

	YoY Chg	12-Mo. Forecast
21.9% Vacancy Rate	▲	▲
-2.1M Net Abs. YTD, SF	▼	▲
\$70.88 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
4.6M New York City Employment	▲	▲
5.1% New York City Unemployment Rate	▼	▼
3.5% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Office-Using Employment Surpasses Previous Peak

New York City's economy continued to grow in July and August, up by 36,400 jobs in addition to the 13,468 jobs gained during the second quarter. Leisure and hospitality added 4,900 jobs bringing total employment in the industry to 404,500 jobs—the highest level recorded since the onset of the pandemic. Financial services gained 4,900 jobs over the past two months, while the private sector grew by 4,700. New York City office-using employment climbed to more than 1.5 million jobs—surpassing the previous December 2019 peak.

SUPPLY AND DEMAND: Tenant Demand Accelerates in the Third Quarter

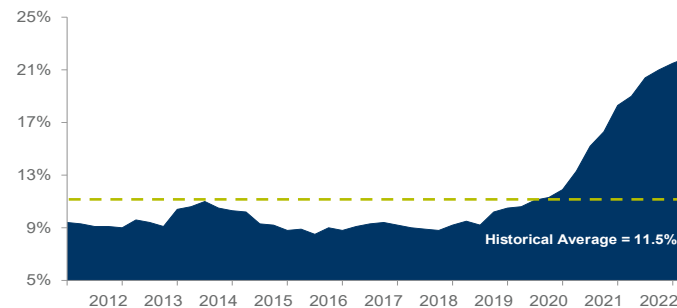
Manhattan new leasing registered 7.0 million square feet (msf) in the third quarter of 2022—marking a substantial boost from the second quarter total of 5.9 msf. The uptick in activity was fueled by 11 new and expansion leases, each greater than 100,000 square feet (sf), with July and August leasing each achieving a total of 2.6 msf. The strong quarterly finish bolstered the year-to-date (YTD) total to 20.1 msf—outpacing the full-year 2021 volume of 18.6 msf by 8.3%. The financial services sector accounted for 41.3% of YTD new leases greater than 10,000 sf, up from a pre-COVID average of 21.0% from 2018 to the first quarter of 2020. Lease renewals totaled 4.2 msf YTD—14.7% higher than the 3.7 msf registered one year ago.

Despite the uptick in leasing, vacancy escalated by 40 basis points (bps) during the quarter to 21.9% as eight blocks, each greater than 100,000 sf, entered the market, including a new construction delivery at 145 Delancey Street and renovation completion at 825 Third Avenue. Sublease vacant supply increased by a modest 1.5% during the quarter to 21.0 msf, though it is down from the recent peak of 22.4 msf set in the second quarter of 2021. Although overall Manhattan absorption stayed negative at 2.1 msf, Class A direct absorption remained in positive territory for the second consecutive quarter at 1.1 msf YTD.

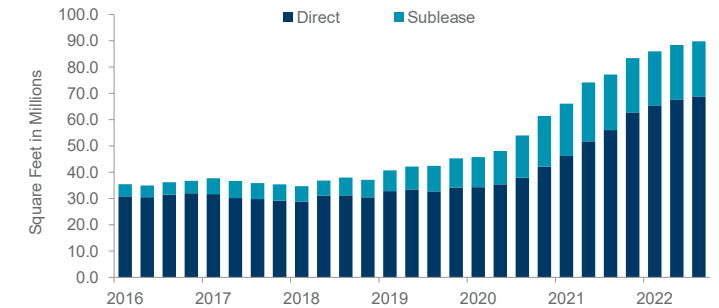
PRICING: Absorption of Higher-Priced Space Pushes Manhattan Asking Rents Down

Manhattan overall asking rents dipped by \$0.75 per square foot (psf) during the quarter to \$70.88, while Class A rents fell by \$1.17 to \$77.92 psf. Midtown asking rents declined by \$1.57 to \$75.27 psf, primarily due to the absorption of higher-priced space. Midtown South asking rents climbed by \$2.12 psf to \$73.81, driven by the delivery of 145 Delancey Street along with higher-priced space added at 345 Hudson Street. Downtown asking rents decreased by \$0.72 during the quarter to \$56.09 psf.

OVERALL VACANCY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



Midtown

Midtown new leasing activity fell by a modest 2.0% during the quarter to nearly 4.4 msf, with Class A leasing accounting for 88.2% of the quarterly volume. Six new leases, each greater than 100,000 sf, were transacted during the quarter, led by KPMG’s lease for 456,518 sf at Two Manhattan West—representing the largest YTD lease in Manhattan. Despite the addition of four blocks, each greater than 100,000 sf, steady tenant demand helped to offset a significant increase in Midtown vacancy, which rose 30 bps during the quarter to 21.8%. Sublease supply had a 2.0% uptick quarter-over-quarter (QOQ) to nearly 12.0 msf but was down from 12.2 msf one year ago. Overall YTD absorption registered negative 411,194 sf, while direct absorption was positive at 488,631 sf.

Midtown South

Midtown South new leasing accelerated to a 12-quarter high of 1.5 msf, boosting the YTD total to 3.7 msf—slightly shy of the 2021 year-end total. The TAMI (technology, advertising, media & information services) sector represented 45.4% of YTD new leases 10,000 sf and larger, down from last quarter’s 61.2%, while financial services grew from 11.8% to 33.2%. Overall vacancy climbed by 40 bps to 21.7%, driven by the addition of 145 Delancey Street and a block of 358,880 sf at 345 Hudson Street. Although sublease vacant supply increased by 3.2% to nearly 3.2 msf, it remained well below its level of 3.9 msf one year ago. Overall YTD absorption remained negative at 820,225 sf.

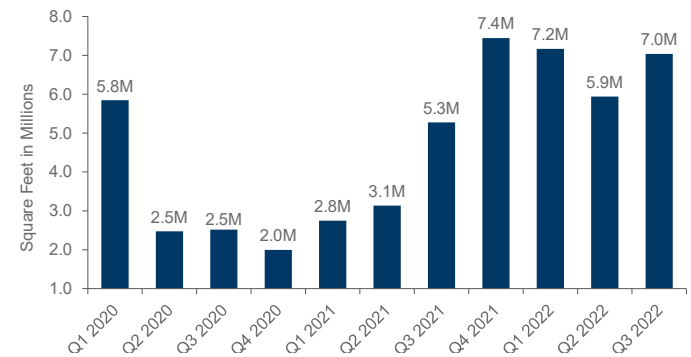
Downtown

Downtown new leasing soared by 79.3% QOQ to a 10-quarter high of nearly 1.1 msf, driving the YTD total to 2.5 msf—up from 1.7 msf one year ago. The increase in quarterly activity was led by Freshfields Bruckhaus Deringer LLP’s 179,724-sf transaction at Three World Trade Center. Despite the improvement in quarterly leasing, vacancy climbed by 60 bps to a historic high of 22.2%. Sublease vacant space marginally dipped to a three-quarter low of 5.8 msf. Although overall YTD absorption registered negative at 911,112 sf, Class A direct absorption was positive at 127,304 sf.

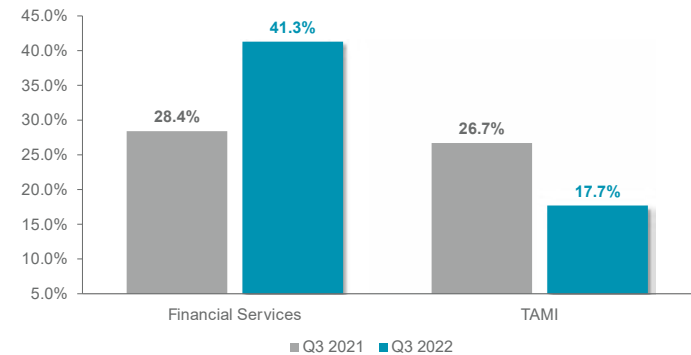
Outlook

- Expect office occupancy to surpass 50.0% by the end of 2022 as occupiers return to the office at a steeper pace
- Look for asking rents to escalate in the fourth quarter as 5.0 msf of new construction enters the market
- Expect an ongoing flight to quality as tenants continue to gravitate towards trophy and highly amenitized properties

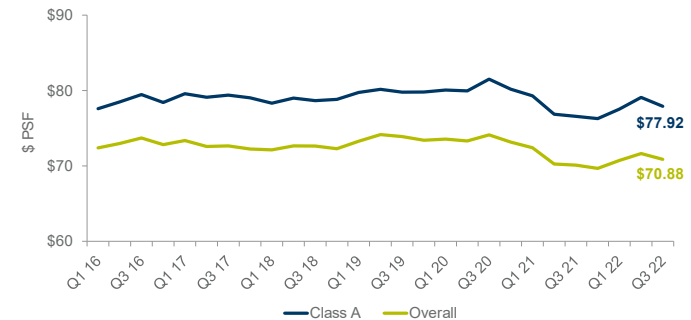
MANHATTAN QUARTERLY LEASING IMPROVES IN Q3 2022



FINANCIAL SERVICES VS TAMI NEW LEASES 10,000 SF+



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	21,323,763	4,731,257	659,202	25.3%	-434,766	-1,008,668	666,227	0	\$72.83	\$73.75
Grand Central	45,798,830	8,365,118	2,369,883	23.4%	-596,818	-614,470	2,308,647	0	\$67.19	\$69.37
Madison/Fifth	23,358,351	5,354,113	664,783	25.8%	-212,685	-219,830	1,807,830	0	\$96.48	\$103.16
Murray Hill	14,276,425	2,561,927	997,029	24.9%	-256,695	-366,030	417,986	0	\$58.48	\$63.49
Park Avenue	20,684,306	3,551,747	729,885	20.7%	285,332	255,567	1,896,648	1,132,460	\$93.55	\$93.55
Penn Station	25,283,341	2,536,697	2,083,508	18.3%	17,734	1,268,612	2,212,972	6,795,245	\$100.51	\$115.35
Sixth Avenue/Rock Center	41,900,982	4,385,762	1,535,869	14.1%	-123,816	-287,955	1,682,861	0	\$76.89	\$77.59
Times Square South	31,059,874	6,151,732	1,027,188	23.1%	-54,648	51,273	1,559,765	0	\$56.98	\$64.37
West Side	31,908,400	6,010,992	1,914,270	24.8%	157,312	510,307	1,363,933	0	\$73.89	\$76.33
MIDTOWN TOTALS	255,594,272	43,649,345	11,981,617	21.8%	-1,219,050	-411,194	13,916,869	7,927,705	\$75.27	\$81.59
Chelsea	16,428,101	2,472,568	599,418	18.7%	-57,409	-248,961	473,778	891,636	\$68.25	\$90.19
Greenwich/NoHo	5,346,280	1,015,163	166,529	22.1%	-66,148	-181,034	372,154	0	\$80.53	\$126.94
Hudson Square/West Village	10,140,993	1,270,476	777,159	20.2%	-494,594	-459,332	279,178	2,679,430	\$88.96	\$99.20
Madison/Union Square	31,699,845	6,158,565	1,490,255	24.1%	126,399	-40,784	2,404,880	1,502,223	\$70.62	\$88.07
SoHo	4,656,175	715,214	130,363	18.2%	61,875	109,886	206,054	0	\$76.72	\$94.00
MIDTOWN SOUTH TOTALS	68,271,394	11,631,986	3,163,724	21.7%	-429,877	-820,225	3,736,044	5,073,289	\$73.81	\$93.91
City Hall	7,731,533	722,633	75,901	10.3%	-102,976	-64,163	15,119	0	\$52.75	\$55.64
Financial East	31,427,077	4,483,875	2,749,385	23.0%	-400,180	-305,918	894,586	48,077	\$50.87	\$51.87
Financial West	6,211,658	1,673,411	475,153	34.6%	-42,673	-500,308	310,648	0	\$53.41	\$62.23
Insurance	12,668,839	3,621,027	522,867	32.7%	-2,562	-141,537	319,025	0	\$52.73	\$54.45
TriBeCa	5,031,971	604,928	204,470	16.1%	-164,797	-184,283	50,604	0	\$78.22	\$80.75
World Trade	24,144,411	2,438,738	1,831,494	17.7%	433,142	285,097	904,929	0	\$65.75	\$66.62
DOWNTOWN TOTALS	87,215,489	13,544,612	5,859,270	22.3%	-280,046	-911,112	2,494,911	48,077	\$70.62	\$77.92
MANHATTAN TOTALS	411,081,155	68,825,943	21,004,611	21.9%	-1,928,973	-2,142,531	20,147,824	13,049,071	\$70.88	\$77.92

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Two Manhattan West	Penn Station	KPMG	456,518	New Lease
One Madison Avenue	Madison/Union Square	Franklin Templeton	347,474	New Lease
Two Manhattan West	Penn Station	D.E. Shaw & Co.	282,502	New Lease

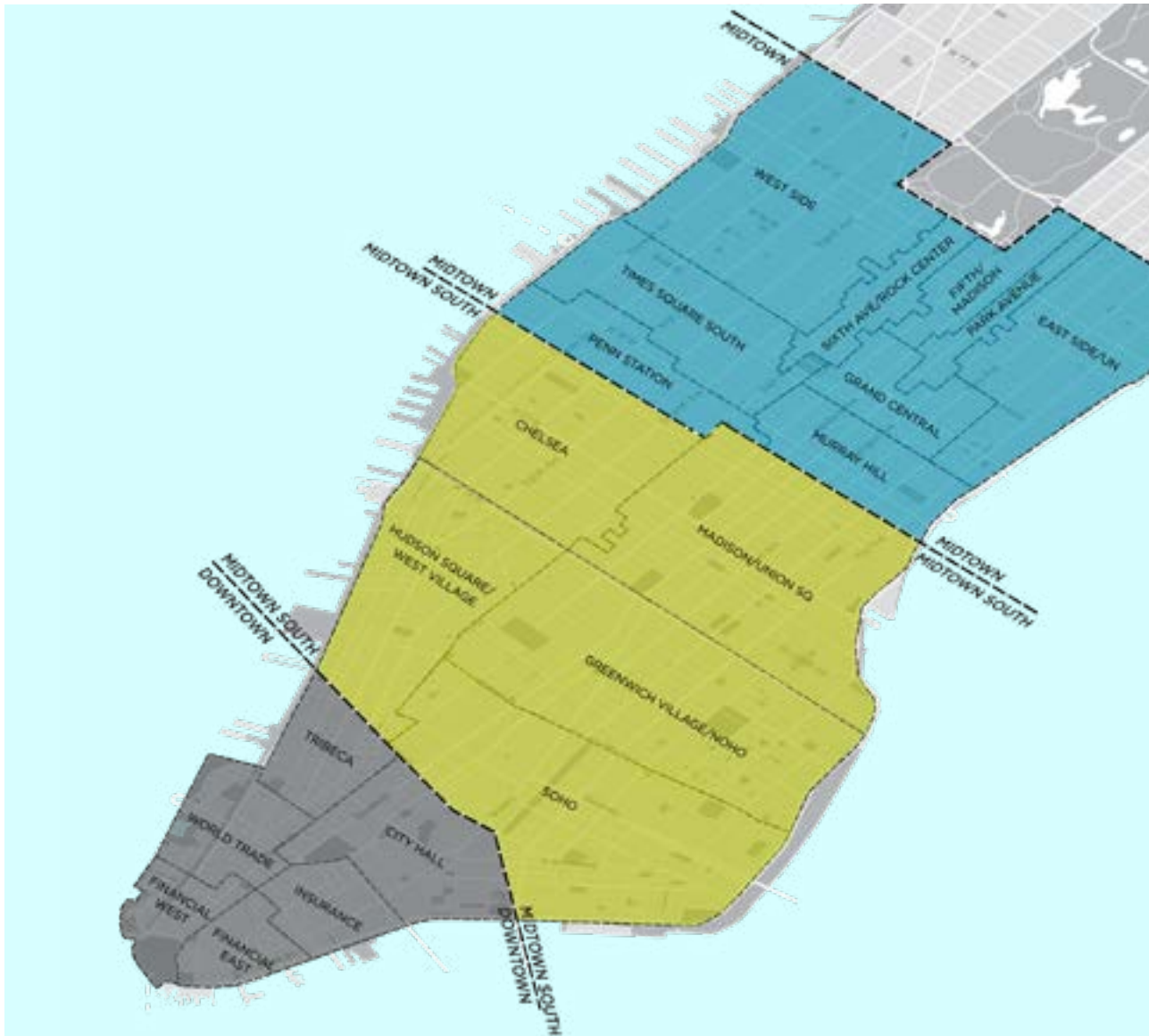
KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
245 Park Avenue	Park Avenue	T-C 475 Fifth Avenue Venture LLC/ 475 Fifth Holding LLC	1,611,046	\$1.8B / \$1,099
830 Third Avenue	East Side/UN	AEW Capital Management/ Empire Capital Holdings JV Namdar Realty Group	147,068	\$72.0M / \$490
43 East 53rd Street	Madison/Fifth	MEK Management Services, Inc/ ZG Capital Partners, Rialto Capital Management	134,000	\$102.5M / \$765

COMPLETED CONSTRUCTION Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
825 Third Avenue	East Side/UN	Beveridge & Diamond, P.C.	512,009	Durst Organization
145 Delancey Street	SoHo	N/A	174,951	Taconic Partners

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