



ALLIANCE FOR DOWNTOWN NEW YORK

LOWER MANHATTAN REAL ESTATE MARKET REPORT

Q3 2017

LOWER MANHATTAN ON TRACK FOR STRONG YEAR END FINISH

Lower Manhattan logged another positive quarter in 2017, positioning the market for its best year since 2014. The area's vacancy rate dropped for the third consecutive quarter making Lower Manhattan the 15th tightest submarket nationwide, according to Cushman & Wakefield.

Lower Manhattan's status as a media mecca reached new heights with **ESPN Studios'** announced relocation to the Seaport District's Pier 17, as well as **Macmillan Publishers'** commitment to relocate its headquarters from the Flatiron Building to 120 Broadway.

Investment activity in the office market is higher than 2016 activity, with several large deals demonstrating investors' positive outlook on the market.

LOWER MANHATTAN LEASING ACTIVITY SURPASSES 2016 TOTAL IN THIRD QUARTER

Lower Manhattan's commercial office market is experiencing its strongest year since 2014 and continued to perform well in the third quarter. Activity was up 20 percent over last quarter. Lower Manhattan logged 1.43 million square feet of new activity in the third quarter, bringing the year-to-date volume to 4.5 million square feet. According to CBRE, year-to-date activity has already surpassed 2016's total.

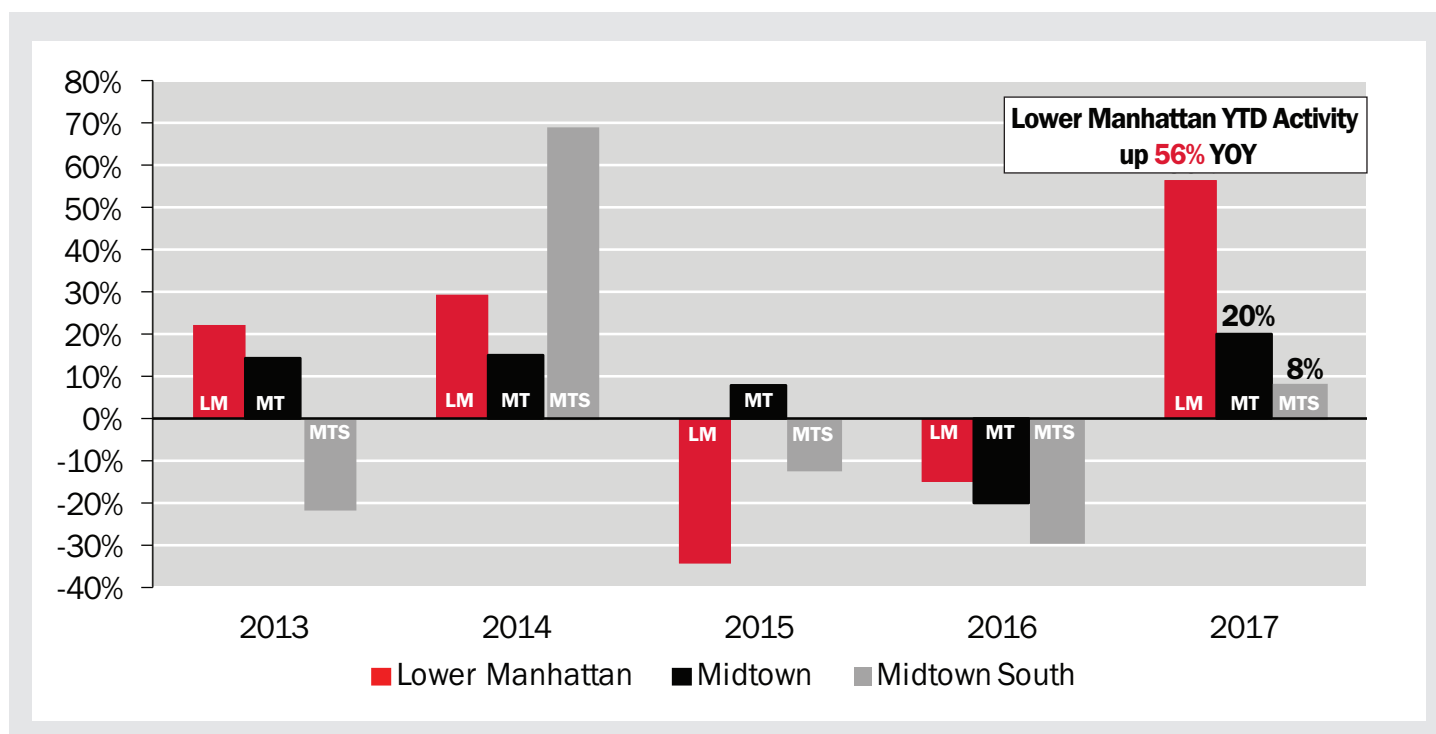
While leasing activity is up year-over-year Manhattan-wide, Lower Manhattan's 56 percent year-over-year jump far outpaces

other market's performance as compared to this time last year. Midtown activity is up 20 percent, bolstered by strong activity at Hudson Yards, while Midtown South is up just eight percent.

4.5 MILLION SF
Highest YTD Leasing Activity
since **2014**

YEAR-OVER-YEAR INCREASE - YTD LEASING ACTIVITY BY MANHATTAN SUBMARKET, 2013 - 2017

Source: CBRE



GOVERNMENT & TAMI SECTORS BRING LARGE DEALS BACK TO MARKET

Lower Manhattan's strong performance year-to-date can be attributed to the return of large new deals and relocations to the market, especially among technology, advertising, media and Information (TAMI) and government tenants. These trends were particularly strong in the third quarter. Year-to-date, TAMI and government leasing account for nearly 60 percent of all new leasing activity.

In early July, **Macmillan Publishers** announced its commitment to relocate its headquarters from the Flatiron Building to a 260,836 square feet space at 120 Broadway. This marks the second major TAMI deal over 250,000 square feet in 2017. This deal is the latest addition in a long string of media relocations to Lower Manhattan. Another Macmillan division, Macmillan Science and Education moved to One New York Plaza in 2015. At least two dozen other newspapers, magazines, and book publishers have signed leases to move here from other Manhattan locations since Condé Nast's landmark deal. They are a diverse set, ranging from traditional book publishers like HarperCollins Publishers to digital companies like Vox Media.

The **Stagwell Group** inked the fifth largest deal of the third quarter after signing a lease for a new 83,955-square-foot headquarter at One World Trade Center. The Stagwell Group is an investment firm that owns digital marketing, communications, and advertising companies including SKDKnickerbocker, PMX Agency, and Code and Theory. The office lease includes space to accommodate future growth or the relocation of additional Stagwell companies. Stagwell's companies join other eminent public relations, marketing and advertising firms that include Droga5 and Barker already in Lower Manhattan. With this lease, One World Trade reached 75 percent leased with about 53 percent of the building committed to TAMI.

Government leasing showed continued strength in the third quarter. The **New York City Department of Investigation** signed the largest new deal of the quarter with a 276,000-square foot lease at 180 Maiden Lane. According to CoStar, this was the second largest deal of the quarter in Manhattan after Amazon's

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*New deals over
250,000 Square Feet
Year-to-Date
in 2017*

LOWER MANHATTAN TOP LEASES, Q3 2017

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

	Tenant Name Location	SF Leased Transaction Type	Sector
1	NYC Department of Investigation 180 Maiden Lane	276,221 Expanding and Moving Within LM	Government
2	Macmillan Publishers 120 Broadway	260,836 Relocation	TAMI, Media
3	Lewis Brisbois Bisgaard & Smith 77 Water Street	100,952 Expansion and Renewal	Professional Services, Law
4	WeWork 115 Broadway	85,000 New LM Location	Professional Services, Other
5	Stagwell Group. <small>Includes: SKDKnickerbocker, PMX Agency, Code and Theory and Harris Insights</small> One World Trade Center	83,955 Relocation	TAMI, Advertising
6	NYC Department of Sanitation 375 Pearl Street	72,180 Relocation	Government
7	Convene 101 Greenwich Street	58,487 New LM Location	Professional Services, Other
8	De Novo Legal 4 New York Plaza	49,525 Renewal	Professional Services, Law
9	American Arbitration Association 32 Old Slip	46,976 Moving Within LM	Professional Services, Law
10	Kofinas Fertility Clinic 65 Broadway	35,000 Relocation	Healthcare
11	Aon 1 Liberty Plaza	34,000 Expansion	FIRE
12	NYC Law Department Tort Division 233 Broadway	32,076 Expansion	Government
13	United Healthcare 77 Water Street	30,059 Renewal	Healthcare
14	Knotel 40 Exchange Street	27,000 New LM Location	Professional Services, Other
15	Experian 222 Broadway	25,678 Moving Within LM	FIRE
16	Arup 77 Water Street	25,286 Expansion	Professional Services, Design
17	TB Global Alliance 40 Wall Street	24,521 Renewal	Nonprofit
18	Gamechanger Media 44 Wall Street	16,609 Moving Within LM	TAMI, Technology
19	Molloy College 50 Broadway	16,540 1st NYC Location	Education
20	Wellness Works 115 Broadway	15,000 1st NYC Location	Professional Services, Other

365,375-square-foot deal at 5 Manhattan West. The city agency is expanding their footprint by 75,000 square feet as well as consolidating operations in 180 Maiden Lane from several New York City locations. Another large deal was signed by the **New York City Department of Sanitation** at 375 Pearl Street. The agency will be moving from 137 Centre Street near Canal Street. With this deal, 375 Pearl Street is 86 percent leased, with about 40 percent of the property leased to city agencies. Government, including city, state and federal agencies, currently account for about 20 percent of Lower Manhattan's office space.

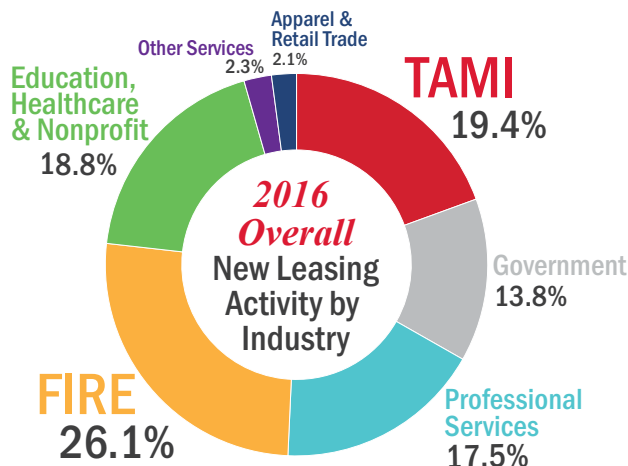
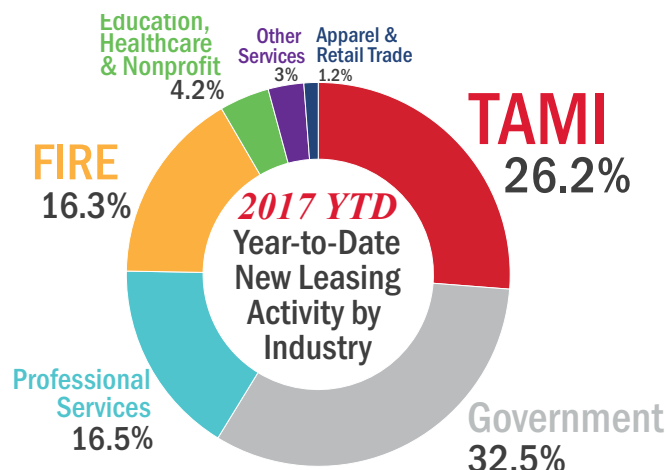
Overall, the continued strength of these industries in Lower Manhattan helped absorb several large blocks of space in the third quarter and in 2017 overall. Year-to-date, there have been eight new leases over 100,000 square feet, including four that topped 250,000 square feet. This tops the large deal counts for 2015 and 2016. Over those two years, only one deal representing new activity exceeded 250,000 square feet.

COWORKING AND MEETING SPACE PROVIDERS ACTIVE IN THIRD QUARTER

Coworking and shared office providers continue to grow in Lower Manhattan with more than 185,000 square feet of leasing logged by this sector in the third quarter. In the third quarter, Lower Manhattan's largest coworking provider, **WeWork**, announced their sixth Lower Manhattan location. They will be opening an 85,000-square-foot location at 115 Broadway in 2018. Other existing Lower Manhattan space providers also built their presence in Lower Manhattan this quarter. **Convene**, a meeting and event space provider, signed a lease for 58,487 square feet at 101 Greenwich Street (formerly 2 Rector Street). The company already operates two Lower Manhattan locations including one at 32 Old Slip and at One World Trade Center, where Convene operates meeting space for Condé Nast.

NEW LEASING ACTIVITY BY INDUSTRY IN LOWER MANHATTAN, 2017 YTD vs. 2016 OVERALL

Source: Jones Lang LaSalle



* By square footage

13.3 Million Square Feet of Net Relocations to Lower Manhattan Since 2011

Lower Manhattan's office market has long benefited from robust relocation activity from other submarkets. 2017's headlines included news of blockbuster relocations from not only Spotify and Macmillan, but also smaller tenants moving to this market. While Lower Manhattan has also made news recently for some major occupiers departing for Midtown like Guardian Life, Fragomen, and others, the in-migration of tenants remains overwhelmingly positive. According to CBRE, there has been a net in-migration of 13.3 million square feet of tenants since 2011.



Niche coworking providers are a growing presence in Lower Manhattan as well. **Wellness Works**, a coworking space specifically designed for healthcare practitioners, signed a lease for a 15,000-square-foot coworking space at 115 Broadway this quarter and opened in October. With these leases, 115 Broadway is about 20 percent leased to coworking companies. In addition, coworking is increasingly being incorporated as part of residential and hotel projects. **The Assemblage** at 17 John Street, opening in 2018, will feature 30,000 square feet of collaboration workspace and 81 extended stay apartments.

Overall, 2017 has been a busy year for this sector with leasing up from 2016 levels. Year-to-date, coworking and shared office companies were responsible for 11 percent of all new leasing activity. In 2018, this sector will occupy about 1.8 million square

feet in Lower Manhattan, with about half of this space held by WeWork (950,000 square feet). In Manhattan south of 59th Street, WeWork now occupies about 3.5 million square feet; about 25 percent of this footprint is south of Chambers Street.¹

¹ This does not include October's announcement of WeWork's new HQ in the Lord & Taylor building in Midtown.

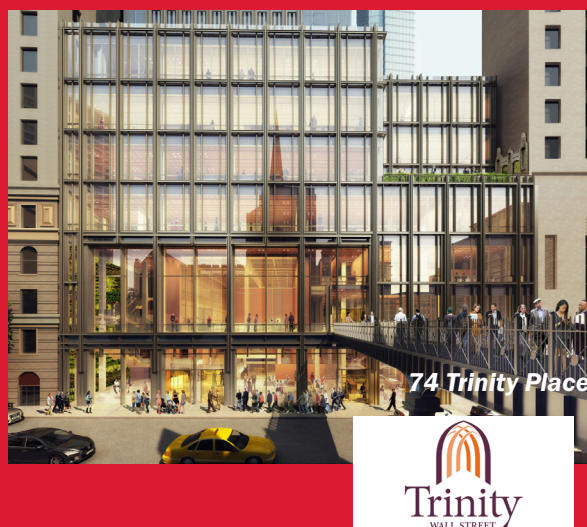
25% of WeWork's
Manhattan Footprint
is in Lower Manhattan

First New Construction Office Projects on the Market outside of World Trade Center

Lower Manhattan's office market remains active and owners are creating new product to capitalize on the market's appeal to tenants. With several buildings being repositioned to attract new tenants and developers making decisions to incorporate office space in their Lower Manhattan development projects, there is evidence that owners increasingly view Lower Manhattan office product as an attractive investment. The following two buildings reflect the first additions of office space in new construction projects since 4 and One World Trade Center opened.

Early in the fourth quarter, **ESPN Studios** announced that they will be opening a 19,000-square-foot broadcasting studio in the Seaport District's redeveloped Pier 17. According to the announcement, ESPN Studios will begin broadcasting in spring 2018 and relocate its current broadcasting operations from Bristol, Connecticut. The Howard Hughes Corporation and CBRE are now marketing about 150,000 square feet of office space in Pier 17, which includes the ESPN studio space.

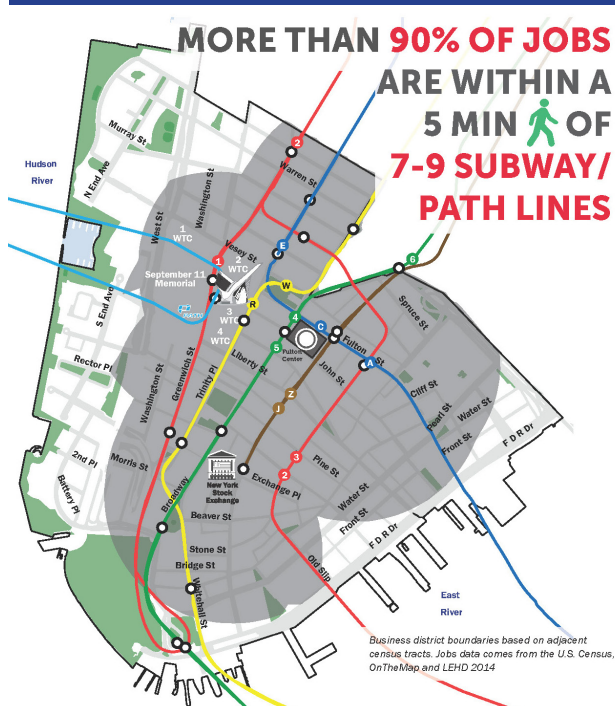
Trinity Church Wall Street broke ground on its 26-floor, 310,000-square-foot mixed use tower at **74 Trinity Place**. The tower is set to include a nine-floor Parish Hall consisting of gathering rooms, an education center and other community-focused spaces. It will also include 17 stories of commercial offices available to tenants that support the church's missions, such as agencies and nonprofits. Designed by Pelli Clarke Pelli Architects Inc., the property will complement the Gothic revival style of Trinity Church, which will connect to the Parish Hall via a pedestrian bridge.



MORE THAN 90 PERCENT OF JOBS ARE WITHIN A FIVE MINUTE WALK OF 7-9 SUBWAY/PATH LINES

The Alliance for Downtown New York recently released a report, *Lower Manhattan: New York City's Premier Transit Hub*, demonstrating the strength of Lower Manhattan as one of New York City's premier multimodal hubs and the needs and opportunities for future improvements. The Downtown Alliance commissioned Sam Schwartz Transportation Consultants to prepare a comprehensive transit and auto accessibility study for Lower Manhattan, as well as a comparative analysis to other key business districts. The report focuses on the following points:

- Lower Manhattan's robust transportation network of **13 subway** and **two PATH** lines, **15 commuter ferry routes**, **23 express and commuter MTA bus routes**, and **2.3 miles of bike lanes** provides an unparalleled combination of access to employment, fast commutes and transit options;
- More than **90 percent of Lower Manhattan's jobs** are a **five minute walk or less of seven to nine subway or PATH** lines;
- Lower Manhattan's **public transit commutes** to **key urban markets** like Greenpoint or Jersey City are **at least 10 minutes shorter than the metro average**. **Suburban rail commutes** to **signature bedroom communities** like Hicksville, NY, Montclair, NJ and New Rochelle, NY **are on par or faster than the metro average**;
- Lower Manhattan's transit network has been bolstered by recent and planned **investments** across all modes totalling more than **\$6.9 billion**;
- Lower Manhattan's business district is also best poised to grow thanks to **positive trends in labor force** and the **potential to add capacity on six Lower Manhattan subway lines** and PATH trains to New Jersey and Newark Airport; and
- The report's recommendations for future transit improvements and investments include **fully funding the Second Avenue Subway**, installing **state-of-the-art subway signal equipment** to allow for greater train capacity, **integrating the NYC Ferry and Hudson River ferry systems** and more.



“Lower Manhattan is the multi-modal capital of business districts in the U.S. During peak hours more than 90 percent of employees arrive by modes other than the car. Subways and rail from New Jersey serve the area well. It is ringed with ferry service from multiple boroughs and two states. One can walk or bike and get anywhere within 15-20 minutes. Its massive residential growth would not have happened if it were not a great walking area with terrific access to subway service and a wonderful promenade and park along the river.”

- Sam Schwartz,
Sam Schwartz Transportation Consultants

For the full report, click [here](https://downtownny.com/research-statistics) or visit [DowntownNY.com/research-statistics](https://downtownny.com/research-statistics).

VACANCY RATE DROPS FOR THIRD CONSECUTIVE QUARTER TO 8.7 PERCENT

In the third quarter, Lower Manhattan's vacancy rate dropped to 8.7 percent, its lowest level since the first quarter of 2013. Healthy leasing, particular in the Class A market, has led to a 1.2 percentage point drop in the overall rate year-over-year. The Class A vacancy rate is just above 10 percent and now at the lowest level in three years in this submarket.

Lower Manhattan's vacancy rates have declined this year while overall vacancy rates in Midtown and Midtown South are stable or up slightly. Midtown's vacancy rate is 9.6 percent, trending above Lower Manhattan's vacancy rate for the third quarter in a row. Midtown South's overall vacancy rate is 7.3 percent, up by less than a percentage point year-over-year, due to a small increase in vacancy among Class A space. While Midtown South remains among the tightest markets in the country (ranked 10th according to Cushman & Wakefield), Lower Manhattan now closely follows. Lower Manhattan is now the 15th tightest market nationwide, compared to 21st this time last year.

15th

Lowest CBD Vacancy Rate Nationwide

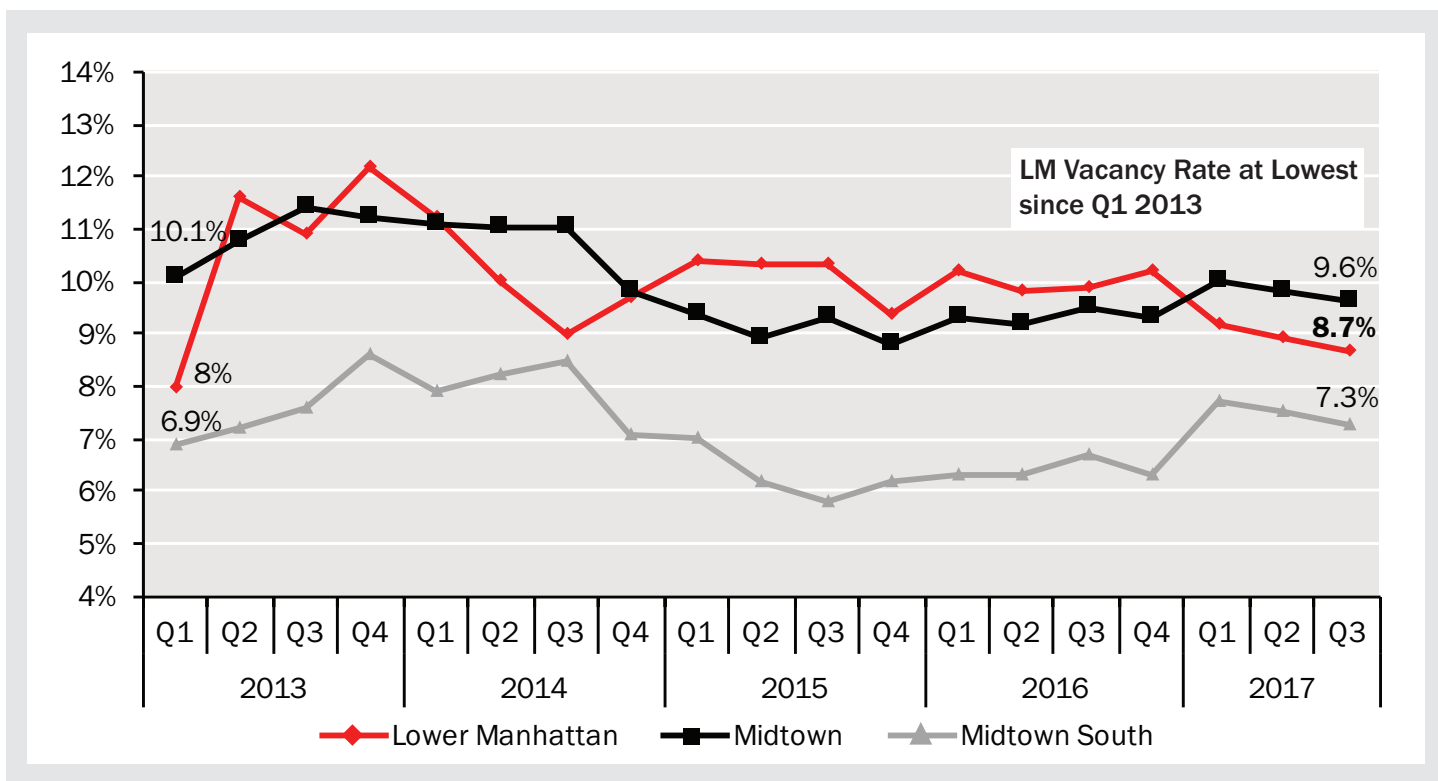
LARGE BLOCKS AVAILABLE IN 3 WORLD TRADE CENTER & WATER STREET CORRIDOR

Despite a tightening market, several large blocks of space remain available in Lower Manhattan, most notably at **3 World Trade Center**, which tops the list. The property is expected to open next summer and is marketing about 1.8 million square feet with the remainder of the 2.5 million-square-foot building leased to anchor tenant GroupM. **28 Liberty** has about 1.2 million square feet available and has announced about 651,000 square feet of leasing activity across six deals since Fosun International began ownership, according to Jones Lang LaSalle. **One World Trade Center** has about 896,000 square feet available, after reaching the 75 percent leased mark in the third quarter. In 2017, the building has inked over 150,000 square feet of leases including 84,000 square feet of activity in the third quarter.

Several of the largest blocks to become available over the next 12 months are on the east side of Lower Manhattan, specifically along the Water Street Corridor. **199 Water Street** has about 449,000 square feet available after major tenants Aon and Tullet Prebon signed leases earlier this year to relocate west of Broadway to 1 Liberty Plaza and Brookfield Place, respectively. **55 Water Street** and **32 Old Slip** are each marketing around 400,000 square feet of space. **180 Maiden Lane** now has 403,000 square feet remaining concentrated on the upper half of the tower.

OVERALL VACANCY RATES BY SUBMARKET, Q1 2013 - Q3 2017

Source: Cushman & Wakefield



OVERALL ASKING RENT REMAINS BELOW \$60 PER SQUARE FOOT

Lower Manhattan's overall asking rent remains at a historical high for the market and rose slightly during the third quarter to \$59.90 based on higher-priced Class A space added in the TriBeCa submarket. The Class A average asking rent reached \$63 per square foot, up 1.2 percent year-over-year. Within Lower Manhattan, submarkets trended differently. Class A rents are down in the World Trade Center submarket from \$69.10 to an average of \$64.60 largely due to the leasing of higher priced space at 4 and One World Trade Center(s). Meanwhile, Class A rents are up in the City Hall and Financial East submarkets to \$52.70 and \$60 per square foot, respectively.

Lower Manhattan's average Class B asking rent reached \$53.20, a new market high in the third quarter. Class B rents are up the most in the Insurance submarket where they have jumped 19.4 percent from this time last year to \$51 per square foot. This is in part due to the addition of higher priced space at 222 Broadway. Class B rents are also up by seven percent in the Financial East submarket where rents are up year-over-year to near \$51 per square foot. The bulk of Lower Manhattan's available Class B space is in these two east of Broadway submarkets.

Overall Average Asking Rents

Lower Manhattan **\$59.90**

Midtown South **\$69.20**

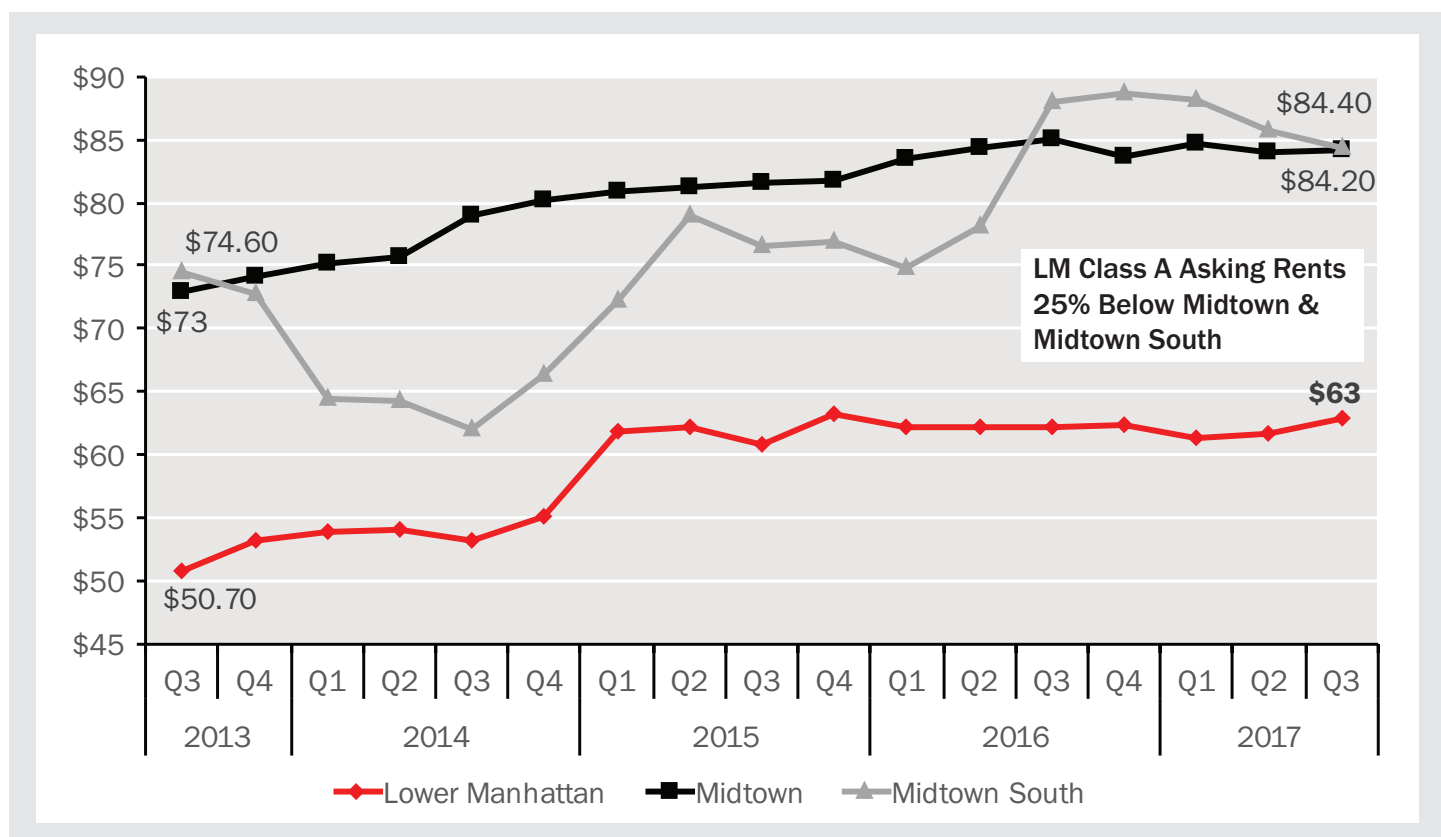
Midtown **\$77.70**

Lower Manhattan Class A Rents

25% Below Midtown South & Midtown

CLASS A ASKING RENTS BY SUBMARKET Q3 2013 - Q3 2017

Source: Cushman & Wakefield



LOWER MANHATTAN CLASS A RENTS REMAIN 25 PERCENT BELOW MIDTOWN AND MIDTOWN SOUTH

Meanwhile, asking rents trended differently in Midtown and Midtown South over the past year. Class A rents in both Midtown and Midtown South are down year-over-year to about \$84 per square foot. However, Midtown South's Class A market still remains the tightest, most expensive Manhattan submarket. Class B rents are also down in other parts of Manhattan. In Midtown South, Class B rents have trended slightly down to \$66.20 per square foot and Class B rents are down slightly year-over-year to \$59.60 per square foot in Midtown.

With these changes, Lower Manhattan's significant price advantage is still preserved, particularly for Class A space. Lower Manhattan's pricing advantage has narrowed at points since the first quarter of 2013 when rents began their upward climb but still represent a significant discount. Lower Manhattan has retained the 25 percent discount relative to Midtown South Class A space in the first quarter of 2013, with some narrowing at points over this period. The pricing advantage relative to Midtown has narrowed from 37 percent to 25 percent in the same time.

Lower Manhattan: Average Class A Rent

\$63

Up **1.2%**

Year-Over-Year

Average Class B Rent

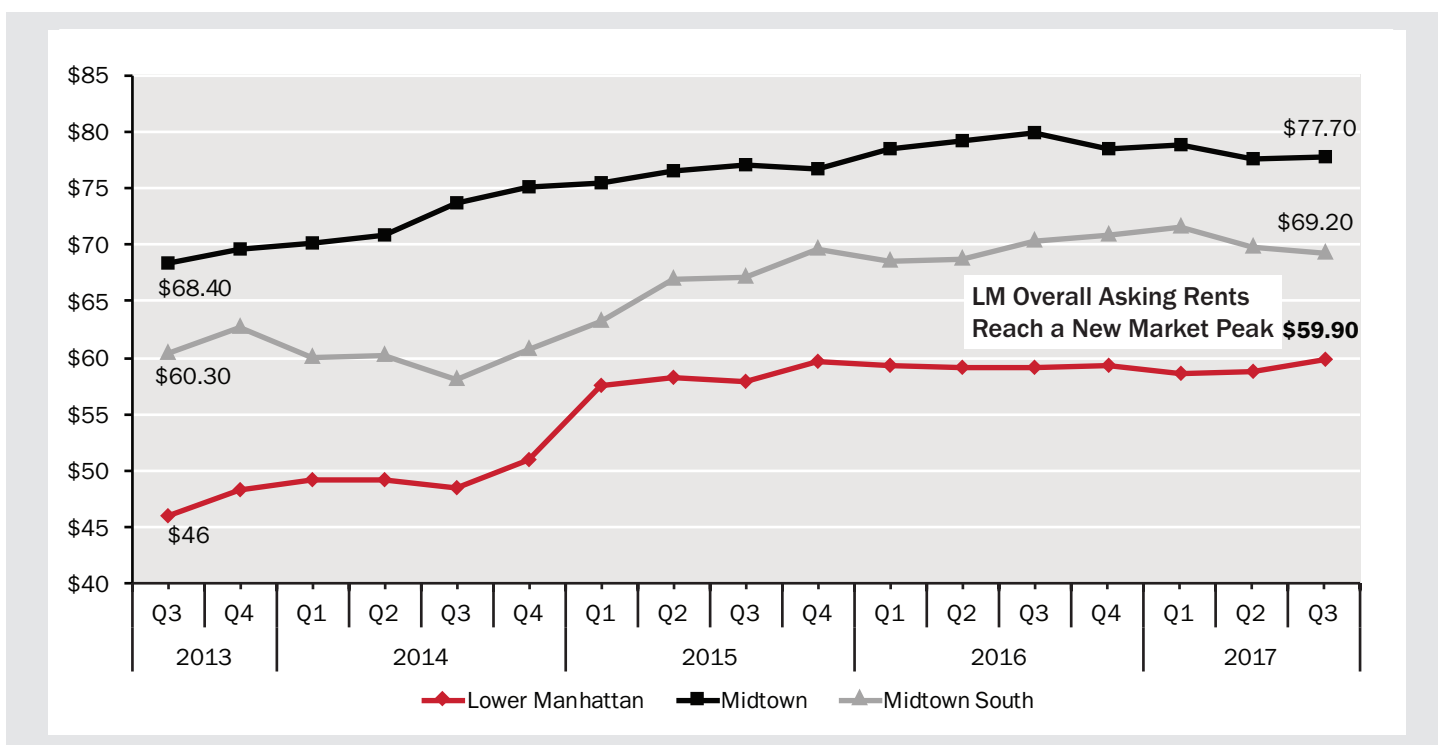
\$53.20

Up **5.7%**

*Year-Over-Year
to Market Peak*

LOWER MANHATTAN OVERALL ASKING RENTS Q3 2013 - Q3 2017

Source: Cushman & Wakefield



YTD OFFICE BUILDING SALES VOLUME SURPASSES 2016 ACTIVITY

Year-to-date investment sales activity in Lower Manhattan's office market has totalled more than \$1.9 billion across six office buildings. In the third quarter, three office buildings changed hands helping to push 2017 activity above 2016's \$1.6 billion total sales volume. Among them:

Guardian Life exercised their purchase option – a provision of their 20-year lease in 1998 – and purchased their current headquarters, **7 Hanover Square**, for \$147 million or about \$174 per square foot from the Milstein Family, Swig Company, and Weiler Arnov Investment. Guardian Life is vacating the 846,415-square-foot office building and will be relocating to a 148,000-square foot sublease from Coach in 10 Hudson Yards. Guardian has hired Cushman & Wakefield to market the building to potential investors.

Normandy Real Estate Partners purchased a minority investment in **80-90 Maiden Lane**, a portfolio of two adjacent Class B office buildings totaling 583,000 square feet for \$54 million from Read Property Group. This investment valued the property at \$284 million. The property last transacted in 2014 when Kushner Properties and Normandy Real Estate Partners jointly purchased a 50 percent stake from Joseph Chetrit at a \$210 million valuation or \$358 per square foot. Normandy Real Estate Partners is now the majority owner of the building which is currently 70 percent leased, accounting for the 107,000-square-foot space that the NYC Department of Investigation will be vacating upon its move to 180 Maiden Lane. Gristedes occupies the 22,500-square-foot ground floor retail space.

Greenroad Capital purchased **27 Cliff Street**, a 21,519-square-foot Class C office building located just south of Fulton Street for \$12.5 million. It is adjacent to The Exhibit, a recently completed 120 unit rental building.

Retail

Black Horse Capital, purchased the 4,400 square foot ground floor retail condominium at **105 Nassau Street**, a nine-unit residential condominium building. The property was previously occupied by two retail tenants, Penguini Fashion and the African American Art Gallery.

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



7 Hanover Square

Guardian Life Insurance Company exercised a purchase option in their original lease and bought their current headquarters for \$147 million. Guardian will be relocating to Hudson Yards and has put the building up for sale. Adam Spies and Doug Harmon from Cushman & Wakefield are currently marketing the 845,000-square-foot Class A building.

*YTD Office Investment
Sales Volume
\$1.9 Billion
Tops 2016 Total*

2017 YTD OFFICE TRANSACTIONS

OFFICE BUILDING	SF	BUYER	INVESTMENT	VALUE
60 Wall Street	1,612,000	GIC	\$988 Million (95% Interest)	\$1.04 Billion
85 Broad Street	1,118,512	Ivanhoe Cambridge and Callahan Capital Partners	\$652 Million	\$652 Million or \$583/SF
7 Hanover Square	846,415	Guardian Life	\$147 Million (exercised purchase option in lease)	\$147 Million or \$174/SF
80 and 90 Maiden Lane	583,000	Normandy RE Partners	\$54.1 Million (Partial Interest)	\$284 Million or \$522/SF
55 Broadway	358,637	Paramount Group (REIT), Savanna	\$53.8 Million (Partial Interest)	\$215 Million or about \$600/SF
27 Cliff Street	21,520	Greenroad Capital	\$12.5 Million	\$12.5 Million or \$581/SF

RETAIL MARKET

New Openings and Announcements

In the third quarter of 2017, Lower Manhattan continued to experience a retail expansion. The last quarter of this year and 2018 promise a continued diversification of Lower Manhattan's retail market. Westfield World Trade Center and Brookfield Place are being joined by new retailers in the Seaport District, as well as other retail projects across the district. 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.

In August, **Westfield World Trade Center** celebrated its one year anniversary 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 **T2**, **Blue Bottle Coffee** and **UGG Australia**. **Philosophy** will open later this year.

At **Brookfield Place**, **Louis Vuitton** and **Rhone** pop-ups opened, while **Oliver Peoples** and **UNTUCKit** will debut this November in the Winter Garden. David Chang's **Fuku** will open soon in Hudson Eats, while **Sant Ambroeus** announced it will open a branch of its fashionable Italian eatery in 2018.

Summer was in full swing in the **Seaport District** with the arrival of **Clinton Hall**, **the Garden Bar**, the speakeasy **Mr. Cannon** and the **Seaport Food Lab**. **Scotch & Soda** opened in late summer, while **by.CHLOE** and **DITA** are expected later this year. Next summer, when the remainder of Pier 17 comes online, **10 Corso Como** and restaurants by **Jean-Georges Vongerichten** and **David Chang** are expected to open.

With 20 new retailers opening in Lower Manhattan in the third quarter, the district now has 1,180 stores and restaurants. The eateries and retailers that opened or signed leases in the third quarter include:

- **The Mailroom**, a bar and nightclub concept by the owners of The Surf Lodge in Montauk, debuted in the lower level of 110 Wall Street;
- **Vin Sur Vingt**, a winebar, opened at 66 West Broadway in Tribeca;
- **Indochino**, a menswear store, opened at 45 Broad Street;
- **Harry & Ida's Luncheonette**, a Jewish deli, opened at 11 Park Place;
- **Joe & the Juice** unveiled its second Lower Manhattan location at 67 Wall Street, with another location to open soon at 40 Broad Street;
- **Van Leeuwen**, the popular vegan ice cream shop, debuted at 224 Front Street in the Seaport;
- **Five & Dime** opened in the Woolworth Building at 8 Park Place, offering coffee during the day and cocktails in the evenings; and
- **Rise**, a new wellness, fitness and spa facility by WeWork, opened in the lower level at 85 Broad Street.



Photo by Jane Kratochvil

SCOTCH & SODA
AMSTERDAM COUTURE

Scotch & Soda opened at 18 Fulton Street in the Seaport District.



Photo by Robert McKinley

TRAIN DE SHINE
MAILROOM
110 WALL STREET

The Mailroom, a bar & nightclub, opened at 110 Wall Street.



Photo by Saaleha Bamuee



Blue Bottle Coffee opened in Westfield World Trade Center at the base of 4 WTC.

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 2015¹. 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.

Hotels Check-in to Lower Manhattan

At the end of the third quarter, there were nearly 6,808 rooms in 31 hotels throughout Lower Manhattan. The area south of Chambers Street saw the number of hotel rooms grow at three times the rate as Manhattan overall in the last ten years. Recent openings have been in mid-scale, select service hotels. In September, a **Hilton Garden Inn** with 250 rooms opened at 6 Water Street. In November, a **Fairfield Inn & Suites** with 192 rooms is anticipated to open at 100 Greenwich Street. Another 1,200 rooms in eight hotels are expected to open in the 2018.

With 14 hotels and more than 1,996 hotel rooms currently under construction or in the development pipeline, inventory is expected to grow by up to 27 percent in the next few years. Notably, movement began again on the **Battery Maritime Building** as Centaur Properties and Cipriani took over the stalled hotel development site. If all projects continue as planned, the hotel inventory in Lower Manhattan will reach 8,804 rooms by 2020.

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

The third quarter's **average occupancy rate** was 90 percent – just slightly below the citywide average. The occupancy rate of Lower Manhattan hotels kept steady over the past year, even as the local market absorbed over 1,500 hotel rooms since the beginning of 2016.

Lower Manhattan's **average daily room rate** (ADR) in the third quarter of 2017 was \$263, up almost ten percent year-over-year, as newer luxury hotel properties gained steam. New York City's ADR², about \$20 more than Lower Manhattan's ADR, has dipped slightly, by two percent year-over-year to \$283.

Demand 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 positive gains. Occupancy is growing, especially in select service hotels, helping to absorb the district's growing supply of rooms, while 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 on the horizon include growing tourism, expanded retail and restaurant offerings, and new and repositioned office product which are expected to continue to drive business and leisure travel.

LOWER MANHATTAN HOTEL DEVELOPMENT PIPELINE

Source: Downtown Alliance

	Hotel & Address	Owner/Developer	Rooms	Floors	Open Date
1	Fairfield Inn & Suites 100 Greenwich Street	Jiten Hotel Management	192	25	2017
2	The Assemblage 17 John Street	Prodigy Networks	81	23	2018
3	The Arzezen Hotel 24 John Street	Westbury Realty Associates	89	21	2018
4	Mr. C Seaport 33 Peck Slip	Atlantic Pearl/Cipriani	66	5	2018
5	Marriott Residence Inn 215 Pearl Street	Lam Group	120 (upper floors)	40	2018
6	Courtyard by Marriott 215 Pearl Street	Lam Group	200 (lower floors)	40	2018
7	AC Hotel Marriott 151 Maiden Lane	Fortis Property Group	271	33	2018
8	Moxy Hotel 143 Fulton Street	Tribeca Associates	228	26	2018
9	TBD Hotel 11 Stone Street	Premier Emerald LLC	143	27	2018
10	Hotel Indigo 120-122 Water Street	Atlas Hospitality	122	31	2019
11	Hotel Indigo 8-12 Maiden Lane	10-12 MLane Inc.	190	25	2019
12	Aloft Hotel 50 Trinity Place	Fit Investment Group	173	29	2019
13	Boutique Hotel Battery Maritime Building	Centaur Properties / Cipriani	41	5	2020
14	TBD Hotel 265 Broadway	Roe Corporation	80	12 (of 42)	TBD
Total Hotels in the Pipeline			14		
Total Hotel Rooms in the Pipeline			1,996		

¹ Source of tourism estimates: Audience Research & Analysis

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

\$263

**Average Daily Room Rate
(ADR) Up 10%
Year-Over-Year
in Lower Manhattan**

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 3,500 units in 24 buildings that are under construction or planned for development. Of the projects under construction and in development, approximately 50 percent are rental units and 50 percent are condos.

Three residential projects are expected to open in the remaining months of 2017, among them:

- **106 Fulton Street** – The former Pace University dormitory was converted to 81 rental apartments and is coming online this fall;
- **19 Park Place** – The narrow 21-story, 24 condominium tower, developed by ABN Real Estate, is wrapping up construction; and
- **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 the Parkland Group and Social Development Group and will include 5,900 square feet of retail and 24 affordable units.



The Exhibit is opening soon at 60 Fulton Street with 120 rental units at the site of a former parking garage.

HIGHLIGHTS OF LOWER MANHATTAN RESIDENTIAL DEVELOPMENT

Source: Downtown Alliance

Address & Building Name	Lease & Building Type	Units	Open Date
Rental Units Under Construction	TOTAL	1,553	
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	1,553	
1 19 Park Place	Condo New Construction	24	2017
2 2 Park Place Woolworth Residences	Condo Conversion	34	2018
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
6 111 Murray Street	Condo New Construction	157	2018
7 45 Park Place	Condo New Construction	50	2019
8 125 Greenwich Street	Condo New Construction	273	2019
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 77 Greenwich Street Former Syms site	Condo New Construction	90	2019
13 130 William Street	Condo New Construction	244	2020
14 45 Broad Street	Condo New Construction	150	2020
Condo & Rental Units In Development	TOTAL	402	
1 75-83 Nassau Street	Rental/Condo New Construction	197	2020
2 267 Broadway	Hotel/Condo New Construction	37	2020
3 86 Warren Street	Rental New Construction	40	TBD
4 69 West Broadway	Condo New Construction	24	TBD
5 102 John Street	Rental New Construction	92	TBD
TOTAL UNITS IN THE PIPELINE		3,508	

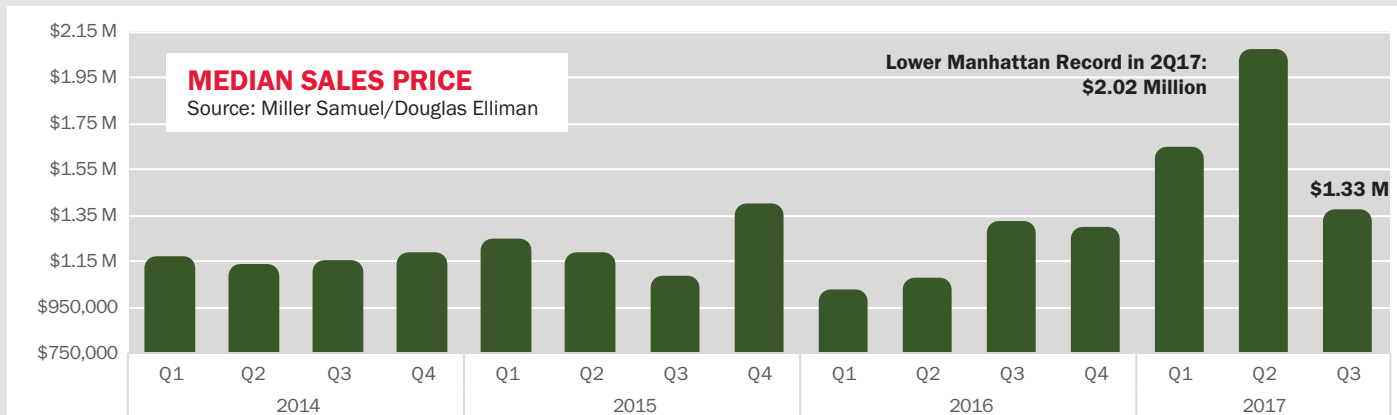
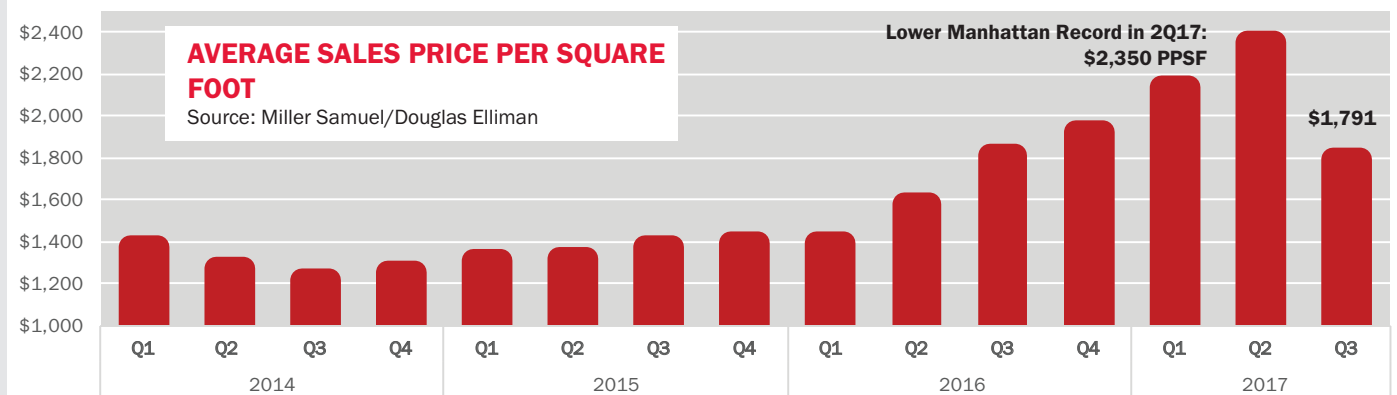
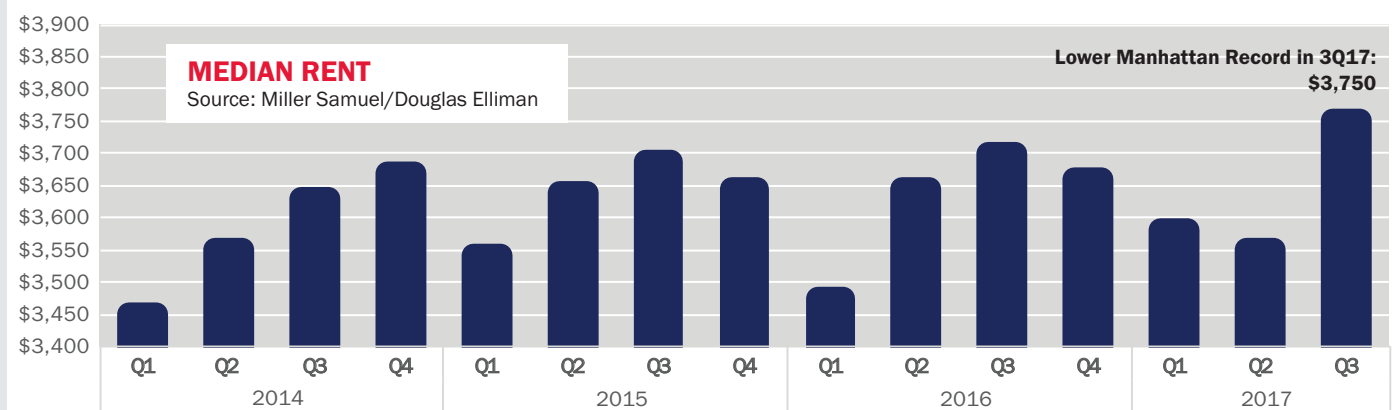
Note: Chart displays selected properties. For complete pipeline, please [click here](#).

Growth in Supply of Residential Rental Market

According to residential statistics published by Miller Samuel/Douglas Elliman, Lower Manhattan **median rents** are at an all time high. Median rents increased to \$3,750, up 5.6 percent from last quarter and 1.3 percent from the prior year. Lower Manhattan saw an eight percent increase over the past year in the number of new rentals in the local market (1,122). Meanwhile, Manhattan's overall median rent trended down slightly, less than one percent year-over-year to \$3,426.

Residential Sales Market Cools Slightly

The **median sales price** for co-ops and condos dropped to \$1.325 million, down 34 percent from the previous quarter, but still up four percent from last year. Second quarter figures were abnormally high, 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. While down only one percent from last year, Lower Manhattan's **average price per square foot** (PPSF) of \$1,791 saw a dramatic decrease of 24 percent over the past quarter. Sales prices are expected to trend closer to last year's average as the legacy contract pipeline empties. While the number of sales transactions (171) went down by nearly 12 percent over the past year, the number of transactions should increase in 2018 with the completion of nearly 450 new condo units.



MAJOR PROJECTS UPDATE

World Trade Center

The World Trade Center Transportation Hub

The 800,000-square-foot, Santiago Calatrava-designed, World Trade Center Transportation Hub opened in early March 2016, providing underground access to One World Trade Center, 4 World Trade Center, Brookfield Place and the PATH. Additional underground access is available to Church and Vesey streets (the base of future Tower 2), Fulton Center via the Dey Street Connector and the E Train station. Access to the Cortlandt Street R Train station from the World Trade Center is anticipated to open in the first quarter of 2018, 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 Ronald Perelman Performing Arts Center at the World Trade Center. Westfield's 365,000-square-foot retail complex at the transit hub opened in August 2016.

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 when the World Trade Center Transportation Hub opened last summer. Groundbreaking is scheduled for 2018 with construction expected to be complete in 2020.

Infrastructure & Resiliency

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, and up to 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.

Street Reconstruction

Reconstruction of Warren Street, stretching from Broadway to West Street, began in February 2017 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.

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, spanning across the tunnel plaza with no piers, will allow for better traffic management, be compliant with the Americans with Disabilities Act (ADA) and will include illuminated handrails and glass panel posts. Closed earlier this summer, the new bridge is scheduled to open at the end of the year. Additionally, cashless tolling has replaced toll booths at the tunnel.



Morris Street Pedestrian Overpass is currently being replaced over the Hugh L. Carey Tunnel with an anticipated reopening in late 2017.

NYC Ferry

Four of the six routes making up NYC Ferry, the new citywide ferry service, have launched, including the existing East River Ferry service and new routes to the Rockaways, South Brooklyn and Astoria. Service to the Lower East Side and Soundview (Bronx) will come online next summer. The new routes have proven popular, as ridership hit two million riders in late September. Due to the better than anticipated demand, additional capacity will be added to three of its 20 boats.

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. One-way tickets cost \$2.75, and 4.6 million trips are projected annually.

South Ferry Terminal

After being closed since Superstorm Sandy pored 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.

Robert R. Douglass Pedestrian Bridge

Construction on the Robert R. Douglass pedestrian bridge (formerly known as 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 mid-2018. The new structure will replace the Rector Street pedestrian bridge.

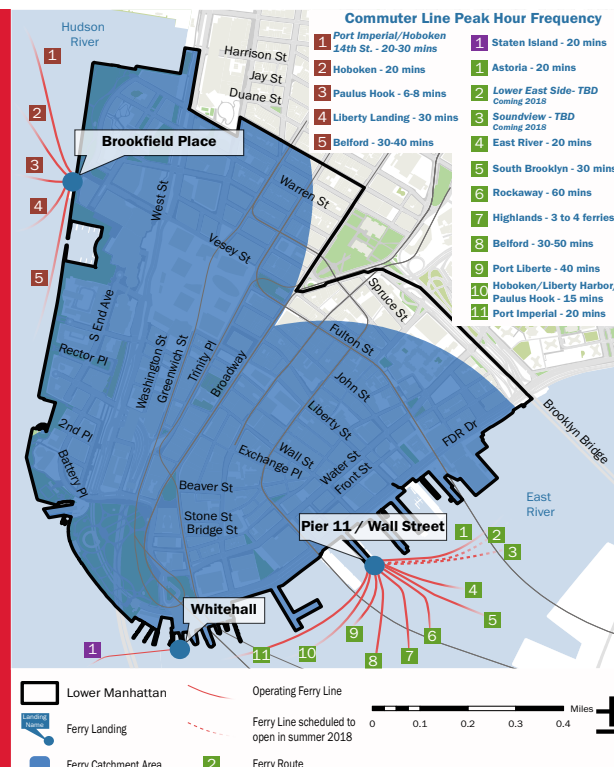


The South Ferry Train Terminal reopened this summer, ahead of the fifth anniversary of Superstorm Sandy.

Pier 11 is New York's "Grand Central" for Ferries

With the East and Hudson Rivers on both sides, Lower Manhattan is at an advantageous location when it comes to commuting by water—more than 97 percent of jobs in the neighborhood are within a 10 minute walk of at least one ferry landing.

Waterborne transportation has expanded greatly with the addition of NYC Ferry service. Wall Street's Pier 11 rose to new prominence with the launch of NYC Ferry in May 2017 and now hosts nine ferry routes. Based on this additional service, New York's "Grand Central" for ferries experienced a 28 percent year-over-year increase in usage in the third quarter. In August, the service launched its latest route running from Astoria, Queens to Pier 11 in Lower Manhattan. Additional routes to the Lower East Side and Soundview are expected to launch in summer 2018.



Visit www.downtownny.com/research-statistics 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:

Lower Manhattan: New York City's Premier Transit Hub, a report demonstrating the strength of Lower Manhattan as one NYC's premier multimodal hubs and needs/opportunities for future improvements.

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.



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