

# Downtown Manhattan Office Market

## Downtown's Availability Rate Reaches Record High After Anticipated Large Block Additions

Downtown's availability rate reached 21.1% in the second quarter of 2021, a new record for the market's history and 450 basis points higher than last quarter. This dramatic rise occurred at the same time as the market logged 1.2 million square feet of quarterly leasing activity, the strongest level since first-quarter 2020 and the largest single deal completed since second-quarter 2019.

This quarter's rise in availability was largely driven by six large block additions concentrated in Downtown East. While this quarter's rise in available space was the largest on record, four of these six large blocks were long anticipated additions from known vacating tenants or planned redevelopments. These include 60 Wall Street, where the 1.6 million-square-foot tower is now being actively marketed for 2022 occupancy following a building-wide renovation, as well as 111 Wall Street, where 1.0 million square feet is available across the former Citigroup building also being renovated for 2022 occupancy. In other planned additions, a block of 473,000 square feet was added at 222 Broadway, formerly occupied by Bank of America; and 546,000 square feet are newly listed at 80 Pine Street, where AIG is vacating to move to 28 Liberty Street. Notably, there was just one sublease addition over 75,000 square feet in the second quarter; JP Morgan Chase put 509,000 square feet, including 244,000 contiguous square feet, on the market at 4 New York Plaza in April 2021.

The pipeline of sublease space has appeared to slow and several significant spaces were withdrawn, leading to the smallest expansion in sublease supply during the pandemic to date, mirroring trends seen Manhattan-wide. Downtown sublease space grew by 5.1% from last quarter, a sharp decline from its peak rate of growth in third-quarter 2020, when supply grew by 30.4%. Withdrawals of 89,000 square feet from the GAP and 83,685 square feet from Moda Operandi at 195 Broadway, where the space is now being marketed direct, both helped temper the expansion of sublease supply.

## Leasing Accelerates After Record Low in First-Quarter 2021

Downtown's leasing velocity totaled 1.2 million square feet of activity in second-quarter 2021, outpacing activity in each of the last four quarters.

# NEWMARK

## Current Conditions

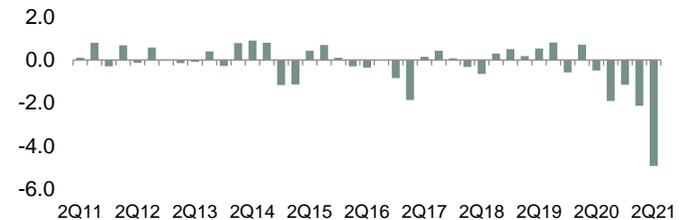
- Availability reached 21.1%, a record in this market's history after six large block additions.
- Despite a record jump in availability, leasing accelerated quarter over quarter to the strongest volume of the pandemic.
- The overall average asking rent declined 2.0% largely due to several higher priced sublease withdrawals and the addition of a competitively priced sublease block in Downtown East.

## 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	95.4 MSF	95.3M	↑
Availability Rate	21.1%	16.6%	11.9%	↑
Quarterly Net Absorption	-4,913,802	-2,125,017	-482,259	↓
Avg. Ask Rent	\$60.06	\$61.27	\$63.83	↓
Under Const.	100,172 SF	100,172 SF	80,000	↑
Deliveries	0 SF	0 SF	0	↓

## RESEARCH Q2 2021

While a 134.2% quarterly increase in leasing volume failed to mitigate the market's rapid rise in availability, this performance was a welcome change from last quarter's record low volume. In the largest deal of the quarter, the City of New York completed a 313,022-square-foot renewal at 60 Broad Street in May and marked the largest renewal Downtown in two years. The Legal Aid Society inked a significant long-term renewal, committing to 198,900 square feet at 40 Worth Street, where it will also expand to consolidate its current Downtown offices. Fiserv signed a deal for 96,061 square feet at One Broadway and will relocate and expand from its current office at 225 Liberty Street. In a positive sign for the market, this was the largest relocation since the pandemic began. Other relocations of note include Hyperscience's lease for 34,382 square feet at 1 World Trade Center, which will nearly triple its footprint at the tower after the software company relocates to the 88th floor.

### Overall Average Asking Rent Posts Largest Decline since Second-Quarter 2012

Downtown's overall average asking rent decreased 2.0% from last quarter to \$60.06/SF, in the largest decline of the pandemic and since mid-2012. This drop largely reflects changes in the sublease market, where pricing fell by \$4.39/SF quarter-over-quarter to its lowest level since first-quarter 2017. The average sublease asking rent fell across all three Downtown submarkets, with the biggest drop occurring in Tribeca/City Hall due to the withdrawal of higher priced sublease space from the GAP at 40 Worth Street, followed by a drop in pricing in

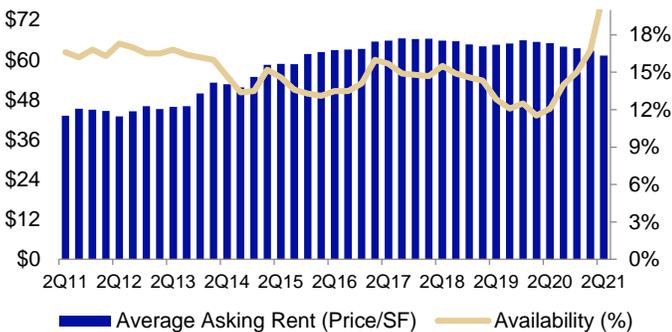
Downtown East where the addition of more than 509,000 square feet of competitively priced space from JP Morgan at 4 New York Plaza drove down the submarket's average. Sublease withdrawals in Downtown West at 195 Broadway and at 250 Vesey Street also influenced a drop in the sublease average asking rent.

Pricing for Downtown direct space declined less dramatically, dropping by just \$0.83/SF quarter-over-quarter, largely reflecting availability changes as opposed to repricing of existing space. In Downtown East, the direct average asking rent increased 3.8% quarter over quarter to \$60.19/SF, thanks to the addition of two redevelopments, 60 Wall Street and 111 Wall Street, which now make up the two largest availabilities in Downtown overall. Downtown West's pricing reduction is attributed to the lease-up of 94,000 square feet at One Broadway, where the redevelopment was priced above the market's average and from several leases recorded at One World Trade Center. More than 29,000 square feet was added at 32 Avenue of the Americas, leading to a small reduction in the asking rent for the Tribeca/City Hall submarket, where pricing for existing space as compared with new product varies significantly.

With these changes, pricing for direct space Downtown is down 3.7% since February 2020, while pricing for sublet space is now down 13.0% over the same period. In comparison, the overall direct average asking rent in Manhattan has declined 6.5% from its pre-pandemic level.

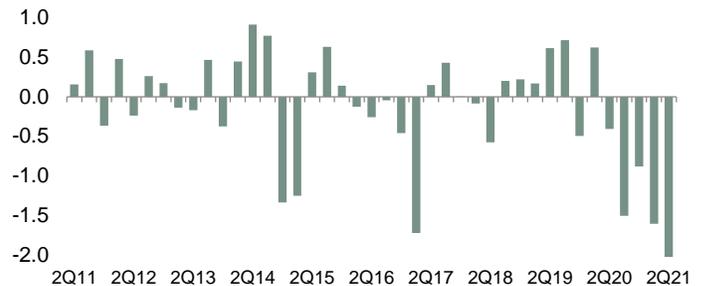
### Class A

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



### Class A

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



### Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
City of New York	Downtown East	60 Broad Street	Direct Renewal	313,022
The Legal Aid Society	Tribeca/City Hall	40 Worth Street	Direct Renewal & Expansion	198,900
Fiserv	Downtown West	1 Broadway	Direct New	94,061
Quest Workspaces	Downtown East	48 Wall Street	Direct Renewal	43,542
Hyperscience	Downtown West	1 World Trade Center	Direct New	34,382

## 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>293,399,495</b>	<b>10,586,328</b>	<b>17.8%</b>	<b>(2,522,105)</b>	<b>(8,388,109)</b>	<b>\$83.64</b>	<b>\$59.46</b>	<b>\$78.29</b>
Eastside	24,873,390	0	22.7%	(324,983)	(818,756)	\$77.01	\$52.81	\$74.07
Far West Side	14,978,159	9,662,418	14.1%	(1,043,698)	(1,069,842)	\$145.30	\$89.92	\$136.11
Grand Central	48,897,768	0	17.5%	(313,459)	(1,538,730)	\$77.38	\$59.86	\$73.39
Murray Hill	7,901,296	0	19.2%	(94,967)	(358,480)	\$62.05	\$49.40	\$59.34
Park Avenue	25,983,580	0	16.2%	(60,983)	(323,169)	\$112.68	\$70.33	\$103.52
Penn District	22,418,031	923,910	13.5%	33,015	(554,846)	\$69.43	\$57.20	\$63.71
Plaza District	26,205,352	0	19.7%	(292,972)	(412,150)	\$102.05	\$78.57	\$99.70
Sixth Ave/Rock Center	45,329,301	0	13.1%	(60,158)	(820,083)	\$85.56	\$58.33	\$79.11
Times Square	14,834,999	0	26.7%	103,262	(1,181,488)	\$78.17	\$64.28	\$76.54
Times Square South	35,996,446	0	18.8%	(316,474)	(985,994)	\$55.24	\$47.33	\$53.07
Westside	25,981,173	0	20.3%	(150,688)	(324,571)	\$77.38	\$60.75	\$72.45
<b>Midtown South</b>	<b>78,838,976</b>	<b>3,802,519</b>	<b>19.1%</b>	<b>(2,074,020)</b>	<b>(3,760,680)</b>	<b>\$82.99</b>	<b>\$64.75</b>	<b>\$77.76</b>
Chelsea	30,675,281	1,315,110	18.7%	(860,172)	(1,742,067)	\$75.68	\$66.20	\$72.38
East Village	1,712,321	301,321	29.7%	(91)	(2,015)	\$86.10	NA	\$86.10
Flatiron/Union Square	24,193,279	1,015,035	21.9%	(997,061)	(1,431,836)	\$86.97	\$62.86	\$81.36
Hudson Sq./Meatpacking	11,664,891	988,866	15.3%	(166,134)	(260,353)	\$93.16	\$64.07	\$80.50
NoHo/SoHo	10,593,204	182,187	16.3%	(50,562)	(324,409)	\$82.32	\$64.65	\$79.30
<b>Downtown</b>	<b>95,768,877</b>	<b>100,172</b>	<b>21.1%</b>	<b>(4,913,802)</b>	<b>(7,038,819)</b>	<b>\$63.34</b>	<b>\$50.48</b>	<b>\$60.06</b>
Downtown East	50,382,484	80,000	24.6%	(4,588,884)	(5,746,939)	\$60.19	\$45.32	\$57.02
Downtown West	36,676,367	0	18.3%	(254,221)	(906,308)	\$67.23	\$56.83	\$63.58
Tribeca/City Hall	8,710,026	20,172	12.6%	(70,697)	(385,572)	\$78.03	\$41.37	\$73.04
<b>Manhattan</b>	<b>468,007,348</b>	<b>14,489,019</b>	<b>18.7%</b>	<b>(9,509,927)</b>	<b>(19,187,608)</b>	<b>\$78.82</b>	<b>\$58.30</b>	<b>\$73.89</b>

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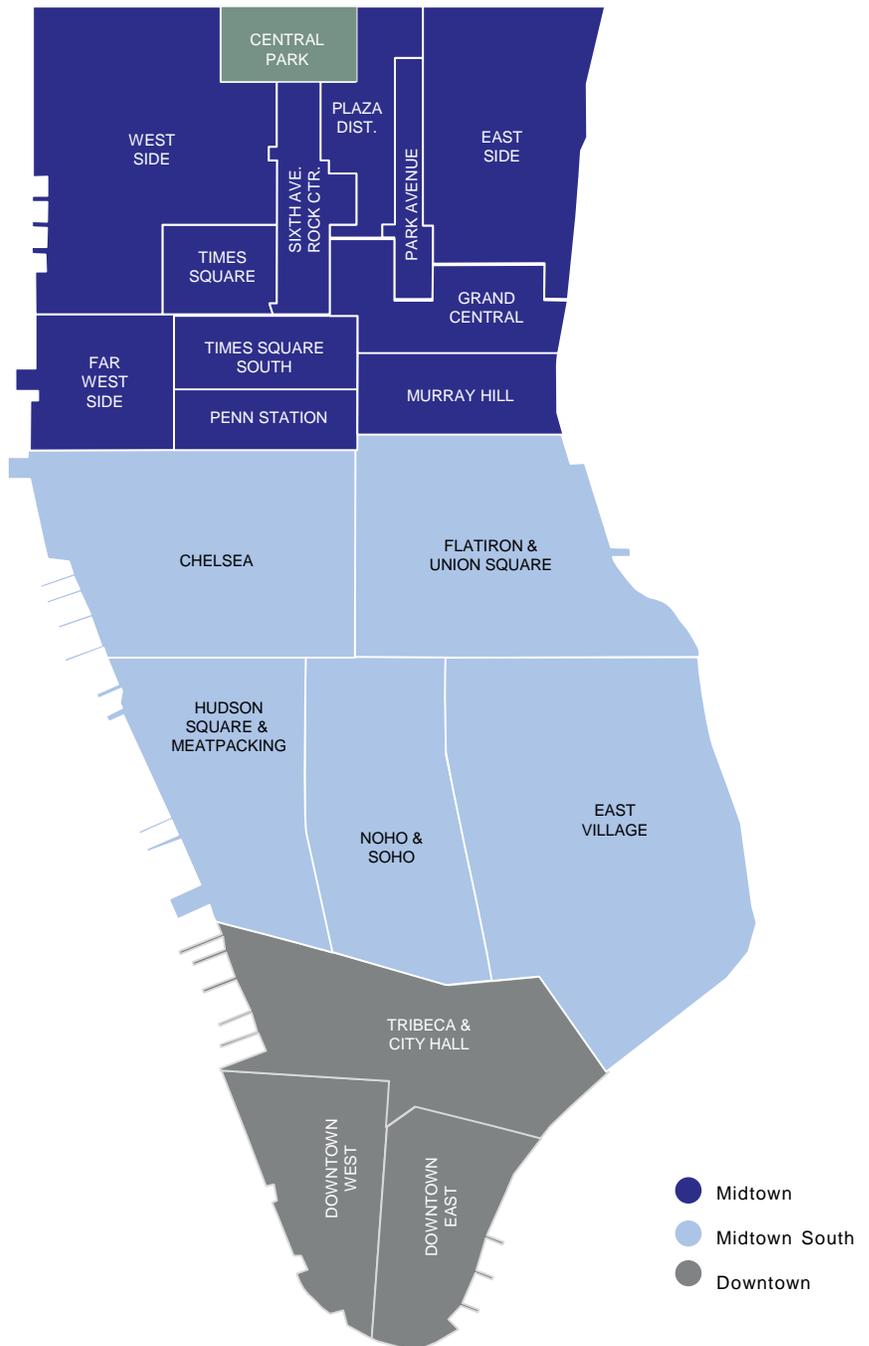
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