200	\$670
Q2 16	Zionist Organization	4 East 34th Street	29,162	\$38,200,000	\$1,310

## 2017 Trends to Watch

- Despite a fourth quarter 2016 leasing slowdown, expect 2017 to be a strong year for activity, as several large government agencies have leases out and will likely close by year-end
- Not-for-profit organizations will continue to seek cost efficient real estate options and are more inclined to explore multiple geographical regions
- Larger not-for-profits with multiple locations throughout the city are likely to rethink site locations in order to better support clients' needs
- Expect more not-for-profits to continue the trend of monetization of real estate assets, in either a sell-high and buy-low or an ownership-to-lease scenario
- Increased desire for organizations to create more collaborative and modern work environments

Cushman & Wakefield closed 53 transactions in the nonprofit and public sectors in 2016, totaling approximately 2.2 million square feet. The Not-for-Profit Practice Group's successes included transactions that created productive and collaborative space for Coro NY Leadership, the Actors Fund, Women's Refugee Commission, Council on Adoptable Children, Friends of Crown Heights, the Nancy Graves Foundation, Presbyterian Senior Services and United Neighborhood Houses; multiple transactions to support the operations of Callen Lorde Community Health Centers; the monetization/sale of two commercial condos for SUS and leasing of efficient cost-effective replacement space; and the leasing of three new sites in Queens for NYC School Construction Authority to support the expansion of the mayor's UPK initiative. The group's clients span across a wide spectrum, including educational leaders, museums, affordable housing builders, community-based providers of social services and sophisticated governmental entities. Approximately half of all efforts included traditional brokerage activities (leasing, acquisition and sales), and the balance involved providing advisory services such as site location to maximize social impact, placement of schools in response to changing demographics, building consensus among real estate stakeholders, and helping nonprofits navigate buy-versus-lease decisions. **For more information, contact members of the Not-For-Profit Practice Group or visit our website at [cushmanwakefield.com/notforprofit](http://cushmanwakefield.com/notforprofit).**

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