ECONOMY: Despite Ongoing Layoffs, Job Growth Maintains a Positive Trajectory

New York City continued to record positive job growth through May, with total employment approaching the February 2020 peak of 4.7 million jobs. While financial services employment increased by 7,000 jobs, information services fell by 4,200. Private sector employment climbed to an all-time high of 4.1 million jobs as increased tourism pushed leisure and hospitality employment up steadily over the past four months to 456,100 jobs. With 28,900 jobs added over the past year, New York City office-using employment rose to 1.5 million, despite falling by 4,500 jobs since the first quarter of 2023.

SUPPLY AND DEMAND: Downtown Leasing Climbs to a Three-Quarter High

Manhattan office demand continued to soften in the second quarter of 2023, as new leasing activity registered an eight-quarter low of 3.9 million square feet (msf). Despite the below-average quarterly total, June was the most active month of the quarter, with 1.8 msf transacted. This was largely due to a boost in Downtown leasing as the Department for Citywide Administrative Services (DCAS) committed to lease 640,744 square feet (sf) at 110 William Street—the largest Manhattan lease year-to-date (YTD). New leasing activity through mid-year reached 7.8 msf, falling short of the mid-year 2022 total by 40.6%. Demand continued to be concentrated in small to mid-sized leases, as 92.0% of transactions were below 25,000 sf. Only four new leases, each greater than 100,000 sf, were completed YTD, down from 17 such leases one year ago. Class A activity accounted for 66.7% of new leasing volume, 23.0% of which occurred in product built or renovated since 2015. YTD lease renewals fell by 5.3% year-over-year (YOY) to 2.6 msf.

The Manhattan overall vacancy rate increased by 20 basis points (bps) to 22.4%, with the addition of five blocks each exceeding 100,000 sf, contributing to a historical high of 70.2 msf of direct vacant space. The completion of Two Manhattan West in the second quarter represented the second most significant development of 2023, bringing 436,631 sf of vacant space to the market. Although sublease supply remained steady at 22.7 msf, it rose from 20.7 msf compared to one year ago. Overall YTD absorption registered negative 1.4 msf, an improvement from the previous quarter’s negative 2.2 msf.

PRICING: New Construction Boosts Manhattan Asking Rents

Manhattan overall asking rents dipped modestly by $0.05 per square feet (psf) in the second quarter to $72.12 mainly attributed to the removal of higher-priced space from the market. Class A rents remained steady at $79.59 psf. Midtown asking rents increased by $0.11 to $77.05 psf, while the delivery of Two Manhattan West drove Penn Station asking rents up by 2.6% quarter-over-quarter (QOQ) to $110.02 psf. Midtown South asking rents grew by $0.43 psf to $75.84 as above-average priced space entered the market at 555 Broadway. Downtown asking rents dipped by $0.05 to $56.27 psf, while Class A asking rents rose $0.17 to $60.03 psf, led by pricier space additions at Four World Trade Center and 200 Liberty Street.

OVERALL VACANCY

SUPPLY VS. SUBLEASE SPACE AVAILABLE COMPARISON
**MARKETBEAT MANHATTAN Office Q2 2023**

**Midtown**
The pace of Midtown new leasing activity slowed to an eight-quarter low of 2.4 msf, with only one lease larger than 100,000 sf transacted during the quarter. YTD volume registered 5.1 msf, 46.2% lower than one year ago. Although all nine submarkets recorded a YOY decline in activity, the East Side, Park Avenue, Madison/Fifth, and Sixth Avenue/Rock Center submarkets recorded a QQQ uptick in demand. Midtown vacancy fell by 40 bps to 21.7% as sublease space was removed from the market, pushing sublease supply down by 5.0% QQQ. Despite the tempered demand in the first half of 2023, overall YTD absorption was positive at nearly 1.5 msf as several tenants took occupancy large spaces leased in 2022.

**Midtown South**
Midtown South new leasing registered an eight-quarter low of 514,648 sf in the second quarter, bringing the YTD volume down 41.8% YOY to nearly 1.3 msf, as no leases greater than 100,000 sf were transacted through mid-year 2023. Overall vacancy increased to a historic high of 23.0%, partially due to 102,236 sf entering the market at 555 Broadway, followed by 71,667 sf added at 375 Hudson Street. Direct vacant space rose 2.9% during the quarter to an unprecedented high of 11.9 msf, while sublease supply dipped by a modest 0.4% to 3.6 msf. Overall YTD absorption remained negative at 1.0 msf.

**Downtown**
Downtown leasing jumped to a three-quarter high of 947,969 sf, bringing YTD leasing to nearly 1.4 msf—down marginally by 0.7% YOY. Despite the quarterly increase in leasing, Downtown vacancy rose by 160 bps to 24.2%, as the addition of 157,460 sf at Seven World Trade Center pushed sublease supply up by 10.9% to an all-time high of nearly 6.7 msf. Led by 133,716 sf added at 55 Water Street and 119,908 sf entering the market at 199 Water Street, direct vacant space increased 5.5% to 14.2 msf. Overall YTD absorption registered negative 1.9 msf.

**Outlook**
- In addition to the 3.2 msf of new and renovated office product delivered in the first half of 2023, another 10.2 msf is scheduled for completion in the second half of the year
- Expect demand to remain tepid in the near term amid rising interest rates and general economic unknowns
- Occupancy levels are projected to continue rising, surpassing pre-pandemic levels of 50.0% in the coming months

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**ASKING RENT COMPARISON**

- $79.59
- $72.12

---

**NEW LEASING REACHES A NINE-MONTH HIGH IN JUNE**

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**DIRECT SPACE ADDITIONS BY MAJOR MARKET**

Q1 2023 TO Q2 2023

<table>
<thead>
<tr>
<th>Market</th>
<th>SF in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midtown</td>
<td>1146032</td>
</tr>
<tr>
<td>Midtown South</td>
<td>340657</td>
</tr>
<tr>
<td>Downtown</td>
<td>734870</td>
</tr>
</tbody>
</table>

---

**$ PSF**

- $79.59
- $72.12

---

- Class A
- Overall
### Market Statistics

**Submarket** | **Inventory (SF)** | **Direct Vacant (SF)** | **Sublet Vacant (SF)** | **Overall Vacancy Rate** | **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 | 3,925,090 | 760,781 | 22.0% | 419,013 | 269,354 | 444,825 | 0 | $70.38 | $71.01 |
Grand Central | 45,798,830 | 8,596,675 | 2,117,349 | 23.4% | -55,318 | -309,628 | 959,719 | 0 | $67.74 | $69.83 |
Madison/Fifth | 24,302,371 | 5,831,020 | 516,913 | 26.1% | -6,600 | 576,158 | 630,467 | 0 | $102.72 | $110.51 |
Murray Hill | 14,276,425 | 2,632,936 | 941,651 | 25.0% | -115,335 | -173,719 | 289,455 | 0 | $59.15 | $63.15 |
Park Avenue | 20,532,570 | 2,341,851 | 845,733 | 15.5% | 72,938 | 567,619 | 581,633 | 1,132,460 | $91.47 | $91.47 |
Penn Station | 30,169,236 | 4,456,693 | 2,478,967 | 23.0% | 941,967 | 982,247 | 570,541 | 2,000,000 | $110.02 | $120.76 |
Sixth Avenue/Rock Center | 41,900,982 | 4,812,666 | 1,272,354 | 14.5% | 295,268 | -100,222 | 876,371 | 185,000 | $76.85 | $77.79 |
Times Square South | 31,122,506 | 6,294,380 | 1,197,018 | 24.1% | -355,543 | -314,388 | 605,710 | 0 | $56.02 | $62.54 |
West Side | 31,178,400 | 5,246,547 | 2,711,823 | 24.1% | -283,227 | -13,817 | 164,440 | 0 | $72.27 | $75.14 |
**Midtown Totals** | 260,605,083 | 44,137,858 | 12,402,589 | 21.7% | 913,163 | 1,483,604 | 5,123,161 | 3,317,460 | $77.05 | $83.95 |
Cheesecake | 17,197,611 | 2,854,278 | 1,069,694 | 22.8% | -286,987 | -369,849 | 175,905 | 226,161 | $74.09 | $96.89 |
Greenwich/NoHo | 5,346,280 | 1,174,269 | 140,326 | 24.6% | -144,120 | -34,241 | 64,222 | 0 | $108.70 | $128.13 |
Hudson Square/West Village | 10,140,993 | 1,517,977 | 859,642 | 23.5% | 51,067 | -324,253 | 227,469 | 2,679,430 | $84.61 | $93.55 |
Madison/Union Square | 30,230,158 | 5,603,906 | 1,474,136 | 23.4% | -258,549 | -290,859 | 792,665 | 1,502,223 | $68.29 | $78.46 |
SoHo | 4,656,175 | 773,194 | 58,328 | 17.9% | -147,984 | -8,373 | 13,530 | 0 | $77.88 | $89.00 |
**Midtown South Totals** | 67,571,217 | 11,923,624 | 3,602,126 | 23.0% | -786,573 | -1,027,575 | 1,273,791 | 4,407,814 | $75.84 | $93.54 |
City Hall | 7,731,533 | 779,333 | 55,851 | 10.8% | -26,866 | -27,541 | 62,480 | 0 | $50.87 | $53.24 |
Financial East | 30,327,077 | 4,663,604 | 2,713,140 | 24.3% | -188,037 | -464,564 | 274,264 | 0 | $52.70 | $54.63 |
Financial West | 6,211,658 | 1,792,158 | 391,290 | 35.2% | -148,676 | -81,863 | 69,164 | 0 | $52.19 | $63.27 |
Insurance | 12,668,839 | 3,972,654 | 475,461 | 35.1% | -210,225 | -301,609 | 734,701 | 0 | $51.95 | $53.79 |
TriBeCa | 4,921,026 | 500,622 | 337,293 | 17.0% | -8,466 | -169,737 | 1,922 | 0 | $63.15 | $63.30 |
World Trade | 24,144,411 | 2,451,979 | 2,688,771 | 21.3% | -830,653 | -813,727 | 249,285 | 0 | $65.89 | $67.68 |
**Downtown Totals** | 86,004,544 | 14,160,350 | 6,661,806 | 24.2% | -1,412,923 | -1,859,041 | 1,391,816 | 0 | $56.27 | $60.03 |
**Manhattan Totals** | 414,180,844 | 70,221,832 | 22,666,521 | 22.4% | -1,286,333 | -1,403,012 | 7,788,768 | 7,725,274 | $72.12 | $79.59 |

*Rental rates reflect full service asking.

### Key Lease Transactions Q2 2023

<table>
<thead>
<tr>
<th>Property</th>
<th>Submarket</th>
<th>Tenant</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 William Street</td>
<td>Insurance</td>
<td>Department of Citywide Administrative Services (DCAS)</td>
<td>640,744</td>
</tr>
<tr>
<td>51 West 52nd Street</td>
<td>Sixth Avenue/Rock Center</td>
<td>Wachtell, Lipton, Rosen &amp; Katz</td>
<td>242,464</td>
</tr>
<tr>
<td>200 Park Avenue</td>
<td>Park Avenue</td>
<td>Paul Hastings</td>
<td>224,847</td>
</tr>
<tr>
<td>51 West 52nd Street</td>
<td>Sixth Avenue/Rock Center</td>
<td>Wilson Sonsini Goodrich &amp; Rosati</td>
<td>118,967</td>
</tr>
</tbody>
</table>

*Renewals not included in leasing statistics

### Key Sales Transactions Q2 2023

<table>
<thead>
<tr>
<th>Property</th>
<th>Submarket</th>
<th>Seller / Buyer</th>
<th>SF</th>
<th>Price / $ PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>245 Park Avenue (49.9% partial interest)</td>
<td>Park Avenue</td>
<td>SL Green / Mori Trust</td>
<td>1,611,046</td>
<td>$1,241 / $1241</td>
</tr>
<tr>
<td>555 Greenwich Street</td>
<td>Hudson Square/West Village</td>
<td>Trinity Church Real Estate / Trinity Hudson Holdings</td>
<td>208,058</td>
<td>$415.4M / $1,996</td>
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<tr>
<td>126 East 56th Street</td>
<td>East Side/UN</td>
<td>Pearmark RE Partners / Sovereign Partners</td>
<td>157,265</td>
<td>$113M / $719</td>
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</tbody>
</table>

### Completed Construction Q2 2023

<table>
<thead>
<tr>
<th>Property</th>
<th>Submarket</th>
<th>Major Tenant</th>
<th>SF</th>
<th>Owner/Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Manhattan West</td>
<td>Penn Station</td>
<td>Cravath Swaine &amp; Moore, KPMG, Clifford Chance, D.E. Shaw, Crowell &amp; Moring</td>
<td>1,945,245</td>
<td>Brookfield/Qatar Investment Authority</td>
</tr>
</tbody>
</table>
MARKETBEAT
MANHATTAN
Office Q2 2023

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