

16.3%
Vacancy Rate



-4.5M
Net Abs. YTD, SF



\$72.41
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

4.1M
New York City
Employment



12.9%
New York City
Unemployment Rate



6.0%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Economic Conditions Slowly Improve

Although total employment in New York City remains 626,000 jobs below the February 2020 peak, it has steadily increased for nine of the past 10 months, adding 330,000 jobs through February 2021. Private sector employment increased the most substantially, up by 325,000 jobs over the past 10 months, while leisure and hospitality added 69,000 jobs. Education and healthcare increased by 66,000 jobs, surpassing one million jobs for each of the past four months. Office-using employment regained 50,000 jobs over the past nine months but remains 119,000 jobs below the February 2020 recent high.

SUPPLY AND DEMAND: Limited Demand Keeps Leasing Below Average

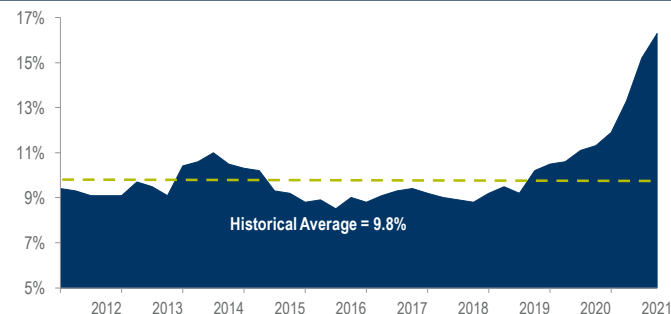
Leasing demand remained tempered in the first quarter of 2021 with 3.6 million square feet (msf) of new leases transacted—38.4% lower than the 5.8 msf registered one year ago and down from an 8.3-msf average from 2017 to Q1 2021. Despite the decline in activity, first quarter leasing was bolstered by the financial services sector, accounting for 37.9% of new leases 10,000 square feet (sf) and larger. AXA Financial's 122,700-sf lease at 1345 Avenue of the Americas and Jennison Associates 120,800-sf lease at 55 East 52nd Street represented 42.5% of financial services leasing during the quarter. Lease renewals remained steady compared to this time last year at 1.2 msf.

The Manhattan overall vacancy rate increased by 110 basis points (bps) in the first quarter to 16.3%—marking the highest level since the third quarter of 1994 and up from 11.3% one year ago. Overall vacant space climbed by nearly 4.7 msf to 66.1 msf, with 10 blocks each greater than 100,000 sf entering the market, pushing vacancy to all-time highs in nine of 20 Manhattan submarkets. In the four quarters since the onset of COVID-19, sublease space increased by 8.4 msf, bringing total sublease supply to a historic high of 19.9 msf. Sublease space as a percentage of total available space registered 30.1%, up from 25.1% one year ago.

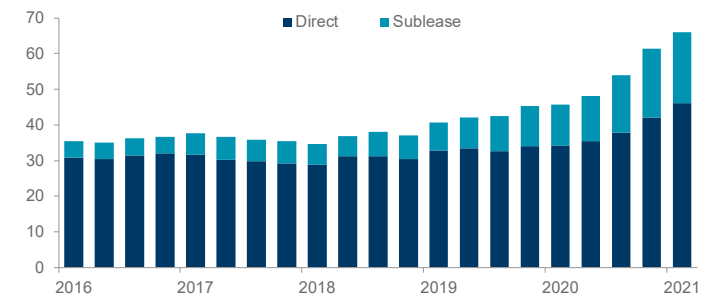
PRICING: Q1 2021 Marked the First Quarter Asking Rents Fell below \$73.00 psf Since 2018

Manhattan overall asking rents declined for the past two consecutive quarters, falling by \$0.75 per square foot (psf) to \$72.41. Class A asking rents dropped by \$0.87 to \$79.31 psf. Midtown asking rents dipped by \$0.66 psf to \$76.40, while Class A rents dropped a more substantial \$1.05 to \$83.07 psf, driven by sublease space entering the market at 230 Park Avenue. Midtown South asking rents declined by \$1.97 psf to \$70.72 due to lower-priced space additions at 156 Fifth Avenue. Downtown rents remained stable at \$60.90 psf, while Class A rents decreased by \$0.74 to \$63.64 psf, partially due to lower-priced space added at One Liberty Plaza.

OVERALL VACANCY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



Midtown

Midtown first quarter new leasing totaled 2.6 msf—24.5% lower than this time last year and down from the 5.1 msf average from 2019 to the first quarter of 2020. Seven new leases each greater than 50,000 sf were transacted during the quarter; four of which occurred in the Sixth Avenue/Rock Center submarket totaling 296,893 sf. Despite the year-over-year decline in new leasing activity, lease renewals increased by 19.7% compared to one year ago with 1.1 msf transacted. Midtown overall vacancy climbed by 100 bps to 16.8%, as a 381,934-sf block entered the market at 885 Third Avenue and 237,620 sf was added at 375 Park Avenue. Vacancy in six of the nine Midtown submarkets increased to historic levels, ranging from 16.5% to 22.2% in the first quarter, with Park Avenue soaring by 810 bps to 19.0%. Sublease space increased by only 2.6% during the quarter but remains at an all-time high of nearly 11.0 msf. Overall absorption registered negative 2.2 msf, which accounted for 48.1% of Manhattan’s negative absorption year-to-date.

Midtown South

Midtown South new leasing declined 36.6% year-over-year to 476,824 sf, as nearly 87.0% of transactions were below 10,000 sf. Suntory Group’s 99,556-sf lease at 11 Madison Avenue and Freshly’s 92,306-sf lease at 63 Madison Avenue represented the largest first quarter transactions, accounting for 40.2% of Midtown South new leasing activity. Construction was completed at 60 Charlton Street and Essex Crossing East, which brought 90,000 sf and 177,969 sf to the market, respectively, and pushed the Midtown South vacancy up by 220 bps to 17.0%. SoHo and Madison/Union Square vacancy rates reached all-time highs of 18.8% and 19.0%, respectively. Despite a modest 2.8% jump during the quarter, sublease space finished the quarter at a historic high of 4.2 msf. Overall absorption ended the quarter at negative 1.5 msf, marking the sixth consecutive quarter of space returns outpacing demand.

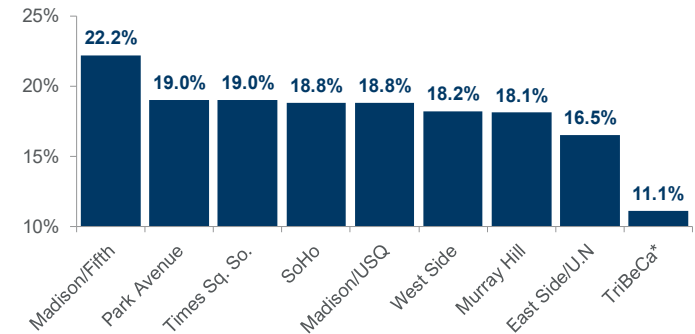
Downtown

Downtown new leasing totaled 530,596 sf—68.0% lower than the 1.7 msf leased in the first quarter of 2020. Overall vacancy climbed 80 bps to 14.4% due to the 110,945-sf renovation at 15 Laight Street, along with 104,184 sf entering the market at 32 Avenue of the Americas. The pace of sublease space added to the market slowed to only 197,780 sf in the first quarter, bringing total sublease supply to 4.7 msf—despite more than doubling from the 2.2 msf registered one year ago. Overall absorption was negative at 878,040 sf, the lowest level of the three Manhattan markets.

Outlook

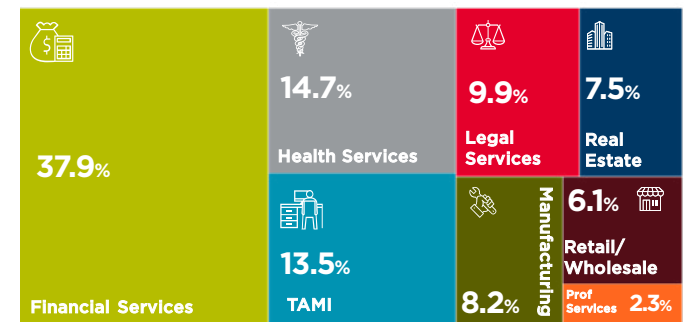
- Expect vacancy to increase to unprecedented levels in the coming months
- Significant upticks in vacancy will drive asking rents down more substantially
- Expect employment to have a slow recovery in the first half of 2021 with momentum picking up later in the year

ALL-TIME HIGH VACANCIES IN NINE SUBMARKETS



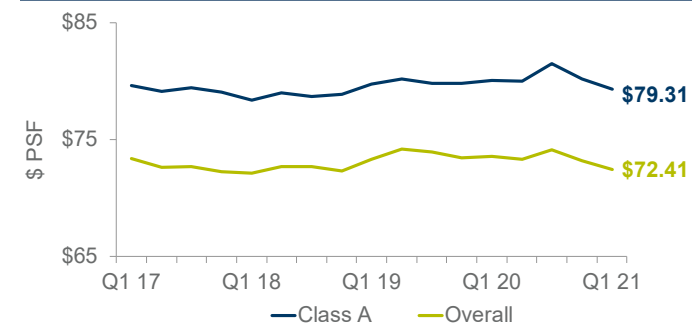
*TriBeCa has only been tracked since 2006

MANHATTAN NEW LEASING BY INDUSTRY



New Leases 10,000 sf+ 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	20,811,754	2,818,574	618,940	16.5%	-642,953	-642,953	58,977	0	\$70.59	\$71.36
Grand Central	45,798,830	6,216,737	1,597,597	17.1%	499,712	499,712	443,827	0	\$79.74	\$83.82
Madison/Fifth	22,508,351	4,173,386	825,962	22.2%	-383,428	-383,428	420,707	0	\$91.69	\$98.00
Murray Hill	14,239,503	1,750,478	830,748	18.1%	-423,315	-423,315	96,396	0	\$58.37	\$64.55
Park Avenue	20,286,606	2,594,558	1,264,374	19.0%	-391,401	-391,401	349,734	1,790,160	\$90.86	\$90.86
Penn Station	21,612,147	1,584,180	1,356,428	13.6%	-609,237	-609,237	96,673	8,366,439	\$81.20	\$89.67
Sixth Avenue/Rock Center	41,473,956	3,400,870	1,214,740	11.1%	54,734	54,734	382,790	84,000	\$80.87	\$82.02
Times Square South	30,984,874	4,263,158	1,627,247	19.0%	-242,808	-242,808	512,882	0	\$57.89	\$63.70
West Side	31,086,014	3,997,918	1,655,092	18.2%	-18,441	-18,441	230,122	0	\$75.33	\$78.48
MIDTOWN TOTALS	248,802,035	30,799,859	10,991,128	16.8%	-2,157,137	-2,157,137	2,592,108	10,240,599	\$76.40	\$83.07
Chelsea	16,884,355	1,536,202	774,643	13.7%	-84,546	-84,546	120,328	519,996	\$67.34	\$86.87
Greenwich/NoHo	4,856,770	560,039	189,907	15.4%	-144,582	-144,582	26,695	450,187	\$75.33	\$105.92
Hudson Square/West Village	10,140,793	654,923	1,010,993	16.4%	-112,488	-112,488	19,597	1,300,000	\$73.41	\$88.27
Madison/Union Square	31,289,709	3,904,335	2,039,989	19.0%	-1,002,505	-1,002,505	296,749	1,460,000	\$69.16	\$80.81
SoHo	4,366,110	652,825	166,577	18.8%	-106,309	-106,309	13,455	174,951	\$82.39	\$99.30
MIDTOWN SOUTH TOTALS	67,537,737	7,308,324	4,182,109	17.0%	-1,450,430	-1,450,430	476,824	3,905,134	\$70.72	\$86.81
City Hall	7,731,533	518,687	171,226	8.9%	-66,420	-66,420	5,849	0	\$54.24	\$59.52
Financial East	32,962,294	2,685,328	1,540,652	12.8%	41,914	41,914	184,177	48,077	\$53.83	\$55.60
Financial West	5,820,928	901,041	219,204	19.3%	-196,039	-196,039	143,308	185,295	\$51.96	\$49.96
Insurance	13,107,688	1,250,616	380,376	12.4%	-75,068	-75,068	121,421	0	\$56.54	\$61.17
TriBeCa	5,031,971	420,047	136,811	11.1%	-139,591	-139,591	57,348	0	\$85.87	\$63.15
World Trade	24,103,907	2,287,311	2,281,646	19.0%	-442,836	-442,836	18,493	40,504	\$67.96	\$68.94
DOWNTOWN TOTALS	88,758,321	8,063,030	4,729,915	14.4%	-878,040	-878,040	530,596	273,876	\$60.90	\$63.64
MANHATTAN TOTALS	405,098,093	46,171,213	19,903,152	16.3%	-4,485,607	-4,485,607	3,599,528	14,419,609	\$72.41	\$79.31

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
345 Park Avenue	Park Avenue	Blackstone Group	718,082	*Renewal/Expansion
787 Eleventh Avenue	West Side	Ichan School of Medicine	167,348	New Lease
245 Park Avenue	Park Avenue	Houlihan Lokey	146,233	*Renewal/Expansion

*Renewal portion not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

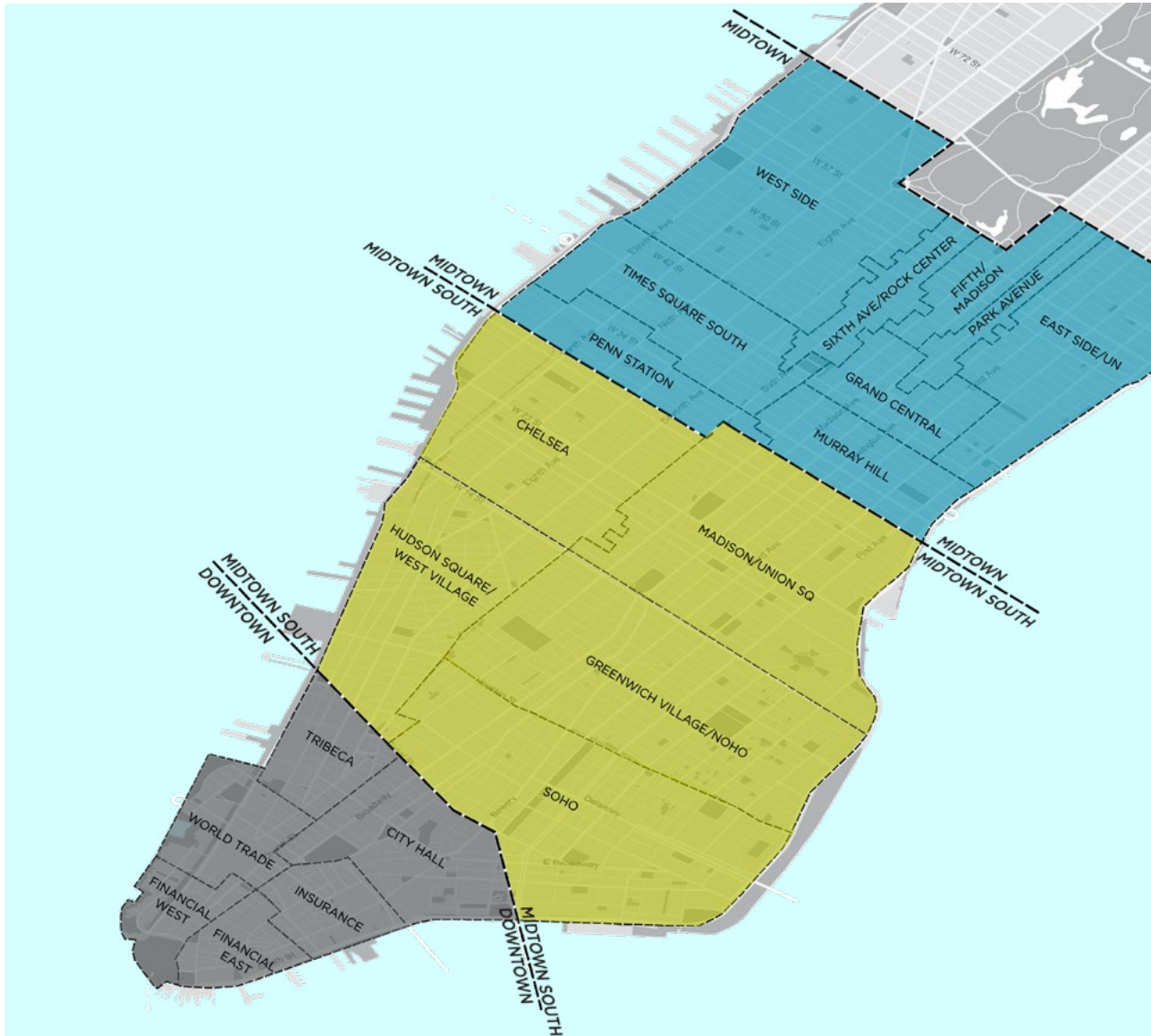
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
135 West 29th Street	Chelsea	MFM Properties Kaufman Organization	86,000	\$34.6M / \$402

COMPLETED CONSTRUCTION 2021 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Essex Crossing East	SoHo	N/A	178,878	Taconic/L&M
15 Laight Street	TriBeCa	N/A	110,945	Vanbarton Group
60 Charlton Street*	Hudson Square/West Village	N/A	100,000	APF Properties

*Renovation

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