

# Downtown Manhattan Office Market

## Leasing Activity Declines Following Two Quarters of Strong Velocity

Downtown activity closed the first quarter at 834,727 square feet, up 57.0% year over year, but down 39.5% decline from the fourth quarter. Velocity remained 49.4% below the five-year average, however. Leasing in Class A buildings increased faster than other classes. First quarter activity marks a 112.2% increase from the prior year.

MJHS signed the largest deal of the quarter, committing to relocate to 138,000 square feet at 55 Water Street. Eight tenants signed a combined 158,556 square feet at One World Trade Center, led by Celonis, which signed an extension and expansion. Other companies to take space in the building included Jordan Park, LiveIntent, eShopWorld, Capital Rx, Guarant, and Iris Software. SI Engineering also signed a lease at the recently constructed 107 Greenwich Street for 10,108 square feet.

Other notable deals included the National Urban League's move to 80 Pine Street, as well as Code Climate and Lattice which signed a total of 83,937 square feet 195 Broadway. The NYS Department of State also finalized a renewal for 45,000 square feet at 123 William Street.

Technology companies, healthcare and law firms drove activity during the quarter. Together, the three industries accounted for 66.1% of all leasing velocity.

## Availability Rate Increases as Leasing Velocity Declines

Following the decline in Downtown velocity, the availability rate closed the first quarter at 21.2%, a quarter-over-quarter increase of 20 basis points.

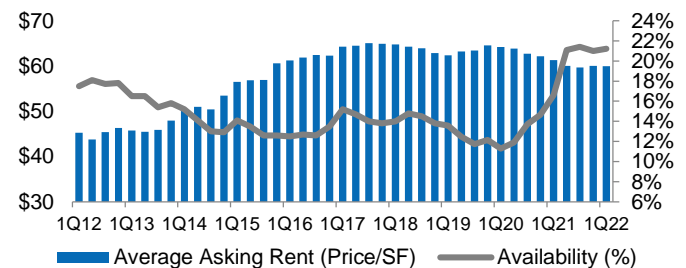
Two large block additions in Downtown West drove that uptick. At 25 Broadway, Teach for America added a 144,000-square-foot sublease to the market, and at 225 Liberty Street, Meredith listed

## Current Conditions

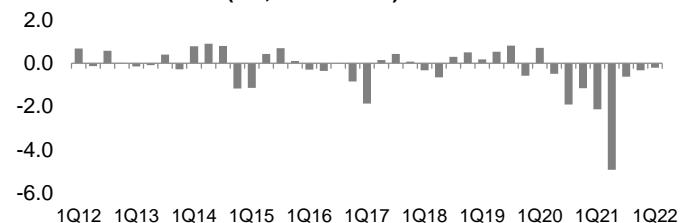
- Downtown leasing activity rose 57.0% year-over-year, but fell 39.5% quarter-over-quarter, following two consecutive quarters of robust leasing
- Class A leasing increased at a faster rate than total velocity, jumping 112.2% from the prior year.
- Downtown asking rent and availability were largely stable over the prior quarter, ending at \$59.98/SF and 21.2%, respectively.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	95.8 MSF	95.8 MSF	95.4 MSF	↑
Availability Rate	21.2%	21.0%	16.6%	↑
Quarterly Net Absorption	-201,985	-325,557	-2,125,017	↓
Avg. Ask Rent	\$59.98	\$60.02	\$61.27	↓
Under Const.	20,172 SF	20,172 SF	100,172 SF	↑
Deliveries	0 SF	0 SF	0 SF	↓

## RESEARCH 1Q 2022

three floors for sublease. That submarket's availability rate increased 80 basis points from the fourth quarter to 17.8%.

The Downtown East overall availability rate declined by 30 basis points from last quarter to 25.2%.

Sublease space contributed to the increase in total availability. In the first quarter, the sublease availability rate increased by 40 basis points from the prior quarter, to 5.3%. This followed increases of 110 basis points in Downtown West and 80 basis points in Tribeca/City Hall.

With limited leasing and two large-block-additions, overall Downtown absorption finished the first quarter at negative 201,985 square feet. While negative, it is the best quarterly absorption total since the start of the pandemic. The Class A market trended similarly with absorption posting the best number since the start of the pandemic, despite ticking negative.

### Asking Rents Remain Stable

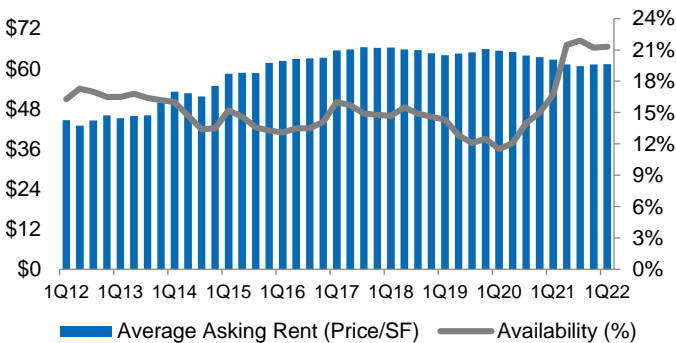
Downtown asking rents were stable quarter over quarter, down just \$0.04/SF, and closing at \$59.98/SF. Meanwhile, Class A properties averaged \$61.35/SF, the highest total since the first quarter of 2021. Despite that increase, asking rents remain 6.1% below pre-pandemic levels.

### Downtown Development Pipeline

There is 20,172 square feet currently under construction Downtown, with few projects in the pipeline. The largest remaining development planned for Downtown is the 2.8 million-square-foot 2 World Trade Center. Other developments in the planning stages include 5 World Trade Center, which will add 190,000 square feet to Downtown inventory; 56 North Moore Street, an office conversion project in Tribeca/City Hall slated to add 75,000 square feet to the market; and additional renovations at 1 Broadway.

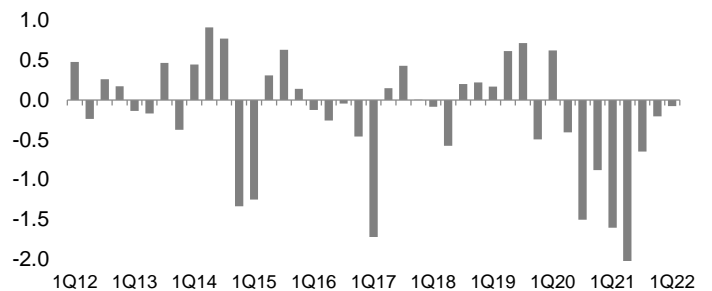
### Class A

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



### Class A

#### NET ABSORPTION (SQUARE FEET, MILLIONS)



### Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
MJHS	Downtown East	55 Water Street	Direct New	138,000
Celonis	Downtown West	1 World Trade Center	Direct Extension & Expansion	75,109
National Urban League	Downtown East	80 Pine Street	Direct New	58,814
New York Department of State	Downtown East	123 William Street	Direct Renewal	45,000
Code Climate	Downtown West	195 Broadway	Direct New	42,000

## 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>298,195,202</b>	<b>9,662,418</b>	<b>18.2%</b>	<b>(996,075)</b>	<b>(996,075)</b>	<b>\$87.97</b>	<b>\$59.12</b>	<b>\$82.55</b>
Eastside	24,819,196	0	23.0%	(209,264)	(209,264)	\$75.71	\$54.41	\$72.82
Far West Side	19,634,299	9,662,418	24.9%	(38,540)	(38,540)	\$154.83	\$93.90	\$148.24
Grand Central	48,897,768	0	17.6%	(579,743)	(579,743)	\$74.07	\$54.63	\$69.93
Murray Hill	7,930,696	0	21.4%	(22,161)	(22,161)	\$63.67	\$45.92	\$60.88
Park Avenue	25,983,580	0	14.4%	(205,236)	(205,236)	\$106.95	\$68.19	\$99.65
Penn District	22,418,031	0	20.7%	(109,202)	(109,202)	\$91.06	\$55.90	\$80.21
Plaza District	26,259,546	0	17.0%	(156,204)	(156,204)	\$99.41	\$77.47	\$97.78
Sixth Ave/Rock Center	45,329,301	0	12.1%	(263,242)	(263,242)	\$84.76	\$60.39	\$80.31
Times Square	14,834,999	0	23.8%	481,404	481,404	\$81.95	\$60.71	\$80.25
Times Square South	35,906,746	0	15.7%	188,024	188,024	\$54.82	\$46.49	\$53.06
Westside	26,181,040	0	21.8%	(81,911)	(81,911)	\$76.66	\$60.09	\$71.35
<b>Midtown South</b>	<b>79,369,611</b>	<b>3,457,332</b>	<b>17.5%</b>	<b>(589,398)</b>	<b>(589,398)</b>	<b>\$85.91</b>	<b>\$68.13</b>	<b>\$81.70</b>
Chelsea	30,770,281	906,000	15.8%	15,365	15,365	\$74.14	\$66.61	\$72.07
East Village	1,712,321	301,321	22.0%	(2,026)	(2,026)	\$88.04	\$72.87	\$87.99
Flatiron/Union Square	24,193,279	1,049,035	22.2%	(102,108)	(102,108)	\$89.69	\$68.03	\$85.65
Hudson Sq./Meatpacking	11,986,799	1,200,976	19.5%	(655,738)	(655,738)	\$100.94	\$70.49	\$90.28
NoHo/SoHo	10,706,931	0	9.1%	155,109	155,109	\$87.93	\$69.61	\$85.53
<b>Downtown</b>	<b>95,781,076</b>	<b>20,172</b>	<b>21.2%</b>	<b>(201,985)</b>	<b>(201,985)</b>	<b>\$63.70</b>	<b>\$48.62</b>	<b>\$59.98</b>
Downtown East	50,382,484	0	25.2%	(24,368)	(24,368)	\$59.50	\$43.36	\$56.14
Downtown West	36,688,566	0	17.8%	(112,355)	(112,355)	\$69.44	\$55.06	\$64.50
Tribeca/City Hall	8,710,026	20,172	12.2%	(65,262)	(65,262)	\$84.09	\$43.62	\$79.37
<b>Manhattan</b>	<b>473,345,889</b>	<b>13,139,922</b>	<b>18.7%</b>	<b>(1,787,458)</b>	<b>(1,787,458)</b>	<b>\$82.30</b>	<b>\$57.83</b>	<b>\$77.17</b>

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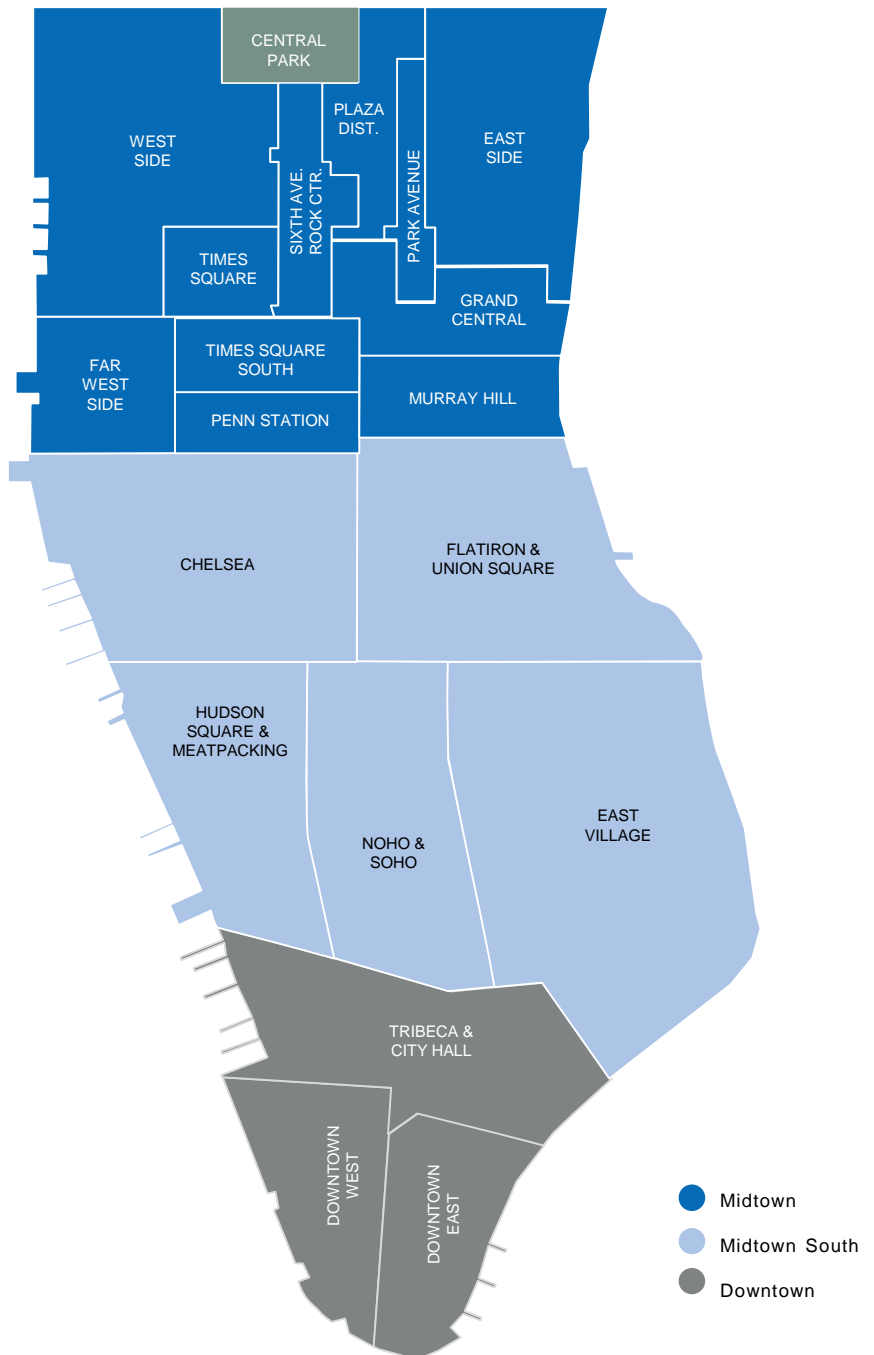
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