

MARKETBEAT MANHATTAN

Office Q4 2020



YoY
Chg

12-Mo.
Forecast

15.2%
Vacancy Rate



-15.3M
Net Abs. YTD, SF



\$73.16
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

6.5M
New York City
Employment



10.6%
New York City
Unemployment Rate



6.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Labor Markets Continue to Rebound in the Fourth Quarter

Total employment in New York City slowly rebounded since bottoming out in April 2020, increasing by 372,000 jobs from April through November. Despite eight months of steady gains, total employment remains 572,000 jobs below the peak recorded in February 2020. Private sector employment increased by nearly 369,000 jobs over the past eight months, while education and healthcare surpassed 1.0 million jobs for the first time since March 2020. Office-using employment regained 51,000 jobs from June through November but remains 130,000 jobs below the February 2020 total.

SUPPLY AND DEMAND: Limited Demand Leads to Anemic Leasing in 2020

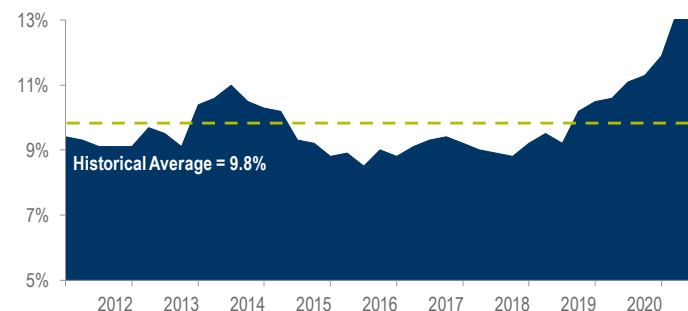
Despite gradual signs of improvement in the New York City labor market, new leasing activity in 2020 registered an all-time low of only 12.8 million square feet (msf) as demand steadily lost momentum since the onset of COVID-19. Fourth quarter leasing reached nearly 2.0 msf, down from the prior 10-year quarterly average of 7.3 msf. TAMI (technology, advertising, media and information services) propelled most of the activity for new leases 10,000 sf and larger, accounting for 32.9% of 2020 leasing. Major commitments from Facebook, TikTok and Apple represented 43.7% of TAMI activity. Lease renewals registered 7.2 msf in 2020—8.5% lower than the 7.8-msf total recorded in 2019.

The Manhattan overall vacancy rate climbed by 190 basis points (bps) during the fourth quarter to a 26-year high of 15.2%, partially driven by 11 blocks each greater than 100,000 square feet (sf) entering the market. Overall vacant space increased to 61.4 msf—the highest total since 1994. Sublease vacant space increased to a historic high of 19.3 msf—73.2% higher compared to 11.2 msf registered in 2019. Another 6.2 msf of “shadow” sublease space being tracked could lead to a more sizeable increase in vacancy as it potentially enters the market in 2021. The TAMI sector accounts for 42.2% of the shadow space being tracked, followed by financial services at 32.1%.

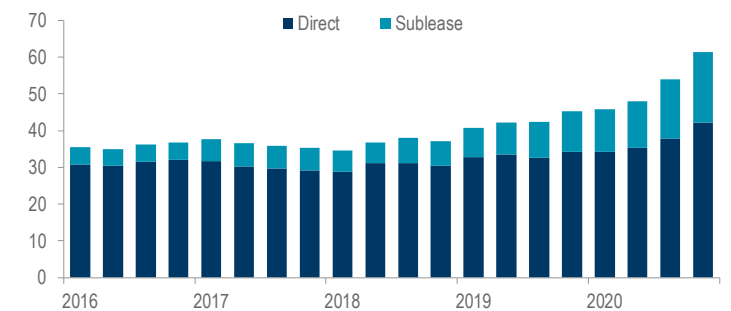
PRICING: Sublease Additions Put Downward Pressure on Rents

The increase in sublease availabilities put pockets of downward pressure on asking rents by year-end as Manhattan overall asking rents fell by \$0.97 per square foot (psf) in the fourth quarter to \$73.16. Class A rents registered a more substantial decline, falling by \$1.33 to \$80.18 psf. Midtown asking rents dropped by \$0.94 psf to \$77.06, while Class A rents fell by \$1.17 to \$84.12 psf, led by lower-priced sublease space entering the market at 237 Park Avenue and 1633 Broadway. Midtown South asking rents dipped by \$0.36 psf to \$72.70, as Class A asking rents fell by \$2.06 psf to \$88.33 driven by a price reduction of sublease space at 75 Varick Street. Downtown overall asking rents dipped by \$1.15 to \$60.92 psf, while Class A rents declined \$1.37 to \$64.37 psf due to lower-priced sublease at 55 Water Street and One and Seven World Trade Center.

OVERALL VACANCY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



MARKETBEAT MANHATTAN

Office Q4 2020



Midtown

Midtown fourth quarter new leasing registered 1.8 msf—65.4% lower than the quarterly average of 5.1 msf in 2019. The low quarterly total brought year-to-date (YTD) leasing to 8.9 msf—trailing the 20.4 msf leased in 2019 by 56.5%. Six of the 11 new leases greater than 100,000 sf transacted in 2020 were in the Penn Station submarket, accounting for 60.7% of the leasing total. All nine submarkets registered a year-over-year (YOY) decline in activity, with Times Square South down the sharpest at 75.7%. Despite the sluggish pace of new leasing activity, Midtown lease renewals increased by 30.6% from 2019 with nearly 5.4 msf transacted. Midtown vacancy escalated by 150 bps in the fourth quarter to 15.8%, largely fueled by 331,992 sf added at 277 Park Avenue and 242,837 sf entering the market at 11 Penn Plaza. A 223,586-sf block at 1540 Broadway pushed the West Side vacancy rate up 410 bps YOY to an all-time high of 17.2%. Sublease space jumped by 49.4% in 2020 to a historic high of 10.7 msf, accounting for 27.3% of total available space. Overall absorption in registered negative 9.0 msf at the end of 2020.

Midtown South

Midtown South new leasing recorded an unprecedented quarterly low of only 121,889 sf, as 88.9% of transactions were below 10,000 sf. Limited demand combined with the absence of leases greater than 100,000 sf brought the 2020 total to a historic low of 1.5 msf. Hudson Square/West Village leasing fell the most substantially, down 94.1% YOY for a total of 157,083 sf. Led by a block of 205,007 sf entering statistics at 175 Fifth Avenue, Midtown South vacancy increased 370 bps during the quarter to 14.8%—the highest level since the first quarter of 1995. Sublease space steadily increased throughout the year, ending 2020 at nearly 4.1 msf—the highest on record, and accounted for 40.9% of total vacant space. Overall absorption ended 2020 at negative 4.2 msf, the highest level of negative absorption on record.

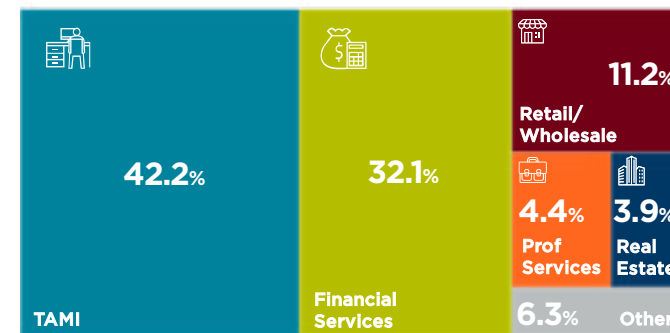
Downtown

Downtown leasing also registered a historic quarterly low, totaling 102,587 sf as 93.3% of fourth quarter transactions were below 15,000 sf. The low quarterly total brought 2020 leasing to an annual trough of nearly 2.5 msf, down from 7.3 msf in 2019. Downtown vacancy increased by 150 bps to 13.7%, partially driven by 295,688 sf added at 200 Vesey Street and 205,697 sf added at 55 Water Street. Sublease space increased by 2.3 msf in 2020 to a 75-quarter high of 4.5 msf. Overall absorption was negative at 2.0 msf.

Outlook

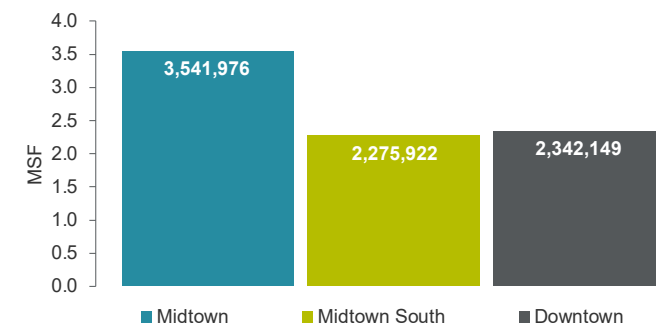
- A surplus of sublease supply combined with limited demand will exert more downward pressure on asking rents in 2021
- Expect vacancy to increase at a more accelerated pace as 6.2 msf of shadow space could potentially hit the market over the next several months
- Although employment is gaining momentum, substantial job growth will likely not occur until mid-to-late 2021

MANHATTAN SHADOW SUBLEASE SPACE

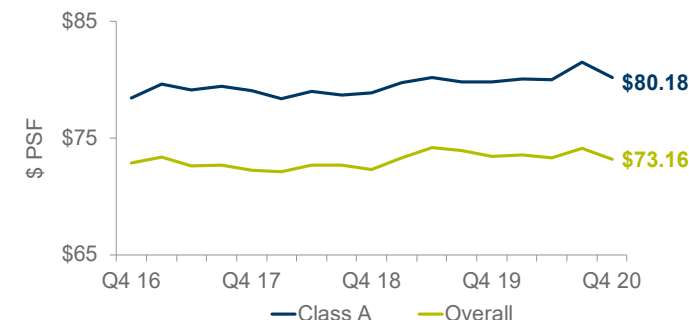


By Industry & SF

SUBLEASE SPACE ADDED BY MARKET YTD



ASKING RENT COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
East Side/UN	20,794,447	2,195,139	614,906	13.5%	-271,482	-776,244	434,084	0	\$71.02	\$71.77
Grand Central	45,798,830	6,825,736	1,529,950	18.2%	-439,330	-1,000,729	2,050,037	0	\$81.15	\$86.02
Madison/Fifth	22,500,251	3,896,257	811,457	20.9%	-367,782	-858,546	776,391	0	\$92.88	\$98.62
Murray Hill	14,142,543	1,603,996	591,940	15.5%	-441,270	-763,813	298,306	0	\$59.06	\$65.69
Park Avenue	20,217,866	2,127,297	1,085,240	15.9%	-450,626	-1,011,132	1,158,234	1,790,160	\$89.36	\$89.36
Penn Station	21,612,147	1,086,788	1,380,581	11.4%	-460,635	-186,965	2,281,881	8,366,439	\$81.52	\$90.99
Sixth Avenue/Rock Center	41,473,956	3,318,133	1,199,019	10.9%	74,688	-877,897	764,137	84,000	\$81.28	\$82.42
Times Square South	30,984,874	3,935,471	1,778,758	18.4%	-569,883	-2,379,073	546,117	0	\$58.59	\$66.69
West Side	30,981,301	3,615,264	1,722,772	17.2%	-601,126	-1,190,006	581,185	95,347	\$75.44	\$78.44
MIDTOWN TOTALS	248,506,215	28,604,081	10,714,623	15.8%	-3,527,446	-9,044,405	8,890,372	10,335,946	\$77.06	\$84.12
Chelsea	16,799,629	1,337,036	827,069	12.9%	-307,386	-551,869	325,300	574,722	\$65.66	\$80.13
Greenwich/NoHo	4,850,579	487,285	129,590	12.7%	-196,173	-293,220	121,558	450,187	\$78.88	\$107.98
Hudson Square/West Village	10,001,193	478,625	1,035,023	15.1%	-462,371	-906,306	157,083	1,300,000	\$73.02	\$89.32
Madison/Union Square	31,289,709	3,140,065	1,881,819	16.1%	-1,459,414	-2,332,243	813,130	1,460,000	\$73.55	\$86.75
SoHo	4,187,232	427,079	194,151	14.8%	-25,773	-128,772	72,241	353,829	\$84.19	\$114.70
MIDTOWN SOUTH TOTALS	67,128,342	5,870,090	4,067,652	14.8%	-2,451,117	-4,212,410	1,489,312	4,138,738	\$72.70	\$88.33
City Hall	7,731,533	544,677	137,604	8.8%	-130,671	-134,471	74,089	0	\$55.75	\$49.73
Financial East	32,962,294	2,698,219	1,586,227	13.0%	-413,751	-178,571	1,381,108	48,077	\$53.97	\$55.63
Financial West	6,017,928	911,233	219,089	18.8%	-16,387	75,501	203,071	185,295	\$58.38	\$69.85
Insurance	13,107,688	1,194,399	377,368	12.0%	-135,257	-328,176	86,263	0	\$56.57	\$61.07
TriBeCa	5,124,468	177,202	145,025	6.3%	-61,016	-171,282	13,075	0	\$67.61	\$68.82
World Trade	24,103,907	2,102,553	2,066,822	17.3%	-707,599	-1,283,939	695,389	40,504	\$68.70	\$69.86
DOWNTOWN TOTALS	89,047,818	7,628,283	4,532,135	13.7%	-1,464,681	-2,020,938	2,452,995	273,876	\$60.92	\$64.37
MANHATTAN TOTALS	404,682,375	42,102,454	19,314,410	15.2%	-7,443,244	-15,277,753	12,832,679	14,748,560	\$73.16	\$80.18

*Rental rates reflect full service asking ** Manhattan Totals are not reflective of U.S. MarketBeat Tables

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One Park Avenue	Murray Hill	NYU Langone	633,000	*Renewal
522 Fifth Avenue	Grand Central	Morgan Stanley	536,520	Sale-Lease back
55 Water Street	Financial East	JustWorks	264,938	*Renewal

*Renewals not included in leasing statistics

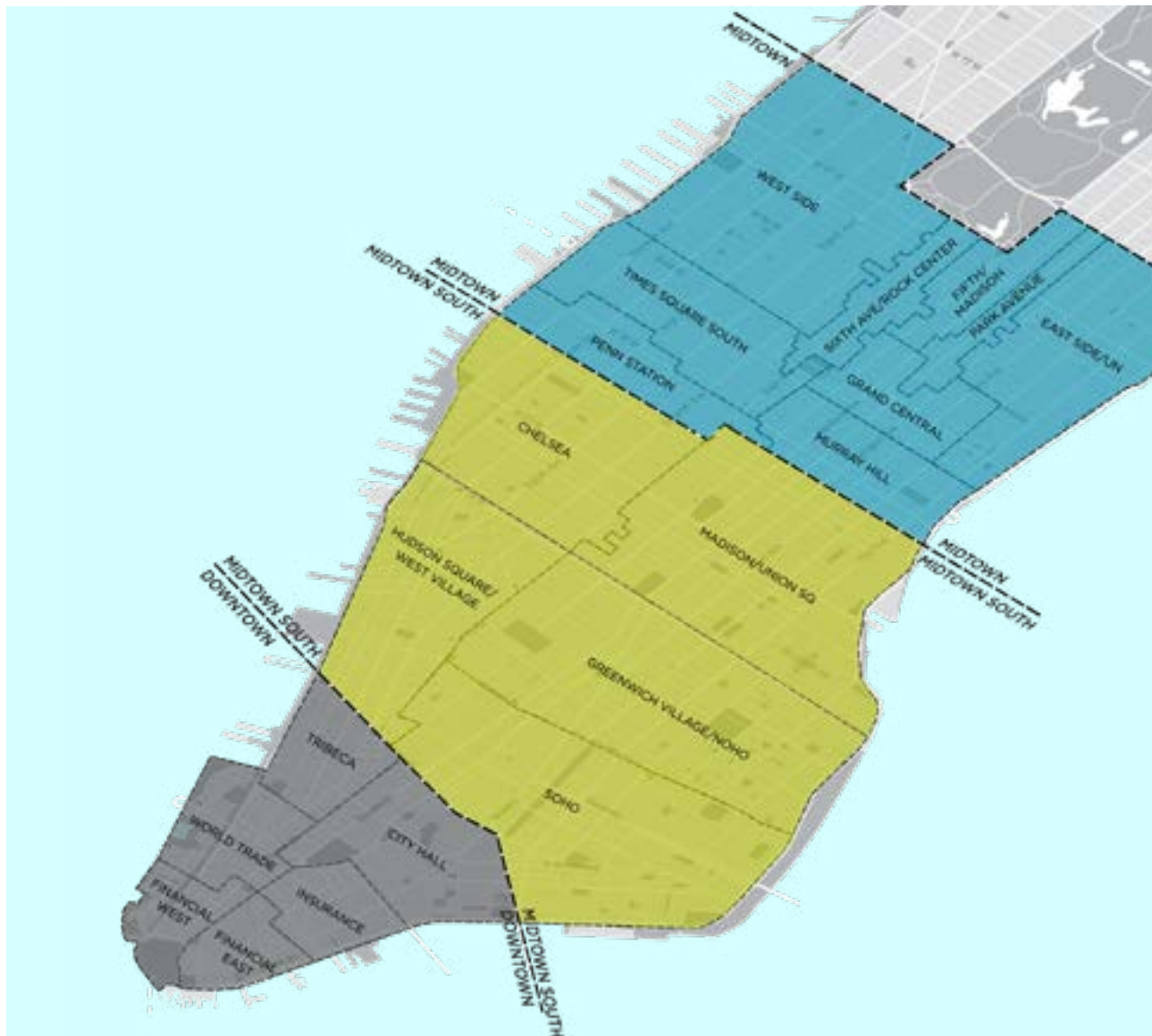
KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
460 West 34th Street	Penn Station	SL Green / Kaufman Organization The 601W Companies	636,000	\$952.7M / \$1,498
15 West 47th Street	Sixth Avenue/Rock Center	The Chetrit Group / Sioni Group Elo Group	120,790	\$110.0M / \$911
860 Washington Street	Chelsea	Property Group Partners / Romanoff Equities	115,200	\$80.0M / \$694

COMPLETED CONSTRUCTION 2020 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
One Vanderbilt Avenue	Grand Central	Carlyle Group/TD Securities/McDermott Will & Emery	1,732,955	SL Green Realty Corp.
25 Park Row	Insurance	N/A	51,755	Park Row 29 Owners LLC
405-409 West 13th Street*	Hudson Square/West Village		45,000	Aurora Capital Associates

*Renovation



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