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New Report Highlights ‘Blockbuster’ Leasing Surge Downtown

-CB Richard Ellis Report Cites Increased Activity Well Ahead of 2009 levels; Follows Downtown Alliance Report Noting Leasing Rebound-

August 24, 2010 (New York, NY) – A new report by CB Richard Ellis finds that Lower Manhattan is witnessing an extraordinary period of leasing activity, reaffirming its status as a competitive, world-class commercial destination.

“Downtown had a blockbuster month of leasing, topping the five-year monthly average by 63%,” CBRE says in its MarketView Downtown Manhattan Snapshot for August 2010. The report analyzes commercial real estate market activity in Manhattan in July. The report also notes:

- July was the first time that Downtown outperformed its five-year monthly leasing average since August 2009.
- Downtown produced the most substantial positive absorption in a single month since January 2008 and experienced the largest one-month decline in availability rate since April 2007.
- The average asking rent edged up during the month, due to the leasing of lower-priced space.
- Downtown activity remained ahead of 2009 levels, although it continued to lag 2008 leasing by about 8 percent for the year to date.
- Activity levels exceeded the month’s historical leasing average, even without HealthFirst’s deal at 100 Church Street.

As the Alliance for Downtown New York noted in a report last month, year-to-date leasing activity south of Chambers Street jumped 28 percent from 2009 to approximately 1.4 million square feet by the end of the second quarter (June 30). More than 800,000 square feet of leased have already been signed in the third quarter of this year or are expected to be finalized soon.

“These new and pending leases demonstrate that Lower Manhattan’s major tenants remain committed to the area while creative services firms are increasingly drawn to it,” said Downtown Alliance President Elizabeth H. Berger. “The district has a tradition of recovering from adversity with remarkable speed, and we are pleased that every major project at the World Trade Center site is under construction and moving ahead. I fully

expect that both public and private investment in our district will continue for years to come.”

This year’s increased leasing activity includes:

- The New York Daily News, which just announced its lease at the 25-story 4 New York Plaza. The News will move from its Midtown offices to inhabit two floors amounting to 100,000 square feet. U.S. News & World Report also will be housed at the location.
- Deloitte & Touche is relocating from 1 and 2 World Financial Center, taking 400,000 square feet at 4 WFC with the option to expand by 230,000 square feet.
- Nonprofit managed-care provider Healthfirst, which reportedly has signed a lease for 172,000 square feet at 100 Church St.
- Kenyon & Kenyon’s nearly 200,000 square feet renewal at 1 Broadway.
- New York Liquidation Bureau’s 116,500 square foot lease at 110 William Street; this is a relocation from a nearby building.
- Royal Bank of Canada’s 75,139 square-foot expansion at 3 World Financial Center
- Broadcast Music Inc.’s (BMI) 58,000 square foot lease at 7 World Trade Center.
- Financial services firm Forex, which signed a direct deal for 45,000 square feet at 32 Old Slip; it previously was subleasing that space.
- The U.S. General Services Administration, which signed a new lease for 23,000 square feet at 32 Old Slip.
- The American Thoracic Society, which is moving from 61 Broadway to 25 Broadway and signed a direct, 15-year lease for 24,200 square feet.

Currently, the steelwork for One World Trade Center – originally called the Freedom Tower – is at 28 floors and rising, while Four World Trade Center has reached six floors, and below-grade work has begun on Towers 2 and 3. The twin memorial pools that will feature 30-foot waterfalls are visible at the 9/11 Memorial site, while preparation for work on the Performing Arts Center has begun and the Memorial plaza is underway.

The Downtown Alliance’s latest quarterly report – which you can review <http://www.downtownny.com/assets/research/Lower%20Manhattan%20Real%20Estate%20Market%20Q2%202010.pdf> – highlighted residential, commercial and retail activity in Lower Manhattan. Among the report’s other highlights:

- Lower Manhattan’s commercial vacancy rate dropped by 1% from the first to second quarter of Calendar Year 2010. The district’s second quarter vacancy rate was 9.9 percent. By comparison, Midtown’s vacancy rate dropped by 2% over last year and 9% over Q1 2010.

- Three hotels opened in the second quarter, including the 112-room Holiday Inn Express, the 169-room World Center Hotel, and the 252-room Club Quarters – bringing Lower Manhattan’s total inventory to 3,473 rooms in 16 hotels. This week, the 220-room W New York-Downtown & Residences opened at 123 Washington Street; with its opening, Lower Manhattan has 17 hotels — and 3,693 rooms — south of Chambers Street.
- Hotel occupancy rates significantly improved from the second quarter of 2009 to the second quarter of 2010, rising from 84 percent to 88 percent in Lower Manhattan. The second-quarter 88 percent occupancy rate represents a 19 percent increase from this year’s first quarter.
- Lower Manhattan’s residential inventory is now at 27,881 units in 319 buildings, and construction continues on other major residential buildings slated to open over the next two years.
- One-bedroom units showed a considerable 20 percent increase in rental rates from the first to second quarter, while rental rates for most unit types increased up to 5 percent.
- Second-quarter sales prices for residential units increased by 2 percent over the last quarter – preserving Lower Manhattan as an affordable option, with prices 13 percent lower than in Manhattan overall.
- Retail rents for the Broadway corridor from Battery Park to Chambers Street remained stable for the last quarter, averaging about \$175 per square foot in the second quarter. Twenty two businesses opened during this period, while 16 closed; since the start of this calendar year, 38 businesses have opened and 25 have closed in Lower Manhattan.

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