



# New York, New York

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2011

## Overview

Leasing activity was sluggish for the quarter - well below Q3 but above the pace of a year ago. Large blocks of space coming to market caused the availability rate in Midtown North and Downtown to rise, while the availability of space in Midtown South continued to decline. Absorption was negative in each submarket, but asking rents have risen across all submarkets. Manhattan's office market is likely to face a range of challenges in 2012. The economy has yet to settle into a steady recovery and is being tested by the upheaval in the global capital markets and the effects of the global debt crisis. The possibility of further job cuts in the financial services sector could push up availability rates over the coming months. Growth in Manhattan's tech sector may offset some of these losses. Another recent trend is corporate consolidation which is generating lower overall demand for space. As a result, many more jobs will be needed in the future to create historic levels of demand for office space.

## Market Trends

### Midtown

- The class A availability rate rose from last quarter to 12.4%, and asking rents increased to \$70.36/RSF.
- The class B availability rate decreased to 1.2%, with rents decreasing to \$50.71/RSF.
- There was negative net absorption for class A space (-1.27 MSF) and negative absorption for class B space (-150,000 SF).

### Midtown South

- The overall availability rate declined from 10.2% to 10.0% with rents increasing from \$45.93/RSF to \$46.07/RSF.
- Net absorption was 150,000 SF.

### Downtown

- Class A availability rate increased from 20.2% to 25.4%, with rents rising from \$43.85/RSF to \$54.65/RSF.
- The class B availability rate rose to 12.4% with rents dropping from \$33.38/RSF to \$31.82/RSF.
- Net absorption was negative for class A space at -4.4 MSF and class B space at 280,000 SF.

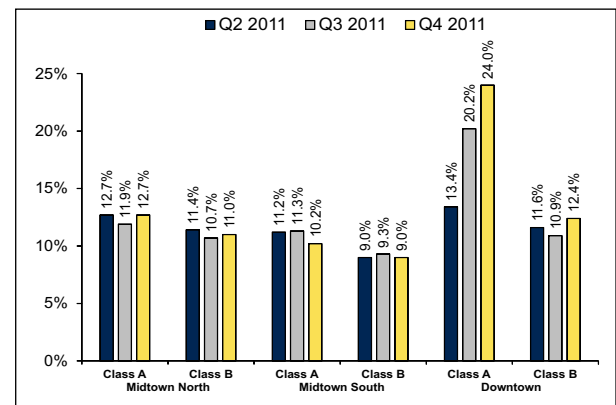
## Tenant's Perspective

New development will play an important role in meeting future demand by providing modern infrastructure, a better work environment and the opportunity to consolidate into a more efficient footprint. Looking ahead, tenants still have the upper hand, but the market is slowly moving towards equilibrium.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Pearson plc	271,998	Office	Lease
Brookfield Office Prop.	152,780	Office	Lease
MSCI, Inc.	125,811	Office	Lease
Young & Rubicam	124,760	Office	Lease
ColumbiaDoctors	121,477	Office	Lease
Beth Israel	112,941	Office	Lease
Bloomingdale's	110,198	Office	Lease
Baker & McKenzie	105,803	Office	Lease
Marks, Paneth & Shron	85,460	Office	Lease
Kate Spade LLC	85,233	Office	Lease

## Vacancy Rate



## Average Rental Rates

Midtown North	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$68.54	\$69.71	\$71.30
Class B Office	\$48.43	\$51.16	\$50.71
Midtown South	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$47.76	\$52.92	\$57.98
Class B Office	\$41.84	\$42.78	\$44.34
Downtown	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$39.55	\$43.85	\$54.65
Class B Office	\$33.87	\$33.38	\$51.78