

	YoY Chg	12-Mo. Forecast
18.3% Vacancy Rate	▲	▲
-11.3M Net Abs. YTD, SF	▼	▼
\$70.26 Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
4.1M New York City Employment	▲	▲
10.9% New York City Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Employment Levels Continue to Edge Upward

Total employment in New York City steadily increased for 12 of the past 13 months, adding 363,000 jobs through May 2021. Private sector employment climbed by 414,000 jobs since bottoming in April 2020, but remains 533,000 jobs below the February 2020 peak. Education and healthcare employment increased each of the past seven months to more than 1.0 million jobs, while leisure and hospitality climbed to 268,000 jobs—up by nearly 110,000 jobs since falling to a historic low in April 2020. New York City office-using employment regained 66,000 jobs over the past nine months but remains 104,000 jobs below the February 2020 pre-pandemic high.

SUPPLY AND DEMAND: Leasing Reaches a Post-Pandemic Quarterly High

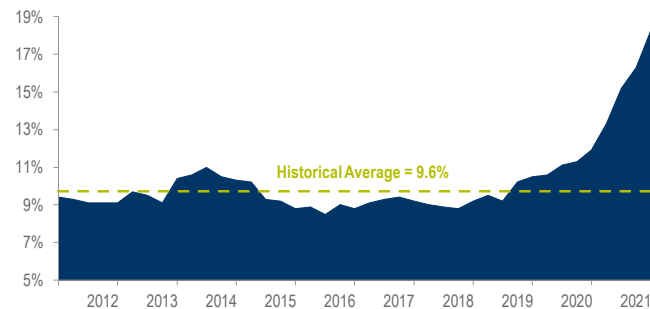
Signs of improvement began to emerge in the second quarter of 2021 as new leasing activity throughout Manhattan’s three major markets posted the highest quarterly totals since the onset of COVID-19. At 3.1 million square feet (msf), second quarter leasing increased by 14.1% from the previous quarter, fueled by 11 new leases each greater than 50,000 square feet (sf). Even with the boost in second quarter activity, year-to-date (YTD) leasing totaled only 5.9 msf—trailing the mid-year 2020 pace by 29.3% and lower than the 2017 to first quarter 2020 quarterly average of 8.2 msf. Financial services fueled 35.5% of YTD activity for new leases 10,000 sf and greater, followed by the TAMI (technology, advertising, media and information) sector which accounted for 19.5% of activity. Lease renewals totaled 2.5 msf, marginally down by 10.5% from the 2.8 msf registered one year ago.

Despite the improvement in quarterly leasing, Manhattan vacancy rates were up across the board as both direct and sublease supply increased quarter-over-quarter by 5.6 msf and 2.5 msf, respectively. The Manhattan overall vacancy rate increased by 200 basis points (bps) during the quarter to 18.3% as 12 blocks greater than 100,000 sf entered the market. Sublease space climbed to a record-high of 22.4 msf, triggered by large sublease additions entering the market at 636 Eleventh Avenue and Four New York Plaza. Overall vacant supply also reached a historical high of 74.2 msf, as 746,903 sf of direct vacant space entered the market at Three Times Square. With new space additions outpacing leasing, overall YTD absorption remained negative at 11.3 msf.

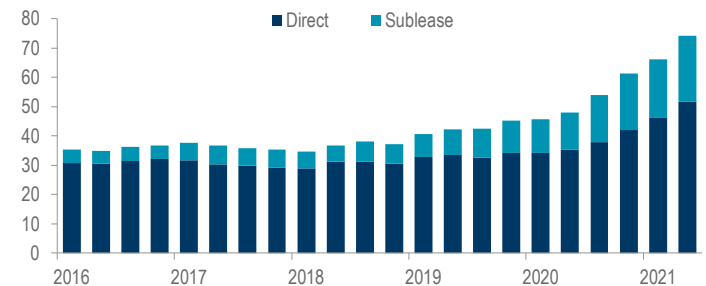
PRICING: Asking Rents Fall At a Sharper Pace Since the Q3 2020 Peak

At \$70.26 per square foot (psf), Manhattan overall asking rents fell by 5.4% since the recent peak of \$74.13 psf during the third quarter of 2020, as an abundance of sublease supply exerted downward pressure on rents in the second quarter. Midtown asking rents also dropped by 5.4% during the same time to \$73.79, mostly driven by sublease additions at 636 Eleventh Avenue. Midtown South asking rents recorded the steepest decline and fell by 8.9% to \$68.96 psf since peaking at \$75.72 one year ago, partially led by sublease space entering the market at 75 Varick Street and higher-priced space that was absorbed. Downtown asking rents remained relatively stable during the quarter at \$60.13 psf, but dipped 4.6% since the second quarter 2020 peak of \$63.02 psf.

OVERALL VACANCY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



Midtown

Midtown second quarter new leasing increased 4.0% with 2.1 msf leased, fueled by six new leases each greater than 50,000 sf, the largest being Schrodinger’s 108,849-sf lease at 1540 Broadway. Leasing for the first half of 2021 totaled 4.1 msf—19.9% lower than this time last year and the lowest mid-year total in 23 years. Midtown overall vacancy climbed 220 bps to a historic high of 19.0% as 10 blocks each greater than 100,000 sf entered statistics. Vacancy in all of the Midtown submarkets, with the exception of Sixth Avenue/Rock Center and Penn Station, increased to historic levels, with five submarkets exceeding 20.0%. Sublease vacant space increased by 14.7% during the quarter to an all-time high of 12.6 msf, driven by 419,223 sf of sublease space placed on the market by Ogilvy at 636 Eleventh Avenue. Overall YTD absorption was negative at 6.7 msf, which accounted for 59.1% of Manhattan’s negative absorption.

Midtown South

Midtown South quarterly leasing increased by 19.0% to 476,362 sf, partially fueled by Fashionphile’s 60,000-sf lease at 601 West 26th Street. Despite the quarterly increase, YTD leasing declined 18.5% YOY to the lowest mid-year total on record of 876,825 sf.

Midtown South vacancy increased 40 bps during the quarter to 17.4%, up from 9.2% one year ago. Madison/Union Square vacancy reached an all-time high of 19.5%, while Hudson Square/West Village vacancy increased 180 bps to 18.3% due to space additions at 160 and 75 Varick Street. Sublease space finished the quarter at 4.1, just 1.3% below the historic high of 4.2 msf set in the first quarter of 2021. Overall YTD absorption registered negative 1.9 msf, marking the seventh consecutive quarter of space returns outpacing demand.

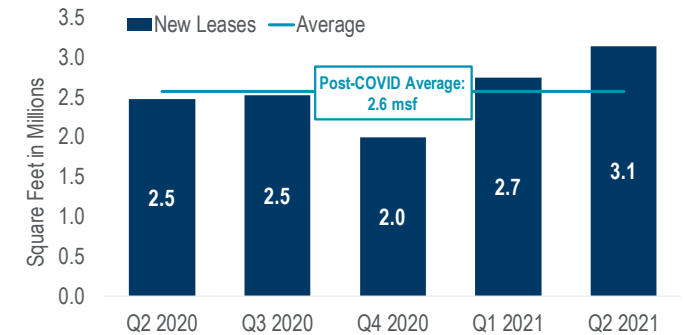
Downtown

Downtown new leasing increased 65.3% quarter-over-quarter to 586,942 sf, largely driven by the Legal Aid Society’s 123,000-sf expansion portion at 40 Worth Street—the largest Manhattan transaction of the quarter. Three leases 50,000 sf and greater accounted for 46.5% of the Downtown second quarter total. YTD new leasing totaled 941,959 sf, trailing the mid-year 2020 total by 56.5%. Downtown lease renewals represented 62.7% of Manhattan second quarter renewal activity, as the Department of Citywide Administrative Services renewed 313,022 sf at 60 Broad Street and the Securities and Exchange Commission (SEC) remained at 302,525 sf at 200 Vesey Street—Manhattan’s largest renewals this quarter. Overall vacancy increased by 250 bps to 17.0% as 509,408 sf of sublease space was placed on the market by JPMorgan Chase at Four New York Plaza, driving sublease space up 20.5% to nearly 5.7 msf. Overall absorption was negative at 2.7 msf, which has already exceeded the 2020 year-end total of negative 2.0 msf.

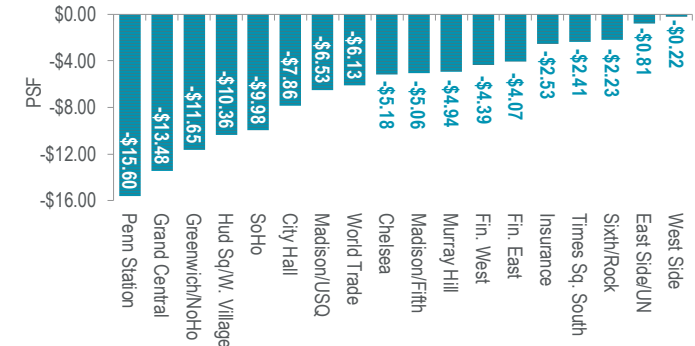
Outlook

- An uptick in tours and tenants entering the market are pointing to more positive momentum in the second half of 2021
- Look for corporate occupancy levels to exponentially increase in the second half of 2021 as an influx of employees return to the office
- Expect a continuation of flight to quality and competition for well-positioned Class A assets

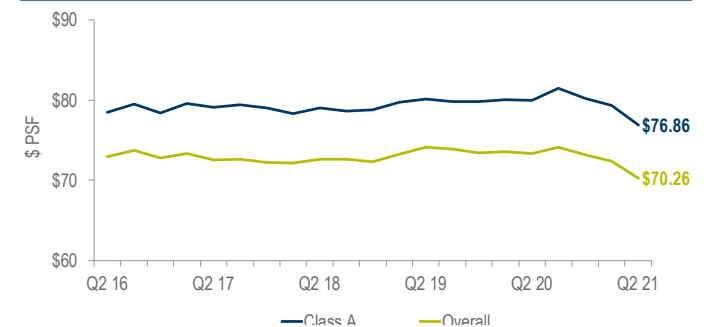
LEASING REACHES POST-PANDEMIC QUARTERLY HIGH



ASKING RENTS FALL MORE SHARPLY SINCE POST-PANDEMIC PEAK



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	2,960,014	667,039	17.4%	-194,434	-825,981	154,388	0	\$70.43	\$71.37
Grand Central	45,798,830	8,100,913	2,238,390	22.6%	-2,789,356	-2,065,921	930,543	0	\$70.46	\$72.54
Madison/Fifth	22,508,351	4,454,608	868,733	23.7%	-305,361	-649,962	637,537	0	\$88.22	\$94.42
Murray Hill	14,240,703	2,002,214	815,843	19.8%	-222,302	-577,894	103,387	0	\$57.50	\$63.43
Park Avenue	20,286,606	2,893,036	1,198,989	20.2%	-274,793	-624,494	685,234	1,790,160	\$92.86	\$92.86
Penn Station	22,342,147	1,648,915	1,620,009	14.6%	357,301	-172,969	265,897	7,636,439	\$76.88	\$82.78
Sixth Avenue/Rock Center	41,473,956	3,359,401	1,479,220	11.7%	-282,179	-177,959	480,913	84,000	\$79.05	\$80.34
Times Square South	31,059,874	4,712,321	1,614,604	20.4%	-202,567	-446,164	406,387	0	\$57.62	\$63.35
West Side	31,241,104	4,663,056	2,103,887	21.7%	-1,116,402	-1,123,164	400,961	0	\$75.82	\$78.94
MIDTOWN TOTALS	249,763,325	34,794,478	12,606,714	19.0%	-5,030,093	-6,664,508	4,065,247	9,510,599	\$73.79	\$79.62
Chelsea	17,203,190	1,698,281	671,702	13.8%	-149,784	-134,861	258,147	347,478	\$66.79	\$95.67
Greenwich/NoHo	4,856,770	542,960	177,450	14.8%	-20,731	-115,046	56,426	450,187	\$73.03	\$122.01
Hudson Square/West Village	10,140,793	845,495	1,007,274	18.3%	-300,474	-299,341	42,306	1,300,000	\$73.41	\$86.17
Madison/Union Square	30,993,217	3,984,619	2,063,601	19.5%	-455,128	-1,275,339	509,351	1,460,000	\$67.01	\$82.24
SoHo	4,366,110	590,750	205,827	18.2%	-50,999	-78,752	10,595	174,951	\$76.41	\$89.99
MIDTOWN SOUTH TOTALS	67,560,080	7,662,105	4,125,854	17.5%	-977,116	-1,903,339	876,825	3,732,616	\$68.96	\$86.66
City Hall	7,731,533	536,733	171,226	9.2%	-18,046	-84,466	28,511	0	\$54.25	\$59.57
Financial East	32,078,926	3,021,602	2,261,283	16.5%	-1,017,059	-1,006,587	303,721	48,077	\$53.05	\$56.39
Financial West	6,211,658	1,178,241	219,471	22.5%	15,124	-180,915	153,645	0	\$54.46	\$66.51
Insurance	13,110,803	1,757,128	537,216	17.5%	-637,885	-690,541	118,837	0	\$55.05	\$57.61
TriBeCa	5,031,971	454,363	124,352	11.5%	-24,666	-272,278	212,685	0	\$84.80	\$89.21
World Trade	24,103,907	2,324,642	2,385,175	19.5%	-142,129	-583,696	124,560	40,504	\$67.72	\$68.66
DOWNTOWN TOTALS	88,268,798	9,272,709	5,698,723	17.0%	-1,824,661	-2,818,483	941,959	88,581	\$60.13	\$64.78
MANHATTAN TOTALS	405,592,203	51,729,292	22,431,291	18.3%	-7,831,870	-11,275,385	5,884,031	13,331,796	\$70.26	\$76.86

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
60 Broad Street	Financial East	Department of Citywide Administrative Services	313,022	*Renewal
200 Vesey Street	World Trade	Securities and Exchange Commission (SEC)	302,525	*Renewal
40 Worth Street	TriBeCa	Legal Aid Society	198,900	*Renewal/Expansion

*Renewal portion not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

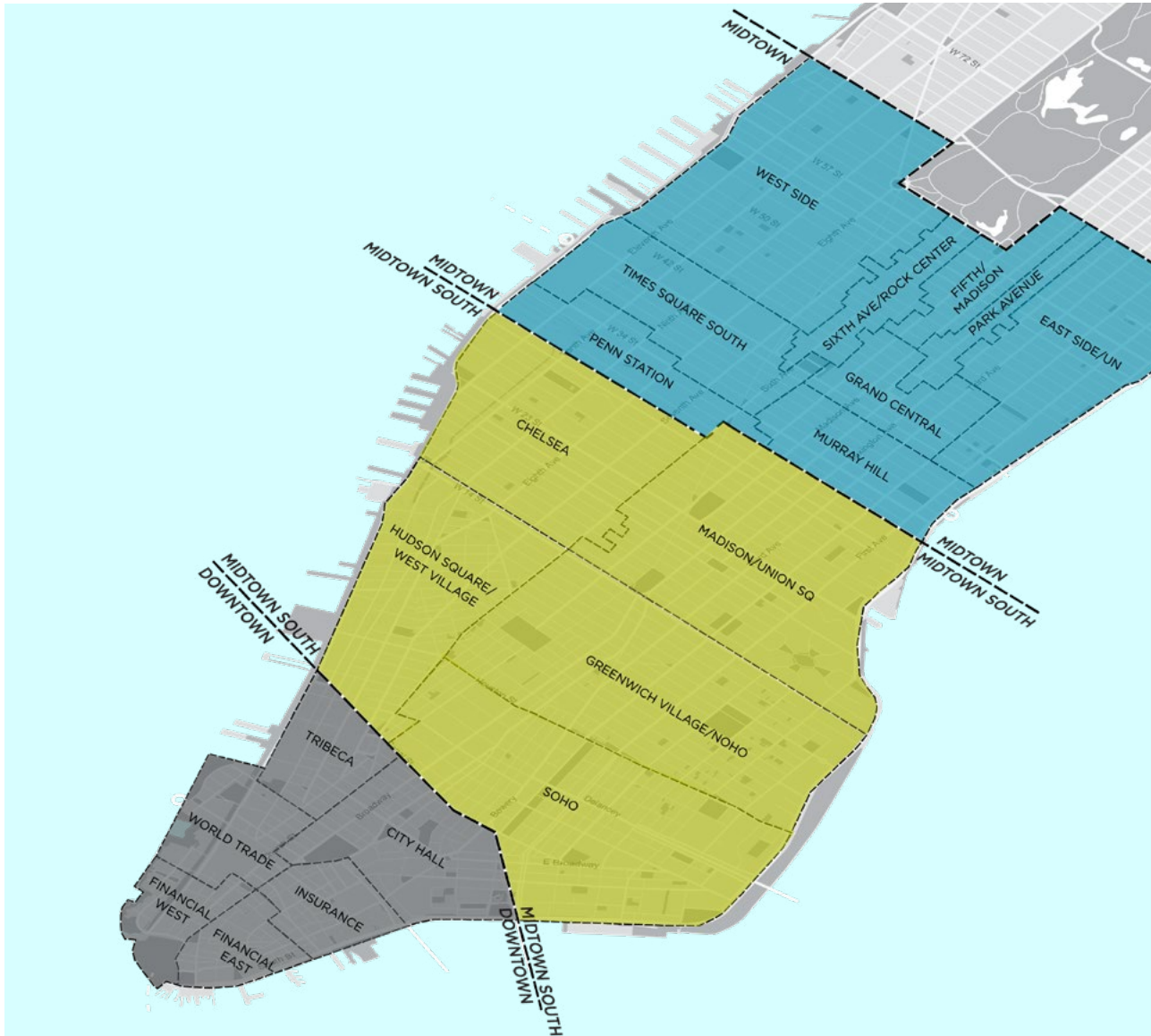
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
641 Avenue of the Americas	Chelsea	SL Green Realty / Spear Street Capital	267,000	\$325.0M / \$1,217
520-524 Broadway	SoHo	Tahl Properties Equities / Northwood Investors	240,000	\$324.3M / \$1,351
325 Hudson Street	Hudson Square/West Village	Jamestown / DivcoWest	225,000	\$134.1M / \$596

COMPLETED CONSTRUCTION 2021 YTD

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
390 Ninth Avenue	Penn Station	Facebook	730,000	Related Companies & Vornado Realty Trust
*One Broadway	Financial West	Fiserv	205,435	Midtown Equities Brokerage LLC
Essex Crossing East	SoHo	N/A	178,878	Taconic/L&M

*Renovation

OFFICE SUBMARKETS



RICHARD PERSICHETTI

East Region Marketing & Research Lead
richard.persichetti@cushwake.com

LORI ALBERT

Research Director, New York City
lori.albert@cushwake.com

1290 Avenue of the Americas
New York, NY 10104
+1 212 841 7500

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.