



ALLIANCE FOR DOWNTOWN NEW YORK

LOWER MANHATTAN REAL ESTATE YEAR IN REVIEW

2014

2014: A Banner Year

The forces reshaping Lower Manhattan made 2014 a watershed year, as the district reached a succession of major milestones and became palpably more dynamic and diverse.

The Metropolitan Transportation Authority unveiled its long-anticipated Fulton Center transportation hub, and One World Trade Center officially opened and started welcoming tenants (including employees from media titan Condé Nast). The National September 11 Memorial Museum began operating in May and has already welcomed more than 1 million visitors. There were major signs of visible progress — especially at the World Trade Center site — which have boosted positive momentum in the commercial real estate market.

The continued reimagining and reinvention of Brookfield Place saw the opening of the immensely popular Hudson Eats dining terrace and the announcement of an exciting collection of new retailers and restaurants to come in 2015.

Optimism in the office market was on display, as a flurry of office properties changed hands. Significant diversification in the commercial market was evident in a flood of relocations to Lower Manhattan (especially among TAMI and fashion tenants), in changing employment and occupancy trends and in a burgeoning and increasingly rich array of retail offerings. Rents continued to rise, but Lower Manhattan maintained its value proposition in comparison to the rest of Manhattan — tenants, retailers and investors are flocking here because of economic value as well as the overall improving quality of the district and its growing amenities.

But the transformation of this evolving neighborhood is only just beginning — 2015 promises more big openings, more growth, more diversity and more options.

Key Findings

Retail – Major retail signings and openings expanded Lower Manhattan's constellation of dining and shopping options. The rising value of retail — which was bolstered by the reinvention of the Broadway corridor and by the plans of some property owners to expand their retail space — drove commercial property sales.

Commercial – Lower Manhattan's commercial market experienced its best-performing year since the financial crisis with significant positive absorption of office space as well as evidence of rising rents. As market confidence continued to rise, investors responded with enthusiasm. Major office sales included properties such as 28 Liberty, 180 Maiden and 222 Broadway.

Industry & Employment – Lower Manhattan showed solid gains in private sector employment in 2014, reaching its highest point since its post-9/11 peak in 2003. Thanks to strong leasing trends across diverse sectors, such as TAMI, Professional Services and Education, the makeup and quantity of private sector employment is beginning to shift as these tenants take occupancy. These trends are expected to continue. By the end of 2015, two media companies, Time Inc. and Condé Nast, will be among Lower Manhattan's top 30 largest space occupiers.

Tourism – Tourism made a big leap in Lower Manhattan last year, with 12.4 million people visiting the district in 2014 — showing strong recovery from the Hurricane Sandy hangover in 2013.

Hotel Development – Lower Manhattan's hotel boom continued, with hotel room inventory rising 20% year-over-year and continued strength in occupancy rate and growth in average daily room rate.

Residential Development – While no new residential projects opened in 2014, several major projects took steps toward completion in 2015. Several residential sites traded in 2014, and numerous major new development projects announced sales milestones that demonstrate a strong demand for housing in the local market.

Capital Improvements – 2014 was a banner year for capital improvements, as two major projects under development for the past 10 years — One World Trade Center and the MTA's Fulton Center — opened their doors and welcomed workers and commuters for the first time.



Courtesy of Joe Woolhead for Silverstein Properties

2014

RETAIL MARKET

2014 set the stage for a completely transformed retail market over the next several years, as major projects began opening and a slew of leases were announced throughout the district. As the complexion of Lower Manhattan continues to undergo dramatic changes—a growing and affluent residential base, a rapidly diversifying office tenancy, surging tourism and huge investments in capital improvements—the area is emerging as a major shopping and dining destination. The development of major retail operations at Westfield World Trade Center, Brookfield Place and the South Street Seaport is creating a positive spillover effect throughout the rest of the district, as more retailers recognize the benefits of locating here. Renowned restaurateurs and chefs are unveiling new locations in the neighborhood, while major fashion brands and lifestyle amenities are catering to new populations.

Development

Brookfield Place's extensive renovation of retail and public space will culminate in 200,000 square feet of curated shopping, dining and lifestyle options. Brookfield made headlines in 2014 with the announcement of several major new brands. The majority of the complex is expected to be open by spring 2015.

In summer 2014, Brookfield unveiled the first of its many new offerings with the opening of Hudson Eats, a 600-seat dining terrace with 14 fast-casual spots. Eateries include Mighty Quinn's, Num Pang, Black Seed Bagels, Little Muenster, Dos Toros, Olive's, Skinny Pizza, Umami Burger, Chop't, Sprinkles, Dig Inn, Tartinery, Blue Ribbon Sushi and Northern Tiger.

2014 also saw a major announcement: Saks Fifth Avenue will open a four-floor, 75,000-square-foot store to anchor the complex. This will be Lower Manhattan's first luxury department store and is expected to open in 2016.

2015 will usher in even more offerings. Earlier this year, two lifestyle amenities—Equinox fitness center and the Institute of Culinary Education—joined the complex. March will see the opening of Le District, a 30,000-square-foot French-inspired marketplace, operated by the Poulakakos family. Forty retail shops, ranging from international fashion houses—including Hermès, Salvatore Ferragamo and Ermenegildo Zegna—to top brands such as Theory, Vince, J.Crew and Paul Smith, will open in March as well. Six signature restaurants, including L'Atelier de Joel Robuchon, Amada and Parm, will offer sit-down service and become part of Brookfield's rich dining mix.



Westfield

WORLD
TRADE
CENTER

Over 150 stores and restaurants at Westfield World Trade Center are expected to open late 2015.



Brookfield Place

Hudson Eats opened this summer at Brookfield Place. The majority of the 200,000-square-foot retail complex will open spring/summer 2015.

2014 was also a pivotal year for **Westfield World Trade Center**, destined to become an iconic new destination in Lower Manhattan, with 150 stores and restaurants located in Santiago Calatrava's breathtaking Oculus and at the base of 3 and 4 World Trade Center. The 365,000-square-foot complex released a preview of its retail and dining roster in 2014, which includes Hugo Boss, Michael Kors, Banana Republic and, Desigual. Mario Batali's Eataly was revealed as the culinary anchor among many other food, beverage and dining offerings. Westfield also has partnerships with the National September 11 Memorial Museum and the CFDA/Vogue Fashion Fund and will engage the Lower Manhattan schools and arts community for events and programming.

Fulton Center opened to commuters in November 2014, and plans for its 65,000 square feet of commercial space are underway with a targeted opening in spring/summer 2015. The transportation hub has helped to rationalize connections between nine subway lines and five existing subway stations. A total of 300,000 commuters, residents and tourists are expected to cross through each day. An underground passageway will link Brookfield Place, Westfield World Trade Center and Fulton Center, connecting all three major retail projects.

The revitalization of **South Street Seaport** is important for both Lower Manhattan and the city as a whole. On the East side of Lower Manhattan, the Howard Hughes Corporation finished demolition of the original Pier 17 at the South Street Seaport and began construction of the new pier in October. The reimagined pier and revitalized historic area will provide 365,000 square feet of retail, dining and entertainment by 2017. This will include an eight-screen movie theater, operated by iPic Theaters, which is expected to open later this year. Additional elements of the proposed Seaport redevelopment plan seeking approval include affordable housing in Schermerhorn Row, space for the South Street Seaport museum, a reconstructed Tin Building (which will be relocated away from the FDR and out of the floodplain), lighting and pavilions under the FDR, an extension of Fulton and Beekman Streets onto Pier 17 and a mixed-use building containing a middle school. Howard Hughes is seeking approvals for these components this year.

AVERAGE HOUSEHOLD INCOME:

resident: **\$205,000**

AVERAGE ANNUAL WAGE:

employee: **\$122,000**

more than

2 MILLION SF

of new and repositioned retail



P17R
STH/ST
SEAPRT
Howard Hughes

Construction continues on the new Pier 17 at the South Street Seaport. The new pier will provide over 365,000 square feet of retail, dining and entertainment by 2017.

New Openings and Announcements throughout District

2014 saw the opening of 76 new stores and restaurants in Lower Manhattan, bringing the total number of establishments to 1,049 at year's end. Since 2013, the district's retail offerings have grown by 9%. Restaurant openings this year ran the gamut from coffee shops to fast-casual eateries to sit-down restaurants headlined by famous chefs. Among the newcomers: Gregory's Coffee, Bareburger, Ramen Co, Denny's, Roast Kitchen, Little Park, El Vez and Racines. New craft beer and cocktail bars like Cedar Local, Barleycorn, Stout, Ambrose Hall and Harbor House at Pier A opened in 2014 and are helping to transform the district into a 24/7 community.

Several other notable developments made their mark on the retail scene in 2014. Cipriani expanded its empire with the opening of an event venue in the Great Hall at 25 Broadway. The magnificent and storied 28,000-square-foot space is where passengers once bought tickets for Cunard Steamship Lines in the early 20th century. The opening of Blink Fitness and Retro Fitness sites, as well as added locations for Soul Cycle and Equinox, expanded the district's array of lifestyle amenities. The growth of major national retailers on Broadway continued in 2014 with the opening of Urban Outfitters. In 2015, Zara and Gap will also open along lower Broadway, making the thoroughfare a strong retail corridor and linking major retail projects that are emerging on the east and west sides of the district.

\$5.8 BILLION

in annual spending power

In 2014, plans for new, exciting additions to the dining and restaurant scene were announced to great anticipation. Celebrated restaurateurs Keith McNally and Tom Colicchio will both debut signature new eateries in The Beekman Hotel in 2015. McNally's restaurant will have 90 seats and serve breakfast, lunch and dinner. Colicchio will run the lounge, as well as room service and catering for the hotel and adjacent Beekman Residences.



Retail Rents and Condo Sales

The retail market continues to grow, its increasing strength evident in the rise of retail rents, leasing and retail condo sales. Retail asking rents in Lower Manhattan have climbed 17% over the past year, reaching an average of \$265 per square foot, according to the Real Estate Board of New York.

The excitement stemming from Lower Manhattan's booming retail scene has also spurred investment in retail condos throughout the district. According to Cushman & Wakefield, a total of 13 retail condominiums traded hands in Lower Manhattan in 2014, reflecting over \$174 million in sales, a 120% increase in dollar volume over 2013 and a 79% increase from 2012.

In 2014, Westfield also completed its purchase of the Port Authority's stake in the World Trade Center retail complex for \$800 million. Westfield had paid \$600 million for the other 50 percent stake in the 365,000-square-foot space two years ago. In its entirety, the deal values the space at over \$4,000 per square foot.

Lower Manhattan Retail Market Fast Facts

- Average annual salary of **312,000 workers** is **\$122,000**
- Average household income of **62,000 residents** is **\$205,000**
- Over **50,000 full and part-time students** enrolled at 23 higher education institutions
- **12.4 million unique visitors** in 2014
- **\$5.8 million in annual spending power** in the local market
- More than **2 million square feet of new and repositioned retail** space through 2016



Courtesy of Barleycorn

Barleycorn Craft Bar & Grill, an American gastro pub, opened a few blocks from the World Trade Center at 23 Park Place.



Gregory's Coffee opened three locations throughout Lower Manhattan: 100 Wall Street, 42 Broadway and 80 Broad Street.

EMPLOYMENT AND THE OFFICE MARKET

Major building sales highlighted strong confidence in the office market last year, as leasing momentum surged. Though rents continued to rise, they remained lower than in other parts of Manhattan, underscoring Lower Manhattan's reputation as a cost-effective place to do business. The migration of a diverse set of tenants south of Chambers Street also speaks to the increasing overall appeal of the neighborhood and its amenities, including an unrivaled transportation network and a dynamic and growing array of new hotels, stores and restaurants.

Leasing Trends

Lower Manhattan's commercial performance last year was its best in nearly a decade. A total of 6.8 million square feet was leased in 2014, marking the highest volume of leasing activity since 2006 and up 10% year-over-year. It was also the second consecutive year of leasing activity above 6 million square feet.

2014 was another strong year for large relocations. Fifty percent of the top 20 deals were relocations, and six of those were larger than 100,000 square feet. The TAMI (Technology, Advertising, Media, and Information) and Retail Trade Sectors comprised more than 65% of all relocations by square footage overall in 2014.

"Downtown achieved historic activity and all-time high average asking rents in 2014, and we will continue to see that momentum in 2015, which I believe will be a record year."

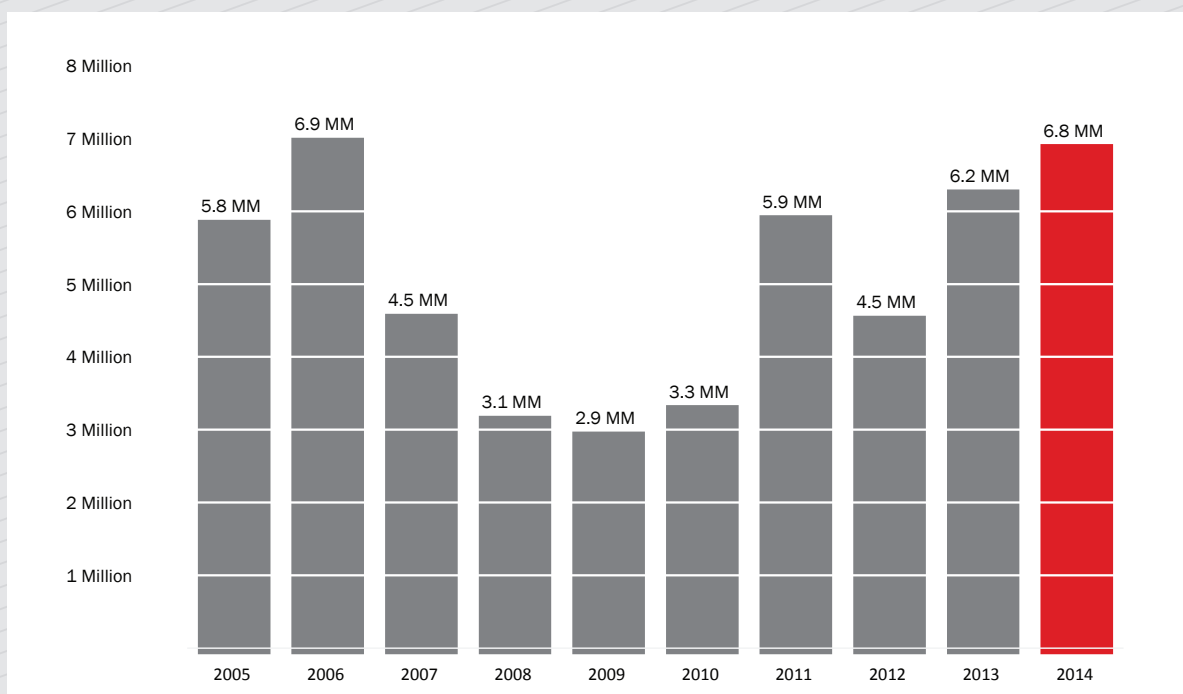
- Mary Ann Tighe, CEO CBRE, New York Tri-State Region

A TAMI company, **Time Inc.**, accounted for the top deal of the year. Overall, four out of the top 20 deals involved new TAMI companies (all of which committed to relocate their headquarters to Lower Manhattan):

- **Time Inc.** announced a 670,000-square-foot lease at 225 Liberty Street in Brookfield Place. The company will move from its global headquarters at the Time & Life Building in Midtown. It was the largest relocation to Lower Manhattan since Condé Nast revealed its plans to move to One World Trade Center in 2011.

ANNUAL LEASING ACTIVITY, 2005-2014

Source: Downtown Alliance, CBRE



- **MediaMath**, a global digital marketing company, completed a lease early in the third quarter for 106,000 square feet at 4 World Trade Center and will relocate nearly 300 employees from three separate Midtown locations in January 2015.
- **Macmillan Science and Education** leased of 176,000 square feet at 1 New York Plaza and committed to move from three other locations in New York City.
- **High Five Games** committed in the fourth quarter to 87,663 square feet in One World Trade Center, relocating from Midtown South.

The center of gravity for technology and creative companies is clearly shifting downtown, but Lower Manhattan also emerged as a new center for the Retail Trade industry in 2014. Retail Trade includes companies focused on fashion and beauty merchandising, design and retail operations. This industry accounted for four out of the top 20 deals. Among the new companies:

- **Hudson's Bay Company**, the owner of Lord & Taylor and Saks Fifth Avenue, committed to a total of 399,000 square feet at Brookfield Place. The company is relocating from two Midtown locations to 225 Liberty Street and 250 Vesey Street.
- **OSP Group** (now FULLBEAUTY Brands), an online collection of fashion brands geared towards plus-size women and men, committed in the fourth quarter to 156,000 square feet in 1 New York Plaza, relocating from Midtown.
- **Revlon** leased 90,200 square feet at 1 New York Plaza and is moving from Midtown.
- **Hugo Boss** (announced in 4th quarter) leased 73,690 square feet in 55 Water Street, moving from Midtown South.

Other top deals involved financial tenants that made commitments to stay in Lower Manhattan. **Bank of New York Mellon** signed for 346,000 square feet to move from its longtime headquarters at 1 Wall Street to Brookfield Place, forgoing a relocation to New Jersey. **Jane Street Capital** also committed to stay in Lower Manhattan as well as expand operations here. The company signed a 114,000-square-foot lease in Brookfield Place and will move from a 56,000-square-foot space in 1 New York Plaza.

HUGO BOSS • FULLBEAUTY HUDSON'S BAY COMPANY ROBERT ALLEN • REVLON

Saks Fifth Avenue • Gap • Zara
Urban Outfitters • Michael Kors
Salvatore Ferragamo • Desigual
Zadig & Voltaire • John Varvatos
J.Crew • Diane von Furstenberg
Ermenegildo Zegna • Burberry
Tiffany • Hermès • Paul Smith

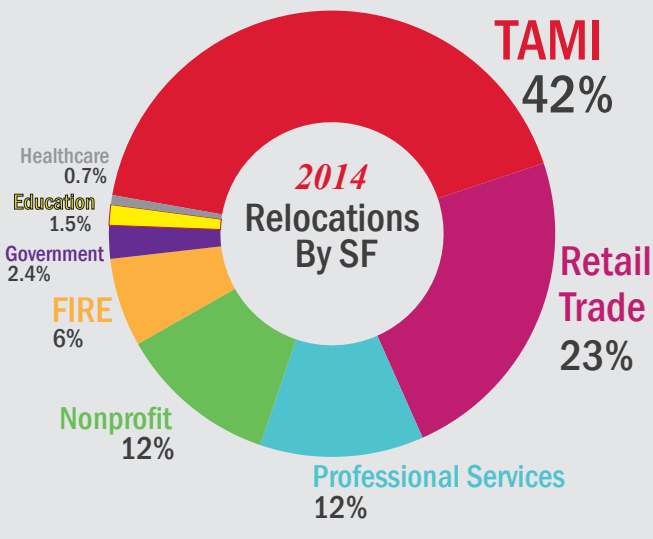
Retail/Fashion Headquarters and Stores Opening in Lower Manhattan

*"We realized this is where
fashion is headed."*

*-Stephanie Sobel, President of OSP Group, upon
announcing a move to 1 New York Plaza*

Lower Manhattan Relocations by Industry Sector, 2014

Source: Downtown Alliance



Many of the largest deals this year were recorded at Brookfield Place and the World Trade Center. The World Trade Center (which includes One World Trade Center, 4 World Trade Center and 3 World Trade Center) is now nearly 50% leased. The combined space at One World Trade Center and 4 World Trade Center is nearly 60% leased. Brookfield Place signed more than 1.9 million square feet of commercial leases in 2014, logging four out of the top 20 deals of the year.

One World Trade Center recorded 237,000 square feet of new leases from 10 tenants in 2014, including four that signed on in the fourth quarter: **xAD** (43,849 square feet), **Incandescent Technologies** (2,556 square feet), **Westfield** (12,456 square feet) and **C12 Capital Management** (3,446 square feet). 4 World Trade Center logged 149,000 square feet of new leases. They included 103,131 square feet for **MediaMath**, 30,000 square feet for **Morningstar Investment Research** (a financial services company relocating from Midtown) and 13,000 square feet for **IEX** (a financial services company expanding and relocating from 7 World Trade Center).

Overall, the TAMI sector dominated leasing in the World Trade Center, with more than 70% of all activity in 2014.

TOP LEASES, 2014

Source: Downtown Alliance, CBRE, CoStar, Colliers International

	Tenant Name Location	SF Leased Transaction Type	Quarter Signed Sector
1	Time Inc. 225 Liberty Street	669,832 Relocation	Q2 TAMI, Media
2	Hudson's Bay Company 225 Liberty Street and 250 Vesey Street	398,712 Relocation	Q3 Other, Retail Trade
3	Bank of New York Mellon 225 Liberty Street	346,607 Moving within LM	Q2 FIRE
4	Macmillan Science and Education 1 New York Plaza	176,121 Relocation	Q3 TAMI, Media
5	Teach for America 25 Broadway	172,774 Relocation	Q1 Nonprofit
6	Amerigroup Corporation 14 Wall Street	165,029 Renewal	Q1 FIRE
7	OSP Group (now FULLBEAUTY Brands) 1 New York Plaza	157,210 Relocation	Q4 Other, Retail Trade
8	Allied World Insurance Company 199 Water Street	142,000 Renewal and Expansion	Q1 FIRE
9	Jane Street Capital, LLC 250 Vesey Street	114,000 Moving within LM and Expansion	Q3 FIRE
10	New York City Department of Investigation 80 Maiden Lane	111,012 Renewal & Expansion	Q2 Government

STRONGEST LEASING ACTIVITY Since 2006

"MediaMath's decision to relocate to 4 WTC proves that New Yorkers were right to bet on Downtown...The New World Trade Center is emerging as the commercial heart of the city's hottest neighborhood."

-Larry Silverstein, Chairman, Silverstein Properties

	Tenant Name Location	SF Leased Transaction Type	Quarter Signed Sector
11	MediaMath 4 World Trade Center	106,000 Relocation	Q3 TAMI, Technology
12	City of New York 80 Maiden Lane	94,896 Renewal	Q1 Professional Services, Other
13	Revlon 1 New York Plaza	90,194 Relocation	Q1 Other, Retail Trade
14	High Five Games One World Trade Center	87,663 Relocation	Q4 TAMI, Media
15	The Union of Orthodox Jewish Congregations of America 11 Broadway	75,120 Renewal and Expansion	Q2 Nonprofit
16	Hugo Boss 55 Water Street	73,690 Relocation	Q4 Other, Retail Trade
17	BCG Brokers 199 Water Street	71,990 Renewal	Q3 FIRE
18	New York City Office of Labor Relations 40 Rector Street	69,033 Renewal	Q2 Government
19	Trinity Wall Street 120 Broadway	68,350 Moving within LM	Q1 Nonprofit
20	WellCare Health Plans 1 New York Plaza	68,325 Relocation	Q4 FIRE

10 out of the top 20 deals in 2014 were relocations

Employment & Occupancy by Industry

Several years of strong corporate relocations from tenants in TAMI and other sectors have translated into an evolving and shifting composition of the Lower Manhattan workforce. As of 2014, private sector employment was up 12% since a post-recession low in 2009. It also nearly returned to a level of employment not seen since 2003. With FIRE sector employment down 28% from 2003, private sector job growth has been driven by a diverse array of other sectors. Among them:

- Employment in private sector education and social services (which includes higher education institutions) is up 116% since 2003.
- Employment in Professional Services is up 43% since 2003.
- Employment in Hotel, Retail and Restaurants is up 29% since 2003.

As New York City's tech and creative economy has grown over the last couple years, Lower Manhattan has also benefited from this success. Since 2009, TAMI sector employment — a combined subset of several different sectors — is up 17% and now accounts for more than 19,000 employees.

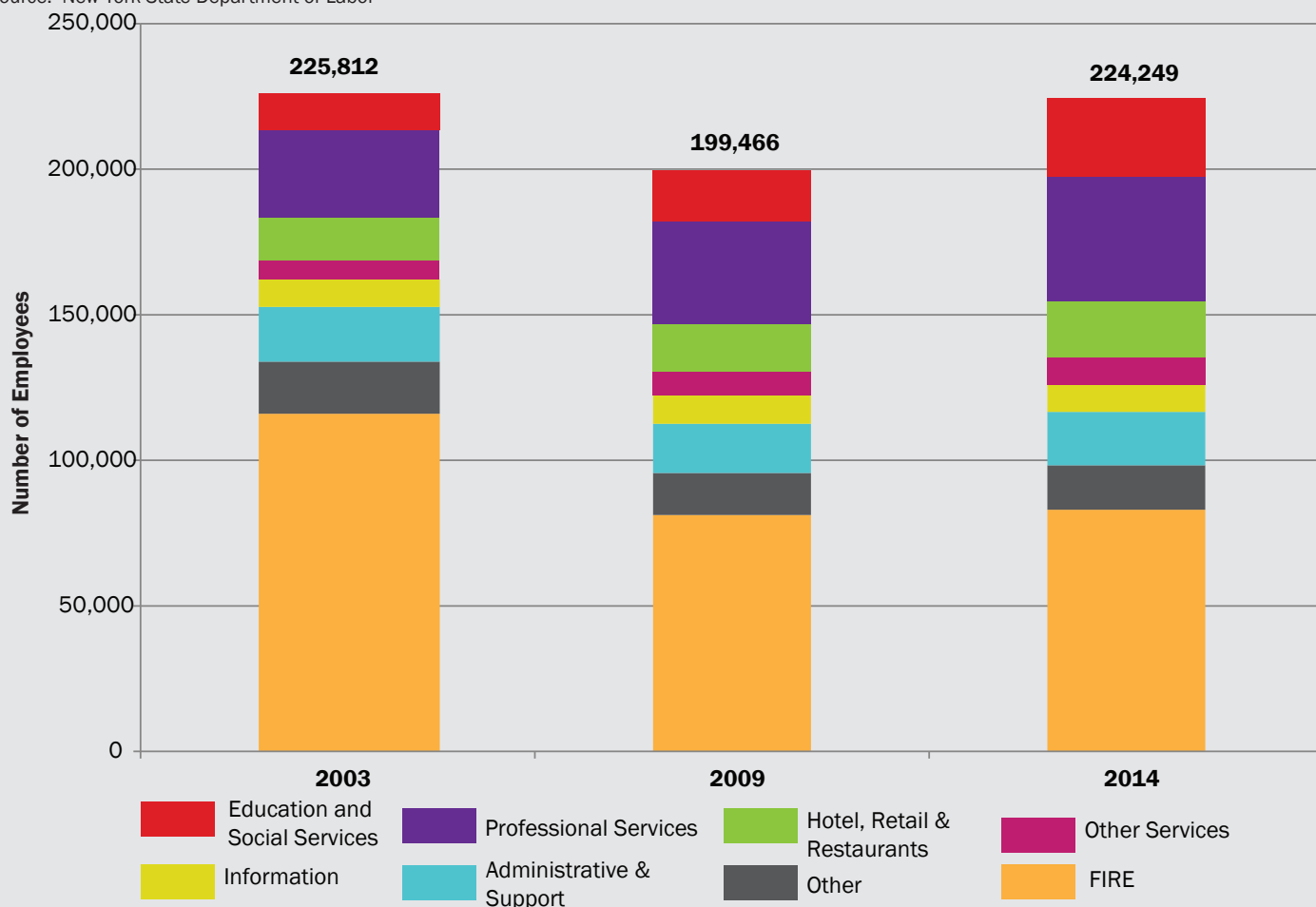
Lower Manhattan Total Employment

318,000

employees

LOWER MANHATTAN PRIVATE SECTOR EMPLOYMENT BY INDUSTRY, 2003 VS. 2009, VS. 2014

Source: New York State Department of Labor



Note: Other includes the following sectors: Construction, Manufacturing, Wholesale Trade, Other Services, Unclassified Establishments, Management of Companies, Administrative & Support, and Arts Entertainment and Recreation; Other services includes personal services like laundromats, hair salons, health clubs, and nonprofits like trade unions, religious organizations, political parties, etc.; 2014 reflects Q2 2014 data, latest date set available.

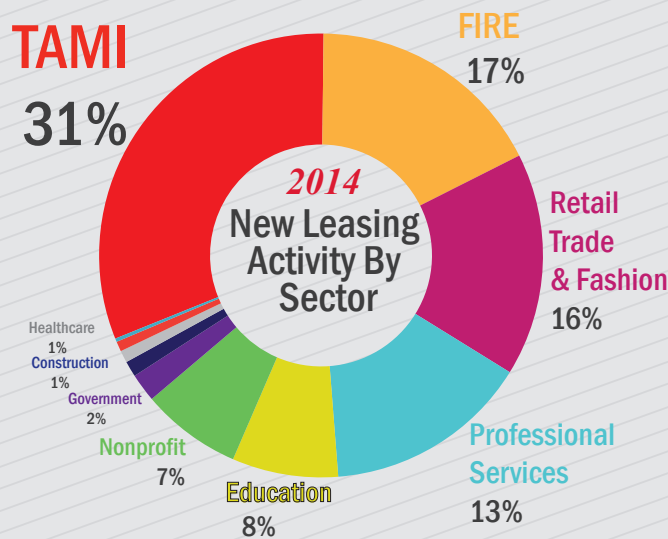
With major leases signed across all these sectors in 2014, private sector employment will grow in the future and the composition is likely to continue to diversify beyond FIRE.

Legacy FIRE and professional services firms, such as law, continue to represent the largest occupiers of office space in Lower Manhattan. But recent relocations by a diverse set of tenants — especially those in the TAMI sector — have resulted in an increasing share of current office occupancy compared to 2012. In 2014, FIRE accounted for 39.5% of total occupied space in Lower Manhattan, down from a 51% share in 2012. Meanwhile, other sectors have increased their share of Lower Manhattan's occupied office space. Among them:

- The Education, Healthcare, and Nonprofit Sectors occupies 9.8%, up from 3.9% in 2012.
- The TAMI sector continues to gain traction, as more tenants sign leases and relocate to Lower Manhattan. TAMI Tenants occupy 12% of Lower Manhattan office space, compared to 8% in 2012.

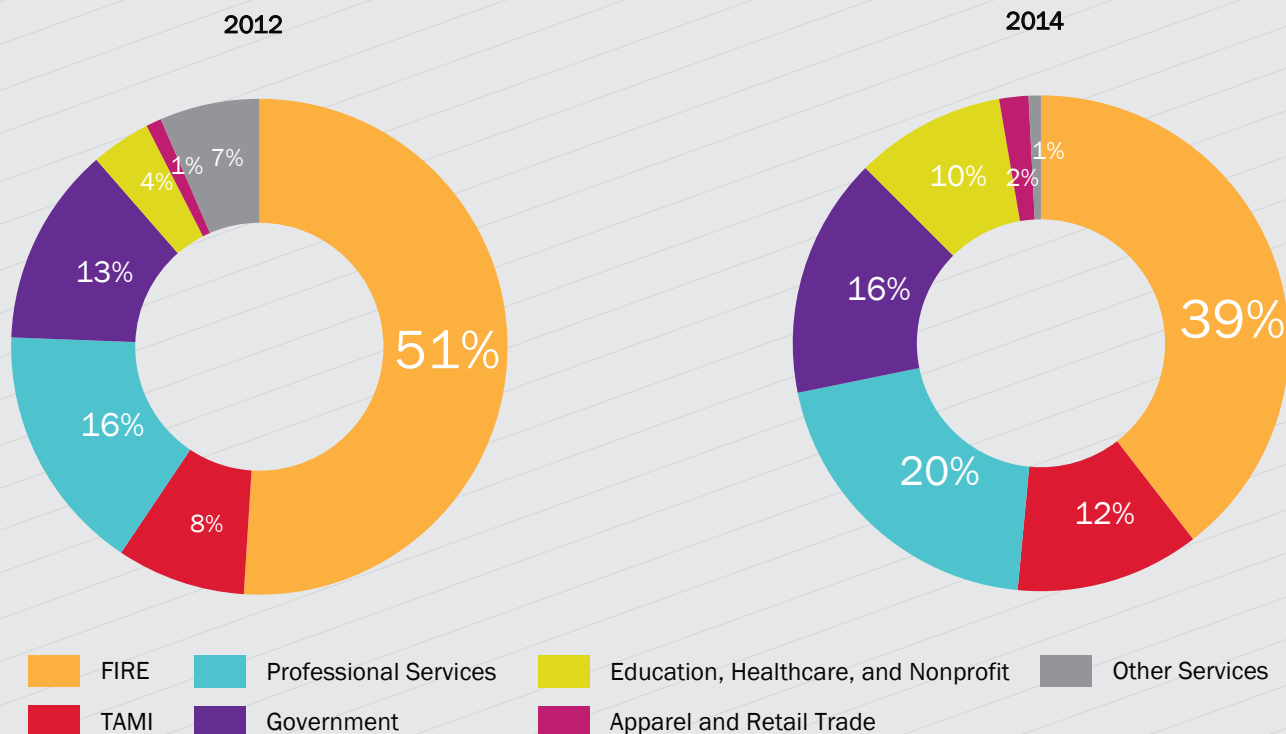
2014 LOWER MANHATTAN LEASING ACTIVITY BY SECTOR

Source: Jones Lang LaSalle, reflects new leases only



SHARE OF TOTAL OCCUPIED SPACE IN LOWER MANHATTAN, BY INDUSTRY SECTOR, 2012 VS. 2014

Source: Jones Lang LaSalle



These significant shifts in occupancy are anticipated to continue in 2015 and beyond. By the end of next year, there will be four TAMI tenants among Lower Manhattan's top 30 largest space occupiers when two media firms join the ranks. The newcomers include **Time Inc.**, scheduled to move in during late 2015, and **Condé Nast**, which has fully moved into its new headquarters at One World Trade Center. These firms join the ranks of other long-term Lower Manhattan tenants, including Goldman Sachs, Standard & Poor's, the New York Stock Exchange and Moody's Corporation.

LOWER MANHATTAN'S LARGEST TENANTS, 2015

Source: Downtown Alliance, CBRE, CoStar

	Tenant Name	SF Occupied	Sector
1	City of New York	6,927,374	Government
2	Goldman Sachs	2,363,382	FIRE
3	New York State Government	1,596,729	Government
4	Deutsche Bank	1,530,500	FIRE
5	Metropolitan Transportation Authority	1,469,981	Government
6	American Express	1,347,125	FIRE
7	Federal Reserve Bank of New York	1,270,000	Government
8	Bank of America (including Merrill Lynch)	1,204,197	FIRE
9	American International Group (AIG)	1,191,419	FIRE
10	Condé Nast Publications	1,185,035	TAMI, Media
11	U.S. Government	1,133,239	Government
12	Morgan Stanley Smith Barney	1,116,823	FIRE
13	McGraw-Hill (includes Standard & Poor's)	1,040,000	FIRE
14	New York Stock Exchange	1,037,396	FIRE
15	Verizon	987,653	TAMI, Technology
16	Citigroup	885,500	FIRE
17	Moody's Investor Services	793,570	FIRE
18	Time, Inc.	669,832	TAMI, Media
19	Sullivan & Cromwell	634,108	FIRE
20	Royal Bank of Canada	592,267	FIRE
21	Guardian Life Insurance Company of America	569,140	FIRE
22	Cadwalader, Wickersham & Taft	528,236	Professional Services, Law
23	Cleary, Gottlieb, Steen & Hamilton	516,265	Professional Services, Law
24	CME Group, Inc.	449,430	FIRE
25	NASDAQ	416,817	FIRE
26	Fried, Frank, Harris, Shriver & Jacobson	378,690	Professional Services, Law
27	Thomson Reuters Financial	373,145	TAMI, Technology
28	Bank of New York Mellon	376,818	FIRE
29	Milbank, Tweed, Hadley & McCloy	369,588	Professional Services, Law
30	United Federation of Teachers	352,534	FIRE

Note: Tenants in bold are new to this list, which reflects expected occupancy by end of 2015.

More than **800** *TAMI* Tenants
Technology, Advertising, Media, & Information

Rising Rents, But Still A Good Deal

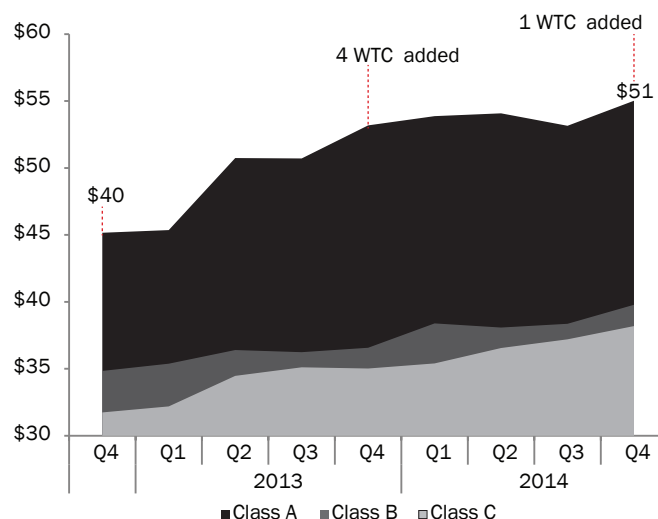
Tenants continue to flock to Lower Manhattan office market, drawn by a growing number of benefits. Not least is the district's distinct value proposition: Lower Manhattan rents remain markedly lower than in other sub-districts. Overall average asking rents are \$9.70 less than those in Midtown South and \$24.10 less than those in Midtown.

The Lower Manhattan rental value remains despite an increase in pricing. Average asking rents display a steady upward trend since the beginning of 2013 and are up 27%. Year-over-year, average asking rents in Lower Manhattan are up 5.8% and are up 5.4% over the third quarter of 2014. The quarterly increase largely stems from the addition of available space at One World Trade Center.

Owners report that rents are moving up across building types. Class A pricing is up 21% from the first quarter of 2013 and up 3.5% year-over-year. Class B pricing has increased as well with asking rents up year-over-year by 8.8% and up 3.7% just from last quarter. This may reflect strong activity in Lower Manhattan's Class B space, in particular, as tenants seek value. The average asking Lower Manhattan Class B rent is \$39.80, 40% below asking rents for Class B space in Midtown and 59% below Class B space in Midtown South.

LOWER MANHATTAN ASKING RENTS, Q4 2012 - Q4 2014

Source: Downtown Alliance, CBRE, CoStar



Overall Asking Rents up

27%

from Q1 2013

but still a good value:

\$9.70

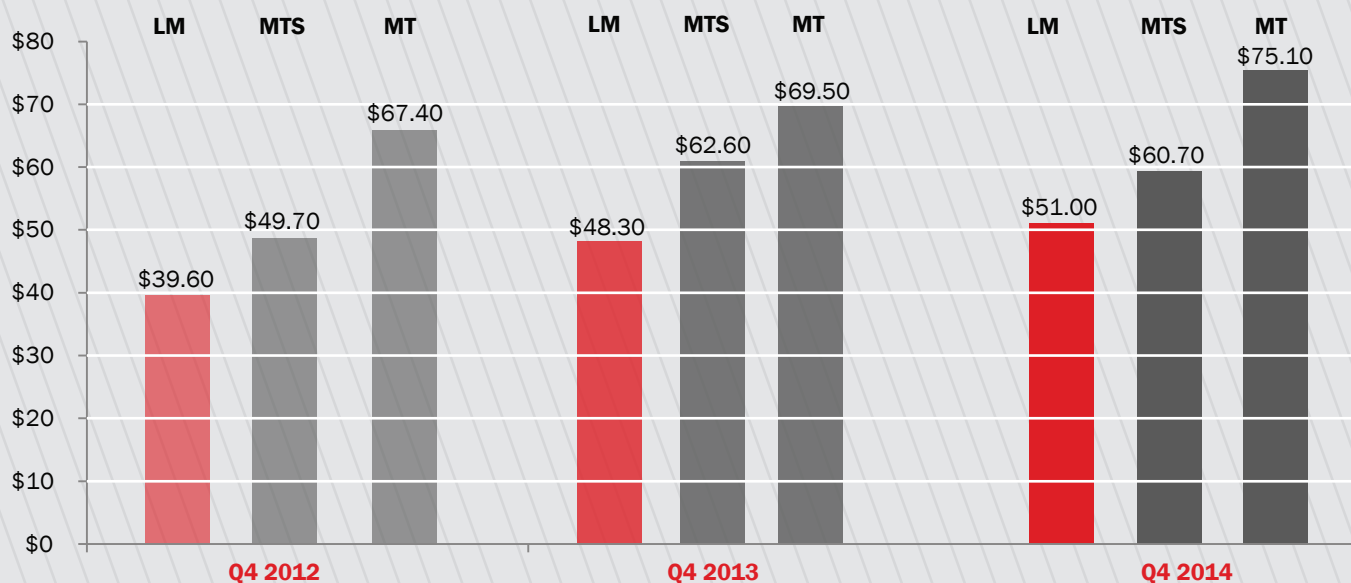
less than MTS

\$24.10

less than MT

MANHATTAN OVERALL AVERAGE ASKING RENTS, BY SUBMARKET, Q4 2012 - Q4 2014

Source: Downtown Alliance, CBRE, CoStar



Vacancy Rate Stays Under 10 Percent

Vacancy rate
9.7%
down 2.5 percentage
points year-over-year

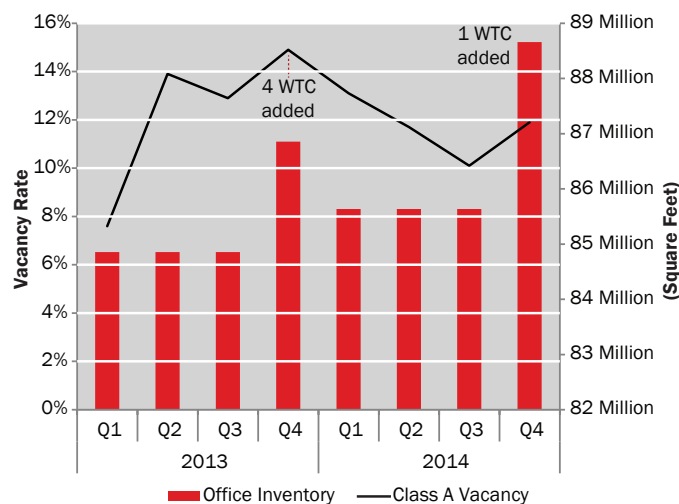
1.1 million square feet at One World Trade Center in the fourth quarter).

Despite the addition of new office space, Lower Manhattan's vacancy rate has remained below 10% for the second consecutive quarter. It is down 2.5 percentage points year-over-year and up just slightly from last quarter by 0.7 percentage points (this is largely due to the addition of

Meanwhile, vacancy rates also trended down in other submarkets, reflecting the accelerating economy and robust activity in the overall Manhattan market. Manhattan logged more than 10 million square feet of positive absorption, with Downtown accounting for more than 44% of this amount. In 2014, Lower Manhattan posted 4.8 million square feet of positive absorption. Midtown's vacancy dropped 1.4 percentage points year-over-year, settling at 9.8%. Remaining one of the nation's tightest submarkets, Midtown South saw its vacancy rate decrease by 1.5 percentage points; it is now 7.1%.

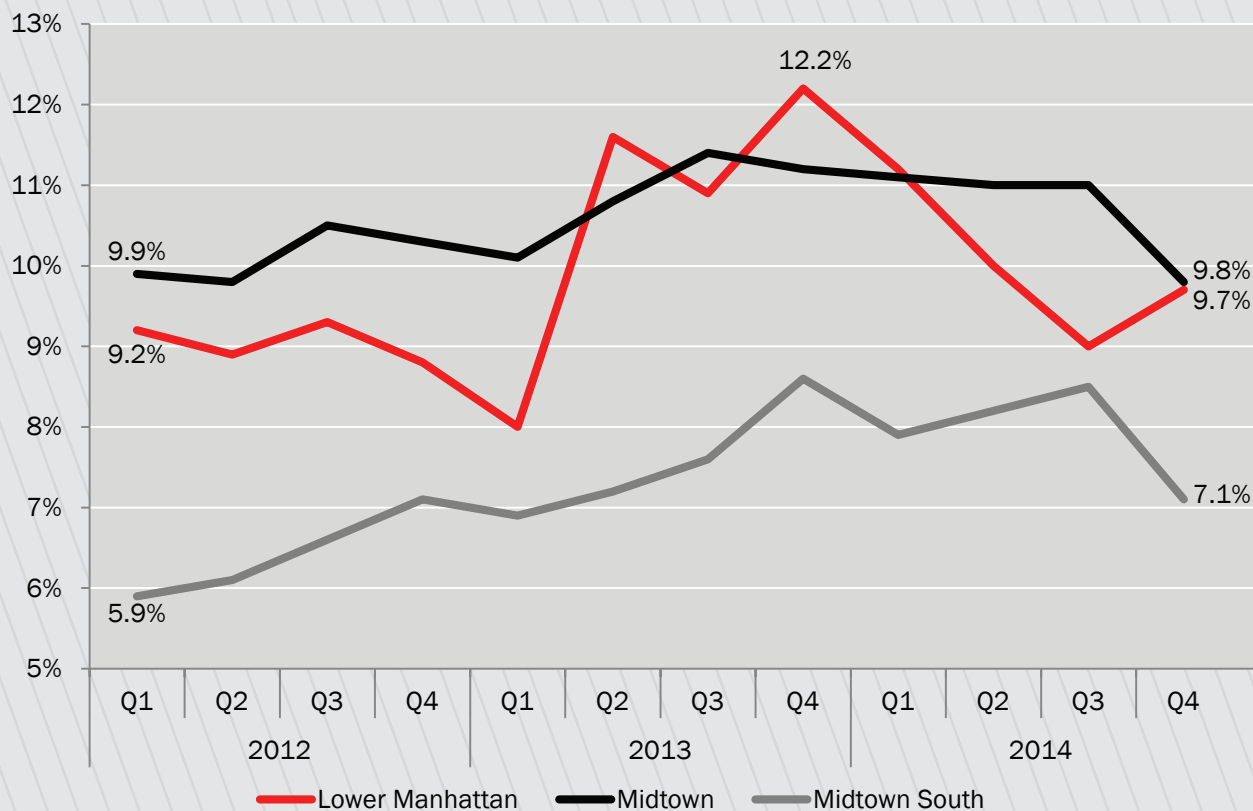
CLASS A VACANCY RATE AND TOTAL OFFICE INVENTORY IN LOWER MANHATTAN, 2013-2014

Source: Cushman & Wakefield



MANHATTAN VACANCY RATES BY SUBMARKET, 2012-2014

Source: Cushman & Wakefield



\$3.4 Billion in Office Sales

Fourteen office property sales closed in Lower Manhattan in 2014, according to Cushman & Wakefield. This reflects over \$3.4 billion in sales — an increase of 179% over 2013. The following were the three largest closed transactions:

- The sale **1 Chase Manhattan Plaza**, renamed **28 Liberty** in early 2015, was last year's largest closed deal. In the first quarter of 2014, Fosun International purchased the 2.2 million-square-foot property for \$725 million (or \$330 per square foot) and plans to maintain the property for office use. Rebranding the property as 28 Liberty, Fosun plans to create over 200,000 square feet of retail in the lobby and concourse level. Jones Lang LaSalle is beginning to market the 1.1 million square feet of office space vacated by JP Morgan Chase.
- In the third quarter of 2014, Deutsche Asset & Wealth Management purchased a 95% stake in **222 Broadway** from Beacon Capital and L&L Holding Company, which valued the property at \$500 million (or about \$647 per square foot). L&L Holding will remain as the partner and building manager. Recent new tenants include Condé Nast, as well as Lower Manhattan's first WeWork location, WeWork Fulton Center. The ground and second floors are being reconfigured to accommodate a new 30,000-square-foot Zara, opening in Spring/Summer 2015.
- The sale of **61 Broadway** closed in the second quarter of 2014. RXR Realty purchased the 786,000-square-foot office building from Broad Street Development for \$330 million (or about \$423 per square foot). The new owners plan to reposition the building for tech and creative tenants.

Other large deals announced in 2014 and early 2015 (but not yet closed) include :

- In the fourth quarter of 2014, RXR Realty announced its purchase of **32 Old Slip**, a 1.2 million-square-foot office building, for \$675 million (or about \$563 per square foot) from Beacon Capital. This was RXR Realty's second Lower Manhattan purchase last year; the owner also holds buildings throughout Manhattan, such as the Starrett-Lehigh Building in Chelsea, and throughout the NYC Metro area.
- In the third quarter of 2014, a partnership between Murray Hill Properties and Clarion Partners, announced the purchase of **180 Maiden Lane** — a 1.2 million square foot office building — for \$480 million from SL Green Properties. Three years ago, SL Green purchased a 49.9% stake in the building that valued it around \$425 million. The building currently has about 830,000 square feet of vacant space.

\$3.4 Billion

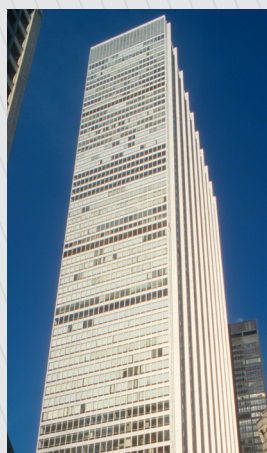
2014 Office Sales Volume

Up

179%

from 2013 Office Sales Volume

28 Liberty (previously 1 Chase Manhattan Plaza)



2.2 million-square-foot office tower.

Top closed deal of 2014. Sold for \$725 million to Fosun International.

Plans include adding 200,000 square feet of retail.

- In the third quarter of 2014, Principal Financial Group purchased a 49% stake in **77 Water Street** from Travelers Companies for \$118 million. Travelers Companies values the property at \$235 million, or about \$390 a square foot. The William Kaufman Organization will remain as the majority owner.
- In the beginning of 2015, American Realty Capital announced its purchase of **123 William Street**, a 547,000-square-foot office building at the corner of William and Fulton Streets (adjacent to Fulton Center) for \$253 million from East End Capital. It sold for nearly twice what it was purchased for a little more than a year earlier: East End Capital and GreenOak Real Estate had bought the property from the Chetrit Group for \$133 million in the third quarter of 2013. When it traded hands in 2013, the property was about 50% vacant; today it is more than 80% leased.

Lower Manhattan's Class B office market has also seen brisk activity, with the sale of at least five office buildings announced or closed since the beginning of 2014. All of them are located east of Broadway, an area traditionally ripe for the conversion of office properties to residential or hotel use. Significantly, all of these properties have plans to remain as office properties, signaling investor confidence in strong demand from office tenants who want to be in Lower Manhattan.

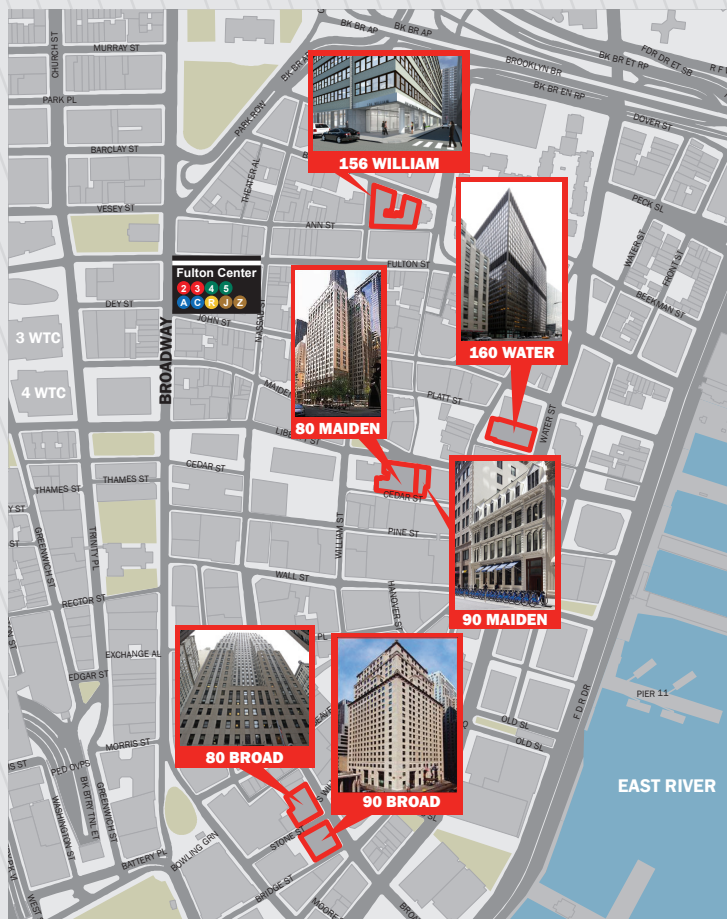
80 Broad Street was purchased in the second quarter of 2014. Savanna Investment Fund sold the property to Broad Street Development for \$175 million or about \$407 per square foot — more than two times what it was appraised for in 2010. Savanna took over the 430,000-square-foot tower in 2011, when it bought the senior mortgage at a 12% discount on its \$75 million face value from Kent Swig.

- Princeton International Property closed on the purchase of **90 Broad Street** in the first quarter of 2014, acquiring the 400,000-square-foot office building from Swig Equities for \$126 million or about \$315 per square foot.

- In the third quarter of 2014, Normandy Real Estate Partners announced the purchase of a 50 percent stake in **80 and 90 Maiden Lane** from The Chetrit Group for \$105 million (or approximately \$177 per square foot). Combined, the properties comprise 594,000 square feet; the deal values both properties at about \$210 million. AM Property Group will remain the owner of the other 50 percent stake in the two properties.
- In the first quarter of 2014, William Macklowe purchased **156 William Street**, a 250,000-square-foot office building, for \$62.5 million (or about \$250 per square foot). The company plans to rebrand the building for use as medical offices.
- In the first quarter of 2014, Emmes Realty purchased **160 Water Street** from Oestreicher Realty for \$151 million (or about \$333 per square foot). Emmes also purchased the adjacent 180 Water Street in 2013. While 180 Water Street is planned for residential use, 160 Water Street is expected to remain an office building.

CLASS B OFFICE SALES, 2014

Source: Cushman & Wakefield, Downtown Alliance



CLASS B OFFICE SALES EAST OF BROADWAY:

156 WILLIAM STREET

*Purchased by William Macklowe in Q1
\$62.5 Million*

160 WATER STREET

*Purchased by Emmes Realty in Q1
\$151 Million*

80 & 90 MAIDEN LANE

*Purchased by Normandy Real Estate
Partners in Q3
\$105 Million - 50% stake*

80 BROAD STREET

*Purchased by Broad Street Development in Q2
\$175 Million*

90 BROAD STREET

*Purchased by Princeton International Realty in Q1
\$126 Million*

TOURISM & HOSPITALITY

2014 was a record-breaking year for tourism in New York City, as 56 million people visited the Big Apple. As the city experiences a rise in tourism, Lower Manhattan is leading the way, recording 12.4 million unique visitors in 2014, a strong uptick from the prior year marred by post-Hurricane Sandy effects.

Last year was particularly significant for Lower Manhattan, which saw the opening of the long-awaited National September 11 Memorial Museum in May. The museum has already drawn more than 1 million visitors from all 50 states and many countries across the world. Two of the district's tried-and-true sites, the Statue of Liberty and Ellis Island, saw the highest levels of attendance in more than a decade.

The surge in leisure and business travel downtown has attracted the attention of the hospitality industry and has sparked a hotel building blitz. Over the last several years, new hotel brands,—ranging from luxury to boutique to budget—have opened in Lower Manhattan. The district's number of hotel rooms is expected to climb 60% by 2016.

This hotel development comes against the backdrop of growing media attention and enthusiasm about Lower Manhattan as a premier tourist destination. Condé Nast,

The New York Times and Lonely Planet all featured the neighborhood among their top global destinations of 2015.

Record Year for Tourism

Lower Manhattan welcomed 12.4 million tourists last year, up 30% from 2013 and 10% from 2012. The National September 11 Memorial continued to be a major draw in 2014 with more than 17 million visitors since its opening in September 2011. The National September 11 Memorial Museum has already attracted over 1 million people since it began operating in May 2014. The Statue of Liberty and Ellis Island saw a total of 4.2 million visitors last year, marking the two islands' third biggest year in visitation after 1999 and 2000, respectively. Tourism is expected to continue increasing in 2015, with the anticipated opening of the 120,000-square-foot One World Observatory in the spring. The facility plans on welcoming up to 3 million annual visitors. Operated by Legends Hospitality, the observatory will offer iconic views, seated and casual dining, a theater and special events.

The National September 11 Memorial Museum opens



The National September 11 Memorial Museum officially opened to the public on May 21, following a six-day dedication period during which the museum was open 24/7.

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

Over one million people have visited the museum since its opening. Organizers have said they hope to draw 2.5 million visitors a year.

In conjunction with the Museum opening, the fences around the Memorial plaza came down. The Memorial plaza has seen more than 17 million visitors since opening in September 2011. They have come from all 50 states and more than 175 nations around the world.

Hotel Development Takes Off

Lower Manhattan's 4,924 hotel rooms in 21 properties represent a 20 percent increase over the past year. But the coming years promise even more robust growth. While the district currently takes up a relatively small piece (less than 5%) of New York City's total hotel inventory of 102,000 hotel rooms, 21 percent of all hotel rooms under construction throughout the city are in Lower Manhattan. That equates to 2,600 rooms in 15 hotels that are in the pipeline; another 1,172 hotel rooms at six hotels were announced this year alone. Three hotels opened in 2014:

- The 81-room **Hampton Inn** began operating on June 19th at 32 Pearl Street.
- The world's tallest **Holiday Inn** opened October 24th at 99 Washington Street. The 50-story hotel has 492 rooms and is attached to St. George's Tavern in the landmarked former St. George's Syrian Catholic Church.
- The **Marriott Residence Inn** at 170 Broadway debuted in late December with 243 rooms. The property was converted from an office building and will also feature a 19,000-square-foot Gap at the base.

In 2015, Lower Manhattan's current hotel room inventory will grow by 33 percent with the opening of 1,649 rooms in ten hotels. They include:

- **Aloft Hotel** at 49 Ann Street with 125 rooms;
- **Fairfield Inn & Suites** at 161 Front Street with 176 rooms;
- **Four Points by Sheraton** at 6 Platt Street with 262 rooms;
- **Q&A**, an extended stay hotel operated by Furnished Quarters at 70 Pine Street, with 132 rooms;
- **Riff Hotel** at 102 Greenwich Street with 20 rooms;
- **Boutique hotel** at 24-26 John Street with 128 rooms;
- **Boutique hotel** at the Battery Maritime Building with 61
- **The Beekman Hotel** in the historic Temple Court building at 5 Beekman Street with 287 rooms;
- **Courtyard by Marriott** at 133 Greenwich Street with 317 rooms;
- **AKA Wall Street** at 84 William Street with 141 rooms;

Source of NYC hotel pipeline: NYC & Company

Source of tourism estimates: Audience Research & Analysis

20% *increase in
hotel rooms
in 2014*

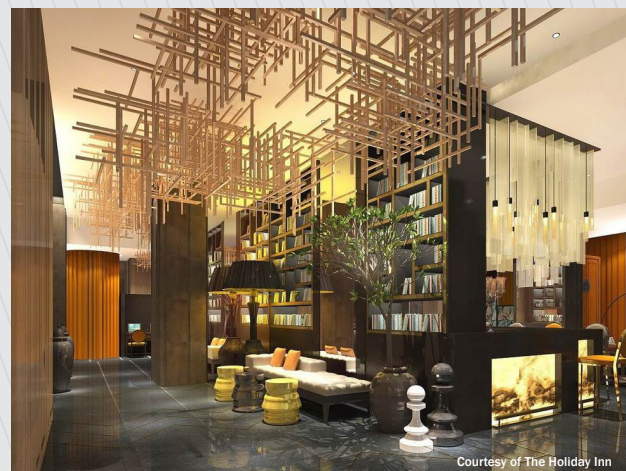


Courtesy of The Beekman

The Beekman Hotel

The historic transformation of the former Temple Court building at 5 Beekman Street into The Beekman Hotel will be complete in the fall. The 287-room hotel will have eateries by Keith McNally and Tom Colicchio.

12.4 MILLION
estimated number of visitors in 2014



Courtesy of The Holiday Inn

Holiday Inn at 99 Washington Street

At 50 stories, the world's tallest Holiday Inn opened late October at 99 Washington Street. The hotel has 492 hotel rooms.

LOWER MANHATTAN HOTEL DEVELOPMENT PIPELINE

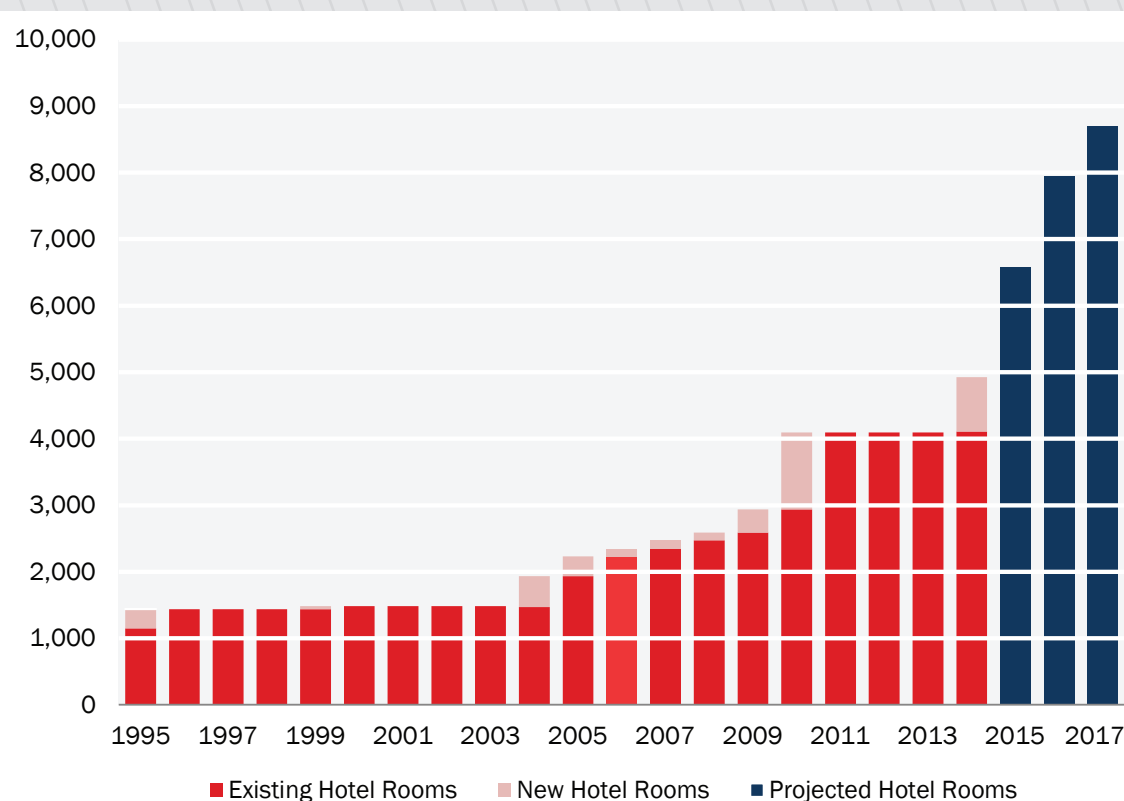
Source: Downtown Alliance

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
1	Aloft Hotel 49 Ann Street	107 West Broadway Realty Corp	125/18	2015
2	Fairfield Inn & Suites 161 Front Street	Lam Group	176/32	2015
3	Four Points by Sheraton 6 Platt Street	Lam Group	262/30	2015
4	Q&A 70 Pine Street	Rose Associates	132/ 4(of 66)	2015
5	Riff Hotel 102 Greenwich Street	Royal United Builders	20/5	2015
6	Boutique hotel 24-26 John Street	Westbury Realty Associates	128/21	2015
7	Boutique hotel Battery Maritime Building	The Dermot Group	61/5	2015
8	The Beekman Hotel 5 Beekman Street	GB Lodging Group	287 9/46	2015
9	Courtyard by Marriott 133 Greenwich Street	Hidrock Realty	317/31	2015
10	AKA 84 William Street	Prodigy Networks	141/19	2015
11	Boutique hotel 100 Greenwich Street	Jiten Hotel Management	192/25	2016

	Hotel & Address	Owner/ Developer	Rooms/ Floors	Open Date
12	Four Seasons 30 Park Place	Silverstein Properties	189 21 (of 82)	2016
13	Residence Inn (upper floors) 215 Pearl Street	Lam Group	322/40	2016
14	Courtyard by Marriott (lower floors) 215 Pearl Street			
15	Hilton Garden Inn 6 Water Street	McSam Hotel Group	249/29	2016
16	Hotel Indigo 10-12 Maiden Lane	10-12 MLane Inc.	190/25	2016
17	Extended Stay Hotel 17 John Street	Prodigy Networks	230/23	2016
18	TBD Hotel 151 Maiden Lane	Fortis Property Group	271/33	TBD
19	TBD Hotel 11-13 Stone Street	Premier Emerald LLC	143/27	TBD
20	TBD Hotel 11-13 Stone Street	Fit Investment Corporation	188/29	TBD
21	TBD Hotel 120-122 Water Street	NY Times Square Hotel Group	150/31	TBD

LOWER MANHATTAN HOTEL ROOM GROWTH BY YEAR

Source: Downtown Alliance



RESIDENTIAL MARKET

Lower Manhattan's residential population has doubled over the past ten years. While no residential projects were completed in 2014, over 11 were announced last year. 2015 will be a major year for residential development, with another 1,300 units opening in the market.

Inventory and Development

Lower Manhattan has a housing inventory of approximately 31,000 units in 323 mixed-use and residential buildings with an estimated population of 62,000. Four residential projects with 799 units began construction in 2014. As development projects expand the total inventory, the residential population is expected to grow.

The pipeline of residential development includes over 1,300 units in six buildings under construction with plans to open in 2015. Among them:

- Rose Associates' building at **70 Pine Street** is expected to open in early summer 2015 with 644 rental units.
- CBSK Ironstate's **87 Chambers Street** will offer 17 condo units to the market spring 2015.
- Construction continues on ABN Real Estate's **19 Park Place**, a narrow 20-story tower with 21 condo units. Completion is estimated for late 2015.
- Phase II continues at **20 Exchange Place**, which entails adding 221 rental units to the existing 556.

Residential development activity will increase throughout the next year with plans for seven new buildings comprising over 900 units to come to market in 2016:

- The recently closed garage at **60 Fulton Street** will be replaced by a 23-story, 120-unit rental building. The building is being developed by Socius Development Group, and the Brauser Group and will include 20% affordable housing.
- **110 Wall Street** is undergoing the initial phases of conversion. WeWork is planning on adding 232 units in 2016.
- Construction continues on The Beekman Residences at **5 Beekman Street**, a 51-story tower with 68 condo units. The new residential tower will join the 287-room Beekman Hotel, both developed by GFI Development and GB Lodging. The Beekman Residences are scheduled for completion in early 2016.
- Silverstein Properties will debut the Four Seasons Residences at **30 Park Place** in 2016. The 82-story tower will have 157 condo units and 189 hotel rooms.



70 Pine Street

Rose Associates expects to open the building in summer 2015.

The office conversion of AIG's former headquarters will have 644 luxury rental units, a 132-room extended stay hotel and 35,000 square feet of retail space.



1 Wall Street

It was purchased by Macklowe Properties for \$585 million.

Plans include converting the historic office building to luxury residential and retail space.

HIGHLIGHTS OF LOWER MANHATTAN RESIDENTIAL DEVELOPMENT

Source: Downtown Alliance

	Address & Building Name	Lease & Building Type	Units	Open Date
Rental Buildings Under Construction				
1	70 Pine Street	Rental Conversion	644	2015
2	20 Exchange Place	Rental Conversion	221	2015
3	33 Beekman Street Pace Residence Hall	Dormitory New Construction	378	2015
Rental Buildings Planned for Development				
1	60 Fulton Street Exhibit	Rental New Construction	120	2016
2	110 Wall Street WeWork/WeLive	Rental Conversion	232	2016
3	123 Greenwich Street	Rental New Construction	128	2017
4	180 Water Street	Rental Conversion	600	TBD
5	92 Fulton Street	Rental New Construction	10	TBD
6	111 Washington Street	Rental New Construction	429	TBD
Condo Buildings Under Construction				
1	19 Park Place	Condo New Construction	21	2015
2	87 Chambers Street Reade Chambers	Condo New Construction	17	2015
3	12 Warren Street	Condo New Construction	24	2015
4	5 Beekman Street The Beekman Residences	Condo New Construction	68	2016
5	30 Park Place Four Seasons Residences	Condo New Construction	157	2016
6	50 West Street	Condo New Construction	191	2016
7	233 Broadway Woolworth Residences	Condo Conversion	34	2016
8	140 West Street Barclay Square	Condo Conversion	166	2016
Condo Buildings Planned for Development				
1	68-74 Trinity Place	Condo New Construction	111	2017
2	45 Park Place	Condo New Construction	46	2017
3	112-118 Fulton Street	Condo New Construction	460	2017
4	151 Maiden Lane	TBD New Construction	74	2017
5	101 Murray Street 101 TriBeCa	Condo New Construction	139	2018
6	149 Church Street	TBD New Construction	24	TBD
7	99 Wall Street	Condo Conversion	TBD	TBD
8	1 Wall Street	TBD Conversion	TBD	TBD

- Construction continues on **50 West Street**, a 65-story, 191 condo unit tower. The building, developed by Time Equities, will open in 2016.
- Alchemy Properties began construction on the top 30 floors of **233 Broadway**. Known as The Woolworth Residences, the facility will offer 34 condo units and is anticipated to open late 2016.
- Magnum Real Estate plans to convert the top 22 floors of the former Verizon Building at **140 West Street** into 166 condo units. Construction of the residential conversion is expected to be completed in 2016. Plans include approximately 100,000 square feet of retail at the base.

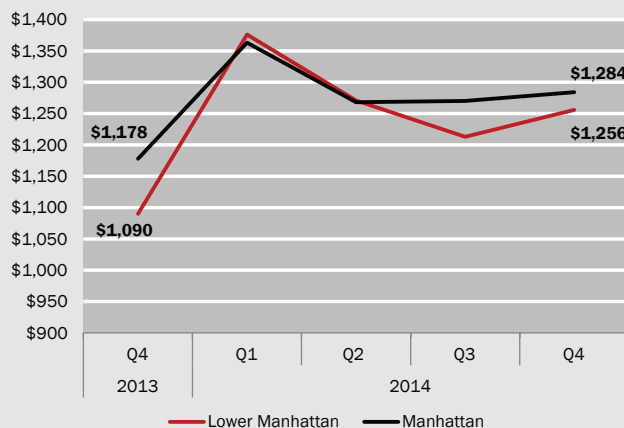
Many other properties made headlines throughout the year. Over 1,800 units in eleven buildings are in the planning stages with future openings from 2017 and beyond:

- Michael Shvo, who bought **123 Greenwich Street** in the second quarter for \$180 million, announced plans to update the site. Shvo will partner with Bizzi & Partners to build a 77-story, Rafael Vinoly-designed building with 128 condo units and 20,752 square feet of retail. A completion date has not been discussed.
- Emmes Realty plans to convert **180 Water Street** to 600 rental units. The conversion will also include the addition of seven stories to the building.
- Pink Stone Capital filed permits for a 51-story, 429-rental unit building at **111 Washington Street**.
- Trinity Church's existing office building at **68-74 Trinity Place** was vacated to prepare for construction of a 44-story mixed-use tower with 111 condo units. Trinity Church will occupy the seven-story base. Completion is expected in 2017.
- Soho Properties filed plans for a 39-story tower at **45 Park Place** with 46 condo units to be completed in 2017. The plans also include an Islamic Museum at the base.

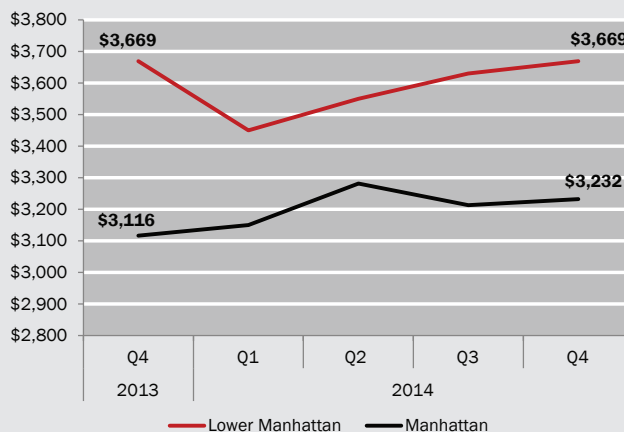
more than
60,000
residents

AVERAGE SALES PRICE (\$) PER SF

Source: Miller Samuel/Douglas Elliman

**MEDIAN RENTAL PRICES**

Source: Miller Samuel/Douglas Elliman



- The collection of buildings at **112-118 Fulton Street** was demolished to make way for a 460-unit building. Carmel Partners purchased the site from Lightstone Group for \$171 million – a 170% increase in the original price Lightstone paid in 2013 when it acquired the parcels and air rights. Construction is anticipated to be complete in 2017.
- Fortis Property Group announced plans to build a 51-story, 74-unit tower at **151 Maiden Lane**. The property will also include a 271-room hotel.
- Fisher Brothers and the Witkoff Group filed plans for a 62-story, 139 unit condo tower called 101 Tribeca at **101 Murray Street**. Demolition of the old St. Johns University building is underway and construction is expected to be complete in 2018.
- Fisher Brothers also announced construction of a 17-story building at a vacant lot at **92 Fulton Street**. The ten rental units will be permanently affordable and are anticipated to fulfill affordable housing requirements at 101 Murray.
- Cape Advisors filed permits for a new 12-story, 24-unit residential building at **149 Church Street** with 4,000 square feet of ground floor retail. The current 5-story mixed used building will be demolished.
- The Claremont Group secured \$52.4 million in funding to convert **99 Wall Street** to condominiums.
- Macklowe Properties bought the historic art-deco **1 Wall Street** for \$585 million and plans to convert the former home of the Bank of New York Mellon into a mix of retail space and rental and condo units.

In another notable residential development, **Southbridge Towers** residents voted to turn their subsidized co-op into market rate housing. The 1,607-unit complex was built in 1969 under the Mitchell-Lama program.

Pace University is preparing to open a new 378-unit residence hall at **33 Beekman Street** in anticipation of the fall 2015 semester. Coupled with the school's recently completed residence hall at 182 Broadway, the new facility will help accommodate Pace's increasing residential student population (which will grow to an estimated 3,100 by the end of 2015).

Rents Steady, Rentals Up Year-Over-Year

Lower Manhattan's median rent, \$3,669, has been flat since last quarter and year-over-year. Manhattan's overall median rent, \$3,232, is also unchanged over last quarter but is up by 3.7% from last year. The number of new rentals decreased in both markets over the past quarter, but, since last year, Lower Manhattan's new rentals rose 15% and Manhattan's new rentals were up 14%.

Sales on the Rise

Overall, the median sale price for Lower Manhattan units is up 34% since the first quarter of 2011, from a price of \$850,000 to \$1.14 million. Lower Manhattan's average price per square foot in the fourth quarter of 2014 was \$1,256, an increase of 15% year-over-year and a 3.5% increase over last quarter.

Lower Manhattan's residential sales market posted a second year with activity up slightly over 2013 but 36% above total sales in 2012.

Meanwhile, Manhattan-wide sales activity saw an 18 percent decrease from last quarter and year-over year. The Manhattan average price per square foot, though rising only slightly since last quarter, saw a 9% increase over last year.

New Development Sales Update

In 2014, several new luxury residential development projects began selling units. Among them:

- The Four Seasons Residences at 30 Park Place, marketed exclusively by Corcoran, is currently 60 percent sold. This includes three out of the 11 penthouses. The Silverstein Properties project includes 157 condominiums and is scheduled for completion in 2016.
- The Beekman Residences at 5 Beekman, marketed exclusively by Douglas Elliman, launched sales of its 68 condominium residences in October 2014 and is currently 33% sold. The project was 25% under contract within one month following the sales launch. The GFI Development and GB Lodging project is scheduled to be completed in early 2016.
- 50 West, a 191-unit Time Equities condominium project, is 40% sold and scheduled to be completed in 2016.

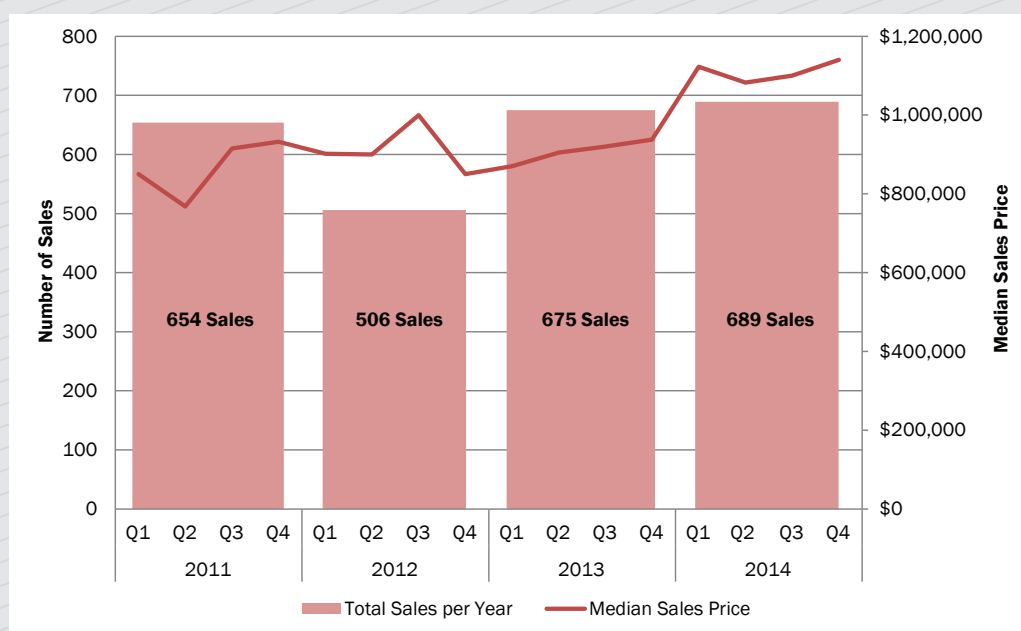
Residential Building Sales

According to Cushman & Wakefield, a total of 34 residential buildings traded hands in 2014, over twice as many as in 2013. These transactions generated over \$1.2 billion, with an average price per square foot at \$916. The fourth quarter alone saw the sale of 18 buildings, totaling \$710 million.

Source of rental rents and sales market data:
Miller Samuel/Douglas Elliman

MEDIAN SALES PRICE v. TOTAL SALES PER YEAR IN LOWER MANHATTAN

Source: Miller Samuel/Douglas Elliman



CAPITAL IMPROVEMENT PROGRESS

2014 was a momentous year for numerous major projects and capital improvements, ushering in several significant openings: the National September 11 Memorial Museum, One World Trade Center (the tallest building in the western hemisphere) and Fulton Center. The construction of Three World Trade Center continued, after it received funding. 2015 promises to be another eventful year with the expected completion of Brookfield Place's extensive retail operation and the opening of the World Trade Center Transportation Hub.

Fulton Center

The Metropolitan Transportation Authority's Fulton Center officially opened November 10.

The 65,000 square feet of commercial space at Fulton Center is fully leased, and tenants are expected to include beauty salons, drugstores, and grab-n-go eateries. The MTA anticipates that the shops will open in mid-2015.

World Trade Center (WTC)

4 World Trade Center

The 72-story, 2.3 million-square-foot office tower was completed in November 2013.

The building is 62% leased to the Port Authority, the City of New York, MediaMath, IEX and Morningstar.

One World Trade Center

The 104-story, 3 million-square-foot office tower opened November 3, 2014.

The building is currently 61% leased, with tenants including Condé Nast, Beijing Vantone China Center, U.S. General Services Administration, Servcorp, KiDs Creative, High Five Games, xAd, Incandescent Technologies, Cushman & Wakefield, BMB Group, Westfield and Legends Hospitality Group. Condé Nast, the largest leaseholder, has now fully relocated to the building.

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

Three World Trade Center

The 2.5 million-square-foot office tower is expected to open in 2018.

Group M Worldwide signed a lease for 515,000 square feet in the building.

Silverstein Properties sold \$1.6 billion of tax-exempt Liberty Bonds, generating the final piece required to complete construction.



One World Trade Center

The tallest building in the western hemisphere opened in 2014.

The 104-story, 3 million-square-foot tower is currently 61% leased.

Condé Nast has fully occupied its 1.1 million-square-foot lease. Other tenants: High Five Games, xAd, & KiDS Creative.

Legends Hospitality will open One World Observatory this spring.



Four World Trade Center

It opened in November 2013.

The 2.3 million-square-foot office tower is 62% leased.

Tenants include: Port Authority of New York & New Jersey, NYC Human Resources Administration, IEX, MediaMath and Morningstar.

Two World Trade Center

The 88-story, 2.8 million-square-foot office tower is being actively marketed to host potential anchor tenants.

National September 11 Memorial Museum

The 100,000-square-foot National September 11 Memorial Museum opened on May 21 and has welcomed over 1 million visitors.

The National September 11 Memorial, which opened in September 2011, has drawn more than 17 million visitors.

The World Trade Center Transportation Hub

The 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.

The 114 "ribs" have been put into place, and the installation of the glass façade will begin. The hub is scheduled to open in late 2015.

In advance of the opening of the World Trade Center Transportation Hub, the temporary PATH station deconstruction is scheduled to begin in the first quarter of 2015. New entrances and exits will be relocated.

Liberty Park

The 1.5-acre park, located on the roof of the World Trade Center Vehicle Security Center (VSC), will have a "living wall" along the northern Liberty Street side. The park will have seating for up to 750 people, along the perimeter of the planting beds. The east side will be the location of the new St. Nicholas Greek Orthodox Church, and the west side will connect via pedestrian bridge to Battery Park City.

The park is expected to open late 2015.

Located on the eastern side of Liberty Park, the \$38 million, Santiago Calatrava-designed church broke ground in October. Its anticipated completion is in late 2016.

Vehicle Security Center

The New York City street grid is being slowly reintegrated into the World Trade Center complex, though vehicle traffic will not be free-flowing through the site. Security barriers are being installed, while pedestrians are able to move more freely through the site.

The VCS will serve as the complex's main entry point for automobiles, trucks and buses and is expected to be completed in late 2016.



3 World Trade Center

With financing in place, the building is scheduled to be completed in 2018.

GroupM signed a lease for 515,000 square feet in the 2.5 million-square-foot office tower.



World Trade Center Transportation Hub

The 800,000-square-foot facility will house the PATH station and Westfield's 350,000-square-foot retail complex, as well as offering underground connections to Fulton Center and Brookfield Place.

Completion is scheduled for late 2015.

Lower Manhattan Waterfront

Pier 17 Redevelopment

The Howard Hughes Corporation completed the deconstruction of Pier 17. The replacement of the superstructure and the pier will continue through 2015. Plans include 365,000 square feet of retail, dining, and entertainment space, as well as a new food market in the Pier 17 building.

Pier A

Developed by the Dermot Group and Poulakakos family, Harborhouse at Pier A opened in late 2014. The 40,000-square-foot restaurant complex includes numerous features: a biergarten, oyster bar, 100-seat restaurant, event space, café, outdoor promenade and a visitor kiosk.

Governors Island

The 2014 summer season was the first time the Island was open seven days a week. Public access tripled from 40 days to 120.

Thirty acres of new parks and public space were introduced in 2014, including Liggett Terrace, Hammock Grove and the Play Lawn.

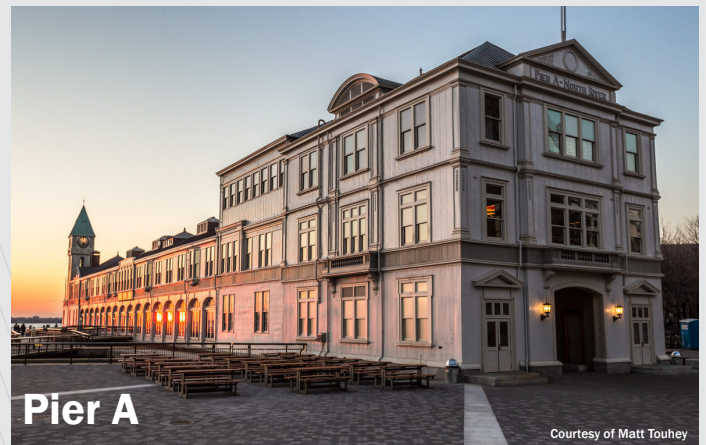
The Hills, four man-made hills promising dramatic new experiences and views of the Harbor and Lower Manhattan skyline, are expected to be completed in 2015.

Battery Park

Phase I of the Battery Bikeway opened with expanded pedestrian sidewalks and seating. Phase II, beginning in 2015, will connect Manhattan's east and west bike paths.

The SeaGlass Carousel will open in spring 2015.

The Battery Oval, a three-acre lawn, will be open to the public in 2015. The space has an audience capacity of 5,000 people. In the fall, the Oval will be populated with 300 new mobile, outdoor chairs. The design of the special chairs will be determined in a special competition run by the City Parks Department, the National Park Service and the Battery Conservancy.



Performing Arts Center at the World Trade Center (PAC WTC)

The architect for this project will be selected soon. The complex will have three theaters — 150, 350 and 550 seats respectively — that can be combined in different ways to accommodate audiences of up to 1,000. Its opening is projected for 2019.

Transportation Infrastructure

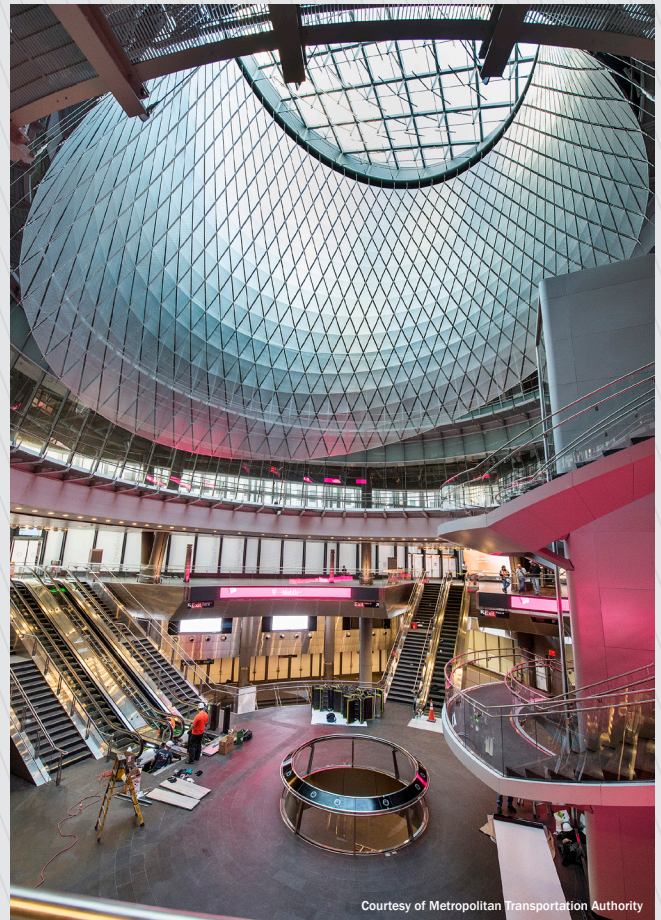
South Ferry station

The Metropolitan Transportation Authority awarded a \$194 million contract to rebuild the South Ferry subway station that was damaged in Hurricane Sandy. The station will benefit from permanent flood protection measures, become wheelchair accessible and allow entry and exit for ten cars along the No. 1 line. Completion is expected in 2017.

Broadway Reconstruction

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

Fulton Center Opens



Courtesy of Metropolitan Transportation Authority

The \$1.4 billion Fulton Center officially opened November 10th.

The MTA estimates that Fulton Center will accommodate 300,000 daily riders using the 4/5, 2/3, A/C, J/Z and R lines.

The 65,000 square feet of commercial space at Fulton Center is fully leased, and tenants are expected to include beauty salons, drugstores, and grab-n-go eateries. Shops are expected to open mid-2015.

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:

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 the more than \$6.4 billion of transit investments since 2005 and how these investments 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;

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

The Brain Gain, a report on how the region's shifting demographics are favoring the Lower Manhattan business district;

If you have questions or require additional information,

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