Market Review & Outlook

Review: Rental Rate Inches Higher

Class A leasing activity Downtown fell to 4.6 msf during 2015. Slowing demand has coincided with mounting new development of Class A product across Manhattan. Demand for full-floor premium space in the Financial District was quite strong, but activity in the World Trade Center dropped off as Hudson Yards and the Far Westside captured most of the larger leases.

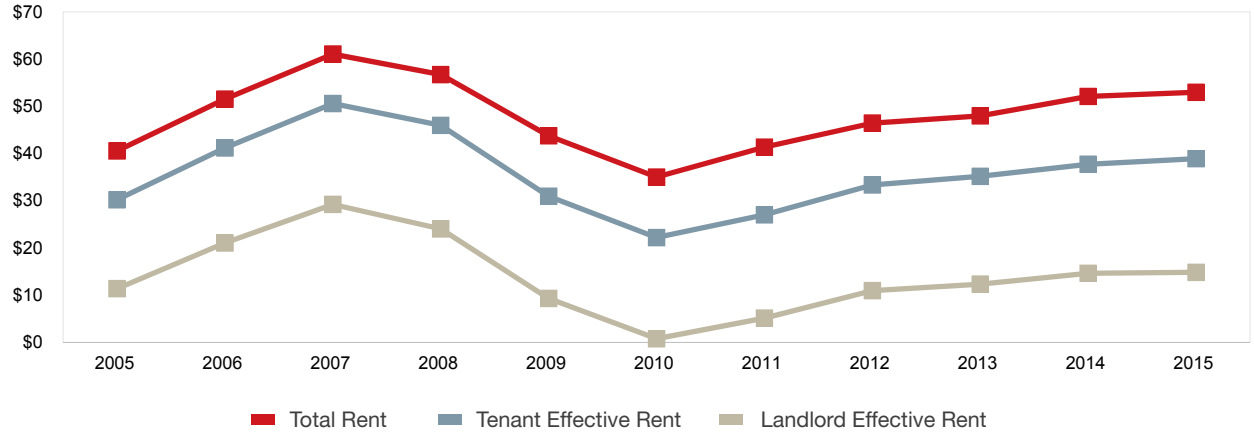
	2015	% Change
Net Rent	$28.55	1.6
Operating Expenses	11.90	1.3
Real Estate Taxes	9.92	3.3
Tenant Electricity	2.60	-1.9
Total Rent	52.97	1.7
Amortized Concessions	-14.08	1.0
Tenant Effective Rent	**38.89**	**3.1**
Landlord Effective Rent	**14.81**	**1.4**

Outlook: Moderate increase in Rent Expected

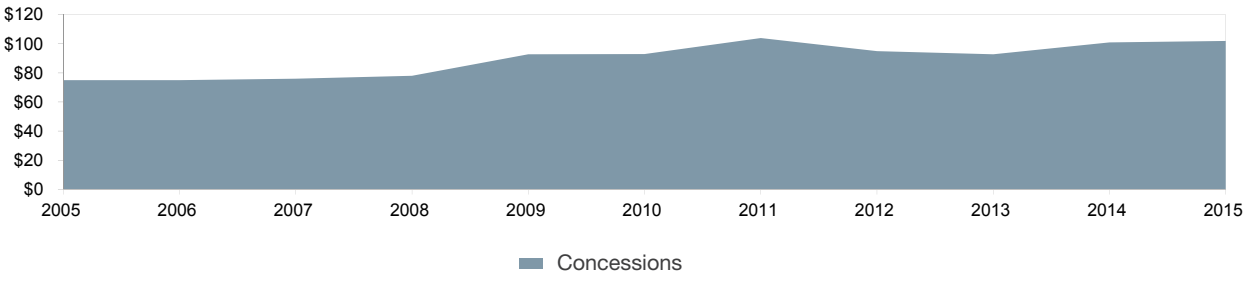
Most tenants in Manhattan are in no rush to pull the trigger on a lease. The market is entering a period of elevated availability in the Class A sector with growing options Downtown, in Midtown's core and on the Far Westside. Of note, though, much of the prime space remaining in Lower Manhattan is priced above $55.00. Rent could consequently increase slightly in 2016, but landlords will certainly have to keep concessions elevated.

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Rent Trends



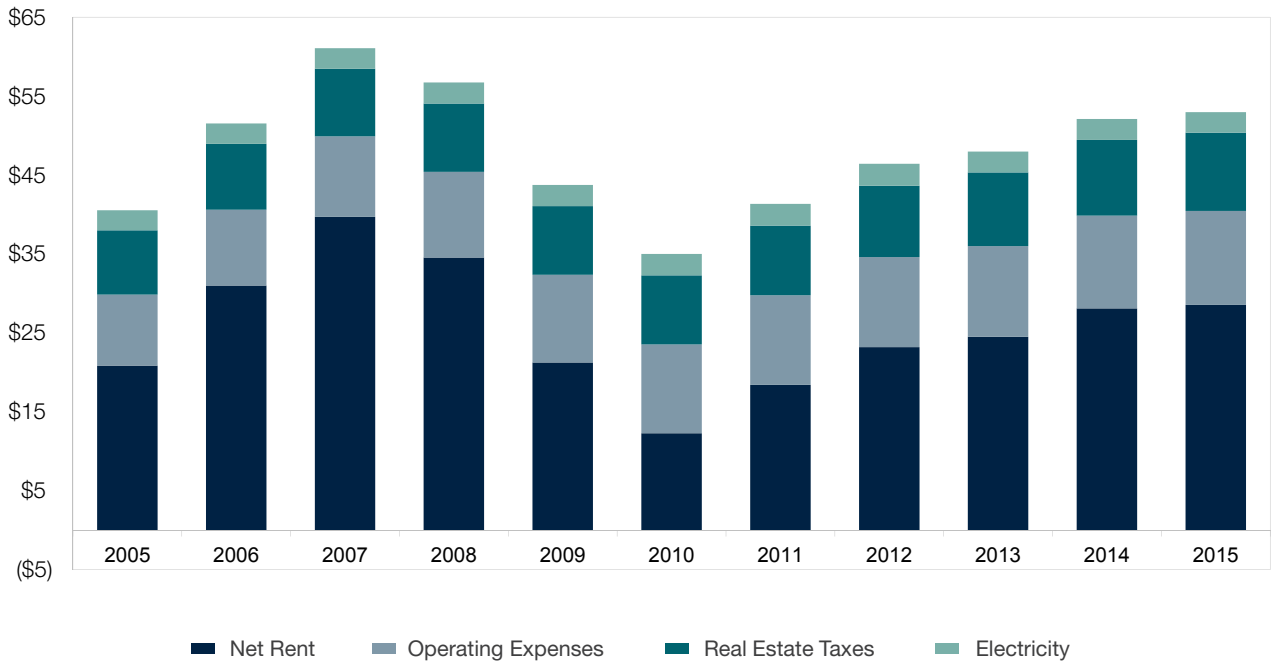
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Total Rent	$40.54	$51.53	$61.07	$56.72	$43.74	$35.00	$41.34	$46.43	$47.97	$52.10	$52.97	1.7%	8.6%	2.7%
Tenant Effective Rent	$30.19	$41.18	$50.58	$45.96	$30.93	$22.17	$26.99	$33.32	$35.16	$37.71	$38.89	3.1%	11.9%	2.6%
Landlord Effective Rent	$11.33	$21.03	$29.20	$24.01	$9.27	$0.71	$5.08	$10.92	$12.29	$14.61	$14.81	1.4%	83.4%	2.7%



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Concessions	$75.00	$75.00	$76.00	$78.00	$92.84	$93.00	$104.00	$95.00	$92.83	$101.00	$102.00	1.0%	1.9%	3.1%
Concessions/Rent Ratio*	25.5%	20.1%	17.2%	19.0%	29.3%	36.7%	34.7%	28.2%	26.7%	26.8%	26.6%	-0.2		

* Equals amortized concessions as a percentage of total rent.

Total rent posted its smallest increase since 2013, rising by 1.7% from $52.10 to $52.97. Net rent posted a 1.6% annual increase from $28.10 to $28.55. Operating expenses (+1.3%) and real estate taxes (+3.3%) continued their upward climb but tenant electric fell slightly. Concession packages ticked up slightly to $102.00, nearly even with its peak set in 2011. Tenant effective rent inched up by 3.1% to $38.89, but was still 23.1% below its 2007 peak. Landlord effective rent inched up by 1.4% to 14.81 and was 49.3% below the $29.20 peak attained in 2007.



												Average Annual Change		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015	2010-2015	2005-2015
Net Rent	$20.85	$31.00	$39.70	$34.55	$21.26	$12.29	$18.42	$23.20	$24.50	$28.10	$28.55	1.6%	18.4%	3.2%
Operating Expenses	$9.00	$9.60	$10.20	$10.85	$11.10	$11.25	$11.35	$11.40	$11.50	$11.75	$11.90	1.3%	1.1%	2.8%
Real Estate Taxes	$8.15	$8.35	$8.55	$8.66	$8.70	$8.75	$8.82	$9.04	$9.33	$9.60	$9.92	3.3%	2.5%	2.0%
Electricity	$2.54	$2.58	$2.62	$2.66	$2.68	$2.71	$2.75	$2.79	$2.64	$2.65	$2.60	-1.9%	-0.8%	0.2%
Total Rent	**$40.54**	**$51.53**	**$61.07**	**$56.72**	**$43.74**	**$35.00**	**$41.34**	**$46.43**	**$47.97**	**$52.10**	**$52.97**	**1.7%**	**8.6%**	**2.7%**

Lease Terms/Concessions

Review: Generous Concessions Prevail

Tenants can still negotiate favorable terms in a market characterized by choppy demand and ample Class A availability. Landlords are typically agreeing to slightly more than one free month per year of lease term and improvement allowances remain at near-record levels.

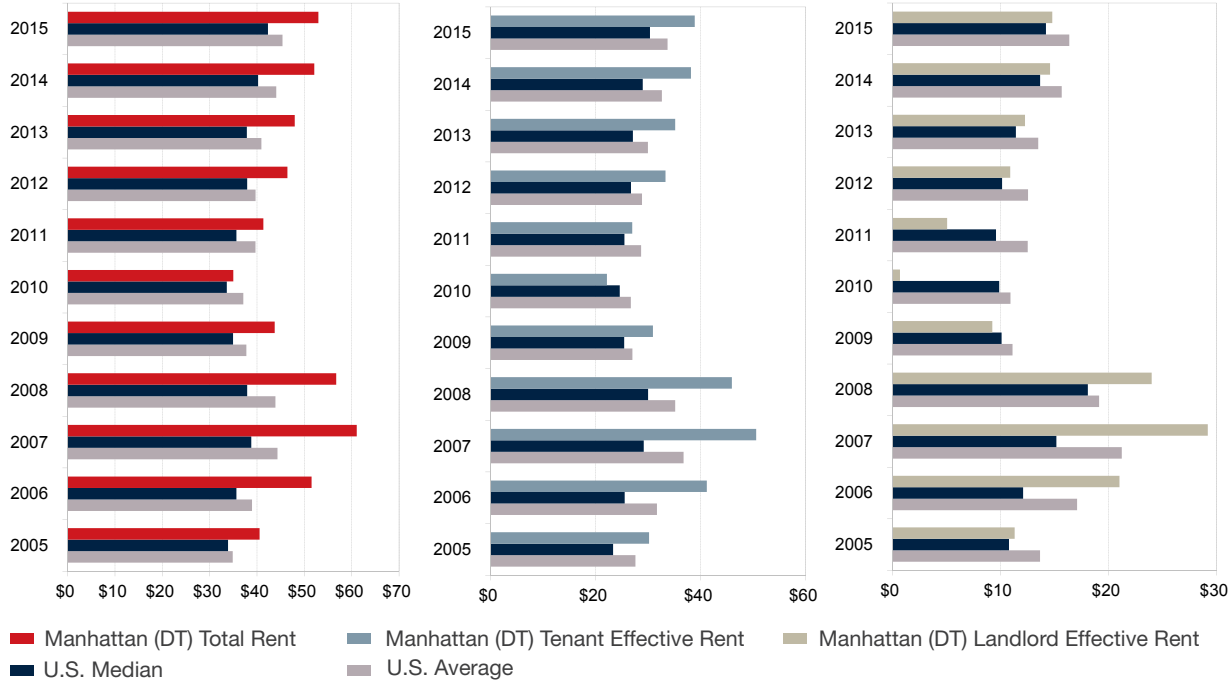
Leases Under 50,000 sf	
Average Term:	10 years
Free Rent:	10-12 months
Tenant Improvements:	$50.00-$65.00/sf
Other:	Build-outs up to $75.00/sf

Leases Over 50,000 sf	
Average Term:	15 years
Free Rent:	12-14 months
Tenant Improvements:	$70.00-$75.00/sf

Outlook: Little Change Anticipated

News Corp's decision to remain in Midtown stemmed what seemed to be an inexorable flow of media, publishing and entertainment tenants to Lower Manhattan. It also leaves 2 World Trade Center without a tenant at a time when the number of choices in Midtown is soaring and more tenants are considering options in Jersey City, Brooklyn and Queens.

Local & U.S. Historical Rent Trends



Total Rent*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Manhattan (DT)	$40.54	$51.53	$61.07	$56.72	$43.74	$35.00	$41.34	$46.43	$47.97	$52.10	$52.97
U.S Median	$33.88	$35.66	$38.79	$37.92	$34.95	$33.63	$35.65	$37.93	$37.85	$40.24	$42.32
U.S Average	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Tenant Effective Rent

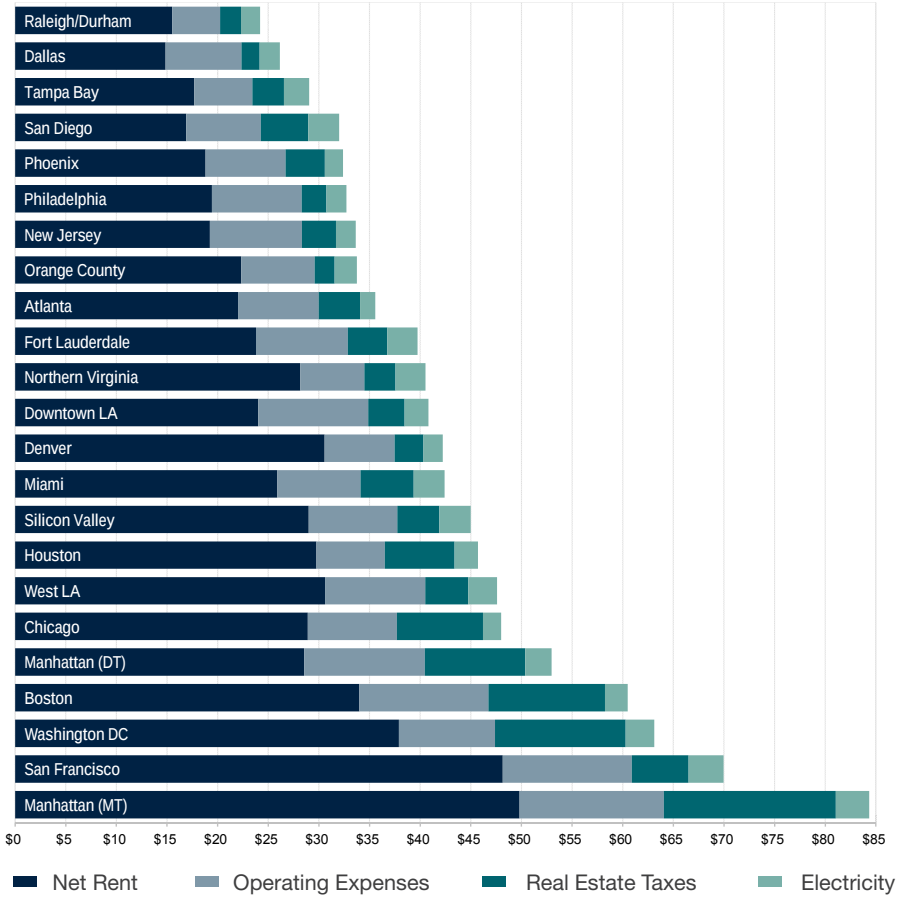
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Manhattan (DT)	$30.19	$41.18	$50.58	$45.96	$30.93	$22.17	$26.99	$33.32	$35.16	$37.71	$38.89
U.S Median	$23.34	$25.55	$29.18	$30.01	$25.45	$24.61	$25.51	$26.75	$27.11	$28.99	$30.36
U.S Average	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70

Landlord Effective Rent

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Manhattan (DT)	$11.33	$21.03	$29.20	$24.01	$9.27	$0.71	$5.08	$10.92	$12.29	$14.61	$14.81
U.S Median	$10.80	$12.11	$15.19	$18.10	$10.12	$9.90	$9.60	$10.16	$11.44	$13.69	$14.23
U.S Average	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

* All rents are unweighted. See National SERI for weighted averages.

Rent Components



Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. All numbers in the Manhattan (Downtown) report are based on larger long-term direct leases signed in higher-caliber Class A properties located in the Financial District and Insurance District during 2015.

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Glossary

Concessions: Includes the tenant improvement allowance plus the value of the rental rate abatement. Amortized concessions are amortized over the average market lease term, using beginning-of-period payments.

Landlord Effective Rent: An estimate of rent received from a tenant less related expenses.

Net Rent: The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses: Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes: Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent: An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.

Tenant Electricity: Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent: The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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