



New York City CRE Snapshot

1ST QUARTER 2024 REPORT
OFFICE | RETAIL | DEVELOPMENT

1519
DECATUR STREET
**BOX
FACTORY**

Pictured: Box Factory, 1519 Decatur Street



Downtown - View from Manhattan Bridge

Quarterly News Highlights*

General News

Recovering Tourist Volume Generated \$74M in Economic Impact in 2023 | January 1, 2024

New York City attracted 61.8 million travelers in 2023 according to the mid-December report released by New York City Tourism + Conventions, the official marketing organization for the five boroughs. Last year’s visitor volume marked a 93% recovery of the city’s record 2019 visitation levels. Of the \$74 billion in economic impact generated, \$48 billion came from direct spending (not adjusted for inflation) with activity supporting over 380,000 leisure and hospitality jobs — roughly 9% of the city’s workforce — and thousands of small and minority-owned businesses citywide. At the time of the report’s release, the agency had forecast that domestic travel would reach 51.1 million — a 7.9% year-over-year increase year-over-year, while international visitation, which accounts for nearly half of all visitor spending, was expected to total 10.8 million visitors, marking a 14.9% year-over-year increase led by the city’s five largest international markets —the United Kingdom, and followed by Canada, France, Brazil and Germany. Looking ahead, the current pace of increasing visitor volume puts New York City on track to reach 64.5 million visitors in 2024.

Sources: <https://www.business.nyctourism.com/press-media/press-releases/year-end-tourism-numbers-announcement>

* Access to some articles may require a login and/or subscription.

News Highlights (cont'd)

Rising Frequency of Severe Weather Pushes Reinsurance Rates Higher | January 2, 2024

The rising occurrence of natural disasters such as wildfires, storms, and hurricanes has prompted an increase of as much as 50% on the key January 1 renewal date of U.S. property catastrophe reinsurance rates as reinsurers look to recoup losses due to rising claims. Since reinsurers provide insurance for insurers, the agreed upon prices set the trend for the cost of insurance for the next 12 months. Clients with policies previously hit by natural disasters last year were impacted by the rate increase, but rates remained unchanged for some clients not exposed during the year. Taking a broader look beyond the U.S. borders, the property catastrophe reinsurance rates doubled in Turkey, while “political violence insurers are reconsidering the breadth of their cover in potential conflict hot spots” due to the conflicts in Gaza and Ukraine.

Sources: <https://www.reuters.com/markets/us/us-property-reinsurance-rates-rise-by-up-50-jan-1-broker-says-2024-01-02/>

NYS Envisions Plan for Auctioning Emission Allowances to Reach Climate Targets | January 3, 2024

A preliminary vision to further reduce carbon emission throughout New York State was recently released by Governor Hochul's administration. The Released by state officials along with the Department of Environmental Conservation (DEC) and the New York State Energy Research and Development Authority (NYSERDA) the pre-proposal outline of a program dubbed “Cap-and-Invest” provides a framework for the core regulatory components of the program. Expected to launch in 2025, the program will require organizations to self-report the amount of carbon they emit each year. Fuel suppliers and other polluting industries will be required to purchase allowances to produce emissions. Each year, the number of available allowances will decrease in number, which is expected to push more costs onto consumers. However, the auctions which are expected to raise billions could offset costs by funding consumer tax credits and green energy projects according to an affordability study released in December.

It has yet to be decided whether emission allowances will be tradable and under the proposal, “each allowances auction would include a minimum reserve price per ton of emissions which would increase by 8% each year to account for inflation. “Provisions for offsets” — activities or credits that allow companies to come into compliance without directly reducing emissions have not been included at this time, since carbon offsets have in some cases allowed businesses or institutions to increase their direct emissions and thereby creating the potential to increase pollution in the disadvantaged communities where much of New York's polluting facilities are located. State officials will be soliciting feedback as well as having scheduled three virtual meetings in January prior to producing draft rules for the program.

Sources: <https://www.crainsnewyork.com/climate/new-york-details-preliminary-cap-and-invest-plan-reduce-emissions>

Inflation Approaches Fed's Target Rate Sparking High Hopes of a Soft Landing | January 11, 2024

December saw a modest reversal of what appeared to be the direction of inflation over the past few months, the Consumer Price Index for All Urban Consumers (CPI-U) increasing 0.3% on a seasonally adjusted basis versus the 0.1% in November and remaining unchanged in October after increasing 0.4% in September. However, the so-called core CPI in December, which excludes food and energy and is considered a better predictor of inflation's future path than the overall number, increased 0.3% — the same monthly increase as November. Core prices increased 3.9% from December 2022, representing a moderate improvement of the 4% increase during the 12-month period ending November 2023.

Despite a bit of a roller coaster path, “the progress on inflation since June 2022 [when peaked at 9.1%] has been remarkable” according to JPMorgan Asset Management's chief global strategist; and is approaching the Fed's 2% target rate “sooner than economists had expected just a few months ago.” Plans by the Federal Open Market Committee (FOMC) to hold their policy rate steady at their next meeting at the end of January will remain unchanged, with some analysts thinking interest rate cuts could occur after that if monthly inflation readings remain mild. However, some economists caution that the resilience of the U.S. economy due in part to consumer spending holding up well could stall the pace of improvement in inflation.

Sources: <https://www.wsj.com/economy/us-inflation-consumer-price-index-december-2023-c4ac6a19>



Brooklyn - DUMBO

News Highlights (cont'd)

NYC Comptroller Report: The State of the City's Economy and Finances | January 16, 2024 – 7:00 AM

In 2023, the city's economy outperformed the expectations of the New York City Comptroller's Office and most other economic forecasters by several key measures according to the report released in the final weeks of December. Assessments by the Comptroller's Office indicate that job numbers returned to prepandemic levels; wage earnings grew at a healthy 5.2%; population losses have narrowed; and tourism is well on its way to returning to its previous peak volume. However, progress was far slower in the commercial real estate sector and New Yorker's overall income per capita lowered in 2022 due in part to the expiration of the federal transfer programs of 2020 and 2021 and job gains currently concentrated in the low-wage components of home healthcare and social assistance within the Health Services sector. While New York City's economic growth is anticipated to continue at a moderate pace, it is below the strong growth trajectory in the years before the pandemic; and although tax revenues are projected to exceed currently budgeted projections, it will not be sufficient to close the budget gaps the city is facing.

An op-ed posted by nonpartisan, nonprofit civic organization, the Citizens Budget Commission (CBC), further points out that although the City Council, city comptroller, and Independent Budget Office (IBO) all recently projected higher revenues; and both the comptroller and IBO forecast lower spending for migrants and asylum seekers, they all show budget gaps which according to the city comptroller's estimates will be \$7.7 billion in FY 2025 that would be reduced to \$5.8 billion if FY 2024 reserves and surplus funds are applied to prepay FY 2025 expenses, and grow to \$12.24 billion in FY 2027. The CBC suggests that it is a time for collaborative, informed and thoughtful decision making, further emphasizing the need for the city's leaders to "make some tough choices to close the fast-approaching budget gaps that come from years of adding spending without underlying revenues and the massive, unexpected costs of migrants — and not take the easy but unwise route of raising taxes" on "New York City residents and businesses that already face the highest marginal personal income and business taxes" — a move the CBC believes would "weaken our competitiveness and could undermine the city's recovery."

Sources: https://comptroller.nyc.gov/wp-content/uploads/documents/The-State-of-the-Citys-Economy-and-Finances_12-15-23.pdf

https://comptroller.nyc.gov/wp-content/uploads/documents/The-State-of-the-Citys-Economy-and-Finances_12-15-23.pdf

News Highlights (cont'd)

Governor Hochul Announces the Designation of the Central Harlem North Historic District | January 16, 2024

An approximately ten block area within Manhattan's Harlem neighborhood has recently been added to the New York State and National Registers of Historic Places by Governor Hochul. The newly designated Central Harlem North Historic District (CHNHD) is one of 37 new historic statewide sites recognized for their cultural and historical significance. Dating back to around 1893 and extending to as recently as 1952, the CHNHD "is a compelling illustration of Harlem's broader evolutions as a working-class residential neighborhood with deep toes to the real estate endeavors" of Philip Payton Jr., recognized as the first noted black male real estate agent, and who founded the Afro-American Realty Company in 1903, as well as the evolution of New York's transit systems. Governor Hochul stated in the press release that the nominated properties reflect generations of community building, planning, and activities providing a glimpse into the collective past of New York State, and by adding them to historic registers expand people's ongoing understanding "of our shared history and are important reminders of the innovation, passion, and lived experiences of New Yorkers who came before us."

Sources: <https://newyorkimby.com/2024/01/in-progress-central-harlem-north-historic-district-nominated-to-new-york-state-and-national-registers-of-historic-places.html>
<https://www.governor.ny.gov/news/governor-hochul-announces-37-nominations-state-and-national-registers-historic-places>

Gov. Hochul's Proposed \$233B State Budget Boosts Support for Migrant Crisis | January 16, 2024

New York State's \$233 billion state budget proposal for Fiscal Year 2025 (FY25) was unveiled by Governor Hochul on Tuesday, January 16, 2024, representing a 4.5% increase of all funds spending, but would avoid new taxes. New York State continues to maintain a bond rating of AA+, reducing borrowing costs. The proposed FY25 budget will increase state support for addressing the migrant and asylum seeker crisis in New York City to \$2.4 billion, representing a 26% increase of the \$1.9 billion allocated over the past fiscal year. A total of roughly \$7.92 billion has been allocated primarily for operating aid for the MTA of which a \$16 million portion is for a feasibility study in support of moving forward with a westward expansion of the planned Second Avenue Subway extension to 125th Street, adding stations at Lenox Avenue, St. Nicholas Avenue and Broadway for convenient connection to the 1, 2, 3, A, B, C and D lines along with numerous bus routes.

Among the other allocation categories, \$878 million will target efforts to improve public safety and crack down on crime; \$246.2 million to bolster New York's mental health system; \$35.31 billion for public education investment; \$1.58 billion to promote the state's economic growth and opportunities through multiple programs including Excelsior tax credits and the Downtown Revitalization Initiative; \$1.64 billion targeting efforts to fight climate change and promote resiliency; and \$500 million in capital funds "dedicated to developing up to 15,000 housing units on state-owned property" in addition to legislation to help incentivize an increased housing supply in New York City and protect affordable housing providers by "prohibiting insurance carriers from raising premiums on property owners bases on tenant source of income."

Sources: <https://www.crainsnewyork.com/politics-policy/gov-hochuls-233b-ny-budget-plan-spends-2b-migrants-avoids-tax-hikes>
<https://www.governor.ny.gov/news/governor-hochul-announces-highlights-fy-2025-budget>

NYC Department of Finance Releases FY 2025 Tentative Property Tax Assessment Roll | January 16, 2024

The total market value of all New York City properties is \$1.491 trillion according to the Fiscal Year 2025 (FY25) Tentative Property Tax Assessment Roll recently released by the New York City Department of Finance (DOF). The current figure represents a 0.7% increase from FY24; and the portion of market value to which tax rates are applied increased by 4.2% to \$298.9 billion. Commercial properties (Class 4) citywide increased in market value by 4.4% to \$329.6 billion and total assessed values increased 3.5% to \$133.5 billion with Brooklyn accounting for the largest percent increase among the five boroughs. Office buildings experienced a 3.5% increase in market value, "largely driven by the perennial attractiveness of trophy and premium spaces," and a 2.5% increase in taxable assessed value, while retail properties saw more moderate increases of 2.0% in market value and 1.6% in taxable assessed value. An uptick in citywide construction and renovation spending after three years of decline was one positive indicator, generating \$13.9 billion in new market value. Although Manhattan, Brooklyn and Queens accounted for 88% of overall construction activity, the Bronx experienced the highest percent increase among the five boroughs.

Sources: <https://www.nyc.gov/site/finance/about/press/press-release-fy25-tentative-assessment-roll.page>



Midtown West

News Highlights (cont'd)

Mayor Adams Files Lawsuit Bus Companies Transporting Migrants from Texas | January 11, 2024

A lack of support from the Federal government related to the growing migrant crisis in New York City that has been further fueled by “red-state governors including Texas Gov. Greg Abbott” prompted Mayor Adams during the first week of January to “file suit in state court against 17 charter bus and transportation companies it says have helped Abbott bus migrants into New York City.” Although some experts believe the case is a “legal longshot,” others describe it as an ambitious attempt to “get a handle on the crisis and recoup some of the \$3 billion taxpayers have spent to house and feed asylum-seekers since 2022.” The suit accuses the bus companies of violating an obscure state law and is demanding “\$708 million to help pay for the care of about 34,000 migrants that they have dropped off in the city after picking them up in Texas.”

The suit further says, “the charter bus companies receive about \$1,650 per person to transport migrants, far more than a standard bus ticket, demonstrating the companies’ ‘bad faith’ involvement.” On December 27, 2023, Mayor Adams issued “Emergency Executive Order 538,” requiring charter bus companies to provide advance notification of anticipated arrival in New York City and a manifest of its passengers, as well as limiting drop-off hours and location. However, on January 2, 2024, ABC7NY reported that at least 13 buses from Texas and Louisiana dropped off migrants at multiple train stations in New Jersey, which were then boarded onto trains and buses to New York City apparently to avoid Mayor Adams’ executive order. Response to the occurrence by New Jersey officials was encouraging, each willing to take some course of action, acknowledging that these are “desperate people who need help.” It is hoped that “at a minimum the suit puts charter-bus companies on the defensive and may make it harder for Abbott to keep up the pace — while giving the city more time to persuade Congress and the Biden administration to address a crisis that should not fall so heavily on the shoulders on New York City.”

Sources: <https://www.crainsnewyork.com/editorials/nycs-suit-against-bus-companies-bringing-migrants-creative-and-necessary-step>

News Highlights (cont'd)

Time Out Global Survey: NYC Claims 2024 Title as Best City in the World | January 23, 2024

The results are in! The annual global survey recently completed by Time Out revealed that “New York City has so much global appeal,” that the magazine’s readers ranked it “as the world’s best city this year.” The survey that was distributed to all Time Out readers as well and its “more than 100 well-traveled staff writers and editors all over the world,” provided responses to a wide range of questions related to food, culture, and nightlife scenes to come up with a list of the “Best Cities in the World.” In addition, about 15% of the survey respondents from other cities said they’d choose New York City to move to when asked “which other city they would most like to live in.” Perhaps best said by author and journalist Candace Bushnell, “New York City is also a place where people come to make it.” It is a vibrant metropolis that “is always adapting, always innovating, and always pushing the boundaries” — making “NYC shine despite its grit.”

Sources: <https://www.timeout.com/newyork/news/nyc-is-named-the-best-city-in-the-world-for-2024-012324>

Strength of U.S. Economy Reads Like a Fairy Tale Story | January 26, 2024

Contrary to widespread predictions of a “recession at the start of 2023, right up to underestimating growth at the end of the year,” the 4th quarter “growth figures were incredible,” while updated figures from the core personal consumption expenditures index — the Federal Reserve’s preferred measure — add more color to the picture.” However, this scenario doesn’t follow historical trends and presents what has been described as a “conundrum” for the Fed. Typically, “a cycle usually works through the following steps—the economy gets too hot, inflation accelerates, and the Fed raises interest rates. Then the economy cools down, perhaps even contracting. And only after that is inflation brought back under control.” Yet despite facing the “biggest and fastest increase in interest rates in a generation,” the economy hasn’t crashed, and consumers are still spending, and unemployment remains low. Looking at the global picture, the rest of the world has not fared as well, “Europe is on the brink of a recession and inflation is still higher. Japan is still struggling to escape deflation, with the latest inflation numbers coming in lower than expected. China’s economy is feeble and requires more stimulus.” It is anticipated that the Fed will be more reluctant to start cutting interest rates than Wall Street expects, since it’s too soon to know what level of impact the interest rate hikes have had on lowering inflation because “monetary policy works with a lag” and “smoother supply chains and lower energy costs have done the heavy lifting.”

Sources: <https://www.barrons.com/articles/what-to-know-today-03e27b8e>

Effect on the Labor Market Uncertain as Businesses Increasingly Embrace AI’s Potential | February 9, 2024

Although the statistics may not show it, as a growing number of companies take advantage of new technologies the potential of increasing numbers of employee layoffs grows stronger. Artificial intelligence (AI), which has met with robust enthusiasm within the business world, has ironically hit the technology industry the hardest. According to outplacement firm Challenger, AI-related job cuts within the sector totaled 4,000 between May 2023 to January 2024. However, “experts struggle to get an accurate picture of just how many job cuts are being eliminated as AI rapidly advances.” Following the fallout from IBM’s decision to go public with the announcement that “the company planned to pause hiring it thinks it could soon replace with AI,” others have taken heed, wanting to avoid the headlines, so “only a handful of companies have explicitly tied AI to job cuts or hiring freezes.”

Cited in example was United Parcel Service’s (UPS) largest layoff in its 116-year history may possible, “in part, by new technologies including artificial intelligence according to a statement by the company’s CEO; while “three out of four Fortune 500 chief human resources officers surveyed by Gallup last year said they see AI replacing jobs in their company in the next three years. Although some companies are introducing AI as an augmentation rather than an elimination, even without the big announcements, the reality is if the help of AI enables one person to accomplish the work of multiple people – there will be jobs lost. Recognizing that employees within some industries are more vulnerable than others, “responsible integration of AI requires “comprehensive strategies the prioritize workers’ well-being, provides retraining and support programs to ensure a fair and inclusive job market in the era of AI.”

Sources: <https://www.crainsnewyork.com/technology/ai-driving-more-layoffs-companies-want-admit>



Queens - View from FDR Drive of Long Island City

News Highlights (cont'd)

Successful Roll-Out of Citywide Composting Program at Risk Amid Community Program Budget Cuts | January 30, 2024

Although the roll-out of a mandatory citywide curbside composting program by the New York City Department of Sanitation (DSNY) has begun, the program that is being phased in borough-by-borough has met with delays. Until recently, community composting programs have been the backbone of the efforts to divert organic waste from landfills; and until the DSNY's program is fully implemented, seen as essential in helping the city reaching its aggressive 2050 net-zero emission goals. However, despite diverting an estimated 4,150 tons of organic waste from landfills each year, the community composting programs are slated to be eliminated because of budget cuts in city support programs; and while a few of the programs have been granted a partial reprieve by donors, it has led to layoffs and reduced food scrap pickup locations. Over 3 million tons of waste are collected by the DSNY, of which 80% is sent to landfills, and roughly a third of the waste collected is made up of food scraps, making the city's landfills the "third leading source of emissions after buildings and transportation;" and on a nationwide level, "release as much CO2 each year as 23.1 million gas-powered cars."

When organic waste is left in the low-oxygen environment of a landfill, it "releases an explosive mix of methane and carbon dioxide — both potent greenhouse gases;" and when food waste is incinerated, its moisture content makes the burn less efficient and worsens air pollution. In addition to improving the environment, effective composting can also reduce some of the real estate needed for waste. One analysis of a residential composting program launched in Seattle in 1989, that was made mandatory for all residences, multifamily buildings, and business by 2015, found it reduced city waste management costs by \$17.2 million between 2007 and 2018. In 2023, New York City spent \$470 million exporting waste to landfills and incinerators. The success of Seattle's program shows the benefits of a consistent approach with heavy investment in outreach via mailers and the recruiting of "Master Composters" to constantly re-educate people. As best said by New York City Council member Shekar Krishnan, "For us, and the generations that come after us, composting is one of the most basic ways that we can show that we will care for our climate, that we care for our city, that we care for our parks, that we care for our planet."

Sources: <https://www.crainsnewyork.com/politics-policy/nyc-community-composting-cuts-are-putting-its-curbside-plan-risk>

Stagnant CRE Investment Sales Sharply Reduce MTA Revenue | January 31, 2024

The broader effects from the challenges facing the commercial real estate market continue to surface, the latest impact hitting the Metropolitan Transportation Authority's (MTA) revenue. Due to a big drop in commercial real estate investment sales and mortgage activity, the agency incurred a \$636 million decline year-over-year in collected revenue through real estate taxes in 2023. The loss in revenue would require the MTA to either find another revenue source to fill the gap or reduce expenses to balance their budget. Heavily dependent on the region's economic vitality, the MTA had the foresight to "project a weaker intake from real estate transactions and stronger collections from sales taxes," thereby reducing its risk and lowering the deficit to \$16 million of what it had budgeted.

Sources: <https://www.crainsnewyork.com/transportation/nyc-real-estate-market-cost-mta-budget-636-million>

News Highlights (cont'd)

New Open Gangway Subway Cars Make Their Debut on the C-Line | February 01, 2024

New York City subway riders will have the opportunity to experience the first open gangway subway cars to be introduced to the Metropolitan Transportation Authority's (MTA) system; last operating on the tracks between 1925 and 1965 when the "Brooklyn-Manhattan Transit Corporation (BMT), one of the three operating authorities that were precursors to the amalgamated New York City Transit, ran three-car open gangway segments." As the first to operate in the U.S. in the modern era, the new R211T subway cars made their inaugural trip on February 1st; and will run on the C-line between Washington Heights and East New York under a pilot program to determine if the open gangway design works for New Yorkers. All R211T cars are equipped with pre-installed security cameras to boost ridership safety, bringing the total within the system to 1,000 cars, with the "rest of the NYC Transit fleet scheduled to have in-car camera installations completed by January 2025," adding to the approximately 15,000 cameras the MTA has installed across all 472 stations. Some additional features incorporated into the design of the R211 car series to improve the customer experience are an eight-inch widening of doorway openings to help speed up boarding, additional accessible seating, digital displays providing more detailed station-specific information, and brighter lighting and signage.

Sources: <https://www.governor.ny.gov/news/governor-hochul-launches-first-open-gangway-train-service-and-announces-1000-subway-cars-now>

Efforts to More Securely Contain & Remove NYC Trash Take a Big Step Forward | February 01, 2024

A joint announcement in early February by Mayor Adams and the New York City Department of Sanitation (DSNY) delivered some welcome news on the "city's war on trash." The prototype of a new automated, side-loading garbage truck was unveiled, and along with a new data-driven containerization strategy, represent the "largest single turning point in the ongoing effort to make New York City the cleanest major city in the United States" according to the press release from the mayor's office. The prototype of the new truck, which took place in Torino, Italy and in both Hicksville and Brooklyn, New York, was delivered four years ahead of schedule; and will allow for substantially faster collection than manual pick-up. In addition, a new strategy for determining the type and size of containers to be used based on building size was outlined by Mayor Adams. While residential buildings with 30-unit or less will have some flexibility in container-type options, buildings with more than 30-units will be "required to use stationary, on-street containers for their trash, serviced by the new automated side-loading trucks." Manhattan Community Board 9, which encompasses the West Harlem neighborhoods of Morningside Heights, Manhattanville, and Hamilton Heights will be the first 100% containerized trashed district with installation of new containers slated to begin in the spring of 2025. Currently home to a successful pilot program spanning 10 residential blocks and at 14 schools, rat sighting complaints within Manhattan's CB 9 district lowered 68% year-over-year. A timeline and process for broader expansion of the program will be determined based upon learnings from the pilot district.

Sources: <https://www.nyc.gov/office-of-the-mayor/news/089-24/mayor-adams-new-anti-trash-technology-launches-next-phase-city-s-war-trash#0>

NYC Returning to Its Roots as a Maritime Freight Hub | February 13, 2024

Plans are in the works to establish maritime freight hubs at six New York City waterfront sites, once again taking advantage of the strong asset that the waterways had provided in years past as a mode of transportation. Decisions by the city were prompted by the anticipated launch of the new congestion pricing program; and intended to help companies adjust to increased costs by creating marine highways for increased delivery via the city's waterways. A request for proposals was released by the New York City Economic Development Corp. (NYCEDC); and although a schedule has yet to be set for the launch of the hubs, the city says, "after contracts and approvals have been secured construction would likely unfold over a year." A total of six sites for the construction of floating platforms have been selected — (3) in Lower Manhattan, (2) in Brooklyn, and (1) in the Bronx for the drop-off of cargo traveling by barges and then sent to their final destination via cargo bikes or other small vehicles.

The plan is anticipated to alleviate some of the 90% of goods that enter and move around New York on trucks, which contributes to the city's clogged streets, poor air quality, and safety issues. DOT data shows that "more than 2.3 million packages are delivered in the five boroughs each day — up from 1.5 million packages before COVID-19. In addition, prior to the pandemic the ratio between deliveries to commercial customers and residential consumers was 60% and 40% respectively but has significantly shifted in recent years with direct residential deliveries now accounting for 80% of delivered packages resulting in more trucks clogging residential streets. The project is part of New York City Department of Transportation (DOT) and NYCEDC's "Blue Highways" initiative to further promote the use of the city's waterways for transporting goods, thereby helping to reduce the overreliance on trucks and aligning with the city's goal to reduce greenhouse gas emissions. With that in mind, it emphasis on sustainability must be at the core of the city's maritime freight efforts moving forward so that the city is not "just transferring the harm in air quality" from the streets to the waterways.

Sources: <https://www.crainsnewyork.com/transportation/waterfront-freight-hubs-are-coming-manhattan-brooklyn-and-bronx>



View of Lower Manhattan from Brooklyn Bridge Park

News Highlights (cont'd)

Compromise on NYC's Right to Shelter Roll Back Amid Migrant Crisis Reaches Settlement | March 15, 2024

A controversial effort by the Adams' administration to roll back New York City's longstanding right to shelter with the intention scaling back the city's obligation to provide shelter to the volume of migrant's that have flooded the city over the last few years has finally reached certain compromise between the city and Legal Aid. According to a statement by Mayor Adams, the city has "been clear, from day one, that the 'Right to Shelter' was never intended to apply to a population larger than most U.S. cities descending on the five boroughs in less than two years." The temporary settlement terms take effect immediately and only apply to adults, not families with children, will limit the city's responsibility to provide shelter of adult migrants to 30 days, but allow reapplication to extend shelter if extenuating circumstances are demonstrated. Migrants under the age of 23 will receive 60 days of shelter and adults with disabilities can receive shelter longer than 30 or 60 days. The city's requirement to "provide a bed to anyone who wants one," dates back to 1976 follow a "ruling in Callahan v. Carey," however, according to an article posted by State Court Report, the language within the legislation leaves the door open for competing interpretations and without clear judicial guidance, "the fate of the right to shelter, as well as the city's swelling homeless populations, hang in the balance."

Sources: <https://www.crainsnewyork.com/politics-policy/city-legal-aid-reach-settlement-over-effort-roll-back-right-shelter>

NYS High Court Reinstates City's Property Tax Lawsuit | March 19, 2024

A much-needed overhaul of New York City's tax system may have moved closer to the necessary steps being taken after New York State's highest court reinstated a 2017 lawsuit filed by the advocacy group Tax Equity Now New York. In the lawsuit against the city and the state, the coalition of property owners, renters, and economic justice organizations argued that "property taxes in the city place a higher burden on rental properties than homes, violating the state's real property tax law;" and that "real estate in districts where most residents are people of color are overtaxed, violating the federal fair housing law." Currently the 43-year-old system "fails to assess tax more uniformly as a percentage of market value," but this decision by the court is seen as a "step in the right direction of property tax equality." The importance of bringing an end to lower assessments for the city's expensive coops and providing relief to the over-taxed rental apartment buildings" was also pointed out. However, it would result in some property owners, especially in more white areas, seeing an increase in their property taxes, while others, especially in more non-white areas, will see them go down. Despite the win for the advocacy group, the lawsuit now goes back to the lower court, "and then determinations are going to be made."

Sources: <https://www.thecity.nyc/2024/03/19/unfair-property-tax-lawsuit-high-court-rules/>

News Highlights (cont'd)

A Sculpture Creating a Portal between NYC with Dublin Coming to the Flatiron District | March 26, 2024

A new sculpture to be installed this spring in the Flatiron neighborhood will “form a visual bridge between New York City and Dublin, Ireland. The sculpture known as “The Portal” will offer the public “a real-time, visual live stream that connects the two iconic cities; and will be installed on the Flatiron South Public Plaza at the intersection of Broadway, Fifth Avenue, and 23rd Street, next to the Flatiron Building, while in Dublin, it will be installed facing the capital’s main street. The sculpture was delivered by the Dublin City Council as part of its designation as the European Capital of Smart Tourism 2024 and will be presented by the Flatiron NoMad Partnership in collaboration with the New York City Department of Transportation’s Art Program (NYC DOT Art) and the Simons Foundation.

Sources: <https://flatironnomad.nyc/2024/03/26/the-portal-where-new-york-meets-dublin-ireland/>

\$23 Trillion of U.S. Treasuries Sold by U.S. Government as Issuance Volume Surges | March 24, 2024

Since the onset of the pandemic, annual issuance of U.S. Treasuries has nearly doubled, growing more than 60% to \$27 trillion — “roughly sixfold larger than before the 2008-09 financial crisis.” In comparison to the rapid growth in markets from tech stocks to mortgage bonds with has ended badly in the past, “Treasuries are considered the safest and easiest-to-trade securities on Wall Street,” but the record sale by the U.S. government of \$23 trillion worth of Treasuries in 2023 could create an instability within the market that could spread rapidly, worrying many investors. Adding to the concerns of some are new rules that are changing the way trading works; and although they could “help alleviate strains,” they could also “create unforeseen consequences, such as the cash shortages in 2019 and 2020 that snarled trading and boosted interest rates.” Efforts to address concerns of the mounting pile of debt that could leave investors with permanently higher bond yields has prompted the International Swaps and Derivatives Association trade group to “ask the Fed to revive a pandemic-era policy” that would “allow banks to exclude Treasuries and deposits held at the central bank from a regulatory buffer that forces banks to hold capital as a percentage of loans and other assets,” thereby allowing banks “to finance more U.S. debt and open up their balance sheets when markets become strained.”

Sources: <https://www.wsj.com/finance/the-27-trillion-treasury-market-is-only-getting-bigger-a9a9d170>

Federal Reserve’s Net Income Loss Nearly Doubles Year-Over-Year | March 26, 2024

Increased expenses related to managing the U.S. central bank’s short-term interest rate target pushed the Federal Reserve’s net income loss to \$114.3 billion in 2023 — nearly double the \$58.8 billion net negative income loss in 2022. Over recent years the Fed, which “earns income from services it provides to the financial system and from interest income on securities it owns,” has earned significant profits. However, since the spring of 2022 when the Fed began to aggressively boost the federal funds rate to cool inflation pressures, it upended central bank finances. When the Fed is dealing with operating losses, it can create money which is recorded as a deferred asset to fund its operations so as to not impede its ability to operate or conduct monetary policy. Once the Fed returns to profitability it will use excess earnings to reduce the deferred asset, which increased by \$116.7 billion in 2023 to a “cumulative deferred asset at year-end of \$133.3 billion,” and when extinguished, will return to handing over any profits after covering operational expenses to the Treasury as required by law.

Sources: <https://www.reuters.com/markets/us/fed-says-official-net-negative-income-was-1143-billion-2023-2024-03-26/>
<https://www.federalreserve.gov/newsevents/pressreleases/other20240326a.htm>

First Total Eclipse Over NYS in Nearly a Century to Occur in April | March 29, 2024

Since initially announced by Governor Hochul’s office in January, for those who aren’t already aware, there are only ten days until the first total eclipse happens over New York State. It’s been nearly a century since the last one and will happen during the afternoon of April 8th. The roughly 100-mile-wide path of totality will traverse 29 counties, while the rest of the state will see 88% to over 99% coverage. Within a 3:15 PM to 3:30 PM window, the moon will pass between the earth and the sun turning day into night for 1 ½ minutes to 3 ½ minutes. New York City will see 89% coverage, with the minimum coverage in the state of 88% to occur on Long Island. The entire event will last for up to 2 ½ hours, marking the time the sun is first obstructed to the last moments when the moon’s shadow will cast.

Sources: <https://www.governor.ny.gov/news/governor-hochul-updates-new-yorkers-state-plans-april-2024-total-solar-eclipse>



Midtown - Grand Central Area

News Highlights (cont'd)

Office Market

News of a Big Block Relocation Deal on 6th Ave Kicks-Off the New Year | January 1, 2024

The law firm King & Spalding is planning to vacate its office of about 20 years at 1185 Sixth Avenue sometime in 2025. The announced signing of a 175,000-square-foot relocation deal will see the firm expand from its current space of 169,000 square feet upon relocating about five blocks north to 1290 Sixth Avenue. The firm’s new office will spread across floors 13 through 15 within the 43-story tower where the asking rent was \$105 per square foot. The building that spans the entire 6th Avenue blockfront between West 51st and 52nd Streets is currently undergoing upgrades including a” renovated lobby, triple-height glass curtain wall, infrastructure upgrades and ‘wellness’ amenities.” Full details of the deal were not released.

Sources: <https://nypost.com/2024/01/01/business/law-firms-switch-headquarters-along-popular-midtown-corridor/>

Office Market Challenges Don’t Slow Manhattan’s \$100-Plus Office Lease Deal Volume | January 8, 2024

In addition to the multiple big block office lease deals announced during the last few weeks of 2023, recently released statistics indicate that last year boasted a record high volume of tenants signing \$100-plus-per-square-foot office leases in Manhattan. The 192 leases were spread across 5.6 million square feet of office space, accounting for just over 25% of the total square feet of office space leased in 2023. The financial services industry, particularly private equity firms and hedge funds, accounted for 80% of all \$100-plus leasing. The trend has diverged from the ongoing challenges facing the office market nationwide as vacancy rates reach record high levels amid stalled return-to-office rates and economic uncertainty has spurred a downsizing by big tech firms that had previously led market leasing activity.

Sources: <https://product.costar.com/home/news/721537133>

News Highlights (cont'd)

Fashion House Secures 30% Rent Rate Reduction on Plaza District Office | February 8, 2024

Luxury fashion house Ralph Lauren may be setting a precedent for other big block tenants to follow, having negotiated an approximately 30% rent reduction on a per square foot basis as part of the renewal of its Plaza District headquarters at 650 Madison Avenue according to Fitch Ratings. Based on a 2020 report by bond rating firm KBRA, Ralph Lauren was paying \$88 per square foot on its existing lease, indicating that the company would pay approximately \$62 per square foot based on the 2020 figure. In addition to the reduced rent, as previously reported, the new lease will also result in an approximately 42% downsizing to 140,000 square feet from the roughly 240,000 square feet Ralph Lauren currently occupies within the 601,000-square-foot tower.

Sources: <https://www.crainsnewyork.com/real-estate/ralph-laurens-new-lease-midtown-headquarters-cuts-rent-rate-30-percent>

Midtown Tower's Value Lowers by \$123M Despite Near Full Occupancy | February 12, 2024

Bond-rating firm KBRA recently downgraded the value of Axa Equitable Center from the pre-pandemic level of \$1.04 billion to \$917 million. Located at 787 Seventh Avenue, the 54-story tower boasts a 96% occupancy rate and a roster of blue-chip tenants. A decline in cash flow by 10% following a slight uptick in vacancies since the 2016 acquisition of majority ownership by the California Public Employees Retirement System (CalPERS), as well as a fair amount of leases winding down prompted the decisions by KBRA. Nearing big block lease expirations include the 120,000 square feet currently occupied by global financial services firm UBS under a lease expiring next year and law firm Wilkie Farr's lease for its 300,000-square-foot space expiring in 2027. The potential of an increase in vacancy comes at a time when the \$780 million mortgage encumbering the property comes due in 2026 and will have to be refinanced at a higher rate than current 3.84%. KBRA's head of commercial mortgage-backed securities estimates "the new loan would come with a rate of at least 6%," and lenders "will probably demand a higher down payment from the building's 99% owner, CalPERS, which manages \$465 billion in assets."

Sources: <https://www.crainsnewyork.com/real-estate/axa-equitable-center-midtown-faces-growing-financial-challenges>

Redeveloped Portion of St. John's Terminal Reopens as Google's Hudson Sq Centerpiece | February 22, 2024

Amid much fanfare, a ribbon cutting was recently held for the reopening of the redeveloped south portion of the former St. John's Terminal building at 550 Washington Street, as it once again takes an active place in the westside neighborhood as the centerpiece of Google's "1.7 million-square-foot Googleplex master plan along with 315 Hudson Street and 345 Hudson Street." At a time when challenges continue to confront the office market, the opening of the 12-story structure spanning two full city blocks casts a bright light of optimism on the beleaguered sector. Having recently completed an adaptive reuse of the former freight terminal, the building was designed to house over 3,000 employees, and is the only property built completely to Google's standards. An average of more than 400 square feet of space is allocated for each worker, and even when considering some of the building is used for amenities, the space-to-worker ratio significantly exceeds the long-time typical 150-square-foot average.



Some notable highlights of the buildout include a "two-story events hub with a connecting terrace space, multiple gathering areas, breakout rooms, a Great Hall with a coffee bar on the ground level, a central staircase cutting diagonally throughout the structure, two auditorium spaces called The Garage and The Bandshell, interactive art displays, and a gift shop." With a focus on sustainability, the project that achieved LEED v4 Platinum Certification features "on-site solar arrays with an expected generation capacity of nearly 100 kilowatts, a rainwater retention system with a capacity of 92,000 gallons, roughly 1.5 acres of greenery with 95 percent New York State-native species, and over 500 bike parking spaces."

In contradiction to the recent corporate strategy of Google's parent company Alphabet, which globally spent \$1.8 billion on "exit charges" or fees to shed leases at some offices, the opening of a new office building of this scale makes New York City a bit of an anomaly. Having purchased the southern portion of the larger site for \$2.1 billion in 2022, Google currently has more than 14,000 full-time employees based in the city. And while Google continues to be a renter, with several large offices in the Midtown South area including 240,000 square feet at 85 Tenth Avenue, 350,000 square feet at Pier 57, 400,000 square feet at 315 Hudson Street, it is anticipated that if the technology giant ends up trimming its New York portfolio, "leases might be the most obvious targets," citing announced plans in January to eliminate 225 New York employees at its Chelsea locations by the spring, adding to the 887 jobs eliminated in 2023.

Sources: <https://newyorkyimby.com/2024/02/google-opens-st-johns-terminal-headquarters-at-550-washington-street-in-hudson-square-manhattan.html>

<https://www.crainsnewyork.com/real-estate/google-opens-st-johns-terminal-expanding-nyc-real-estate-portfolio>



Midtown - Hell's Kitchen Area

News Highlights (cont'd)

Facebook Parent Company Downsizing 275K-sf at 770 Broadway | February 13, 2024

Over the past year layoffs among several of the big tech companies regularly headlined the press and the ripple effect continues to impact the office market. The latest office building to fall victim is 770 Broadway — a full block roughly 1.2 million-square-foot building located in Midtown South's Greenwich Village neighborhood. Facebook parent company Meta Platforms will be handing back the keys to approximately 275,000 square feet at the building upon lease expiration in June 2024, but will retain 500,000 square feet. Currently the anchor tenant at the Vornado Realty Trust building, Meta is Vornado's largest tenant, having also leased 730,000 square feet at the redeveloped Farley Building in 2020 at the height of the pandemic.

Sources: <https://www.crainsnewyork.com/real-estate/meta-platforms-shrink-office-space-vornado-770-broadway>

Gap Widens between NYC Office Property Assessments and Actual Values | March 1, 2024

Early spring not only brings the deadline for income tax filing, but for many New York City property owners, the annual assessment appeals deadline as well. The reality of the ongoing challenges facing the office real estate market since the pandemic that have resulted in "plummeting market values and growing signs of distress on the ground," doesn't seem to be reflected in the city's tentative assessment values released mid-January 2024. The widening disparity between the Tax Commission and what market participants claim a property is worth is in part due to a "lack of data points and not enough sales to review," with trophy and premium space serving as the primary driver for the 3.5% year-over-year overall increase of office building assessments. Although property owners can file an appeal, high-value properties assessed at more than \$67 million are given priority by the commission with a response in a few weeks, while others have to wait; and their review just scratches the surface. If a full review is wanted, the appeal needs to be directed to the city's Law Department, but a response can take several years. It is anticipated that until the market can show reductions are warranted, the Tax Commission is unlikely to issue huge reductions to office buildings. In the meantime, property owners have to pay taxes based on the city's assessment.

Sources: <https://therealdeal.com/new-york/2024/03/01/nyc-commercial-landlords-take-their-case-to-the-tax-commission/>

News Highlights (cont'd)

Fashion Brand Renews 203K-sf HQ on 42nd Street | March 5, 2024

Michael Kors will remain in its Manhattan headquarters, having recently signed a renewal of the 203,000-square-foot space the fashion brand occupies at 11 West 42nd Street. Launched in 1981, the eponymous brand was brought public by Kors in 2011 and has since “transitioned to a holding company, Capri Holdings, which also owns Versace and Jimmy Choo. Full details of the deal were not released. A longtime tenant at the building that faces Bryant Park between 5th and 6th Avenues, in 2012 Michael Kors expanded 9,000 square feet under a 10-year term increasing its footprint to about 120,000 square feet according to press at the time; and in 2016, another 10-year deal added 10,745 square feet.

Sources: <https://commercialobserver.com/2024/03/michael-kors-lease-11-west-42nd-street/>

Office Lease Opt-Out Clauses on the Rise at Blackstone Buildings | March 5, 2024

Following in the footsteps of some star baseball players that sign big contracts with opt-out clauses, the Blackstone Group has been extending the same privilege to its office tenants at Park Avenue Tower, 65 East 55th Street — a leasing trend that is becoming more prevalent throughout the Northeast among sophisticated tenants. Boasting a roster of mostly hedge fund tenants including PineBridge Investments, which occupies 75,000 square feet in the tower as the largest tenant. PineBridge has the option to terminate 24% of its space prior to its 2035 lease; and is among ten other tenants with the same opt-out right. A 12-to-18-month notice is required to exercise the opt-out option and a fee ranging from \$1.3 million to \$4 million. Located steps off Park Avenue, the approximately 621,992-square-foot Class A building “was 87% leased in January according to bond-rater KBRA, and weighted average rent was \$112 per square foot, above the area average of \$101.” Although there exists the risk of occupancy falling quickly due to the significant concession granted by Blackstone, “if each tenant were to exercise its opt-out, 33% of base rent would ‘roll’ during the life of the building’s five-year mortgage, KBRA said — a risk “sophisticated potential investors must consider when investing in the building’s \$308.5 million mortgage.”

Sources: <https://www.crainsnewyork.com/real-estate/blackstone-park-avenue-tower-tenants-get-opt-outs-office-leases>

New Beginnings Charter School Expanding into Williamsburg | March 5, 2024

New high school programming will be coming to the Williamsburg neighborhood in the fall of 2024 by the New Beginnings Charter School. The Bedford-Stuyvesant-based charter school founded in 2010 currently operates a kindergarten through eighth-grade program at its 82 Lewis Avenue campus, and following authorization by the New York City Department of Education will be expanding its charter. The new facility will be located at 217 North 10th Street in a 51,498-square-foot space at the base of the mixed-use condominium built in 2022. The space includes 7,398 square feet on the ground level with a private entrance and about 22,000 square feet on both the 2nd and 3rd floors. In addition to the dedicated entrance, ceiling heights on the ground floor and the private outdoor space were crucial factors in securing the 35-year lease.

Sources: <https://commercialobserver.com/2024/03/brooklyn-charter-school-opening-51k-sf-williamsburg-campus-at-217-north-10th-street/>

Third Ave — A Bellwether for the Future of Manhattan’s Office Market | March 18, 2024

In many ways, the section of Third Avenue between East 40th and 59th Streets has become “a kind of microcosm of the Manhattan market, where all of the different strategies are being played out in this one corridor,” but can be seen in many areas of the office market. Unlike nearby Sixth and Park Avenues, where the average availability rates are 11% to 12% respectively, the availability rate on Third Avenue is significantly higher at over 20%. Third Avenue office owners are trying a wide variety of strategies to avoid default, foreclosure, or handing a building to the lender including, expensive renovations to entice tenants; residential conversions; pivoting to niche markets, such as health care or government tenants due to the corridor’s proximity to the United Nation’s headquarters; and embracing the corridor’s historical strategy of being a ‘value play corridor’ and offering lower rents compared to its neighboring avenues. Some cited examples are the Durst Organization’s recent completion of a \$150 million renovation of 825 Third Avenue helping to lease an entire floor to solar developer Dimension Renewable Energy earlier this year at an asking rent of \$88 per square foot; SL Green Realty’s announcement of office-to-residential conversion plans for 750 Third Avenue; and the surprise move by Memorial Sloan-Kettering’s purchase of half of the Lipstick Building at 885 Third Avenue to serve as a major hub for its administrative and research staff.

Sources: <https://therealdeal.com/new-york/2024/03/18/third-avenue-office-landlords-battle-high-vacancy-rates/>



Midtown South - Union Square Area

News Highlights (cont'd)

Office Rents Hold Steady Despite Escalated Vacancy Rates | March 26, 2024

Ongoing news headlines regularly report on the office market's "soaring vacancy rates, a record amount of available sublease space, and rising defaults," seeming to indicate that office rents would sharply lower to aggressively attract tenants and significantly reduce vacancy. However, due to the way the commercial real estate market works, contrary to what seems to be obvious, office space asking rents are holding steady or even climbing. Since most buildings are financed, it is crucial that landlords maintain the appraised values of buildings that serve as the collateral for loans; otherwise, it could "lead to a covenant default on their loans or at minimum would make it harder for them [landlords] to refinance." As an alternative, some landlords are offering "expensive interior buildouts, months of free occupancy and other incentives," to justify the elevated rent levels. It is expected that office rents will eventually lower, "probably after owners and lenders are forced to restructure mortgages or sell distressed properties." According to real estate platform Costar's national director of office analytics, "businesses occupy 200 million square feet less than they did before the 'recession' of 2020," representing a significantly higher negative absorption compared to the 50 million square feet total during the [2008] financial crisis; and statistics from data firm Trepp indicate that "the office delinquency rate on mortgages that have been converted into securities has soared to 6.63%, more than triple the 1.87% rate in January 2020.

Sources: <https://www.wsj.com/real-estate/commercial/the-office-market-is-in-turmoil-so-why-are-rents-more-expensive-d096f961>

Major League Soccer Secures Nearly Doubles Footprint in Relo Deal | March 28, 2024

Recently completing a major redevelopment, 2 Penn Plaza, now known as Penn 2, has attracted the Major League Soccer (MLS) organization. Currently located at 420 Fifth Avenue since 2015, the athletic organization will be relocating upon lease expiration sometime in 2025 to a 126,000-square-foot space spread across two tower floors within the 31-story building that sits directly over Penn Station. In addition to a dedicated 770-square-foot outdoor space, MLS will also have use of a 17,000-square-foot shared roof terrace and indoor pavilion as well as of a 280-person "town hall amenity space." The recent lease signing will nearly double MLS' footprint from its 64,200-square-foot office at the 5th Avenue location. Financial details of the deal were not released, but annual asking rents range \$110 to \$125 per square foot.

Sources: <https://therealdeal.com/new-york/2024/03/28/vornado-scores-mls-office-expansion-at-penn-2/>



Midtown South - Little Italy

News Highlights (cont'd)

Retail Market

Upper East Side Retail Condo Leased to Home Depot Trades for \$153M | January 12, 2024

The approximately 94,447-square-foot pair of retail condos and 28,702-square-foot garage unit have been purchased by Hennick & Co., a private firm founded by real estate firm Colliers' CEO Jay Hennick's family. The sale by Gazit Horizons, a subsidiary of Israel-based G City (formerly Gazit Globe) fetched \$153 million. Situated at the base of Bridge Tower Place, a mixed-use condominium located at 401 East 60th Street (with an alternate address of 410 East 61st Street), the retail is fully leased to a Starbucks and anchored by Home Depot. The Atlanta-based home improvement chain signed a 20-year lease in 2021 to relocate upon 2025 lease expiration of its current 78,600-square-foot space at 731 Lexington Avenue (with an alternate address of 980 Third Avenue) to the approximately 120,000-square-foot space formerly home to Bed Bath & Beyond. News at the time indicated that the landlord would be spending approximately \$20 million on the buildout of the 4-level space. According to city records, a mortgage of roughly \$134.4 million currently encumbers the units, Gazit securing \$51.275 million from TD Bank in April 2018, and subsequently in 2021 the loan was assigned to UMB Bank and consolidated with a newly provided \$83.126 million gap mortgage. Gazit acquired the three units through separate transactions in 2017 and 2018 for a combined total of \$79.75 million.

Source: <https://product.costar.com/home/news/1504301098>

<https://www.gazithorizons.com/wp-content/uploads/2021/02/CoStar-News-1-1.pdf>

News Highlights (cont'd)

Vacant Storefronts Temporarily Transformed into Street-Facing Galleries | January 17, 2024

The growing number of stores that became vacant during the pandemic sparked a vibrant initiative dubbed "Art on the Ave NYC." Launched by founder and executive director Barbara Anderson, the initiative conceived in June 2020 by a group of schoolteachers temporarily transforms vacant storefronts into street-facing galleries featuring work by local artists that largely reside within the communities they showcase. Art on the Ave NYC has not only activated the streetscape, it also brings the culture of an art gallery or museum right down to the street; and provides opportunities for featured artists to generate sales from their showcased pieces. Initially establishing the first location on the Upper West Side, the initiative has since expanded to prominent locations such as the Oculus in Lower Manhattan and in Washington Heights. The success of the Manhattan galleries has sparked plans to expand into the outer boroughs.

Source: <https://bronx.news12.com/art-on-the-ave-nyc-transforming-vacant-storefronts-into-community-galleries1>

Kering Purchases Fifth Ave Retail Condo for \$963M | January 22, 2024

Kering, the parent company of luxury fashion houses Gucci, Balenciaga and Alexander McQueen, has agreed to purchase the 115,000-square-foot retail condominium at the base of 715-717 Fifth Avenue from investor Jeff Sutton for \$963 million. News of the sale comes just weeks after luxury fashion house Prada purchased 720 and 724 Fifth Avenue from Sutton through two transactions for a combined total of \$835 million. The deal enables Sutton to avoid a foreclosure on the retail unit that had been initiated by New York Life Insurance in 2022, since the purchase price fetched will easily enable a full payoff of the remaining unpaid balance of the \$300 million defaulted debt.

Source: <https://therealdeal.com/new-york/2024/01/22/jeff-sutton-sells-fifth-avenue-building-to-gucci-owner-for-963m/>

A Polish Institution to Debut its First U.S. Location in 35K-sf Former 9/11 Tribute Center | February 1, 2024

The home of the former 9/11 Tribute Center that shuttered during the pandemic will become a museum featuring historical experiences of Polish citizens by the Pilecki Institute. The opening of the 35,000-square-foot space at 88 Greenwich Street in Lower Manhattan marks the Pilecki Institute's first location outside of Europe; and is sponsored by the Polish government's Ministry of Culture and National Heritage. Asking rent for the multi-level space situated at the base of the Greenwich Club Residences condominium was \$60 per square foot. Pilecki Institute will be joining retail tenant Regular Coffee, which recently signed a 10-year lease at the building. The 9/11 Tribute Center that initially opened in 2006 relocated to the space in 2017, but a significant decline in revenue prompted decisions to close. Founded by the nonprofit September 11th Families' Association, the 9/11 Tribute Center's purpose was to provide guided tours and share first-person stories about the terrorist attacks, it is separate from the National September 11 Memorial & Museum located a few blocks north at 180 Greenwich St.



Source: <https://commercialobserver.com/2024/02/pilecki-institute-lease-88-greenwich-street/>

REBNY: Manhattan Retail Report | 2nd-Half of 2023 | February 8, 2024

Retail leasing activity in Manhattan provides a bright spot at a time when "Manhattan's office sector faces substantial challenges and residential sales are slowing" according to the Real Estate Board of New York's (REBNY) January 2024 release of the Manhattan Retail report. However, retail leasing activity and rent levels continue to remain below pre-pandemic levels primarily due to two key drivers — tourism is about 10% below 2019 peak volume and office visitation is reduced from pre-pandemic norms. In addition, the general challenges of business setup also continue to hinder the retail sector. Key takeaways of the report indicate that consumer and tenant demand remain strong, and brokers generally describe lease terms as still reasonable, but while activity intensified in and around select corridors, lease completions are taking even longer.

Source: <https://www.rebny.com/reports/manhattan-retail-report-second-half-2023/>



News Highlights (cont'd)

Essex Crossing's 150K-sf Subterranean Market Line to Close | February 9, 2024

Despite providing rent abatements and ongoing deferrals to many tenants, the lack of foot traffic prompted decisions by Essex Crossing's developers to shut down the subterranean Market Line that spans approximately 150,000 square feet below the multi-building complex. Opening in November 2019, the forced 16-month closure due to the onset of the pandemic and the inability of foot-traffic in the immediate area to recover has left the food and beverage tenants struggling over the past four years. A target date of the market's closure has been set for April 1, 2024, but the Essex Market, which is managed by the city's Economic Development Corporation, and the Regal movie theater or other businesses at the 1.65 million-square-foot complex will not be affected. Hailed for its "mission to showcase the best cuisine New York City has to offer with pride for its immigrant heritage," the Essex Crossing owners are beginning to hear pitches for alternative retail concepts to replace the Market Line, hoping to find a long-term sustainable use, but have yet to make decisions on how they will fill the site.

Source: <https://commercialobserver.com/2024/02/closing-time-for-market-line-at-essex-crossing/>

Fulton Center's Retail Operator Planning to Cease Operations | February 15, 2024

Upon opening in November 2014, the newly constructed Fulton Center in Lower Manhattan was a major component of the rebuilding of the area following 9/11. In addition to providing seamless connections to nine subway lines and the New Jersey PATH trains, the transportation hub also houses several retail tenants. Australia-based Westfield Corporation, which was acquired by Paris-based Unibail-Rodamco in 2017, was awarded the rights to operate the Fulton Center in December 2013 under a 20-year lease. However, the company intends to cease operations at the site according to a lawsuit recently filed by the New York City Transit Authority (NYCTA). While the NYCTA acknowledged that the lease does include a termination clause in "the case of instances such as a structural defect," the claim according to Westfield lawyers that "the situation at the center was 'financially unsustainable,'" does not meet the criteria. Currently seeking a court order to block Westfield from terminating operations, the NYCTA's lawsuit states that "Westfield's unauthorized cessation of its operations and termination of the lease would adversely affect not only the retail establishments in Fulton Center that Westfield subleased, but also members of the transit public who are customers of these retail outlets." News of Westfield's intentions come at a time when its parent company, Unibail-Rodamco-Westfield, has been "striking deal to cut its exposure in the U.S."

Source: <https://www.crainsnewyork.com/retail/westfield-plans-pull-out-fulton-center-nyc-transit-says>

REBNY Report: Brooklyn Retail | Second Half 2023 | March 1, 2024

Retail leasing activity in Brooklyn throughout the second half of 2023 was "healthy" however, there was a "great deal of divergence in the pace of activity from one neighborhood to another, and even one street to the next" according to the recently released report by the Real Estate Board of New York (REBNY). Among the fifteen corridors tracked by REBNY, fourteen posted asking rent increases, but asking rents in a majority continue to remain below prepandemic peaks. Brooklyn's shopping and entertainment destinations, such as City Point and Industry City saw strong retail tenant activity during the 6-month period. Williamsburg continues to attract top international and domestic brands; and the prime residential corridors of Park Slope and Cobble Hill have very few quality spaces available.

Source: https://assets.ctfassets.net/6zi14rd5umxw/3lPhFFO3XK95whtGjtI8X4/b6db02a48b7477d76e424c12819789b8/REBNY_2024_Report_BrooklynRetail_H2.pdf



News Highlights (cont'd)

Big Box Retailers Diverge Between Full Size and Small-Format Stores | March 4, 2024

Texas-based high-end grocery chain Whole Foods is joining the roster of big box retailers testing the market with a small-format store concept that will offer “grab-and-go meals and snacks, weekly grocery essentials, and last-minute ingredients to complete a meal.” Plans were recently announced for the opening of its first “quick shop” at 1175 Third Avenue on the Upper East Side of Manhattan this year, with future openings of the newly branded “Whole Foods Market Daily Shop” in other cities nationwide. Decisions were prompted by ongoing efforts to grow Whole Foods’ brick-and-mortar presence in markets, particularly dense cities where retail space is scarce, rents are at a premium, and the urban lifestyle is fast-paced. The new stores will range in size from 7,000 to 14,000 square feet, which represents a significantly smaller footprint than their typical 40,000-square-foot store.

In contrast, discount homeware retailer Target appears to be bucking the national trend, recently released news announced plans by the Minneapolis, MN-based chain to open more than 300 new stores, of which most will be full-sized brick-and-mortar locations. Currently operating a mix of small-format and full-size stores, the shift from a focus on small-format stores over the past several years comes as Target sees new opportunities for full-size stores in places where they haven’t competed in the past. Looking ahead, Target doesn’t intend to abandon the small-store format and plans to continue opening some in urban areas and near college campuses, recognizing that it’s great to have the multiple store format flexibility so that the right kind of build is done for the specific opportunity in a specific market. As of February 3, 2024, Target had “273 stores that were 170,000 or more square feet; 1,542 stores that were 50,000 to 169,999 square feet; and 141 stores that were 49,999 square feet or less.”

Source: <https://media.wholefoodsmarket.com/whole-foods-market-to-open-smaller-format-stores-as-part-of-ongoing-expansion/>
<https://product.costar.com/home/news/1953596871>



Midtown South - East View from Union Square

News Highlights (cont'd)

Investment Sales

Minority Stake in NoMad Building Sells for \$1 | February 01, 2024

The Canada Pension Plan Investment Board (CPP) has sold its 29% stake in 360 Park Avenue South for \$1. Located on the southwest corner of East 26th Street, the 21-story approximately 389,000-square-foot building is currently vacant. As part of the sale back to developer Boston Properties, which has a 42% stake in the building, the pension plan is relieved of significant future obligations. Last trading in 2021 for \$300 million, Boston Properties had initiated extensive renovations of the vacant asset, subsequently attracting San Francisco-based wealth manager Iconiq Capital in October 2023. However, the nearly 70,000-square-foot lease only brings occupancy to 18%. CPP had provided \$71 million to the building, but by exiting now, it “avoids funding another \$46 million in future funding obligations and saves \$5 million in annual interest payments after Boston Properties assumed its share of the mortgage” — a \$220 million loan provided by the Bank of New York Mellon maturing in December and carrying a 7.86% interest. As part of the deal, Boston Properties has also assumed CPP’s share of the “joint-venture’s \$25 million in cash and working capital. Although the news delivers a “potentially ominous sign,” data by research firm Preqin indicating that investment in real estate by pension funds and other big institutions lowered by “nearly 60% in 2022, to \$26 billion,” but confidence in the sector remains among others as exemplified by Boston Properties’ president Douglas Linde upon stating, “There are institutional investors who have just had a perspective that, at this moment in time, investing additional capital in our sector is not what they want to do, we obviously have a very different perspective.”

News Highlights (cont'd)

A Global Ripple Effect of China's Real Estate Crisis Begins to Surface | February 09, 2024

Hard numbers will start to become available and provide some indication of just how much trouble the wider real estate industry is in as Chinese investors and their creditors put real estate holdings across the globe up for sale. The “need to raise cash amid a deepening [national] property crisis” has taken priority over the “risks of offloading real estate assets into a falling market.” “A worldwide slump triggered by borrowing-cost hikes has already wiped more than \$1 trillion off office property values alone,” however due to a lack of real estate sales, appraisers have little recent data to go on to determine a true picture of the total damage. So far, initial sale activity by Chinese investors has been of Europe-owned assets, but sales are picking-up outside of Europe too. Concerns have heightened among regulators and the market of potential concealed large, unrealized losses that could spell trouble for both banks and asset owners. The influx of motivated sellers is anticipated to provide more clarity on capitalization rates with every sale transaction, but “as a consequence, landlords may have to inject more money to cure any loan-to-value breaches or risk having the properties seized by lenders.” However, since the sellers are ‘motivated,’ it is debatable whether valuers will take such disposals fully into account.

Source: <https://www.crainsnewyork.com/real-estate/chinas-real-estate-crisis-starting-ripple-across-world>

Wall St Tower Hits Sales Market at Steep Discount | February 27, 2024

The 29-story building located at 100 Wall Street has been introduced to the market by Barings, the real estate arm of insurer MassMutual. Last trading in 2015 for \$270 million when acquired by Barings’ subsidiary Cornerstone Real Estate Advisors, the approximately \$125 million the seller is hoping to fetch a price nearly 54%, or \$150 million lower. Currently debt-free and about 75% leased, AFLAC and Trinity Life Sciences are the largest tenants in the 515,000-square foot building located between Water and Front Street. News of the sale comes at a time when “office owners are showing more willingness to sell properties at a discount as declining occupancy rates and higher interest rates have driven down values on buildings — some of which were bought at previous market cycle peaks.”

Source: <https://therealdeal.com/new-york/2024/02/27/barings-eyes-125-million-for-100-wall-street/>

Downtown Office Building In Contract at 70% Discount of 2014 Purchase Price | March 13, 2024

DWS Group has entered into contract to sell 222 Broadway for \$150 million, representing an approximately 70% lower price than the \$502 million Deutsche Bank’s asset manager paid in 2014. Contract vendee GFP Real Estate is planning a residential conversion of the 27-story, 800,000-square-foot building that spans the entire Broadway block-front between Fulton and Ann Streets in Lower Manhattan. Since the onset of the pandemic, there continues to be a surplus of office space; and while the city’s housing shortage has prompted some developers to embrace office-to-residential conversions, these projects remain complex and expensive. Recently the Vanbarton Group completed the conversion of 160 Water Street into a 588-unit residential rental building dubbed Pearl House; GFP Real Estate, Metro Loft Management and Rockwood Capital have begun work on the conversion of 25 Water Street into a 1,300-unit rental property; and Silverstein Properties and Metro Loft, along with the Rudin Family and Ares Real Estate are planning to convert the 410,000-square-foot building at 55 Broad Street into 571 market rate units.

Source: <https://www.crainsnewyork.com/real-estate/gfp-real-estate-buying-lower-manhattan-office-building-resi-conversion>



Midtown South - NoHo

News Highlights (cont'd)

Residential Market

Gov. Hochul Pushes Amendments to Ease New Rent Bill Provisions Most Feared by Landlords | January 5, 2024

When initially announced, the legislation signed by Governor Hochul on December 22nd, which expanded the definition of fraud in rent overcharge cases, Jay Martin, the executive director of the Community Housing Improvement Program stated that, "This could very well be the nail in the coffin for rent-stabilized housing." While tenant advocates and the bill's sponsors said, "the bill brings much-needed clarity to the 2019 Housing Stability Tenant Protection Act and closes a loophole long exploited by landlords to deregulate housing" by combining vacant, rent-regulated apartments to create what is commonly described as "Frankenstein" apartments. Further tightening restrictions was the certification by the state's housing regulator in October that "the new rent for combined units can no longer exceed the combined rents of the previous individual apartments, and the newly created apartment remains rent-stabilized." However, landlords warned that despite the bill giving owners six months from the bill's enactment to retroactively apply for deregulated status achieved through the rehab process, "buildings that were rehabbed and deregulated ages ago could be thrown back into rent-stabilization because they cannot document renovations, as preservation of records was not required and buildings might have since changed hands."

Recently, chapter amendments made by Governor Hochul are intended to eliminate some of the provisions within the legislation most feared by landlords. Among the chapter amendments is a broadening of the definition of fraud which will now "require a court to establish that an owner 'knowingly' committed fraud;" and the removal of a provision requiring "owners who deregulated their building decades ago through substantial rehabilitation to prove to the state's housing regulator that it was done so legally;" but instead will no longer be retroactive and apply to substantial work starting on or after January 1, 2024 whereby the property owner will be required to apply for approval of deregulation with the Department of Homes and Community Renewal (DHCR). Although as of January 5th the Senate's chapter amendments had yet to be introduced, at which time will then need to be passed by the Legislature before being signed by Governor Hochul, the changes are a win for landlords. News of the chapter amendments comes just a few weeks following another win for landlords when the governor vetoed a bill that "would have allowed tenants to consult rent histories beyond the usual four-year lookback when seeking to calculate their legal rent after June 14, 2019."

Source: <https://therealdeal.com/new-york/2024/01/05/changes-to-ny-rent-stabilization-bill-are-win-for-landlords/>

News Highlights (cont'd)

Good Cause Eviction Proposal by NYS Shares Some Similarities of a Rent Regulation Bill | February 28, 2024

Although some other states currently have “good cause eviction” legislation in place, they are either new or their impact has not been extensively studied. However, the recently proposed legislation in Albany intended to put rent-gauging protections in place is “tougher than anywhere in the nation.” An argument raised within a new policy brief published by the Furman Center at New York University, claims that “the New York proposal is essentially an effort at extending rent regulation to free market apartments and will have unintended consequences” such as “giving landlords a benchmark for raising rent prices annually for all tenants.” According to the Furman Center brief, “in principle, good cause is intended to enhance tenant stability by limiting evictions and refusals to renew leases or continue tenancies, and by discouraging unexpectedly large rent increases.” A bill by Senator Julia Salazar and Assemblywoman Pamela Hunter introduced in 2023 provides the only publicly available specifics about what a good cause requirement would involve in New York State. Rental units not already rent-regulated, sublets, and leases within co-ops and condo would be affected based on the proposed bill’s definition of “residential premises” — a total estimated to be about 710,000 apartments. Furthermore, the proposed bill “treats non-payment as “good cause” only if no part of the rent due stemmed from rent creases above the larger of 3 percent or 1.5 times the previous year’s annual Consumer Price Index (CPI) change.” Policies vary across other states and municipalities that have good cause legislation, with some imposing specific caps relative to a specified CPI that are either part of, or as complementary to, their good cause requirements, while others do not impose rent caps or other forms of rent regulation.

It has been pointed out that although New York policymaker’s efforts to promote tenant protections and improve stability is commendable, it “may discourage investment in maintaining existing rental housing and building new homes; raise the screening hurdles households seeking rental housing face; and increase rents in smaller buildings that have typically offered some of the lowest, and most stable, rents.” With that in mind, the brief concludes that policymakers who have endorsed the “principle” of good cause must strike a balance and “craft an actual protection that helps the vulnerable tenants without unduly undermining the interests of other tenants, owners, and all those New Yorkers who need a more reliable supply of affordable, high-quality housing.

Source: <https://www.thecity.nyc/2024/02/28/good-cause-bill-could-blow-back-on-tenants/>

Source: https://furmancenter.org/files/publications/Balancing_act.pdf

Study Reveals Negative Impact of 2019 Rent Stabilization Law | February 29, 2024

A report commissioned by the Real Estate Board of New York (REBNY) and the Rent Stabilization Association (RSA) delivers the needed data in support of the residential industry’s calls for amendments to the Housing Stability and Tenant Protection Act of 2019 (HSTPA), “which effectively capped revenues in rent-regulated buildings.” Since 2018, long-term vacancies have trended upward — 125% increase in 3-year vacancies, 97% increase in 4-year vacancies, and 65% in 2-year vacancies according to metric that “stem from annual rent registrations filed with the state housing agency and provided by RSA, which represent about 10% of the city’s approximately 1 million rent-stabilized units.” Among the 781 collected responses from landlords and managers that operate 240,000 units, or 11% of the city’s total rental stock, over a quarter of the respondents claimed “economic infeasibility of unit improvements” after a long-term tenant left as the cause of lasting vacancies. Prior to the 2019 law, “owners could permanently raise rents by up to 6% to offset the cost of repairs. Now the cap is 2% and the hikes are doled out over 12 or 12.5 years, depending on building size, after which they are rolled back.” Fewer rent increases for improvements while expenses such as property taxes, energy costs and insurance continue to rise has led to a lowering of net operating income (NOI). Furthermore, since property taxes are based on NOI, if the situation remains unchanged and NOI lowers 40% to 60% by the early 2030s as estimated in the report completed by HR&A Advisors, property taxes generated could fall by \$1.3 billion to \$2 billion annually — although a small fraction of the approximately \$31 billion in property taxes collected by the city in 2023.

Source: <https://therealdeal.com/new-york/2024/02/29/2019-rent-law-wrecked-rent-stabilized-buildings-report/>

https://assets.ctfassets.net/6zi14rd5umxw/xO37VWLlbGI5oPaVJKy8EK/4b8d832d207d0c4c92f2d0df03e0bd27/HSTPA_Impacts_Study.pdf



Downtown - South View from FDR Drive

News Highlights (cont'd)

Housing Cost Savings Between Florida and New York City Narrowing | March 19, 2024

The cost savings benefits for people moving from New York City to some Florida and Texas cities have grown less attractive over the last few years, due in part to the volume of migrations that rose during the pandemic fueling higher rent and home prices. Although “those earning at least \$100,000 a year can still see significant savings when relocating to states with no income tax, compared to 2019, savings in a move to Dallas or Austin were about 20% or 25% less, and about 30% less in a move to Miami, based on analyzed data with the changes in purchasing power from 2019 to 2023 adjusted for inflation in 2023 dollars. Although Manhattan continues to be ranked as the most expensive place to live in the U.S., higher inflation in Miami, Dallas and Austin means costs in those popular destinations are catching up according to tax data from the Internal Revenue Service and the cost-of-living index from the Council for community and Economic Research analyzed by financial information provider SmartAsset.

Source: <https://www.crainsnewyork.com/economy/housing-costs-shrink-savings-new-yorkers-moving-florida-texas>

New Commission Rules for Home Buyers and Sellers | March 15, 2024

Longstanding rules that have governed the home-sales commission process are being abandoned by the National Association of Realtors (NAR) following an October settlement over claims that the “real estate industry conspired to keep commissions high.” The new rules are expected to be implemented by mid-July as part of the agreed upon terms of NAR’s \$418 million legal settlement, resulting in changes for both home buyers and sellers. Buyers typically don’t pay their own agents out of pocket for the commission cost that sellers typically decide would be paid before listing a home for sale under the current rules. The current standard commission — “5% to 6% of the purchase price split between the seller’s agent and the buyer’s agent — is among the highest in the world.” Under the new rules, if buyers want an agent to represent them, most will be required to “sign an agreement detailing how much their agents will be paid for services,” which could be based on an hourly rate or a flat fee negotiated between the buyer and the agent. It is likely that these agreements will require the buyer to pay the agent directly if the home seller is unwilling to cover the cost – adding costs to first-time buyers with limited cash. Sellers may benefit from a decline in commission costs under the new rules since they “might only pay their own agents, or they might pay a lower amount to a buyer’s agent.” In addition, “home sellers will no longer need to advertise upfront how much they will pay a home buyer’s agent;” and although they can still pay the buyer’s agent if they want to,” most sellers “wouldn’t be able to include that offer in the listing.” Looking ahead, the potential exists that the business will be less lucrative under the new commission system for many agents, prompting some to shift away from the industry.

Source: <https://www.wsj.com/economy/housing/realtor-commision-settlement-new-rules-explained-bc634645>



Brooklyn - Domino Park

News Highlights (cont'd)

Zoning Proposal Aims to Facilitate Affordable Housing Construction by Faith-Based Organizations | March 24, 2024

A recently announced proposal by Mayor Adams is intended to further spur construction of affordable housing under the mayor's "City of Yes for Housing Opportunity" plan. Focused on faith-based organizations and other mission-driven nonprofits, the proposed zoning changes would lift a number of outdated zoning laws to facilitate the conversion of their underutilized properties into affordable housing units. A vote by the New York City Council is expected by the end of the year, following completion of the city's public review process. At a time when New York City is facing "a generational housing crisis with a 1.4% rental vacancy rate," the zoning proposal not only empowers houses of worship to serve New York's most vulnerable but will also help these organizations and nonprofits ensure their own financial stability.

Source: <https://www.nyc.gov/office-of-the-mayor/news/219-24/mayor-adams-plan-help-faith-based-organizations-build-more-affordable-housing-nyc#/0>



View of Brooklyn Bridge from East River Esplanade

News Highlights (cont'd)

Development

NYCEDC Announces First Round Recipients of the M-Core Tax Incentive Program | January 23, 2024

The New York City tax incentive program — Manhattan Commercial Revitalization Program (M-CORE) launched in May 2023, and intended to spark a transformation of Manhattan's underperforming office buildings, recently awarded its first pair of recipients according to a joint press release by the New York City Economic Development Corp. (NYCEDC) and the New York City Industrial Development Agency (NYCIDA). The Midtown building at 850 Third Avenue was awarded a \$58.4 million subsidy over 20 years, mostly to reduce property taxes. Currently about 33% occupied after losing its largest tenant, Discovery Communications in 2020, that percentage is anticipated to fall to 14% as leases expire over the next 4-years. Building ownership agreed to finance \$62.8 million in renovations that will be more extensive as a result of the tax breaks. The second property located in Lower Manhattan at 175 Water Street is about 95% vacant and will get a \$41.3 million tax break over 20 years. Plans by ownership to invest \$150 million in the former global headquarters for American International Group, come with the "strategy of marketing the building as a 'creative hub' for businesses employing fashion, arts and cultural professionals." Combined, the projects are expected to generate more than 2,113 jobs within three years and retain 365 more according to resolutions that the board of the NYCIDA was expected to vote on Tuesday, January 23. However, if the developers fail to attract tenants to the office buildings, the M-Core program does not allow the city to recoup any of the 20-year property tax breaks.

The potential of the incentive program's ability to successfully achieve its intended goal has come into question as the second round of M-CORE applications is opened by the NYCEDC. What seems to be a similar program created by the State Legislature in 1995, also intended to increase office occupancy rates, was determined to be ineffective in either decreasing vacancy rates or increasing employment according to the results of a 2018 study by the city's Independent Budget Office (IBO).

Source: <https://www.thecity.nyc/2024/01/23/mcore-manhattan-office-building-tax-break/>

News Highlights (cont'd)

NYCEDC Announces First Round Recipients of the M-Core Tax Incentive Program | January 23, 2024

Further efforts by Mayor Eric Adams as part of the administration's "goal to enhance protected bike infrastructure and promote safer, greener transportation options" in the outer boroughs includes recently revealed plans for a "substantial greenway expansion totaling over 40 miles across five distinct corridors in the outer boroughs. The project that is a collaborative initiative between New York City's Department of Transportation, the Parks and Recreation Department, and the Economic Development Corporation will be funded by the "Bipartisan Infrastructure Law through the Rebuilding American Infrastructure with Sustainability and Equity RAISE) grant." Over the coming years, the planning and implementation for the greenway paths will be conducted, with work on the Harlem River Greenway in the Bronx already in progress.

Source: <https://newyorkyimby.com/2023/10/extensive-greenway-expansion-launched-by-mayor-adams-across-five-outer-boroughs.html>

A First Look at the PANYNJ's Vision for the New Port Authority Bus Terminal | February 4, 2024

The redevelopment of the existing 73-year-old Midtown Port Authority Bus Terminal took a step forward towards becoming a reality, the New York Port Authority of New York & New Jersey (PANYNJ) announced the publication of the Federal Transit Administration (FTA) draft environmental impact statement for the proposed new Midtown terminal. The delivery of the long overdue world-class facility is designed to meet projected 2040-2050 commuter growth and to be net-zero emissions with included "visionary sustainability and resiliency measures" according to the recent press release by the PANYNJ. At an estimated cost of \$10 billion, the 2.1 million-square-foot main terminal will enhance both the commuter experience and surrounding community; and feature a multi-story atrium and 3.5 acres of new public green space. Approximately "6,000 good-paying union construction jobs are expected to be created by the project. In addition to being well along in the application process of the federal Transportation Infrastructure and Innovation Act (TIFIA) to secure federal funding support, the PANYNJ is also in "ongoing discussions with the city of New York to use a financing vehicle associated with plans for commercial development above the new terminal via contribution in payments in lieu of taxes (PILOTs), similar to what was done successfully in the building of the Moynihan Train Hall in Penn Station."



Rendering courtesy of the Port Authority of New York and New Jersey.



Rendering courtesy of the Port Authority of New York and New Jersey.

Source: <https://www.panynj.gov/port-authority/en/press-room/press-release-archives/2024-Press-Releases/project-to-build-a-new-midtown-bus-terminal-takes-major-step-for.html>

New York Yimby's 4th Quarter 2023 Construction Report | February 6, 2024

Construction permits filed from October through December deliver encouraging numbers. Total filings for new buildings in the 4th quarter totaled 1,521 — the highest total for the 2020s decade so far, and a 54% increase quarter-over-quarter. Total filed floor area similarly increased by 26% quarter-over-quarter to a total of 18.3 million square feet. Residential and hotel units filed rose 17% from 14,101 in the 3rd quarter to 16,396 total units. Staten Island led the way, accounting for 695 new building filings — a 234% increase quarter-over-quarter, followed by Queens and Brooklyn with 357 and 325 filed permits respectively, 104 permit filings in the Bronx, and although Manhattan accounted for only 40 permit filings, it represented a 74% increase quarter-over-quarter.

Source: <https://newyorkyimby.com/2024/02/new-york-yimbys-2023-fourth-quarter-construction-report-sets-record-for-new-building-filings.html>

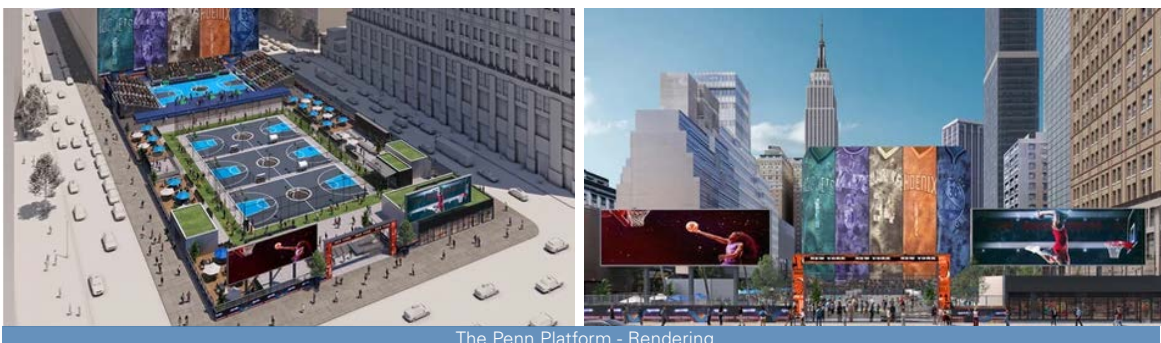


Midtown South - Washington Square Park

News Highlights (cont'd)

Interim Outdoor Event Space Considered for Former Hotel Pennsylvania Site | February 16, 2024

Muted office space demand and the challenges of securing financing have led to decisions to delay construction of a planned 56-story Penn 15 office development on the site of the former Hotel Pennsylvania, prompting Vornado Realty Trust to consider multiple alternative interim options for the site that would be able to generate some cash flow in the meantime. Recently the REIT revealed conceptual designs for an 80,000-square-foot event space dubbed “The Penn Platform.” Located in the center of the Penn Plaza neighborhood directly across from Penn Station and Madison Square Garden, the site that spans the entire 7th Avenue blockfront between West 32nd and 33rd Streets would have the flexibility to host a variety of outdoor and covered events including sports, fashion shows, and concerts. Events would benefit from high visibility branding across multiple digital displays including one measuring 150-feet high by 197-feet wide, which some believe to be an unprecedented size for the immediate area. However, according to a spokesperson for the New York city Department of City Planning, “if the development proceeds in line with what was approved, it doesn’t require any further review or approval by the city.”



The Penn Platform - Rendering

Source: <https://www.6sqft.com/vornado-temporary-outdoor-event-space-at-hotel-pennsylvania-site/>

<https://www.vnomarketing.com/pennplatform>

News Highlights (cont'd)

Two-Tower Mixed-Use Development Rises in Inwood, Manhattan | February 16, 2024

The 14- and 17-story mixed-use \$416 million development currently under construction at 405- and 407 West 206th Street in Upper Manhattan's Inwood neighborhood will yield 700 rental units, of which 281-units are designated for affordable housing, as well as a supermarket under New York City's Food Retail Expansion to Support Health (FRESH) program and immigrant-centered performing arts center owned and operated by the People's Theatre Project.. The two-building complex will total 751,687 square feet upon construction completion. The project by LMXD affiliate of L+M Development Partners, MSquared, and Taconic Partners is part of Governor Hochul's \$25 billion housing plan that will create or preserve 100,000 affordable homes across New York.



405-407 W 126th St - Rendering

Source: <https://newyorkyimby.com/2024/02/405-407-west-206th-street-rise-past-halfway-mark-in-inwood-manhattan.html>

High Volume of NYC's Long-Time Standing Sidewalk Sheds Takes the Spotlight | February 18, 2024

Despite the "Get Sheds Down" initiative revealed by the New York City administration back in July 2023, the high volume of long-time installed side-walk sheds and scaffolding that entrench numerous buildings throughout the city remains a persistent problem. In contrast to the outdated rules governing construction sheds that have incentivized property owners to leave construction sheds up for long periods of time, the new plan incentivizes property owners to expedite repairs, and remove sheds with expired permits from public sidewalks in part by pushing legislation implementing new monthly financial penalties for "most sidewalk sheds located in the public right of way that are not directly related to new construction or demolition projects" starting 90 days after a shed is first permitted. The "Get Sheds Down" plan also intended to make traditional sheds more visually appealing by replacing them with effective but less intrusive alternatives, such as safety netting which was being tested as a pilot use for the ongoing façade work in front of the Queens County Supreme Court building in Jamaica. Other aspects of the plan included the exploration of creating a low-interest loan program to help finance façade work repair for struggling small property owners and reevaluating the frequency of Local Law 11 Inspections which are currently required every five years for buildings higher than six stories, accounting for about 40% of shed proliferation.

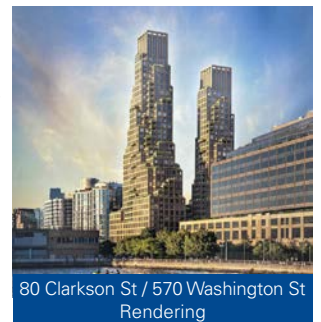
However, as of mid-February, more than 8,300 sheds spanning some 360 miles of the city's sidewalks are installed based on active permit data from the New York City Department of Buildings (DOB), but don't take into account whether a property owner changed vendors or briefly removed, and then replaced, scaffolding under a new permit. Among the total number, around 300 are more than five years old and Manhattan accounts for roughly 46% of the citywide total. Some of the issues fueling the buildup include "insufficient oversight by regulators; supply bottlenecks, particularly for specialty times needed by landmark buildings; and financial struggles for low-income buildings." Despite the DOB recently stepping up its efforts to take building owners to court over longstanding sheds, some New Yorkers that live in buildings surrounded by scaffolding for many years are not optimistic that current proposal will lead to change.

Source: <https://www.wsj.com/us-news/new-york-city-cant-fix-sidewalk-shed-problem-5f46aef3>

<https://www.nyc.gov/office-of-the-mayor/news/537-23/mayor-adams-dob-commissioner-oddo-plan-remove-unsightly-sheds-scaffolding-nyc#/>

Foundation Work Progresses at Two-Tower Project in the West Village | February 26, 2024

The \$1.25 billion project currently undergoing foundation work will upon construction completion deliver 29- and 36-story towers totaling 937,808 square feet. Located at 80 Clarkson Street and 570 Washington Street the two-tower development by Zeckendorf Development, Atlas Capital, and The Baupost Group will add 440 residential units to the West Village neighborhood. The taller development at 80 Clarkson Street will house 270 condominium units and rise to 450 linear feet, while the building at 570 Washington Street will yield 269 affordable senior housing units and reach a linear height of 223-feet. The 1.3-acre block bound by Clarkson Street and West Houston Street was acquired in early 2022 for \$340 million and has a projected sellout on the residences of \$1 billion. Anticipated delivery is slated for December 2026.



80 Clarkson St / 570 Washington St
Rendering

Source: <https://newyorkyimby.com/2024/02/foundations-take-shape-for-two-tower-complex-at-80-clarkson-and-570-washington-street-in-west-village-manhattan.html>



Brooklyn - DUMBO

News Highlights (cont'd)

Planned New Bus Terminal Secures \$2B Property Tax Revenue Commitment from Mayor Adams | March 12, 2024

Wagering on Manhattan's office market recovery, both Mayor Adams and Governor Hochul, along with the Port Authority of New York and New Jersey (PANYNJ) recently announced a new agreement to support the planned \$10 billion replacement and expansion of the existing 73-year-old Midtown Manhattan bus terminal. As part of the agreement, New York City has committed "40 years of tax revenue — expected to help the Port Authority raise an estimated total of up to \$2 billion, 20 percent of the project cost — from three potential new commercial developments on three sites," two of which will be positioned atop the new bus terminal and a third development at a site near the Lincoln Tunnel bound by West 30th and 31st Street and 9th and 10th Avenue that is owned by the PANYNJ and private owners — pending market demand. In addition, the sale of development rights by the PANYNJ for the proposed towers would generate \$500 million. However, one of the obvious caveats within the agreement is that the city's wager on a recovered office market comes to fruition by sometime in the 2030s when the PANYNJ estimates the building of the commercial developments would likely happen.

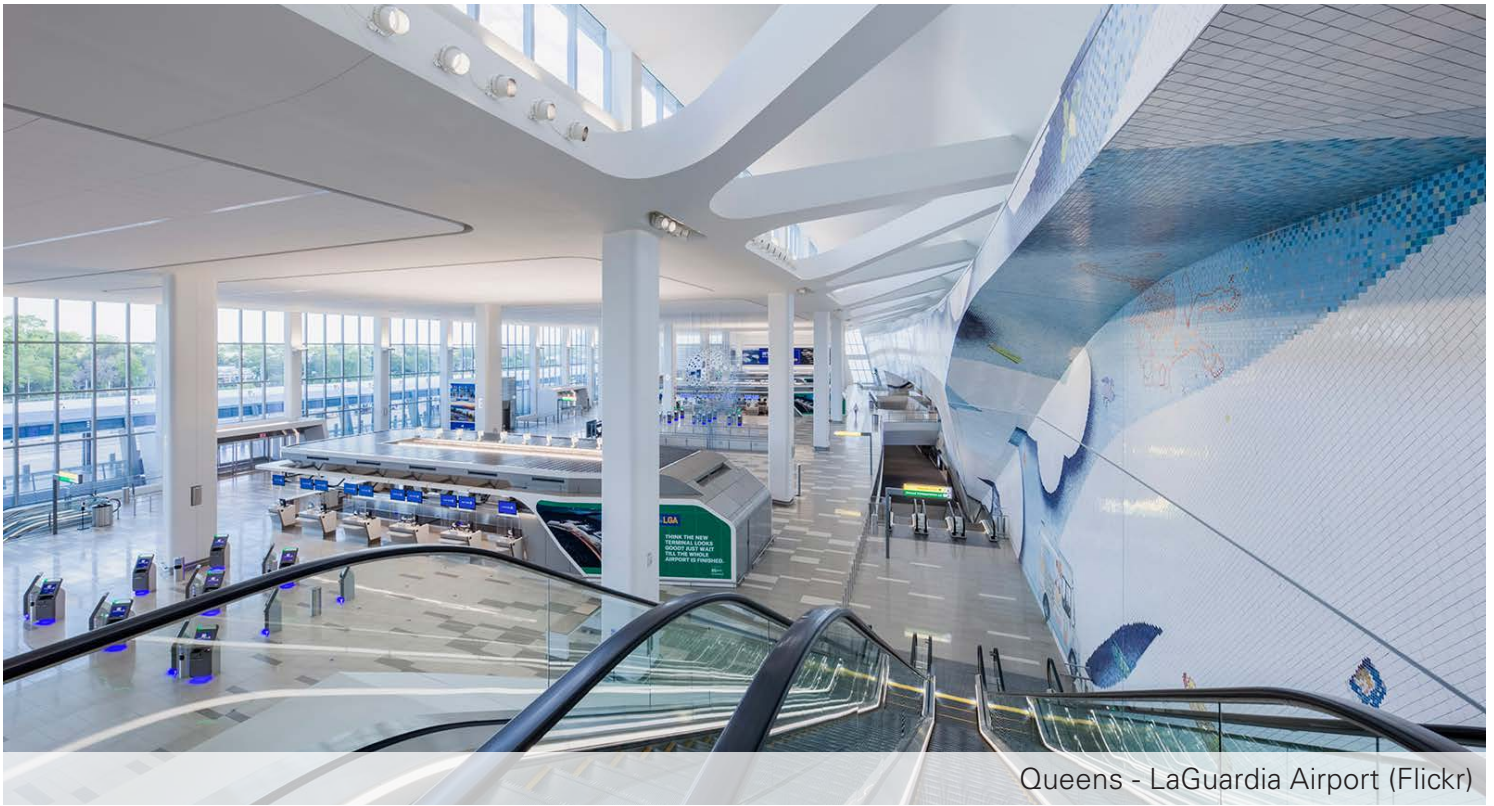
Source: <https://www.crainsnewyork.com/transportation/mayor-commits-2b-port-authority-bus-overhaul-now-include-third-tower>

<https://www.nyc.gov/office-of-the-mayor/news/188-24/mayor-adams-governor-hochul-port-authority-agreement-support-replacement-midtown>

High Line-Style Queens Park Moves Closer to Reality with \$117M Federal Grant | March 13, 2024

A Federal grant totaling \$123.6 million from the Reconnecting Communities Program was recently secured by the city administration, of which \$117 million will be allocated towards the long-planned construction of an elevated 7-mile park near the Queens neighborhood of Forest Hills dubbed **QueensWay**. Similar to Manhattan's High Line Park, the awarded money will help fund a 1.3-mile stretch of the park to be constructed atop a defunct Long Island Rail Road track. Although a construction timeline has yet to be announced, \$35 million has been advanced by the city to design an initial phase of the project. However, a rival project dubbed **QueensLink** that would revive the tracks as a subway line is being pitched by some residents and local officials that say the area is a "transit-starved section of the borough," but supporters say that the "building of the rail line would not preclude adding a park as well." It is possible that the New York State Senate's recommended spending of \$10 million for an environmental review of the QueensLink rail line in the recently released proposed budget may conflict with the Adams administration's push for the park project.

Source: <https://www.crainsnewyork.com/politics-policy/nyc-scores-117m-federal-grant-advance-queensway-park-bqe-study>



Queens - LaGuardia Airport (Flickr)

News Highlights (cont'd)

LaGuardia Airport Wins 2023 Airport Service Quality Award | March 14, 2024

The six-year redevelopment of LaGuardia (LGA) airport to the tune of \$8 billion has paid off, earning the formerly “much-maligned” Queens airport the 2023 Airport Service Quality Award (ASQ) in the 25 to 40 million passenger category. Previously described as a “Third World country” airport by President Biden, the transformation delivering a world-class airport also recorded its busiest year on record, having served 32.4 million passengers in 2023, representing a 4% increase from the previous 2019 peak volume. A program created by the partnership of the Airports Council International, a trade organization representing thousands of airports, and travel technology firm Amadeus, LGA shares the award with Minneapolis-Saint Paul International Airport. In addition, the much-needed overhaul launched in 2015, that included “massive soup-to-nuts rebuilds of its once-debilitated terminals,” boosted gains in popularity in recent years, sparking a “10 slot-jump” in last year’s J.D. Power rankings” further confirming it has “officially transformed from worst to best.”

Source: <https://www.crainsnewyork.com/transportation/lga-earns-asq-award-airport-best-customer-experience>

Remaining Six Sites of Pacific Park Project Slated for Auction | March 24, 2024

In 2014 Greenland Holdings Group finalized a joint venture agreement with Forest City Ratner to develop the estimated \$4.9 billion multi-building mixed-use complex on the 22-acre site at Brooklyn’s Atlantic Yards. Upon construction completion a total of 6,430 housing units were expected to be delivered, of which 35% would be designated for affordable housing, as well as a mix of office and retail space, a public school, and 8-acres of public green space. Initially envisioned in 2003 as Brooklyn Atlantic Yards, the project was rebranded in 2014 as Pacific Park Brooklyn following Greenland’s purchase of a 70% stake. The construction of Barclays Center launched the development upon securing approvals in 2006; and further construction activity has resulted in the delivery of seven buildings between 2017 and 2022, as well as approvals secured from the New York City Department of Buildings (DOB) for the construction of 700 Atlantic Avenue on the B5 site. Over the years, the estimated cost of the project has risen to \$6 billion, and Greenland, which now controls a 95% stake in the project defaulted last fall on nearly \$350 million in loans attached to the project’s second phase leaving the rights to develop the remaining six high-rise sites up for grabs. An auction now slated for April 30th has been postponed twice, and as of the final week of March, no developer has presented itself, leaving the project’s future uncertain. Challenges adding to the lack of interest among the developers is the need to deliver 876 affordable apartments by 2025 to avoid triggering millions of dollars in penalties per the 2014 agreement; a change in the environment for ground-up development anywhere; and the need to build a platform over the Vanderbilt Yard, which will be costly and could take years.

Source: <https://www.thecity.nyc/2024/02/02/auction-atlantic-yards-endangers-hard-affordable-housing/>



Downtown - View of Hudson Yards from Tribeca

News Highlights (cont'd)

Lending

Pace of Retreat by Banks from CRE Sector Quickens | January 18, 2024

The contrast is widening between the return-to-office push by banks and the growth of their commercial real estate (CRE) portfolios. Federal Reserve data indicates that the nation's banks have nearly \$3 trillion worth of CRE debt on their books, while Moody's Analytics is reporting office vacancy rates of nearly 20% nationwide, breaking the record set in 1991; and although the overall CRE debt grew somewhat last year, "reflecting continued strength in the broader economy," banks are facing losses, and "some are making no secret of their plans to withdraw" as they build up "large reserves to protect themselves from a wave of losses." Cited in example is M&T Bank which shrank its CRE loan portfolio by 6%, or \$2.3 billion last year; Wells Fargo similarly reduced its exposure to CRE debt by nearly \$4 billion, with almost half of the reduction coming in the final months of 2023; and Goldman Sachs lowered its CRE loan portfolio by 10% to \$26 billion, planning to watch closely on what mix of disposition activity surfaces in 2024, many acknowledging that "it's going to take some time for this [situation] to play out."

Sources: <https://www.crainsnewyork.com/real-estate/banks-hasten-retreat-embattled-commercial-real-estate-sector>

Defaulted 1740 Bwy Office Loan Selling at Steep Discount | January 18, 2024

The \$308 million commercial mortgage-back security (CMBS) back by 1740 Broadway has hit the sale market for the second time following the loan going into default more than a year ago by Blackstone Inc, and currently being marketed at roughly \$150 million. The 26-story tower that spans the entire Broadway blockfront 55th and 56th Streets had been appraised for \$605 million in 2014 when Blackstone purchased the asset and the mortgage was originated, an appraisal that in April 2023 lowered sharply to \$175 million. The debt was sent to special servicer Midland Loan Services in March 2022, and although the private equity giant is no longer putting any money into the building, Midland hasn't foreclosed on the tower.

Sources: <https://www.bloomberg.com/news/articles/2024-01-16/blackstone-s-defaulted-nyc-office-loan-for-sale-at-50-discount>



Downtown - View from Brooklyn Bridge Park

Market Snapshot: Class A & B

New York City's Unemployment

- According to the New York State Department of Labor's figures, the city's unemployment rate of 4.9% (not seasonally adjusted) at the end of February 2024 represented a 12.5% decrease year-over-year, remaining unchanged over the three month period from November 2023.
- Comparatively, unemployment on the National and State level at the end of February 2024 was 4.2% and 4.5% respectively, representing a year-over-year increase of 5.0% nationwide and a 2.2% decrease statewide.
- Employment activity in New York City's private sector resulted in a gain of 19,200 private sector jobs over the year to 4,090,200 jobs in February 2024. Among the major sectors, Education and Health Services gained 59,200 jobs at the high over the 12 month period, followed by more moderate gains of 7,400 jobs and 3,800 jobs in the Leisure and Hospitality and Financial Services sectors. In contrast the Professional and Business Services and Information sectors lost 16,100 jobs and 15,800 jobs respectively.

Weekly Wages

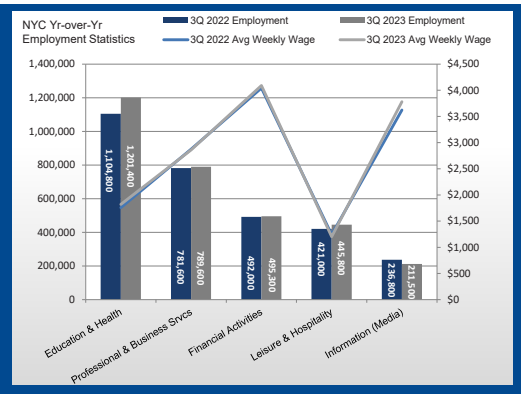
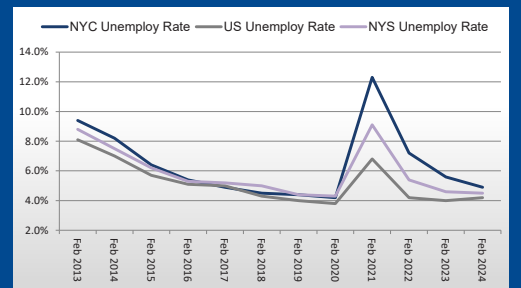
Overall private sector weekly wages in New York City averaged \$2,611 in the 3rd quarter of 2023, essentially remaining unchanged year-over-year according the recent report released by the U.S. Department of Labor. Among the major sectors all (3) saw overall weekly wages increases year-over-year. The Information sector saw the largest increase of 4.39%, followed by a 3.58% increase in the Education and Health sector, while the Financial sector saw a 1.21% increase. In contrast, the remaining (2) sectors — Professional and Business Services and Leisure and Hospitality saw decreases of 0.52% and 2.98% respectively.

Vacancy for Class A & B office buildings over 75,000 square feet rose 4.0% to 16.1% in comparison the 15.5% rate in the 4th quarter of 2023. Class A vacancy rose quarter-over-quarter by 3.4% to 16.2% in the 1st quarter, while Class B vacancy rose more sharply by 5.5%, increasing to 15.8% during the same period.

Absorption closed the 1st quarter at negative 3,085,750 square feet, representing an reversal of the negative 1,415,270-square-foot absorption in the 4th quarter, as the pace of deal making slowed. All three major commercial submarkets saw negative absorption. Midtown South's negative 113,287-square-foot absorption was a 28% improvement compared to the 4th quarter. In contrast, both Midtown and Downtown saw an increase in negative absorption compared to the previous quarter. While Midtown's negative 1,733,077-square-foot absorption was 80% higher, Downtown's negative absorption of 1,239,386 square feet is more than triple the 4th quarter's square footage.

Face Rents for office space in the 1st quarter lowered 0.9% to an overall average of \$77.66 per square foot versus the \$78.39 per square foot figure in the 4th quarter. Class A face rents rose 0.4% from the previous quarter's \$80.08 per square foot to \$80.38 per square foot at the end of March. In contrast, Class B face rents lowered 1.4% quarter-over-quarter to \$66.89 per square foot compared to \$67.81 per square foot in the previous quarter.

1 Q 2024	Total	Downtown	Midtown South	Midtown
Vacancy	↑	↑	↑	↑
Face Rent	↓	↑	↑	↓
Absorption	↓	↓	↓	↓

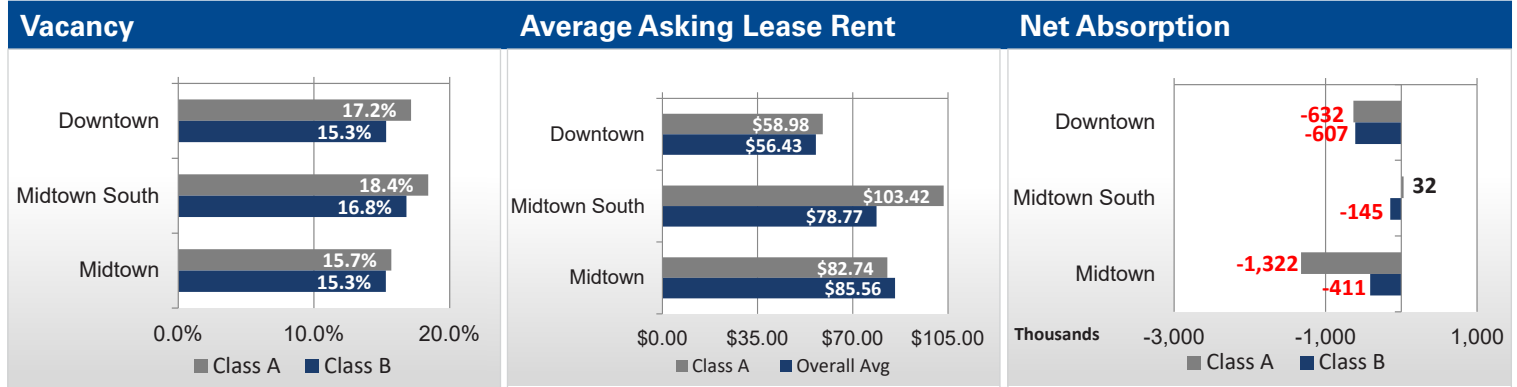


Source: NYS Department of Labor and US Department of Labor, Bureau of Labor Statistics

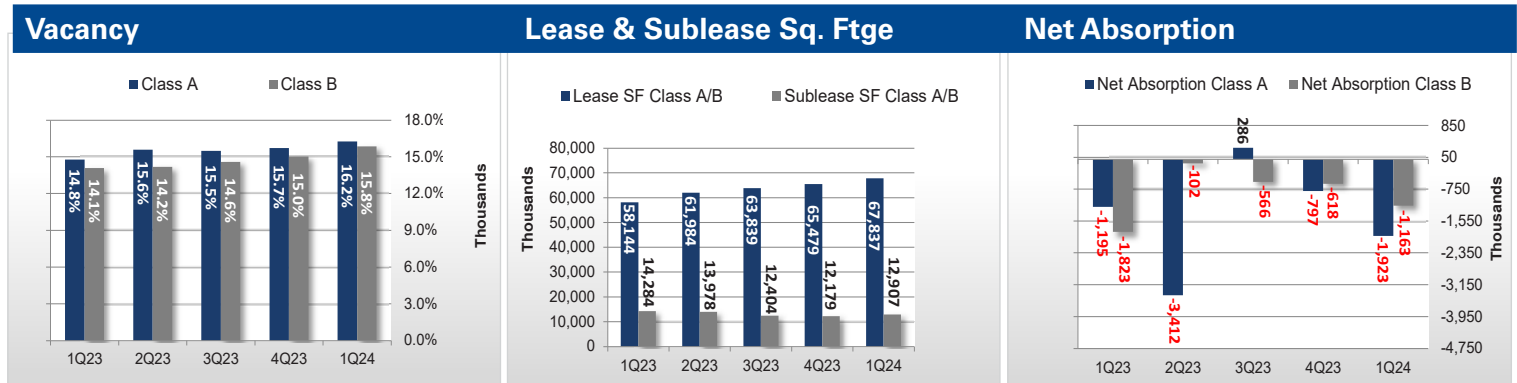
Class A & B Statistics At A Glance



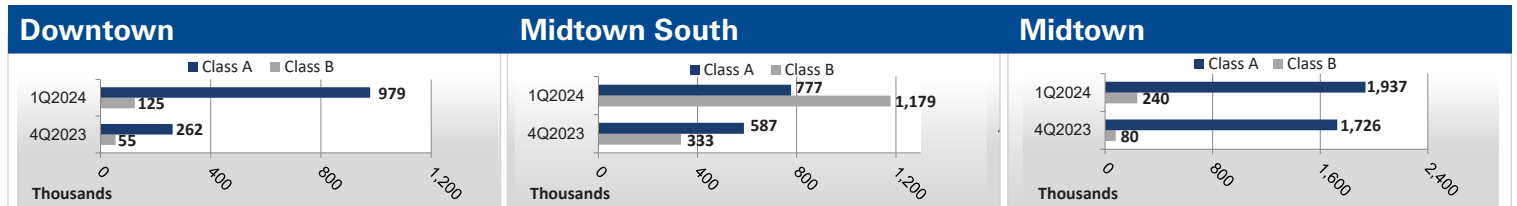
1st Quarter 2024



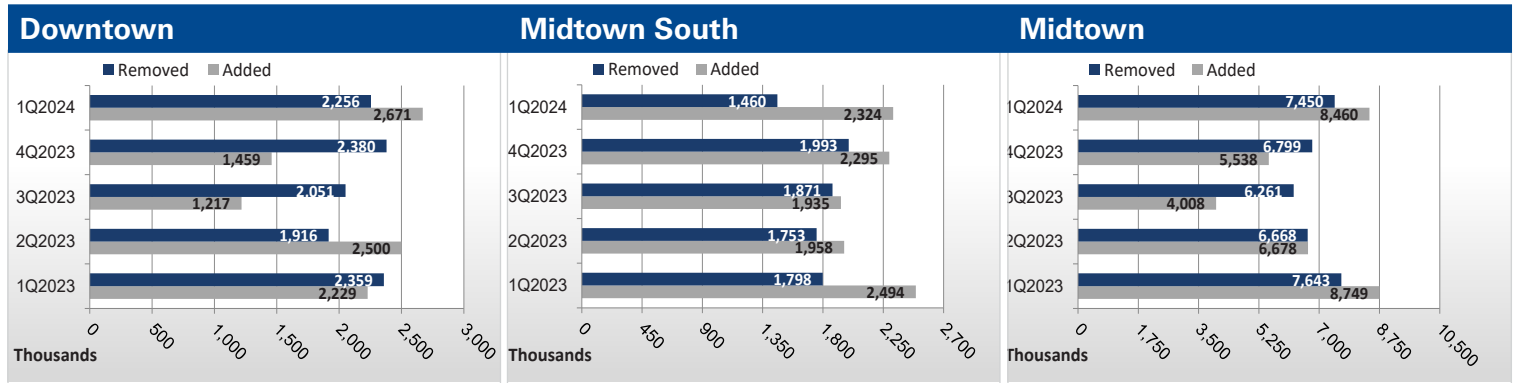
Quarter-over-Quarter



Sublease Space Newly Listed in 1Q 2024



Year-over-Year Inventory Changes





Submarket Statistics Overview: Class A & B Office

Manhattan	Inventory	Vacant Sq. Ftge.			Vacancy Rate			Avg. Face Rent PSF	Absorption
Submarkets Districts	Total RBA*	Direct Sq. Ftge.	Sublet Sq. Ftge.	Total Sq. Ftge.	Direct Vacancy	Sublet Vacancy	Overall Vacancy	Overall Asking	Year-to-Date Sq. Ftge
Downtown	112,730,259	15,491,827	3,373,137	18,867,964	13.7%	3.0%	16.7%	\$56.43	-1,239,386
City Hall	14,120,338	1,039,932	33,900	1,073,832	7.4%	0.2%	7.6%	\$51.15	-109,937
Financial District	40,480,138	7,556,114	1,683,183	9,239,297	18.7%	4.2%	22.8%	\$53.07	-696,176
Insurance District	12,587,738	2,089,524	305,413	2,404,937	16.6%	2.5%	19.1%	\$50.67	-25,811
TriBeCa	7,704,678	915,006	30,611	945,617	11.9%	0.4%	12.3%	\$67.02	-196,921
World Trade Center	37,837,367	3,891,251	1,313,030	5,204,281	10.3%	3.5%	13.8%	\$64.23	-210,541
Midtown South	75,150,557	10,819,875	2,220,674	13,040,549	14.4%	3.0%	17.4%	\$78.77	-113,287
Chelsea	18,119,061	2,717,412	740,754	3,458,166	15.0%	4.1%	19.1%	\$74.06	-42,576
Flatiron	23,479,158	4,213,505	562,902	4,776,407	17.9%	2.4%	20.3%	\$74.13	-204,423
Gramercy/Union Sq	9,807,231	955,383	262,420	1,217,803	9.7%	2.7%	12.4%	\$81.85	-48,659
Greenwich Village	5,084,388	810,586	14,739	825,325	15.9%	0.3%	16.2%	\$109.87	46,063
Hudson Square	13,127,274	1,427,283	494,545	1,921,828	10.9%	3.8%	14.6%	\$83.29	164,475
SoHo	5,533,445	695,706	145,314	841,020	12.6%	2.6%	15.2%	\$79.11	-28,167
Midtown	312,586,435	41,525,047	7,310,090	48,835,137	13.3%	2.3%	15.6%	\$85.56	-1,733,077
Columbus Circle	33,674,590	3,048,179	1,418,952	4,467,131	9.1%	4.2%	13.3%	\$71.63	-896,207
Hudson Yards	55,679,023	7,987,502	1,548,898	9,536,400	14.3%	2.8%	17.1%	\$67.03	-680,789
Grand Central	13,255,183	2,571,426	297,122	2,868,548	19.4%	2.2%	21.6%	\$56.72	-107,309
Penn Plaza/Garment	73,508,683	10,580,606	2,394,640	12,975,246	14.4%	3.3%	17.7%	\$108.84	203,494
Plaza District	85,423,305	11,073,168	815,185	11,888,353	13.0%	1.0%	13.9%	\$93.21	-164,227
Times Square	46,590,021	6,120,431	835,293	6,955,724	13.1%	1.8%	14.9%	\$75.63	-265,649
U.N Plaza	4,455,630	143,735	0	143,735	3.2%	0.0%	3.2%	\$71.28	177,610
Grand Total	500,467,251	67,836,749	12,906,901	80,743,650	13.6%	2.6%	16.1%	\$77.66	-3,085,750

Source: Costar - Buildings 75,000 SF and larger; vacancy and absorption calculations based upon move-in date versus deal signing date
Newmark, Cushman & Wakefield



Midtown - Grand Central Area

Market Snapshot: Class A & B

Big Block Removals in Q1 2024

66 Hudson Boulevard (Hudson Yards) - 265,000 square feet in the newly constructed building was leased by London-based HSBC, the 20-year lease represented a significant downsizing by the bank's former 548,000-square-foot office at 452 Fifth Avenue.

866 United Nations Plaza (U.N. Plaza) - 176,756 square feet representing 29 office condominium units was taken off market in January due to a slated auction in March. The sale by the Carlyle Group had a opening bid of \$18 million, representing a portion of the equity firm's 340,000-square-foot purchase at the building for \$217.5 million (\$340 per square foot) in 2017.

Retail Bi-Quarterly Vacancy Statistics At A Glance



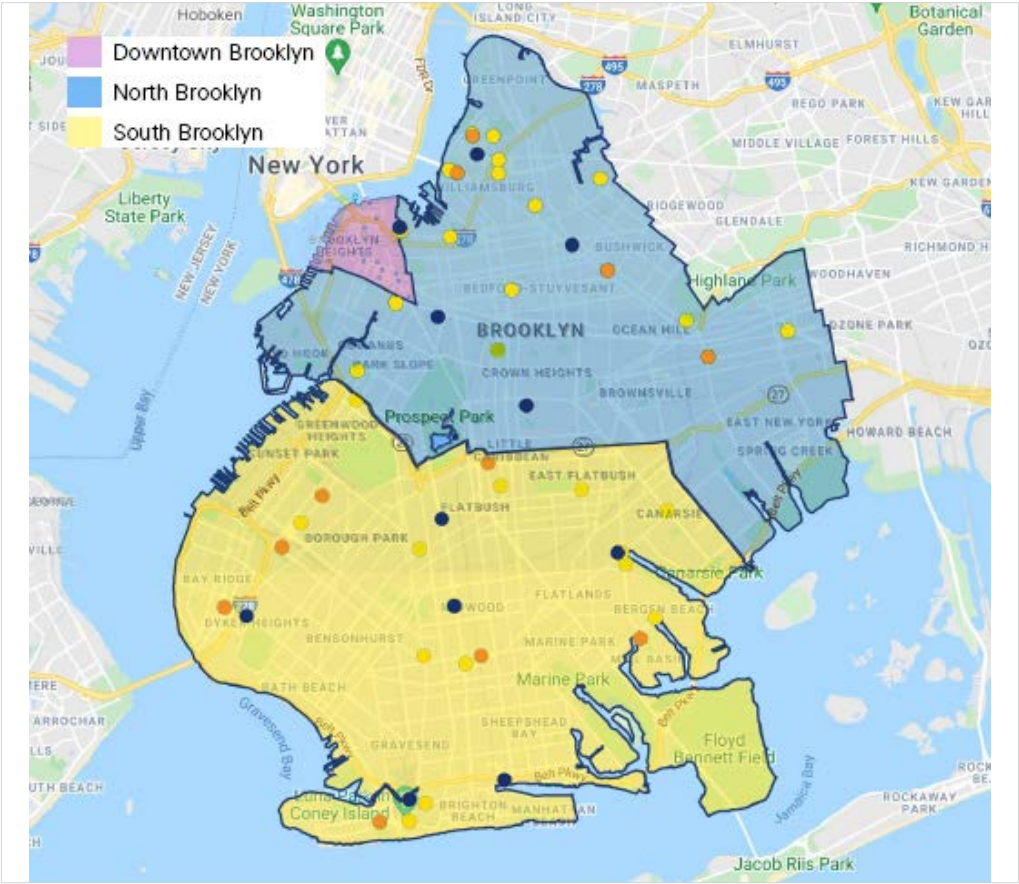
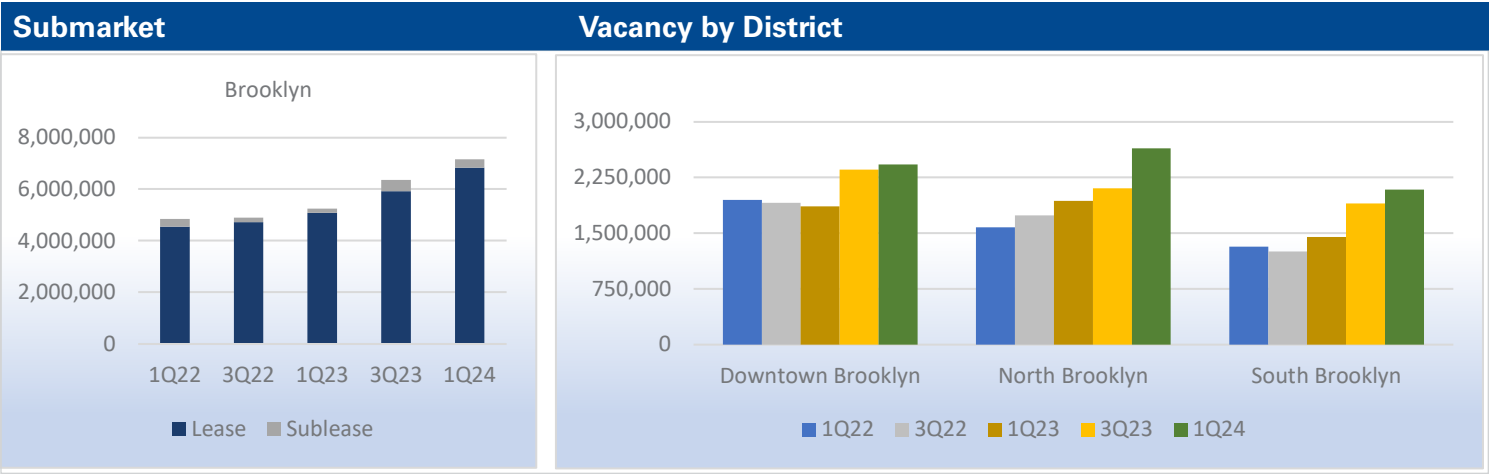
1Q 2022 - 1Q2024



Retail Bi-Quarterly Vacancy Statistics At A Glance



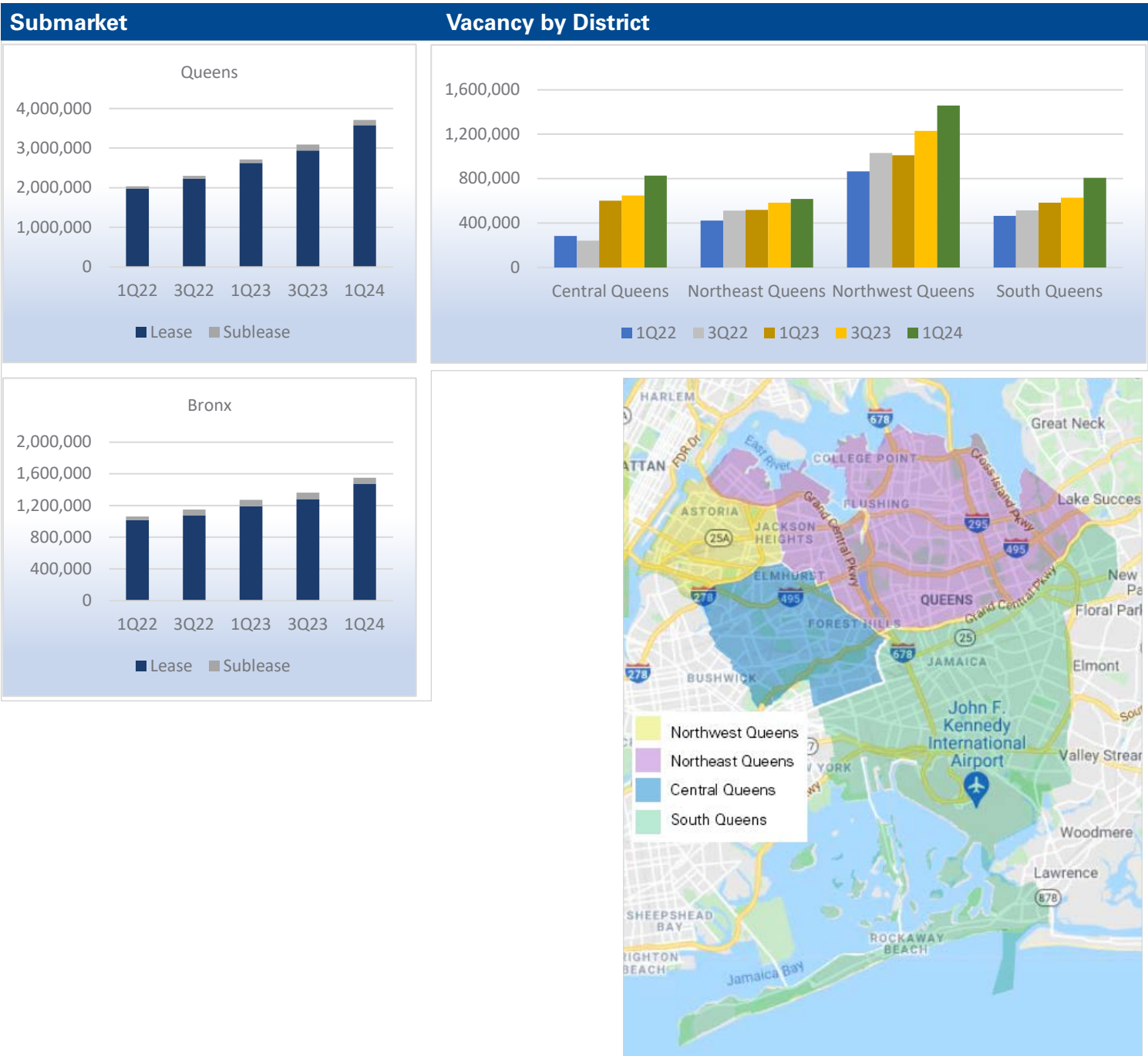
1Q 2022 - 1Q2024



Retail Bi-Quarterly Vacancy Statistics At A Glance



1Q 2022 - 1Q2024





Brooklyn - DUMBO Area

Real Estate Board of New York’s 2nd-Half of 2023 Brooklyn Retail Report

Brooklyn registered healthy retail leasing activity throughout 2023 according to the report released in March by REBNY. The borough's growing and increasingly high-density residential base continues to attract the most active retailers. However, the pace of activity diverges greatly from one neighborhood to another, and even from one street to the next. Innovative shopping destinations like City Point and Industry City, along with prime residential neighborhoods continue to experiences the strongest leasing and rental growth, in contrast to other neighborhoods which have significant vacancies due to natural tenant turnover, recent multi-family deliveries, and moderating demand from banks and pharmacies.

The surveyed corridors in the report represent Brooklyn’s top tier retail corridors. While the asking rents provided are intended to offer a useful and reliable guide, the rent fluctuations between two consecutive periods does not necessarily indicate a change in the market. In addition physical components of a retail space significantly factor into its rental value such as frontage, ceiling height, presence of below grade, mezzanine, and 2nd floor space; as well as locational factors such as proximity to subway access.

Corridor	2nd-Half 2023 Avg. Asking	2nd-Half 2023 Asking Range	Minimum Avg. Asking/Yr	Maximum Avg. Asking/Yr	% Yr-over-Yr Change	% Change 1st-Half 2023
Greenpoint						
Franklin St (Meserole Ave – Commercial St)	\$76	\$47 - \$100	\$57/W 2018	\$89/W 2017	15.2%	4.1%
Manhattan Ave (Driggs Ave – Ash St)	\$67	\$32 - \$106	\$58/W 2021	\$75/S 2017	-4.0%	-10.7%
Williamsburg						
Bedford Ave (North 8th St – North 12th St)	\$170	N/A	\$122/S 2021	\$200/S 2016	-9.5%	3.7%
Bedford Ave (Grand St – North 8th St)*	\$165	N/A	\$78/S 2022	\$404/S 2017	11.5%	12.2%
North 6th St (Driggs Ave – Kent Ave)*	\$275	N/A	\$208/S 2015	\$275/2H-2023	32.5%	6.6%
North 4th St (Driggs Ave – Kent Ave)*	N/A	N/A	\$103/S 2020	\$200/W 2023	N/A	N/A
Grand St (Havemeyer St – Kent Ave)	\$85	\$65 - \$106	\$71/W 2021	\$113/S 2017	11.4%	30.8%
DUMBO						
Washington St, Main St, Water St, Front St	\$67	\$42 - \$70	\$36/W 2021	\$143/W 2018	-21.2%	3.1%
Brooklyn Heights						
Montague St (Hicks St – Cadman Plz)	\$130	\$115 - \$170	\$72/W 2019	\$190/S 2016	24.1%	1.3%
Downtown Brooklyn						
Fulton St (Boerum Pl – Flatbush Ave)	\$245	\$190 - \$305	\$196/W 2022	\$359/W 2018	19.5%	2.5%
Court St (Atlantic Ave – Pierrepont St)*	\$195	\$125 - \$225	\$112/W 2021	\$195/2H-2023	11.4%	1.6%
Prospect Heights						
Flatbush Ave (5th Ave – Grand Armory Plz)	\$110	\$90 - \$130	\$101/S 2016	\$141/S 2019	-16.5%	2.8%
CobbleHill						
Court St (Atlantic Ave – Carroll St)*	\$215	\$205 - \$205	\$93/W 2019	\$200/S 2022	7.5%	7.5%
Smith St (Atlantic Ave – Carroll St)	\$99	\$50 - \$85	\$83/W 2019	\$149/S 2017	4.9%	8.8%
Park Slope						
7th Ave (Union St – 9th St)	\$112	\$80 - \$140	\$86/S 2019	\$129/W 2017	26.8%	14.3%
5th Ave (Union St – 9th St)	\$111	\$60 - \$120	\$78/W 2017	\$111/2H-2023	23.1%	14.4%
Bay Ridge						
86th St (4th Ave – Fort Hamilton Pky)	\$102	N/A	\$77/S 2015	\$123/W 2018	-2.9%	-4.7%



**UNION
SQUARE
PARTNERSHIP**

**FLATIRON
NOMAD**

BID Market Snapshots

Downtown Alliance - Lower Manhattan Real Estate Market Report | 2023 Year in Review

Leasing activity in Lower Manhattan's office market during the 4th quarter remained stable year-over-year as the neighborhood adjusted more fully to emerging contours of the post-pandemic economy. According to Placer.ai data, midweek office occupancy grew to 71.5% representing a 30% increase year-over-year across a range of office types. However, large blocks of space continue to linger on the market and leasing remains sluggish, keeping vacancy at a historical high across all asset classes. A continued volume rebound of tourism pushed hotel occupancy to 85% in the 4th quarter, nearly matching 2019 rates, and the average daily room rate (ADR) reached its highest at \$345.45 since the BID started tracking this metric. Over the course of the year 81 retail stores opened while 42 closed, compared to the 150 openings and 160 closures in 2022. Bars and restaurants accounted for 70% of retail openings in 2023. Residential rental rates continue to soar, reaching a record high of \$4,768 in the 3rd quarter of 2023 before lowering to \$4,612 in the 4th quarter — about 15.6% compared to late 2019 rents. Higher interest rates have pushed would-be buyers back into the rental market, the increased demand contributing to the rise in rent prices, while the median residential sales price lowered 43.6% year-over-year to \$1.17 million and the 303-units sold represented a 13.4% decrease from 2022 volume, but remained 11.4% higher than the sales volume in 2019.

Source: <https://downtownnyc.com/research/2023-lower-manhattan-real-estate-year-in-review/>

Union Square Partnership - Biz + Broker Quarterly Report | Q4 2023

Union Square welcomed Civic Hall during the 4th quarter, the digital training center officially opened its doors at Zero Irving, 124 East 14th Street. Civic Hall's new facility totals 85,000 square feet spread across seven floors within the 21-story building; it provides a hub for tech education, innovation, and workforce training. The neighborhood also saw a 15.5% year-over-year increase in employee visits as positive momentum continues. The annual Union Square Holiday Market was named the top holiday market in America by Time Out New York as it closed out its 30th season, attracting an average of 33,600 daily visitors during its six weeks of operation. Among the 17 new businesses that opened during the quarter, Crate & Barrel's new 23,000-square-foot flagship store at 881 Broadway was a highlight. Developing trends are quickly establishing Union Square as a destination for home goods with this year's opening of Target and slated opening of mattress retailer Saavta in the coming months; as well as the growing cluster of vintage and thrift shops with the recent addition of The ReShop at 12 East 14th Street adding to the area's existing 15 locations.

Source: <https://www.unionsquarenyc.org/s/Q4-2023-Union-Square-Report>

Flatiron/NoMad - Flatiron & NoMad Economic Snapshot | Q4 2023

A highlight of the quarter was the welcomed opening of homeware retailer Crate & Barrel's 2-story, 23,000-square-foot flagship store at 881 Broadway resulting in a relocation from the high-end retailer's longtime home in SoHo. The district also boasted Midtown South's largest relocation of 2023, upon global litigation firm Quinn Emanuel Urquhart & Sullivan, LLP relocating within the NoMad neighborhood to a 132,000-square-foot office at the newly renovated 295 Fifth Avenue; while San Francisco-based wealth manager Iconiq Capital more than doubled its footprint with a 70,000-square-foot lease at 360 Park Avenue South upon relocating from Chelsea.

Source: https://flatironnomad.nyc/wp-content/uploads/2024/01/Q4-2023-Report_1.pdf



View of Brooklyn Heights Area from FDR Drive

Development Activity

REBNY Report: Quarterly New Building Construction Pipeline - Q4 2023

The Real Estate Board of New York (REBNY) released a report in February providing statistics based on examined new building job application filings submitted to the NYC Department of Buildings in the 4th quarter of 2023, analyzing data for the three month period of October through December; and draws historical comparisons to provide an understanding of the current state of development in New York City.

Key Takeaways - Q4 2023							
Borough Breakout	Q4 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF	Borough	Q4 2023 Filings	Yr-over-Yr Change	% of Proposed Construction SF
Manhattan	8	-76%	7%	Queens	102	-25%	10%
Bronx	27	-48%	26%	Staten Island	520	395%	32%
Brooklyn	71	-25%	25%				
New Building Filings in Q4 2023	TTL Filings	% Change Qtr-over-Qtr / Yr-over-Yr		TTL Proposed Sq. Ft.		% Change Qtr-over-Qtr / Yr-over-Yr	
Citywide	728	113% / 73%		6.2 MM		4% / -58%	
Construction Projects 300K-sf Plus	Q4 2023 Filings	TTL Proposed Sq. Ft.		% of Q4 2023 TTL Proposed SF		Qtr-over-Qtr Change of TTL %	
Citywide	2	800,000		12%		-40%	
Multiple Dwelling Residential Q4 2023	Proposed Units	% Change Qtr-over-Qtr / Yr-over-Yr			New Buildings		% Change Qtr-over-Qtr / Yr-over-Yr
Citywide	3,176	-26% / -60%			51		-26% / -59%
Borough Breakout	Proposed Units / % of TTL			Borough	Proposed Units / % of TTL		
Manhattan	220 / 7%			Queens	289 / 9%		
Bronx	1,659 / 52%			S.I.	12 / 1%		
Brooklyn	996/ 31%						
Largest Proposed Projects by Borough - Q4 2023 (excludes single-family homes)							
Borough	Address	Neighborhood	Sq. Ft.	Description			
Manhattan	401 East 51st Street	Midtown East	173,523	Development with 86 residential units			
Bronx	1387 University Avenue	Highbridge	397,586	23-Story mixed-use development with 422 residential units			
Brooklyn	895 Erskine Street	East New York	380,472	172-foot-tall development with 425 residential units - likely rental			
Queens	3541 Shore Front Parkway	Far Rockaway	70,211	Development with 28 residential units			
Staten Island	2374 Forest Avenue	Arlington	94,097	One-story commercial development			



View of Lower Manhattan from Governors Island

Downtown Alliance: Lower Manhattan Real Estate Market | 2023 Yearend

Top 10 Lease Deals in 2023

Tenant	Address	Sq. Ftge.	Lease Type	Sector
NYC Admin. for Children's Svcs	110 William Street	640,744	Relo within LoMa	Government
NYC Admin. for Children's Svcs	150 William Street	530,653	Renewal	Government
Cadwalader, Wickersham & Taft LLP	200 Liberty Street	225,301	Renewal	Law (Professional Svcs)
City of New York	255 Greenwich Street	182,255	Renewal	Government
Bank of Nova Scotia	250 Vesey Street	131,048	Renewal	Financial (FIRE)
Tower Research Capital LLC	120 Broadway	121,904	Relocation	Financial (FIRE)
Municipal Credit Union of New York	22 Cortlandt Street	93,500	Renewal	Financial (FIRE)
Stripe	199 Water Street	115,000	Extension	Technology (TAMI)
Duolingo	4 World Trade Center	85,666	Sublease	Technology (TAMI)
Legal Aid Society	199 Water Street	72,091	Extension	Law (Professional Svcs)

Large Block Availabilities

Address	Available Sq. Ft.	Comments
60 Wall Street	1.6M	Deutsche Bank completed relocation to Columbus Circle in summer 2021, the full vacant building is undergoing a full \$250M renovation expected to be completed in 2023
175 Water Street	676,000	Building vacated upon AIG relocation to 28 Liberty Street and other locations. Building sold in early 2022 for \$252MM, to undergo comprehensive repositioning
80 Pine Street	637,631	One block across 9 floors; one block across 3 floors
222 Broadway	470,000	Across 11 floors
One New York Plaza	383,000	Across 3 floors
120 Broadway	330,000	Across two large blocks
140 Broadway	237,000	Across 11 floors
225 Liberty Street	221,000	In bottom half of the building
200 Vesey Street	221,000	Across 4 floors
55 Water Street	220,000	One block across a single floor, one block across 5 floors



Downtown - Financial District

Downtown Alliance: 2023 Yearend (cont'd)

Notable Property Sales in 2023

Property Type	Address	Sq. Ftge./Units	Sale Price	Buyer	
Residential	8 Spruce Street	899-units	\$930,000,000	Blackstone	Brookfield Asset Mgmt Nuveen
Residential	19 Dutch Street	483-units	\$487,500,000	Pontegadea Group	Carmel Partners
Hotel Condo	Andaz Wall Street 75 Wall Street	253-Keys	\$85,000,000	Blue Sky Hospitality	Hakimian Organization
Hotel	Mr. C Seaport Hotel 33 Peck Slip	66-Keys	\$60,000,000	Sono Hospitality	Ghassemieh family
The seller operated the hotel in partnership with Cipriani. The hotel will no longer operate under the Mr. C brand.					
5 Bldg Mixed-Use Portfolio	80-88 West Broadway	6 Retail units 17 rental units 1 Parking Lot	\$36,100,000	6R Group	Mark Jaffe
Office Condo	1 Hanover Square	25,000	\$6,000,000	SomeraRoad	India House



Midtown - Hudson Yards

Office Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
200 Hudson Street	Downtown	Tribeca	150,703	David Yurman (renewal)
4 World Trade Center	Downtown	World Trade Center	68,680	Rippling (sublease from Spotify)
11 West 42nd Street	Midtown	Times Square	203,000	Michael Kors (renewal)
1290 Sixth Avenue	Midtown	Plaza	175,000	King & Spalding (relocation)
1221 Sixth Avenue	Midtown	Times Square	159,500	Dentons (renewal)
1345 Sixth Avenue	Midtown	Columbus Circle	142,946	Intercontinental Exchange (relocation)
599 Lexington Avenue	Midtown	Plaza	126,396	TD Cowen (renewal)
55 East 52nd Street	Midtown	Plaza	94,397	Evercore Partners (expansion)
111 West 33rd Street	Midtown	Penn Plaza	89,281	JRM Construction (sublease from Macy's)
200 Fifth Avenue	Midtown South	Flatiron	115,382	DoorDash

Lease - Outer Boroughs

Address	Borough	District	Sq. Ftge	Tenant
217 North 10th Street	Brooklyn	Williamsburg	51,498	New Beginnings Charter School
Dock 72	Brooklyn	Brooklyn Navy Yard	62,570	Pratt Institute
30-20 Thomson Avenue	Queens	Long Island City	210,334	LaGuardia Community College (extension)
45-18 Court Street	Queens	Long Island City	105,000	NYU Langone
86-55 Queens Boulevard	Queens	Elmhurst	48,000	Central Queens Academy Charter School

Manhattan/Outer Borough Investment Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
1370 Sixth Avenue	Midtown	Midtown West	342,000	\$160,000,000	Barings
1410 Broadway	Midtown	Penn Plaza	114,260	\$170,000,000	KSR Capital
225 West 39th Street	Midtown	Penn Plaza	103,500	\$22,200,000	Gotham 225 West 39th Street LLC (IHL Group)



Midtown - Times Square

Retail Market – Notable Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
88 Greenwich Street	Downtown	Financial	35,000	Pilecki Institute
421 Eighth Avenue	Midtown	Penn Plaza	20,000	Avra Estiatorio
600 Fifth Avenue	Midtown	Plaza	12,689	Arc'teryx
666 Greenwich Street	Midtown South	West Village	25,000	Continuum
568-578 Broadway	Midtown South	SoHo	25,000	GU

Lease - Outer Boroughs

Address	Borough	Neighborhood	Sq. Ftge	Tenant
49-20 5th Street	Queens	Long Island City	13,500	Dumbo Market
29-17 40th Avenue	Queens	Long Island City	10,055	Butterfield Market
35-30 Francis Lewis Blvd	Queens	Flushing	10,000	ENT & Allergy Associates
1623 Flatbush Avenue	Brooklyn	East Flatbush	7,548	60/60 Optical

Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
401 East 60th Street	Uptown	Upper East Side	120,000	\$150,500,000	401 East Sixty Holding LP (c/o Henset Properties U.S.) Condo unit
717 Fifth Avenue	Midtown	Plaza	115,000	\$963,000,000	Kering (includes 23K-sf office unit) 2 Condo Units
110 West 32nd Street	Midtown	Penn Plaza	32,780	\$30,000,000	500 W. Merrick Realty LLC Unnamed Korean Investor Condo unit



For More Information Please Contact:

212.400.6060 • www.absre.com

200 Park Avenue South, 10th Floor, New York, NY 10003

We Build Partnerships That Last

Although the information furnished is from sources deemed reliable such information has not been verified and no express representation is made nor is any implied as to the accuracy thereof. Sources: CoStar Group, The Real Deal, Crain's New York Business, The New York Times, New York Post, New York Yimby, Real Estate Weekly, and Commercial Observer