



Market Indicators	4Q 2016	Full Year 2016	Full Year 2015	YOY Change
AVAILABILITY RATE	8.4%	8.4%	7.0%	+1.4pp
AVERAGE ASKING RENT (\$/SF/YR)	\$67.81	\$67.81	\$66.07	+2.6%
LEASING ACTIVITY	2,788,574	11,276,659	10,526,890	+7.1%
ABSORPTION	(897,382)	(2,501,607)	2,078,634	(4,580,241)

Note: pp (percentage points)

Midtown South's asking rent average increased year-over-year to a new record high despite higher availability and negative absorption. Tenant demand for Midtown South space continued and leasing activity was up for the year.

### A Good Year

With the exception of 2014 (13.02 MSF), Midtown South had its best full year of leasing in a decade. At 11.28 MSF, leasing volume in 2016 was 7.1% greater than 2015. Google's 264,000 SF deal at SuperPier, Facebook's 200,000 SF deal at 225-233 Park Avenue South and other transactions by TAMI (technology, advertising, media and information services) companies comprised 34% of all Midtown South leasing in 2016.

For the tenth consecutive year, Penn Plaza/Garment District topped Midtown South's other submarkets in leasing at 4.58 MSF, down from 4.83 MSF in 2015. Leasing in Hudson Yards/ Manhattan West accounted for more than one-third of the total led by Coach's 694,000 SF sale-leaseback at 10 Hudson Yards and Milbank Tweed's 258,000 SF relocation to 55 Hudson Yards.

### More Product than Customers

Midtown South's yearly availability rate increased to its highest level since 3Q 2014, up 1.4pp (percentage points) to 8.4%. It is still Manhattan's tightest market. Yearly absorption was negative 2.50 MSF. New construction/renovation at 512 West 22nd Street (164,000 SF), 412 West 15th Street (130,000 SF) and 413 West 14th Street (79,000 SF) contributed to 2016's inventory. And, at 5 Manhattan West, two separate 250,000 SF plus blocks were listed.

Soho had the most significant annual availability rate increase of all Manhattan submarkets, up 4.2pp to 10.4% with new available space at 148 Lafayette Street (74,000 SF) and 100 Avenue of the Americas (51,000 SF).

Midtown South's sublet availability rate was up 0.6pp in 2016 to 1.9% with a large sublet from Tommy Hilfiger at 601 West 26th Street. Sublease availability in Midtown South has been at or below 2% for the last seven years.

### No Rent Relief

Asking rents in Midtown South reached another all-time high in 2016. Rents were up 2.6% since 2015 to an average \$67.81/ SF. Blocks with above-average pricing were added at 5 Manhattan West and 315 Park Avenue South (119,000 SF) as well as in the buildings under construction/renovation at 512 West 22nd Street, 412 West 15th Street and 413 West 14th Street.

More existing inventory was re-priced higher than lowered (7.4% vs 4.0%, respectively) but, on the whole, Midtown South asking rents were up in Class A and C buildings as well as in four of Midtown South's seven submarkets. The sublet asking rent average increased by 5.5% during 2016 to \$55.71/ SF.

Class A asking rents were higher year-over-year by 9.3% to a new record-high average of \$81.72/ SF while Class C asking rents also increased – by 6.8% – to a record \$56.30/ SF average. Meanwhile, the Class B asking rent average decreased by 1.0% to \$66.04/ SF.

### Mind the Gaps

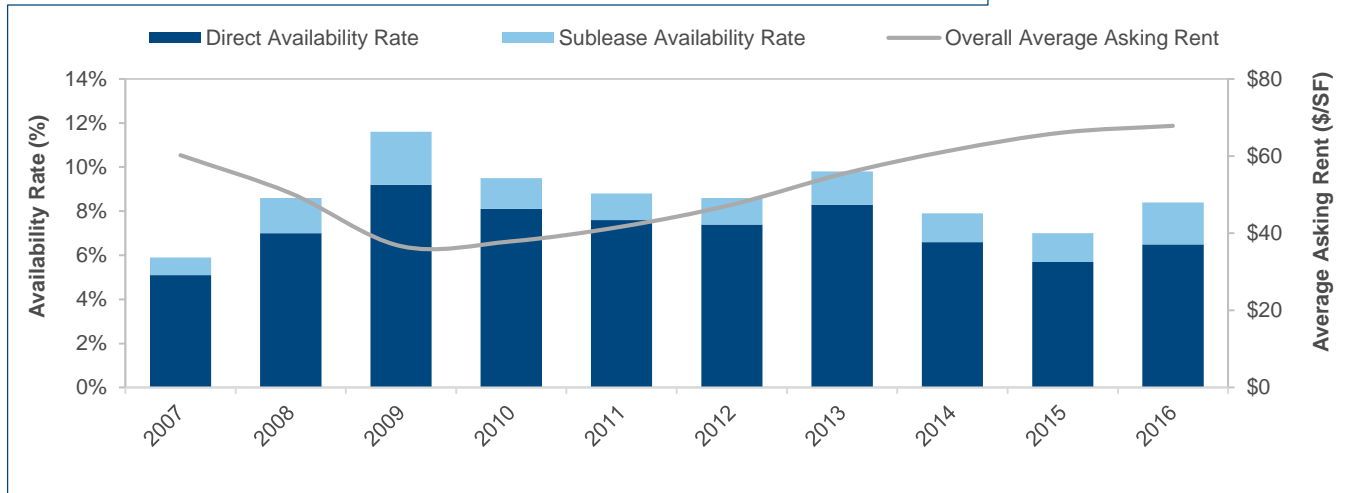
The gap in asking rents between Midtown South and Midtown has closed in recent years. Midtown South asking rents are now a 17.7% discount to Midtown. In pre-Great Recession 1Q 2008, the difference was 30.1%. Taking rents in Midtown South are running 3.3% below asking rents. At this same point last year, the spread was 7.6%.

The average asking rent in the small Greenwich Village submarket was up a staggering \$27.91/ SF to \$87.32/ SF – the largest increase in Manhattan – with several smaller blocks of space added with above-average asking rents. Three Midtown South submarkets are now priced above the Manhattan average (Gramercy Park, Greenwich Village and Hudson Square).

Midtown South ended 2016 with two separate 250,000+ SF blocks of available space at 5 Manhattan West (former Associated Press, Coach and GMHC blocks) and one at 601 West 26th Street (Tommy Hilfiger sublet), priced at an average \$73.81/ SF. There were no spaces 250,000 SF or more available at the end of 2015.

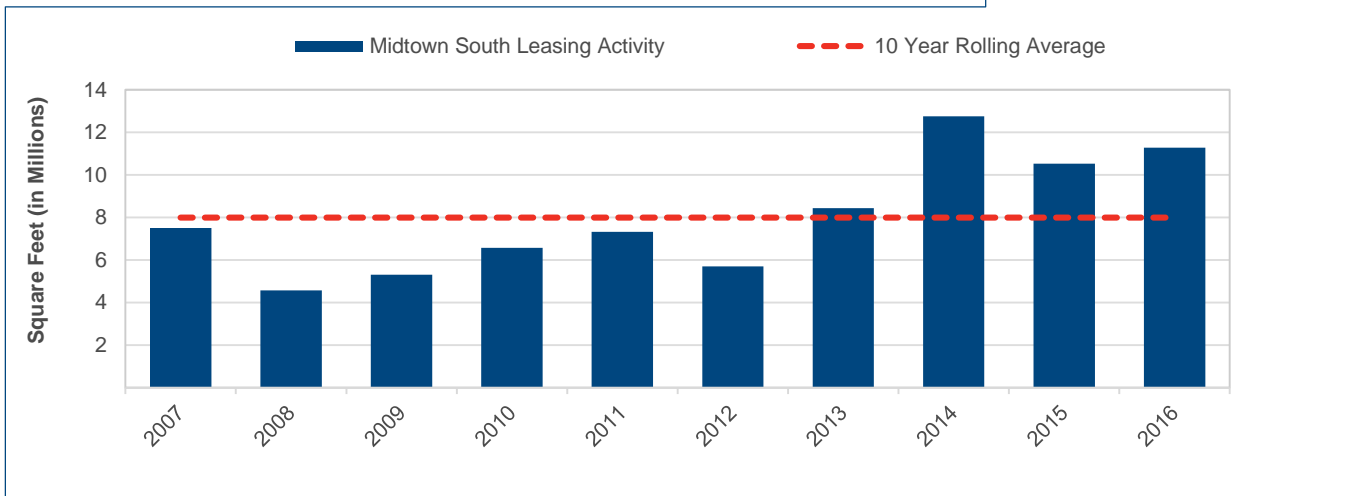


## Midtown South | Overall Average Asking Rent and Overall Availability Rate



Source: Colliers International Research

## Midtown South | Overall Leasing Activity



Source: Colliers International Research

## Midtown South | Top 2016 Leases

Address	SF Leased	Tenant	Submarket	Lease Type
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
100 Avenue of the Americas	217,000	Two Sigma Investments, LLC	Soho	Renewal / Expansion
225-233 Park Avenue South	200,000	Facebook	Gramercy Park	New

Source: Colliers International Research