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Downtown Alliance Q1 2011 Report: Spring ushers in green shoots in Lower Manhattan's real estate market

New York, NY (May 10, 2011) -The Alliance for Downtown New York issued its first quarter 2011 report today noting that Lower Manhattan's real estate market has shown signs of strength and stability. In particular, the area's commercial office market has seen an uptick in large leases, an increase in Class A rents, and a stable vacancy rate.

The Downtown Alliance's latest quarterly assessment of commercial, residential and hotel activity notes that Lower Manhattan continues to outperform almost all other business districts nationwide, with the fourth lowest commercial vacancy rate in the country, according to Cushman & Wakefield.

"There's good 1Q 2011 news for Lower Manhattan! The commercial market shows real signs of strength and stability, development progress at the World Trade Center site is dramatic and visible, and the residential market is in high demand," said Elizabeth H. Berger, President of the Downtown Alliance. "One major reason for this strength is the growing diversity of the Lower Manhattan economy"

"While financial services remains Lower Manhattan's signature industry, that's not the whole story. The huge increase in tenants in professional services, creative services, non-profits, hospitality and media shows that Lower Manhattan is competitive and attractive to a broad spectrum of traditional and cutting-edge companies. And, as new firms relocate south of Chambers Street, existing also tenants remain committed to the area."

Major leases include: Oppenheimer Funds' 235,000 square foot expansion and Commerzbank's direct lease (from a sublet) for 175,000 square feet – both at 2 World Financial Center. Additionally, American Media signed a 100,000 square foot lease at 4 New York Plaza, moving from Midtown South to join the New York Daily News, which signed a 100,000 square foot lease in the same building last year.

Financial services firm Capco signed 48,700 square feet at 77 Water Street, and American Express took 44,400 square feet at 1 Liberty Plaza. Additionally, MultiCultural Radio Broadcasting signed 31,000 square feet at 40 Exchange Place, and the William J. Clinton Foundation signed 25,200 at 77 Water Street, adding two more notable tenants to the roster of media and non-profit firms moving to Lower Manhattan.

Leasing activity continues to be strong, as well, into the current quarter. Silverstein Properties announce that the City of New York will exercise its option to lease 582,000 square feet at 4 World Trade Center, and the law firm WilmerHale negotiated a 210,840 square foot lease at 7 World Trade Center.

Overall asking rents were \$39.22 per square foot and Class A asking rents were \$43.06 per square foot in Q1 2011, a 4% increase over last year. The increase in asking rents and less generous concessions packages are resulting in higher taking rents and the Lower Manhattan taking rent index returned to pre-recession levels.

During the last quarter, the report notes, there also has been significant progress at the site of the World Trade Center. Steelwork for One World Trade Center – originally called the Freedom Tower – is at 64 floors and rising, while Four World Trade Center has reached 26 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, and 160 trees have been planted at the Memorial Plaza.

The Downtown Alliance's latest quarterly report – which you can view at <http://www.downtownny.com/sites/default/files/LM%20Real%20Estate%20Market%20Q1.pdf> – highlights residential, commercial and retail activity in Lower Manhattan. Among the report's other highlights:

- Overall, vacancy dropped for the second consecutive quarter to 10.5% in Q1 2011, down from 11.5% the last quarter. Meanwhile, Midtown vacancy dropped and ended Q1 2011 on par with Lower Manhattan at 10.3% total vacancy and 1.6% sublease vacancy.
- Several buildings made significant progress in Lower Manhattan's booming residential development pipeline, for a total of 28,198 units in 311 buildings south of Chambers Street. Seven buildings are now under construction, with five of them expected to be completed this year.
- Lower Manhattan's rental market tightened as vacancy dropped 40% year-over-year, from 1.45% in Q1 2010 to just 0.98% in Q1 2011, outpacing the Manhattan average, which declined 30% year-over-year and ended Q1 2011 at 1.08%. Meanwhile, rental rates rose for all unit types over last year and last quarter, outpacing the Manhattan average. (Source of rental and vacancy rates: Citi Habitats)
- Development on three hotel sites continued during Q1 2011: a 95-room hotel at 24 John Street, the McSam Hotel Group's Hampton Inn at 32 Pearl Street, and a 21-story hotel at 53 Ann Street. Additionally, plans for hotels at 87 Chambers Street and 50 West Street are underway again, the Starwood Group renewed plans to open a Four Points By Sheraton hotel at 6 Platt Street, and the McSam Hotel Group resumed plans to open a 350-room Holiday inn at 99 Washington Street, and the new owners of the American Stock Exchange Building announced plans for a 174-room hotel. Upon completion, these additions would bring Lower Manhattan's total inventory to 5,467 rooms in 28 hotels.
- In Q1 2011, 17 new restaurants and storefront services opened, including: JoS. A Bank at 111 Broadway, Hot Clay Oven at 101 Maiden Lane, Laila Rowe at 99 Wall Street, Yorganic at 275 Greenwich Street and Flavors Café at 74 Broad Street. On the horizon now are a bar/lounge at 90 Broad Street by the owner of

Death & Co., the SamSara Café at 277 Water Street, the Yellowfin Burger Pub at 121 Fulton Street and Luke's Lobster on William Street.

Said Elizabeth Berger: "Our district—in less than one square mile—now contains more than 86 million square feet of office space, more than 1,000 restaurants and retailers, 4,100 hotel rooms, and 56,000 residents, and draws nine million tourists a year."