



ALLIANCE FOR DOWNTOWN NEW YORK

## LOWER MANHATTAN REAL ESTATE MARKET OVERVIEW

Q1 2014

## COMMERCIAL OFFICE MARKET

## Vigorous Leasing by New Tenants Drives Strong Quarter

The Lower Manhattan market started the year with a bolt out of the gates. Robust commercial leasing, totaling 1.6 million square feet year-to-date, yielded the best first quarter in more than a decade. First quarter leasing was 44% higher than the five-year average. This quarter builds on last year's momentum — 7% of the district's inventory was leased in 2013, which was above Midtown and Midtown South's 6.3%.

*1<sup>st</sup> quarter leasing up***18%***year-over-year*

Recent activity shows a strong and continued appetite among existing tenants and those new to the market who are taking big blocks of office space. In the first quarter, the downtown market saw four deals over 100,000 square feet, including Macmillan Science

and Education's lease of 176,000 square feet at 1 New York Plaza (the fourth largest deal citywide during the first quarter) and Teach for America's 172,000-square foot lease at 25 Broadway. There were also two renewals: Amerigroup's 165,000 square feet at 14 Wall Street and Allied World Insurance Company's renewal and expansion in 142,000 square feet at 199 Water Street. Other large deals involving tenants coming to Lower Manhattan from elsewhere included Revlon's lease of 90,200 square feet at 1 New York Plaza (the firm is moving from Midtown). WeWork, a provider of shared office space, expanded in the first quarter by

## TOP 10 LEASES IN LOWER MANHATTAN; Q1 2014

Source: Downtown Alliance, CoStar, CBRE

	TENANT NAME Location	SF LEASED Transaction Type	SECTOR
1	<b>Macmillan Science and Education</b> 1 New York Plaza	<b>176,121</b> Relocation	<b>Creative Services, Media</b>
2	<b>Teach for America</b> 25 Broadway	<b>172,744</b> Relocation	<b>Nonprofit</b>
3	<b>Amerigroup Corporation</b> 14 Wall Street	<b>165,029</b> Renewal	<b>FIRE</b>
4	<b>Allied World Insurance Company</b> 199 Water Street	<b>142,000</b> Renewal & Expansion	<b>FIRE</b>
5	<b>City of New York</b> 80 Maiden Lane	<b>94,896</b> Renewal	<b>Government</b>
6	<b>Revlon</b> 1 New York Plaza	<b>90,194</b> Relocation	<b>Other</b>
7	<b>Trinity Wall Street</b> 120 Broadway	<b>68,350</b> Moving within LM	<b>Nonprofit</b>
8	<b>New York State Office of the State Comptroller</b> 59 Maiden Lane	<b>66,573</b> Renewal & Expansion	<b>Government</b>
9	<b>Richard Kibbe &amp; Orbe, LLP</b> 200 Liberty Street	<b>59,323</b> Renewal	<b>Professional Services, Law</b>
10	<b>DEA Strike Force</b> 250 Vesey Street	<b>56,859</b> Relocation	<b>Government</b>



42,000 square feet, taking up a total of 250,000 square feet in Lower Manhattan and becoming one of the district's largest tenants.

Relocations fueled the quarter's brisk activity. The migratory flow has strongly favored the downtown market over the last few years. Since 2011, there has been a total of 6.9 million square feet of relocations to Lower Manhattan and 1.9 million square feet of relocations from Lower Manhattan to other areas — this represents a net gain of about 5 million square feet.<sup>1</sup> The TAMI (technology, advertising, media, information) sector led the charge for newcomers in Lower Manhattan this quarter accounting for 29% of leasing activity, compared to 21%

**“Downtown is no longer the leverage option, but increasingly, the first, and best option.”<sup>2</sup>**

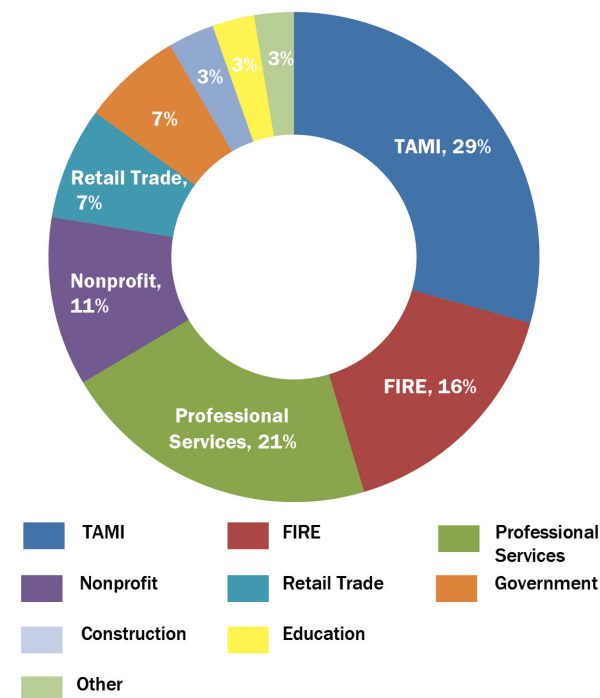
*- Tara Stacom, Vice Chairman, Cushman & Wakefield*

<sup>1</sup> Relocation analysis - 2011 - Q1 2014 data provided by CBRE

<sup>2</sup> Konrad Putzier, “Downtown Leasing Shows Midtown Swagger,” *Real Estate Weekly*, March 11, 2014.

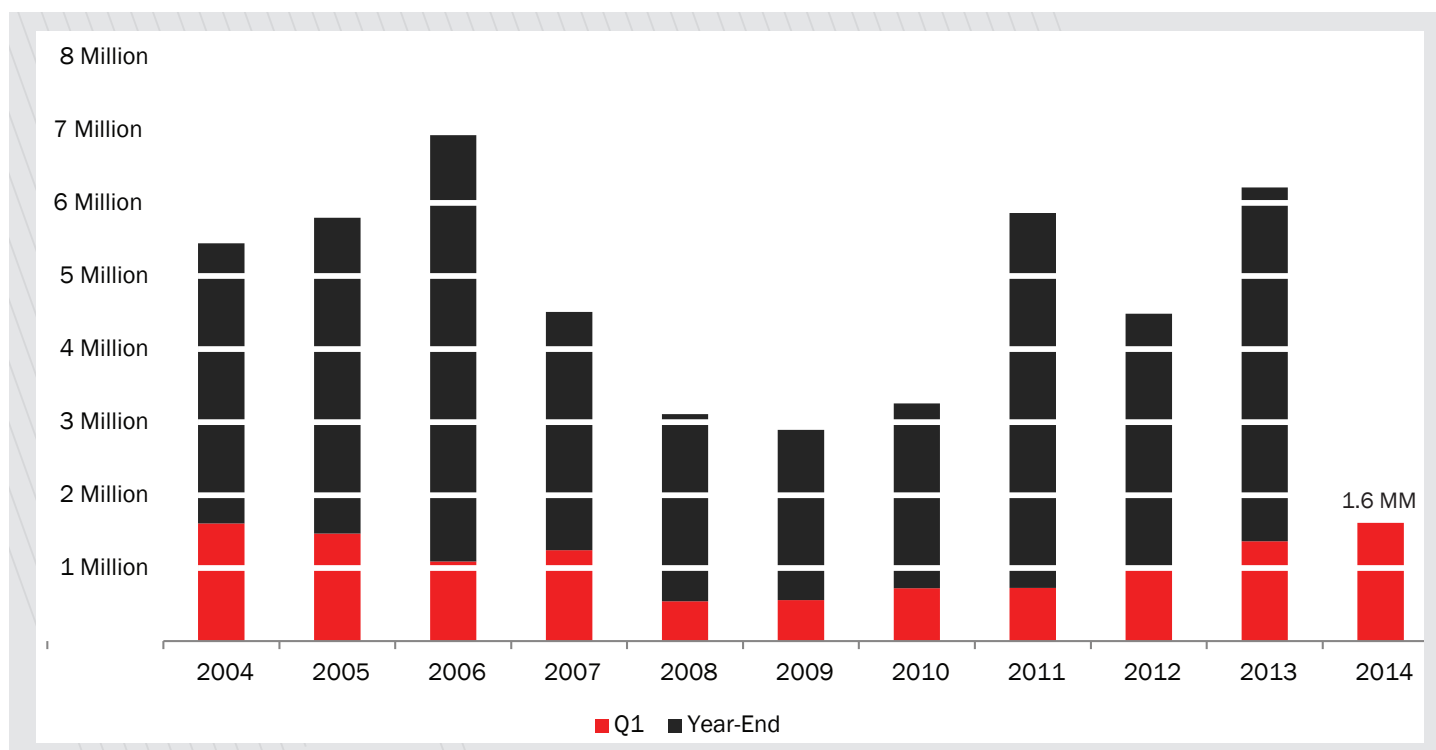
### Q1 2014 Leasing Activity by Sector

Source: Jones Lang LaSalle



### Q1 2014 AND YEAR-END LEASING ACTIVITY

Source: CBRE



last year. Additionally, the TAMI sector's share of leasing in Lower Manhattan was on par with Midtown South's 30% share and greater than Midtown's 22% share this quarter. Since 2011, TAMI has spurred nearly half of all relocation deals in Lower Manhattan (47%), the biggest share of any sector.

# 309,000

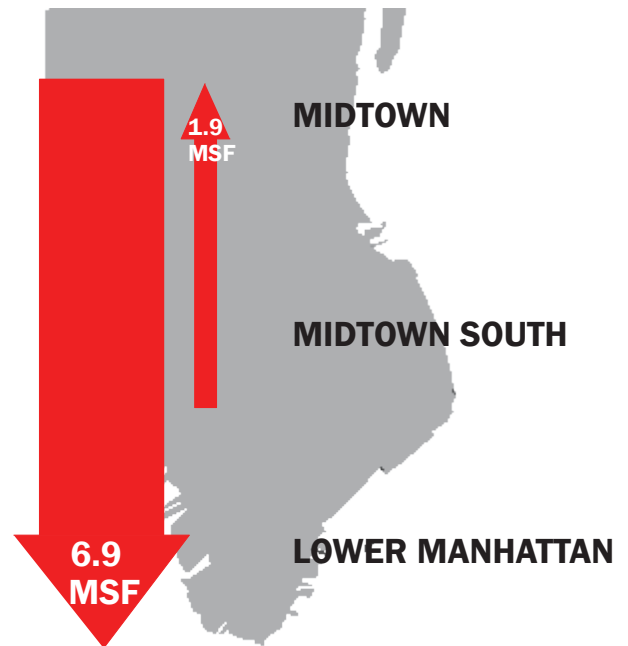
employees in Lower Manhattan

TAMI is not only driving growth in Lower Manhattan — it is cementing the district's identity as a dynamic new center for media and creative

companies. Among them is Macmillan Science and Education, whose Lower Manhattan lease was the quarter's largest overall deal. Another was Library Journal, which signed for 11,700 square feet at 123 William Street, relocating from Midtown South. These deals came in the wake of a succession of TAMI migrations to Lower Manhattan over the past year, including Condé Nast's second lease downtown (80,000 square feet at 222 Broadway) and HarperCollins Publishers' lease of 181,000 square feet at 195 Broadway.

## RELOCATIONS TO LOWER MANHATTAN VS. OUT OF LOWER MANHATTAN, 2011-Q1 2014

Source: CBRE



# wework

## GROWS IN LOWER MANHATTAN



**25 BROADWAY 129,000 SF**  
**222 BROADWAY 121,000 SF**

*There is no rest for WeWork. Headquartered at 222 Broadway, the growing national and international provider of shared office space continues to expand their footprint in Lower Manhattan. More than 300 Technology, Advertising, Media and Information (TAMI) companies work in WeWork locations downtown. The company's ambitious plans are a reflection of the district's exuberant entrepreneurial spirit and undeniable allure among start-ups and new creative companies.*

*They opened their first Lower Manhattan location at 222 Broadway in August 2013 and signed their second lease in 25 Broadway in September 2013. After just six months, they expanded in the first quarter of 2014, taking an additional 42,000 square feet at 25 Broadway, where it now occupies 129,000 square feet (known as Charging Bull, the office looks out on Arturo DiModica's famous bull sculpture). WeWork has 11 locations and a total footprint of 650,000 square feet in New York City. The firm has 26 total national locations and 1 international location in London.*

The tech community is a particularly active segment of TAMI and continues to expand throughout the district, as more start-ups and established tech firms make Lower Manhattan their home. Dev Bootcamp, a software coding school, signed a lease for 14,200 square feet at 48 Wall Street (the school also has locations in San Francisco and Chicago). Pixable, a social media photo aggregator and sorter, signed a lease for 6,900 square feet at 100 Wall Street and will be relocating from Midtown South. Other creative companies redefining Lower Manhattan's

# 800

Technology  
Advertising  
Media  
Information

## TAMI Tenants

### TOP 15 RELOCATIONS IN Q1 2014

Source: Downtown Alliance, CoStar, CBRE

	Tenant Name Location	SF Leased Previous Location	Sector
1	<b>Macmillan Science and Education</b> 1 New York Plaza	<b>176,121</b> Midtown South and 2 non-NYC locations	<b>Creative Services, Media</b>
2	<b>Teach for America</b> 25 Broadway	<b>172,744</b> Midtown	<b>Nonprofit</b>
3	<b>Revlon</b> 1 New York Plaza	<b>90,194</b> Midtown	<b>Other</b>
4	<b>DEA Strike Force</b> 250 Vesey Street	<b>56,859</b> Midtown South	<b>Government</b>
5	<b>Hadassah, The Women's Zionist Org of America, Inc</b> 40 Wall Street	<b>46,175</b> Midtown	<b>Nonprofit</b>
6	<b>Robert Silman Associates</b> 32 Old Slip	<b>37,032</b> Midtown South	<b>Professional Services, Other</b>
7	<b>Seedco</b> 22 Cortlandt Street	<b>18,300</b> Midtown South	<b>Nonprofit</b>

	Tenant Name Location	SF Leased Previous Location	Sector
8	<b>Universal Protection Service</b> 199 Water Street	<b>17,604</b> Midtown	<b>Professional Services, Other</b>
9	<b>Girl Scout Council of Greater New York</b> 40 Wall Street	<b>17,500</b> Midtown South	<b>Nonprofit</b>
10	<b>Make-up Designory</b> 65 Broadway	<b>17,244</b> Midtown South	<b>Education</b>
11	<b>Lucas &amp; Mercanti, LP</b> 30 Broad Street	<b>14,880</b> Midtown South	<b>Professional Services, Law</b>
12	<b>EWS</b> 48 Wall Street	<b>14,120</b> Midtown South	<b>Technology</b>
13	<b>WTS Proprietary Trading Group, LLC</b> 17 State Street	<b>13,030</b> Midtown South	<b>FIRE</b>
14	<b>Library Journal</b> 123 William Street	<b>11,660</b> Midtown South	<b>Creative Services, Media</b>
15	<b>Mekanism</b> 80 Broad Street	<b>10,100</b> Midtown South	<b>Creative Services, Advertising</b>

### Who is TAMI? And why is she so popular?

*TAMI refers to a set of sectors that include Technology, Advertising, Media and Information. They have been identified as growth sectors in New York City and important drivers for leasing activity in Lower Manhattan. They are evaluated together because they share a robust exchange of ideas, as well as a labor force, customer base and audience.*

*TAMI tenants look to join communities with a similar talent composition. Lower Manhattan is increasingly a location choice for TAMI tenants: 29% of Q1 2014 leasing came from TAMI tenants, while 16% was from the FIRE sector. Lower Manhattan is an ideal location for TAMI tenants, because of the tremendous access to labor. The area's extensive transportation network provides access to over 500,000 creative and professional workers within a 30-minute commute, which includes parts of Brooklyn, the New Jersey Gold Coast and Manhattan.*

FIRE

tenant base include beauty and cosmetics icon Revlon, which is relocating from Midtown, and the New York Film Academy, which is expanding its Lower Manhattan presence with a 43,000 square-foot lease at 25 Broadway (and a total footprint of 118,000 square feet).

## Robust Leasing Keeps Vacancy Rate in Check

Lower Manhattan's brisk leasing is keeping its vacancy rate down, even as a substantial amount of new office space comes onto the market. Since last quarter, the vacancy rate, which counts space available within six months, fell 1% to settle at 11.2%. The drop was caused by the positive absorption of 933,000 square feet of space in the first quarter. Even with the addition of new space at One World Trade Center, the district's availability rate — including space that will be available within the next twelve months — remains stable over last year and last quarter. The availability rate was 14 percent last quarter, down significantly from its 2013 peak of 15.8%.<sup>3</sup>

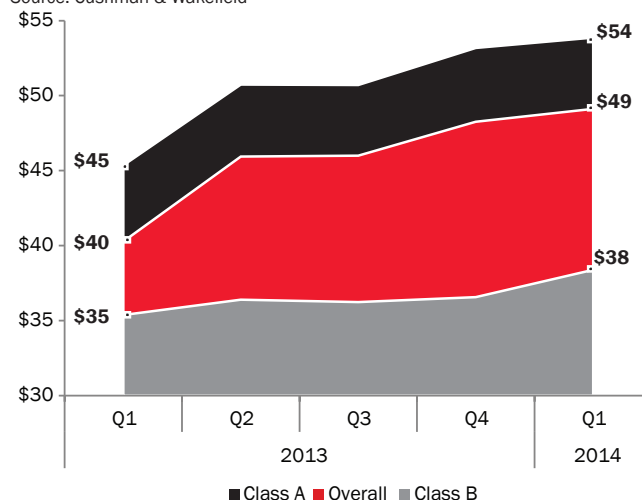
## Strong Market Bumps Rents Up

Strong demand from tenants seeking quality space for a lower price than Midtown and Midtown South is pushing rents slightly higher, according to landlords. Lower Manhattan landlords reported re-pricing about 1.43 million square feet — or about 12% of available space — in the first quarter, in response to the area's growing popularity. The highest increase came in Class B rents, which rose 5% over last quarter to \$38 per square foot, now up 8% year-over-year. Class A rents climbed just 1% since last quarter, but are up 18% year-over-year. The addition of new Class A space at the World Trade Center in 2013 has largely nudged the rents upward. Pricing in Lower Manhattan continues to inch up, but remains distinctly competitive. The district's overall asking rent of \$49 per square foot is \$11 less than Midtown South and \$21 less than Midtown.

<sup>3</sup> Source of availability rate: CBRE

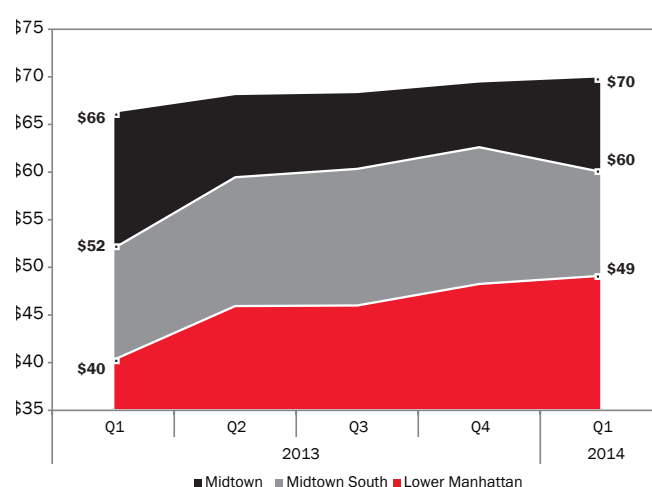
## LOWER MANHATTAN AVERAGE ASKING RENTS

Source: Cushman & Wakefield



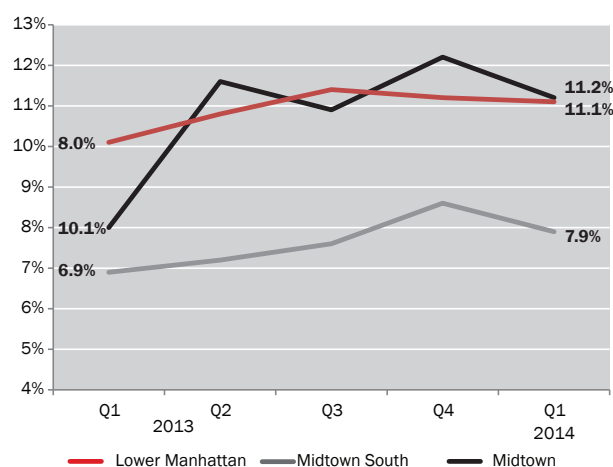
## OVERALL AVERAGE ASKING RENTS

Source: Cushman & Wakefield



## OVERALL VACANCY RATES BY SUBMARKET

Source: Cushman & Wakefield





## Investors Bullish on Lower Manhattan Office Buildings

A wave of strong investor activity — in office buildings along Lower Broadway — gave commercial office sales a big boost this quarter. The sale of these office buildings demonstrates the increasing value of a Lower Manhattan businesses address — all of these owners have announced plans to maintain office uses rather than convert to residential. This follows a recent surge: \$2.9 billion in sales traded in 2013, up from \$1.9 billion in 2012.<sup>4</sup> Below are a few notable office deals:

- In January, William Macklowe purchased **156 William Street**, a 250,000-square-foot office building for \$62.5 million, or about \$250 per square foot, with plans to rebrand the building for medical offices.
- Emmes Realty is contracted to purchase **160 Water Street** — a 480,000-square-foot property — for \$160 million, or about \$333 per square foot, from Oestreicher Realty. Currently about 96% leased, 160 Water's major tenants include the Beth Israel Medical Center and the New York City Health and Hospitals Corporation. Emmes Realty also owns the adjacent property, 180 Water Street, which it purchased in 2013.
- Harbor Group International purchased **55 Broadway** — a 336,000-square-foot tower — for \$157 million, or about \$467 per square foot, from Broad Street Development. The purchase price represents a 91% increase from its last sale price of \$82 million in 2006.
- RXR Realty purchased **61 Broadway** — a 33-story, 787,000-square-foot office tower — for \$330 million, or about \$419 per square foot, from Broad Street Development. RXR Realty plans to improve the property to attract tech and creative companies. This sale price represents a 150% increase from the last sale price in 2004, \$130 million.
- Normandy Real Estate Partners has entered into negotiations to purchase **65 Broadway**, a 350,000-square-foot office building, on behalf of Asian investors. The potential sale price has not been announced, but it is estimated to be north of \$100 million. It was last sold for \$15.8 million in 2006.

<sup>4</sup> Source of office sales volume: Newmark Grubb Knight Frank



### 55 Broadway

Purchased by Harbor International Group for \$157 million



### 61 Broadway

Purchased by RXR Realty Group for \$330 million



### 65 Broadway

Potential sale to Normandy Real Estate Partners with an estimated worth over \$100 million

## RETAIL MARKET

Lower Manhattan is being transformed, seemingly overnight, into New York City's hottest shopping and dining destination. As major capital improvements near completion, more than 1.55 million square feet of new or repositioned retail is coming online within the next two years, amid brisk demand from retailers. Strong interest from tenants and an increasing optimism about the health of the market have spurred a notable increase in rents.

### Rents Rise as Offerings Expand

The average asking rent on the the lower Broadway corridor saw the largest quarterly increase in Manhattan retail market, rising 41% from \$198 per square foot at the end of 2012 to \$280 per square foot at the beginning of 2014.<sup>5</sup> Across the city, the average asking rent increased 16 percent compared to this time last year.

A reflection of the rising interest in the Lower Manhattan market, fourteen retailers have opened new establishments this quarter. This brings the district's total to 979 stores and restaurants. Below are some highlights.

#### Food

- Wogies, a sports bar specializing in Philly cheesesteaks, opened at 44 Trinity Place.
- Tres Carnes, a fast-casual Mexican eatery, opened at 101 Maiden Lane.
- Gregory's Coffee opened at 42 Broadway and 100 Wall Street and will open soon at 80 Broad Street.
- Bareburger and Melt Shop will soon join other restaurants at 111 Fulton Street.
- Neapolitan Express, a popular pizza food truck, will open its first brick-and-mortar location at 40 Wall Street.

#### Retail

- Urban Outfitters opened at the base of a new Pace residence hall at 182 Broadway.
- Emily Thompson Flowers relocated from Dumbo to 142 Beekman Street at the Seaport.

<sup>5</sup> Source of retail rents: CBRE



### Le District, Brookfield Place

25,000 SF French marketplace opening late 2014



### The Gap

The Gap signed a 18,900 SF lease at the base of the under-construction Marriott Residence Inn at 170 Broadway

# 1.5 MILLION SF

*of new and repositioned retail by 2016*



- Gap will join Zara and Urban Outfitters along Broadway with a 19,000-square-foot retail store at the base of the Marriott Residence Inn at 170 Broadway. In fact, the Gap's lease was about 50% larger than its typical flagship store, even as the company is shrinking its portfolio around the country.
- Cipriani will expand its empire with the opening of an event venue in the Great Hall at 25 Broadway. The storied, 28,000-square-foot space is where passengers once bought tickets for Cunard Steamship Lines.

## Retail Property Sales

Crown Acquisitions, the Carlyle Group, Tribeca Associates and Highgate Holdings entered into contract to sell a 20,000-square-foot retail condominium at the base of 170 Broadway that includes a basement, ground, mezzanine and second floor. The purchase price is about \$70 million, or \$3,500 per square foot, 27% higher than the price paid for the entire building in 2011. In late March, the Gap signed a lease for about 18,900 square feet in the retail space. The asking rent for the ground floor space was about \$600 per square foot. 170 Broadway is in the process of being converted to a 243-room Marriott Residence Inn and is scheduled to open in 2014.

Thor Equities purchased a 16,000-square-foot retail condominium unit from an affiliate of Time Equities at 38 Park Row for \$11.08 million. The space is anchored by Starbucks and is on the ground floor of an 11-story residential co-op building.

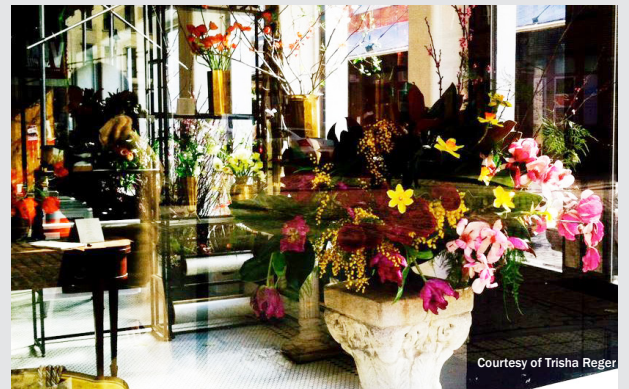
## Major Projects Creating a New Retail Destination

Several big projects that have been underway for years will take big strides in 2014 and 2015. These include an upgrade and expansion of 200,000 square feet of retail at Brookfield Place that is scheduled for completion in 2014/2015. Brookfield has continued with retail leasing at the revamped complex, and this quarter, added luxury retailer Diane von Furstenberg and e-commerce menswear shop Bonobos. This spring will see the opening of Brookfield Place's Hudson Eats, which will feature 14 fast-casual eateries, including Mighty Quinn's, Umami Burger, Blue Ribbon Sushi, and Black Seed. "Le District", a 25,000-square-foot French marketplace is scheduled to open at the end of 2014. Diners will also find six notable restaurants, including Parm and Rosa Blanca.



### Gregory's Coffee

Opened at 42 Broadway and 100 Wall Street; opening soon at 80 Broad Street



### Emily Thompson Flowers

Opened at 142 Beekman Street in the South Street Seaport



### Urban Outfitters

Opened at the base of a new Pace residence hall at 182 Broadway



Also coming in 2014 is 65,000 square feet of commercial space being developed at Fulton Center. While Fulton Center will have a late June opening, the retail and dining spaces will become available this fall. Retail shops and kiosks will be located on the platform and street levels, while dining will be on the second and third concourse levels. In 2016, Westfield World Trade will open 350,000 square feet of new retail, dining and entertainment space in the World Trade Center Transportation Hub and the base of Four World Trade Center. An underground passageway will link the World Trade Center Transit Hub to two major retail projects, Brookfield Place and Fulton Center.

The Howard Hughes Corporation began the redevelopment of Pier 17 at the Seaport in October 2013. According to the company's estimate, the new site will provide 365,000 square feet of retail, dining and entertainment by 2016. The Howard Hughes Corporation will keep offering its innovative programming series, SEE/CHANGE, which will include a flower show along Front Street starting in April and the arrival of several food trucks. The outdoor film series and shipping container shops will continue.

## RETAIL RENT UP 41%

*year-over-year on the lower Broadway corridor*

## \$5.2 BILLION

*in annual spending power*



### MOMENTUM ON BROADWAY

**A lot is happening on Broadway — Lower Broadway, that is. A flurry of investment, leasing and new retail development projects have enlivened Lower Manhattan's well-traveled north-south thoroughfare this quarter.**

**Among numerous commitments from office and retail investors, RXR Realty purchased 61 Broadway for \$330 million and plans to position the property for new tech and creative companies. This sale price represents a striking 150% increase from the last sale price in 2004, when it went for \$130 million.**

**It's not the only example of substantial price increases. Harbor Group International bought 55 Broadway for \$157 million, a 91% jump in sale price from the last time the building changed hands in 2006, when it was sold for \$82 million. The potential sale of 65 Broadway to Normandy Real Estate Partners on behalf of Asian investors is also notable. The deal price was not disclosed, but the property is estimated to be north of \$100 million. It was last sold in 2006 for \$15.8 million.**

**A number of significant office leases were signed at 25 Broadway this quarter. Among them: Teach for America's lease for 172,000 square feet; WeWork's 42,000-square-foot expansion, which complements their existing lease for 86,300 square feet and creates a total presence of 128,000 square feet in the building; and Cipriani's lease for 28,000 square feet at 25 Broadway's Great Hall, which will be the renowned hospitality brand's second Lower Manhattan location.**

## TOURISM & HOSPITALITY

### Lower Manhattan Hotels Taking a Bigger Bite of the Big Apple's Hospitality Business

Hotel developers have clearly recognized the opportunities in Lower Manhattan and are bringing a range of service types to the neighborhood — from budget and luxury to boutique and extended-stay. This quarter, InterContinental Hotel Group's **Hotel Indigo** announced plans to open a 190-room hotel at 10-12 Maiden Lane. 6-10 Water Street was sold by hotel developer Sam Chang to Rhode Island-based Magna Hospitality Developer for \$44.3 million; plans have been filed to demolish the existing structure. Howard Hughes Corporation entered into contract to buy **80 South Street**, a 8,128-square-foot parcel at South and Fletcher streets. Plans have already been approved for a 1,000-foot-tall residential and hotel tower designed by Santiago Calatrava and Morali Architects to be located on the site.

Eight hotels will open within the next year, adding over 1,500 rooms to the district — a 37 percent increase over the existing inventory of 4,092 rooms. There are 15 hotels currently under construction, and another 3 in the planning stages. All told, these will add 3,700 new rooms to the market by 2016, doubling the total hotel room inventory in Lower Manhattan.

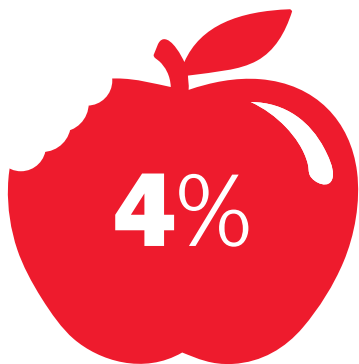
With just 4% of current hotel room inventory citywide, Lower Manhattan's upcoming hotel projects comprise 20% of the city's hotel construction pipeline.<sup>6</sup> This will result in a dramatic expansion of Lower Manhattan's share of the hotel market, a fitting development for the nation's 4th largest Central Business District. In the space of 10 years — between 2006 and 2016 — it is estimated that Lower Manhattan will see an astounding 318 percent increase in its number of hotel rooms.

### Hotel Market Follows Citywide Trends

In the first quarter, Lower Manhattan's hotel market metrics trended similarly to those citywide: the Average Daily Room Rate (ADR) and occupancy were down from last quarter, as the market entered the slow winter season. Occupancy rates remained stable over 2013, and Lower Manhattan began the year with a 72% average occupancy rate in the first quarter. Unchanged from one year ago, Lower Manhattan's \$247 ADR retained its historical premium over the citywide average of \$212.

<sup>6</sup> Source of NYC Hotel Pipeline: NYC & Company

<sup>7</sup> Source of NYC hotel ADR & occupancy: NYC & Company, Source of Lower Manhattan hotel ADR & occupancy: Alliance for Downtown New York



Lower Manhattan currently has 4% of New York City's hotel room inventory...



...but has 20% of New York City's pipeline of hotel rooms.



Courtesy of Gene Kaufman Architect

### Hampton Inn

Opening in June 2014 at 32 Pearl Street



## HOTEL DEVELOPMENT PIPELINE

Source: Downtown Alliance

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
1	<b>Hampton Inn</b> 32 Pearl Street	Hersha Hospitality Trust	80/8	2014
2	<b>Holiday Inn</b> 99 Washington Street	McSam Hotel Group	490/50	2014
3	<b>Aloft Hotel</b> 49 Ann Street	107 West Broadway Realty Corp	125/18	2014
4	<b>Fairfield Inn &amp; Suites</b> 161 Front Street	Lam Group	176/32	2014
5	<b>Marriott Residence Inn</b> 170 Broadway	Highgate, Crown, Carlyle Group	243/18	2014
6	<b>Four Points by Sheraton</b> 6 Platt Street	Lam Group	264/30	2014
7	<b>Furnished Quarters</b> 70 Pine Street	Rose Associates	132 4 (of 66)	2014
8	<b>Boutique Hotel</b> 102 Greenwich Street	Royal United Builders Group	20/12	2014
9	<b>Boutique Hotel</b> 100 Greenwich Street	Jiten Hotel Management	200/26	2014
10	<b>Boutique Hotel</b> 24-26 John Street	Westbury Realty Associates	128/21	2015

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
11	<b>Boutique Hotel</b> Battery Maritime Building	The Dermot Group	61/5	2015
12	<b>The Beekman Hotel</b> 5 Beekman Street	GB Lodging Group	287/9	2015
13	<b>Courtyard by Marriott</b> 133 Greenwich Street	Hidrock Realty	317/31	2015
14	<b>AKA</b> 84 William Street	Prodigy Networks	141/19	2015
15	<b>Hilton</b> 6 Water Street	Magna Hospitality Group	249/29	2016
16	<b>Four Seasons</b> 30 Park Place	Silverstein Properties	179 21 (of 82)	2016
17	<b>Marriott Residence Inn (upper floors)</b> 215 Pearl Street	Lam Group	322/40	2016
18	<b>Courtyard by Marriott (lower floors)</b> 215 Pearl Street			
19	<b>Hotel Indigo</b> 10-12 Maiden Lane	10-12 MLane, LLC	190/25	2016



# RESIDENTIAL MARKET

## New Developments Diversifying Inventory, Nurturing Population Growth

Lower Manhattan's 61,000 residents live in 30,500 units in 323 mixed-use and residential buildings.<sup>8</sup> The pipeline of upcoming residential development includes 2,288 units in nine buildings that are under construction. GFI Capital Resource's **Beekman Residences**, a hotel condominium building with 68 residential units at 5 Beekman Street, began construction this quarter, while Lighthouse Group began demolition of the existing structures at **112-120 Fulton Street** in order to start building a 60-story tower with 460 condo units. Construction continues on both Silverstein Properties' **Four Season Residences** and a 159-unit condo building at 30 Park Place. Rose Associates' **70 Pine Street**, comprising 644 rental units, is expected to be completed in the fall of 2014.

Reflecting Lower Manhattan's growing student population, construction continued on Pace University's 725-bed residence hall at **33 Beekman Street**, with completion expected in 2015.

More than 550 upcoming units across six buildings are in the planning stages. Trinity Real Estate announced plans to convert 74 Trinity Place into residential and office space. The Brauser Group is planning to start construction this summer on a 23-story residential tower that will replace a parking garage at 54 Fulton

<sup>8</sup> Population estimate includes part-time residents

## RESIDENTIAL PIPELINE

Source: Alliance for Downtown New York

	Address & Building Name	Lease & Building Type	Units	Open Date	Status
1	<b>70 Pine Street</b> AIG Building	Rental Conversion	644	2014	Construction
2	<b>19 Park Place</b> Tribeca Royale	Condo New Construction	21	2015	Construction
3	<b>87 Chambers Street</b>	Condo New Construction	17	2015	Construction
4	<b>5 Beekman</b> Beekman Residences	Hotel/Condo Conversion	68	2015	Construction
5	<b>30 Park Place</b> Four Seasons Residences	Hotel/Condo New Construction	159	2016	Construction
6	<b>50 West Street</b>	Condo New Construction	191	2016	Construction
7	<b>22 Thames</b>	Rental New Construction	350	2017	Construction
8	<b>112-120 Fulton Street</b>	Condo New Construction	460	2017	Construction



Courtesy of Karsten Moran for the New York Times

### Four Seasons Residences

Under construction at 30 Park Place with 157 condominium units; scheduled for completion in 2016

	Address & Building Name	Lease & Building Type	Units	Open Date	Status
10	<b>233 Broadway</b> Woolworth Residences	Condo Conversion	40	2015	Planned
11	<b>12 Warren Street</b>	Condo New Construction	24	2015	Planned
12	<b>101 Murray Street</b>	Condo New Construction	200	TBD	Planned
13	<b>54 Fulton Street</b>	TBD New Construction	120	2016	Planned
14	<b>74 Trinity Place</b>	Condo New Construction	TBD	2017	Planned
15	<b>140 West Street</b> Verizon Building	Condo Conversion	166	TBD	Planned

Street. As these and other projects expand the district's total inventory of residential units, the population is expected to climb to an estimated 63,000 residents in 31,500 units in 2014 and 64,000 in 32,000 units in 2015.

## Lower Manhattan Sales Market Hits All-Time Price Per Square Foot High

The sales market was robust this quarter, with pricing hitting a 25-year high.<sup>9</sup> Lower Manhattan set an all-time record in the first quarter, with average pricing reaching \$1,376 per square foot, up 32.8% from the same period last year. The overall Manhattan average also hit a record this quarter, reaching \$1,363. Sales were buoyant throughout the winter, with total Lower Manhattan sales up 22% over last year.

## Lower Manhattan Rental Market Stable

The district's rental market held steady in the first quarter, much like the rest of Manhattan.<sup>10</sup> But Lower Manhattan ended the first quarter with rents above the Manhattan-wide average. The district's median rent remained stable year-over-year at \$3,450, and the average rental price per square foot remained about the same year-over-year at \$56. Despite the higher prices, Lower Manhattan's vacancy rate actually dropped since last quarter to 1.54%—the same rate seen Manhattan-wide.

## Residential Property Sales

The first quarter saw several notable property sales.<sup>11</sup> Carmel Partners purchased **15 Cliff Street**, a 157-unit residential rental building between Fulton and John Streets, from Lazerian Properties. The price was \$95 million, or about \$600 per square foot. Pace University bought the 124,000-square-foot dormitory portion of **180 Broadway** from SL Green Realty for \$42.1 million. The 24-story, 600-bed dormitory opened this past fall. The building's 25,000-square-foot commercial space — with two tenants, Urban Outfitters and TD Bank — was retained by owner SL Green.

<sup>9</sup> Source of rental rents: Miller Samuel/Douglas Elliman,

Source of rental vacancy rate: Citi Habitats

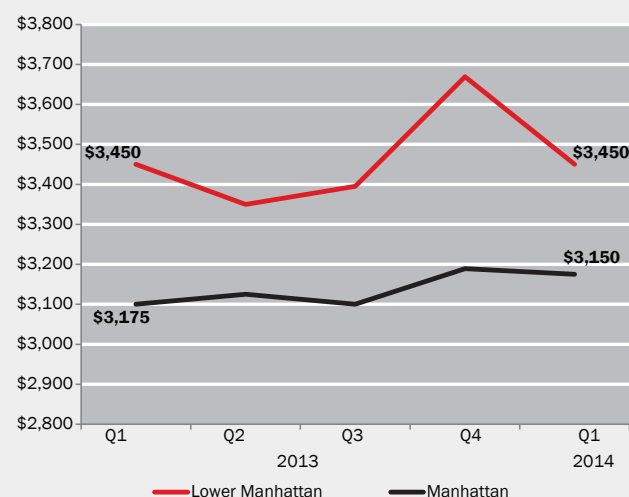
<sup>10</sup> Source of sales market data: Miller Samuel/Douglas Elliman

<sup>11</sup> Source of property sales data: Massey Knakal

# 61,000 *residents*

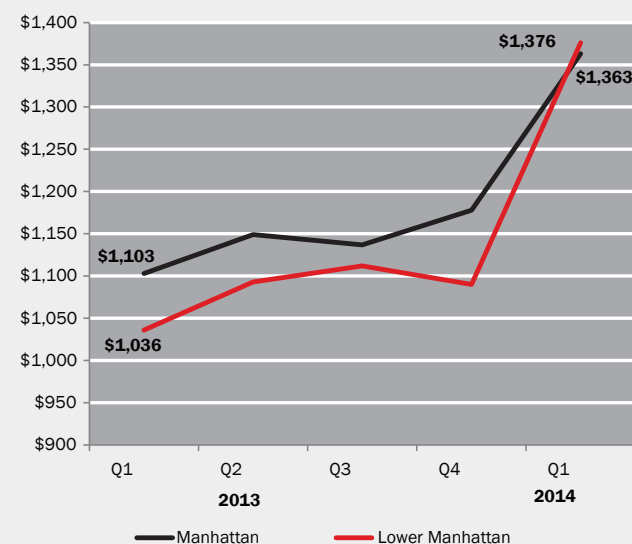
### MEDIAN RENTAL PRICES

Source: Miller Samuel/Douglas Elliman



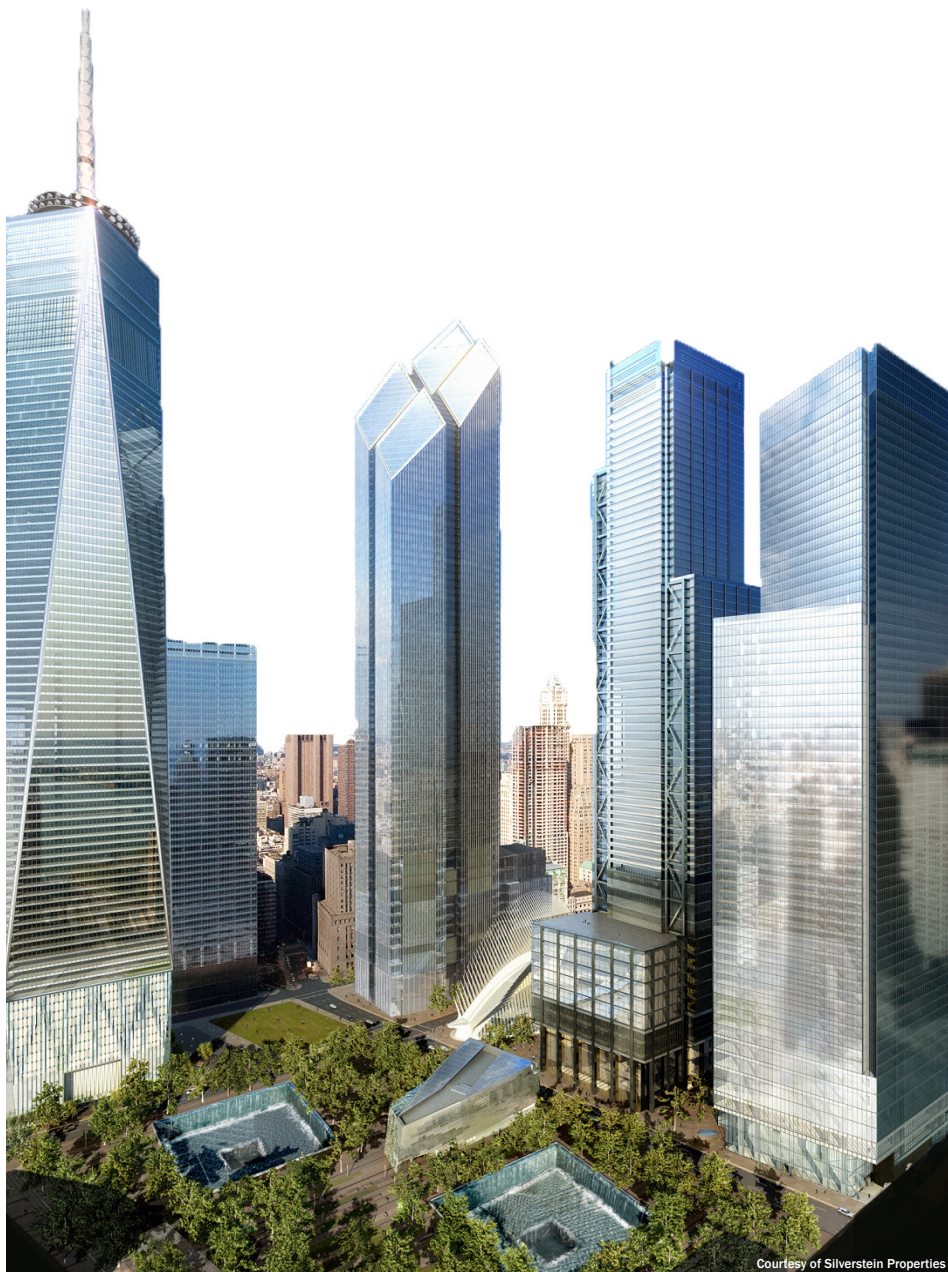
### AVERAGE SALES PRICE (\$) PER SF

Source: Miller Samuel/Douglas Elliman



# \$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

“This is the most accessible site on the American continent. Four million potential workers live within 45 minutes of the site, which is close to a dozen subway lines.”<sup>12</sup>

– Mitchell Moss, Director, Rudin Center for Transportation, New York University

<sup>12</sup> Martin Z. Braun and David M. Levitt, “Port Authority at Crossroads as World Trade Funds Debated,” *Bloomberg Business News*, March 11, 2014.

## One World Trade Center

104-stories, 3 million-square-foot office tower to be completed in 2015;

Mechanical, electrical and plumbing systems are being finalized, and exterior hoists are being removed;

55% leased; tenants include Condé Nast, Beijing Vantone China Center and the U.S. General Services Administration. Condé Nast plans to begin moving in in November 2014;

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

## Two World Trade Center

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

## Three World Trade Center

2.5 million-square-foot office tower with plans to open in 2017; Awaiting financing to begin construction.

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

## Four World Trade Center

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

50% leased to the Port Authority and the City of New York; expected to begin occupation by end of 2014.

## 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;

The station’s first new PATH platform opened this quarter, with service to Hoboken.

## National September 11 Memorial & Museum

100,000-square-foot interior is undergoing final fit-out;

Open to the public on May 21, following a six-day dedication period beginning on May 15; The museum will be free from 5 – 8 P.M. every Tuesday evening;

The Port Authority plans to remove the fencing around the plaza this year.



## Fulton Center

MTA's **Fulton Center** will officially open June 26 with retail shops and eateries opening this fall;

The new Corbin Building entrance along John Street opened, and permanent sidewalks and bollards along both Fulton Street and John Street have been installed.

## Pier 17 Redevelopment

Howard Hughes Corporation continues the deconstruction of the old **Pier 17**;

Plans include 365,000 square feet of new retail, dining, and entertainment space, as well as a food market in the redeveloped Pier 17 building. Scheduled to open in 2016.

## Fulton Street Reconstruction

Reconstruction of Fulton Street, which began in 2009, is nearing completion;

Project replaced all underground utilities (including water mains, sewers, electric and gas), while new streets, curbs, sidewalks, signage and lighting were installed;

The last section, from Pearl to Water Street, will be finished in spring 2014.

## Broadway Reconstruction

**Broadway 1**, a \$42 million capital reconstruction project by the Department of Design and Construction (DDC), is underway on Broadway, stretching from Ann Street to Rector Street;

All underground infrastructure – including water mains, sewers, electric, gas and other utilities – will be replaced, as well as constructing new streets and curbs;

Work proceeds on the east side, between Liberty and Rector Street, and will continue through May 2014. Full project is scheduled to be finished in 2017.



Courtesy of Scott Lynch

## Fulton Center

Scheduled to officially open June 26, 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 begun; contains 365,000 SF of new retail, dining and entertainment space scheduled for completion in 2016

Visit [WWW.DOWNTOWNNY.COM/RESEARCH](http://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](mailto:RESEARCH@DOWNTOWNNY.COM).