

Downtown Manhattan Office Market

Leasing Activity Declines For Third Consecutive Quarter

Downtown leasing activity declined 14.9% from the prior quarter, closing at 711,816 square feet. This marks the third consecutive quarter of declining leasing activity. The vast majority of completed transactions were signed in trophy and other Class A buildings, which accounted for 81.5% of square footage leased.

The two largest deals of the quarter were signed at 7 World Trade Center, where Capstone Investment Advisors signed a 51,445-square-foot renewal on two floors and Motive Partners finalized a sublease for 43,285 square feet on the 47th floor. Kotselanez & Fink also finalized an extension for 18,158 square feet in the building.

Other notable deals included Fiserv's two-floor expansion for 40,000 square feet at the recently renovated 1 Broadway and Berkshire Hathaway's lease for 38,407 square feet at 85 Broad St. The largest direct relocation of the quarter was for 22,915 square feet at 100 Pearl St. by Open Squash. Class A deals were also finalized at 225 Liberty St., 3 World Trade Center and 101 Greenwich St.

Availability Rate Increases as Leasing Velocity Declines

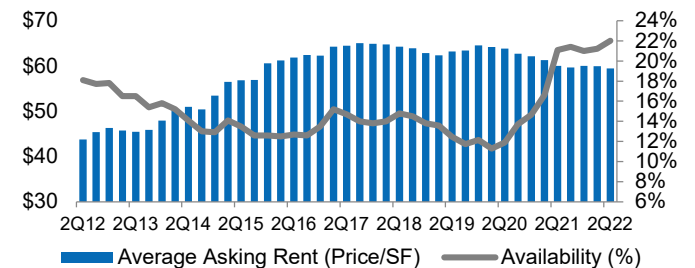
The availability rate closed the second quarter of 2022 at 22.0%, a quarter-over-quarter increase of 80 basis points. Since the start of the pandemic, availability has nearly doubled from 11.3%. There were three sublease space additions this quarter, all between 50,000 and 100,000 square feet: Dotdash at 28 Liberty St.; Orchard Technologies at 195 Broadway; and MediaMath at 4 World Trade Center. In Downtown West and Downtown East, the sublease availability rate is above 6.0%, among the highest in Manhattan.

Current Conditions

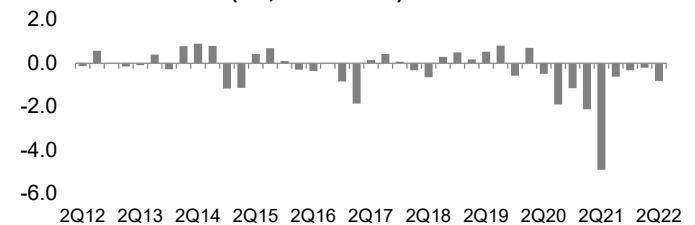
- Downtown leasing activity declined 14.9% quarter over quarter, closing at 711,816 square feet.
- Availability rate increased by 80 basis points quarter over quarter to 22.0%.
- Downtown asking rents declined \$0.49/SF to \$59.49/SF, with decreases across all three submarkets.

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	95.8 MSF	↑
Availability Rate	22.0%	21.2%	21.1%	↑
Quarterly Net Absorption	-812,963	-201,985	-4,913,802	↓
Avg. Ask Rent	\$59.49	\$59.98	\$60.06	↓
Under Const.	20,172 SF	20,172 SF	100,172 SF	↑
Deliveries	0 SF	0 SF	0 SF	↓

RESEARCH 2Q 2022

The Downtown East overall availability rate increased by 90 basis points from the first quarter of 2022 to 26.1%, neutralizing a 30-basis-point decrease from the prior quarter. Downtown West availability saw a similar jump, increasing 80 basis points quarter over quarter to 18.7%. With just 8.7 million square feet of inventory, Tribeca/City Hall is among the tightest submarkets in Manhattan, boasting an availability rate of 12.3%, which increased by just 10 basis points from last quarter.

Limited leasing and three large sublease additions pushed overall Downtown absorption to negative 812,963 square feet, while year-to-date absorption for the first half of the year closed at negative 1,014,948 square feet.

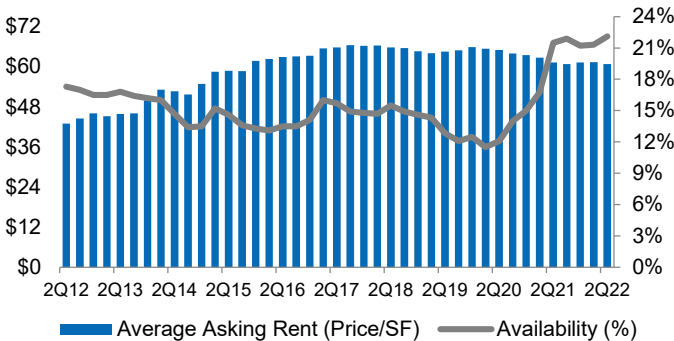
Asking Rents Dip Across Each Submarket

Overall Downtown asking rents declined by \$0.49/SF from the prior quarter, closing at \$59.49/SF for the second half of the year. Rental rates remain \$4.69/SF, or 7.8%, below pre-pandemic levels driven by the absorption of high-quality space and some rent corrections. Class A rents slightly outpaced the overall Downtown market, closing the second quarter of 2022 at \$60.81/SF, a drop of \$0.54/SF from last quarter.

Despite dropping \$1.14/SF, Tribeca/City Hall, where limited inventory is dominated by high-quality available space, remains the most expensive Downtown submarket, with an average asking rent of \$78.23/SF. Downtown West and Downtown East rents fell by \$0.55/SF and \$0.42/SF, to \$63.95/SF and \$55.72/SF, respectively.

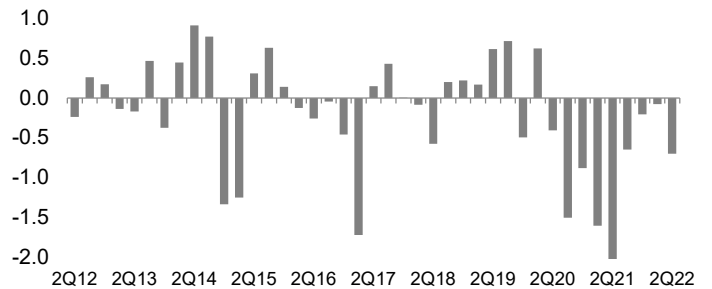
Class A

AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



Class A

NET ABSORPTION (SQUARE FEET, MILLIONS)



Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Capstone Investment Advisors	Downtown West	7 World Trade Center	Direct Renewal	51,445
Motive Partners	Downtown West	7 World Trade Center	Sublease New	43,285
Fiserv	Downtown West	1 Broadway	Direct Expansion	40,000
Berkshire Hathaway Specialty Insurance	Downtown East	85 Broad Street	Sublease New	38,407
Open Squash	Downtown East	100 Pearls Street	Direct New	22,915

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)
Midtown	298,195,502	6,812,418	18.3%	(850,274)	(1,905,951)	\$85.61	\$64.11	\$81.40
Eastside	24,819,196	0	23.2%	(309,245)	(338,509)	\$74.71	\$53.73	\$72.19
Far West Side	19,634,299	6,812,418	25.5%	(758,854)	(797,394)	\$147.81	\$107.23	\$138.14
Grand Central	48,897,768	0	17.9%	169,521	(410,222)	\$74.13	\$54.88	\$70.05
Murray Hill	7,930,696	0	20.8%	67,961	45,800	\$62.55	\$45.95	\$60.27
Park Avenue	25,983,580	0	12.7%	381,072	175,836	\$103.52	\$67.98	\$96.92
Penn District	22,418,031	0	21.0%	(190,051)	(299,253)	\$90.40	\$55.32	\$81.19
Plaza District	26,259,846	0	18.3%	(159,997)	(380,001)	\$98.60	\$94.45	\$98.19
Sixth Ave/Rock Center	45,329,301	0	12.7%	(195,277)	(458,519)	\$83.99	\$61.01	\$79.61
Times Square	14,834,999	0	24.5%	79,261	456,214	\$81.13	\$69.86	\$80.08
Times Square South	35,906,746	0	15.5%	39,444	156,117	\$53.94	\$43.92	\$52.05
Westside	26,181,040	0	22.1%	25,891	(56,020)	\$85.61	\$60.02	\$71.20
Midtown South	79,473,663	3,752,690	18.5%	(466,554)	(1,187,165)	\$84.47	\$69.74	\$80.97
Chelsea	30,874,333	866,492	17.3%	(191,137)	(209,564)	\$74.33	\$66.15	\$72.25
East Village	1,712,321	240,387	23.3%	31,050	2,924	\$86.81	\$72.87	\$86.75
Flatiron/Union Square	24,193,279	1,049,035	22.0%	(67,869)	(169,983)	\$88.62	\$69.15	\$84.17
Hudson Sq./Meatpacking	11,986,799	1,596,796	20.0%	(56,573)	(712,311)	\$100.08	\$72.68	\$92.67
NoHo/SoHo	10,706,931	0	11.8%	(182,025)	(98,231)	\$79.02	\$84.57	\$80.12
Downtown	95,781,076	0	22.0%	(808,216)	(1,014,948)	\$63.51	\$48.82	\$59.49
Downtown East	50,382,484	0	26.1%	(404,886)	(434,101)	\$59.31	\$43.65	\$55.72
Downtown West	36,688,566	0	18.7%	(387,327)	(499,582)	\$69.36	\$55.07	\$63.95
Tribeca/City Hall	8,710,026	0	12.3%	(16,003)	(81,268)	\$83.83	\$43.31	\$78.23
Manhattan	473,450,241	10,289,922	19.1%	(2,124,950)	(4,108,067)	\$80.55	\$60.59	\$76.14

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

Carly Barwick

Senior Research Analyst

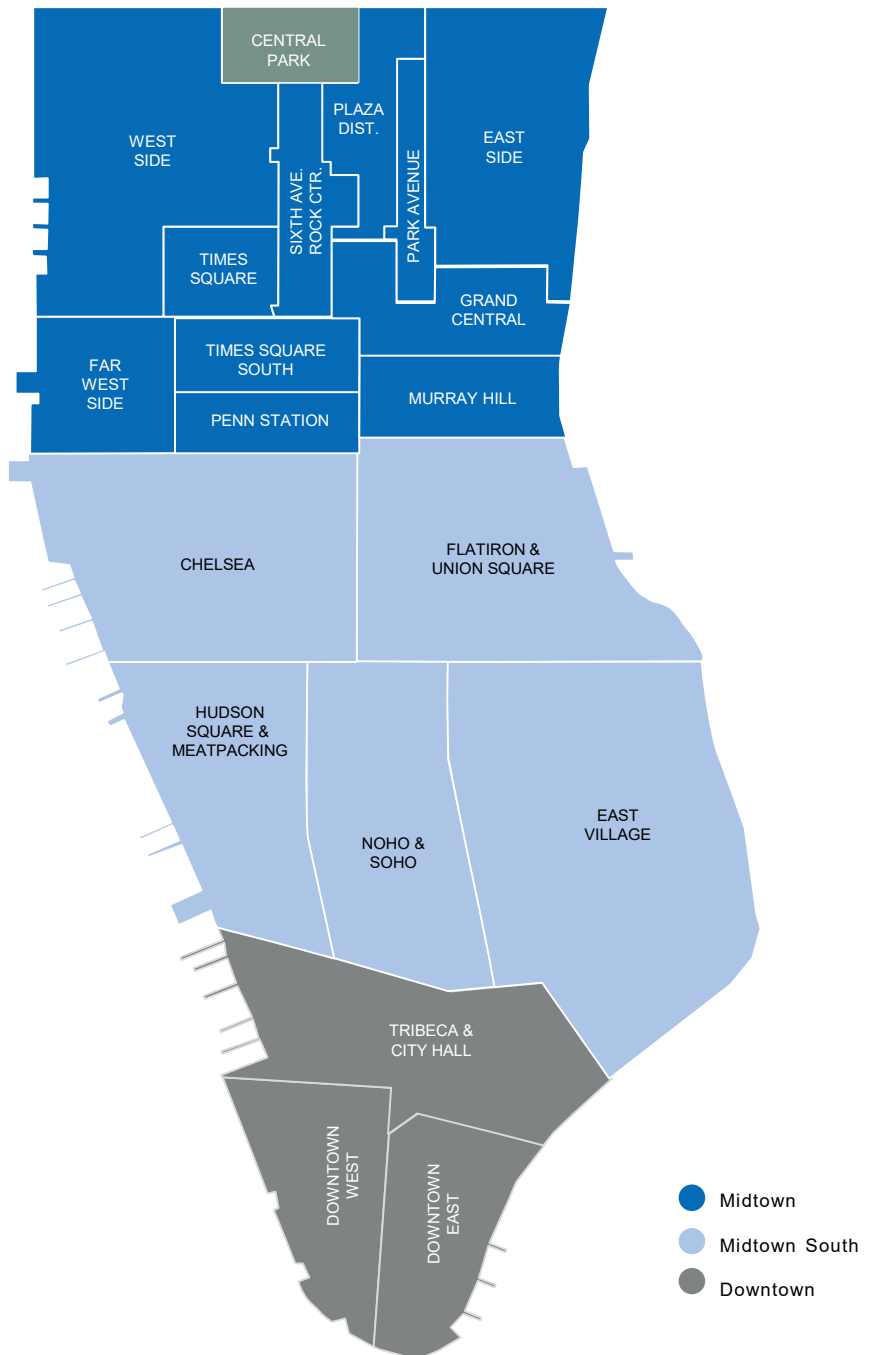
Michael Miceli

Associate Director, Research

Ronnie Wagner

Director, Research

nrmk.com



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 ngkf.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 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.