

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
23.5% Vacancy Rate	▲	▲
-7.6M YTD Net Absorption, SF	▼	▲
\$72.98 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.7M New York City Employment	▲	▲
5.0% New York City Unemployment Rate	▲	▼
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Office-Using Employment Declines in Q3 2024 Despite A Steady Increase in the Financial Services Sector

Total employment in New York City slightly dipped over the past two months to 4.7 million jobs as of August, following an all-time high in Q2 2024. Education and health services dropped to a six-month low of 1.2 million jobs, as leisure and hospitality declined for each of the past two months to 461,000 jobs. Office-using employment fell by 19,300 jobs during the quarter to 1.5 million, mainly due to a decline in information services employment which contracted by 5,800 jobs. Meanwhile, the financial services sector continued to grow steadily, reaching 506,700 jobs, a year-over-year (YOY) uptick of 3,000 jobs.

SUPPLY AND DEMAND: Total Manhattan Leasing Achieves a Significant YOY Increase

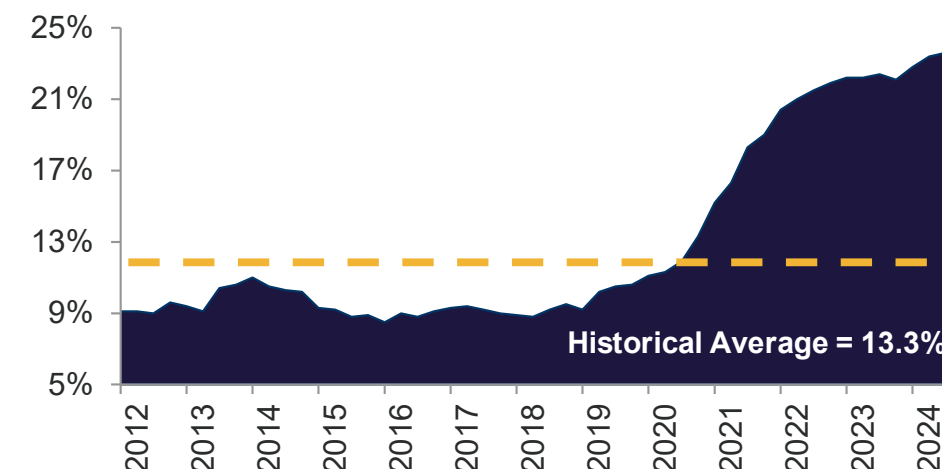
The Manhattan office market recorded 5.3 million square feet (msf) of new leasing demand in Q3 2024, down by 15.9% from the prior quarter but still the second-highest quarter in two years and a substantial boost from the 2023 quarterly average of 4.5 msf. Despite the decline in quarterly leasing, year-to-date (YTD) activity accelerated by 31.1% from Q3 2023 levels with 16.7 msf transacted. Five new and expansion leases exceeding 100,000 square feet (sf) were recorded during the quarter, contributing to the increase in YTD deal volume. The financial services sector remained the key source of demand in the third quarter, accounting for 36.3% of YTD new leases greater than 10,000 sf. YTD lease renewals totaled 6.0 msf—a 38.3% jump compared to the 4.4 msf recorded one year ago with five of the top 10 renewals including a considerable expansion component. Combined new and renewal leasing totaled 22.7 msf, up by 33.1% from 17.1 msf during the same period in 2023.

Overall vacancy dipped by 20 bps in the third quarter to 23.5%, fueled by healthy leasing activity along with the removal of five buildings slated for residential conversion. There were also no new office developments in Manhattan for the second consecutive quarter. Direct vacant space fell by a marginal 0.7% to 76.7 msf, while sublease space shrank by 2.6% during the quarter to 22.0 msf, marking the lowest level in a year. YTD absorption remained negative for the third straight quarter, totaling 7.6 msf of occupancy losses.

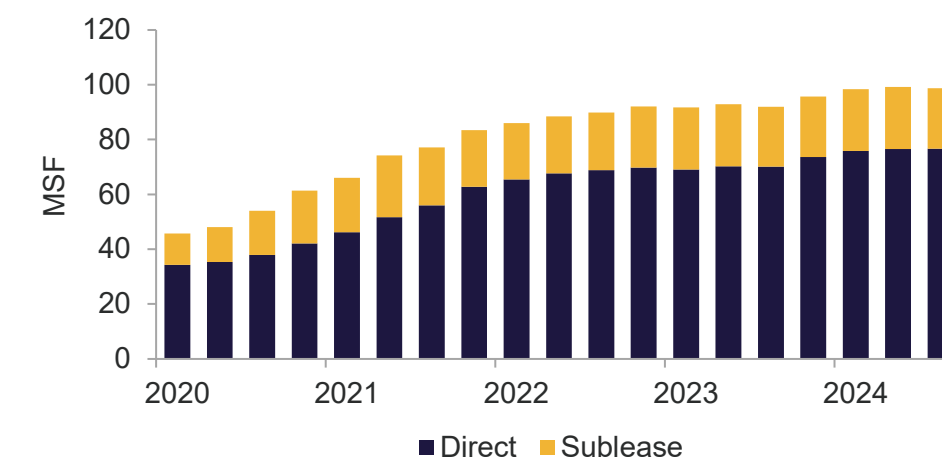
PRICING: Higher-Priced Class A Space Additions Push Asking Rents higher in Midtown and Midtown South

Manhattan overall asking rents dipped by a minimal \$0.06 per square foot (psf) in Q3 2024 to \$72.98, while Class A rents edged up by \$0.11 to \$81.12 psf. Midtown asking rents rose by \$0.18 to \$78.21 psf, with Class A rents rising by \$0.32 to \$86.04 psf. Midtown South overall asking rents fell by \$0.22 to \$78.24 psf, while Class A rents increased by \$1.78 to \$96.28 psf, driven by higher-priced space entering the market at 114 Fifth Avenue. Downtown rents decreased by \$0.23 to \$55.39 psf, as Class A rents were down by \$0.41 to \$58.71 psf.

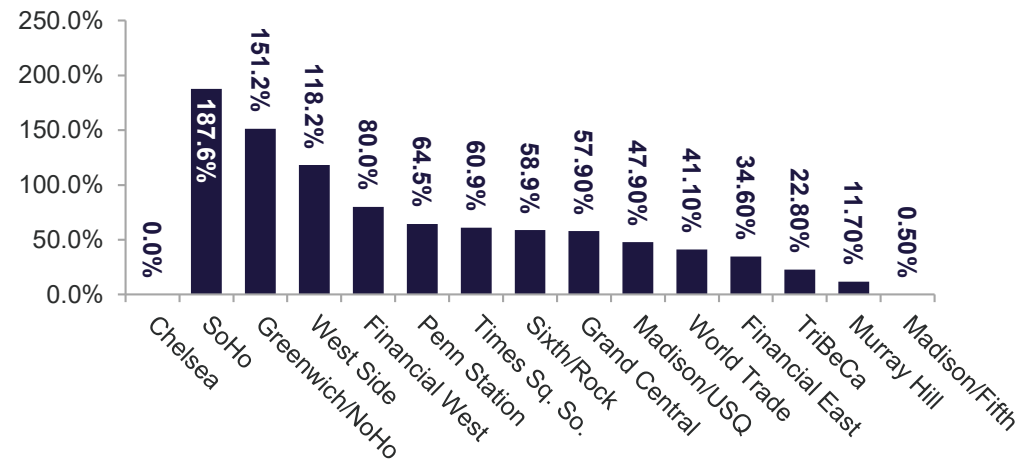
OVERALL VACANCY



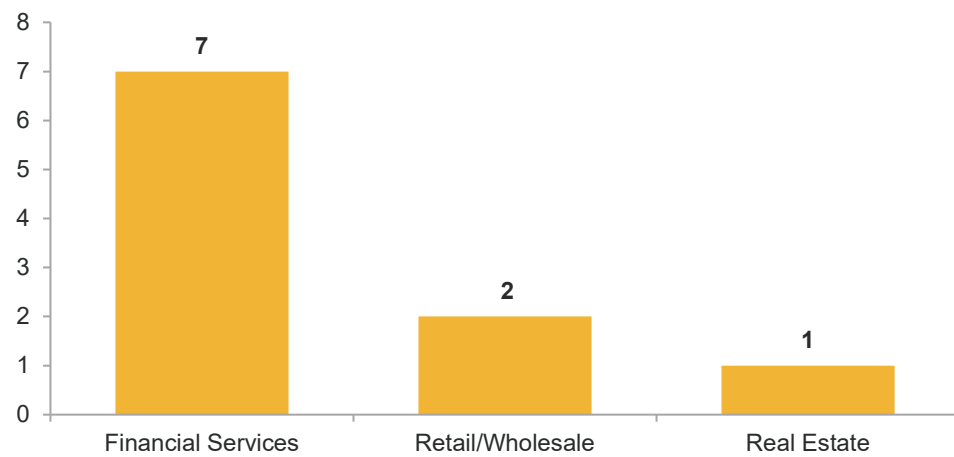
DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



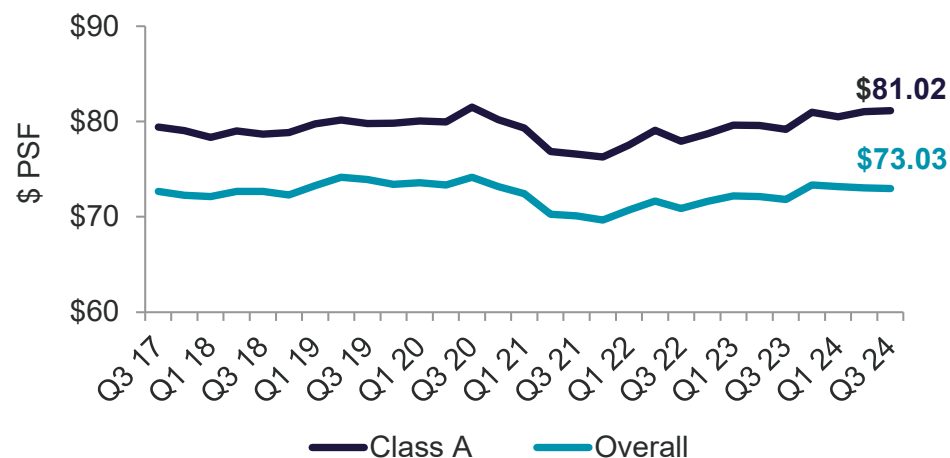
NEW LEASING INCREASES IN 15 OF 20 SUBMARKETS
YOY INCREASE



FINANCIAL SERVICES COMPRISE 7 OF TOP 10 LEASES
NEW & LEASE RENEWALS Q3 2024



ASKING RENT COMPARISON



MIDTOWN

Midtown new leasing dropped to a three-quarter low of 3.5 msf but was up from 2.6 msf in Q3 2023. Despite the quarterly decline, Midtown had the strongest leasing demand with the three largest Manhattan new and expansion leases of the quarter occurring there. Midtown YTD leasing registered 11.4 msf, up by 31.4% from 8.7 msf one year ago, with 81.6% concentrated in the Class A sector. Midtown YTD lease renewals totaled 5.4 msf, up by 70.2% YOY with four of the top five renewals concentrated in the Park Avenue submarket where three transactions included an expansion of the tenant’s current footprint. Combined new and renewal leasing amounted to 16.8 msf, leaping by 41.7% from 11.8 msf this time in 2023. Midtown vacancy declined by 20 bps to 22.5%, fueled by three lease transactions greater than 100,000 sf. Although Midtown YTD Class A absorption registered negative 2.9 msf, absorption in Q3 2024 was positive at 368,975 sf.

MIDTOWN SOUTH

Midtown South new leasing exceeded 1.0 msf for the second consecutive quarter, reaching 1.2 msf—well-above the 2023 quarterly average of 722,100 sf. Four leases each greater than 50,000 sf were transacted, accounting for a quarter of Midtown South activity. Midtown South YTD new leasing hit nearly 3.4 msf, 16.8% higher than the 2023 annual total of 2.9 msf. Excluding Hudson Square/West Village, four of the five Midtown South submarkets recorded a significant increase in YOY new leasing activity. New and renewal YTD leasing reached a combined total of 3.7 msf, up by 68.2% YOY. Overall vacancy increased by 100 bps to 26.3% partially due to the addition of 164,681 sf at 345 Hudson Street. Overall YTD absorption was negative for the third quarter, registering negative 1.5 msf.

DOWNTOWN

Downtown new leasing increased by 1.5% QOQ to 606,961 sf, led by Stubhub’s 103,188-sf lease at Four World Trade Center along with two leases greater than 50,000 sf. Although YTD new leasing fell by 5.7% YOY to 1.9 msf, four of the six submarkets—excluding City Hall and Insurance—recorded a YOY uptick in activity. Combined new and renewal leases reached 2.2 msf YTD, a 26.4% YOY decline. Overall vacancy dipped to a three-quarter low of 24.4%, up 50 basis points (bps) YOY from 23.9%. Overall absorption was negative at 1.2 msf.

OUTLOOK

- The Manhattan office market is on pace to surpass 2023’s full year leasing activity by October
- Limited quality space options will likely place continued upward pressure on Class A rents
- More residential conversions are starting to materialize but unlikely to have a significant impact on vacancy in the near future

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	21,567,733	4,183,790	317,102	20.90%	1,153	96,310	609,456	0	\$71.22	\$71.78
Grand Central	45,800,681	7,887,667	2,041,349	21.70%	-69,700	-562,509	2,313,118	202,290	\$66.32	\$69.02
Madison / Fifth	23,674,274	4,864,965	541,885	22.80%	-38,782	-376,562	1,405,571	135,300	\$110.73	\$120.00
Murray Hill	14,883,527	3,240,525	670,657	26.30%	-306,808	-637,574	517,572	0	\$55.55	\$56.51
Park Avenue	20,792,570	1,861,068	769,426	12.70%	191,355	609,529	1,229,843	2,500,000	\$110.01	\$110.01
Penn Station	31,900,614	5,033,605	2,903,950	24.90%	97,890	-84,697	1,593,425	0	\$107.60	\$115.98
Sixth Avenue/Rock Center	41,900,982	6,278,837	1,451,759	18.50%	-291,109	-1,275,840	1,747,890	185,000	\$82.78	\$83.99
Times Square South	30,278,361	6,847,455	772,674	25.20%	168,054	-871,121	1,320,644	0	\$54.21	\$68.79
West Side	30,908,797	6,194,615	3,034,961	29.90%	-367,569	-1,661,917	673,400	0	\$71.62	\$73.66
MIDTOWN TOTALS	261,707,539	46,392,527	12,503,763	22.50%	-615,516	-4,764,381	11,410,919	3,022,590	\$78.21	\$86.04
Chelsea	17,205,338	3,401,543	808,356	24.50%	-232,628	-227,969	748,746	295,348	\$70.99	\$95.53
Greenwich/NoHo	5,369,733	1,284,711	111,213	26.00%	-63,662	-342,565	320,902	175,284	\$110.37	\$122.80
Hudson Square/West Village	13,448,899	2,153,884	954,059	23.10%	-357,228	784,661	206,630	0	\$86.92	\$99.02
Madison/Union Square	31,217,461	7,475,606	1,159,313	27.70%	-798,990	-1,141,010	1,899,127	0	\$73.87	\$92.97
SoHo	4,819,015	1,234,793	369,225	33.30%	-137,060	-621,709	198,769	0	\$80.90	\$82.72
MIDTOWN SOUTH TOTALS	72,060,446	15,550,537	3,402,166	26.30%	-1,589,568	-1,548,592	3,374,174	470,632	\$78.24	\$96.28
City Hall	7,705,533	928,278	73,704	13.00%	-51,434	-177,246	66,952	0	\$50.51	\$52.19
Financial East	29,924,951	5,484,458	2,360,669	26.20%	96,250	-954,734	787,843	0	\$52.00	\$53.64
Financial West	6,211,658	1,708,696	334,806	32.90%	16,792	57,031	204,902	0	\$51.87	\$59.25
Insurance	12,587,451	3,685,836	500,387	33.30%	-201,807	214,767	230,587	0	\$52.22	\$55.79
TriBeCa	4,921,026	579,435	245,151	16.80%	16,806	-83,363	63,289	0	\$65.95	\$65.91
World Trade	24,144,411	2,375,188	2,560,009	20.40%	-134,021	-298,277	562,994	0	\$63.50	\$64.95
DOWNTOWN TOTALS	85,495,030	14,761,891	6,074,726	24.40%	-257,414	-1,241,822	1,916,567	0	\$55.39	\$58.71
MANHATTAN TOTALS	419,263,015	76,704,955	21,980,655	23.50%	-2,462,498	-7,554,795	16,701,660	3,493,222	\$72.98	\$81.02

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
345 Park Avenue	Park Avenue	Blackstone Group	1,060,000	Expansion/Renewal*
245 Park Avenue	Park Avenue	Ares Management Corporation	307,336	Expansion/Renewal*
375 Park Avenue	Park Avenue	Blue Owl Capital	238,673	Expansion/Renewal*

*Renewals not included in leasing statistics

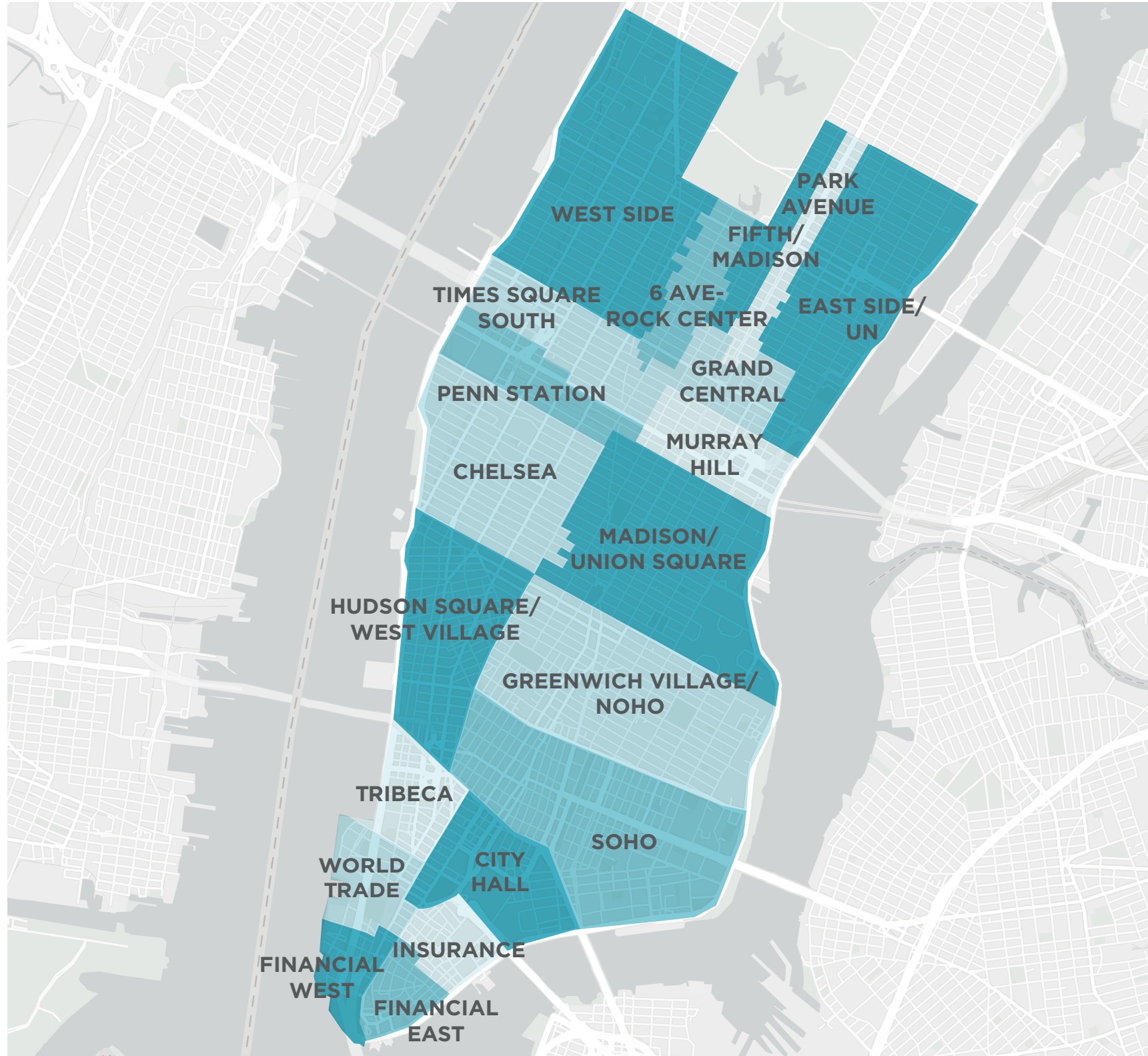
KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
180 Maiden Lane	Insurance	99c LLC (Carlo Bellini) / Banyan Street Capital JV Clarion Partners	600,000	\$297.0M / \$302
625 Madison Avenue	Madison/Fifth	Related Companies/ SL Green	563,000	\$634.6M / \$1,127
321 West 44 Street	West Side	Namdar Realty Group JV Empire Capital Holdings JV Mason Asset Management / Related Companies	181,021	\$40.5M / \$224

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
No significant construction completions				

OFFICE SUBMARKETS



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