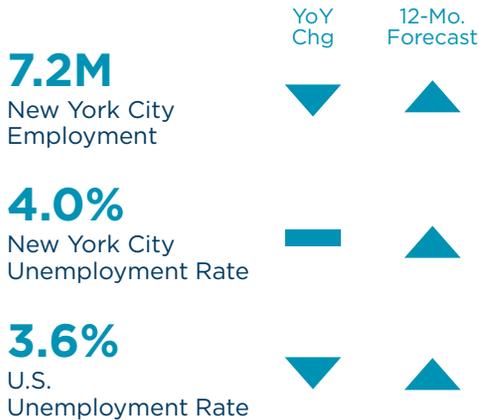


(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019



Source: BLS

ECONOMY: Office-Using Employment Posts an All-Time High

The New York City economy continued to expand during the fourth quarter of 2019, gaining 22,200 jobs through November. The education and healthcare sector added 10,800 jobs during this period, achieving a record-high of 1.1 million jobs. Office-using employment reached an all-time high of 1.47 million jobs, with 6,000 jobs created during the fourth quarter. The unemployment rate fell to 4.0% in November—marking the lowest unemployment rate since 2018.

SUPPLY AND DEMAND: Leasing Finishes Strong while New Construction Reaches a 33-Year High

The Manhattan office market had a healthy finish to 2019 with fourth quarter new leasing totaling nearly 9.1 million square feet (msf)—a 24.7% increase from third quarter activity and only the seventh time in the past 20 years quarterly leasing exceeded 9.0 msf. The increase in activity was fueled by continued technology expansions, led by Facebook leasing 1.5 msf throughout three Hudson Yards towers and Amazon leasing 338,593 square feet (sf) at 460 West 34th Street. Strong quarterly activity brought total new leasing in 2019 to nearly 34.7 msf—a historical feat with three consecutive years of leasing greater than 30.0 msf. Renewal activity soared to 2.8 msf in the fourth quarter, boosted by Morgan Stanley’s 1.2-msf renewal at One New York Plaza. More than 8.7 msf was delivered to the market in 2019, marking the highest level of new construction in 33 years. Nearly 7.7 msf of the new construction was completed in the fourth quarter, coming to the market 91.1% leased. Overall vacant space increased by 6.8% in the fourth quarter, largely due to 15 blocks of space each greater than 100,000 sf entering the market, including the delivery of One Manhattan West, 441 Ninth Avenue and 30 Hudson Yards. At 11.2 msf, sublease space reached its highest level in 10 years, driven by the addition of six sublease blocks totaling nearly 1.2 msf. Overall vacancy ticked up 50 basis points (bps) during the quarter to 11.1% and was up from 9.2 % in 2018.

PRICING: New Construction Drives Penn Station Asking Rents to a Historic High

Manhattan overall asking rents declined \$0.50 per square foot (psf) in the fourth quarter to \$73.41 but increased from \$72.28 psf one year ago. Midtown Class A asking rents climbed \$0.90 to a six-quarter high of \$83.12 psf. The increase was attributed to new construction deliveries at One Manhattan West, 30 Hudson Yards and 441 Ninth Avenue, bringing Penn Station Class A asking rents to a historic high of \$109.40 psf. At \$79.78 psf, Midtown South direct asking rents fell below \$80.00 psf for the first time in 2019 as higher-priced space was leased at 512 West 22nd Street. Downtown overall asking rents remained steady at \$62.70 psf, while Class A asking rents fell \$0.80 to \$65.90 psf as lower-priced sublease space entered the market at 225 Liberty Street and One Liberty Plaza.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Midtown

Fourth quarter Midtown new leasing more than doubled quarter-over-quarter to nearly 6.4 msf, bringing the 2019 total to 20.4 msf—marking only the third time in 25 years annual leasing exceeded 20.0 msf. The increase in activity was driven by a significant uptick in Penn Station leasing, which reached an all-time quarterly high of 2.6 msf—fueled 80.6% by activity occurring in Hudson Yards and Manhattan West new construction.

Even with strong leasing activity, overall Midtown vacancy ticked up 50 bps during the quarter to 11.6% as nine blocks each greater than 100,000 sf entered the market. Midtown sublease space increased by 13.8% during the quarter to a 10-year high of 7.2 msf—marking the highest level of sublease space on the market since 2010. Madison/Fifth Avenue was the only Midtown submarket to post a quarterly decline in sublease space, with vacancy falling 180 bps during the quarter to 16.0% as leasing reached a 33-quarter high at 720,324 sf while limited space was returned to the market. Following a prior three-quarter streak of negative year-to-date absorption, Midtown ended 2019 with 2.3 msf of positive absorption as five Midtown buildings were delivered to the market 90.9% occupied.

Midtown South

Midtown South new leasing registered a three-quarter low of 1.3 msf, with the Dentsu Aegis Network lease for 322,260-sf at 341 Ninth Avenue representing the only fourth quarter transaction greater than 50,000 sf. Overall vacancy climbed 40 bps during the quarter to 8.5%, driven by a 31.4% uptick of Class B sublease space bringing the Class B vacancy rate up 90 bps during the quarter to 9.3%. At 7.7%, Class A vacancy remained flat during the quarter but declined from the 10.7% rate recorded in the first quarter of 2019. Madison/Union Square and Hudson Square/West Village were the only two submarkets to post a quarterly decline in vacancy, with Madison/Union Square falling 30 bps to a four-quarter low of 8.4% and Hudson Square/West Village dipping 40 bps to a 17-quarter low of 6.5%.

Downtown

Downtown leasing outperformed 2018 by 39.8%, totaling 7.3 msf—marking the highest annual total in 20 years. Although fourth quarter leasing slowed to 1.4 msf, it remained above the long-term quarterly average of 1.2 msf. Financial East leasing increased 87.1% in the fourth quarter, led by Morgan Stanley's 88,699-sf expansion at One New York Plaza and NYS Office of General Services 56,000-sf expansion at 60 Broad Street. A 221,443-sf blocked added at 225 Liberty Street pushed both the Downtown and World Trade Center overall vacancy rates up by 50 bps in the fourth quarter to 11.7%, and 11.9%, respectively.

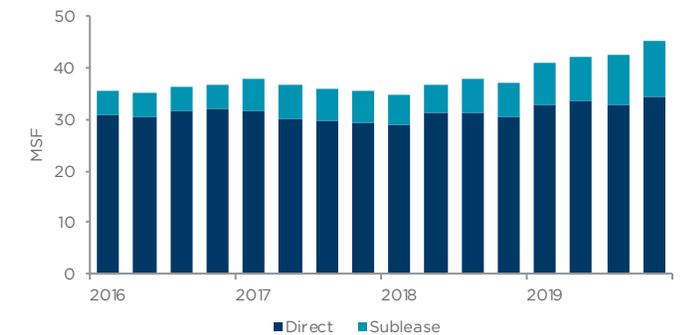
Outlook

- New leasing activity should remain robust in 2020 but is unlikely to reach the 2019 levels as employment is expected to grow at a slower pace
- Average direct asking rents should continue to increase in 2020, most notably in the Grand Central submarket where One Vanderbilt Avenue will be delivered to the market
- Look for coworking demand to continue to slow

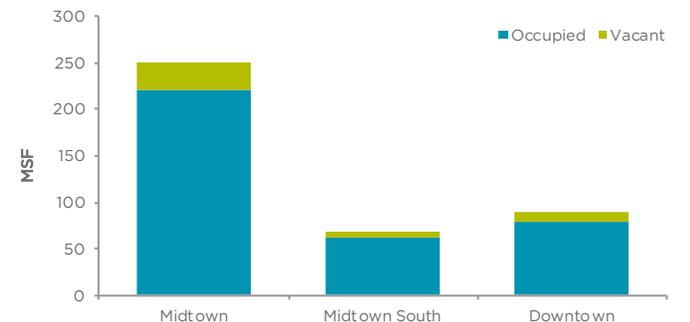
ASKING RENT COMPARISON



DIRECT VS. SUBLEASE SPACE AVAILABILITY



SUBMARKET COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
East Side/UN	21,280,773	602,699	1,994,489	12.2%	-554,022	-863,099	927,900	—	\$73.49	\$74.31
Grand Central	44,065,875	950,889	4,808,844	13.1%	-278,512	91,536	3,448,823	1,732,955	\$73.29	\$76.70
Madison/Fifth	23,776,127	589,833	3,221,274	16.0%	135,829	-742,210	1,719,617	—	\$89.66	\$94.55
Murray Hill	14,142,543	387,436	1,052,502	10.2%	77,617	-229,743	1,153,886	—	\$60.40	\$64.92
Park Avenue	21,350,326	665,704	1,688,329	11.0%	-131,985	-704,491	1,187,127	657,700	\$97.35	\$97.35
Penn Station	22,690,661	604,010	1,279,751	8.3%	5,360,472	4,909,752	5,171,347	8,403,439	\$95.50	\$109.40
Sixth Avenue/Rock Center	41,816,982	979,923	2,663,037	8.7%	1,474,648	1,530,373	2,481,192	84,000	\$79.98	\$80.85
Times Square South	30,640,388	1,137,920	2,333,303	11.3%	38,357	-976,117	2,245,100	—	\$55.77	\$68.62
West Side	30,981,301	1,254,233	2,821,356	13.2%	-187,112	-705,797	2,104,762	—	\$71.48	\$72.60
MIDTOWN TOTALS	250,744,976	7,172,647	21,862,885	11.6%	5,935,292	2,310,204	20,439,754	10,878,094	\$76.80	\$83.12
Chelsea	17,015,779	533,387	1,055,715	9.3%	-320,763	-295,676	1,529,094	390,053	\$71.19	\$93.22
Greenwich/NoHo	4,820,157	96,913	203,702	6.2%	-21,111	-164,494	167,472	212,609	\$69.59	\$49.00
Hudson Square/West Village	10,090,675	307,191	345,472	6.5%	54,457	717,752	2,680,733	1,300,000	\$91.02	\$114.51
Madison/Union Square	32,285,858	676,616	2,046,716	8.4%	66,086	-417,859	2,158,760	452,000	\$73.78	\$85.27
SoHo	4,139,332	177,623	364,470	13.1%	-14,206	-44,089	388,197	—	\$86.50	\$115.32
MIDTOWN SOUTH TOTALS	68,351,801	1,791,730	4,016,075**	8.5%	-235,537	-204,366	6,924,256	2,354,662**	\$75.73	\$94.00
City Hall	7,690,533	64,874	616,124	8.9%	4,465	-468,063	190,957	—	\$61.36	\$47.32
Financial East	33,823,294	675,307	3,678,351	12.9%	-501,271	-92,211	2,743,515	48,077	\$58.63	\$61.25
Financial West	6,017,928	100,971	1,098,352	19.9%	132,427	-45,545	550,519	185,295	\$58.87	\$55.38
Insurance	13,000,604	199,325	1,000,670	9.2%	35,464	240,342	1,066,716	51,755	\$59.29	\$67.19
TriBeCa	5,124,468	49,645	106,130	3.0%	72,162	42,718	193,492	—	\$71.24	\$71.71
World Trade	24,103,907	1,099,864	1,774,958	11.9%	-72,479	772,685	2,566,916	40,504	\$71.55	\$71.59
DOWNTOWN TOTALS	89,760,734	2,189,986	8,274,585	11.7%	-329,232	449,926	7,312,115**	325,631	\$62.70	\$65.90
MANHATTAN TOTALS	408,857,511	11,154,363	34,153,545	11.1%	5,370,523	2,555,764	34,676,125	13,558,387	\$73.41	\$79.82

*Rental rates reflect full service asking ** Not reflective of U.S. Tables

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One New York Plaza	Financial East	Morgan Stanley	1,253,589	Renewal/Expansion*
50 Hudson Yards	Penn Station	Facebook	1,159,313	New Lease
60 Broad Street	Financial East	NYS Office of General Services	523,000	Renewal/Expansion*

*Renewal portion not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
220 East 42nd Street	Grand Central	The Chetrit Group/SL Green	1,139,860	\$815M/\$715
100 Pearl Street	Financial East	GFP Real Estate/Northwind Group	970,000	\$310M/\$320
685 Third Avenue	Grand Central	BentallGreenOak/Unizo Holdings	639,000	\$451M/\$706

COMPLETED CONSTRUCTION 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
30 Hudson Yards	Penn Station	WarnerMedia/Wells Fargo/KKR/Facebook	2,600,000	Related Companies/Oxford Properties
One Manhattan West	Penn Station	Skadden, Arps, Slate, Meagher & Flom/EY/Accenture/NHL	2,077,557	Brookfield/Qatar Investment Authority
1271 Avenue of the Americas	Sixth Avenue/Rock Center	Latham & Watkins/AIG/Mizuho Americas/MLB	2,000,000	Rockefeller Group

