

Downtown Manhattan Office Market

Downtown's Sluggish First Quarter Yields Record Low Activity

Downtown had a slow start to 2021, accounting for just 8.0% of Manhattan's leasing volume in the first quarter. Activity totaled 353,763 square feet, reaching its lowest quarterly velocity on record one year after the pandemic began. Coupled with a sizeable rise in availability, a weak leasing volume led to 2.1 million square feet in negative absorption and the weakest quarterly absorption figure since the 2001 recession. The market experienced a dramatic slowdown in both the number and size of deals. IPC Systems completed the largest deal at 1 State Street Plaza, where it finalized a five-year renewal for 26,652 square feet. Public Health Solutions signed the second-largest transaction, renewing its 26,598-square-foot office at 40 Worth Street for ten years.

Downtown has seen a reduction in the size and volume of tenant relocations through the pandemic, which have historically buoyed the market. In 2021 to date, seven of the top ten largest deals were relocations but their deal size averaged just 14,115 square feet, a sharp contrast to the first quarter of 2020, which yielded 20 relocations over that size. In the first quarter, the Consulate General of Morocco signed the largest relocation and will move to 18,294 square feet at 55 Broadway from Midtown. The Golden Goose, an Italian fashion brand, will also relocate Downtown after committing to a 13,566-square-foot office at 120 Broadway and will move from Chelsea. Finally, there were several moves within Downtown, including Lactalis, a U.S. subsidiary of a French dairy company, which will move to 14,752 square feet at 80 Pine Street from 77 Water Street, and Radancy, a recruiting technology platform, which will move to 15,622 square feet at 1 Battery Park Plaza from 125 Broad Street. All but Radancy committed to terms of ten years or more, in a sign that relocating tenants are still confident in the future of a Downtown location. This trend has remained true through the pandemic to date; private sector companies, including AIG at 28 Liberty and PolicyGenius at 32 Old Slip, as well as the New York City Council at 250 Broadway, all signed deals of at least 135 months in 2020.

Availability Posts Biggest Quarterly Jump Since 2001

The Downtown availability rate rose 194 basis points from last quarter to 16.6%, in the sharpest quarterly rise since third-quarter 2001. This increase was due to the persistent growth of sublease supply, as well as the addition of over 1.2 million square feet of

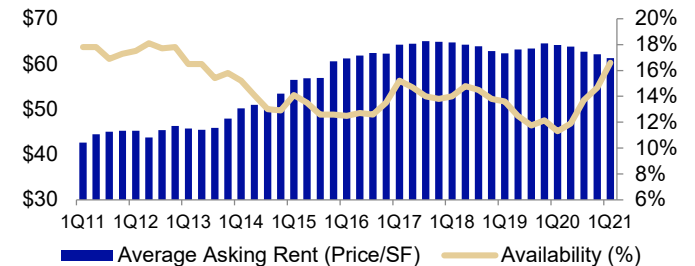
NEWMARK

Current Conditions

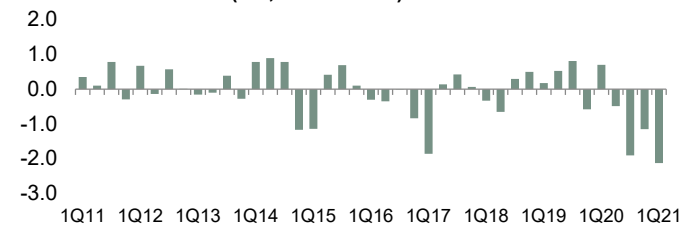
- Leasing velocity drops to record quarterly low in quiet start to 2021, as a lack of large deals defines the market.
- Availability jumped in the first quarter, reaching 16.6%, after significant additions were made across both direct and sublease space.
- The development team was finalized for World Trade Center Site 5, the final portion of the World Trade Center Campus, which will include 190,000 square feet of office space.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	95.4 MSF	95.4 MSF	95.3M	↑
Availability Rate	16.6%	14.7%	11.3%	↑
Quarterly Net Absorption	-2,125,017	-1,153,133	704,358	↓
Avg. Ask Rent	\$61.27	\$62.12	\$64.18	↓
Under Const.	100,172 SF	80,000 SF	80,000	↑
Deliveries	0 SF	0 SF	0	↓

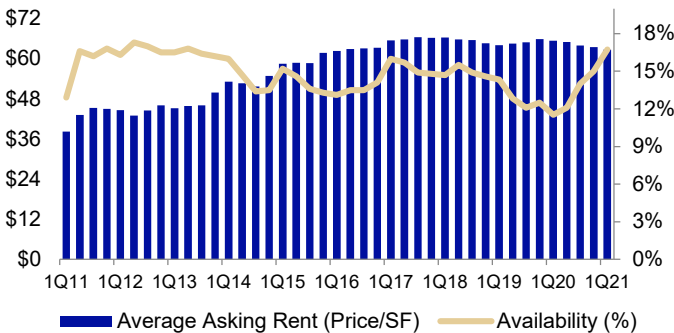
direct space, in its largest jump in four years. The supply of direct space is nearly 10.9 million square feet due to new large blocks, including two blocks of 148,000 square feet at 4 New York Plaza and 417,000 square feet at 140 Broadway where Brown Brothers Harriman plans to vacate its offices. Other significant additions include more than 133,000 square feet of direct space at 25 Broadway. The expansion of sublease supply also accelerated Downtown after a slight slowdown in fourth-quarter 2020, with 605,141 square feet of space added in 2021 to date. Among the most significant new subleases is 89,896 square feet available from the GAP at 40 Worth Street and 79,000 square feet from National Debt Relief at 180 Maiden Lane. Despite this upswing in available space, Downtown's 16.6% availability rate still trails levels in Midtown and Midtown South, where rates have now reached 17.5% in both markets.

Direct Asking Rents Drop 1.9% in First Notable Drop of Pandemic

Downtown's overall average asking rent fell 1.4% quarter over quarter to \$61.27/SF, with the bulk of this drop attributed to a decline in direct asking rents. The direct average asking rent is now \$64.17/SF after the biggest quarterly downward shift since second-quarter 2012. Prior to this quarter, Downtown's direct asking rents had bucked the trend seen elsewhere in Manhattan, where direct asking rents have seen a steady decline over the last year. Despite this reversal in pattern, the Downtown direct average asking rent is down by just \$1.75/SF year over year, but Midtown and Midtown South correspond to more notable drops of \$6.97/SF and \$6.11/SF, respectively.

Class A

AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



5 World Trade Center Development Team Finalized

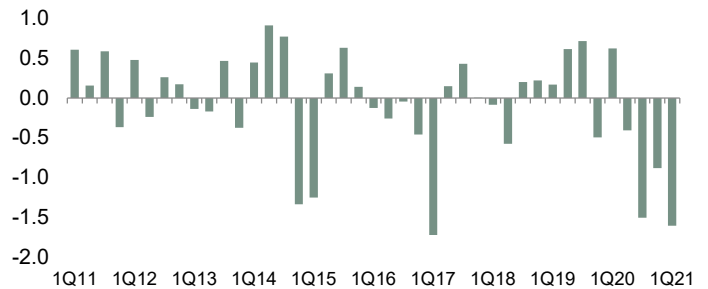
In February 2021, the Port Authority of New York and New Jersey and the Lower Manhattan Development Corporation announced the approved development team for Site 5, one of the final cornerstones of the World Trade Center plan in a sign of long-term optimism for the market. A partnership between Silverstein Properties, Brookfield Properties, Omni New York and Dabar Development Partners will develop the 1.6 million-square-foot tower, including 190,000 square feet of office space, 1,325 apartments, community space and retail. When Site 5, as well as the still-planned 2.8-million-square foot 2 World Trade Center are complete, the World Trade Center Campus will feature 12.5 million square feet of office space across six towers and comprise 12.7% of Downtown Manhattan's office inventory.

Positive Signs Indicate Recovery on Horizon

Despite low activity in the first quarter, several positive signs point to potential increased activity in future months. In late March, Mayor de Blasio announced that 80,000 city employees will return to the office starting on May 3, reoccupying buildings like the David Dinkins Municipal Building at Centre and Chambers Streets, in an encouraging sign for Downtown. Also, eight new tenants totaling over 350,000 square feet of requirements entered the market for space Downtown in the first quarter. While down from levels in first quarter 2020, this is on par with the first quarter of 2019 when seven new tenants looking for a total of 305,000 square feet began searches Downtown.

Class A

NET ABSORPTION (SQUARE FEET, MILLIONS)



Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
IPC Systems	Downtown East	1 State Street Plaza	Direct Renewal	26,652
Public Health Solutions	Tribeca/City Hall	40 Worth Street	Direct Renewal	26,598
Consulate General of Morocco	Downtown West	55 Broadway	Direct New	18,294
Radancy	Downtown East	1 Battery Park Plaza	Direct New	15,622
Lactalis	Downtown East	80 Pine Street	Direct New	14,752

Submarket Statistics

Market	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Midtown	290,337,587	10,586,328	17.5%	(5,866,004)	(5,866,004)	\$82.66	\$60.18	\$77.48
Eastside	24,840,019	0	21.5%	(493,773)	(493,773)	\$77.75	\$54.07	\$74.75
Far West Side	12,128,159	9,662,418	9.7%	(26,144)	(26,144)	\$118.38	\$80.71	\$110.83
Grand Central	48,897,768	0	17.3%	(1,225,271)	(1,225,271)	\$80.71	\$58.74	\$75.61
Murray Hill	7,901,296	0	18.3%	(263,513)	(263,513)	\$61.91	\$50.14	\$58.58
Park Avenue	25,951,299	0	16.1%	(262,186)	(262,186)	\$112.18	\$73.00	\$101.46
Penn District	22,418,031	923,910	14.5%	(587,861)	(587,861)	\$71.20	\$60.09	\$65.71
Plaza District	26,151,433	0	19.2%	(119,178)	(119,178)	\$104.45	\$83.99	\$102.29
Sixth Ave/Rock Center	45,329,301	0	13.2%	(759,925)	(759,925)	\$85.38	\$57.50	\$78.91
Times Square	14,834,999	0	28.0%	(1,284,750)	(1,284,750)	\$78.80	\$68.63	\$77.40
Times Square South	35,904,109	0	18.5%	(669,520)	(669,520)	\$55.51	\$46.14	\$53.16
Westside	25,981,173	0	19.7%	(173,883)	(173,883)	\$79.03	\$61.65	\$74.22
Midtown South	77,184,942	3,351,397	17.5%	(1,686,660)	(1,686,660)	\$82.43	\$63.55	\$76.60
Chelsea	30,045,281	685,110	17.0%	(881,895)	(881,895)	\$73.70	\$61.81	\$69.80
East Village	1,712,321	480,199	30.4%	(1,924)	(1,924)	\$85.43	\$59.00	\$85.25
Flatiron/Union Square	23,431,805	1,015,035	18.5%	(434,775)	(434,775)	\$86.76	\$61.48	\$80.26
Hudson Sq./Meatpacking	11,591,091	988,866	15.5%	(94,219)	(94,219)	\$95.11	\$66.85	\$79.55
NoHo/SoHo	10,404,444	182,187	16.8%	(273,847)	(273,847)	\$85.18	\$68.82	\$81.70
Downtown	95,425,530	100,172	16.6%	(2,125,017)	(2,125,017)	\$64.17	\$54.86	\$61.27
Downtown East	50,039,137	80,000	15.9%	(1,158,055)	(1,158,055)	\$57.97	\$49.80	\$55.72
Downtown West	36,676,367	0	18.2%	(652,087)	(652,087)	\$68.95	\$59.44	\$65.41
Tribeca/City Hall	8,710,026	20,172	13.3%	(314,875)	(314,875)	\$81.20	\$53.60	\$75.70
Manhattan	462,948,059	14,037,897	17.3%	(9,677,681)	(9,677,681)	\$79.15	\$59.57	\$74.06

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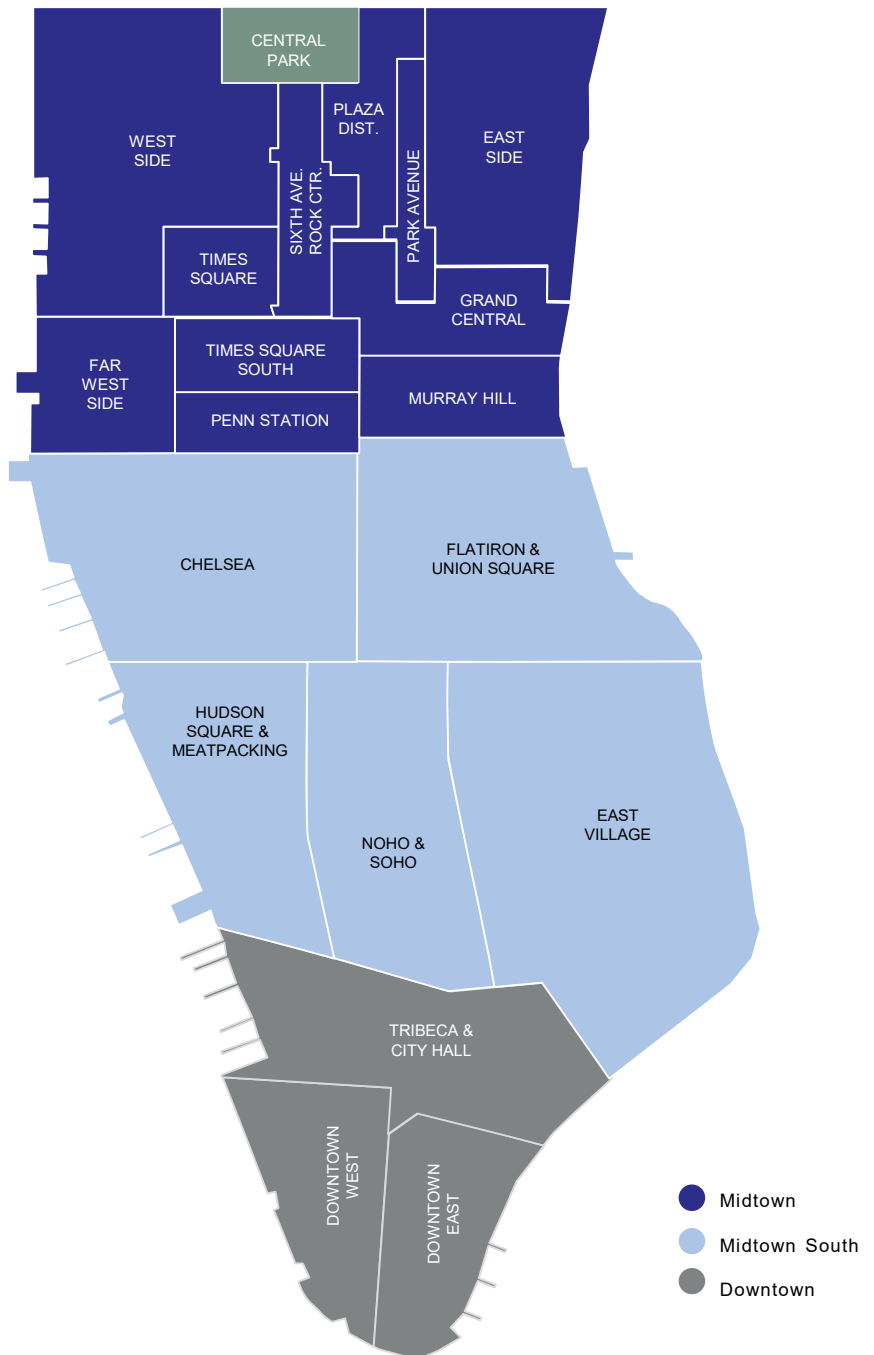
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