

New York

Impact

After a significant decrease in 2009 resulting from the epic financial collapse, high-tech employment has been consistently increasing every quarter and creating new office space demand. While it is not the main driver of Manhattan's office market recovery that began in mid-2010, resurgence of the high-tech industry has certainly made a substantial contribution. Google's purchase of the nearly three million-square-foot 111 Eight Avenue in Chelsea made a big splash and ushered in an upswing in market activity.

Overview

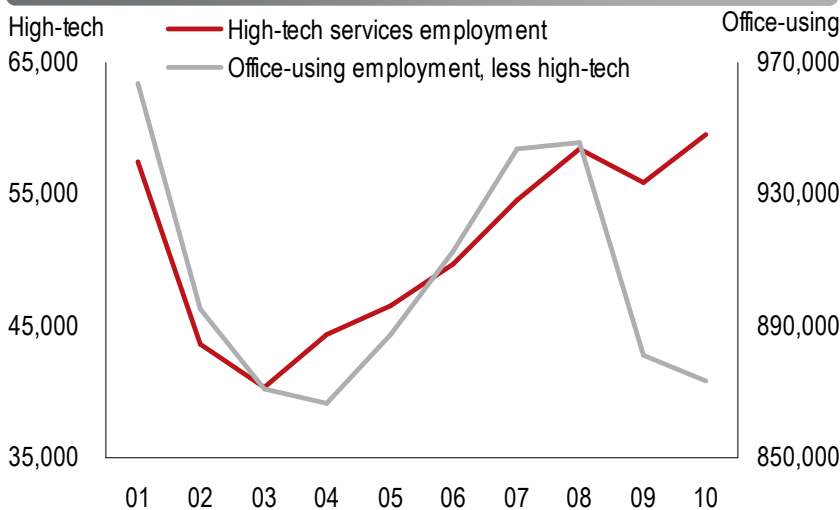
The Midtown South area has become the preferred location for high-tech and creative media firms. This area's allure stems from its unconventional office market, largely comprised of older, low-rise buildings in the hip Chelsea and Flatiron districts. The rebound in high-tech has fueled net absorption in recent quarters for the Midtown South market. For the sixth straight quarter the overall vacancy rate dropped, registering 6.7 percent in the second quarter, the lowest in Manhattan.

High-tech firms are one of the leading components of active leasing requirements in Manhattan with 45 firms seeking a combined total of three million square feet. Having fared better than the overall market during the downturn, tenants are increasingly finding that Midtown South options are limited and many landlords are escalating rents. High demand combined with low vacancy has prompted new construction at 51 Astor Place, a building with a trendy design built to suit the creative tenants that occupy Midtown South.

Outlook

If high-tech employment continues to grow in New York City at the current rate, these firms will need to look for space beyond the tight Midtown South submarket. Should that materialize, surrounding submarkets should catch some of this demand, thus decreasing vacancy rates and assisting in the recovery of the New York City office market as a whole. Yahoo! and Facebook are two such companies that have already decided to lease space in Midtown over Midtown South.

New York high-technology employment



Players: top high-tech firms
By real estate footprint



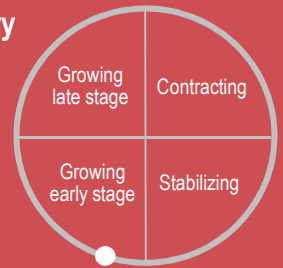
Bloomberg, Inc.
Google
AOL, Inc.
InterActiveCorp
IBM

Position



High-tech industry

Economic cycle clock



Office property

Market cycle clock



Scorecard



		rank
Economic		
High-tech jobs / annual growth	59,916 / 6.3%	6/3
Percent of total jobs	3.3%	13
Number of firms	4,014	6
Venture capital funding (past 4 quarters)	\$1,589.6 M	4
Share of U.S. total	6.4%	
College education	57.7%	1
Diversity (non-white / foreign born)	42.7% / 27.5%	5/6
Office		
Cost (average asking rent)	\$53.49	1
Annual growth	2.4%	3
Supply (vacancy rate)	10.8%	1
Demand (net absorption sf / (past 4 quarters))	4,627,062 sf / 1.1%	2 / 11
High-tech concentration (high-tech services vs. office jobs)	6.4%	14

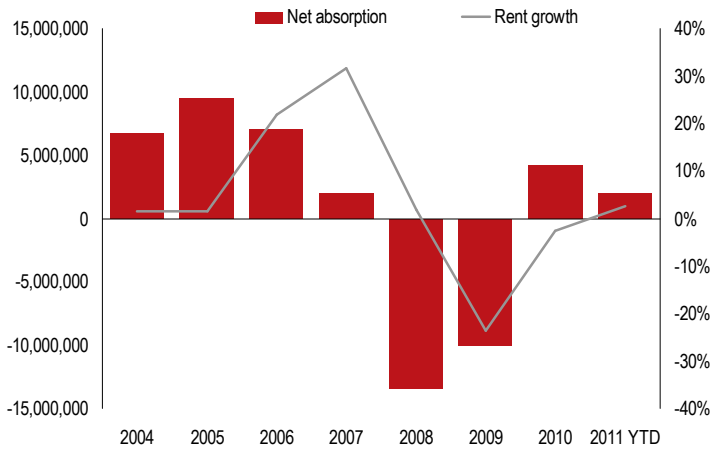
New York



Recent lease activity

 <p>Bloomberg 120 Park Avenue 400,000 sf</p>	 <p>Amazon.com 1325 Avenue of the Americas 36,000 sf</p>	 <p>LinkedIn Corporation 350 Fifth Avenue 32,000 sf</p>	 <p>Seamless Web 1065 Avenue of the Americas 29,000 sf</p>
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Net absorption vs. rent growth



Top headlines

New York

Mayor Bloomberg offers millions for university to build a high-tech campus in New York

New York start-ups ride tech boom, biggest venture capital deal generator outside Silicon Valley in 2010

Google purchases 111 Eighth Avenue, one of Manhattan's largest buildings

Manhattan's tech start-ups settle in the Flatiron District and Chelsea

Top New York technology firms by real estate footprint

Alphabetical order:

1. Advent Software
2. Amazon.com
3. AOL
4. Bloomberg, Inc.
5. Computer Associates International
6. Computer Generated Solutions
7. Dealogic
8. Donovan Data Systems
9. DoubleClick
10. EPIQ Systems
11. Facebook
12. Google
13. IBM
14. InterActiveCorp
15. Internap Network Services Corp.
16. LinkedIn
17. Microsoft
18. Sapient
19. Seamless Web
20. SSandC Technologies
21. Sungard Systems International
22. Take-Two Interactive Software
23. WebMD
24. Yahoo!
25. Ziff Davis Media

