



BENCH^{MARKS}

NEW YORK CITY

OCTOBER 19, 2017

MEGATRENDS

1. National capital markets activity remains sturdy; weakening is occurring locally
2. Tech firms: New York's newest giants
3. The market is adapting to tenants' needs

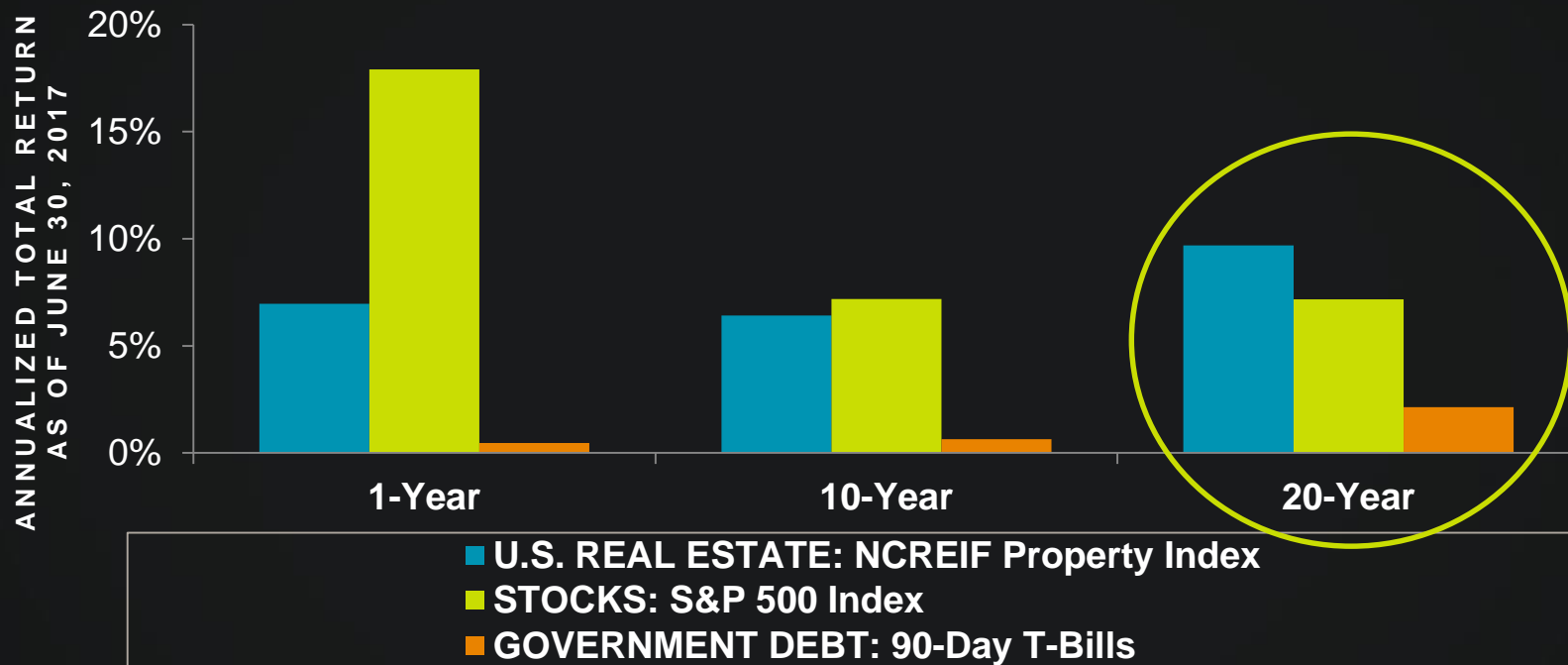
MEGATREND #1: NATIONAL CAPITAL MARKETS ACTIVITY STURDY; WEAKENING VOLUME OCCURRING LOCALLY



BENCH**MARKS**

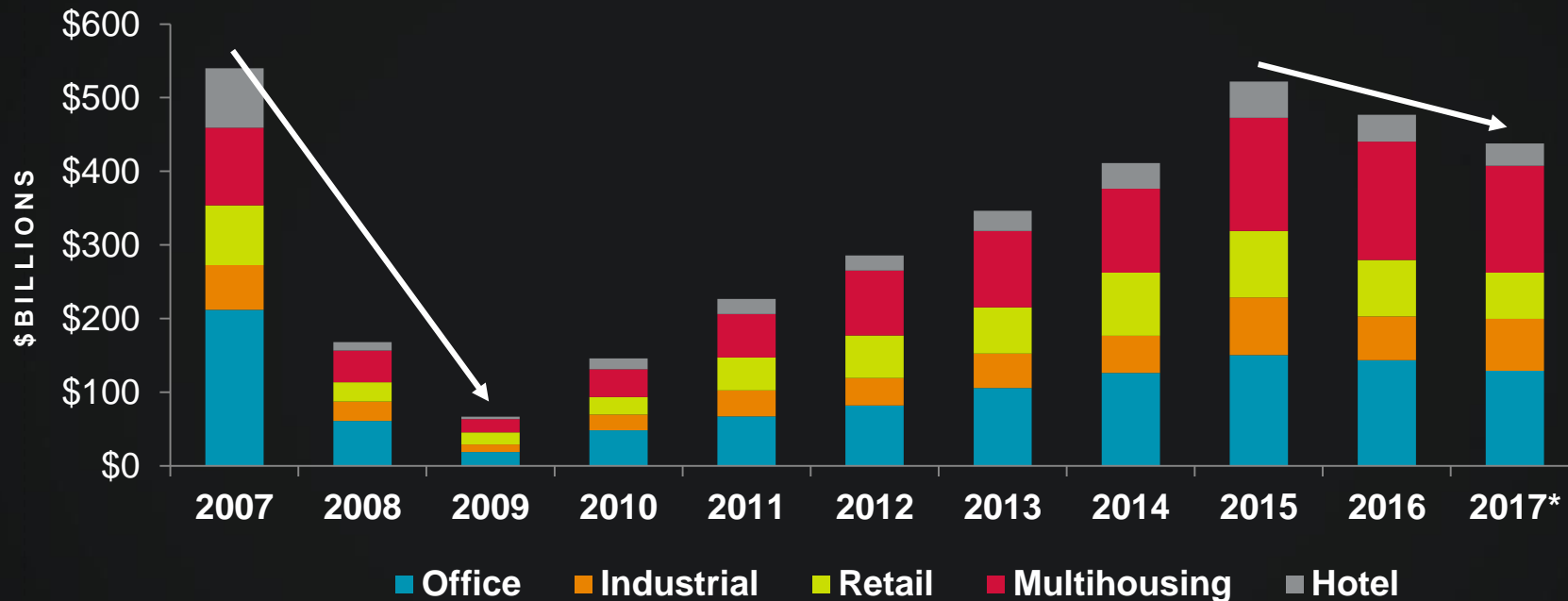
COMMERCIAL REAL ESTATE REMAINS APPEALING

Especially as a Long-Term Investment



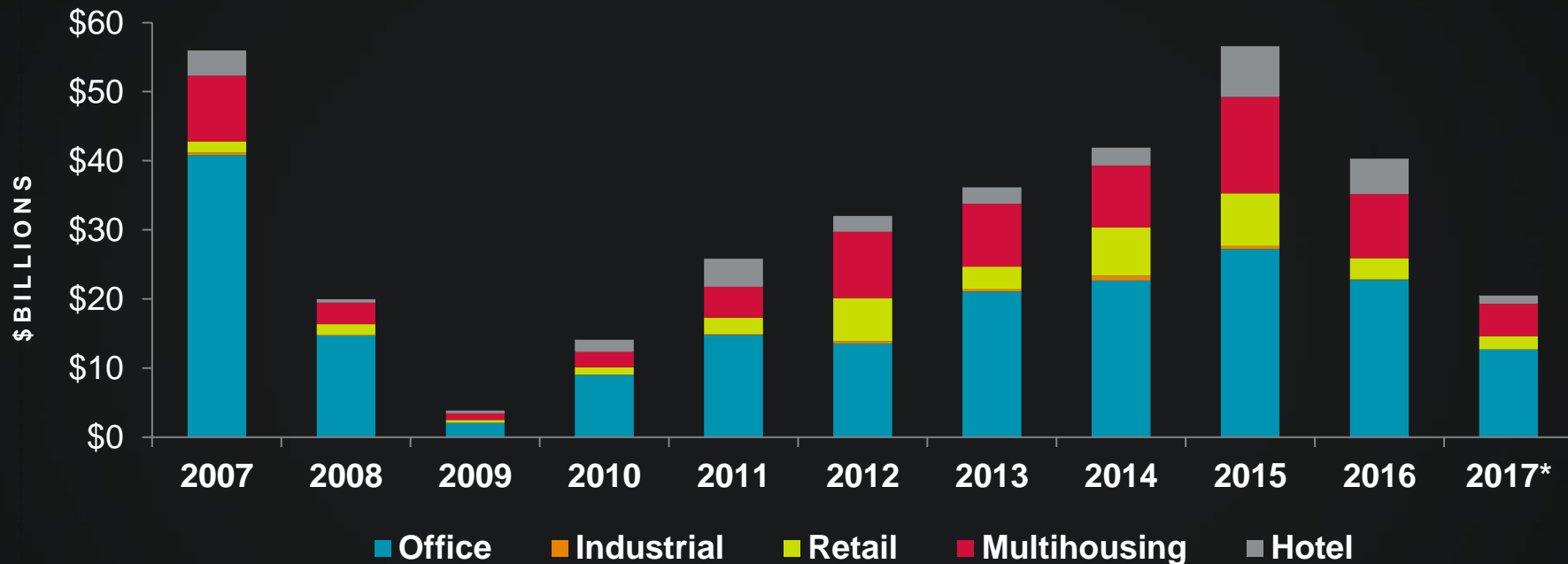
U.S. INVESTMENT SALES BY PROPERTY TYPE

2007-2017



MANHATTAN INVESTMENT SALES BY PROPERTY TYPE

2007-2017



WEST COAST IS ATTRACTING CAPITAL

Office Investment Sales Volume by Region | 2002-2017



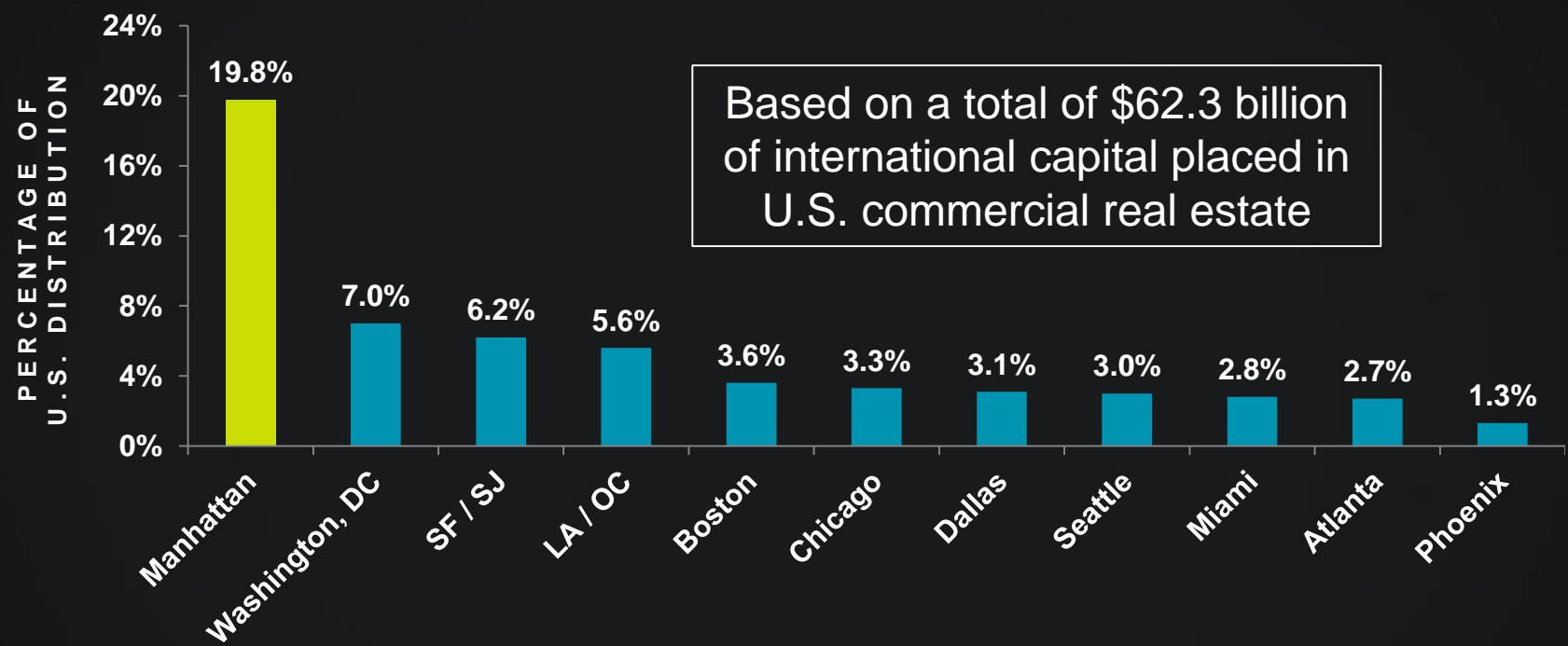
SAFETY OF MANHATTAN REMAINS APPEALING

Especially Among Foreign Investors

	<u>AFIRE National Rank</u>	<u>AFIRE Global Rank</u>
2017	#1	#1
2016	#1	#1
2015	#1	#1
2014	#1	#1
2013	#1	#2
2012	#1	#1
2011	#1	#1
2010	#1	#1
2009	#2	#3
2008	#2	#3
2007	#1	#1
2006	#1	#2

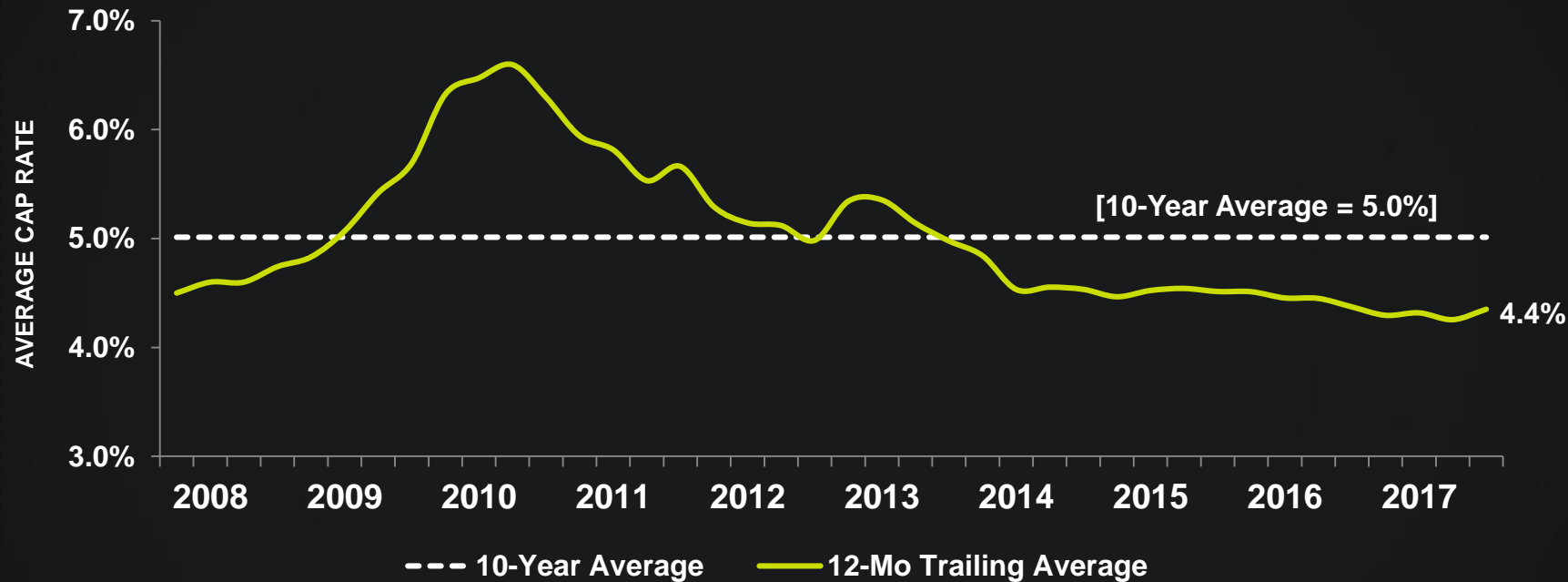
MANHATTAN REMAINS LEADING DESTINATION FOR INTERNATIONAL CAPITAL

Percentage of U.S. Distribution | All Property Types | 12 Months Ending June 2017



MANHATTAN INSTITUTIONAL QUALITY OFFICE PRODUCT

Average Cap Rate



WHAT'S NEXT?

The “Smart Money” and Capital Markets

- Investors are looking for **yield** while targeting quality assets in supply-constrained markets
- **West Coast** will continue to attract capital, but New York pricing will remain high as buyers anticipate the **rare occasions** when trophy assets come to market
- Secondary markets that are **producing graduates suitable for tech** and other growing industries are attracting “smart money” – think, for example, Pittsburgh and Salt Lake City, for their lower cost of living and high number of tech-savvy graduates

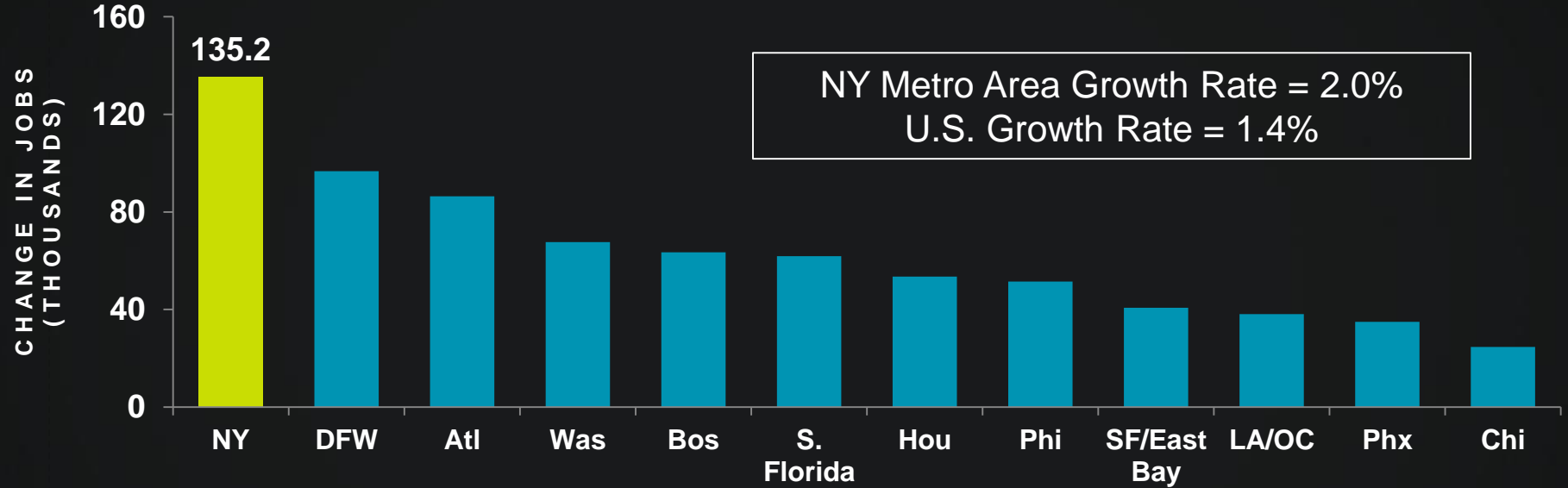
MEGATREND #2: TECH FIRMS ARE NEW YORK'S NEWEST GIANTS



BENCH  **MARKS**

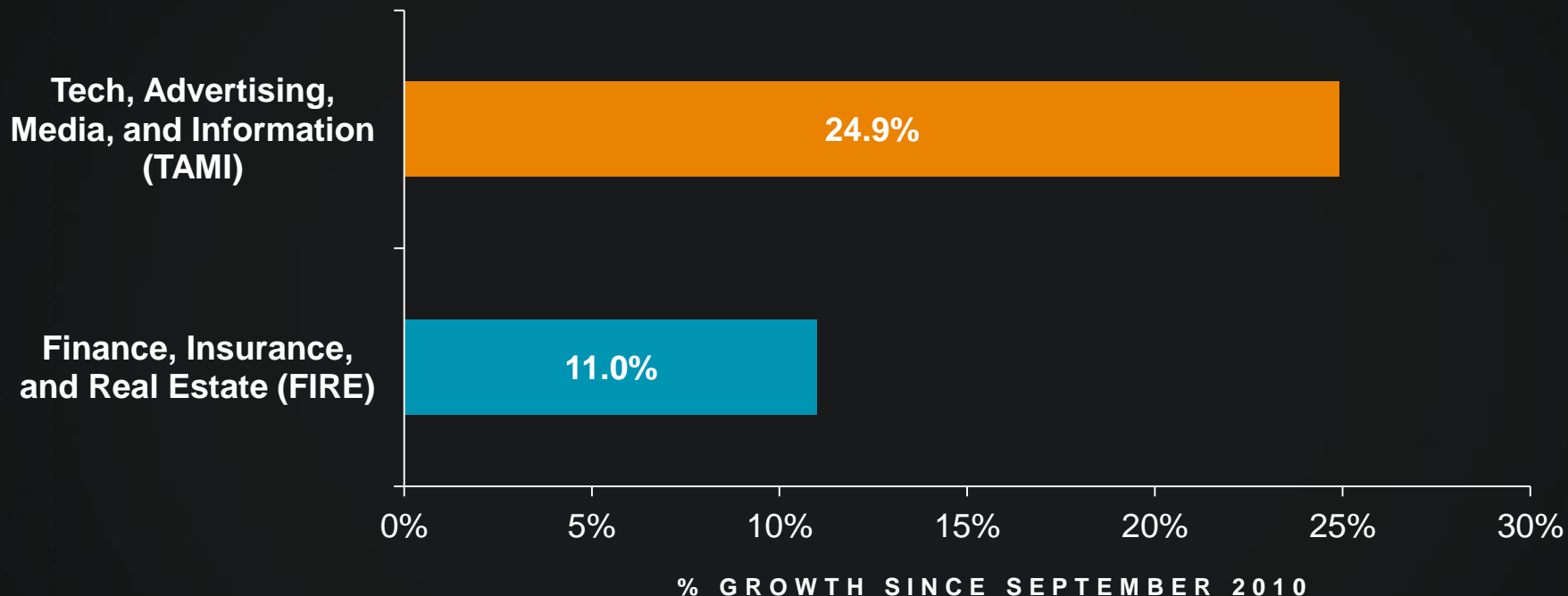
MAJOR METRO AREA JOB GROWTH

12 Months Ending August 2017



NEW YORK METRO AREA JOB CHANGE BY KEY INDUSTRY

Growth Since Trough of Great Recession



SAMPLE OF TECH / MEDIA FIRMS LEASING LARGE BLOCKS OF OFFICE SPACE IN NYC

2015 - 2017



1,224,000 SF



478,243 SF



359,620 SF

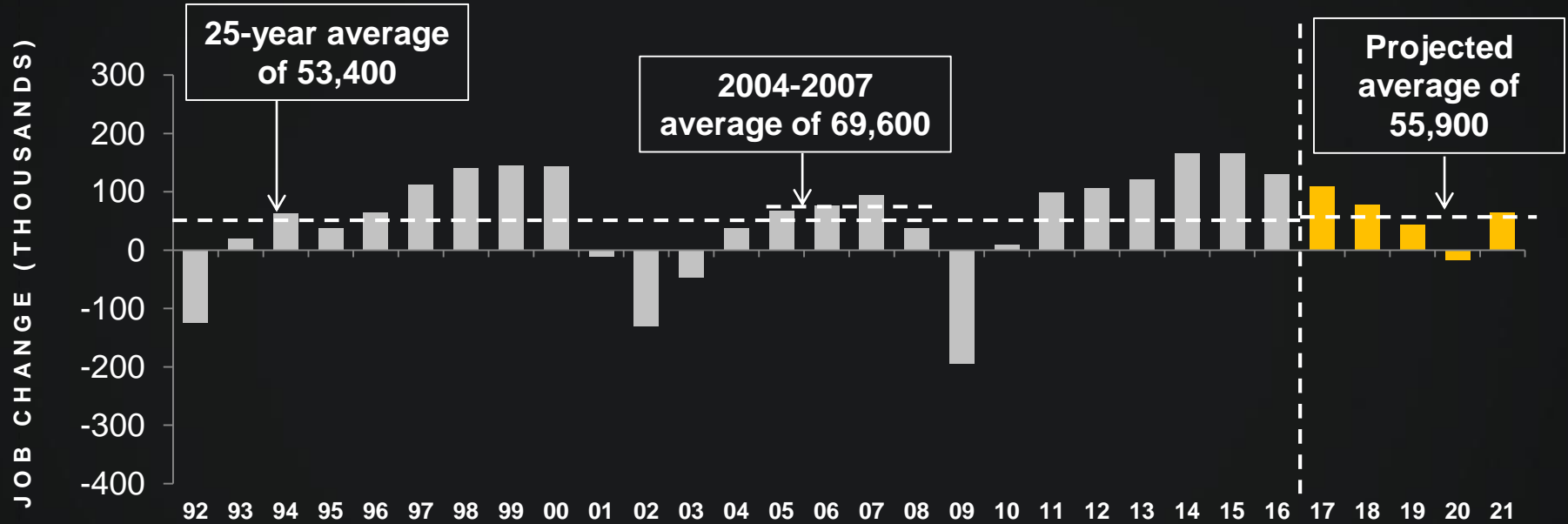
J.P.Morgan

305,365 SF



260,836 SF

NEW YORK METRO AREA JOB GROWTH TO CONTINUE BUT DECELERATE



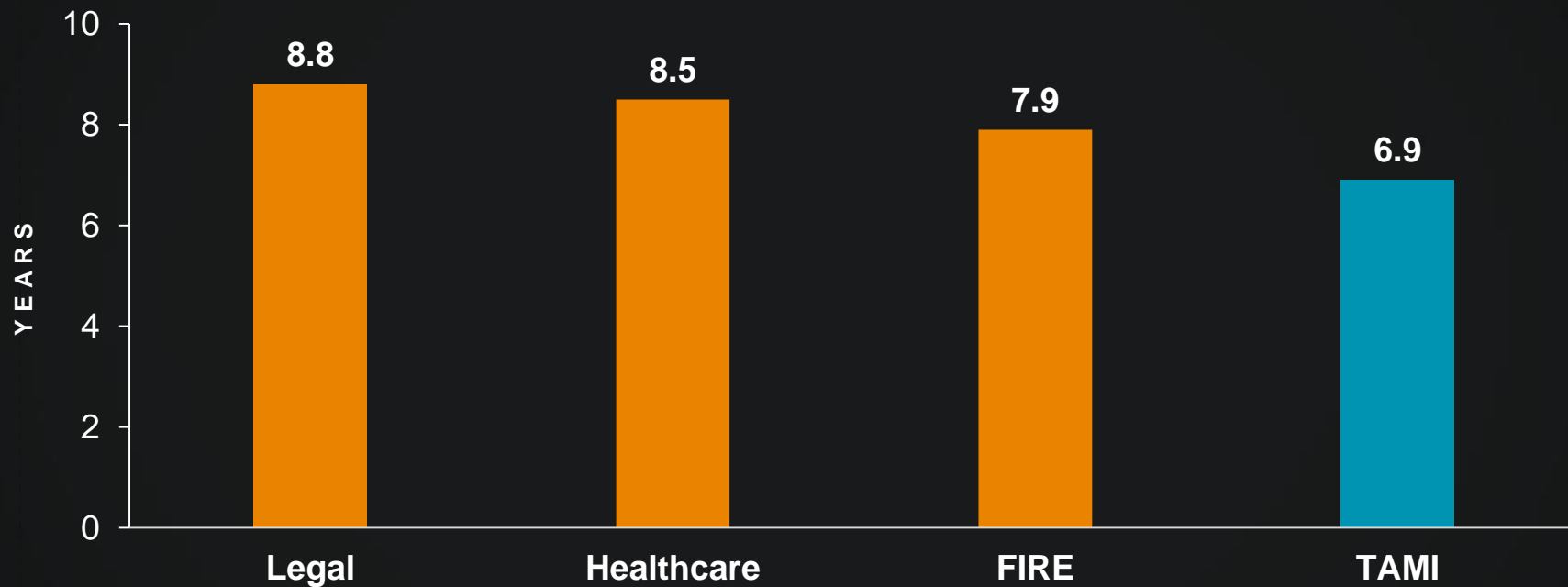
WHAT'S NEXT?

The “Smart Money” and TAMI Tenants

- Smart investors are recognizing that TAMI tenants prize **flexibility**, meaning shorter deals
- There is investor **opportunity** throughout Manhattan, from Midtown to Downtown
- Will the **Midtown East** rezoning approval turn TAMI tenants' attention to that submarket?

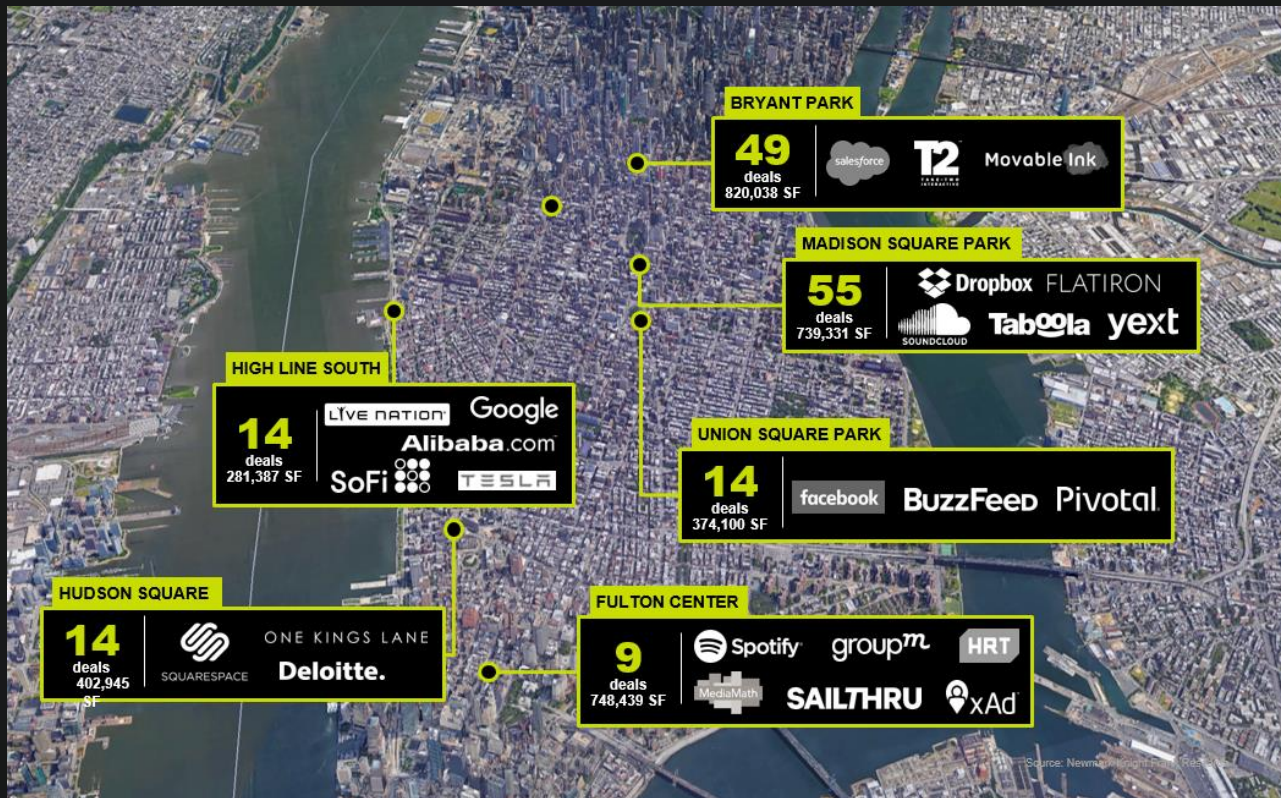
TAMI TENANTS PRIZE FLEXIBILITY

Average Lease Term in Manhattan by Industry | 2016-2017



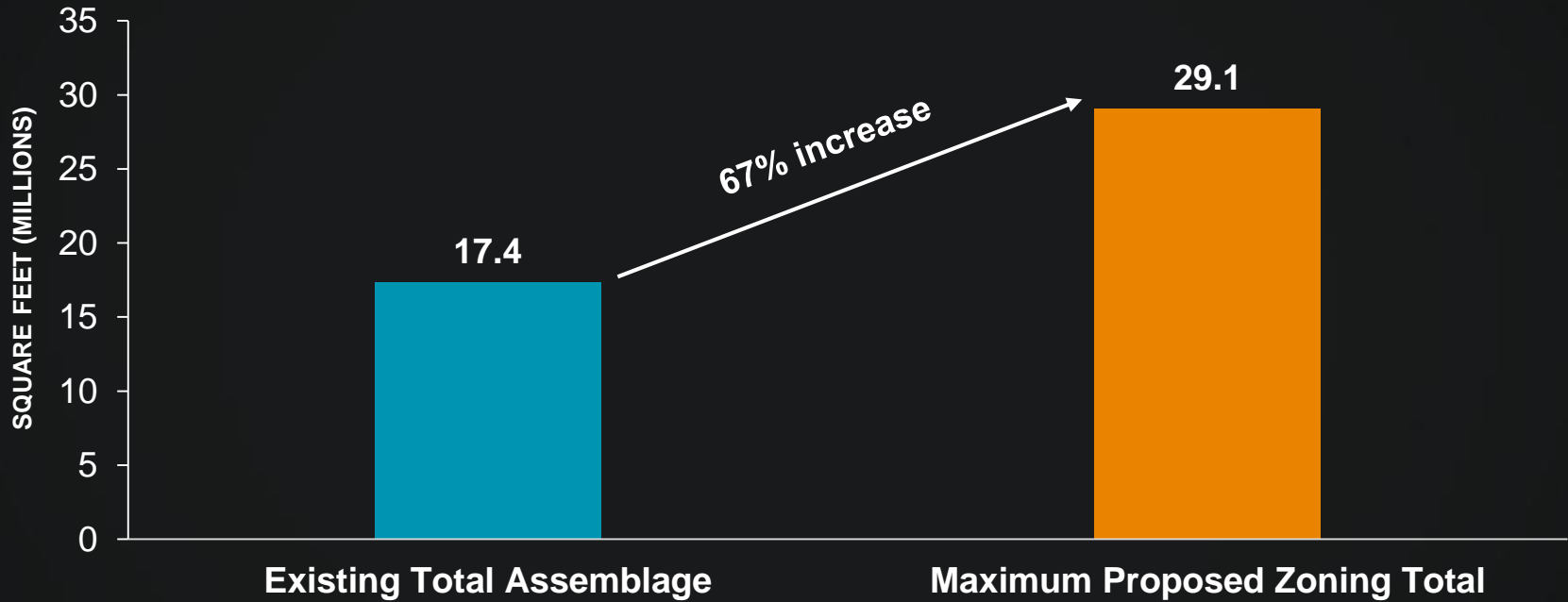
TAMI TENANTS ARE SPREADING OUT

Technology and Media Leasing Hotspots | Completed Transactions in 2016-2017



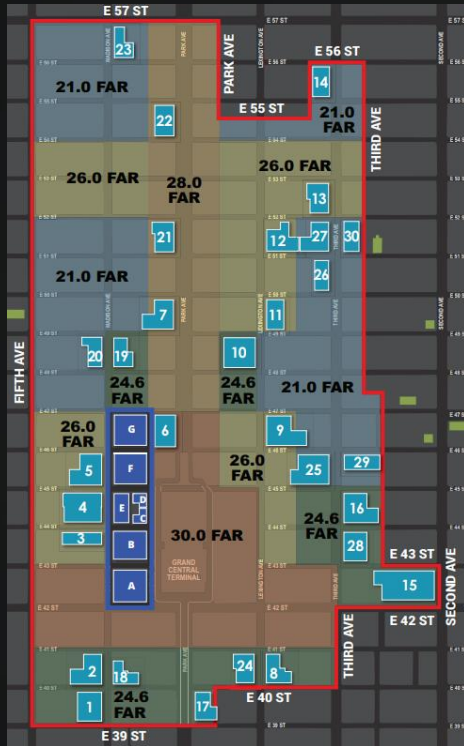
MIDTOWN EAST REZONING WILL MODERNIZE OFFICE INVENTORY

Development Potential in Greater East Midtown



MIDTOWN EAST REZONING WILL MODERNIZE OFFICE INVENTORY

Limited Impact on Overall Inventory

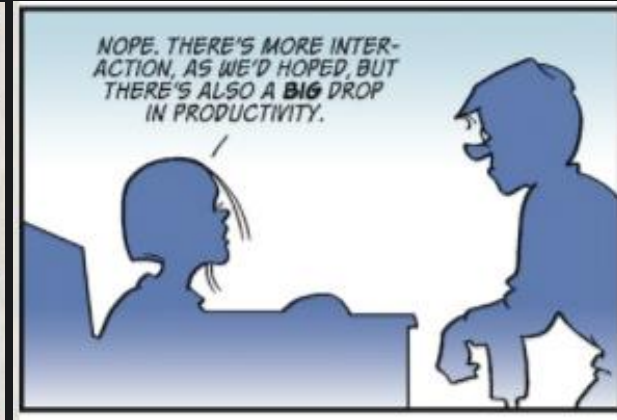


Midtown East's maximum development potential would only increase Manhattan's standing inventory by 2.6%

MEGATREND #3: THE MARKET IS ADAPTING TO TENANTS' NEEDS



DENSIFICATION DOES NOT EQUAL WORKPLACE STRATEGY



Continued on next slide . . .

DENSIFICATION DOES NOT EQUAL WORKPLACE STRATEGY



THE PENDULUM CAN SWING TOO FAR IN EITHER DIRECTION



WORKPLACE STRATEGY IS CRITICAL TO STRIKING THE RIGHT BALANCE

Spend Wisely on Private Spaces. . .



WHAT'S NEXT?

The “Smart Money” and Adapting to Tenants’ Needs



Café

Put capital where it is
most productive

Business and Recreation Lounge

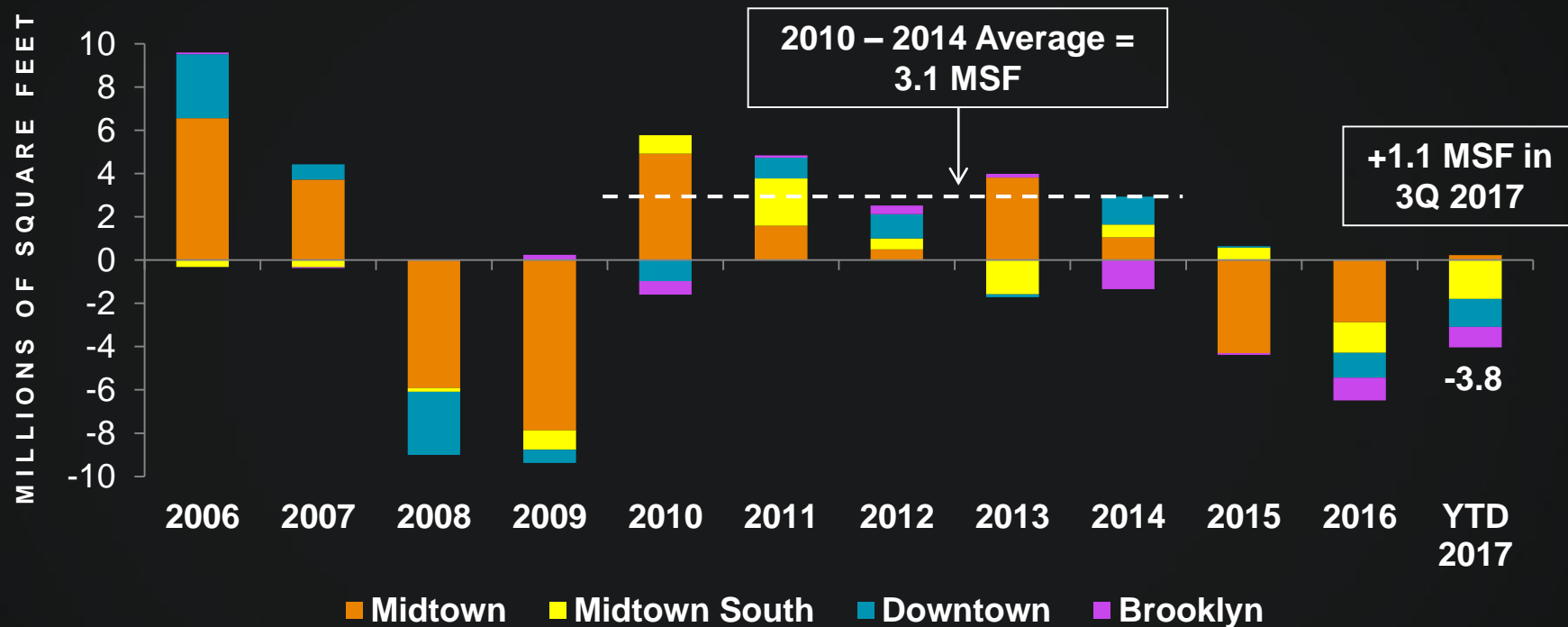


NYC OFFICE MARKET CONDITIONS AND FORECAST



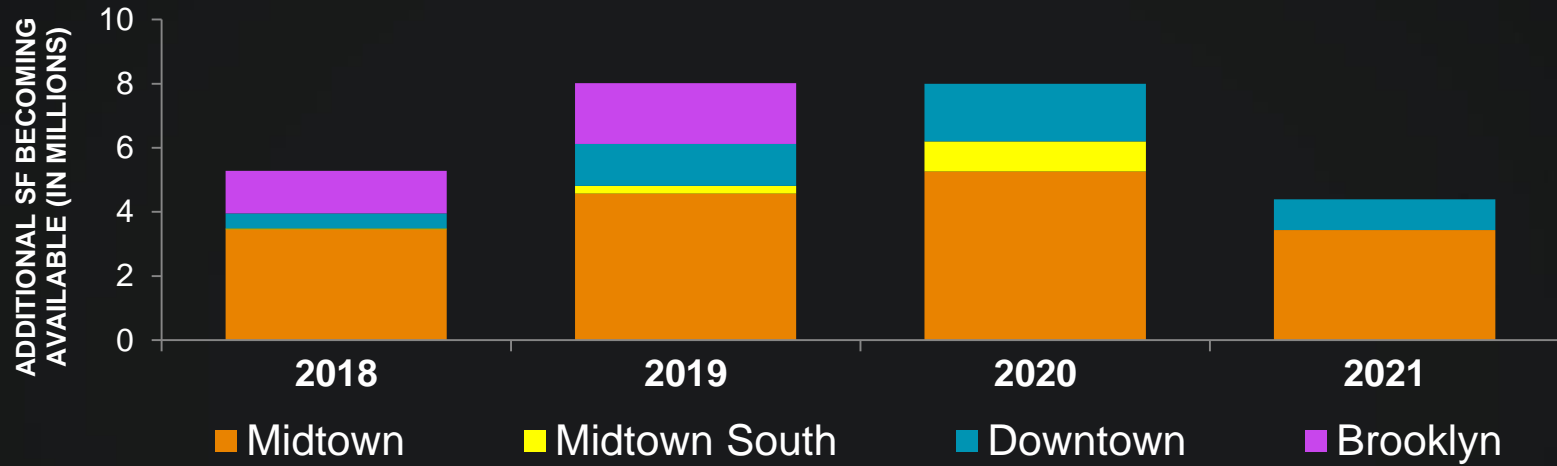
NET OFFICE ABSORPTION

Major New York City Markets



PROJECTED INCREASE IN OFFICE AVAILABILITY

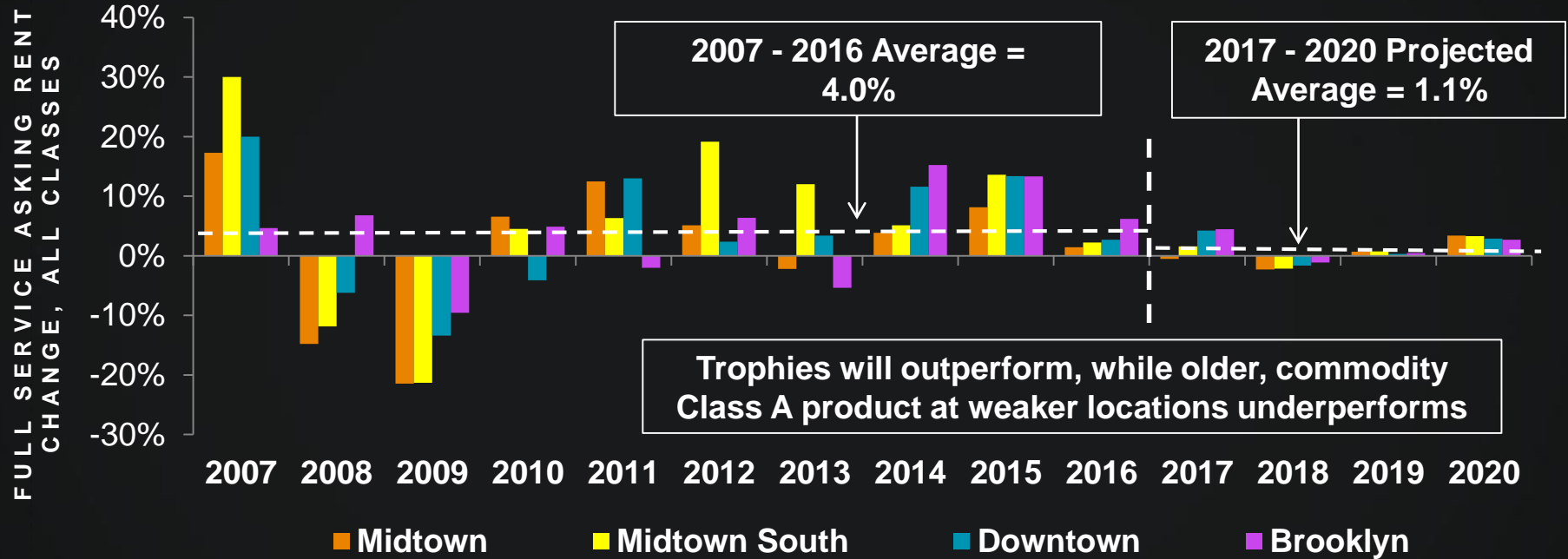
Major New York City Markets



AVAILABILITY RATE AFTER PROJECTED ABSORPTION	3Q 2017	2018	2019	2020	2021
MANHATTAN	12.3%	13.1%	13.7%	13.9%	13.5%
BROOKLYN	17.1%	18.4%	18.9%	18.5%	17.7%

PROJECTED OFFICE ASKING RENT CHANGE

Major New York City Markets



WHAT'S NEXT?

The “Smart Money” and the NYC Office Leasing Market | Next 12-24 Months

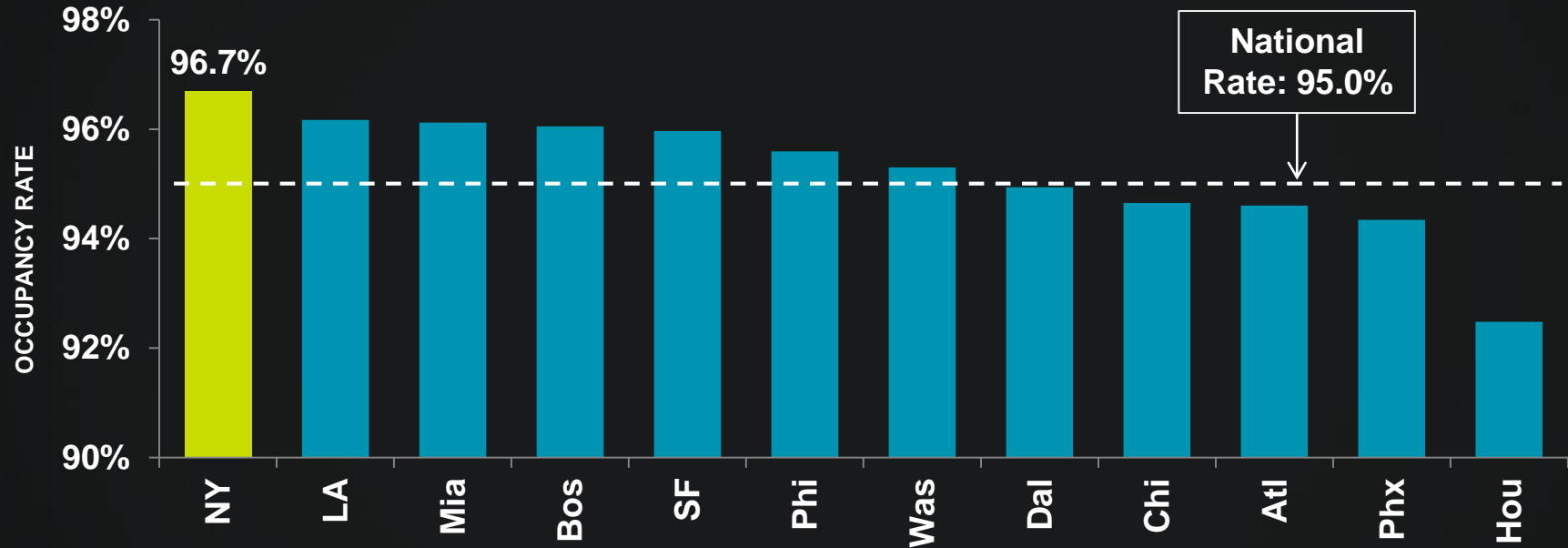
- Development: Office inventory is modernizing and expanding – invest capital to help tenants improve their **productivity**
- Availability: Edging up overall, but changes are disparate across submarkets – look throughout the city for opportunity, in both **traditional and emerging submarkets**
- Rents: While taking rates remain healthy, concession packages are likely to remain high – **be flexible** to boost occupancy

NYC MULTIHOUSING MARKET CONDITIONS AND FORECAST



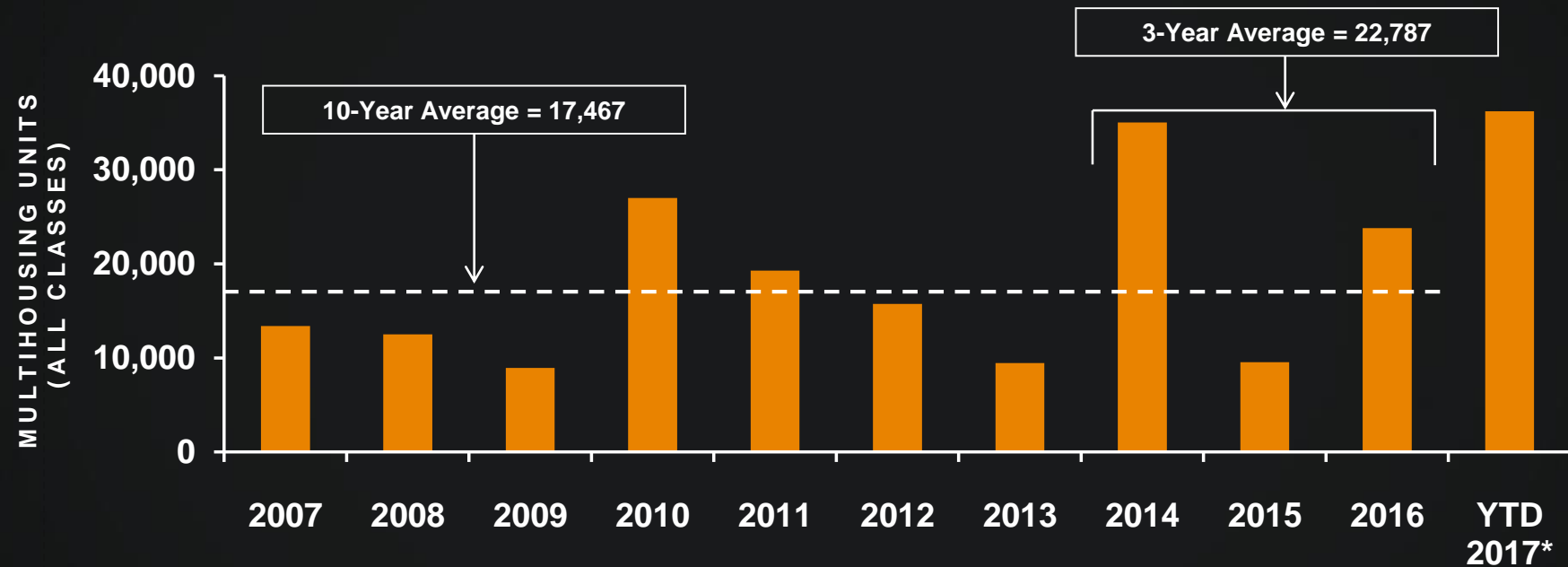
NEW YORK OCCUPANCY TOPS PEER MARKETS

Multihousing Occupancy Rate in Major Metro Areas | 3Q 2017



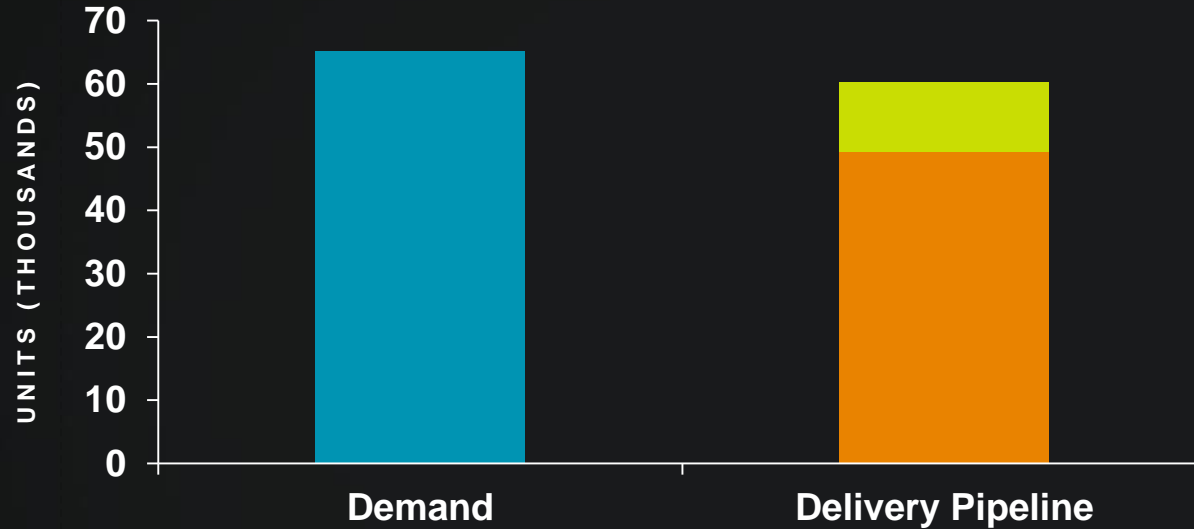
ANNUAL MULTIHOUSING ABSORPTION, ALL CLASSES

New York City Metro Area



DEMAND AND DELIVERY PROJECTIONS

New York City Metro Area | 4Q 2017 – 3Q 2020



Demand
Net Absorption: 21,736 units/year = 65,208 units

Delivery Pipeline
Planned and may deliver by 9/20: 10,978 units
Under construction: 49,256 units
Total = 60,234 units

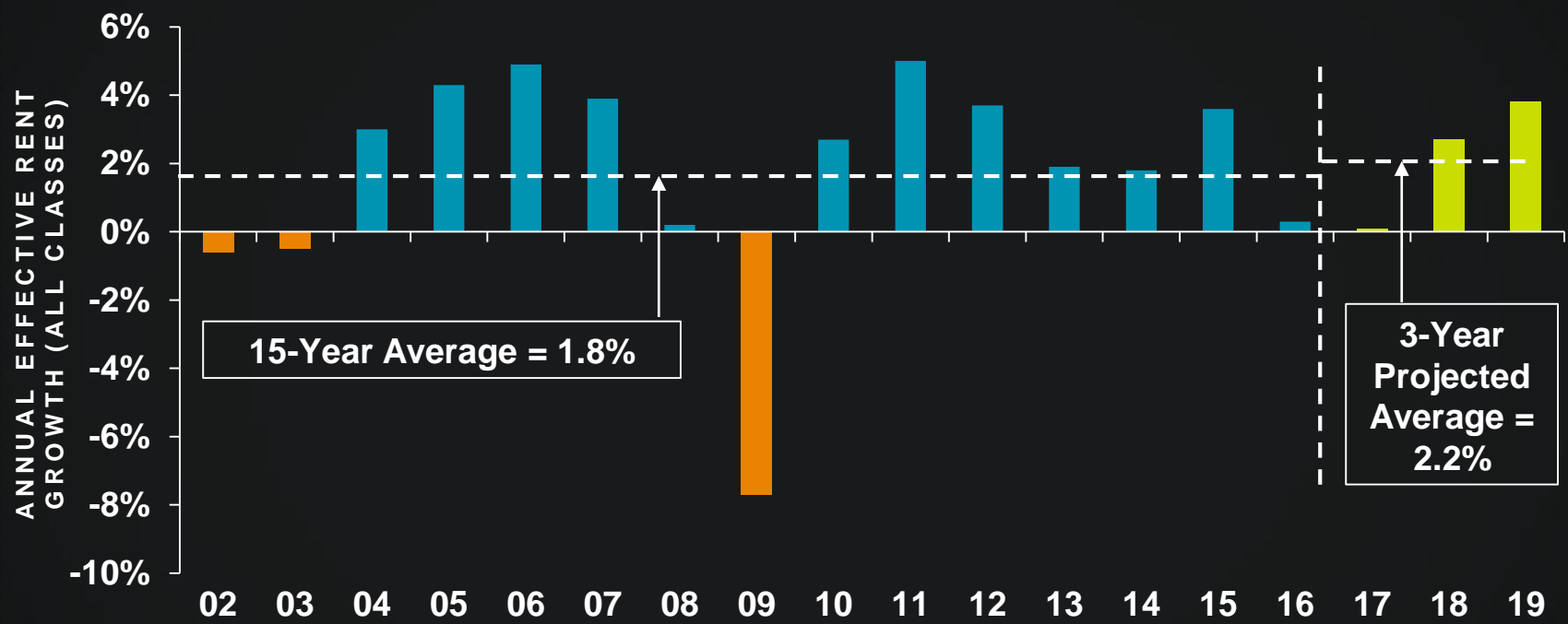
New York Metro Area Occupancy at:

3Q 2017 96.7%

3Q 2020 97.0%

ANNUAL EFFECTIVE RENT GROWTH

New York City Metro Area



AMENITIES ALSO ARE SHAPING THE MULTIHOUSING MARKET . . .



IMAX Theatre

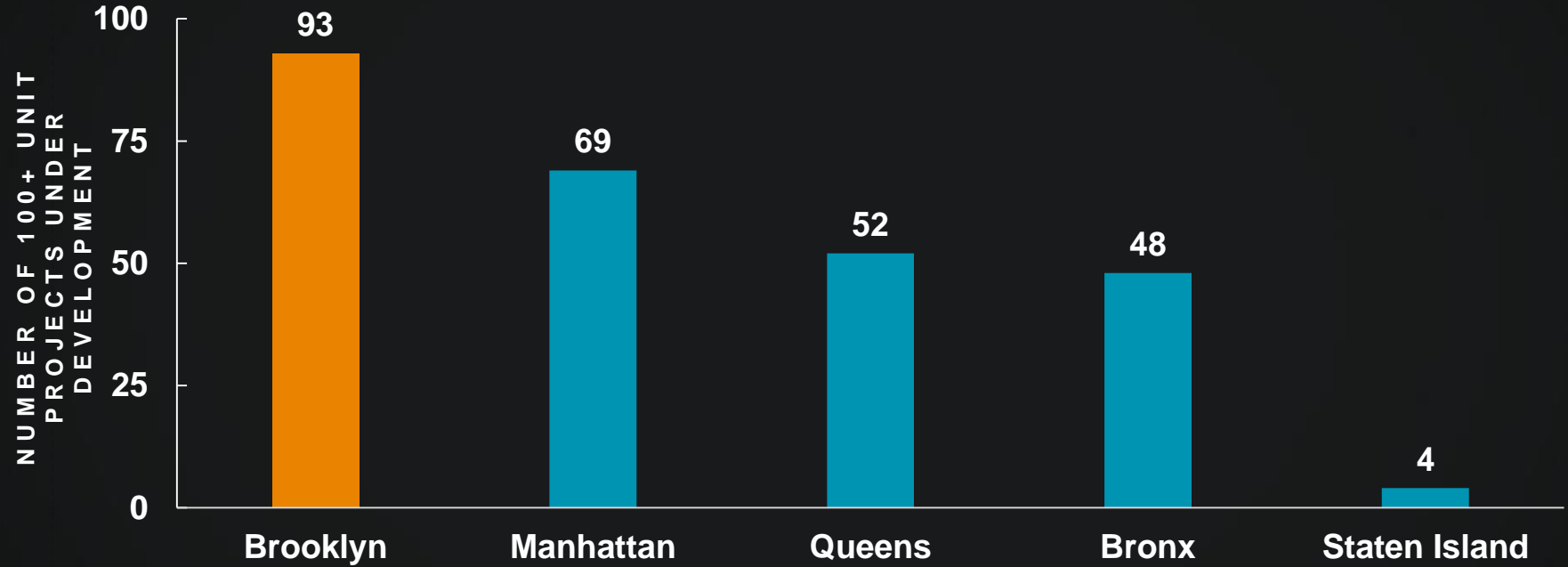
Sky Gardens



Private pool in unit

... INSIDE AND OUTSIDE OF MANHATTAN

100+ Unit Residential Developments by Borough



WHAT'S NEXT?

The “Smart Money” and the NYC Multihousing Market | Next 12-24 Months

- Development: Consider opportunities in growing **outer-borough and suburban** areas
- Availability: Expect it to remain steady, as **strong demand** helps to absorb new supply
- Rents: Approximating the long-term rate of growth, with new product elevating the average – **pencil new projects accordingly**