

MIDTOWN SOUTH OFFICE MARKET REPORT Q2-2017

Since the end of the financial crisis, Midtown South has been one of the fastest growing sub-markets in Manhattan due to the large influx of Technology, Advertising, Media, and Information (TAMI) tenants migrating to the market. Silicon Alley, New York's version of Silicon Valley, is the area just north of Union Square renowned for its concentration of TAMI tenants. As tenants continue to relocate to Midtown South, Silicon Alley continues to grow. There has been a 75.5% increase in tech jobs from 2001 to 2015. In fact, the overall tech industry accounts for more than 291,000 jobs and produces more than \$124.7 billion in economic output according to New York City's Economic Development Corporation. Venture capital funding for tech has begun to taper due to growing economic and political uncertainty causing funding to focus on later stage tech companies, many of which are located in the Midtown South market.⁽¹⁾

CHANGE IN TECH EMPLOYMENT



Office leasing activity in the area has gained momentum in the first quarter of 2017, reaching pre-recession levels of 1.32 million square feet. Developers have delivered more than 600,000 square feet of new development to the submarket's inventory, causing net absorption of -16,000 square feet. The predominant Midtown South office inventory tends to be located in pre-war buildings, often with loft or open-space features, a hodge-podge of HVAC systems and less than optimal power/connectivity. As such, the submarket should quickly absorb the abundant amount of space coming online within the next few quarters as the demand for Class A or B "technologically sufficient" space grows.⁽²⁾

Union Square has managed to capture more than 50% of all Manhattan tech leasing for the sixth consecutive year, according to Colliers International. Most notably, WeWork has signed three leases in the area with the capacity to host almost 3,000 co-working members. IBM signed a landmark membership deal for the entire WeWork building at 88 University, a transaction financed by Mission Capital in 2016. The co-working space is roughly 70,000 SF across 8 floors and will support nearly 600 IBM employees.



(1) JLL US Technology Office Outlook

(2) CBRE Midtown South Manhattan Office, Q1 2017

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In combination with the private sector, local government support from Mayor Bill de Blasio has also played a crucial role towards the explosive growth of the Midtown South submarket, as the city has committed \$250 million towards a new hub to support the area's thriving tech and innovative start-up scene. The anchor tenant to the project will be Civic Hall and will include a collaborative work and event space that will be used for the advancement of technology for the public. The facility is estimated to create 600 tech jobs and host digital trainings for thousands of New Yorkers.⁽¹⁾

Recent Leases ⁽²⁾

Date	Type	Tenant	Size (SF)	Address
Q2 2016	New	Facebook	200,000	225 Park Ave. South
Q2 2017	Expansion	Compass	115,000	90 5th
Q3 2015	Expansion	Pandora	104,000	125 Park Ave. South
Q1 2017	New	Live Nation	99,588	430 West 15th St.
Q3 2016	New	WeWork	96,000	33 Irving Place
Q2 2017	New	WeWork	94,740	205 Hudson St.
Q2 2017	New	MAC Cosmetics	86,524	233 Spring St.
Q3 2015	New	WeWork	82,000	88 University Place
Q3 2016	New	Capital One	78,000	11 West 19th St.
Q1 2016	Renewal	Perkins Eastman	77,000	115 5th Ave.
Q4 2015	Ren. & Exp.	L'Oreal USA, Inc.	59,345	261 Eleventh Ave.
Q3 2015	New	One Kings Lane	51,576	315 Hudson St.
Q2 2017	New	Argo Group US	46,530	431 West 14th St.
Q2 2016	New	Casper	32,300	230 Park Ave. South
Q1 2017	New	Teacher Synergy	27,000	111 East 18th St.
Q2 2017	New	Glossier	26,164	161 Avenue of the Americas
Q1 2017	New	Pentagram	24,000	204 5th Ave.
Q2 2015	New	Regus	23,000	112 West 20th St.
Q1 2016	Renewal	DeVito Verdi	22,000	100 5th Ave.
Q2 2016	New	Verve	21,500	79 5th Ave.
Q1 2017	New	Cosnova, Inc.	11,913	55 5th Ave.
Q2 2017	New	Ceros, Inc.	11,000	40 West 25th St.
Q3 2017	Renewal	DataMinr	8,264	99 Madison Ave.

Midtown South is the top performing market in Manhattan for condo sales in Q1 2017 by median price and average price per square foot; however, overall performance still trails previous years. In the first quarter, Midtown South closed 913 sales with a median price of \$1.6M and an average price of \$2,340 PSF. There were 1,788 new condos that came online, a 25% increase from last year. The 4% decrease in number of condo sales coupled with the increase of inventory from last year has increased supply and average time on the market. Although the average number of days on the market (98 days) increased, Midtown South is still the most competitive location for buyers as it has the best absorption rate of any submarket in Manhattan.⁽³⁾ Mission successful executed condo construction loans for Walker Tower and 10 Sullivan Street. At the time, Walker Tower Penthouse was the most expensive condo sold in Midtown South for \$50.9 million. 10 Sullivan was the tallest condo building in SoHo and is a landmark building known for its unique design and excellent location.

Midtown South Q1 2017 Condo Overview ⁽³⁾

			Annual Change
Sales	913	↓	-4%
Inventory	1788	↑	25%
Months of Supply	5.1	↑	18%
Days on Market	98	↑	20%
Median Price	\$1.6M	↓	-6%
Average PPSF	\$2,340	↑	10%

(1) The Villager: Union Square Tech Firms are Driving Areas Commercial Growth

(2) CBRE, The Real Deal, Commercial Observer

(3) The Corcoran Report 1Q17 Manhattan



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"In the last few years there has been a lot of renovation and new construction... While the expansion of Manhattan's tech industry is responsible for much of the gain, newer and updated product has also driven rents higher." -Tristan Ashby, JLL director of New York Research

Midtown South asking rents higher than Midtown for two straight quarters

Trendy office subdistrict is nearly twice the size it was in 2013

October 10, 2016 08:31AM



"What you're seeing is just a more diversified market... The future of the world is everything is going to have a tech component. There's a premium people are willing to pay to be there." -Mike Mathias, a leasing broker with Savills Studley Inc.

W.B. Mason Renews Its 17K SF Office in Midtown South

BY TERENCE CULLEN | SEP 13, 2016, 11:46 AM



"A sign of a healthy city is activity in strong growth industries — and New York's tech industry is certainly alive, well and growing in Union Square. With the area's unrivaled transportation access and its vibrant mix of shops, restaurants, fitness studios and other amenities around Union Square Park, the district holds a lot of appeal for individuals who work in tech and creative industries... As Union Square's community of tech, advertising, media and information companies has continued to grow, the district is leading the way in driving 21st-century job creation for New Yorkers." - Jennifer Falk, executive director of the Union Square Partnership Business Improvement District.

Trio of TAMI Tenants Taking Full Floors in Midtown South Building

BY LIAM LA GORRE | APR 26, 2017, 4:51 PM



Midtown South Has an Incredible Art Collection for Public Consumption

BY LAUREN BEARS SCHWAB | NOV 17, 2016, 10:17 AM



Another Manhattan Condo Will Have a Giant Private Pool

BY BRUCE BRANT | JUL 24, 2017 | MAY 1, 2017, 2:40PM EDT



HelloFresh gobbles up 22K sf in Midtown South

Asking rent was reportedly in the high \$60s per square foot

December 02, 2016 09:12AM



Savanna buying Midtown South office building for \$126M

Westbrook was the latest owner in a series of short-term holds

By Mark Maurer and Rich Bockmann | May 17, 2017 06:00PM



"There are 60,000 people a day who cross Madison Square Park. I think that the renaissance of the park has been significant to this neighborhood." -Brooke Kamin Rapaport, the senior curator at the Madison Square Park Conservancy

"Since its beginning, Union Square has offered New Yorkers a crossroads not only for transportation, culture, business and health but also for political discourse and free speech... Now with the planned new Civic Hall, Union Square will be able to also offer every New Yorker, regardless of background, gender, age, race or physical ability, access to digital skills, jobs and a renewed sense of civic engagement in the 21st century."

- Andrew Rasiej, founder and C.E.O. of Civic Hall.

Midtown South's Office Market Ascends to New Heights

Pricing for top-caliber office space has eclipsed Midtown asking rents

By Keiko Morris

Oct. 9, 2016 8:53 p.m. ET

The late developer Samuel Rudin built a 42-story office tower in the Flatiron District in

Recommended Via

How to Book

Manhattan's Tech District Is Attracting Banks Wanting Closer Ties

By David Levitt

October 3, 2016, 5:00 AM EDT



Financial-firm leases rise to 23% of Midtown South deals

Silicon Valley Bank used city heat map to pick new location