

|                                    | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| <b>19.0%</b><br>Vacancy Rate       | ▲       | ▲               |
| <b>-14.5M</b><br>Net Abs. YTD, SF  | ▼       | ▼               |
| <b>\$70.10</b><br>Asking Rent, PSF | ▼       | ▼               |

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2021

|   | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| <b>4.2M</b><br>New York City Employment         | ▲       | ▲               |
| <b>10.2%</b><br>New York City Unemployment Rate | ▼       | ▼               |
| <b>5.2%</b><br>U.S. Unemployment Rate           | ▼       | ▼               |

Source: BLS

## ECONOMY: Employment Growth Continues Upward Trajectory

Total employment in New York City steadily increased over the past eight months—with more than 4.2 million new jobs added through August 2021, it has reached the highest level since March 2020. Private sector employment climbed by 439,000 jobs since the April 2020 trough, while leisure and hospitality increased by 149,000 jobs. Financial services employment fell by 15,200 jobs over the past eight months but recorded a slight uptick in August. New York City office-using employment recovered 48,000 jobs over the past 14 months, but remains 121,000 jobs below the February 2020 peak.

## SUPPLY AND DEMAND: Leasing Activity Jumps to A Post-Pandemic High

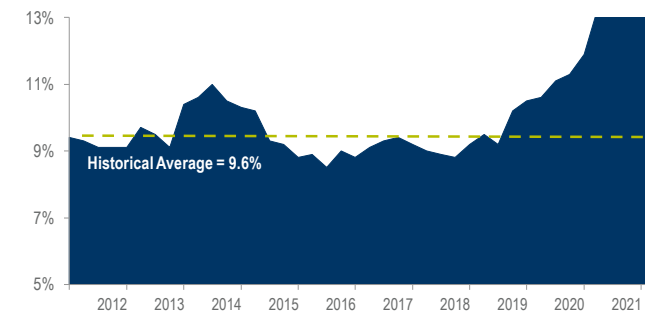
Following five of the slowest leasing quarters in the past decade, tenant demand accelerated in the third quarter as total new leasing reached a post-pandemic high of nearly 5.3 million square feet (msf). The uptick in activity was driven by strong August and September leasing totaling 2.6 msf and 1.6 msf, respectively—the first time since February and March 2020 two consecutive leasing months exceeded 1.0 msf. A total of 15 new and expansion leases each greater than 50,000 square feet (sf) were transacted during the quarter, accounting for 27.3% of third quarter activity. The strong quarterly finish boosted the year-to-date (YTD) total to 11.2 msf—marking the first year-over-year (YOY) increase since August 2019.

Despite the surge in quarterly leasing, the Manhattan overall vacancy rate increased 70 basis points (bps) quarter-over-quarter (QOQ) to a record-high of 19.0%. Total vacant space climbed throughout Manhattan to a historic 77.2 msf, driven by 13 blocks each greater than 100,000 sf entering the market. An uptick in sublease transactions, along with the withdrawal of space previously placed on the market, drove sublease supply down by 5.9% during the quarter to 21.1 msf—the first quarterly decline since the fourth quarter of 2018. In contrast, direct vacant space increased by 8.3% to 56.0 msf.

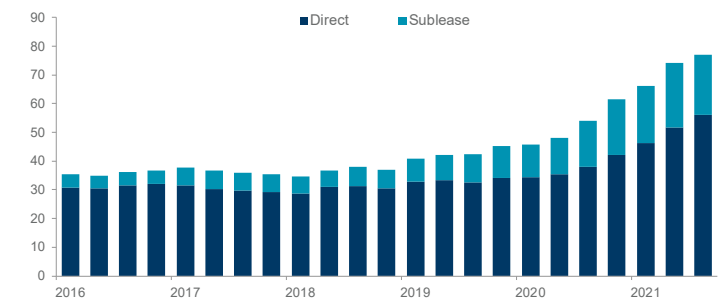
## PRICING: Asking Rents Steadily Decline in the Third Quarter

Overall asking rents fell for the third successive quarter to \$70.10 per square foot (psf), marking a 5.4% reduction from the \$74.13 peak one year ago. Midtown asking rents dipped \$0.12 psf QOQ to \$73.67—a 5.6% reduction YOY. Midtown South rents declined by 5.8% YOY from \$73.05 psf to \$68.79 as lower-priced sublease space entered the market. Downtown asking rents remained steady during the quarter at \$60.15 psf but fell by 4.6% from the peak of \$63.02 in the second quarter of 2020.

## OVERALL VACANCY



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



**Midtown**

Midtown third quarter new leasing registered a six-quarter high of 3.1 msf, fueled by Credit Agricole’s 167,000-sf lease at 1301 Avenue of the Americas and SPARC Group’s 155,724-sf transaction at 11 Penn Plaza. YTD leasing totaled 7.1 msf, up by 0.4% YOY with seven of the nine Midtown submarkets posting positive growth. Midtown vacancy increased 40 bps quarter-over-quarter to 19.4% despite only one block greater than 100,000 sf entering the market. The Grand Central, East Side/UN, Park Avenue and Madison/Fifth Avenue submarkets all posted modest quarterly declines in vacancy. Sublease vacant space dipped by 3.5% during the quarter to 12.2 msf—the first quarterly decline since the fourth quarter of 2018. Overall YTD absorption was negative at 7.9 msf, accounting for more than half of Manhattan’s negative absorption.

**Midtown South**

Third quarter new leasing totaled 1.4 msf in Midtown South, surpassing 1.0 msf for the first time since the fourth quarter of 2019. The increase in activity was propelled by Microsoft committing to lease 139,510 sf at 122 Fifth Avenue and Attentive Mobile’s 98,000-sf transaction at 115 West 18th Street. YTD leasing climbed by 69.4% to 2.3 msf—a 55.5% increase from the 2020 year-end total. All of the submarkets, with the exception of SoHo, registered a YOY uptick in activity. Even with the improvement in quarterly leasing, overall vacancy increased 40 bps to 19.4% largely due to 672,548 sf entering the market at 295 Fifth Avenue—pushing Madison/Union Square vacancy to an all-time high of 21.9%. Sublease space fell 6.5% in the third quarter to 3.9 msf—the first quarter since 2020 sublease supply fell below 4.0 msf. Overall YTD absorption registered negative 3.1 msf, marking the eighth consecutive quarter of space returns outpacing demand.

**Downtown**

Downtown new leasing registered a six-quarter high of 753,486 sf, fueled by two leases greater than 50,000 sf; DailyPay for 137,274 sf at 55 Water Street and Cedar for 66,753 sf at 32 Avenue of the Americas. YTD leasing finished the quarter at 1.7 msf—27.9% below the 2.4 msf transacted one year ago. Downtown lease renewals increased 189.3% YOY to nearly 1.4 msf, as Fried Frank renewed for 399,724 sf at One New York Plaza. Overall vacancy increased by 90 bps to 17.8% as 676,051 sf entered the market at 175 Water Street. Direct vacant space climbed by 14.9% quarter-over-quarter, while sublease space declined by 10.7% due to a combination of sublease leasing and space removed from the market. Overall absorption was negative at 3.5 msf.

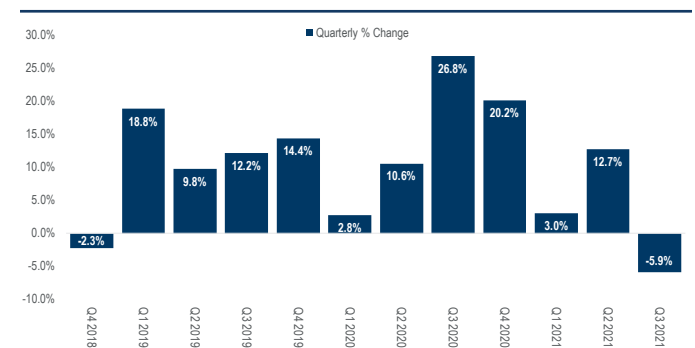
**Outlook**

- Occupancy levels are to expected to exceed 30.0% in the fourth quarter as more employees return to the office
- A strong demand pipeline will likely keep leasing momentum moving in a positive direction
- Expect employment growth to continue at a moderate pace

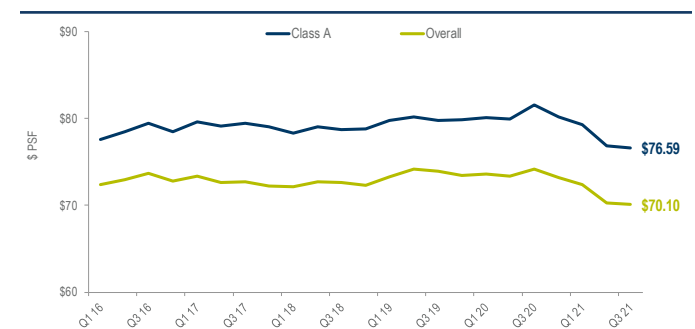
**LEASING REACHES POST-PANDEMIC QUARTERLY HIGH**



**Q3 21 RECORDS FIRST SUBLEASE DIP SINCE Q4 18**



**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         | 3,057,672          | 578,924            | 17.5%                | -44,783                                 | -836,074                        | 423,259                   | 0                 | \$70.06                                | \$71.05                            |
| Grand Central               | 45,798,830         | 8,096,696          | 2,184,539          | 22.5%                | -369,783                                | -2,010,686                      | 1,651,977                 | 0                 | \$70.17                                | \$72.27                            |
| Madison/Fifth               | 22,508,351         | 4,378,664          | 595,221            | 22.1%                | 165,382                                 | -304,472                        | 912,492                   | 0                 | \$87.40                                | \$93.56                            |
| Murray Hill                 | 14,240,703         | 2,135,833          | 1,082,298          | 22.6%                | -477,951                                | -982,609                        | 297,257                   | 0                 | \$57.40                                | \$62.56                            |
| Park Avenue                 | 20,286,606         | 2,889,708          | 974,719            | 19.1%                | 50,476                                  | -396,896                        | 989,077                   | 1,790,160         | \$93.00                                | \$93.00                            |
| Penn Station                | 22,342,147         | 1,574,729          | 1,638,482          | 14.4%                | 14,307                                  | -117,256                        | 548,307                   | 9,636,439         | \$80.03                                | \$87.33                            |
| Sixth Avenue/Rock Center    | 41,557,956         | 4,036,008          | 1,392,882          | 13.1%                | -455,448                                | -699,573                        | 1,035,830                 | 0                 | \$80.43                                | \$81.64                            |
| Times Square South          | 31,059,874         | 5,270,858          | 1,622,305          | 22.2%                | -790,666                                | -1,140,599                      | 706,301                   | 0                 | \$57.85                                | \$63.36                            |
| West Side                   | 31,721,104         | 4,923,626          | 2,096,110          | 22.1%                | -361,333                                | -1,387,398                      | 581,669                   | 0                 | \$75.82                                | \$78.83                            |
| <b>MIDTOWN TOTALS</b>       | <b>250,327,325</b> | <b>36,363,794</b>  | <b>12,165,480</b>  | <b>19.4%</b>         | <b>-2,269,799</b>                       | <b>-7,875,563</b>               | <b>7,146,169</b>          | <b>11,426,599</b> | <b>\$73.67</b>                         | <b>\$79.41</b>                     |
| Chelsea                     | 17,433,190         | 1,894,056          | 837,347            | 15.7%                | -313,433                                | -496,542                        | 545,460                   | 355,792           | \$66.04                                | \$85.98                            |
| Greenwich/NoHo              | 4,856,770          | 520,740            | 175,314            | 14.3%                | 41,730                                  | -89,550                         | 179,887                   | 450,187           | \$75.34                                | \$120.71                           |
| Hudson Square/West Village  | 10,140,793         | 940,719            | 881,934            | 18.0%                | -152,137                                | -289,691                        | 252,562                   | 2,415,000         | \$70.89                                | \$83.42                            |
| Madison/Union Square        | 31,131,353         | 5,046,317          | 1,785,352          | 21.9%                | -973,525                                | -2,139,570                      | 1,296,761                 | 1,760,000         | \$67.66                                | \$81.49                            |
| SoHo                        | 4,366,110          | 630,175            | 176,438            | 18.5%                | -34,038                                 | -103,496                        | 41,878                    | 174,951           | \$75.36                                | \$90.57                            |
| <b>MIDTOWN SOUTH TOTALS</b> | <b>67,928,216</b>  | <b>9,032,007</b>   | <b>3,856,385</b>   | <b>19.0%</b>         | <b>-1,431,403</b>                       | <b>-3,118,849</b>               | <b>2,316,548</b>          | <b>5,155,930</b>  | <b>\$68.79</b>                         | <b>\$84.24</b>                     |
| City Hall                   | 7,731,533          | 594,419            | 153,871            | 9.7%                 | -40,783                                 | -125,249                        | 43,936                    | 0                 | \$52.64                                | \$56.59                            |
| Financial East              | 32,078,926         | 3,021,542          | 2,352,432          | 16.8%                | -221,060                                | -1,084,363                      | 527,517                   | 48,077            | \$53.18                                | \$56.78                            |
| Financial West              | 6,211,658          | 1,424,490          | 129,611            | 25.0%                | -281,617                                | -382,472                        | 155,093                   | 0                 | \$57.54                                | \$71.43                            |
| Insurance                   | 13,152,839         | 2,541,711          | 449,008            | 22.7%                | -806,940                                | -1,395,508                      | 201,567                   | 0                 | \$54.90                                | \$57.56                            |
| TriBeCa                     | 5,031,971          | 499,531            | 124,352            | 12.4%                | 21,585                                  | -317,446                        | 325,934                   | 0                 | \$86.35                                | \$89.19                            |
| World Trade                 | 24,103,907         | 2,569,168          | 1,877,842          | 18.5%                | -201,628                                | -320,889                        | 441,398                   | 40,504            | \$68.05                                | \$69.58                            |
| <b>DOWNTOWN TOTALS</b>      | <b>88,310,834</b>  | <b>10,650,861</b>  | <b>5,087,116</b>   | <b>17.8%</b>         | <b>-1,530,443</b>                       | <b>-3,625,927</b>               | <b>1,695,445</b>          | <b>88,581</b>     | <b>\$60.15</b>                         | <b>\$65.40</b>                     |
| <b>MANHATTAN TOTALS</b>     | <b>406,566,375</b> | <b>56,046,662</b>  | <b>21,108,981</b>  | <b>19.0%</b>         | <b>-5,231,645</b>                       | <b>-14,620,339</b>              | <b>11,158,162</b>         | <b>16,671,110</b> | <b>\$70.10</b>                         | <b>\$76.59</b>                     |

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

### KEY LEASE TRANSACTIONS Q3 2021

| PROPERTY                    | SUBMARKET                | TENANT          | SF      | TYPE      |
|-----------------------------|--------------------------|-----------------|---------|-----------|
| One New York Plaza          | Financial East           | Fried Frank     | 399,724 | Renewal*  |
| 1301 Avenue of the Americas | Sixth Avenue/Rock Center | Credit Agricole | 167,000 | New Lease |
| 11 Penn Plaza               | Penn Station             | SPARC Group     | 155,724 | New Lease |

\*Renewal portion not included in leasing statistics

### KEY SALES TRANSACTIONS Q3 2021

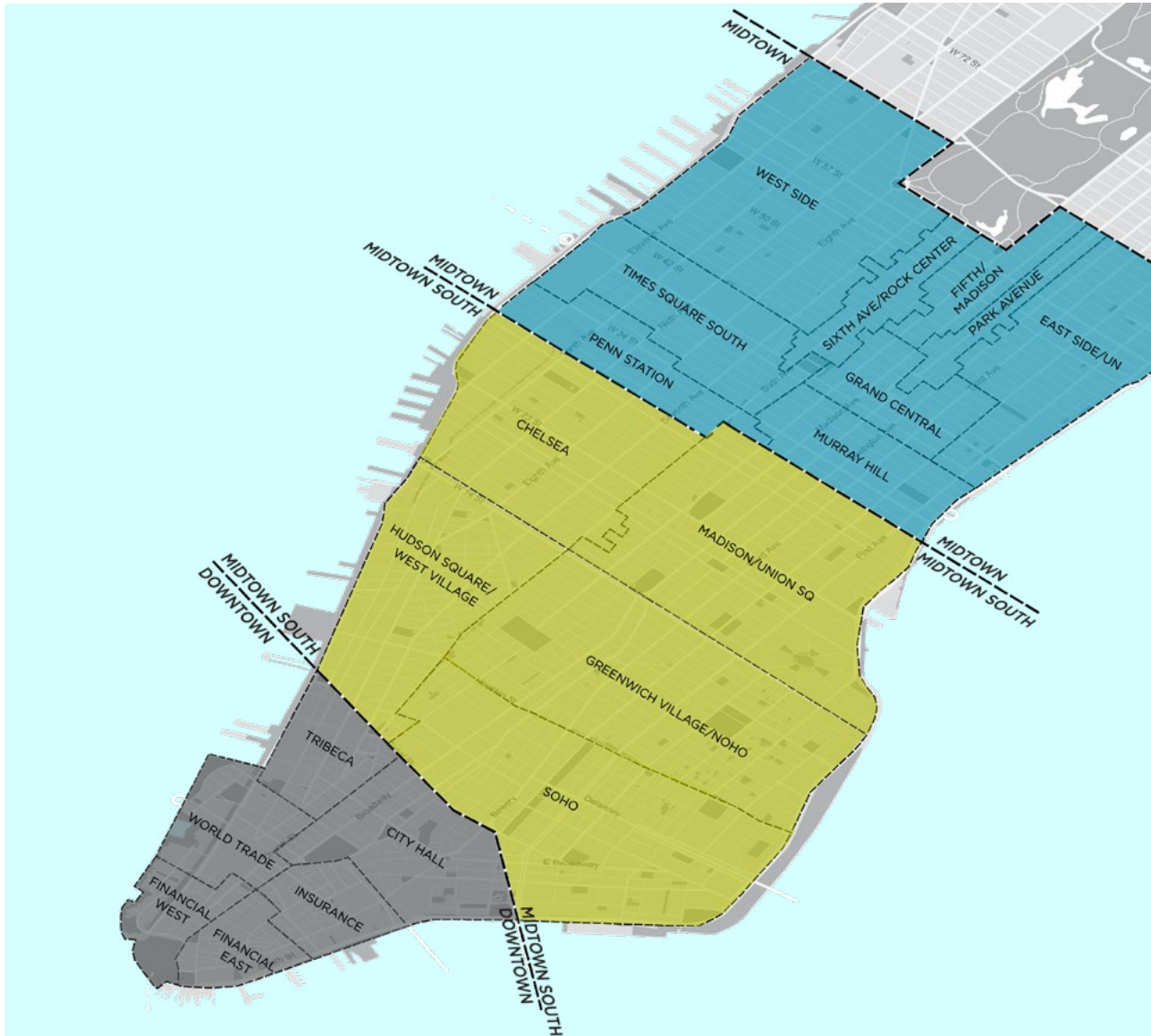
| PROPERTY  | SUBMARKET     | SELLER / BUYER   | SF        | PRICE / \$ PSF     |
|---|---------------|--|-----------|--------------------|
| 220 East 42nd Street                            | Grand Central | SL Green Realty   Meritz Alternative Investment Management | 1,220,750 | \$387.1M / \$646   |
| One Park Avenue                                 | Murray Hill   | CanadaPension Plan   Vornado Realty Trust                  | 943,000   | \$324.3M / \$1,351 |
| 341-353 Seventh Avenue,<br>167 West 29th Street | Chelsea       | Clemons Management Corp.   Igal Namdar / Empire Capital    | 220,000   | \$107.0M / \$486   |

### 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



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