



Market Indicators	4Q 2016	Full Year 2016	Full Year 2015	YOY Change
AVAILABILITY RATE	10.3%	10.3%	9.6%	+0.7pp
AVERAGE ASKING RENT (\$/SF/YR)	\$73.24	\$73.24	\$71.50	+2.4%
LEASING ACTIVITY	7,018,480	33,095,194	31,360,385	+5.5%
ABSORPTION	(1,773,115)	(3,792,054)	4,254,297	(8,046,351)

Note: pp (percentage points)

Manhattan full-year leasing activity was higher year-over-year. Leasing in 2016 not only bested 2015, it also surpassed full year leasing from eight of the last ten years. Pricing was higher as against 2015 in Manhattan overall, the three markets, eleven of the 17 submarkets and all building classes in Manhattan overall.

Continued job growth help to sustain tenant demand. Between November 2015 and November 2016, more than 61,000 new private sector jobs (a 1.6% increase) were added in New York City, higher than the 1.3% growth for New York State and consistent with the 1.7% gain nationally during the same period.¹ Year-over-year, New York City unemployment (through November 2016) remained stable at 5.2%, less than half of the post-recession high of 10.5% in January, 2010.²

But, higher demand was not able to keep pace with Manhattan's growing office supply. The yearly availability rate was up and 2016 net absorption was sharply negative.

New is the New Black

At 33.10 MSF, leasing activity in Manhattan was 5.5% higher, year-over-year. In the last decade, only 2014's 37.38 MSF and (narrowly) 2013's 33.92 MSF topped leasing volume in 2016. The FIRE (financial services, insurance and real estate) sector accounted for the largest share of Manhattan leasing in 2016 at 31%, led by UBS' 891,000 SF renewal at 1285 Avenue of the Americas, Two Sigma Investments' 217,000 SF renewal/expansion at 100 Avenue of the Americas and a total of 808,000 SF of new leases and expansions by WeWork.

Demand for new construction was strong in 2016 in all three markets, across a range of industries and at different price-points. Nearly three million square feet of leasing (greater than 15,000 SF) closed in post-2010 buildings, up significantly from 1.79 MSF in 2015.

There were 1.49 MSF of deals with starting rents above \$100.00/ SF in 2016, a 17.2% annual increase from 2015. Aside from 2014, this was the highest volume of \$100.00/ SF plus leasing since the Great Recession. Citadel's 211,000 SF lease at 425 Park Avenue was one of Manhattan's most expensive ever.

The Road Back

Manhattan asking rents were up year-over-year. At an average \$73.24/ SF, asking rents were 2.4% higher since year-end, 2015. Asking rents have recovered an impressive 53.9% off a recessionary low of \$47.58/ SF from 3Q 2010. Pricing in Manhattan is very near its pre-Great Recession third quarter, 2008 peak of \$73.31/ SF.

Asking rents in Class A buildings were up 3.6% for the year to an average \$78.19/ SF. The Class B average increased a modest 0.3% to \$62.62/ SF. Class C rents were higher as well, by 8.1% to a new record average of \$57.33/ SF.

Sublet asking rents increased 9.2% year-over-year to an average of \$57.64/ SF with above-market priced blocks added at 777 Third Avenue, 1290 Avenue of the Americas and 399 Park Avenue. The sublet pricing average is still 16.5% under the record-high \$69.04/ SF in 3Q 2008.

Asking rents for Manhattan's 12 contiguous blocks of space larger than 250,000 SF were higher by 12.6% to \$87.68/ SF in 2016, a 19.7% premium to market average compared to 8.9% one year ago.

Supply-chained

Manhattan's yearly availability rate was up 0.7pp (percentage points) to 10.3%. Large blocks of available space were added in 2016, mostly as a result of new construction/major renovations and anticipated tenant relocations within Manhattan. Sublet availability was also higher for the year by 0.4pp to 1.8% but has remained at or below 2% for the last six years.

Net absorption was negative 3.79 MSF, the first full year of negative absorption since 2009 and modest in comparison. That year, with high sublet availability (3.3%) and anemic tenant demand resulting from the Great Recession, Manhattan absorption was negative 10.07 MSF. This past year, in part, the combination of strong leasing with negative absorption and higher availability was caused by several significantly sized deals closed with no impact on either availability or absorption: the four largest deals in 2016 were renewals or sale-leasebacks.

¹ Source: New York State Department of Labor.

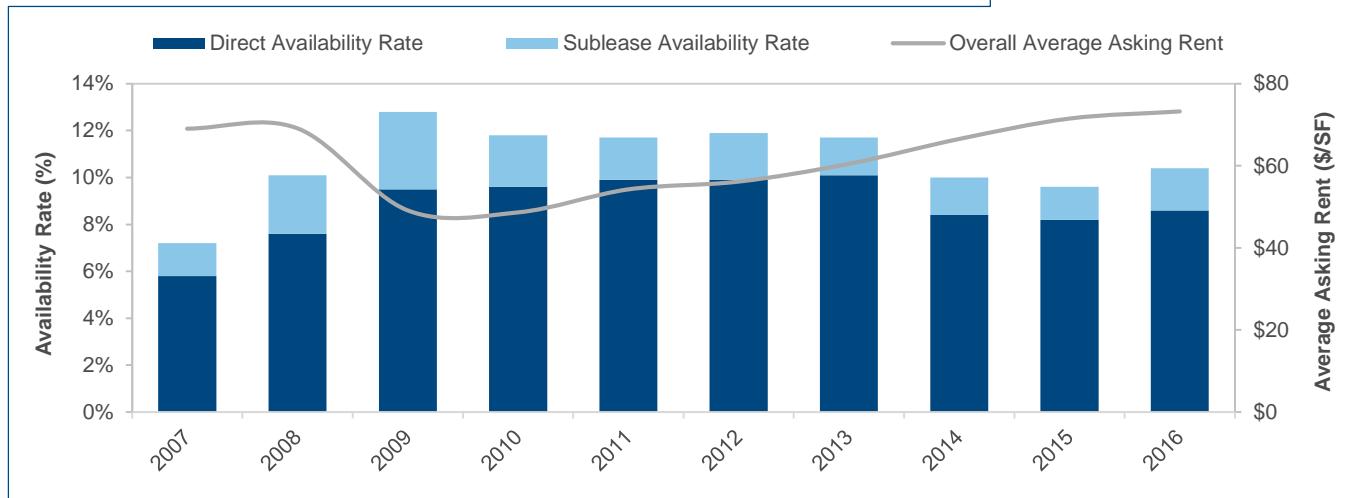
² Source: New York State Department of Labor. Employment data is not seasonally adjusted.

Supply Side Economics

Concession packages – rent abatements and tenant work allowances – have been on the rise since 2008. In the last four years alone, landlord concessions have nearly doubled (94.3%) while the average asking rent was up by 30.5% during the same period. In 2016, the weighted rent abatement period increased, albeit slightly (2.2%), to 9.1 months. The weighted work allowance was up 3.5% to \$61.82/ SF.

In the year ahead, and perhaps beyond, concessions packages will likely continue to climb as landlords vie for tenants in a supply-sided market. There is 11.23 MSF of future available blocks greater than 100,000 SF that will be added to the availability rate over the next several years due to committed tenant relocations and an additional 32.78 MSF of office construction/major building renovations underway or planned.

Manhattan | Overall Average Asking Rent and Overall Availability Rate



Source: Colliers International Research

Manhattan | Overall Leasing Activity

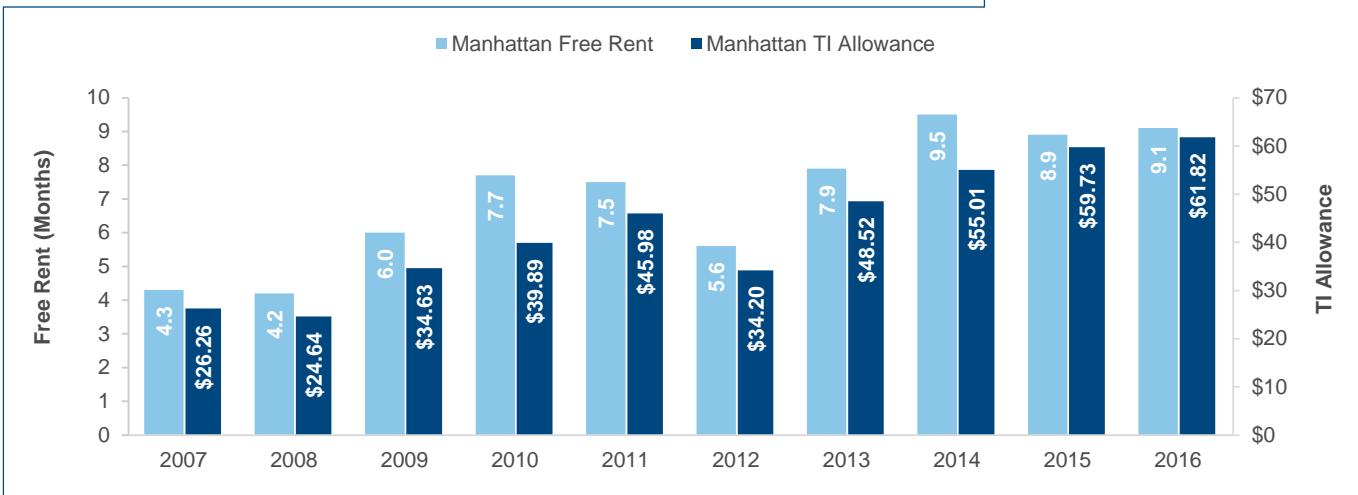
*Excludes deals under 5,000 SF



Source: Colliers International Research

Manhattan | Concessions

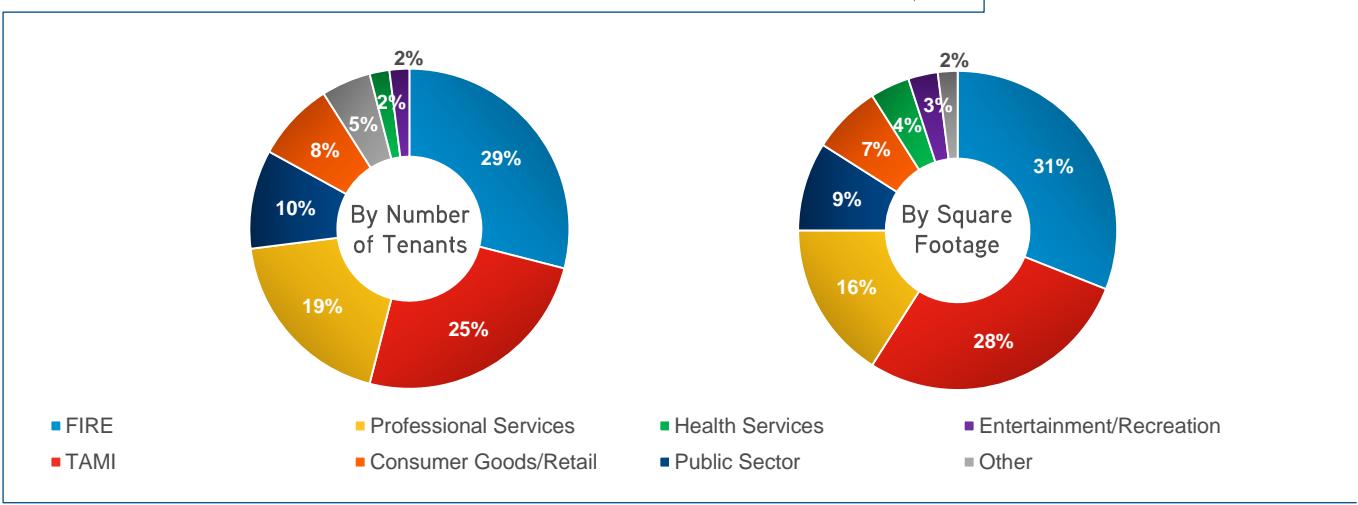
*Direct deals, term > 5 years



Source: Colliers International Research

Manhattan | Leasing Activity by Industry (2016)

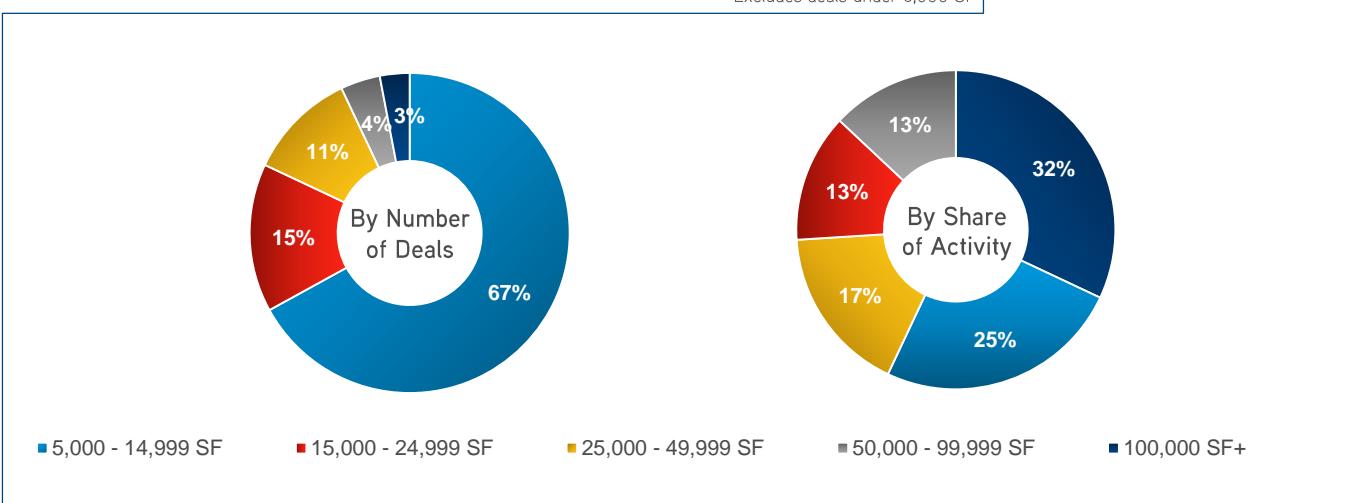
*Excludes deals under 5,000 SF



Source: Colliers International Research

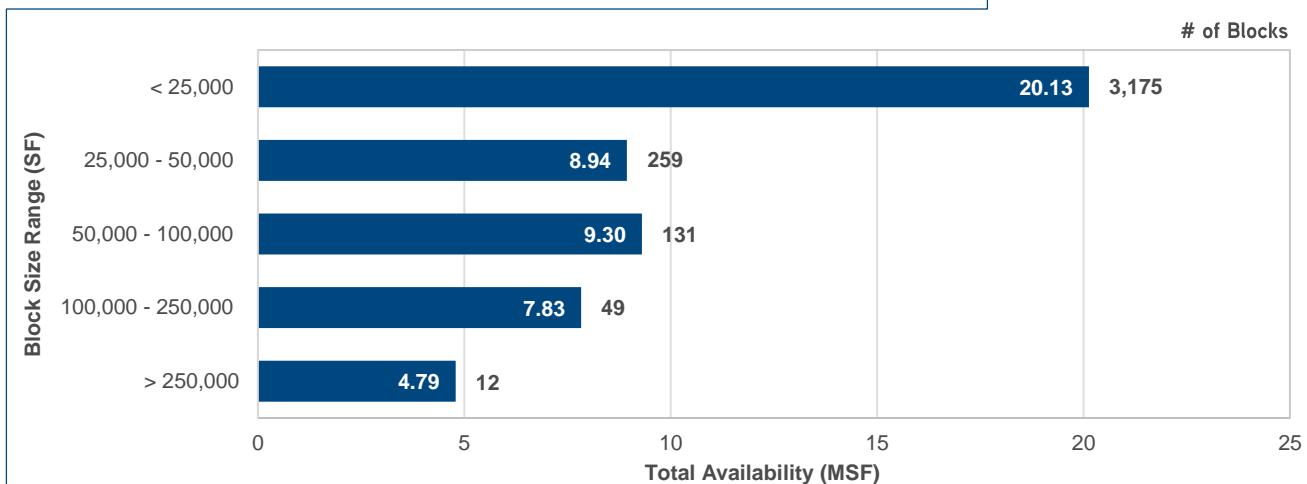
Manhattan | Leasing Activity by Size (2016)

*Excludes deals under 5,000 SF



Source: Colliers International Research

Manhattan | Available Blocks of Space



Source: Colliers International Research

Top 2016 Leases

Market	Address	SF Leased	Tenant	Submarket	Lease Type
 MIDTOWN	1285 Avenue of the Americas	891,296	UBS	Columbus Circle	Renewal
	1745 Broadway	603,650	Penguin Random House	Columbus Circle	Renewal
	222 East 41 st Street	389,522	NYU Langone Medical Center	Grand Central	New
 MIDTOWN SOUTH	10 Hudson Yards	694,396	Coach	Penn Plaza / Garment	New
	SuperPier (Pier 57)	263,835	Google	Chelsea	New
	55 Hudson Yards	257,817	Milbank, Tweed, Hadley & McCloy LLP	Penn Plaza / Garment	New
 DOWNTOWN	55 Water Street	900,027	McGraw-Hill Financial	Financial District	Renewal
	90 Church Street	256,616	State of New York	World Trade Center	Renewal
	375 Pearl Street	182,750	City of New York	City Hall	New

ECONOMIC INDICATORS

GDP Gross Domestic Product \$18,675 (3Q 2016) [in billions]	 Increase from 2016	CCI Consumer Confidence Index 113.7 (Dec. 2016)	 Increase from Nov 2016	NYC Unemployment Rate 5.2% (Nov 2016)	 Decrease from October 2016
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Source: U.S. Department of Commerce, The Conference Board, New York State Department of Labor

Manhattan Market Overview

Submarket	Inventory	Overall Availability Rate	Leasing Activity (Full Year)	Net Absorption (Full Year)	Overall Average Asking Rent	Class A Average Asking Rent	Class B Average Asking Rent
Midtown	236,122,551	10.7%	16,663,962	(1,871,124)	\$82.39	\$85.09	\$60.09
Columbus Circle	32,442,839	8.7%	3,331,242	(107,267)	\$75.34	\$78.02	\$59.30
Plaza District	84,583,394	10.5%	5,039,802	(886,970)	\$93.63	\$94.64	\$61.17
Times Square	59,667,786	10.3%	3,556,063	(213,725)	\$78.47	\$84.58	\$59.82
Grand Central	55,247,051	13.3%	4,665,618	(666,840)	\$76.02	\$76.87	\$63.74
U.N. Plaza	4,181,481	1.3%	71,237	3,678	\$58.63	\$58.63	-
Midtown South	165,618,649	8.4%	11,276,659	(2,501,607)	\$67.81	\$81.72	\$66.04
Penn Plaza/Garment	60,341,329	9.0%	4,580,817	(928,215)	\$62.85	\$74.76	\$58.55
Murray Hill	13,732,864	7.8%	633,225	(6,889)	\$60.18	\$63.39	\$58.65
Chelsea	39,930,281	8.8%	2,519,274	(1,035,339)	\$70.20	\$127.19	\$60.66
Gramercy Park	25,645,582	5.9%	1,775,320	188,572	\$75.54	\$84.50	\$75.44
Greenwich Village	5,701,565	3.8%	403,569	(83,357)	\$87.32	\$120.00	\$83.10
Soho	7,283,812	10.4%	698,370	(292,849)	\$72.22	\$77.14	\$70.33
Hudson Square	12,983,216	11.0%	666,084	(343,530)	\$75.86	\$69.43	\$77.27
Downtown	104,384,942	12.3%	5,154,573	580,677	\$59.01	\$60.25	\$52.30
City Hall	7,654,172	10.7%	294,866	211,970	\$49.94	\$49.87	\$51.06
Financial District	41,685,788	11.8%	2,965,911	329,169	\$56.18	\$57.01	\$50.83
Insurance District	9,826,826	3.5%	244,375	40,492	\$50.70	\$52.11	\$46.29
Tribeca	8,140,202	5.7%	79,299	(51,261)	\$68.01	-	\$66.67
World Trade Center	37,077,954	17.1%	1,570,122	50,307	\$62.79	\$65.39	\$46.91
Manhattan	506,126,142	10.3%	33,095,194	(3,792,054)	\$72.24	\$78.19	\$62.62

554 offices in 66 countries on 6 continents

United States: 153

Canada: 34

Latin America: 24

Asia Pacific: 231

EMEA: 112

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\$2.5

billion in annual
revenue

2.0

billion square feet
under management

16,000

professionals
and staff

Colliers' statistical sample set for Manhattan totals 506 MSF and includes all commercial office properties with at least 25,000 SF of office space, from 59th Street to the Battery and river to river. Colliers' availability rate includes only office space ready for tenant fit-out within 12 months. In tracking leasing activity, Colliers includes all lease types: renewals, expansions, relocations, and the occasional sale-leaseback.

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