



# Flatiron: Where Then Meets Now

## Flatiron District Market Snapshot/Q2 2016

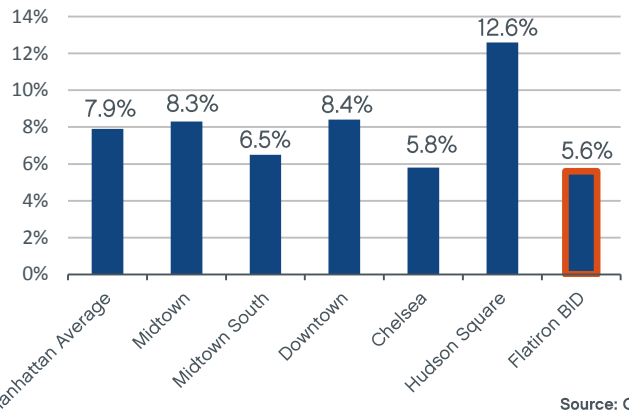
### MARKET OVERVIEW

Demand for Flatiron District office space remained high in the second quarter (Q2) of 2016. Many commercial building owners are capitalizing on this high demand by undergoing building renovations to add new space and upgrade existing facilities.

The Flatiron District continues to have one of the lowest Class A & B vacancy rates in New York City, and continues to be lower than the Manhattan-wide vacancy rate. In Q2 2016, the Class A & B vacancy rate within the boundaries of the Flatiron BID, as reported in CoStar, was 5.6%. This is a decrease from the 6.0% vacancy rate in Q1 2016, and also a decrease from the 5.7% vacancy rate one year ago in Q2 2015. The Q2 2016 vacancy rate is also down from the Flatiron District's 5-year average vacancy rate of 7.2%. The graph to the right illustrates how the Flatiron District compares to Manhattan and other districts.

### COMMERCIAL OFFICE MARKET

Commercial Vacancy Rates - Class A&B for Q2



Source: CoStar

During Q2 2016, asking rents for Class A & B spaces averaged \$73.57/SF, a 2.4% increase from \$71.87/SF in Q1 2016, and a 3.0% increase from \$71.41/SF in Q2 2015. This is also 14.5% higher than the Class A & B Manhattan-wide average of \$64.24/SF in Q2 2016. Comparative graph is below; numbers are for Q2 2016.

### Property Owners Invest in Building Renovations

As companies continue to seek out Flatiron District office space, several building owners made major investments in their buildings in Q2 2016 to keep up with demand and attract new tenants. At 3 East 28th Street, Winter Properties recently began a \$20 million gut renovation of the now-vacant building to add over 60,000 square feet of new office space. At 41 Madison Avenue, Rudin Management Company has begun construction to renovate the building's lobby and public areas. Improvements are also taking place a couple blocks north at 63 Madison, where in May it was announced that the ownership partners of the 15-story, 870,000-square-foot office building secured a \$313.5 million loan to help fund renovations and restructure old debts. During Q1 2016, Jamestown joined George Comfort & Sons and Loeb Partners joint partnership at 63 Madison by purchasing a 49% stake in the building for \$271 million.



Source: CoStar

### COMMERCIAL BUILDING SALES

- 61 West 23rd Street, 50,000 SF – Taconic Investment Partners and the Italian family that owns luxury suiting company Ermenegildo Zegna acquired the seven-story office building for \$65 million. The building was sold by the Drachman family, who had owned the building for over 50 years.

**Nielsen**  
675 Avenue of the Americas  
16 years, 43,529 SF  
New

**Reorg Research**  
11 East 26th Street  
10 years, 12,083  
New

**Maison Kayser**  
373 Park Avenue South  
10 years, 8,732 SF  
New

**Barstool Sports**  
13-15 West 27th Street  
5 years, 5,909 SF  
New

**LEASES**

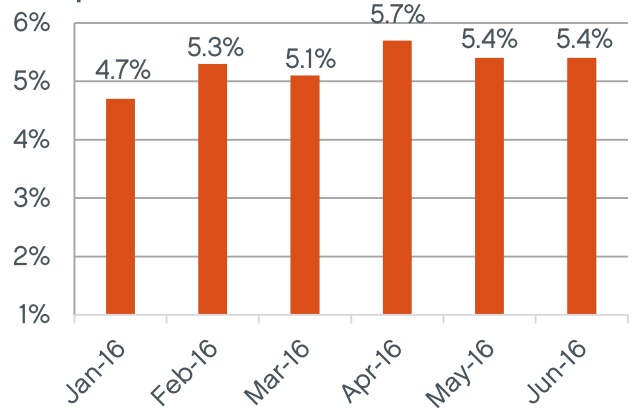
**RETAIL MARKET**

Inventory of available retail spaces in the district, which are tracked and published monthly by the Flatiron/23rd Street Partnership, remained low in Q2 2016. There was a slight increase in available retail spaces from Q1 2016. This parallels a slowdown in leasing activity across Manhattan in the retail market during the first half of 2016.

**Flatiron District Grows as a Hub for Home Design**

In the Q3 2015 Market Snapshot, the BID highlighted the emergence of a cluster of home design stores around the Broadway corridor in the Flatiron District. The Broadway design corridor continued to grow during the first half of 2016 with the addition of Italian luxury kitchen brand Cesar at 50 West 23rd Street and home design showroom Manhattan Center for Kitchen and Bath at 41 West 25th Street in Q2 2016. European luxury tile and stone brand AKDO opened at 22 West 21st Street in late Q1 2016. The number of home design stores in the Flatiron District will continue to grow in Q3 2016 as home furnishing giant Ethan Allen is slated to open a new location at 915 Broadway.

**Flatiron District Marketed Available Retail Space Q1-Q2 2016**

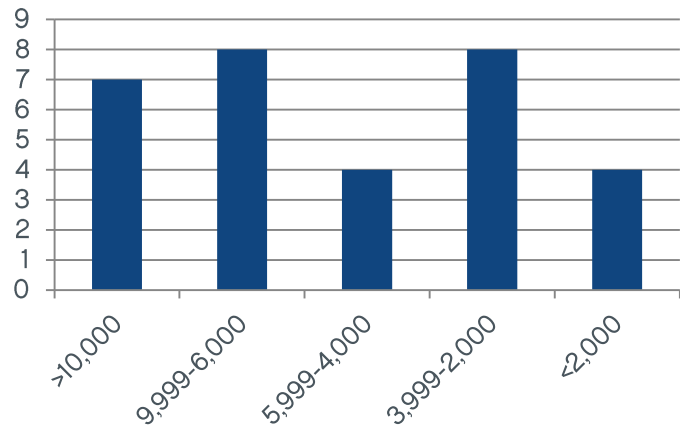


Source: January-June 2016 Flatiron BID Retail Opportunities Maps

**Fitness & Wellness Businesses Continue to Surge**

The Flatiron District strengthened its reputation as the premier neighborhood for boutique fitness studios and retailers in Q2 2016. AM New York and Real Estate Weekly both published articles that highlighted the evolution of the "Fitness District". Not only is there a plethora of fitness and wellness retailers in the area, but these stores are redefining the definition of brick-and-mortar retail stores. For example, upscale activewear boutique Bandier offers a traditional retail store experience with racks of merchandise and salespeople on the ground floor of its storefront at 164 Fifth Avenue. In addition, the upper floors of their space offer free events, concerts, and workouts from well-known fitness instructors.

**Flatiron District Marketed Available Retail Space by Square Footage**



Source: June 2016 Flatiron BID Retail Opportunities Map



The Flatiron/23rd Street Partnership Business Improvement District, formed in 2006, is a nonprofit organization whose mission is to enhance the area's reputation as one of New

York's most vital and exciting neighborhoods. This is accomplished by maintaining a clean and safe environment for the district's businesses, residents, and visitors; by spearheading area improvement projects; and by marketing the diverse business and retail options in this vibrant and historic neighborhood.