



RESEARCH 2Q 2021

# Midtown South Office Market

## Midtown South Availability Rate Increases Despite Bump in Leasing Activity

The Midtown South availability rate increased from 17.5% to 19.1% quarter-over-quarter. The 160-basis-point jump occurred despite availability rates declining in three of the five submarkets. Hudson Square/Meatpacking, Flatiron/Union Square, and the East Village each saw rates fall between 20 and 70 basis points from last quarter. Flatiron/Union Square and Chelsea, however, recorded increases of 340 basis points and 170 basis points, respectively. Each of the five contiguous large blocks were recorded in these submarkets. Three of the blocks are non-contiguous in Morgan North, totaling 630,000 square feet. The remaining blocks included 637,681 square feet at 295 Fifth Avenue and a sublease addition at 63 Madison Avenue from CBS. Available sublease space totaled 4.4 million square feet at quarter's end, accounting for 29.4% of all Midtown South availability.

Leasing activity totaled 1.5 million square feet this quarter, more than double first-quarter levels. The 102.3% quarter-over-quarter increase was driven by dozens of deals between 10,000 and 40,000 square feet. Notable examples included ActionIQ at 11 Madison Avenue, Splice at 114 Fifth Avenue, Petal at 233 Spring Street, and AdTheorent at 330 Hudson Street. Despite the short-term increase, activity remains 32.3% below the long-term market average. In fact, Midtown South has yet to record a 100,000-square-foot relocation since the onset of the pandemic. Year-to-date velocity closed the quarter at 2.2 million square feet. Combined with steady increase in availability, year-to-date absorption totaled negative 3.7 million square feet.

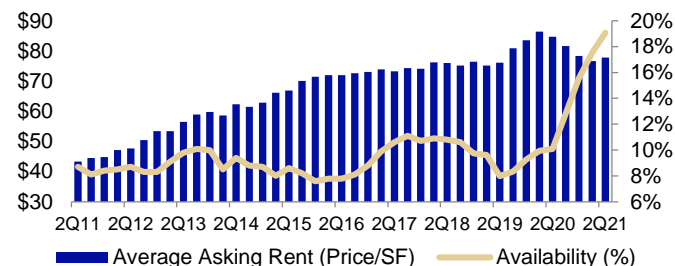
After decreasing four consecutive quarters, Midtown South asking rents increased by \$1.16/SF from the first quarter to \$77.76/SF. Asking rents increased in four of the five submarkets this quarter, with the largest jump in Chelsea, where rents increased by \$2.58/SF to \$72.38/SF. This was a result of 630,000 square feet of Class A space becoming officially available at Morgan North. The addition of 295 Fifth Avenue, which will undergo an extensive renovation, also drove market rents upwards. The only submarket to record a rent drop was NoHo/SoHo, where rents dropped by \$2.40/SF to \$79.30/SF.

## Current Conditions

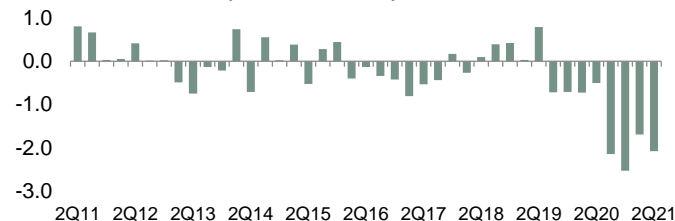
- Leasing activity reached 1.5 million square feet this quarter, the highest total since the fourth quarter of 2019.
- The availability rate increased 160 basis points quarter over quarter to 19.1%, following five large block additions.
- Asking rents increased by \$1.16/SF from the first quarter to \$77.76/SF, the greatest jump of the three Manhattan markets.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	78.8 MSF	77.2 MSF	76.6 MSF	↑
Availability Rate	19.1%	17.5%	10.1%	↓
Quarterly Net Absorption	-2,074,020	-1,686,660	-503,311	↑
Avg. Ask Rent	\$77.76	\$76.60	\$84.69	↑
Under Const.	3.8 MSF	3.4 MSF	2.9 MSF	↑
Deliveries	178,878 SF	0 SF	0 SF	↑

NEWMARK

### New Construction Begins to Gain Traction

While 3.8 million square feet remains under construction in Midtown South across 14 properties, much of that space has not yet been leased. 550 Washington Street, fully leased to Google, is the only development in the market fully leased up. However, new construction began to attract new tenants this quarter. At 512 West 22nd Street, which delivered in 2018, two deals were signed this quarter, as Capricorn Investment Group took 11,912 square feet on the sixth floor and Hunter Point Capital leased 11,800 square feet on the fifth floor. At 76 Eighth Avenue, which remains under construction and is slated to deliver later this year, Bluewater Property Group signed for 2,818 square feet on the penthouse level. Verizon is also rumored to be close to signing a lease at Essex Crossing for approximately 100,000 square feet in a move from 140 West Street. There are also several additional leases out at 40 Tenth Avenue for the remainder of the available 56,320 square feet in the building.

### Asking Rents Increase in Four of Five Submarkets

Except for NoHo/SoHo, rents increased across Midtown South. The largest jump was in Chelsea, where block additions at 341 Ninth Avenue and 61 West 23rd Street propelled asking rents to \$72.38/SF. Despite the bump, Chelsea remains the most affordable Midtown South submarket. Rents in Flatiron/Union Square increased by \$1.10/SF from last quarter to \$81.36/SF, following space additions at 295 Fifth Avenue, 63 Madison Avenue, and 315 Park Avenue South. Despite these Class A space additions, asking rents in the submarket were partially offset by repricing at 360 Park Avenue South, the Flatiron Building, and Zero Irving. Rents in NoHo/SoHo fell to \$79.30/SF following multiple new direct listings in Class B buildings.

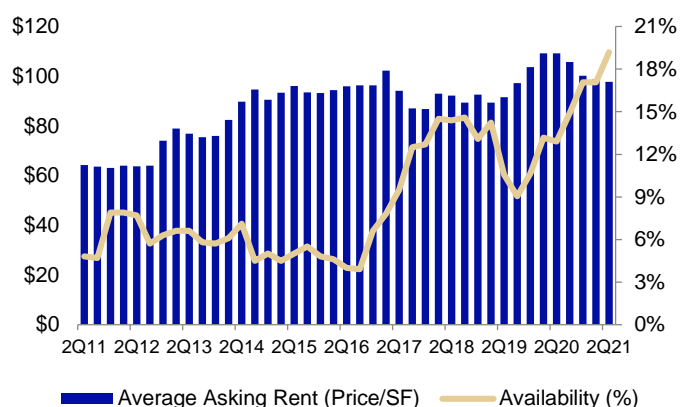
### After Rapid Rise, Rate of Sublease Additions Continues to Slow

At the close of the second quarter last year, available sublease space totaled 2.1 million square feet. Although it has now reached 4.4 million square feet, the pace of additions has slowed, following a quarter-over-quarter increase of just 113,000 square feet. In addition to CBS at 63 Madison Avenue, notable additions included

AT&T at 40 West 23rd Street, Tiffany's at 200 Fifth Avenue, and Ralph Lauren at 601 West 26th Street. The amount of new available sublease space has slowed as more tenants begin to reoccupy space. In fact, more than 575,000 square feet in Midtown South was withdrawn from the sublease market in the second quarter. Notable space withdrawals included 128,687 square feet from Weight Watchers at 675 Avenue of the Americas, 80,232 square feet from Oscar at 75 Varick Street, and 48,643 square feet from Flatiron Health at 161 Avenue of the Americas. More than 2.2 million square feet across Manhattan has now been withdrawn since the start of the pandemic.

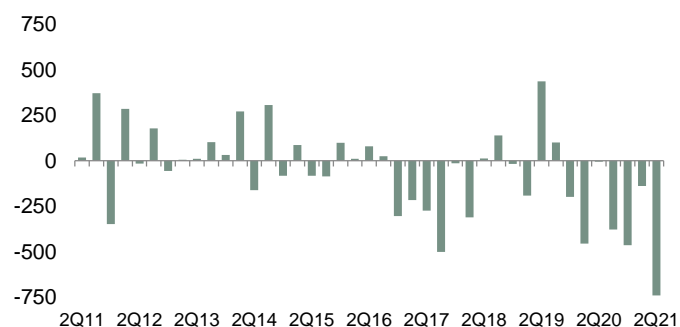
#### Class A

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



#### Class A

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



#### Midtown South Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Infor	Chelsea	635-641 Avenue of the Americas	Direct Renewal	90,428
Fashionphile	Chelsea	601 West 26th Street	Direct New	59,140
NYU Langone Health	Flatiron/Union Square	462 First Avenue	Direct Renewal	58,700
Current Bank (Finco Services)	Chelsea	620 Avenue of the Americas	Sublease New	43,000
General Assembly Space LLC	Flatiron/Union Square	915 Broadway	Direct Renewal & Expansion	40,158

## 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>

*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  
Jonathan.mazur@nrmk.com

**Stephanie Jennings**

*Managing Director*  
212-372-2099  
Stephanie.Jennings@nrmk.com

**Alison Baumann**

*Associate Director, Research*

**Michael Miceli**

*Associate Director, Research*

**Stephen Tsamblakos**

*Senior Research Analyst*

**Ronnie Wagner**

*Director, Research*

[nrmk.com](http://nrmk.com)

**ALABAMA**

Birmingham

**ARIZONA**

Phoenix

**ARKANSAS**

Bentonville  
Fayetteville  
Little Rock

**CALIFORNIA**

El Segundo  
Fresno  
Irvine  
Los Angeles  
Newport Beach  
Pasadena  
Sacramento  
San Francisco  
San Jose  
San Mateo  
Santa Rosa  
Visalia

**COLORADO**

Denver

**CONNECTICUT**

Stamford

**DELAWARE**

Wilmington

**DISTRICT OF COLUMBIA**

**FLORIDA**

Boca Raton  
Jacksonville  
Jupiter  
Miami  
Palm Beach  
Tampa

**GEORGIA**

Atlanta  
St. Simons Island

**ILLINOIS**

Chicago

**INDIANA**

Indianapolis

**KENTUCKY**

Louisville

**LOUISIANA**

New Orleans

**MARYLAND**

Baltimore  
Salisbury

**MASSACHUSETTS**

Boston

**MICHIGAN**

Detroit

**MINNESOTA**

Minneapolis

**MISSOURI**

Kansas City  
Lee's Summit  
St. Louis

**NEVADA**

Las Vegas  
Reno

**NEW JERSEY**

East Brunswick  
Morristown  
Rutherford

**NEW YORK**

Buffalo/Amherst  
New York

**NORTH CAROLINA**

Charlotte

**OHIO**

Cincinnati  
Cleveland  
Columbus

**OKLAHOMA**

Oklahoma City  
Tulsa

**OREGON**

Portland/Lake  
Oswego

**PENNSYLVANIA**

Allentown  
Philadelphia  
Pittsburgh

**TEXAS**

Austin  
Dallas  
Houston

**UTAH**

Salt Lake City

**VIRGINIA**

Tysons Corner

**WASHINGTON**

Seattle

**WISCONSIN**

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nrmk.com/research](http://nrmk.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.