

# Manhattan Office Market

## Rent and Demand Tick Upward as Mobility Indicators Improve

Leasing activity was strong in January, but the Omicron variant caused some disruption in activity in February before rebounding in March. As a result, leasing totaled 8.5 million square feet for the quarter, up 0.3% from the fourth quarter, the second highest total since the start of the pandemic. As the Omicron variant waned and cases of COVID-19 continued to steadily decline in New York City, mobility indicators showed a rebound in March with Manhattan companies holding strong on their goals to bring employees back to the office. This coincided with an uptick in active large requirements and numerous new leases, led by Blackstone's 330,000-square-foot renewal and expansion at 601 Lexington Avenue. Midtown activity eclipsed 5.5 million square feet for the second consecutive quarter.

The Manhattan availability rate increased 20 basis points quarter over quarter to 18.7%, as there were ten contiguous large block additions of 100,000 square feet this quarter. They were spread across Manhattan, with four in Midtown, four in Midtown South and two Downtown. Although the Midtown South availability rate decreased by 10 basis points quarter over quarter to 17.5%, the Midtown and Downtown availability rates both increased by 20 basis points to 18.2% and 21.2%, respectively. Following the increased availability rate, quarterly absorption posted at negative 1,787,458 square feet.

Manhattan average asking rents increased by \$0.31/SF quarter over quarter to \$77.17/SF. Grand Central and Park Avenue were the only submarkets to post decreases of more than \$1.00/SF from last quarter. While rents were largely stable over last quarter, rental rate reductions earlier in the pandemic resulted in a drop of \$4.54/SF, or 5.6%, from the pre-pandemic high of \$81.71/SF.

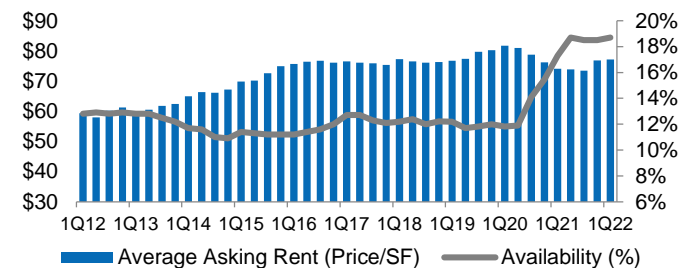
Although there were no deliveries in the first quarter, 13.1 million square feet of product remains under construction. Approximately 68.3% of this total is expected to deliver in 2022, led by three Far West Side developments: 66 Hudson Boulevard, 50 Hudson Yards, and Two Manhattan West, each of which has secured an anchor tenant.

## Current Conditions

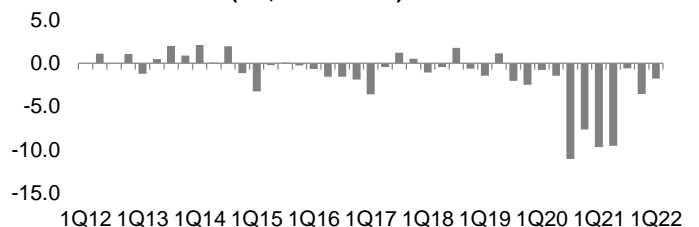
- Leasing velocity in the first quarter of 2022 totaled 8.5 million square feet, up 68.9% year over year, and 0.3% higher than the fourth quarter, which is typically the strongest of the year.
- Several large block additions pushed the availability rate up 20 basis points from the fourth quarter to 18.7%.
- Manhattan asking rents increased by \$0.31/SF, or 0.4%, from the fourth quarter of 2021 to \$77.17/SF, reaching 94.5% of pre-pandemic levels.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	473.3 MSF	473.1 MSF	462.9 MSF	↑
Availability Rate	18.7%	18.5%	17.3%	↑
Quarterly Net Absorption	-1,787,458	-3,533,235	-9,677,681	↓
Avg. Ask Rent	\$77.17	\$76.86	\$74.06	↓
Under Const.	13.1 MSF	13.2 MSF	14.0 MSF	↑
Deliveries	0 MSF	0.2 MSF	795,244 SF	↑

## Midtown

### Leasing Improvements Hold Availability Stable

Midtown leasing activity surpassed 5.5 million square feet for the second consecutive quarter. Despite a drop of 1.5% from fourth-quarter totals, this marks an improvement of 47.5% year over year. Activity was led by Blackstone's 330,000-SF renewal and expansion at 601 Lexington Avenue and Mutual of America's 252,000-square-foot lease at 320 Park Avenue, which it partially owns. Following these deals, the four largest Midtown transactions were all relocations over 100,000 square feet. Touro College finalized a lease to consolidate its campus at 3 Times Square, and tech firm Roku remained in the submarket with its deal for 240,000 square feet at 5 Times Square. AlphaSights finalized a lease for 236,026 square feet at 100 Park Avenue in its move from 350 Madison Avenue, and Morgan Stanley expanded its Midtown footprint by 186,000 square feet with its new deal at 55 East 52nd Street.

There was also an additional 129,898 square feet of space leased in new construction, including 56,000 square feet at 50 Hudson Yards. The 2.85-million-square-foot tower is scheduled to open later this year.

The overall Midtown availability rate increased 20 basis points from last quarter to 18.2% following numerous fluctuations on the submarket level. The largest change was recorded in Times Square, where the availability rate dropped 490 basis points from the fourth quarter to 23.8% following the major leases at 3 Times Square and 5 Times Square. This decline was offset by four large blocks of space that came to market at 335 Madison Avenue, 609 Fifth Avenue, 51 West 52nd Street, and 655 Third Avenue. A strong month of leasing in March did little to slow negative quarterly absorption, which posted at negative 996,075 square feet.

Midtown average asking rents decreased by \$0.24/SF from the fourth quarter to \$82.55/SF. This followed declines in seven of the 11 Midtown submarkets, with the largest drop recorded in Grand Central, at \$1.47/SF.

## Midtown South

### Notable Deals Punctuate a Rise in Activity

Midtown South leasing activity totaled 2.2 million square feet, the highest quarterly volume since third quarter 2019. Bolstered by IBM's commitment at 1 Madison Avenue, Midtown South velocity surpassed the five-year quarterly average of 1.7 million square feet by 25.1%. Tiffany & Co. renewed 283,000 square feet at 200 Fifth Avenue in Chelsea, and New York University finalized a 102,000-square-foot renewal at 627 Broadway. Other notable deals included sporting goods company Fanatics's move to 95 Morton Street in the West Village, Apple's lease for 28,000 square feet across four floors at 408 West 15th Street, and Lexeo Therapeutics's single-floor deal for life science space at 345 Park Avenue South. Multiple leases were also signed in the newly redeveloped 817 Broadway, including by Steadview Capital and Avenir Management Company.

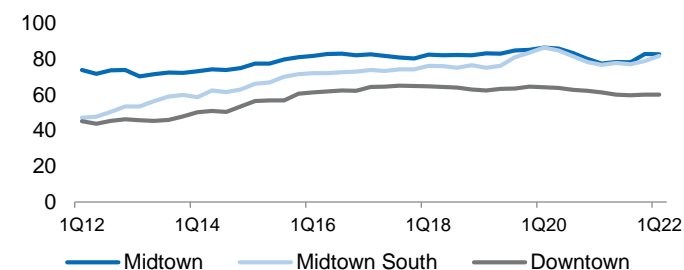
The Midtown South availability rate closed at 17.5%, a quarter-over-quarter decrease of 10 basis points. This marked the third straight quarter that availability decreased, following eight consecutive quarters of increases. In Hudson Square/Meatpacking, space additions at 345 Hudson Street and 555 Greenwich Street drove the availability rate up 500 basis points from the fourth quarter to 19.5%. In NoHo/SoHo, the availability rate fell 200 basis points from the fourth quarter to 9.1% as several transactions were finalized along the Broadway Corridor.

Midtown South asking rents were recorded at \$81.70/SF, an increase of \$2.80/SF, or 3.5%, quarter over quarter. Rents rose in each of the five submarkets for the second consecutive quarter. The largest jump of \$11.60/SF was recorded in Hudson Square/Meatpacking, which closed at \$90.28/SF.

Although there were no deliveries this quarter, seven developments in Midtown South are expected to bring a combined 1.3 million square feet of new inventory to the market this year. Among these projects are the 630,000-square-foot Morgan North redevelopment, 268,560-square-foot Zero Irving, and 145 Delancey Street, one of multiple Essex Crossing office buildings.

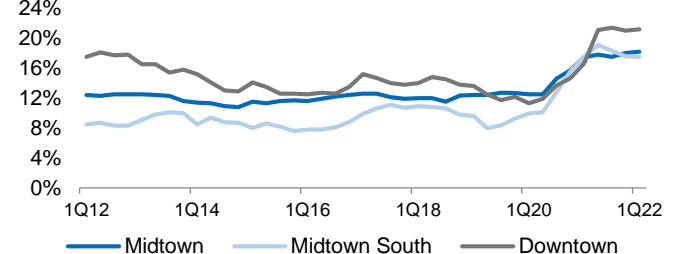
### Average Asking Rent By Submarket

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



### Availability By Submarket

#### AVAILABILITY RATE (%)



## Downtown

### Renewals and Movement Within the Market Drive Leasing

The Downtown availability rate increased by 20 basis points to 21.2% following increases of 80 basis points in Downtown West and Tribeca/City Hall. Two Downtown large blocks were added—both for sublease. Meredith listed one block of space at 225 Liberty Street and Teach for America listed the other at 25 Broadway.

A 138,000-square-foot deal by MJHS at 55 Water Street and 75,109-square-foot extension and expansion by Celonis at One World Trade Center, the largest Downtown deals of the quarter, helped to mitigate the increasing availability. Downtown leasing dropped by 39.5% quarter over quarter to 834,727 square feet. The other top largest relocations included the National Urban League to

80 Pine Street, Code Climate and Lattice to 195 Broadway, Carter Ledyard & Milburn LLP to 28 Liberty Street, and Cullen & Dykman LLP to 1 Battery Park Plaza. Despite a 57.0% year-over-year increase in Downtown activity, velocity in the first quarter remained 49.4% below the five-year Downtown average of 1.6 million square feet.

Downtown asking rents were stable, dropping just \$0.04/SF from the fourth quarter to \$59.98/SF. Rents in Downtown East and Downtown West decreased slightly from last quarter, falling to \$56.14/SF and \$64.50/SF, respectively.

### Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Blackstone	Eastside	601 Lexington Avenue	Direct Renewal & Expansion	330,000
Mutual of America Financial Group	Park Avenue	320 Park Avenue	Direct New	252,000
Touro College	Times Square	3 Times Square	Direct New	243,305
Roku	Times Square	5 Times Square	Direct New	240,000
AlphaSights, Inc.	Grand Central	100 Park Avenue	Direct New	236,026

### Midtown South Lease Transactions

Tenant	Market	Building	Type	Square Feet
IBM	Flatiron/Union Square	1 Madison Avenue	Direct New	328,000
Tiffany's	Chelsea	200 Fifth Avenue	Direct Renewal	283,000
New York University	NoHo/SoHo	627 Broadway	Direct Renewal	102,000
Chainalysis	Chelsea	114 Fifth Avenue	Direct Extension & Expansion	77,000
Fanatics	Hudson Square/Meatpacking	95 Morton Street	Direct/Sublease New	76,663

### 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>

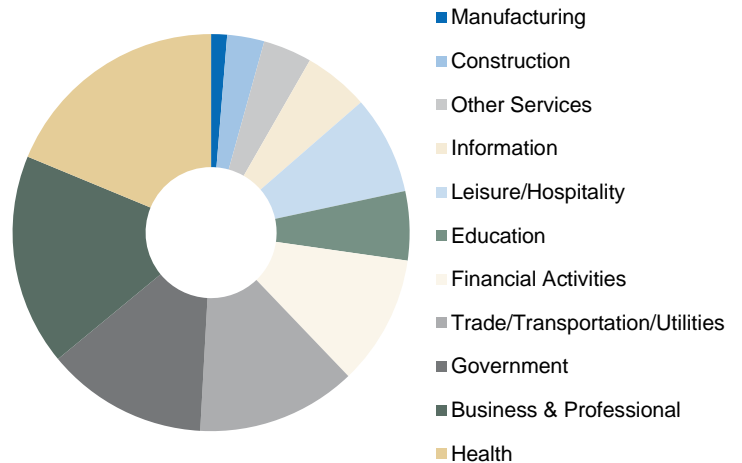
### Economic Conditions

The national unemployment rate remained robust, closing February at 4.1%, a month-over-month decline of 30 basis points. Despite the strong unemployment picture, inflation remains a paramount concern. The national Consumer Price Index soared by 7.9% year over year, with a healthier 1.8% increase recorded in the New York City CPI.

The New York City unemployment rate remains well above the national level but saw a similar month-over-month decline in February as unemployment reached its lowest point in nearly two years, closing February at 6.6%. Office-using employment dipped by 22,100 jobs from last quarter, but office-using job growth in New York City has recovered to 93.0% of pre-pandemic levels. While overall job growth is down 6.2% over the past two years, New York City job totals have improved by 31,500 since December 2021.

### Employment By Industry

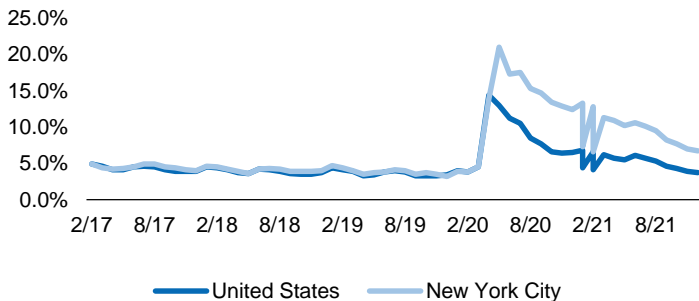
NEW YORK CITY, FEBRUARY 2022



Source: New York State Department of Labor

### Unemployment Rate

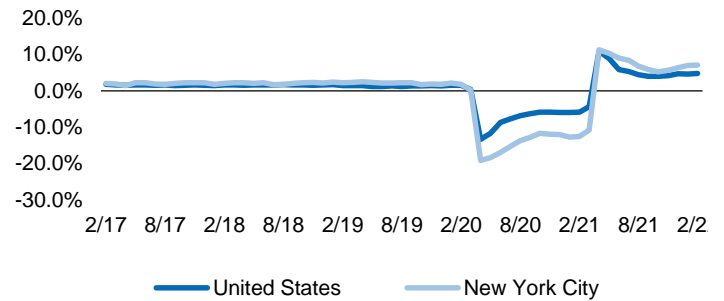
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

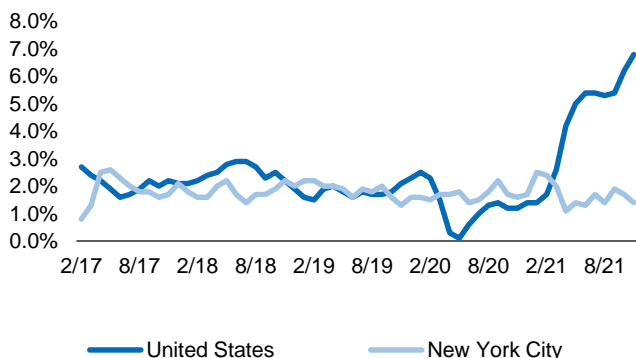
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

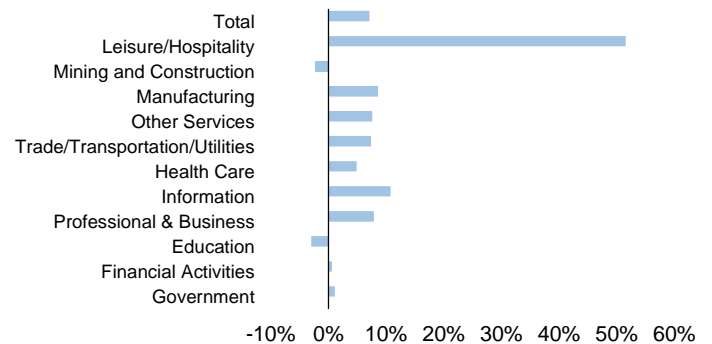
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

NYC, FEBRUARY 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor

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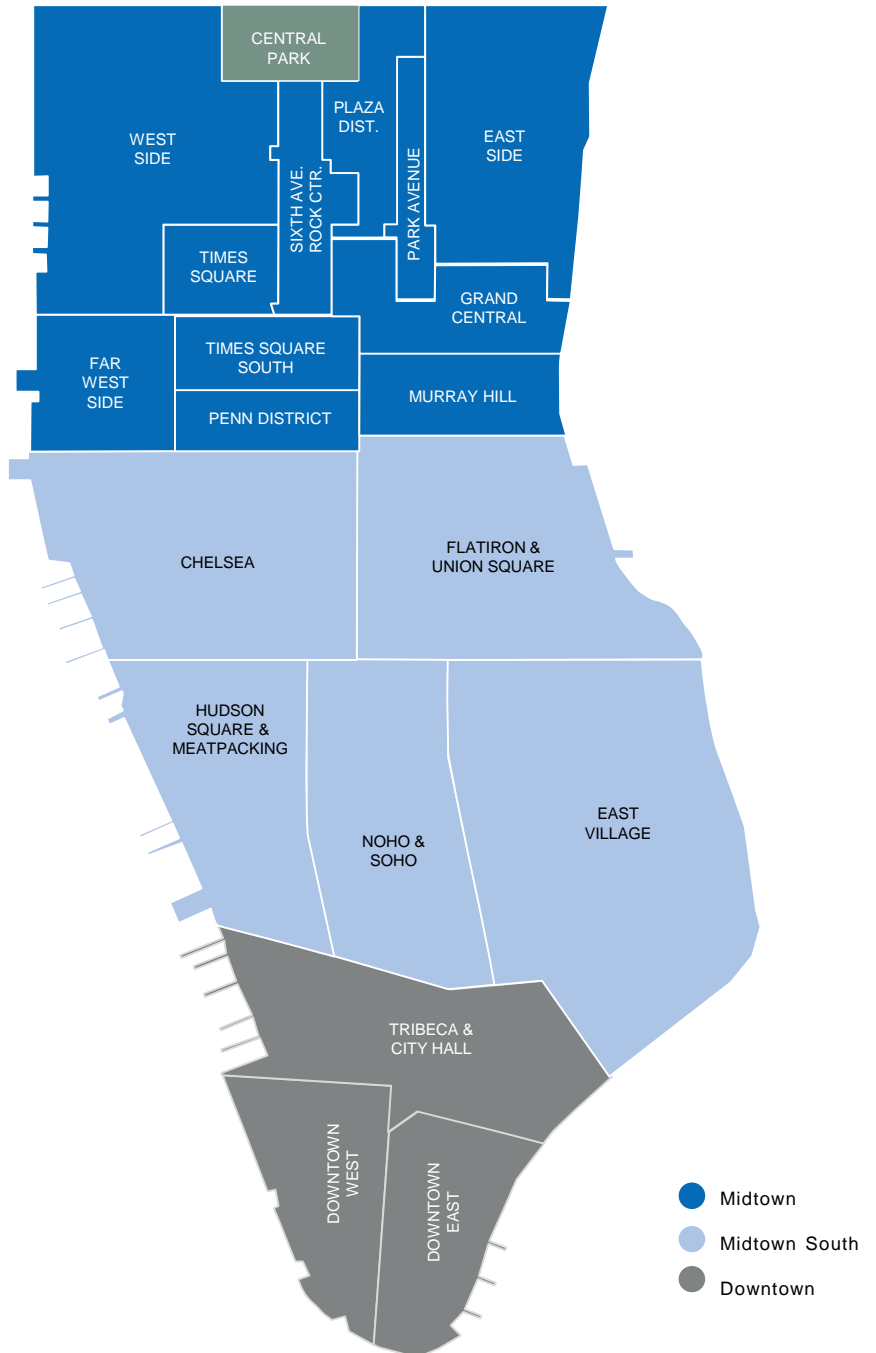
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