



ALLIANCE FOR DOWNTOWN NEW YORK

LOWER MANHATTAN REAL ESTATE MARKET OVERVIEW

Q2 2014

COMMERCIAL OFFICE MARKET

Lower Manhattan Leasing Scaling New Heights

YTD leasing up

43%

year-over-year

The Lower Manhattan market is surging ahead, with its best year-to-date leasing total in at least 13 years. Substantial commercial leasing activity — totaling more than 3.5 million square feet as of mid-year — and a drop in the vacancy rate have generated a burgeoning new energy. Leasing during the first two quarters is up 43% over this time last year and quarterly leasing is 48% higher than the five-year average, according to leasing totals provided by CBRE. Major deals were signed in Q2, including three involving more than 100,000 square feet. There were large relocations headlined by the Technology, Advertising, Media and Information (TAMI) sector as well as renewals and expansions from signature Lower Manhattan industries like the Finance, Insurance and Real Estate (FIRE) and Government sectors.

The strong market was fueled both by existing and long-established tenants, as well as by newcomers to the district. Bank of New

York Mellon, the oldest bank in the U.S., led leasing in the FIRE sector. After selling its headquarters at 1 Wall Street to Macklowe Properties in May, the bank had considered moving to New Jersey but ultimately decided to remain in Lower Manhattan. The company signed a 350,000-square-foot lease at Brookfield Place's complex at 225 Liberty Street. "This is a real shot in the arm for downtown and the city," U.S. Senator Charles Schumer told *The New York Post*. "Smart companies know they can get the best quality and range of employees here."¹

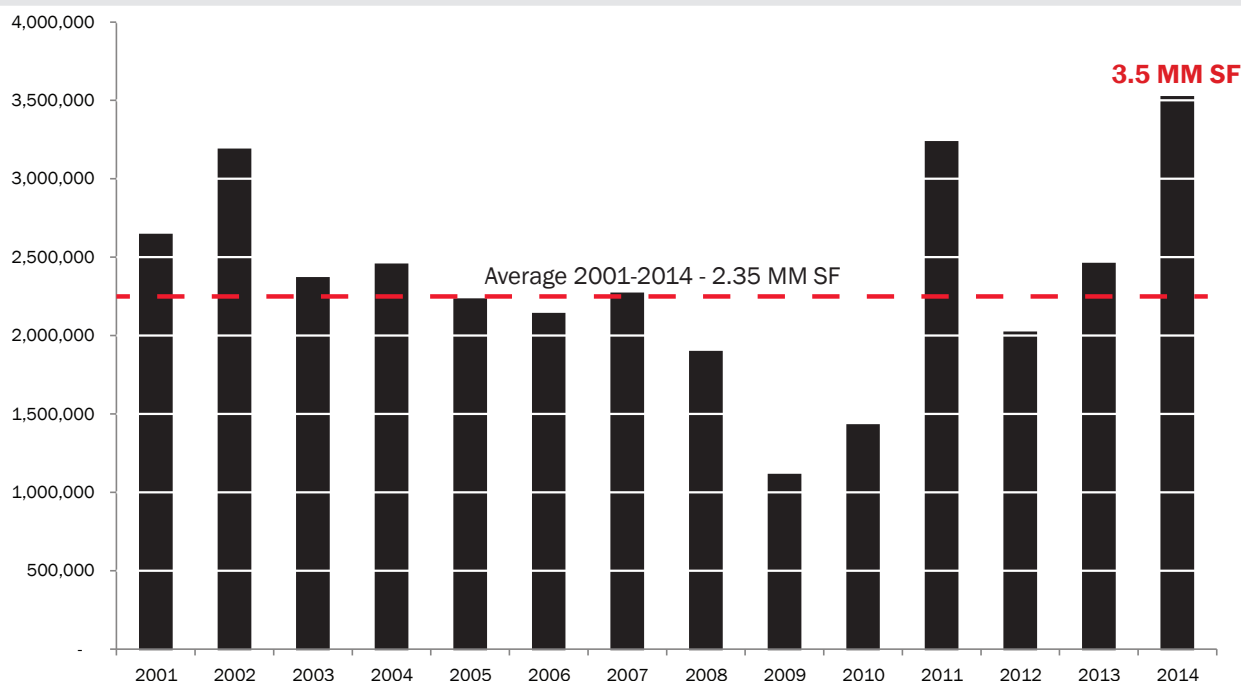
¹ Steve Cuzzo, "Bank of New York Mellon Heads to Brookfield Place," *New York Post*, June 25, 2014.

"Smart companies know they can get the best quality and range of employees here."

— U.S. Senator Charles Schumer on Bank of New York Mellon's decision to stay in Lower Manhattan

Q2 YTD LEASING ACTIVITY, 2001-2014

Source: CBRE



TAMI Leads the Charge for Relocations

Lower Manhattan continues to exert an ever stronger pull on TAMI companies and is now home to more than 800 of them. Based on total square footage, 82% of all relocations this quarter to the district occurred in this thriving sector. The TAMI sector's share of overall leasing transactions rose from 29% in the first quarter to 44% in the second, according to Jones Lang LaSalle.

310,000

Total Employees in Lower Manhattan

In a major deal signifying the growing center of gravity for creative companies downtown, Time Inc. announced a 670,000-square-foot lease at 225 Liberty

Street in Brookfield Place; the company will relocate from its global headquarters at the Time & Life Building in Midtown. It was the largest overall lease announced in Q2, as well as the largest relocation to Lower Manhattan since Condé Nast revealed its plans to move to 1 World Trade Center in 2011. "Time Inc. joins the growing list of highly regarded media, publishing and creative companies relocating downtown to reap the benefits of operating in the area," said Brookfield Office Properties' chief executive officer, Dennis Friedrich.²

Brookfield Place, which is undergoing a \$250 million renovation of its retail and public space, is proving a major draw for commercial tenants. After the Bank of America/ Merrill Lynch lease expired in 2013, 4.2 million rentable square feet became available at the former World Financial Center; now, 3 million square feet of that space has been re-leased. Within the past

² Brookfield Office Properties, Press Release, "Time Inc. to Open New Global Headquarters at Brookfield Place in Lower Manhattan," May 22, 2014.

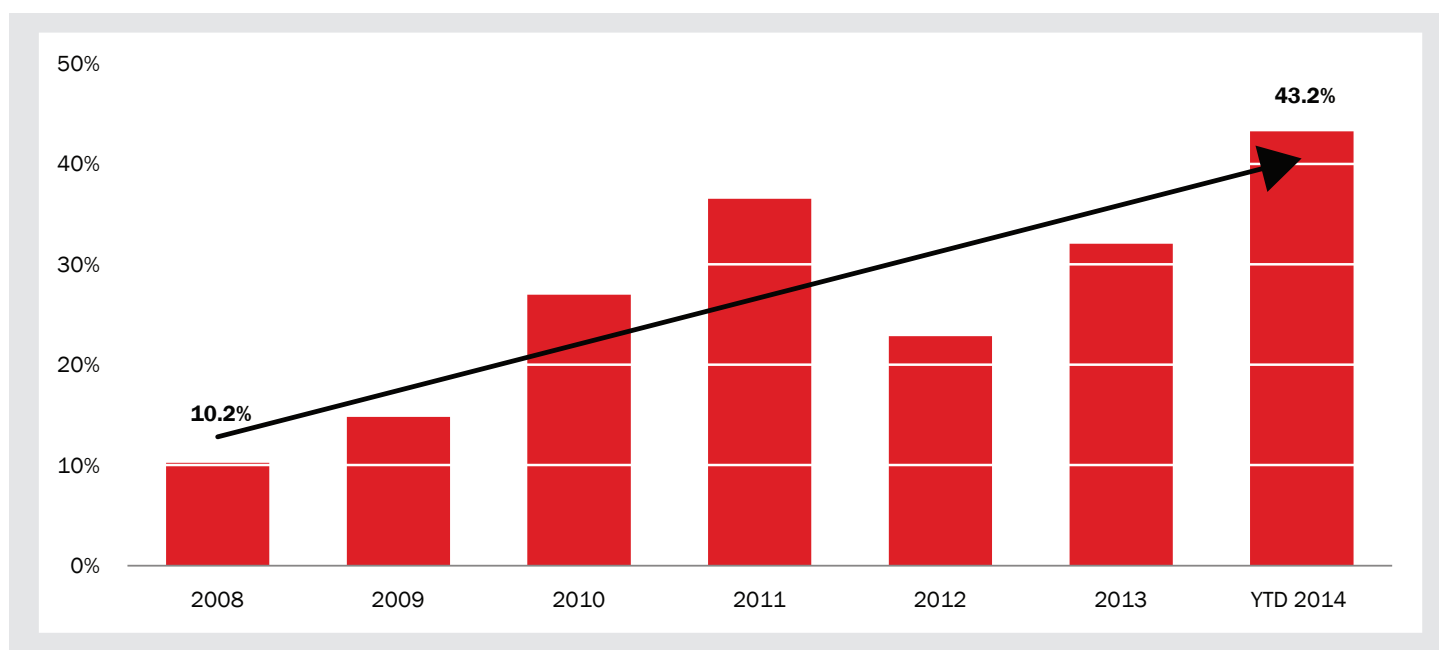
TOP 10 LEASES IN LOWER MANHATTAN; Q2 2014

Source: Downtown Alliance, CoStar, CBRE

	TENANT NAME Location	SF LEASED Transaction Type	SECTOR
1	Time Inc. 225 Liberty Street	669,832 Relocation	Creative Services, Media
2	Bank of New York Mellon 225 Liberty Street	346,607 Moving within LM	FIRE
3	New York City Department of Investigation 80 Maiden Lane	111,012 Renewal and Expansion	Government
4	The Union of Orthodox Jewish Congregations of America 11 Broadway	75,120 Renewal & Expansion	Nonprofit
5	New York City Office of Labor Relations 40 Rector Street	69,033 Renewal	Government
6	Office of the New York State Comptroller 59 Maiden Lane	66,944 Renewal & Expansion	Government
7	New York Film Academy 26 Broadway	43,108 Expansion	Education
8	Meridian Capital Group 1 Battery Park Plaza	37,435 Renewal	FIRE
9	Liberty Mutual Insurance Company 1 Battery Park Plaza	37,025 Renewal	FIRE
10	KiDS Creative 1 World Trade Center	34,775 New Company	Creative Services, Advertising

TAMI SECTOR CONTINUES TO GROW (PERCENTAGE OF TOTAL ANNUAL LEASES BY SF)

Source: Jones Lang LaSalle



year, Brookfield Place has gained commitments from several other companies to relocate to Lower Manhattan, including Jones Day, the College Board and the U.S. Drug Enforcement Administration. The Bank of Nova Scotia moved to the office complex from within Lower Manhattan.

In other notable activity during Q2, Silverstein Properties announced negotiations with MediaMath, a global technology company specializing in digital marketing. In early Q3, the firm signed a 15-year lease for 106,000 square feet on floors 44, 45 and 46 of 4 World Trade Center and will relocate all 300 employees from Midtown, where the company currently has three locations. "MediaMath's move to 4 World Trade is yet another big step in the resurgence of Lower Manhattan and the growth of New York City's tech ecosystem," said Mayor Bill de Blasio. This deal marks the first private sector tenant to commit to 4 World Trade Center. Seventy percent of the 7.4 million square feet in World Trade Center towers 1, 4 and 7 has now been leased.

In addition to significant new tenant activity in the market, the quarter saw two sizable renewals: The New York City Department of Investigation renewed 111,000 square feet in 80 Maiden Lane and the Union of Orthodox Jewish Congregations of America signed a 75,100-square-foot lease to renew and expand in 11 Broadway.

More than **800** TAMI Tenants

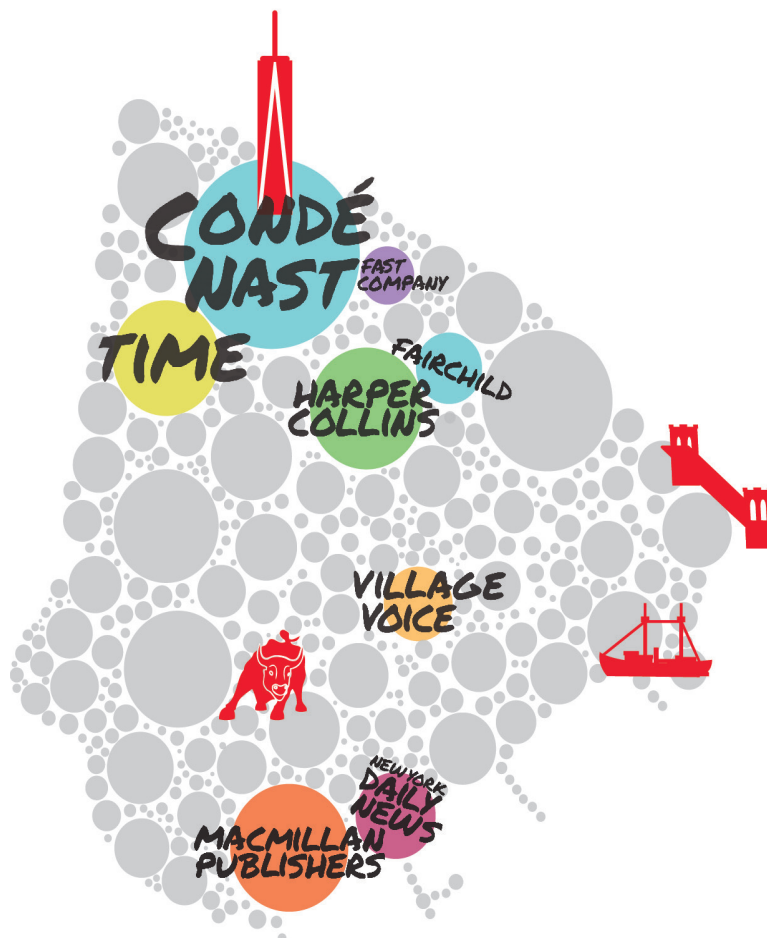
Technology, Advertising, Media, & Information

TOP 15 RELOCATIONS IN Q2 2014

Source: Downtown Alliance, CoStar, CBRE

	Tenant Name Location	SF Leased Previous Location	Sector
1	Time Inc. 225 Liberty Street	669,832 Midtown	Creative Services, Media
2	BIG-Bjarke Ingels Group 61 Broadway	22,327 Midtown South	Creative Services, Other
3	Human Resources Administration 123 William Street	20,877 Midtown	Government
4	ustwo 26 Broadway	18,900 Midtown South	Technology
5	Harvard Maintenance 59 Maiden Lane	17,937 Midtown	FIRE
6	Human Rights First 75 Broad Street	17,899 Midtown	Nonprofit
7	XenoPsi Media 60 Broad Street	12,820 Midtown	Technology
8	Ambrosino, DePinto & Schneider 45 Broadway	12,660 Midtown	Professional Services, Other

MEDIA COMPANIES MAKE THEIR MARK ON LOWER MANHATTAN



	Tenant Name Location	SF Leased Previous Location	Sector
9	SumAll 123 William Street	17,500 Midtown South	Technology
10	Imaginary Forces 80 Broad Street	11,250 Midtown South	Creative Services, Advertising
11	Cornell College of Architecture & Planning 26 Broadway	11,000 Midtown South	Education
12	Man Made Music 50 Broad Street	10,533 Midtown	Creative Services, Performing Arts
13	Latina Magazine 120 Broadway	8,044 Midtown	Creative Services, Media
14	Revenue Watch Institute 80 Broad Street	7,255 Midtown South	Nonprofit
15	The CityKids Foundation 42 Broadway	7,000 Midtown South	Nonprofit

Is Sterling Cooper Next?

A new Madison Avenue is forming south of Chambers Street, as a host of advertising companies and the firms that support the industry leave Midtown to stake their claim in Lower Manhattan. Just this quarter alone, the following firms announced plans to relocate to the district:

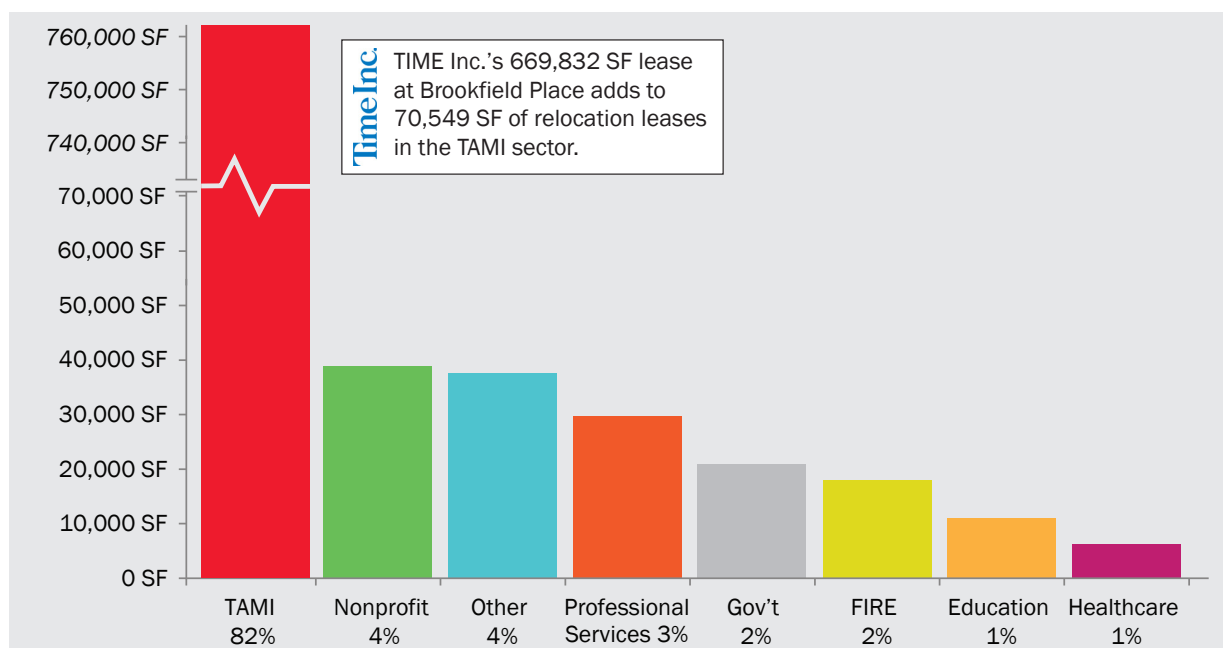
- **Imaginary Forces**, an entertainment and design studio, signed an 11,200-square-foot lease at 80 Broad Street, relocating from Midtown South;
- **Sun & Moon Marketing**, an advertising agency focused on the real estate industry, signed a 6,900-square-foot lease at 75 Broad Street, relocating from Midtown;
- **KiDs Creative**, an advertising agency, signed a lease in 1 World Trade Center for 35,000 square feet. The company is an offshoot of Box Studios in Midtown South. The lease for more than \$90 a square foot represents the highest rent ever paid downtown.

Several tech firms in the advertising and marketing space also signed leases in Lower Manhattan this quarter:

- **Ustwo Studio**, a digital design studio, signed an 18,900-square-foot lease at 26 Broadway;
- **XenoPsi Media**, a digital marketing firm, signed a 12,800-square-foot lease at 60 Broad;
- **SumAll**, a social data analytics company, signed a 12,700-square-foot lease at 123 William Street and will be relocating from Midtown South. SumAll was announced as a winner of the second round of Take the Helm in November 2013;
- **MediaMath**, a global technology company that provides analytics for marketing and advertising companies, signed a 15-year lease for 106,000 square feet at 4 World Trade Center in early Q3.

Q2 2014 RELOCATIONS BY SECTOR (SF)

Source: Downtown Alliance



Higher Education Continues to Grow in Lower Manhattan

The Higher Education sector expanded its Lower Manhattan footprint in the second quarter, as existing institutions continue to grow and new ones enter the market. New York Film Academy is expanding its presence south of Chambers Street, adding to a 75,000-square-foot location opening at 17 Battery Place this fall (it also recently signed a 43,000-square-foot lease to expand at 26 Broadway). The academy will soon occupy a total of nearly 118,000 square feet in Lower Manhattan and continues to maintain its original Union Square location. Cornell University's College of Architecture, Art and Planning (AAP) signed an 11,000-square-foot lease for its New York City satellite location and will be moving from its current location in Midtown South.

The district's new education tenants follow last quarter's announcement that Dev Bootcamp, a software coding school, had signed a 14,200-square-foot lease at 48 Wall Street. The school has nine-week training sessions and will have 20 students in its inaugural New York City class, with an estimated 340 students per year. The school also has locations in Chicago and San Francisco.

Pace University is starting the Pace School of Performing Arts, which grew out of a department within the College of Arts & Sciences in response to a surge in applications and enrollment. It moved into a 50,000-square-foot space at 140 William Street last year.

Cornell University's College of Architecture, Art and Planning, New York Film Academy and Dev Bootcamp join 15 other higher education institutions with nearly 50,000 students located south of Chambers Street.

Seventh Consecutive Quarter of Rising Average Rents

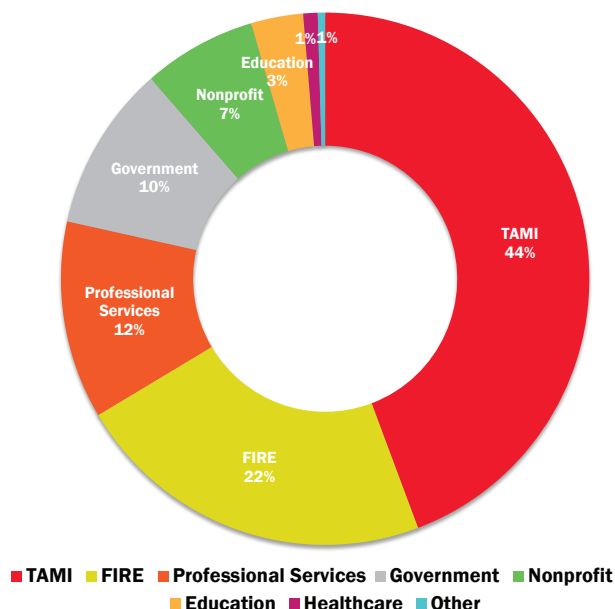
Though it only grew a few cents, Lower Manhattan's \$49 per square foot overall asking rent marks the seventh consecutive quarter of rising average rents. Among the Manhattan submarkets, Lower Manhattan asking rents grew the fastest over the past year, rising by 7%, according to data from Cushman & Wakefield. Midtown rates went up 4% and Midtown South, 1%.

Like Lower Manhattan, Midtown South's average overall asking rent is up slightly over last quarter. Midtown's overall average asking rent increased by 1% and remains the highest among Manhattan submarkets, at \$71 per square foot. Class A rents remained stable over last quarter in all Manhattan submarkets.

Lower Manhattan retained its competitive pricing advantage, with an overall average asking rent \$11 less than Midtown South and \$22 less than Midtown.

Q2 2014 Leasing Activity by Sector

Source: Jones Lang LaSalle



STRENGTHENED VALUE PROPOSITION DRAWS NEW TENANTS TO LOWER MANHATTAN

The rapid rise of rents in Midtown South over the past few years has encouraged a steady flow of tenants to the Lower Manhattan market.

As recently as 2010, average asking rents in Midtown South were \$44 per square foot. The spread between Midtown South and Lower Manhattan was a mere \$6 per square foot, and both markets offered a sizable discount from the average asking rent of \$62 per square foot in Midtown at that time (\$18 per square foot for midtown, and \$24 per square foot for Lower Manhattan).

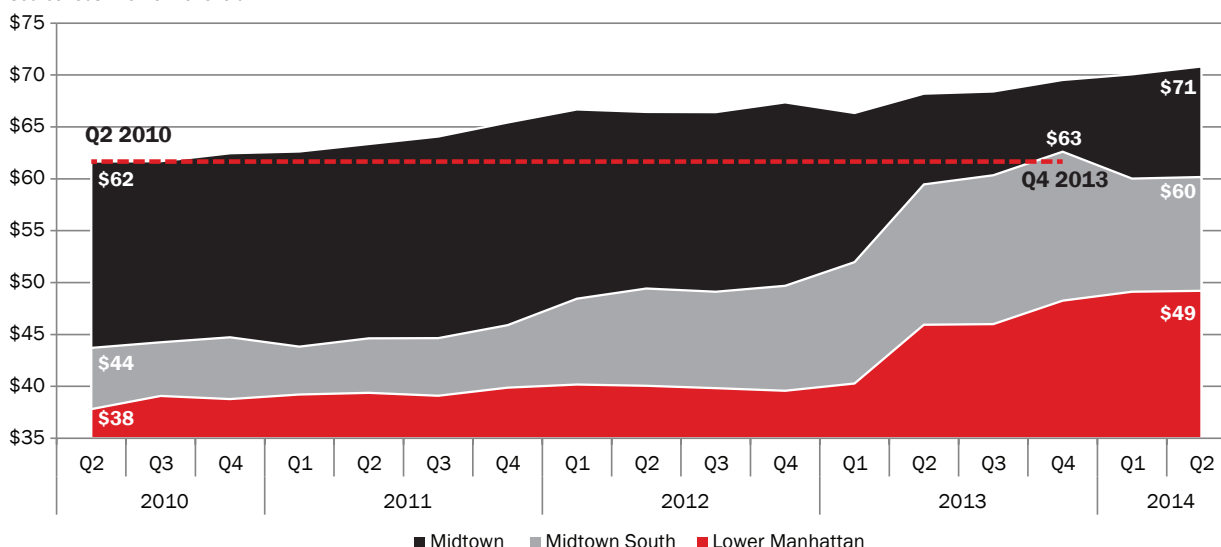
Less than four years later, average asking rents in Midtown South reached \$63 per square foot, a level seen previously only in the Midtown Market. That 43% increase in asking rents has pushed an increasing number of tenants from the Midtown South market to Lower Manhattan, where increases in average asking rents (which remain below \$50 per square foot) have been less dramatic over the last four years.

While Lower Manhattan has always been well-priced relative to other Manhattan submarkets, tenants today see the benefit of this value against the backdrop of \$30 billion of public and private investment in transportation infrastructure, new office space, expanded retail offerings and an enhanced waterfront. In addition, the dramatic growth of the highly skilled and highly educated labor force living in Manhattan, downtown Brooklyn and along the Hudson River in New Jersey have made Lower Manhattan a highly desirable location for companies seeking the best and brightest workers.

What has been the result of these trends in rent, investment and population growth? Since 2011, Lower Manhattan has seen a net increase of more than 5 million square feet of leases signed by tenants previously in Midtown South and Midtown markets, especially among tenants in the technology, advertising, media and information sectors (TAMI) sectors.

Overall Average Asking Rents, 2010-2014

Source: Cushman & Wakefield



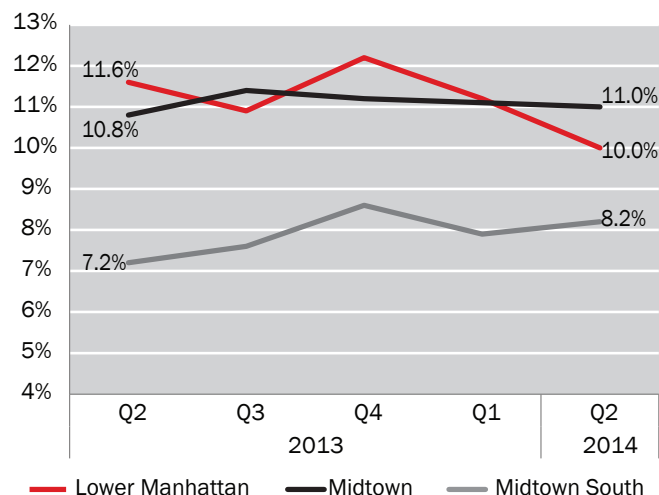
Vacancy Rate Continues to Drop

Lower Manhattan's vacancy rate fell to 10%, dropping one full point from last quarter and down 1.6 percentage points year over year, according to data from Cushman & Wakefield. One reason for the decrease is the signing of leases by Time Inc. and the Bank of New York Mellon, which together account for the absorption of more than 1 million square feet of available space.

Midtown South's vacancy rate is currently the lowest in Manhattan at 8.2% but has gone up one percentage point over last year. Midtown's rate has seen little change. But Lower Manhattan's vacancy rate continues to drop, as market momentum favors the area and a trend of strong leasing appears to be accelerating.

VACANCY RATES BY SUBMARKET

Source: Cushman & Wakefield



CONVERSIONS OF OLDER OFFICE BUILDINGS MAINTAIN MARKET COMPETITIVENESS



The conversion of older office buildings provides a counterbalance to the new office space coming online at the World Trade Center and elsewhere. In just the last ten years, 10.1 million square feet of older office stock has been taken offline, an amount roughly equal to a fully built World Trade Center site.

Lower Manhattan has a strong history of conversions. Since 1995, 16 million square feet of office space has changed use, creating nearly 14,000 residential units and 350 hotel rooms. Early on, residential conversion was spurred by the city's 421-g real estate tax abatement program. Even since the incentive expired in 2006, property conversions have continued at a brisk pace, reflecting the strength of residential and hotel markets in Lower Manhattan.

The conversion trend is poised to continue with another 5.1 million square feet under construction or in the planning stages. Much of this activity is occurring in historic buildings, where storied space is being transformed into a multitude of new incarnations: residential units, hotels, eateries and major retail projects throughout Lower Manhattan.

For more information on this trend, please view, "Everything Old is New Again: Conversions of Historic Properties in Lower Manhattan," on our website.

A Flurry of Office Buildings Changes Hands

Brisk leasing and rising rents in the Lower Manhattan office market have buoyed investor confidence and spawned new commercial sales.³ According to Real Capital Analytics, five of the top 25 property sales citywide in the first half of the year took place in Lower Manhattan.⁴ About \$1.58 billion in office building sales were announced this quarter, and a majority of the buildings plan to retain office uses.

Some transactions revealed significant increases in property values. In 2012, Beacon Capital and L&L Holdings Company bought **222 Broadway** from Bank of America for \$230 million. This quarter, Deutsche Asset & Wealth Management acquired a 95% stake in the property, which is now valued at approximately \$500 million. Current tenants include WeWork and Condé Nast; Zara will open a 30,000-square-foot store in the building later this year.

Another property saw its value go up by an even greater proportion. Savanna Investment Fund recently sold **80 Broad Street** to Broad Street Development for \$175 million — more than two times what the property was appraised for in 2010. Savanna took over the 430,000-square-foot tower in 2011, when it bought the senior mortgage at a 12% discount on its \$75 million face value from Kent Swig.

Savanna also partnered with KBS Capital Advisors to acquire **110 William Street**, a 32-story, 928,000-square-foot office building. The firm said it paid \$261 million for the property. The sellers were Swig Equities, but Swig will remain as the property manager.

Property sales also appear to have been motivated by residential developers who have shown an interest in converting major commercial buildings into housing. Harry Macklowe of Macklowe Properties — to whom Bank of New York Mellon agreed to sell its 1.1 million-square-foot headquarters tower at **1 Wall Street** for \$585 million — is expected to convert 1 Wall Street to residential use. The deal is expected to be completed in the third quarter.

The Lightstone Group paid \$60 million for a 12-story, 142,000-square-foot office building at **130 William Street**. The property is more than half vacant and could be ripe for a conversion to condominiums.

Courtesy of /CoStar

80 Broad Street

Purchased by Broad Street Development for \$175 million

Courtesy of CoStar

1 Wall Street

Purchased by Macklowe Properties for \$585 million

³ Property sales information from Massey Knakal and Property Shark

⁴ Mark Fahey, "Top Property Sales Shift Downtown," Crain's New York Business, July 22, 2014.

Coming Fulton Center Stirs Sales on William Street



Five properties along William Street have sold over the past 12 months. All sites are a short walk from the entrance to MTA's Fulton Center at William and Fulton Streets.

- 156 William Street sold for \$62.5 Million in 2014 to William Macklowe;
- 123 William Street sold for \$133 Million in 2013 to East End Capital;
- 130 William Street sold for \$60 Million in 2014 to the Lightstone Group;
- 110 William Street sold for \$261 Million in 2014 to Savanna and KBS Capital Advisors;
- 100 William Street sold for \$170 Million in 2013 to Manulife.



RETAIL MARKET

A Retail Revolution Takes Shape

The radical transformation of Lower Manhattan's retail landscape is well underway, as several major capital projects come online over the next two years. A wide-ranging constellation of new stores and restaurants will soon emerge south of Chambers Street, as the district becomes one of New York City's premier shopping and dining destinations. In anticipation of the influx of new workers from Condé Nast and other companies that are moving downtown, many other retailers are now eyeing Lower Manhattan, according to a recent *New York Times* article.

The major new shopping and dining additions include an upgrade and expansion of 200,000 square feet of retail at **Brookfield Place**, scheduled for completion in 2014 and 2015. Brookfield has continued leasing retail space at the revamped complex and, this quarter, added J.Crew, Vince, Aspinall of London, Posman Books and Cos Bar. The 600-seat Hudson Eats dining terrace opened this quarter at the complex to much fanfare, offering waterfront views and thirteen gourmet eateries: Black Seed Bagels, Chop't, Dig Inn, Dos Toros Taqueria, Little Muenster, Mighty Quinn's Barbecue, Num Pang, Olive's, Skinny Pizza, Sprinkles, Tartinery, Blue Ribbon Sushi and Umami Burger. Northern Tiger will join the Hudson Eats roster this fall. "Le District", a 25,000-square-foot French marketplace is scheduled to open in phases — from late 2014 to early 2015. Additionally, the complex will offer four sit-down restaurants, featuring chefs Jose Garces and Jean-George Vongerichten. Expected to open March 2015, the revamped space is currently 90% leased.

Two major retail projects run by **Westfield** are taking shape. A total of 65,000 square feet of commercial space at Fulton Center is leasing up and expected to open later in 2014. Retail shops and kiosks will occupy the platform and street levels, while dining and other service uses will be on the second and third concourse levels. In late 2015, Westfield will also open 365,000 square feet of new retail, dining and entertainment space in the World Trade Center Transportation Hub and the base of Three and Four World Trade Center. An underground retail passageway will connect all these major new retail projects, linking Brookfield Place, the World Trade Center Transportation Hub and Fulton Center.

On the east side of Lower Manhattan, the Howard Hughes Corporation made significant progress on the demolition of **Pier 17** at the South Street Seaport. The new pier will begin construction in October 2014 and, according to the company's estimate, will provide 365,000 square feet of new retail, dining and entertainment, highlighted by a one and a half-acre rooftop, to open in 2016.



Hudson Eats at Brookfield Place

Featuring 14 eateries and a 600-seat waterfront dining terrace



Fulton Center

65,000 SF of commercial space will come online this fall when the transit center opens to the public

1.5 MILLION SF

of new and repositioned retail by 2016

Nearby, the Landmarks Preservation Commission approved the renovation of the Fulton Market Building, which is scheduled to open in the spring of 2015; it is led by the arrival of iPic Entertainment's eight-screen movie theater. As the Seaport redevelopment moves forward, the Howard Hughes Corporation continues its programming series, SEE/CHANGE. The program features outdoor films, live music and DJ sets as well as pop-up shops inside branded shipping containers. ModaBox, Lollipop Moon and Limelight Shops have opened along Front Street. Ambrose Hall opened at 18 Fulton Street in the Seaport; the facility includes the Ambrose Beer Garden (an open-air, walk-up bar), as well as the Ambrose Surf Club (a roof-top bar above the pop-up shipping containers).

New Openings and New Leases

A total of 18 retailers have opened new stores and restaurants in Lower Manhattan since the first quarter of 2014, bringing the district's total number of retail establishments to 997. Sustained and growing interest from tenants and an aura of excitement about new possibilities in Lower Manhattan have kept rents strong. Retail rents for the second quarter for the lower Broadway corridor remained stable over the year at \$277 per square foot (PSF), according to CBRE. This is up from \$198 PSF at the end of 2012. For the financial district, Cushman and Wakefield reports retail asking rents averaging \$346 PSF – up 38 percent over the past year.⁵

Food Tenants Lead Retail Expansion

Several new additions have recently joined the district's growing roster of eateries and watering holes. Two French restaurants opened their first U.S. locations in Lower Manhattan: **Racines NY**, a French bistro and wine bar featuring Michelin-starred chef Frédéric Duca (at 94 Chambers Street) and **By Suzette**, a French creperie (at 78 Chambers Street). Celebrity restaurateur Stephen Starr unveiled the New York location of his trendy Mexican-American eatery, **El Vez**, at 259 Vesey Street. A popular Herald Square sports bar and Irish pub, **StoutNYC**, opened its downtown location at 90 John Street.

Fast-casual eateries continued to sprout up throughout Lower Manhattan, including:

- **Melt Shop** at 111 Fulton Street;
- **Roast Kitchen** at 199 Water Street;
- **Fields Good Chicken** at 101 Maiden Lane;
- **Ramen Co. by Keizo Shimamoto** at 100 Maiden Lane (home of Ramen Burger).

⁵Cushman & Wakefield retail asking rent geography includes Broadway, Fulton Street and Wall Street. Brookfield Place and Westfield World Trade Center are not included.



Courtesy of Oleg March

Ambrose Hall

Opened at 18 Fulton Street in the South Street Seaport



Melt Shop

Opened at 111 Fulton Street



Courtesy of Ramen.Co

Ramen Co. by Keizo Shimamoto

Opened at 100 Maiden Lane

The coming months will usher in even more new retailers and restaurants to the Lower Manhattan market. Among them:

- **Washington Market Tavern**, a high-end restaurant and bar, at 41 Murray Street;
- **Barleycorn**, a craft beer bar and grill, at 23 Park Place;
- **Cedar Local**, a bar, at 25 Cedar Street;
- **Soul Cycle** at 2 Gold Street;
- **Retro Fitness** at 1 New York Plaza.

Retail Condo Sales

Several retail condos changes hands this quarter.⁶ The deals included:

- CIM Group's sale of a 5,500-square-foot retail condo at **15 William Street** to Allegra Tribeca Inc. for \$7.4 million. Open Kitchen is the current tenant.
- WSA Equities' \$7 million sale of a roughly 8,000-square-foot retail condominium at **80 John Street** to Klosed Properties and Namdar Realty Group. The condo is occupied by UFC Gym and a dry cleaner.
- The 4,200-square-foot retail condo at **119 Fulton Street** was acquired by Walter & Samuels for \$4.8 million from a private seller. The current tenant is Spring Nail Spa.

⁶ Retail condominium sales information is from Massey Knakal and Property Shark.

RETAIL RENT UP 40%

*since 2012 on the
lower Broadway corridor*

\$5.2 BILLION

*in annual spending power
in Lower Manhattan market*



Courtesy of Daniel Krieger for Eater

El Vez

Restaurateur Stephen Starr unveiled his trendy Mexican-American eatery at 259 Vesey Street in Battery Park City



Courtesy of Daniel Krieger for Eater

Racines NY

A French bistro and wine bar, featuring Michelin-starred chef Frédéric Duca, opened at 94 Chambers Street

TOURISM & HOSPITALITY

Lower Manhattan's Hotel Boom Continues

As more hotels prepare to open in Lower Manhattan, the roster of upcoming projects span a wide array of service types — from luxury to boutique to budget. Altogether, the district will gain 3,504 new rooms in 17 hotels — 2,748 rooms are already under construction in 14 hotels, and 756 rooms in three hotels are in the planning stages. These projects will nearly double Lower Manhattan's current inventory of 4,173 hotel rooms in 19 hotels.

Activity in the hospitality sector was strong this quarter. On June 19th, the **Hampton Inn** opened at 32 Pearl Street. The eight-story hotel has 81 rooms, including three penthouse suites with terraces. Hersha Hospitality Trust purchased the 31,703-square-foot Art-Deco apartment building in 2011 for \$28.7 million and spent \$4.5 million converting it. The hotel's opening was delayed two years by Hurricane Sandy.

Furnished Quarters was announced as the operator of the 132 extended-stay units at 70 Pine Street and expects to open in Spring 2015. Gemini Real Estate Advisors is renovating the **Best Western Seaport Inn** at 33 Peck Slip into a boutique hotel, which will retain its current 72 rooms and will open in mid-2015.

Five hotels will open within the next year in Lower Manhattan, adding 1,298 rooms — a 31 percent increase over the existing inventory. Hotels scheduled to open include:

- 176-room **Fairfield Inn & Suites** at 161 Front Street, set to open October 2014;
- 125-room **Aloft Hotel** at 49 Ann Street, set open October 2014;
- 243-room **Marriott Residence Inn** at 170 Broadway, set to open October 2014;
- 264-room **Four Points by Sheraton** at 6 Platt Street, set to open December 2014;
- 490-unit **Holiday Inn** at 99 Washington Street, set to open late 2014.

5 *new hotels to open by 2014*

12 *more new hotels to open by 2015-2016*

Highest Occupancy and Average Daily Rate (ADR) in Four Years

The increase in the supply of hotel rooms is being matched by growing demand, as the Lower Manhattan hotel market reached the highest occupancy rate in four years. The district's second quarter average occupancy stood at 90%, up 4.7 percentage points from the second quarter of 2013 and on par with New York City's overall occupancy.⁷ Lower Manhattan's second quarter ADR was \$302, up 3% from the second quarter of 2013. The area's ADR was 10% higher than New York City's ADR of \$275.

Locals and Visitors Flock to Lower Manhattan Destinations and Events

The National September 11 Memorial Museum officially opened to the public this quarter and has attracted more than 500,000 visitors through July 2014, exceeding expectations. Organizers have indicated they hope to draw 2.5 million visitors per year, and museum President and CEO Joe Daniels said they anticipated 1.5 million between opening day and the end of 2014.

The return of the Macy's Fourth of July Fireworks to the East River — five years after being "temporarily" moved to the Hudson — drew 150,000 spectators to the Lower Manhattan East River waterfront and featured the first-ever pyrotechnic show on the Brooklyn Bridge.⁸ Pedestrian counts were completed in four locations: the entrance to the FDR at Broad Street, the ramp to the Brooklyn Bridge, Water Street and the South Street Seaport.

⁷ Source of Lower Manhattan ADR & Occupancy: Downtown Alliance
Source of NYC ADR & Occupancy: NYC & Co.

⁸ Source of fireworks visitor estimates: Audience Research and Analysis



Courtesy of Howard Hughes Corporation

The National September 11 Memorial Museum opens



The National September 11 Memorial Museum officially opened to the public on May 21, following a six-day dedication period during which the museum was open 24/7 for 9/11 family members, rescue and recovery workers and others directly affected by the 2001 attacks.

The 110,000-square-foot museum contains more than 23,000 still images, 12,500 artifacts, 1,990 oral histories and 580 hours of film and video.

Over 500,000 people have visited the museum between its opening in May through July 2014, exceeding expectations. Organizers have said they hope to draw 2.5 million visitors a year, and museum President and CEO Joe Daniels says 1.5 million are expected between opening day and the end of 2014.

In conjunction with the Museum opening, the fences around the Memorial plaza came down. The Memorial plaza has seen more than 14 million visitors since opening in September 2011. They have come from all 50 states and more than 175 nations around the world.

HOTEL DEVELOPMENT PIPELINE

Source: Downtown Alliance

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
1	Holiday Inn 99 Washington Street	McSam Hotel Group	490/50	2014
2	Aloft Hotel 49 Ann Street	107 West Broadway Realty Corp	125/18	2014
3	Fairfield Inn & Suites 161 Front Street	Lam Group	176/32	2014
4	Marriott Residence Inn 170 Broadway	Highgate, Crown, Carlyle Group	243/18	2014
5	Four Points by Sheraton 6 Platt Street	Lam Group	264/30	2014
6	Furnished Quarters 70 Pine Street	Rose Associates	132 4 (of 66)	2014
7	Boutique Hotel 100 Greenwich Street	Jiten Hotel Management	200/26	2015
8	Boutique Hotel 24-26 John Street	Westbury Realty Associates	128/21	2015
9	Boutique Hotel Battery Maritime Building	The Dermot Group	61/5	2015

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
10	The Beekman Hotel 5 Beekman Street	GB Lodging Group	287/9	2015
11	Courtyard by Marriott 133 Greenwich Street	Hidrock Realty	317/31	2015
12	AKA 84 William Street	Prodigy Networks	141/19	2015
13	Hilton 6 Water Street	Magna Hospitality Group	249/29	2016
14	Four Seasons 30 Park Place	Silverstein Properties	179 21 (of 82)	2016
15	Marriott Residence Inn (upper floors) 215 Pearl Street	Lam Group	322/40	2016
16	Courtyard by Marriott (lower floors) 215 Pearl Street			
17	Hotel Indigo 10-12 Maiden Lane	10-12 MLane, LLC	190/25	2016

RESIDENTIAL MARKET

Host of Residential Projects in the Works

Residential inventory in Lower Manhattan continues to expand. The district is home to an estimated 61,000 residents, who currently live in 30,500 units in 323 mixed-use and residential buildings. In the pipeline of upcoming residential projects are 2,200 new units in ten buildings currently under construction. They include:

- Rose Associates' building at **70 Pine Street**, which is expected to be completed in 2014 and will include 644 rental units.
- **20 Exchange Place**, which received the financing to finalize the building's conversion to residential use. The initial phase, including 556 rental units, was completed in 2008; the 221 remaining rental units are expected to be complete as of April 2015.
- Buildings at **112-118 Fulton Street** have been demolished, making way for what it is expected to be a residential tower.

Sales began for three luxury condo towers that are currently under construction, all of which are expected to open in 2016. They include:

- Alchemy Properties' **Woolworth Residences** at **233 Broadway**. The 8,975-square-foot, nine-story penthouse has an asking price of \$110 million.
- Silverstein's **Four Seasons Residences** at **30 Park Place**. Condos range in price from \$2.6 million to \$60 million.
- Time Equities' **50 West Street**, with 191 condos ranging in price from \$1.6 million to \$18.6 million.

On the rental side, **The Lara** at **113 Nassau Street** has leased all 168 units after launching leasing in December 2013.

Eight additional residential projects are currently in the planning or discussion stages, comprising a total of more than 800 units. They include:

- A planned 63-story, 950-foot-tall residential tower with 129 condominiums at **101 Murray Street**. Fisher Brothers and the Witkoff Group purchased the St. Johns University property for \$223 million in 2013. The 433,800-square-foot tower would become the tallest residential building in Lower Manhattan, surpassing Silverstein's **30 Park Place**, which is under construction.



Courtesy of YIMBY

113 Nassau Street

The Lara became fully leased after launching in December 2013



20 Exchange Place

Received financing to finalize the building's conversion to residential use

- A 281,000-square-foot residential and hotel tower at **151 Maiden Lane**. Fortis Property Group filed building permits for a 52-story luxury residential tower with 74 units. Construction is expected to begin during 2014, but no completion date has been announced. Fortis acquired the parking lot this past September for \$64 million.

As development projects expand the total housing inventory, the residential population is expected to climb to an estimated 63,000 people in 2014 and 64,000 in 2015.

Rentals and Sales Show Intense Demand

Residential Rentals

Lower Manhattan's median rent reached \$3,550, rising 3% since last quarter and 6% year-over-year, according to data provided by Miller Samuel/Douglas Elliman. Manhattan's median rent of \$3,281 was also up 4% over last quarter but up only 3% over last year. The number of new rentals expanded in both markets since last quarter — in Lower Manhattan by 11% and throughout Manhattan by 13%.

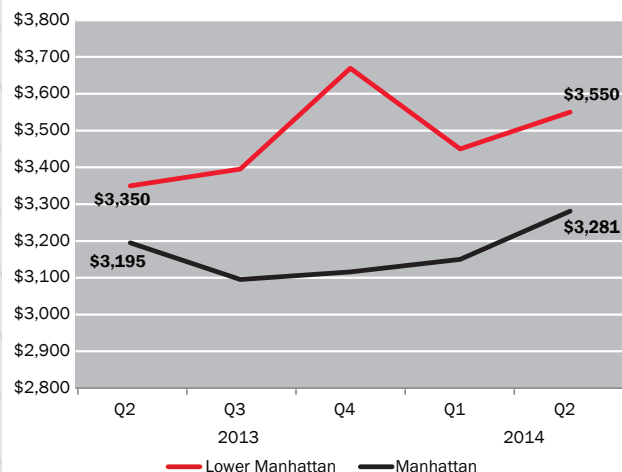
Residential Unit Sales

Total unit sales in Lower Manhattan jumped 26% since last quarter and 14% year-over-year, showing the most active market since 2011 and besting trends seen elsewhere in Manhattan. The district's sales market remained vibrant through the spring season, according to data provided by Miller Samuel/Douglas Elliman. Manhattan-wide sales grew slightly over last quarter, up 6% over this time last year.

Lower Manhattan's average price per square foot increased a strong 16% year-over-year to \$1,271, ahead of the pace seen across Manhattan (which was up just 10% since last year). The Manhattan average price per square foot saw a 10% increase from last year. Lower Manhattan's listing discount of 3.9% is up one percentage point over the year; Manhattan's listing discount of 2.8% remained basically stable since last year. The pace of co-op and condo sales in Lower Manhattan has been steadily heating up — the time the properties spend on the market (now about 69 days) has dropped by 30 percent during the last quarter and by 54 percent over the last year.

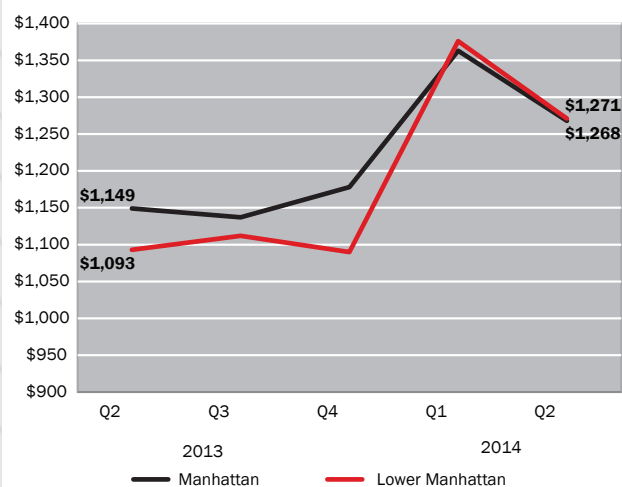
MEDIAN RENTAL PRICES

Source: Miller Samuel/Douglas Elliman



AVERAGE SALES PRICE (\$) PER SF

Source: Miller Samuel/Douglas Elliman



Residential Development Property Sales

Interest among residential developers is intensifying in Lower Manhattan. The second quarter saw the sale of three sites in the early stages of the development process:

- Fisher Brothers bought **92 Fulton Street** from San Diego-based development firm Mavrix Group for \$10 million. Mavrix had raised \$8 million to buy an assemblage of parcels at 90-94 Fulton Street (currently Liam's Pub, Texas BBQ and a vacant lot), where a 16-story, 18,520-square-foot residential tower is now planned. The vacant lot contains 29,890 buildable square feet, including air rights.
- Carmel Partners bought **112-118 Fulton Street**, at the corner of Dutch Street, from the Lightstone Group for \$170 million. The Lightstone Group originally paid \$63 million in 2013, acquiring parcels and air rights to build a 60-story luxury tower with 450 condo units and 20,000 square feet of retail. Demolition of the buildings was completed this quarter.
- Michael Shvo bought **22 Thames Street** for \$180 million. The seller, Fisher Brothers and the Witkoff Group, originally paid \$87.5 million in September 2012 with plans to build a 359,000-square-foot, 70-story luxury rental tower designed by Rafael Vinoly.

61,000

residents



112-118 Fulton Street

The existing buildings were demolished to make way for a residential tower

RESIDENTIAL PIPELINE

Source: Downtown Alliance

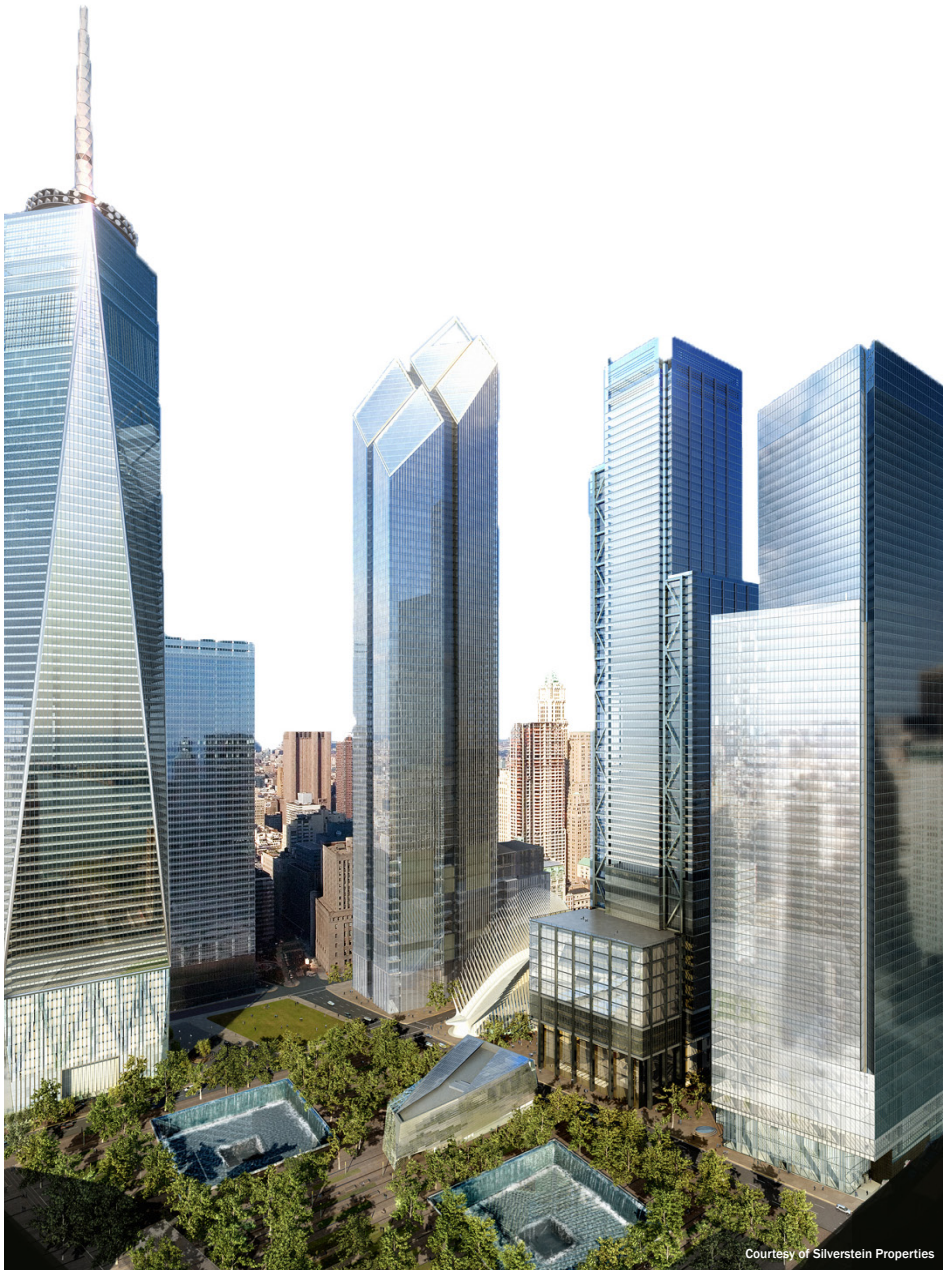
	Address & Building Name	Lease & Building Type	Units	Open Date	Status
1	70 Pine Street AIG Building	Rental Conversion	644	2014	Construction
2	19 Park Place Tribeca Royale	Condo New Construction	21	2015	Construction
3	33 Beekman Street	Dormitory New Construction	378	2015	Construction
4	87 Chambers Street	Condo New Construction	17	2015	Construction
5	5 Beekman The Beekman Residences	Hotel/Condo Conversion	68	2015	Construction
6	20 Exchange Place	Rental Conversion	221	2015	Construction
7	30 Park Place Four Seasons Residences	Hotel/Condo New Construction	159	2016	Construction
8	50 West Street	Condo New Construction	191	2016	Construction
9	233 Broadway Woolworth Residences	Condo Conversion	40	2016	Construction

	Address & Building Name	Lease & Building Type	Units	Open Date	Status
10	112-118 Fulton Street	Condo New Construction	460	2017	Construction
11	12 Warren Street	Condo New Construction	24	2015	Planned
12	54 Fulton Street	TBD New Construction	120	2016	Planned
13	74 Trinity Place	Condo New Construction	TBD	2017	Planned
14	22 Thames Street	Rental New Construction	350	2017	Planned
15	101 Murray Street	TBD New Construction	120	2016	Planned
16	140 West Street Verizon Building	Condo Conversion	166	TBD	Planned
17	151 Maiden Lane	TBD New Construction	74	TBD	Planned

PROGRESS UPDATE: MAJOR CONSTRUCTION PROJECTS

\$30 Billion

in public and private investment made over the last decade is becoming visible in every corner of Lower Manhattan.



Courtesy of Silverstein Properties

One World Trade Center

104-stories, 3 million-square-foot office tower to be completed in 2014;

55% leased, with tenants including Condé Nast, Beijing Vantone China Center and the U.S. General Services Administration. Condé Nast is fitting out their space and will begin moving in November 2014;

Legends Hospitality's 120,000-square-foot observation facility on floors 100, 101 and 102 is scheduled to be completed in early 2015; 3.8 million visitors are expected annually;

Q2 Happenings: The second quarter saw office signings from KiDS Creative, Legends Hospitality and BMB Group.

2 World Trade Center

88-story, 2.8 million-square-foot office tower in the planning phase with a TBD completion date.

3 World Trade Center

2.5 million-square-foot office tower with tentative plans to open in 2017;

Group M Worldwide signed a lease for 515,000 square feet;

Q2 Happenings: The Port Authority of New York & New Jersey approved a financing agreement to release \$159 million of insurance proceeds, while Silverstein Properties find private financing.

4 World Trade Center

72-story, 2.3 million-square-foot office tower completed in November 2013;

58% leased; tenants include the Port Authority, the City of New York and MediaMath;

Q2 Happenings: Negotiations were finalized at the beginning of the third quarter for MediaMath, a global technology company, to occupy over 100,000 square feet.

World Trade Center Transportation Hub

800,000-square-foot space will house the PATH station and Westfield's 350,000-square-foot retail complex and connect to Fulton Center on the east and Brookfield Place on the west;

Construction to be completed in 2015.

National September 11 Memorial & Museum

Q2 Happenings: 110,000-square-foot museum officially opened to the public on Wednesday, May 21st. The museum plans to allow 5,000 to 8,000 visitors per day;

In conjunction with the museum opening, the fences around the plaza came down. The plaza is now open from three points.

Fulton Center

Q2 Happenings: Fulton Center will officially open this fall – after being delayed 60 to 90 days from an earlier announced June opening.

The complex is fully leased, and tenants are expected to include beauty salons, drugstores and grab-n-go eateries. Shops are expected to open at the end of 2014.

Pier 17 Redevelopment

The Howard Hughes Corporation has plans to construct 365,000 square feet of retail, dining, and entertainment space, as well as a new food market in the Pier 17 building.

Q2 Happenings: Completed demolition of Pier 17; pier replacement and superstructure work will continue through 2015.

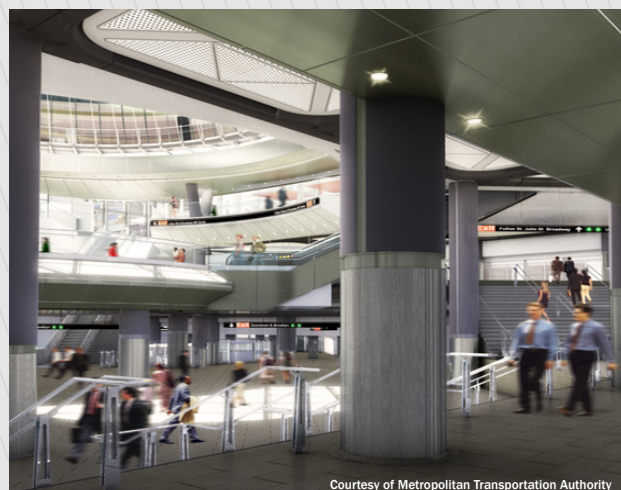
Fulton Street Reconstruction

The project replaced all underground utilities, including water mains, sewers, electric and gas. The endeavor also included construction of new streets, curbs and sidewalks, as well as the installation of new signage and lighting.

Q2 Happenings: The reconstruction of Fulton Street, which began in 2009, is complete.

Broadway Reconstruction

The Department of Design and Construction's \$42 million capital reconstruction project on Broadway, referred to as Broadway 1 and stretching from Ann Street to Rector Street, continues. This project will replace all underground infrastructure, including water mains, sewers, electric, gas and other utilities, as well as construct new streets and curbs. Work continues on the east side, between Liberty and Rector Street, and will continue through 2014. Crews will focus on two blocks at a time, moving northward on the west side, then southward on the east side. The full project is scheduled to be finished in 2017.



Courtesy of Metropolitan Transportation Authority

Fulton Center

Scheduled to officially open later in 2014; contains 65,000 SF of new retail and commercial space coming online late 2014



Courtesy of Howard Hughes Corporation

Pier 17

Demolition of the existing structure has been completed; contains 365,000 SF of new retail, dining and entertainment space scheduled for completion in 2016

Visit WWW.DOWNTOWNNY.COM/RESEARCH for additional publications on the Lower Manhattan real estate market and economy.

If you have questions or require additional information, please contact RESEARCH@DOWNTOWNNY.COM.