



FASHION TRENDS: The Next Wave of Creative Tenants Moving Downtown

In the past ten years, more than 600 tenants have signed leases to relocate Downtown from other Manhattan markets and from outside the city. Tech and creative companies have been leading the way, signing over 200 deals to relocate. Fashion tenants are the latest creative group to make forays into this market.





The fashion industry has signed more than 2 million square feet of office leases since 2011, when fashion influencer Condè Nast committed to move to 1 World Trade Center. Over the last 12 months, Gucci, Hugo Boss, Hudson's Bay Company and Full Beauty Brands (formerly OSP Group) have signed office leases to relocate Downtown, and two additional fashion tenants are rumored to be actively negotiating office leases.

These companies are drawn by the market's affordable rents, transit access and the opportunity to be close to their new Downtown retail locations. Gucci, Hugo Boss, and Hudson's Bay (Saks) have recently signed retail leases at Brookfield Place and the World Trade Center.

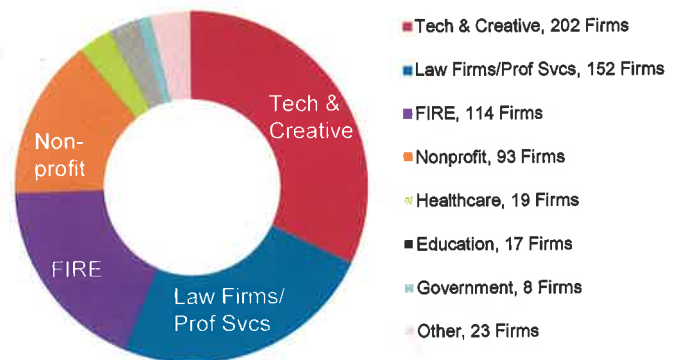
Proximity to New Retail Locations and Other Amenities

Fashion tenants Downtown benefit from proximity to their new retail outposts. Gucci signed a deal for office space at 195 Broadway in July 2015 after committing a retail location at Brookfield Place. Hudson's Bay Company, which signed nearly 400,000 square feet of office space, also has a retail location for subsidiary Saks Fifth Avenue at Brookfield Place. Hugo Boss signed about 73,690 square feet of office space at 55 Water Street and a retail location at the World Trade Center.

This trend is developing in line with broader improvements in the Downtown retail and dining landscape, which appeal to a growing

Tenant Relocations to the Downtown Market

Number of Firms by Industry, 2005-2015 YTD



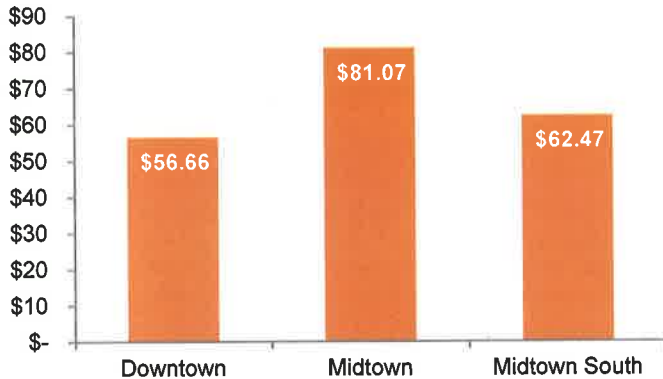
creative workforce. More than 200 stores and restaurants totaling 565,000 square feet are opening in phases. This began in 2014 at Brookfield Place and will extend through the end of 2015, with the opening of retail at the World Trade Center. Nobu also signed a deal in 2015 to move to 195 Broadway, and Harbor House Pier A opened an oyster bar, beer hall and cocktail bar on the waterfront in Battery Park.

Additional shopping and dining options are in the pipeline, including a luxury department store rumored to be negotiating for retail space Downtown and the Howard Hughes Corporation's 350,000-square-foot development at the Seaport on Pier 17.

Leasing Activity of Fashion Tenants and Influencers			
Tenant	Address	Sign Date	SF Leased
Gucci	195 Broadway	July 2015	83,964
Full Beauty Brands (formerly OSP Group)	1 New York Plaza	Dec 2014	157,210
Hugo Boss	55 Water Street	Nov 2014	73,690
Hudson's Bay Company	250 Vesey Street 225 Liberty Street	Sept 2014	398,812
Revlon	1 New York Plaza	March 2014	90,194
Refinery 29	225 Broadway	2013, expansion 2015	43,355
Condè Nast	1 World Trade Center 222 Broadway	2011, expansion 2012 July 2013	1,216,000
Total Square Footage Leased, 2011- 2015 YTD			2,063,225



Overall Average Asking Rent Comparison (\$/SF)
 2015 YTD



Favorable Economics

Downtown offers a competitive advantage in pricing over Midtown and Midtown South. Overall average asking rents are currently \$56.66 per square foot, 30% below Midtown's average of \$81.07 per square foot and 9% below the Midtown South average of \$62.47 per square foot. Views also come at a discount Downtown, with average taking rents for tower floors 47.5% less than Midtown.

Leasing incentives enhance this competitive advantage for qualifying tenants. These programs include abatements of the real

estate tax, commercial rent tax, payroll taxes, and sales taxes, as well as a discount on energy costs.

Transit Access to Creative Workforce

Twelve subway lines and PATH service put Downtown employers within a 30-minute transit ride of Millennial-preferred neighborhoods like Williamsburg, Park Slope, Cobble Hill, Downtown Brooklyn, Jersey City, Hoboken and other parts of Downtown Manhattan.

A dense transit network also puts Downtown within reach of the broader region. About 1.6 million workers in office-using industries live within a 60-minute commute of Fulton Center. By comparison, Grand Central Station is within a 60-minute commute of approximately 1.5 million workers in office-using industries, and Penn Station reaches about 1.8 million office-using workers in the same time. Similarly, Fulton Center is within a 60-minute commute of 457,000 workers in retail and wholesale industries, more than the 411,000 within 60 minutes of Grand Central and 531,000 for Penn Station.

Sources:
 Newmark Grubb Knight Frank Research
 Alliance for Downtown New York
 Regional Plan Association, *Access to Workforce*

Height Analysis

2Q15 Average Base Taking Rents, Midtown versus Downtown

