

	YoY Chg	12-Mo. Forecast
<b>20.4%</b> Vacancy Rate	▲	▲
<b>-19.4M</b> Net Abs. YTD, SF	▼	▼
<b>\$69.67</b> Asking Rent, PSF	▼	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
<b>4.3M</b> New York City Employment	▲	▲
<b>7.9%</b> New York City Unemployment Rate	▼	▼
<b>4.2%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

## ECONOMY: New York City Continues to Record Healthy Job Growth in the Fourth Quarter

Despite the recent emergence of the Omicron variant, New York City maintained its trajectory of positive job growth in the fourth quarter of 2021. With a year-over-year (YOY) gain of 187,600 jobs through November, total jobs reached nearly 4.3 million. Private sector employment recovered 248,280 jobs in 2021, while leisure and hospitality added 77,180 jobs. Education and health care services gained 51,450 jobs over the past 12 months for a total of nearly 1.1 million jobs. While New York City office-using employment added 66,330 jobs over the past year, it remains 72,600 jobs below the February 2020 peak.

## SUPPLY AND DEMAND: Leasing Climbs to the Highest Quarterly Total in Two Years

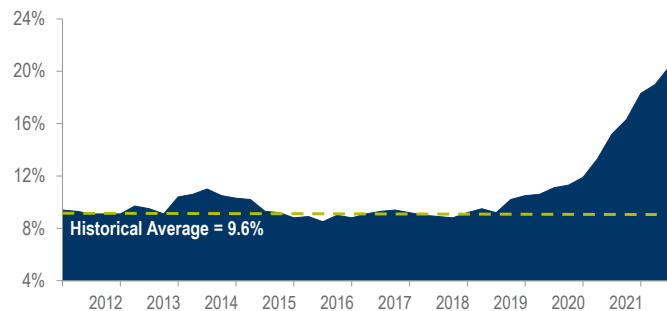
The second half of 2021 recorded a steady improvement in new leasing activity, bringing the fourth quarter total to a two-year quarterly high of 7.4 million square feet (msf). November and December were the most active leasing months, accounting for 76.5% of the fourth quarter total. The strong quarterly finish pushed year-to-date (YTD) leasing to 18.6 msf—a 45.0% increase over 2020 leasing volume, but still well below the 2017–2019 average of 33.7 msf. The TAMI (technology, advertising, media & information services) sector continued to fuel market activity, comprising 33.4% of new leases 10,000 sf and greater, followed closely by financial services at 29.9%. A continued flight to quality was evidenced as Class A leasing in 2021 accounted for 71.6% of demand, compared to 67.1% during 2017–2019.

Despite the steady stream of fourth quarter leasing, Manhattan vacancy rates ended 2021 at a historic high, with 16 blocks each greater than 100,000 square feet (sf) added during the quarter. The Manhattan overall vacancy rate registered 20.4%—up 150 basis points (bps) from the previous quarter and 530 bps YOY. Sublease vacant space declined for the second consecutive quarter to 20.7 msf but remained 80.3% higher than the pre-pandemic total of 11.5 msf. Direct vacant space increased for the ninth consecutive quarter, closing 2021 at 62.8 msf. Nearly 3.1 msf of new product was delivered to the market in 2021, with 41.8% located in Downtown Manhattan.

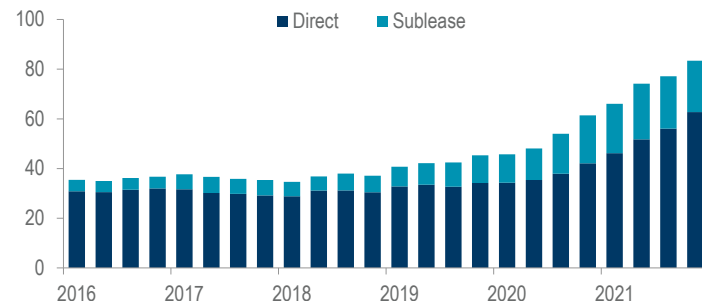
## PRICING: Asking Rents Fall Below the \$70-Mark for the First Time Since 2015

Manhattan overall asking rents fell \$0.43 per square foot (psf) in Q4 2021 to \$69.67, marking the first time since April 2015 asking rents fell below \$70.00 psf. Midtown asking rents increased quarter-over-quarter (QOQ) by a slight \$0.09 psf to \$73.75 psf, but were down from \$77.06 in 2020. Midtown South rents climbed \$1.99 psf to \$70.78 as the completion of 799 Broadway brought triple-digit asking rents to the market. Downtown rents fell by \$2.35 psf to \$57.80 as lower-priced space entered the market at 80 Pine Street.

## OVERALL VACANCY



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



**Midtown**

Midtown recorded a significant uptick in tenant demand as new leasing reached an eight-quarter high of 4.9 msf, driven by five new leases each greater than 100,000 sf. At 12.1 msf, 2021 new leasing outpaced the 2020 volume by 35.9% with 31 leases greater than 50,000 sf signed during the year—up from 21 transactions in 2020. All the Midtown submarkets, with the exception of Penn Station, recorded a YOY uptick in leasing. Financial services dominated market activity during the year, accounting for 40.3% of new lease transactions 10,000 sf and greater. The improvement in leasing was offset by 10 blocks greater than 100,000 sf entering the market, resulting in vacancy climbing by 100 bps during the quarter to 20.4%. The addition of 996,132 sf of the former E&Y space entering the market at Five Times Square fueled the uptick in vacancy. Sublease vacant space fell for the second consecutive quarter to 11.6 msf—down 5.0% QOQ. Overall YTD absorption was negative at 10.4 msf, accounting for more than half of Manhattan’s negative absorption.

**Midtown South**

Following a sluggish start in the first half of the year, leasing momentum picked up in the second half of 2021 with fourth quarter activity totaling 1.4 msf. The increase in momentum was fueled by Verizon’s 139,004-sf lease at 155 Delancey Street (Essex Crossing East) along with Clear’s 119,226-sf transaction at 85 Tenth Avenue. New leasing for 2021 reached 3.7 msf, up from 1.5 msf in 2020, with positive YOY growth recorded in all five submarkets. TAMI leasing represented 63.6% of 2021 new leases 10,000 sf and greater. Overall vacancy ticked up 80 bps during the quarter to 19.8%—up from 14.8% in 2020. Sublease supply dipped for the third consecutive quarter to 3.5 msf while direct vacant space nearly doubled from 2020 to 10.0 msf, largely driven by 449,447 sf entering the market at 360 Park Avenue South. Overall absorption remained negative during all four quarters, ending 2021 at negative 3.5 msf.

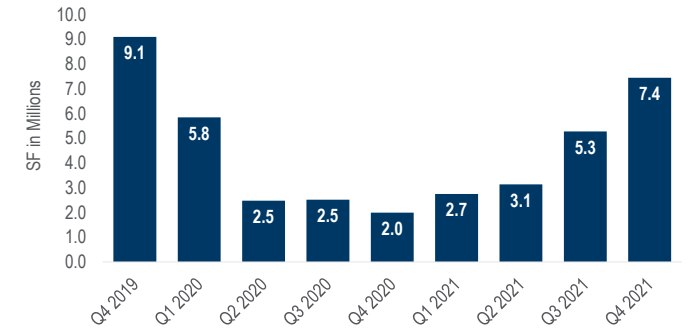
**Downtown**

Downtown registered a sharp gain in fourth quarter new leasing with nearly 1.1 msf transacted—the highest level since the first quarter of 2020. Three new leases exceeding 50,000 sf were transacted during the quarter, the largest of which was Orchard’s 107,443-sf lease at 195 Broadway. The strong quarterly finish pushed 2021 leasing up 13.3% YOY to nearly 2.8 msf—the first YOY quarterly increase since 2019. With the exception of Financial East, all Downtown submarkets recorded a YOY uptick in activity. Despite the increase in leasing, Downtown vacancy soared 330 bps QOQ to 21.1% as six blocks each surpassing 100,000 sf were added to the market. Sublease supply climbed to an all-time high of 5.6 msf, while direct vacant space rose to 24.3% during the quarter to 13.2 msf. Overall absorption ended 2021 at negative 5.7 msf.

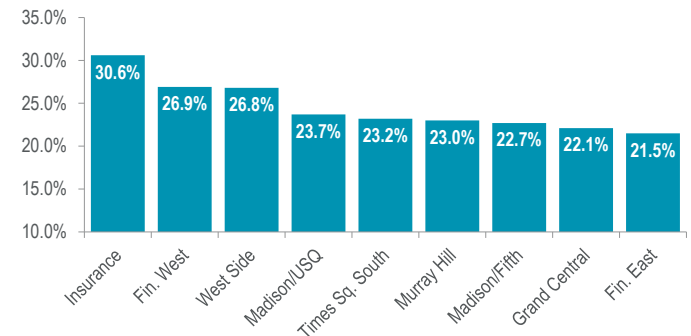
**Outlook**

- Expect a continuation of elevated vacancy as nearly 2.5 msf of new product is scheduled for delivery in the first quarter of 2022
- Manhattan will likely remain a tenant’s market going into 2022, with continued pressure on rent and concessions
- Expect the Omicron variant to be a concern throughout the first quarter of 2022

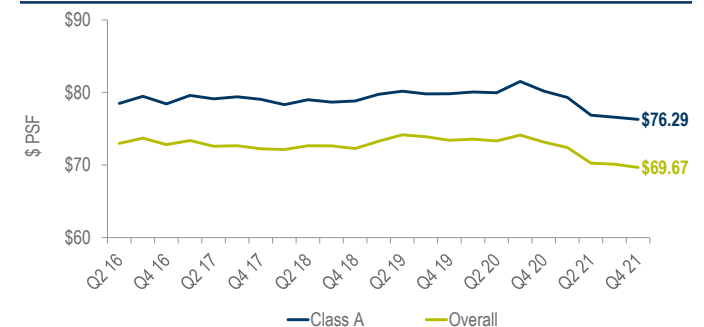
**HIGHEST QUARTERLY NEW LEASING TOTAL SINCE 2019**



**VACANCY EXCEEDS 20.0% IN NINE SUBMARKETS**



**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	3,502,487	551,432	19.5%	-460,825	-1,253,397	749,392	0	\$70.65	\$71.48
Grand Central	45,798,830	7,969,714	2,162,922	22.1%	-245,575	-1,886,803	2,245,241	0	\$69.41	\$71.49
Madison/Fifth	22,508,351	4,594,431	507,423	22.7%	-319,019	-425,894	1,437,530	0	\$88.89	\$94.70
Murray Hill	14,261,425	2,243,163	1,040,300	23.0%	-99,726	-1,049,516	460,034	0	\$57.21	\$62.65
Park Avenue	20,286,606	3,039,611	809,830	19.0%	-114,151	-381,910	1,353,852	1,790,160	\$90.63	\$90.63
Penn Station	22,392,147	1,579,934	1,559,589	14.0%	-61,791	-43,568	1,281,073	9,636,439	\$78.75	\$88.76
Sixth Avenue/Rock Center	41,557,956	4,356,630	1,395,735	13.8%	-94,822	-1,029,472	2,058,777	0	\$81.59	\$83.02
Times Square South	31,059,874	5,744,741	1,450,956	23.2%	-461,933	-1,467,074	1,318,946	0	\$57.67	\$63.31
West Side	31,908,400	6,460,612	2,076,156	26.8%	-1,695,095	-2,905,111	1,175,708	0	\$76.94	\$79.94
<b>MIDTOWN TOTALS</b>	<b>250,585,343</b>	<b>39,491,323</b>	<b>11,554,343</b>	<b>20.4%</b>	<b>-3,552,937</b>	<b>-10,442,745</b>	<b>12,080,553</b>	<b>11,426,599</b>	<b>\$73.75</b>	<b>\$79.60</b>
Chelsea	17,433,190	1,927,179	866,517	16.0%	-61,935	-558,835	829,249	955,792	\$65.99	\$86.97
Greenwich/NoHo	5,038,957	601,975	149,443	14.9%	95,404	37,273	310,701	268,000	\$88.31	\$135.12
Hudson Square/West Village	10,140,793	885,559	803,494	16.7%	52,800	-156,091	350,806	2,415,000	\$70.04	\$81.84
Madison/Union Square	31,427,845	5,871,282	1,591,531	23.8%	-785,097	-2,473,872	1,917,062	1,760,000	\$71.04	\$91.50
SoHo	4,415,340	728,859	114,392	19.1%	23,408	-90,904	336,642	174,951	\$68.59	\$92.29
<b>MIDTOWN SOUTH TOTALS</b>	<b>68,456,125</b>	<b>10,014,854</b>	<b>3,525,377</b>	<b>19.8%</b>	<b>-675,420</b>	<b>-3,242,429</b>	<b>3,744,460</b>	<b>5,573,743</b>	<b>\$70.78</b>	<b>\$90.82</b>
City Hall	7,731,533	647,322	118,961	9.9%	-12,560	-143,242	116,933	0	\$53.02	\$56.56
Financial East	33,014,926	4,431,058	2,658,395	21.5%	-791,406	-1,859,842	841,182	48,077	\$52.02	\$53.61
Financial West	6,211,658	1,475,326	195,929	26.9%	-93,375	-524,526	221,793	0	\$56.62	\$70.17
Insurance	13,152,839	3,545,754	477,368	30.6%	-1,078,669	-2,427,911	261,235	0	\$53.45	\$55.84
TriBeCa	5,031,971	507,213	124,352	12.6%	-7,682	-325,128	325,934	0	\$85.17	\$88.91
World Trade	24,144,411	2,636,831	2,017,521	19.3%	-351,777	-487,727	1,012,396	0	\$68.02	\$69.89
<b>DOWNTOWN TOTALS</b>	<b>89,287,338</b>	<b>13,243,504</b>	<b>5,592,526</b>	<b>21.1%</b>	<b>-2,335,469</b>	<b>-5,768,376</b>	<b>2,779,473</b>	<b>48,077</b>	<b>\$57.80</b>	<b>\$61.83</b>
<b>MANHATTAN TOTALS</b>	<b>408,328,806</b>	<b>62,749,681</b>	<b>20,672,246</b>	<b>20.4%</b>	<b>-6,563,826</b>	<b>-19,453,550</b>	<b>18,604,486</b>	<b>17,048,419</b>	<b>\$69.67</b>	<b>\$76.29</b>

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

### KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Penn2	Penn Station	MSG Entertainment	425,837	New Lease
1221 Avenue of the Americas	Sixth Avenue/Rock Center	Comcast/NBC	339,833	Renewal*
51 West 52nd Street	Sixth Avenue/Rock Center	ViacomCBS	283,000	Sale/Leaseback

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q4 2021

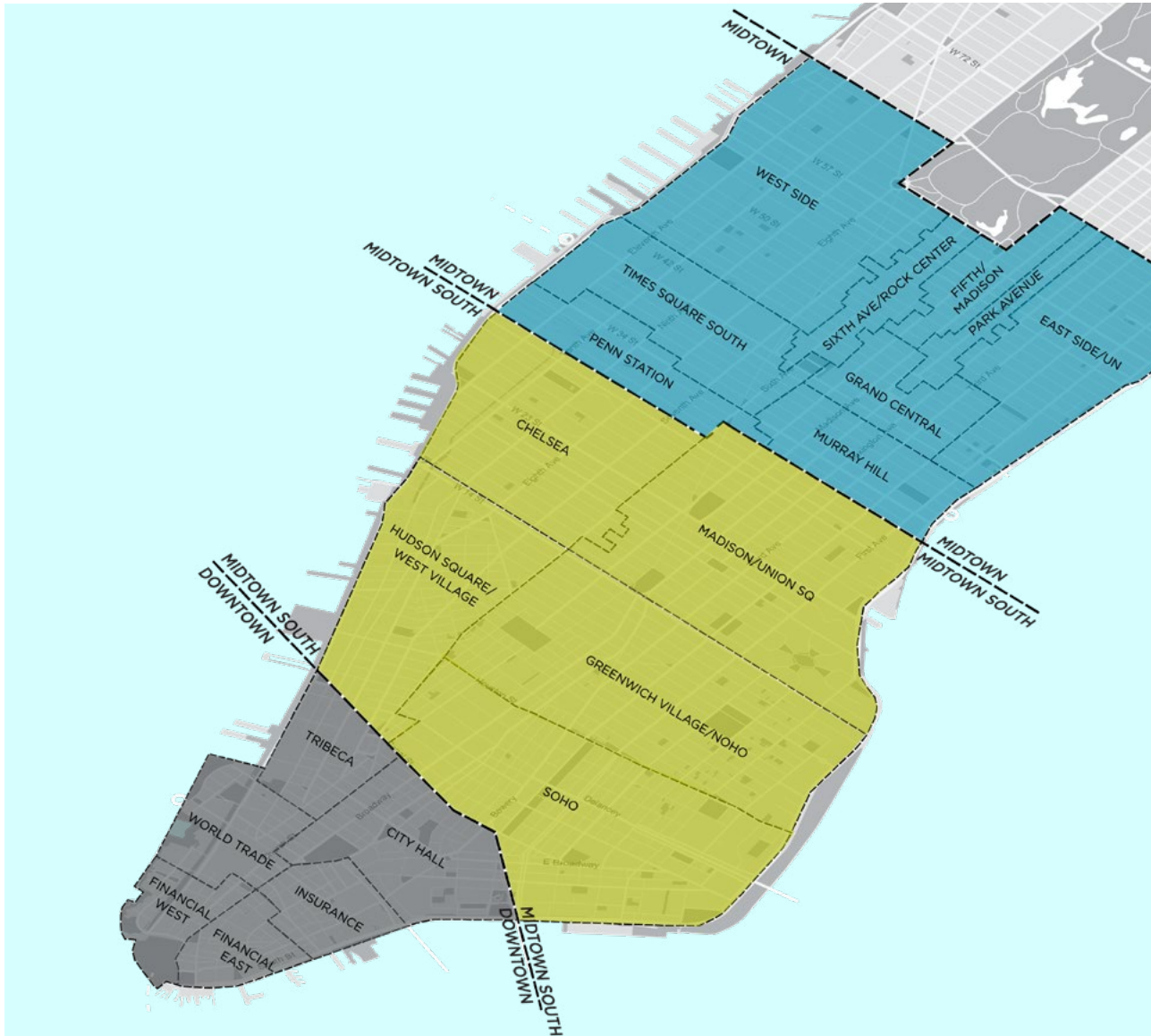
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
100 Pearl Street	Financial East	GFP, Northwind Group, TPG / Commerz Real	967,886	\$850.0M   \$878
441 Ninth Avenue	Penn Station	Cove Property Group / The Baupost Commonwealth Partners	697,958	\$1.0B   \$1,480
360 Park Avenue South	Madison/Union Square	Enterprise Asset Management / Boston Properties	450,000	\$300.0M   \$667

### COMPLETED CONSTRUCTION 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
100 Pearl Street*	Financial East	New York Legal Assistance Group	936,000	Commerz Real / Weiler & Arnov
390 Ninth Avenue	Penn Station	Facebook	730,000	Related Companies & Vornado Realty Trust
One Broadway*	Financial West	Fiserv	205,435	Midtown Equities Brokerage LLC

\*Renovation

**OFFICE SUBMARKETS**



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