

# Midtown Office Market

## Midtown Leasing Carries Manhattan Activity

Midtown leasing activity rose slightly from the previous quarter, reaching 3.4 million square feet. Although first quarter leasing output lagged the 10-year quarterly average by 38.3%, Midtown accounted for 77.4% of Manhattan activity. Through the pandemic, Midtown has driven Manhattan leasing, with 73.2% of total volume over the past year, compared to just 58.1% in 2019.

There were six first-quarter deals in Midtown that eclipsed 100,000 square feet each, led by Blackstone's extension and expansion at 345 Park Avenue for 720,000 square feet. These deals totaled 1.4 million square feet and accounted for 41.5% of Midtown activity and 32.1% of Manhattan activity. The other deals included Mount Sinai's 167,348-square-foot deal at 787 Eleventh Avenue, Houlihan Lokey's direct lease at 245 Park Avenue, Seyfarth Shaw's extension at 620 Eighth Avenue, AXA's move from 1290 Avenue of the Americas to 1345 Avenue of the Americas and Jennison Associates's relocation from 237 Park Avenue to 55 East 52nd Street. These deals were for over five-year terms, aside from the extension portion of Blackstone's deal, which is one year.

The Midtown availability rate spiked 180 basis points during the first quarter to 17.5%, the highest level on record. This is the third consecutive quarter of record-high availability in Midtown. The rise can be attributed to a 10.0% quarterly increase in direct available space and a 17.7% quarterly increase in sublease space. There were 36 properties that added more than 50,000 square feet of available space through the quarter, eight of which were contiguous blocks of more than 100,000 square feet each. Three of the eight large blocks were sublease space additions, including 290,000 square feet from PwC at 300 Madison Avenue, 127,600 square feet from Mizuho Securities at 1251 Avenue of the Americas and 125,000 square feet from Related at 423 West 55th Street. Other notable space additions were 241,000 square feet at 1166 Avenue of the Americas from Marsh & McLennan on a direct basis and the entirety of Five Times Square.

With a record high in available space and sluggish leasing activity, quarterly absorption started 2021 at negative 5.9 million square feet, the second-lowest historical output behind the second quarter of 2020.

There were two construction completions during the first quarter for a total of 795,244 square feet at 106 West 56th Street and 425 Park Avenue.

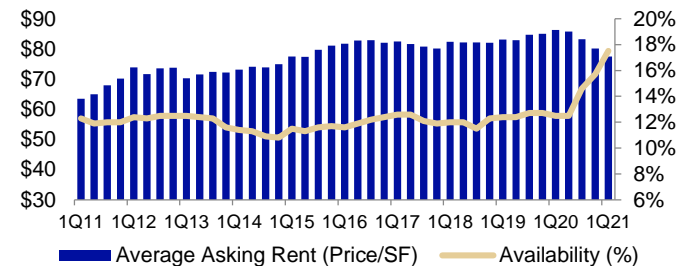
## NEWMARK

## Current Conditions

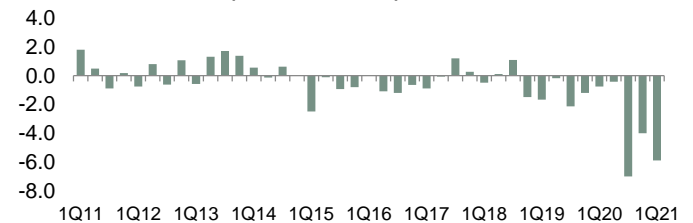
- Leasing output was 38.3% below the 10-year-quarterly-average, but accounted for 77.4% of Manhattan velocity, with 3.4 million square feet.
- For the third consecutive quarter, the availability rate reached a record high, at 17.5%.
- There were 48 new tenant requirements in Midtown during the first quarter for a total of 2.1 million square feet.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	290.3 MSF	289.6 MSF	289.0 MSF	↑
Availability Rate	17.5%	15.7%	12.5%	↑
Quarterly Net Absorption	-5,866,004	-3,980,116	-744,315	↓
Avg. Ask Rent	\$77.48	\$80.11	\$86.28	↓
Under Const.	10.6 MSF	11.4 MSF	13.1 MSF	↑
Deliveries	795,244 SF	0 SF	0.1 MSF	↑

## RESEARCH Q1 2021

Hellman & Friedman signed the first deal at 425 Park Avenue since Citadel leased space in 2016 and then expanded in the first quarter of 2019.

Asking rents declined by \$2.63/SF quarter over quarter to \$77.48/SF, dipping below \$80.00/SF for the first time since third-quarter 2015. Asking rents decreased in every submarket in Midtown, with the exception of the Penn District. Eight of the 11 submarkets experienced a quarterly drop greater than \$1.00/SF, with Grand Central, Park Avenue, Plaza District and Sixth Ave/Rock Center all falling by over \$3.00/SF.

The decline in asking rents was due to a multitude of factors including rental reductions, the removal of high-priced space from the market, and a surge in low-priced sublease space. There were 29 buildings in Midtown that lowered direct asking rents during the first quarter. Additionally, lower-priced sublease space was added at 1251 Avenue of the Americas, 350 Fifth Avenue and 230 Park Avenue. Finally, high-priced space was removed from the market at 767 Fifth Avenue.

### Improved Pandemic Conditions Translate to Early Signs of Optimism in the Market

A year has passed since the onset of the pandemic, and although Midtown market fundamentals are trending downward, the market was improved from this time last year.

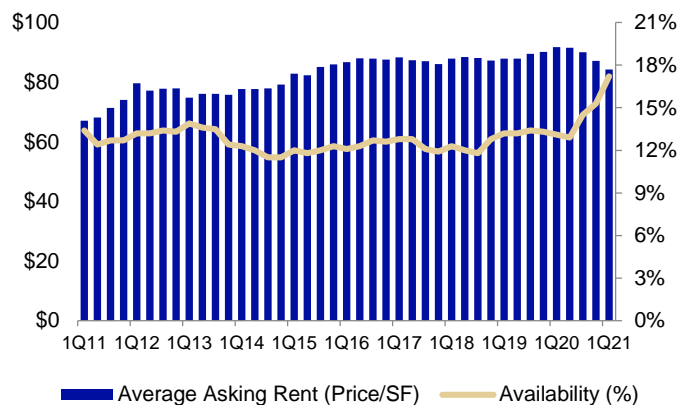
In the past year, firms such as Facebook, BNP Paribas, TikTok, Raymond James, Noom and Apple have all committed to Midtown with long-term leases. Corporate reboarding announcements include Facebook, Apple and Amazon allowing most workers to return to the office by the end of the second quarter. The City of New York also announced that 80,000 employees will be returning to the office in May of this year. According to Kastle, who tracks key-fob swipes in office properties across the country, New York City is at double the amount of employee occupancy from June 2020. These are all indications that Midtown, and Manhattan as a whole, is set for a recovery.

### Pent-Up Demand

There were 48 new tenant requirements in Midtown during the first quarter for a total of 2.1 million square feet. For reference, from March to October of 2020, there were 44 new tenants in the market for 3.6 million square feet. In the past three months, more space searches were started than in the eight-month span following the onset of the pandemic. Additionally, there were 51 deals for 16 months or less completed in Midtown during 2020 for a total of 1.0 million square feet. These short-term deals and new requirements have not translated to leasing activity yet but offer signs of improved activity to come.

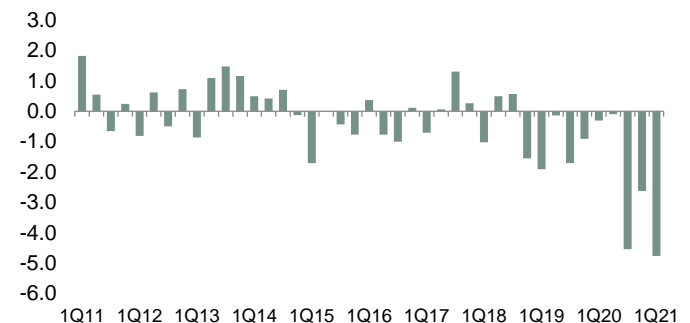
#### Class A

##### AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



#### Class A

##### NET ABSORPTION (SF, MILLIONS)



#### Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Blackstone	Park Avenue	345 Park Avenue	Direct Expansion & Extension	720,000
Mount Sinai	Westside	787 Eleventh Avenue	Direct New	167,348
Houlihan Lokey	Park Avenue	245 Park Avenue	Direct New	148,233
Seyfarth Shaw	Times Square South	620 Eighth Avenue	Direct Extension	132,094
AXA	Sixth Ave/Rock Center	1345 Avenue of the Americas	Direct New	122,898

## 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)
<b>Midtown</b>	<b>290,337,587</b>	<b>10,586,328</b>	<b>17.5%</b>	<b>(5,866,004)</b>	<b>(5,866,004)</b>	<b>\$82.66</b>	<b>\$60.18</b>	<b>\$77.48</b>
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
<b>Midtown South</b>	<b>77,184,942</b>	<b>3,351,397</b>	<b>17.5%</b>	<b>(1,686,660)</b>	<b>(1,686,660)</b>	<b>\$82.43</b>	<b>\$63.55</b>	<b>\$76.60</b>
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
<b>Downtown</b>	<b>95,425,530</b>	<b>100,172</b>	<b>16.6%</b>	<b>(2,125,017)</b>	<b>(2,125,017)</b>	<b>\$64.17</b>	<b>\$54.86</b>	<b>\$61.27</b>
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
<b>Manhattan</b>	<b>462,948,059</b>	<b>14,037,897</b>	<b>17.3%</b>	<b>(9,677,681)</b>	<b>(9,677,681)</b>	<b>\$79.15</b>	<b>\$59.57</b>	<b>\$74.06</b>

For more information:

**New York Headquarters**

125 Park Ave.  
New York, NY 10017  
t 212-372-2000

**Jonathan Mazur**

Senior Managing Director  
212-372-2154  
jmazur@ngkf.com

**Stephanie Jennings**

Managing Director  
212-372-2099  
stjennings@ngkf.com

**Alison Baumann**

Associate Director, Research

**Michael Miceli**

Associate Director, Research

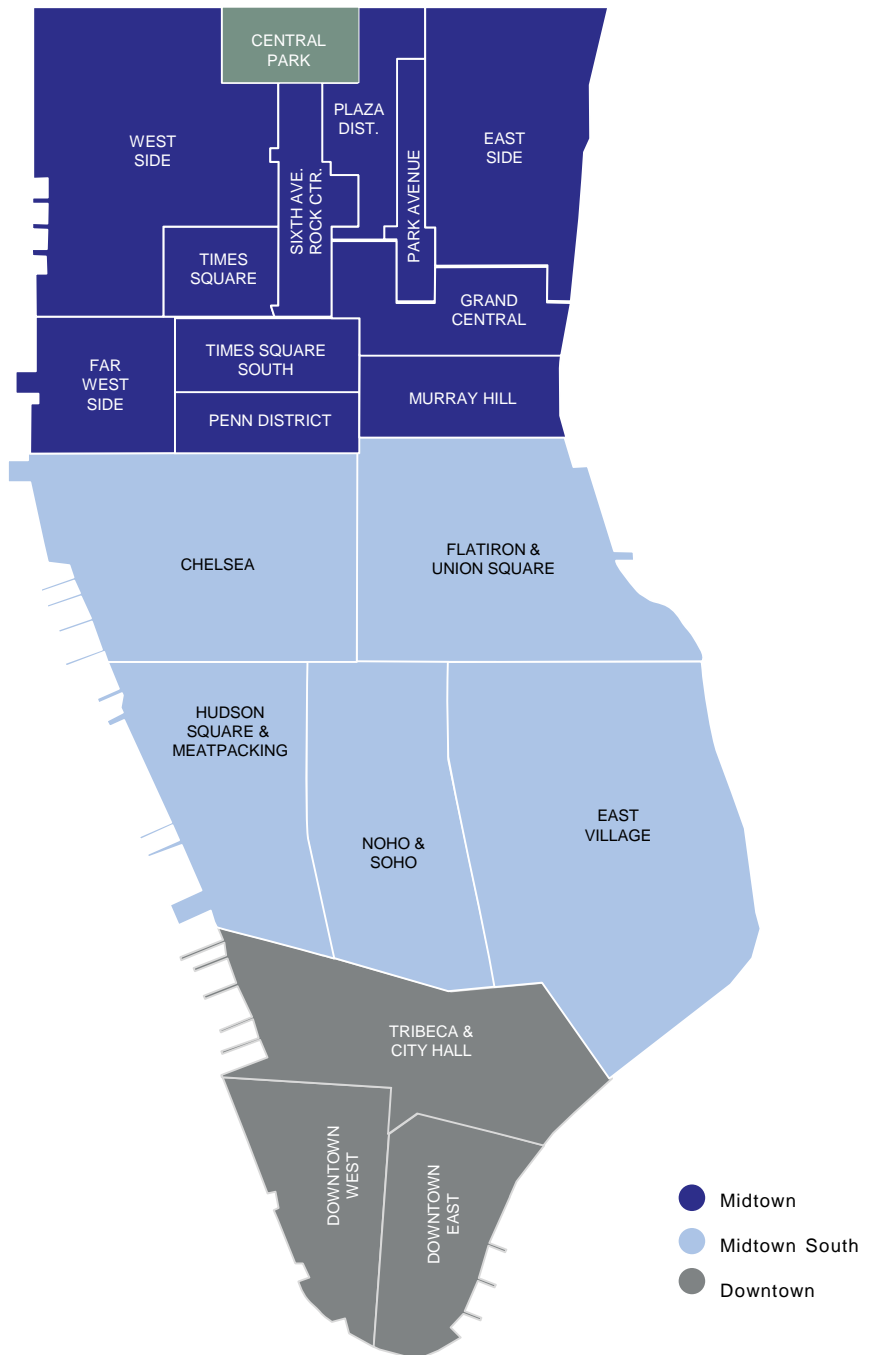
**Stephen Tsamblakos**

Senior Research Analyst

**Ronnie Wagner**

Director, Research

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