



ALLIANCE FOR DOWNTOWN NEW YORK

LOWER MANHATTAN REAL ESTATE MARKET REPORT

Q2 2017

A PICTURE OF PROGRESS

Lower Manhattan's dramatic uptick in leasing, which represented a 51 percent increase in activity year-over-year, outpaced all other Manhattan markets in the second quarter. This robust leasing propelled the market to its highest levels since 2014. The vacancy rate also dropped to 8.9 percent, the lowest it has been since the beginning of 2013. And the area hit another milestone in the Class B office market, where the average asking rent for those properties reached its highest level in Lower Manhattan history. The second quarter also saw the area further cement its status as New York City's media center with the announcement of more major relocations to the district.

HIGHEST YEAR-TO-DATE LEASING ACTIVITY SINCE 2014

At the close of the second quarter, Lower Manhattan leasing activity for the first six months of the year had nearly matched all leasing in 2016. According to CBRE, the 1.2 million square

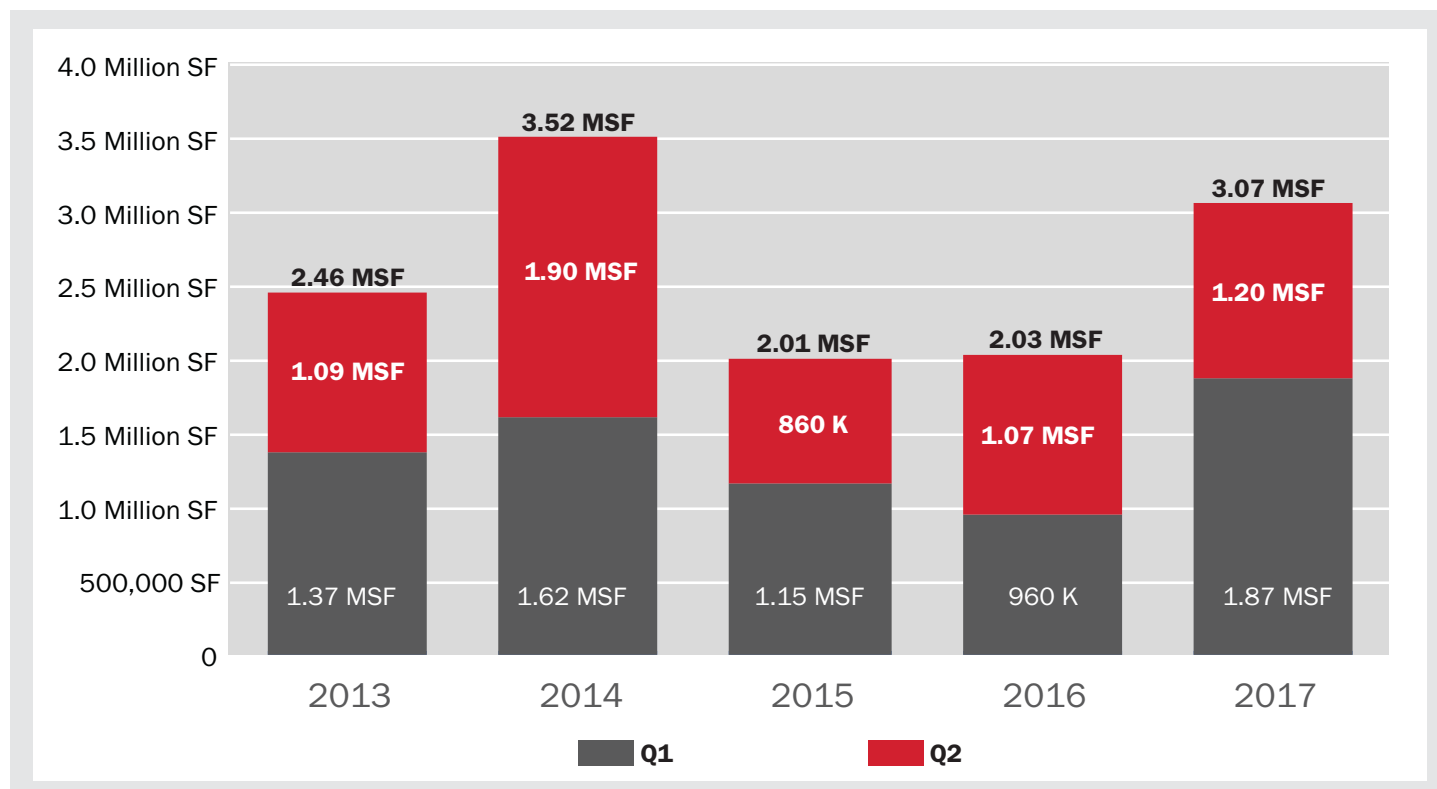
feet leased in the second quarter pushed year-to-date activity to 3.07 million square feet – just shy of the 3.36 million that was leased in all of 2016. This improved pace was helped by the return of large dealmakers to the market. Six new deals of over 100,000 square feet have been signed through the end of the second quarter, with Spotify still holding the top spot. Momentum seems poised to continue through the rest of the year as Lower Manhattan charted another top Technology, Advertising, Media and Information (TAMI) sector deal with Macmillan Publisher's 261,000-square-foot deal announced in late July.

TAMI AND GOVERNMENT LEASING DRIVE MOMENTUM IN 2017

The TAMI sector has been an important driver of new leasing activity in 2017. These two sectors account for a combined 51 percent of new leasing activity, according to Jones Lang LaSalle. The **New York City Human Resources Administration** (HRA) signed the largest lease of the second quarter with the agency's commitment to relocate to 216,000 square feet

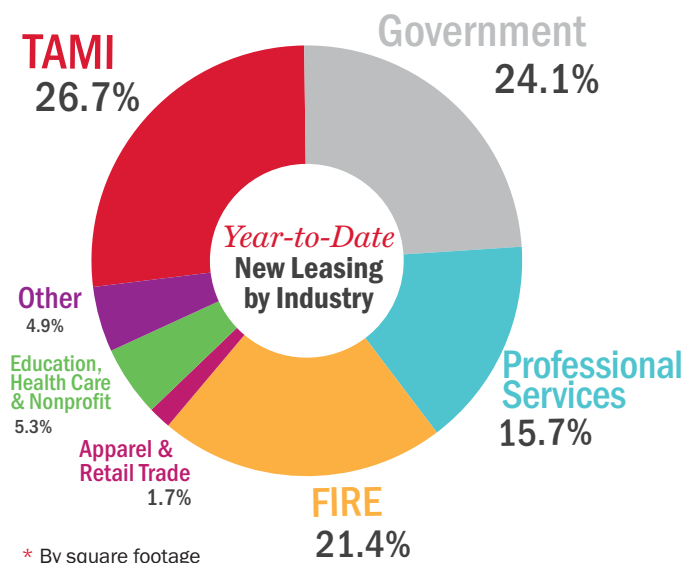
LOWER MANHATTAN YEAR-TO-DATE LEASING ACTIVITY, 2013 - 2017

Source: CBRE



NEW LEASING ACTIVITY BY INDUSTRY IN LOWER MANHATTAN, YTD 2017

Source: Jones Lang LaSalle



in 375 Pearl Street from its current Tribeca office at 250 Church Street. With this deal, 375 Pearl Street is now 88 percent leased. Thirty-five percent of the building is leased to municipal government tenants. Other government sector leases at the property include the **New York City Department of Finance's** 182,315-square-foot office and the **New York Police Department's** 18,000-square-foot lease on the building's 22nd floor. HRA's lease is the second major government deal in 2017 following the **New York Attorney General's** first quarter lease for 345,000-square-foot lease at 28 Liberty. With these large deals, Government has accounted for nearly a quarter – 24 percent – of new activity year-to-date.

New leases in the technology and media sectors continued to build on momentum generated by the news of **Spotify's** expansion to Lower Manhattan. TAMI has accounted for the largest share of new leasing activity, year-to-date, with 27 percent of activity. This is an uptick from the sector's 19 percent share of overall 2016 leasing activity.

In late June, Spotify executed its lease option to expand its first quarter commitment by an additional 103,020 square feet. When the music streaming company begins moving in next year, they will be the fourth largest private sector tenant at the World Trade Center behind Condé Nast, Moody's and Group M. The second quarter also yielded several major new technology deals including **Sailthru's** 27,350-square-foot lease at One World Trade Center. The internet marketing service company is moving from the Hudson Square neighborhood to a pre-built office in One World Trade Center, 51 percent of which is now leased to TAMI

LOWER MANHATTAN TOP LEASES, Q2 2017

Source: Downtown Alliance, CBRE, JLL, CoStar, Colliers International

	Tenant Name Location	SF Leased Transaction Type	Sector
1	NYC Human Resources Administration 375 Pearl Street	193,281 Relocation	Government
2	Spotify 4 World Trade Center	103,020 Expansion	TAMI, Technology
3	Business Insider 1 Liberty Plaza	88,050 Relocation	TAMI, Media
4	Sanctuary For Families 120 Broadway	50,734 Moving Within LM	Nonprofit
5	Pace University 110 William Street	35,988 Expansion	Education
6	Serendipity Labs 28 Liberty Street	34,000 1st NYC Location	Professional Services, Other
7	Sailthru One World Trade Center	27,350 Relocation	TAMI, Technology
8	Adam Leitman Bailey 24 State Street	25,900 Moving Within LM	Professional Services, Law
9	Broadway Technology 28 Liberty Street	25,110 Moving Within LM	TAMI, Technology
10	WSP (formerly Parsons Brinckerhoff) 77 Water Street	24,353 New LM Location	Professional Services, Engineering
11	CetraRuddy Architecture 1 Battery Park Plaza	22,894 Relocation	Professional Services, Design
12	LIRO Group 1 State Street	19,761 Moving Within LM	Professional Services, Engineering
13	Asapp One World Trade Center	18,366 Relocation	TAMI, Technology
14	Haley Guillano 75 Broad Street	16,656 1st NYC Location	Professional Services, Law
15	National Holdings Corporation 200 Vesey Street	15,988 Relocation	FIRE
16	EnTech Engineering 17 State Street	14,486 Moving Within LM	Professional Services, Engineering
17	Rouse Properties 200 Vesey Street	14,320 Relocation	FIRE
18	MCR Development One World Trade Center	13,068 New LM Location	FIRE
19	Elefterakis, Elefterakis & Panek 80 Pine Street	12,000 Moving Within LM	Professional Services, Law
20	National Bank of Pakistan 100 Wall Street	11,235 Renewal	FIRE

tenants. The Durst Organization and the Port Authority of New York and New Jersey have dedicated about 362,000 square feet to pre-built units. The program has been successful in attracting creative and tech-focused tenants including **Asapp**, an artificial intelligence programming firm, which also signed this quarter for 18,366 square feet on the 80th floor. Another technology firm, **Broadway Technology**, committed to 25,000 square feet in 28 Liberty and will nearly double their Lower Manhattan footprint when they move from 140 Broadway.

Business Insider, a business news site concentrated on financial, media, tech, and other industry verticals, announced the second largest TAMI deal of the quarter with its planned move to a new 88,000-square-foot headquarters in 1 Liberty Plaza. The New York City-based firm will be relocating from the Flatiron District and joins a robust and diverse community of media companies and publishers already operating in Lower Manhattan that range from more traditional news outlets like **Time** and the **Associated Press** (which moved in earlier this year), to major book publishers like **HarperCollins**, and web-focused content companies like **Vox Media** and **Refinery 29**. Another major name, **Macmillan Publishers**, signed a major lease early in the third quarter to relocate its headquarters to 120 Broadway. The book publisher is currently in the Flatiron Building and will move into 261,000 square feet in early 2019. The publisher's education arm, **Macmillan Science and Education**, has been operating in 1 New York Plaza since summer 2015. Today, there is a community of nearly 50 such companies in Lower Manhattan.

MORE THAN 100 ARCHITECTURE & ENGINEERING FIRMS SOUTH OF CHAMBERS

In the second quarter, two well known architecture firms announced the relocation of their New York headquarters to Lower Manhattan. **Woods Bagot**, founded in Australia, signed a 10,978-square-foot deal at the recently repositioned 30 Broad Street, and will be moving from 57th Street in Midtown. **CetraRuddy**, the firm behind "supertalls" like the future 45 Broad and One Madison, will be relocating from SoHo to 22,894 square feet in One Battery Park Plaza. Woods Bagot and CetraRuddy join a number of other prominent architecture firms that have relocated from SoHo and Midtown South locations. Other recent additions to Lower Manhattan's burgeoning "design district" include firms like **Studio Daniel Libeskind** and **Morris Adjimi** who have joined longtime Lower Manhattan tenants like **Skidmore, Owings & Merrill** and **Pei Cobb Freed & Partners**.



One World Trade Center

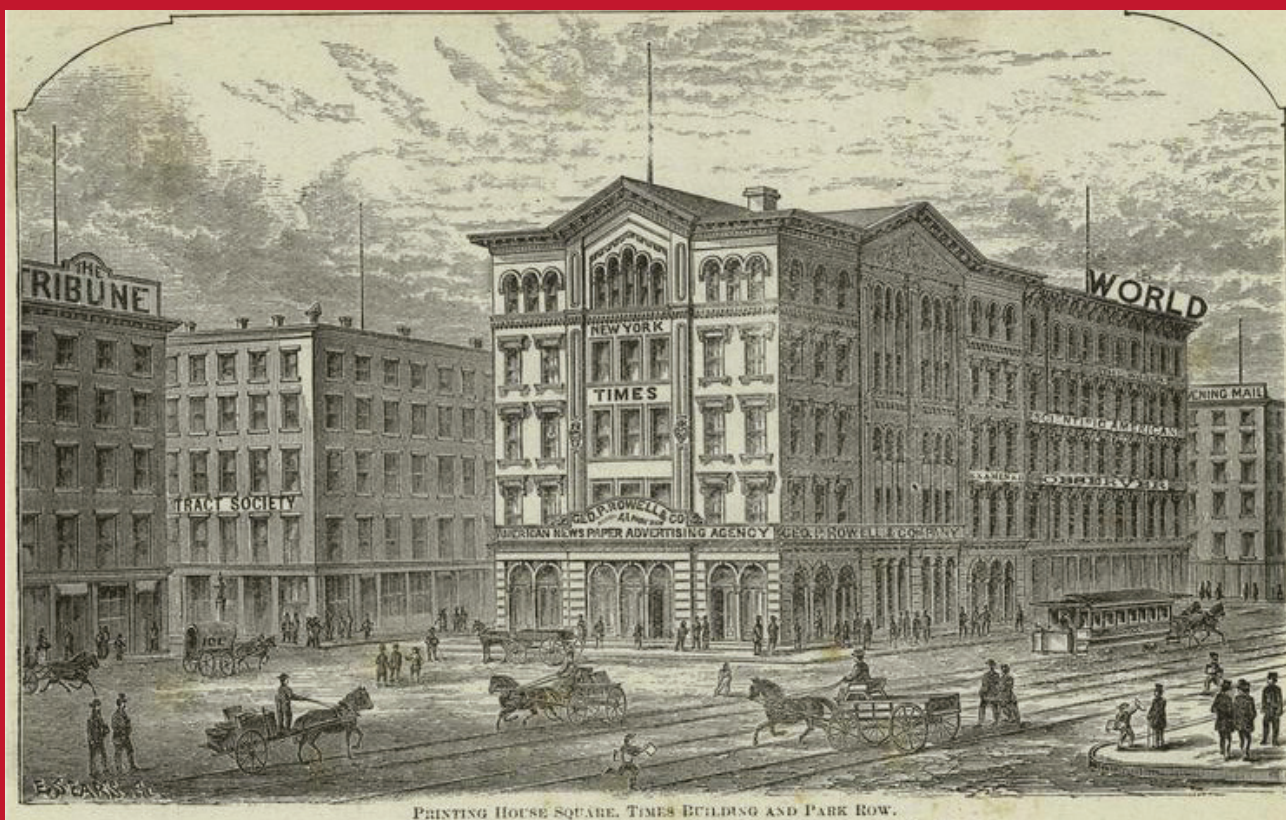
1 WTC reached 75 percent leased in the second quarter. The property is now more than 50 percent leased to TAMI tenants.

One World Commons, a recently opened tenant amenity space on the 64th floor, is rendered above.

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*Deals over
100,000 Square Feet
Year-to-Date
in 2017*

Skidmore, Owings & Merrill
AECOM
ARUP
Parsons
SHoP
Morris Adjimi
H3 Hardy Collaboration
Studio Daniel Libeskind
Davis Brody Bond
Pei Cobb Freed
Thornton Tomasetti
CetraRuddy
Beyer Blinder Belle
Woods Bagot
& More



Courtesy of The New York Public Library

Lower Manhattan Returns to its “Newspaper Row” Roots

After a steady flow of relocations from Midtown in recent years, there are nearly 50 web and print based periodicals and publishing firms located in Lower Manhattan. This trend marks a return to Lower Manhattan for the publishing industry. From the 1840's through the late 19th century, City Hall-adjacent Park Row was the epicenter of the newspaper industry in New York City. These newspapers included The New York Times, the New-York Tribune, the New York World, and The Sun, among others. 41 Park Row, now part of Pace University, was the original headquarters of The New York Times and is one of the only remaining buildings on Park Row from that era. By the turn of the 20th century, many newspapers and publishers began to migrate to Midtown. The industry has come full circle as it returns southward. Lower Manhattan boasts an impressive and growing cluster of publishing and news companies operating south of Chambers Street.

Since **Condé Nast's** landmark One World Trade Center lease was signed in 2011, at least 25 other newspapers, magazines and book publishers have inked deals to relocate to Lower Manhattan. Among them are companies that can trace their roots to Lower Manhattan including firms like **HarperCollins Publishers**, which was founded in the early 1800's at the corner of Front and Dover Streets, and the **Scientific American**, which was located in Lower Manhattan for more than 80 years following its founding in 1845. Other recent relocation deals include industry heavyweights like **Macmillan Publishers**, the **Associated Press**, **Time Inc.** and **Observer Media** who joined industry peers like the **U.S. News & World Report** and the **New York Daily News**. Lower Manhattan's media draw has also extended to other smaller news outlets who relocated like **City & State**, **Village Voice Media** and **Modern Luxury Media**. One of the latest media newcomers, **Business Insider**, will add to Lower Manhattan's cluster of firms on the cutting edge of digital media like **Vox Media** and its digital platforms – **Eater**, **Vox** and **Curbed**. Other likeminded neighbors already in Lower Manhattan include **Refinery 29**, **Mic**, a millennial focused news site, and **XO Group** and its collection of lifestyle platforms - **The Knot**, **The Bump** and **The Nest**.

While Newspaper Row harkens back to a bygone point in Lower Manhattan's history, there's no denying this news – the area is once again home to a diverse collection of media outlets.

VACANCY RATE DROPS TO 8.9 PERCENT, LOWEST IN MORE THAN FOUR YEARS

With solid year-to-date leasing activity and few large availabilities added this year, Lower Manhattan's overall vacancy rate dropped for the second quarter in a row to its lowest level since the first quarter of 2013, according to Cushman & Wakefield. Healthy Class A leasing activity year to date facilitated this overall decline in the vacancy rate. The Class A vacancy rate dropped 2.3 percentage points from the end of 2016 to 10.3 percent.

Lower Manhattan is the only Manhattan submarket to post a year-over-year decline in vacancy rate. While holding on to its status as the tightest Manhattan submarket, Midtown South's vacancy rate inched up year over year to 7.5 percent and Midtown rose to 9.8 percent. As a result of these changes, Lower Manhattan is the 15th tightest submarket nationwide, just behind Midtown South but ahead of other competitive tech and creative markets like San Francisco and Austin, Texas.

STRONG YEAR-TO-DATE LEASING ACTIVITY IN CLASS A LARGE BLOCKS

Significant leasing commitments have been made in Lower Manhattan's largest blocks of Class A space leading to positive absorption for the year. Among the changes:

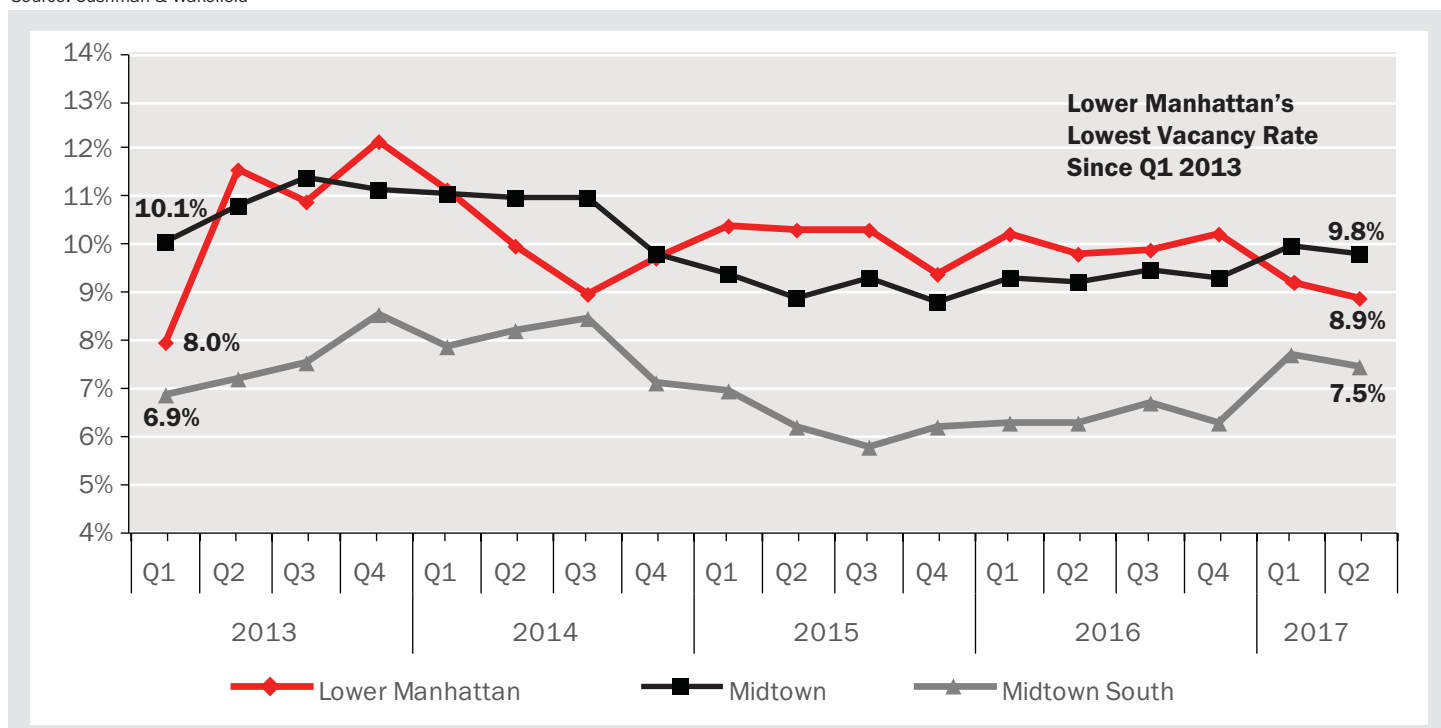
- **28 Liberty Street** – In an active 2017, more than 401,717 square feet of leasing activity has been announced across

deals with the NY State Attorney General, Broadway Technology and Serendipity Labs, a coworking company that will be establishing its first New York City location. The building now has about 987,000 square feet available and is 57 percent leased.

- **1 Liberty Plaza** – More than 385,000 square feet of leasing activity has been announced across four deals since the beginning of 2016. The property currently has about 385,000 square feet available, but the New York City Economic Development Corporation is rumored to be taking about 220,000 square feet of this remaining space. That would bring the property to about 93 percent leased.
- **375 Pearl Street** – This quarter's largest lease, from the NYC Human Resources Administration (216,000 square feet), dropped availability at the former Verizon building to 235,000 square feet. The building is now 80 percent leased.
- **One World Trade Center** – In the first seven months of the year, more than 168,000 square feet of leases were recorded. This includes 84,000 square feet across nine tenants signed by the end of the second quarter, and an 84,000 square-foot lease signed by Stagwell Group, an investment firm specializing in the marketing sector, early in the third quarter. The property is now 75 percent leased with about 750,000 square feet remaining in the building, the bulk of which falls on floors 64 and above.

OVERALL VACANCY RATES BY SUBMARKET, Q1 2013 - Q2 2017

Source: Cushman & Wakefield



CLASS B ASKING RENTS REACH HIGHEST LEVEL IN MARKET'S HISTORY

At 2017's midpoint, Lower Manhattan's overall average asking rent is \$58.80. According to Cushman & Wakefield, this is basically stable from last quarter and from last year. Lower Manhattan's average Class A asking rent is down just slightly from the end of 2016 due to the full-lease up of 4 World Trade Center and the still pending addition of space at 3 World Trade Center (opening in June 2018). Class A asking rents in Lower Manhattan now hover around \$62 per square foot.

Meanwhile, the average Lower Manhattan Class B asking rent reached \$52.80, the highest level in the market's history. While Class B space is less than a third of the market, rents are up 4.5 percent year-over-year and up a dramatic 51 percent over the last five years. Pricing is up this quarter due to above-market space now available at **222 Broadway** and price increases at **44 Wall Street**, where Equity Office (an affiliate of Blackstone Group) is repositioning the property and marketing 100,000 square feet in pre-built offices. This trend has been building over the past several years. Price changes in this popular market segment and the repositioning of several Class B properties has led to substantial increases in average asking rents.

Other Manhattan submarkets trended differently over the past year. The overall average asking rent in Midtown is down year-over-year, partly due to drops in Class B pricing where rents

are now down 2.2 percent year-over-year. Meanwhile, Midtown South's overall asking rent is up slightly from last year, driven largely by recent record highs for Class A rents. As a result of these changes, Lower Manhattan's overall average asking rent is \$10.90 below Midtown South's average and \$18.80 below Midtown's average.

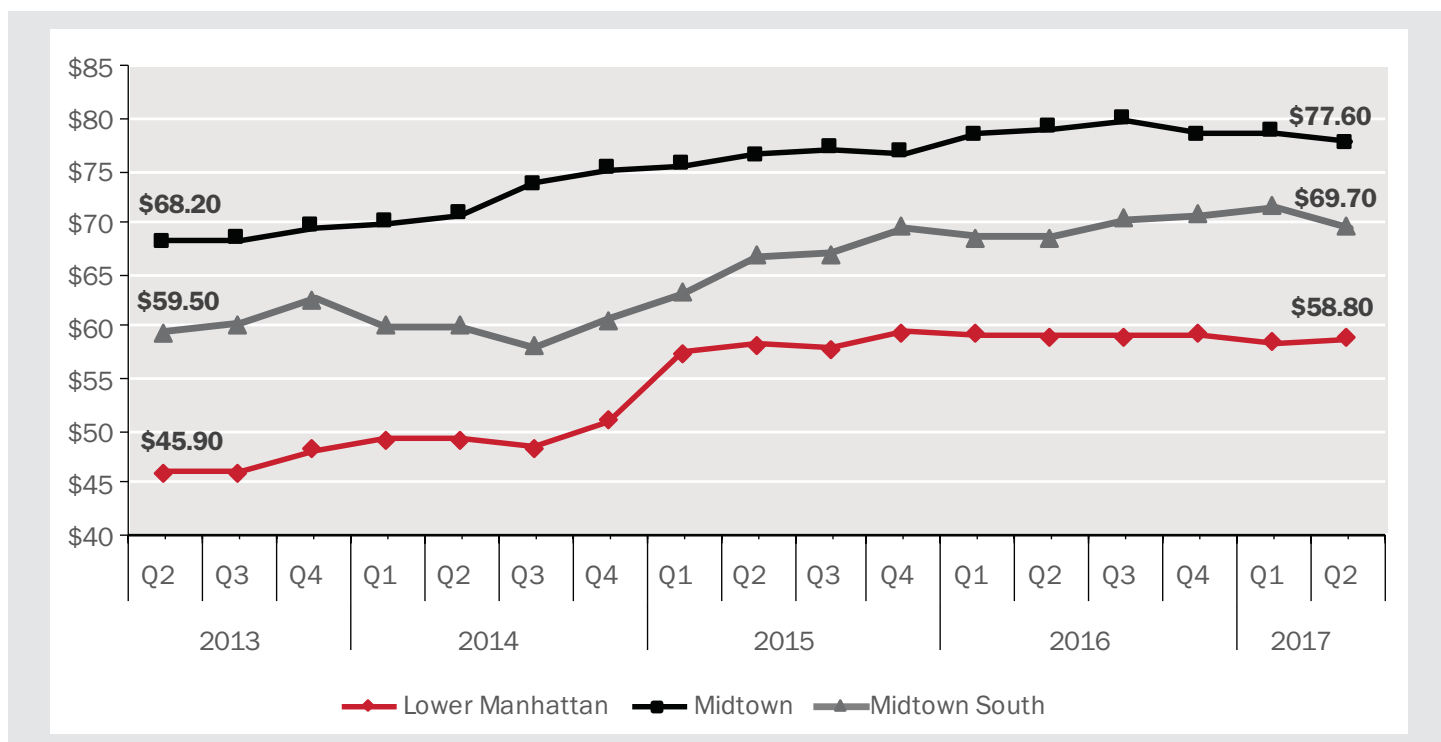
Lower Manhattan
Overall Rent **\$58.80**

Midtown South
Overall Rent **\$69.70**

Midtown
Overall Rent **\$77.60**

LOWER MANHATTAN OVERALL ASKING RENTS Q2 2013 - Q2 2017

Source: Cushman & Wakefield



LOWER MANHATTAN'S DYNAMIC CLASS B MARKET DRAWS INVESTORS

Lower Manhattan's Class B market has attracted increased investor interest in recent years as average asking rents rise and vacancy rates decline. Since the second quarter of 2012, the average Class B rent has increased 51 percent to a record for the market - \$52.80. This is just \$8.90 below the average Class A rent. Over the same length of time, the Class B vacancy rate has fallen by 2.5 percentage points to 7.3 percent in the second quarter of 2017 - the lowest Class B vacancy rate among Manhattan submarkets. Investors have seized on the opportunity to upgrade Class B buildings and attract tenants seeking value as well as quality space south of Chambers Street. Several recent Class B repositionings include:

- **40 Exchange Place** – A joint venture between Northwind Group and Newmark Holdings acquired the building for \$115 million in 2015. A \$20 million renovation program included prebuilts, and a lobby renovation and other capital improvements. The property currently has approximately 42,000 square feet available to lease and Newmark Knight Grubb Frank is marketing space in the low \$50s per square foot.
- **30 Broad Street** – Tribeca Associates completed a \$130 million deal for the master leasehold from Gotham Realty in mid-2016. The \$30 million renovation focused on creating a new lobby, including an art installation, a new street entrance, an amenity floor, prebuilt floors and energy efficient upgrades including a conversion of the building's utility usage to 100% renewable sources. The building has about 90,000 square feet available and Newmark Knight Grubb Frank is marketing spaces, depending on the floor, in the \$50 to the low-\$60s per square foot range.
- **44 Wall Street** – In mid-2016, Blackstone Group purchased the 336,000-square-foot building from Obligo, a Norwegian investment management firm, for \$100 million. 44 Wall Street has about 100,000 square feet available to lease. CBRE is marketing space, depending on the floor, in the mid to high \$50's per square foot.

While Class B rents have risen in this market, Lower Manhattan's pre-war buildings continue to offer excellent value compared to similar properties in Midtown and Midtown South. Lower Manhattan Class B asking rents are \$6.00 below the Midtown average and \$15.20 below the Midtown South average.

40 Exchange Place

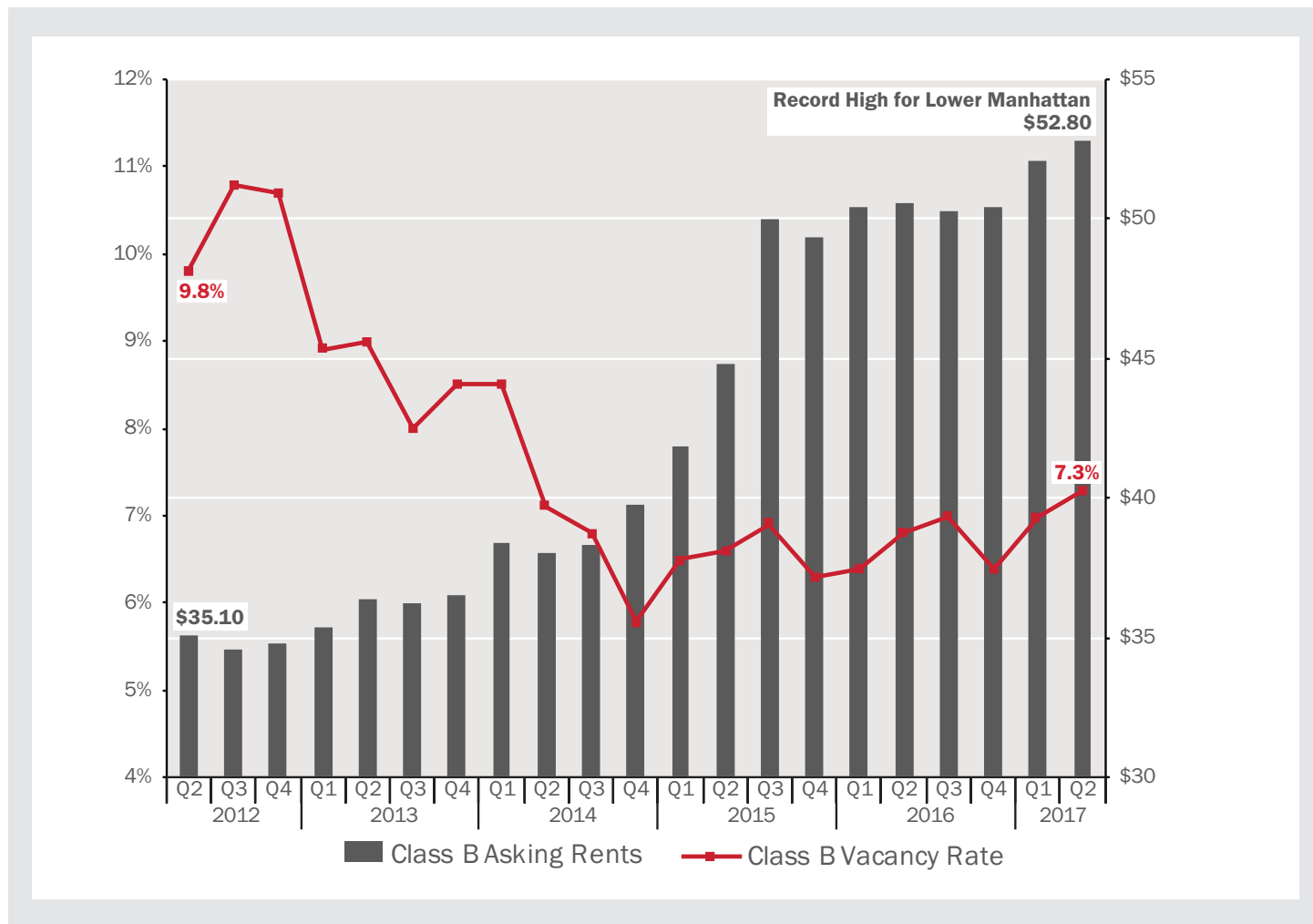


44 Wall Street



CLASS B ASKING RENTS vs. CLASS B VACANCY RATE Q2 2012 - Q2 2017

Source: Cushman & Wakefield



\$52.80

*Lower Manhattan's Average
Class B Rent*

9% *Below
Midtown*

22% *Below
Midtown South*



Q2 PROPERTY SALES

Office

A partnership between Callahan Capital Partners, a U.S. based private equity firm, and Ivanhoé Cambridge, a Canadian real estate company, acquired **85 Broad Street**. The 1.12 million-square-foot tower, previously owned by MetLife Real Estate and Beacon Capital Partners, was sold for \$652 million or about \$580 per square foot. The property is currently 88 percent leased to tenants, including **Vox Media**, the **Nielsen Company** and **WeWork**. MetLife purchased the property in 1985, two years after it was built, for \$74.4 million. In 2014, Beacon Capital bought the majority stake in the property from MetLife, valuing it at \$350 million or about \$313 per square foot. Since then, the property has announced 440,000 square feet in leasing activity.

Mixed Use

Cape Advisors sold **57 and 59 Murray Street**, two adjacent mixed use buildings totalling 9,550 square feet, to Barry Lipsitz for \$25 million or about \$2,600 per square foot. Cape Advisors still owns the adjacent four properties and had filed plans to build an eight-story, 21-unit condominium building for the full site in April 2016. Future plans for the site are unclear with the sale of these buildings.

Andrea Woodner, the founder of NYC's Design Trust for Public Space, purchased **23 Park Place**, a 21,840-square-foot mixed use building, for \$15 million from Rossrock Fund who foreclosed on the property in 2011. The landmarked building, which was the 1920's headquarters of the New York Daily News, now includes five residential units and a 8,975-square-foot retail space. The retail tenant is Barleycorn Craft Bar & Grill, an American gastropub, which opened in 2015.

Castellan Real Estate Partners, purchased **90 Chambers Street**, a 8,885-square-foot mixed use building that includes 2,175 square feet of retail and five residential units, for \$10.7 million or about \$1,200 per square foot from Claude Castro. The current retail tenant is Kaede Sushi.

Residential

MetroLoft is rumored to be purchasing the majority interest in **180 Water Street**, a recently opened 573-unit office-to-rental conversion from Emmes Asset Management and Ohio Public Employees Retirement System. The deal, which has not yet closed, would value the property at \$450 million or about \$785,000 per unit. Emmes Asset Management owns the adjacent 487,523 square foot office building at 160 Water Street. By comparison, the purchase of the 810-unit 63/67 Wall Street from MetroLoft and DTH Capital by Rockpoint Group closed for \$429 million or about \$545,000 per unit in fall 2016.



85 Broad Street

Callahan Capital Partners and Ivanhoé Cambridge acquired the 1.12 million-square-foot tower for \$652 Million. The property is currently home to Vox Media, Nielsen Company and WeWork. The tower features a high-end bike room and a 14,000-square-foot wellness center.

* Source of Property Sales: Newmark Knight Frank, closed transactions only unless otherwise noted

RETAIL MARKET

Developments, New Openings and Announcements

The rest of 2017 and beyond promises a flurry of significant retail developments. By the end of 2019, Lower Manhattan will have more than 7.28 million square feet of retail, an expansion of 2.92 million square feet since 2014. This expansion is equivalent to nearly three times the retail space planned at Hudson Yards.

In August 2016, **Westfield World Trade Center** became an instantly identifiable landmark when over 100 stores and restaurants opened in Santiago Calatrava's Oculus and the base of 3 and 4 World Trade Center. Over the past few months, a variety of eateries and cafes opened their doors, including **Starbucks**, **Joe Coffee**, **Neuhaus** and **Wasabi Sushi & Bento**. Westfield also welcomed the return of the **Greenmarket at Oculus Plaza**, which left the site after 9/11. The greenmarket is held every Tuesday on the outdoor Oculus plaza.

At **Brookfield Place**, **Allen Edmonds** and a **Peloton** showroom debuted, while **Oliver Peoples** signed a lease in the Winter Garden. Popular steakhouse **Del Frisco's Grille** joined the array of restaurants at Brookfield Place, while **Sant Ambroeus** announced it will open a branch of its fashionable Italian eatery in 2018.

Summer is in full swing in the **Seaport District** with the arrival of **Clinton Hall**, **Garden Bar**, **Mr. Cannon**, a speakeasy, and the **Seaport Food Lab**, which features a rotating roster of celebrity chefs. Two locations of **WantedDesign** opened along Fulton Street. Openings for **Scotch & Soda**, **by.CHLOE**, **DITA**, and **Big Gay Ice Cream** are expected later this year. **10 Corso Como**, **McNally Jackson Books** are slated for 2018. Pier 17 is slated to open next summer.

The district had 1,208 stores and restaurants with 34 new retailers opening in Lower Manhattan in the second quarter. This trend extends beyond openings at major retail anchors. The major restaurants and retailers that opened or signed leases this quarter include:

- Famed Japanese restaurant **Nobu** and womens' retailer **Anthropologie** were both unveiled in the grand lobby at 195 Broadway;
- **Westville**, **Milk Bar** and **Fuku** all debuted at 110 Wall Street, which now features WeWork and WeLive. Later this summer, **The Mailroom**, a bar, will open in the lower level of the building;
- **City Acres Market** opened at the base of 70 Pine Street (along Pearl Street). The grocery store also features a mini-food hall comprised of **Artichoke Basille's Pizza**, **Vanessa's Dumpling House**, **The Cinnamon Snail**, **Beyond Sushi** and **Juice Brothers**;
- Beer hall **Treadwell Park** opened in Battery Park City at 301 South End Avenue; and
- Australian cafe **Hole in the Wall** debuted at 15 Cliff Street.



NOBU

Nobu relocated from Tribeca to grand lobby of 195 Broadway



CITY ACRES MARKET

City Acres Market opened a full-service grocery store and food hall at 70 Pine Street.



CLINTON HALL

Clinton Hall opened a burger joint and beer hall at 19 Fulton Street in the Seaport.

TOURISM & HOSPITALITY

Record Year for Tourism

Lower Manhattan continues to be a growing destination for tourists. The 14.8 million tourists who visited Lower Manhattan in 2016 represent a five percent increase from 2015. This upward trend was sustained by strong visitation at the National September 11 Memorial Museum, the Statue of Liberty and Ellis Island, and One World Observatory. In late July, the National September 11 Memorial Museum announced that over 10 million people have visited since opening in May 2014. On average, approximately 9,000 people visit per day.

Hotels Check-in to Lower Manhattan

At the end of the second quarter, there were nearly 6,560 rooms in 30 hotels throughout Lower Manhattan — a 35 percent increase over the past two years. There are 15 hotels and more than 2,200 hotel rooms currently in the development pipeline. This year alone, nearly 620 rooms at five properties are expected to come online, increasing inventory by up to ten percent. If these projects open on schedule, the hotel inventory in Lower Manhattan will reach 7,236 rooms by year-end. Lower Manhattan's hotel offerings reflect a diversity of brands, targeting both business and leisure travelers, across multiple-price points.

Those anticipating completion in 2017 include:

- **The Artezen Hotel** at 24 John Street, 89 rooms;
- **Fairfield Inn & Suites** at 100 Greenwich Street, 192 rooms;
- **Hilton Garden Inn** at 6 Water Street, 250 rooms;
- **The Assemblage** at 17 John Street, 81 rooms; and
- **Mr. C Seaport**, the rebranded Best Western Seaport, at 33 Peck Slip, 66 rooms.

14.8 MILLION

unique visitors to Lower Manhattan in 2016

LOWER MANHATTAN HOTEL DEVELOPMENT PIPELINE

Source: Downtown Alliance

	Hotel & Address	Owner/Developer	Rooms	Floors	Open Date
1	The Artezen Hotel 24 John Street	Westbury Realty Associates	89	21	2017
2	Fairfield Inn & Suites 100 Greenwich Street	Jiten Hotel Management	192	25	2017
3	Hilton Garden Inn 6 Water Street	McSam Hotel Group	250	29	2017
4	The Assemblage 17 John Street	Prodigy Networks	81	23	2017
5	Mr. C Seaport 33 Peck Slip	Atlantic Pearl/Cipriani	66	5	2017
6	Marriott Residence Inn 215 Pearl Street	Lam Group	120 (upper floors)	40	2018
7	Courtyard by Marriott 215 Pearl Street	Lam Group	200 (lower floors)	40	2018
8	AC Hotel Marriott 151 Maiden Lane	Fortis Property Group	271	33	2018
9	Moxy Hotel 143 Fulton Street	Tribeca Associates	228	26	2018
10	TBD Hotel 11 Stone Street	Premier Emerald LLC	143	27	2018
11	Hotel Indigo 8-12 Maiden Lane	10-12 MLane Inc.	190	25	2018 ¹
12	Hotel Indigo 120-122 Water Street	Atlas Hospitality	122	31	2018
13	Aloft Hotel 50 Trinity Place	Fit Investment Group	173	29	2018
14	TBD Hotel 265 Broadway	Roe Corporation	80	12 (of 42)	TBD
15	Boutique Hotel Battery Maritime Building	NYCEDC	70	5	TBD
Total Hotels in the Pipeline			15		
Total Hotel Rooms in the Pipeline			2,205		

¹ Source of tourism estimates: Audience Research & Analysis

Occupancy and Average Daily Room Rate Up Year-over-Year

The second quarter's average occupancy was 92 percent – roughly two percentage points above the citywide average². The occupancy rate of Lower Manhattan hotels showed growth over the past year. Even as the local market absorbed over 1,200 hotel rooms since the beginning of 2016, the occupancy rate is up nearly four percent from the second quarter of 2016.

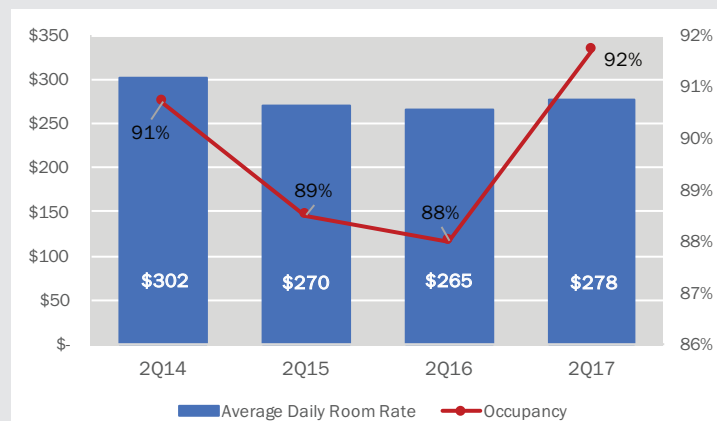
Lower Manhattan's average daily room rate (ADR) in the second quarter of 2017 was \$278, up five percent year-over-year. New York City's ADR, about \$10 more than Lower Manhattan's ADR, has dipped slightly, by one percent year-over-year to \$288.

Demand right now appears to be keeping pace with the growing supply of hotels in Lower Manhattan. While too early to be definitive, occupancy and average daily room rates are showing modest growth. The stronger performance in room rates can be attributed to newer luxury hotel properties, like the Four Seasons Downtown and Beekman Hotel, entering the local market. Positive signs are on the horizon as growing tourism, expanded retail and restaurant offerings, and new and repositioned office product are expected to continue to drive business and leisure travel.

² Source of New York City hotel figures: NYC & Company

AVERAGE DAILY ROOM RATE & OCCUPANCY IN LOWER MANHATTAN HOTELS, Q2 2014 - Q2 2017

Source: Downtown Alliance



GROWTH IN CASUAL, MILLENNIAL-FOCUSED RESTAURANTS

As Lower Manhattan is enjoying a booming restaurant scene, the spotlight has been on the celebrity-chefs that headline major retail and hotel destinations. While those restaurants have elevated the dining and nightlife mix, the untold story is how the employees of creative and tech-focused companies, as well as a growing base of young, affluent residents are drawing more casual offerings to the area. In fact, more than 62 percent of Lower Manhattan's population is between 18 and 44 years old, on par with downtown Jersey City and Williamsburg. Lower Manhattan's young professionals spend nearly \$1,000 per month on dining and entertainment and go out roughly 16 out of 30 days per month.¹

The blocks surrounding the intersection of Wall and Water Streets provide a great case study in the changing neighborhood demographics. In the early 2000s, the retail at 63 & 67 Wall Street was geared towards the tastes of bankers and brokers who frequented the namesake street during their lunch hour. Today, that block features elevated, approachable eateries like **La Colombe Coffee**, **Sweetgreen** and **Joe & the Juice**. The story is similar a block away at 110 Wall Street. Today, the office building is entirely occupied by WeWork and its new residential component, WeLive. The once-sleepy strip of retail now welcomes **Westville**, **Milk Bar** and **Fuku**. A subterranean speakeasy, **The Mailroom**, will open there this fall.

In a bid to capture Lower Manhattan's vibrant, young audience, other full-service, casual restaurants and nightlife options have opened or announced plans to do so, including: **Ainsworth** at 55 Liberty Street, **Vin Sur Vingt** at 66 West Broadway, **Lenita** at 7 Hanover Square, **Latin Social** at 75 Maiden Lane, **The Bedford** at 5 Hanover Square and **Harry & Ida's Luncheonette** at 11 Park Place.

¹Click here to see the Downtown Alliance's report: "An Untapped Market: Lower Manhattan's Young Professionals"



Photo by Daniel Christensen for Downtown Alliance

RESIDENTIAL MARKET

Inventory and Development Continue to Expand

Lower Manhattan, defined as the area south of Chambers Street, has nearly 31,587 units in 328 mixed-use and residential buildings and an estimated population of approximately 61,000 residents. There are currently 3,427 units in 24 buildings that are under construction or planned for development. Among the projects under construction and in development, approximately 56 percent are rental units and 44 percent are condos.

Three residential projects received certificates of occupancy during the second quarter, among them:

- **101 Wall Street** – Closings began at the Claremont Group's conversion of the former office building which added 52 condo units to the market;
- **12 Warren Street** – DDG's bluestone-clad building opened with 13 condo units in southern Tribeca; and
- **45 John Street** – This long-stalled conversion of an office building into a 84-unit rental building opened in early summer.

The pipeline of residential development in 2017 includes over 1,080 units in eight buildings that have opened this year, or are under construction (71 percent rental and 29 percent condo) and are expected to open before year's end. Among them:

- **19 Park Place** – The narrow 21-story, 24 condominium tower developed by ABN Real Estate is wrapping up construction;
- **60 Fulton Street** – The former parking garage has now been replaced by a 23-story, 120-unit rental building. The building, called Exhibit, is being developed by Socius Development Group and the Brauser Group and will include 24 affordable units; and
- **2 Park Place** – Alchemy Properties continues its historic conversion of the top 30 floors of The Woolworth Building. When complete, The Woolworth Tower Residences will have 34 condo units.

more than
3,420 residential units under
construction or planned
for development

HIGHLIGHTS OF LOWER MANHATTAN RESIDENTIAL DEVELOPMENT

Source: Downtown Alliance

	Address & Building Name	Lease & Building Type	Units	Open Date
Rental Units Under Construction		TOTAL	1,136	
1	60 Fulton Street Exhibit	Rental New Construction	120	2017
2	20 Broad Street	Rental Conversion	533	2018
3	19 Dutch Street	Rental New Construction	483	2019
Condo Units Under Construction		TOTAL	1,649	
1	19 Park Place	Condo New Construction	24	2017
2	2 Park Place Woolworth Residences	Condo Conversion	34	2017
3	161 Maiden Lane 1 Seaport	Condo New Construction	80	2018
4	49 Chambers Street	Condo Conversion	99	2018
5	1 Beekman Street	Condo New Construction	31	2018
6	45 Park Place	Condo New Construction	50	2018
7	111 Murray Street	Condo New Construction	157	2018
8	125 Greenwich Street	Condo New Construction	273	2018
9	30 Warren Street	Condo New Construction	23	2018
10	1 Wall Street	Rental/Condo Conversion	336/188	2019
11	23-31 Park Row	Condo New Construction	110	2019
12	130 William Street	Condo New Construction	244	2019
Condo & Rental Units In Development		TOTAL	643	
1	75-83 Nassau Street	Rental/Condo New Construction	197	2019
2	45 Broad Street	Condo New Construction	150	2019
3	77 Greenwich Street Former Syms site	Condo New Construction	90	2019
4	86 Warren Street	Rental New Construction	40	TBD
5	69 West Broadway	Condo New Construction	24	TBD
6	102 John Street	Rental New Construction	92	TBD
7	106 Fulton Street	Rental Conversion	TBD	TBD
TOTAL UNITS IN THE PIPELINE			3,427	

Note: Chart displays selected properties. For complete pipeline, please [click here](#).

Growth in Supply of Residential Rental Market

According to residential statistics published by Miller Samuel/Douglas Elliman, Lower Manhattan **median rents** decreased 2.6 percent from the prior year to \$3,550. The decrease in rents can be attributed to the influx of new rental product entering the market. Lower Manhattan saw a 22 percent increase over the past year in the number of new rentals in the local market (1,148). Meanwhile, Manhattan's overall rental market trended up slightly, up 1.5 percent year-over-year to \$3,475.

Residential Sales Market Sets Records

As seen in the beginning of the year, Lower Manhattan residential sales activity continued to pick up steam in the second quarter due to a flurry of legacy contract closings (older contracts that finally closed in the past few months) at high-end residential projects, like 30 Park Place, 100 Barclay Street and 50 West Street.

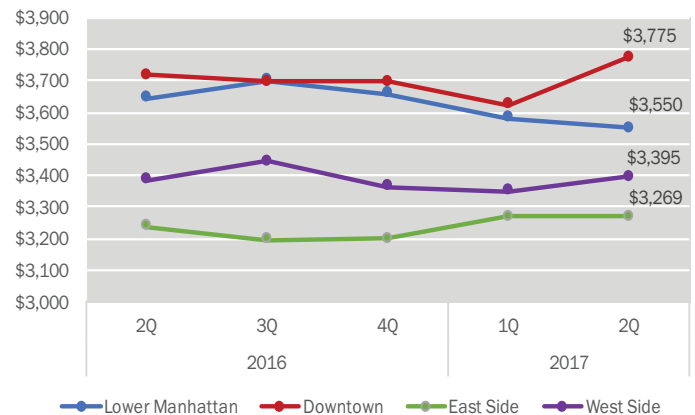
The **median condo sale price** of \$2 million is a new record for the Lower Manhattan market. This reflects a 125 percent increase over the past five years. The median sale price was \$900,000 in the second quarter of 2012. Setting another record, Lower Manhattan's **average price per square foot** (PPSF) of \$2,348 saw dramatic increases of 10 and 49 percent over the past quarter and year, respectively. Sales prices are expected to come down as fast as they increased within the year as the legacy contract pipeline empties. Additionally, nearly 225 sales transactions took place during the second quarter, a growth of 83 percent year-over-year and the most active quarter since the third quarter of 2011.



DDG's bluestone-clad building at 12 Warren Street opened with 13 condo units in southern Tribeca

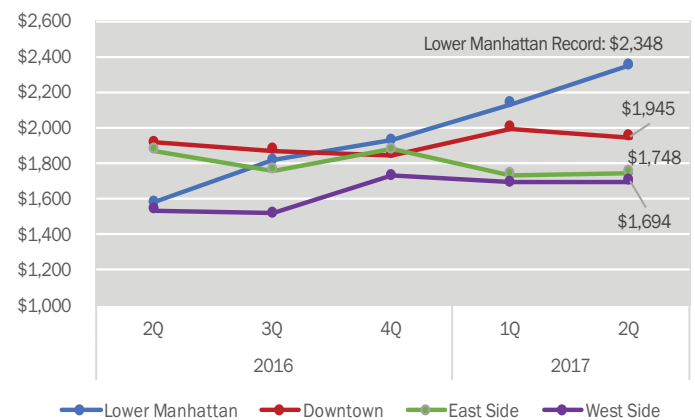
MEDIAN RENTAL PRICE

Source: Miller Samuel/Douglas Elliman



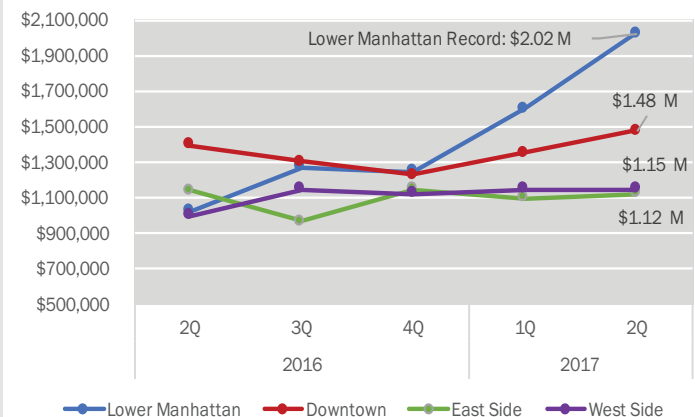
AVERAGE SALES PRICE PER SQUARE FOOT

Source: Miller Samuel/Douglas Elliman



MEDIAN SALES PRICE

Source: Miller Samuel/Douglas Elliman



MAJOR PROJECTS UPDATE

Infrastructure & Resiliency

The World Trade Center Transportation Hub

The 800,000-square-foot, Santiago Calatrava-designed, World Trade Center Transportation Hub opened in early March 2016. Access to the Cortlandt Street R Train station from the World Trade Center is anticipated to open in late 2017, while the Cortlandt Street 1 Train station connection is expected to open by late 2018. The temporary PATH station is now closed and undergoing deconstruction in preparation for the Performing Arts Center at the World Trade Center. Westfield's 365,000-square-foot retail complex at the transit hub opened in August 2016.

South Ferry Terminal

After being closed since Superstorm Sandy poured 15 million gallons of water into the station, the MTA reopened the South Ferry 1 Train Terminal. During restoration, the old South Ferry station served as a connection for commuters to both the Staten Island Ferry and the R and W trains at Whitehall Street. The \$340 million project included reconstruction and the installation of permanent flood protection measures.

Morris Street Pedestrian Overpass

The Morris Street Pedestrian Overpass, which stretches across the entrance/exit to the Hugh Carey Tunnel, is being replaced by the MTA. The new bridge, a pier-free span across the tunnel plaza, will allow for better traffic management, be compliant with the Americans with Disabilities Act (ADA) and will include illuminated handrails and glass panel posts. The bridge closed last month and the new bridge is scheduled to open at the end of the year.

Street Reconstruction

The Department of Design and Construction recently completed its \$42 million capital reconstruction project of lower Broadway, between Ann and Rector Streets. The project, referred to as Broadway 1, began in 2014.

Reconstruction of Warren Street, stretching from Broadway to West Street, began this February and is scheduled to be finished in the summer of 2019. After the Warren Street work is complete, an identical project will begin on John Street, from Broadway to William Street. These projects will replace all underground infrastructure, including water mains, sewers, electric, gas and other utilities, as well as construct new streets and curbs.

West Thames Pedestrian Bridge

Construction on the West Thames Street Pedestrian Bridge began earlier this year. Spanning West Street, the bridge will bring pedestrians to a new, privately-owned, public plaza at 50 West Street. According to the New York City Economic Development Corporation, completion is anticipated in early 2018. The West Thames structure will replace the Rector Street pedestrian bridge. The Battery Park City Authority and the Lower Manhattan Development Corporation have voted to rename the bridge after Robert Douglass, the former chairman of the Downtown Alliance and longtime advocate of Lower Manhattan who passed away earlier this year.



NYC FERRY LAUNCHES All Routes Centered at Pier 11 - Wall Street

Three of the six routes making up NYC Ferry, the new citywide ferry service, have launched, including the existing East River Ferry service and the new routes to the Rockaways and South Brooklyn. The Astoria route will launch in late August, while Lower East Side and Soundview (Bronx) service will come online next year. The new routes have proven popular, as ridership hit one million riders on July 26th, one month ahead of projections. Due to the unexpected demand, additional capacity will be added to three of its 20 boats.

When fully operational, these routes will have 22 landings across the city, including a newly-announced homeport landing at the Brooklyn Navy Yard that will be part of the East River Route. All routes will have a stop at Pier 11-Wall Street, further cementing Lower Manhattan as a multi-modal transportation hub. One-way tickets cost \$2.75 and 4.6 million trips are projected annually.



Courtesy of NYC Ferry

Federal, State & City Investment

Earlier in 2016, the de Blasio administration announced that \$100 million in City capital funds would be allocated to coastal resiliency in Lower Manhattan as part of a larger project funded by the U.S. Department of Housing and Urban Development's National Disaster Resilience Competition. The money will help build a network of floodwalls, berms and deployable barriers to protect the tip of Manhattan from flooding. The project will extend from the Lower East Side, around the tip of the island, all the way to Battery Park City.

With \$6.75 million from a mix of City and State sources for preliminary design and environmental review, and an additional \$8 million from the City's capital budget for first phase flood protection design and implementation in Battery Park, nearly \$15 million in government funds has been set aside for additional Lower Manhattan resilience work. EDC kicked off design work for the Lower Manhattan coastal resiliency initiative in the summer of 2016 and plans to complete design work by 2018. In addition, the Battery Park City Authority has launched an initiative to renovate Wagner Park in a manner that will incorporate much needed resiliency measures.

World Trade Center

The Ronald O. Perelman Performing Arts Center (The Perelman Center)

In September 2016, designs for The Ronald O. Perelman Center for Performing Arts at the World Trade Center were made public. The approximately 110,000-square-foot cube-shaped building will feature three theaters of varying sizes, which can be combined in different seating configurations and formats for an array of unique performance environments.

In summer 2016, philanthropist Ronald Perelman announced he was donating \$75 million to the project. With Perelman's donation, as well as many others since, the project is well along the way to its ultimate funding goal. The Lower Manhattan Development Corporation (LMDC) has also committed \$100 million in federal funds awarded after September 11th for the project's design, construction and administrative costs.

The Perelman Center will be located at the site of the now demolished PATH entrance at Greenwich and Vesey Streets, which closed after last summer's opening of the World Trade Center Transportation Hub. Groundbreaking is scheduled for next year with construction expected to be complete in 2020.

One World Trade Center

The 104-story, 3.1 million-square-foot office tower opened on November 3rd, 2014. One World Trade Center is 75 percent leased; tenants include Condé Nast, High 5 Games, Moody's, GroundTruth, China Center New York, Mic Network and the U.S. General Services Administration. In the second quarter, Asapp, an artificial intelligence company, took a 18,366-square-foot space, while Corry Capital Advisors leased 7,945 square feet. At the beginning of third quarter, the Stagwell Group, a digital marketing and communications firm, signed an 84,000-square-foot lease.

4 World Trade Center

The 72-story, 2.3 million-square-foot office tower was completed in November 2013. In July 2017, 4 World Trade Center became fully leased when Spotify, the global digital music and video streaming service, added 100,000 square feet to the existing 378,000-square-foot lease signed in February 2017. The building's tenants also include MediaMath, Zurich American Financial Company, Global Atlantic Group, Validus, Hudson River Trading, PadillaCRT, SNY (SportsNet New York), Silver Suites, IEX, Morningstar, the Port Authority of New York and New Jersey, and the City of New York.

3 World Trade Center

The 2.5 million-square-foot office tower topped out at 80 floors in June 2016 and will be completed in spring 2018. In late 2015, anchor tenant GroupM Worldwide finalized an expansion, adding 170,000 square feet to the existing 520,000 square feet signed in 2014. The tower is currently 28 percent leased.

2 World Trade Center

After over a year of negotiation between Silverstein Properties and 21st Century Fox and News Corp to anchor 1.3 million square feet, the deal was called off in early 2016. Silverstein will postpone work on the tower until an anchor tenant agrees to lease a substantial portion of the building.

Visit www.downtownny.com/research for additional publications on the Lower Manhattan real estate market and economy. Documents include a complete list of residential and hotel developments, available retail spaces, a summary of leasing incentives and other research reports, including:

An Untapped Market: Lower Manhattan's Young Professionals, a residential survey highlighting Lower Manhattan as a neighborhood of choice for young professionals in New York City, as well as ways to capture residents' robust appetite for dining out and entertainment.

Surging Ahead: Lower Manhattan's Economic Revival and What It Means For New York, a report on the major advances in Lower Manhattan's economy expected over the next five years as a result of post-September 11th investments and the area's status as a burgeoning center for some of New York City's highest value, most dynamic industries;

The Brain Gain, 2015 Report, an updated report on how the region's shifting demographics continue to favor the Lower Manhattan Business District. Previously released in 2012, the updated data shows an even stronger trend;

TAMI Takes Lower Manhattan, a report on the growth of technology, advertising, media, and information companies moving south of Chambers Street;

Everything Old is New Again: Conversions of Historic Properties in Lower Manhattan, a report on historic properties preserved through significant investment and changes in use;

The Golden Age of Transit in Lower Manhattan, a report released on Fulton Center's opening, describing how the more than \$6.4 billion of transit investments made since 2005 benefit a large and growing labor force;

Going to the Head of the Class: The Growth of Higher Education in Lower Manhattan, a report on the growth of higher education in Lower Manhattan; and

A Surge of Bits and Bytes: The State of Tech and Innovation in Lower Manhattan, a report on Lower Manhattan's growing technology industry.



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