

# Manhattan Office Market

## Availability Rate Drops for Second Time in 18 Months; Leasing Activity Reaches Pandemic-High

For the second consecutive month, the Manhattan availability rate declined, closing the quarter at 18.5%. Improvements in Midtown and Midtown South drove the 20-basis-point drop from last quarter. Five submarkets recorded declines in availability rates of at least 100 basis points. This occurred despite seven large block additions of at least 100,000 square feet, spread across Midtown and Downtown. The sublease availability rate also fell quarter over quarter, down 10 basis points to 4.4%. Available sublease space decreased by approximately 800,000 square feet from last quarter, down to 20.4 million square feet.

Third-quarter leasing activity surpassed 7 million square feet, the highest total in six quarters and 32.9% above the quarterly average since the start of the pandemic. The 10.5% quarter-over-quarter jump in activity was driven by several large renewals in Midtown and Downtown. 2021 leasing activity has now reached 19.8 million square feet. While activity increased, it remained 18.1% below the long-term Manhattan average. The combination of declining availability and improved leasing resulted in the greatest improvement in quarterly absorption since the second quarter of 2019, at negative 589,250 square feet.

Asking rents fell for the sixth consecutive quarter, dropping \$0.42/SF from the second quarter to \$73.47/SF. This marks an \$8.24/SF decline over the past 18 months. The drop-off appears to be stabilizing, as this was the second straight quarter in which rents fell by less than \$0.50/SF. Six markets recorded asking rent decreases of at least \$1.00/SF, led by Grand Central, Hudson Square/Meatpacking, and NoHo/SoHo.

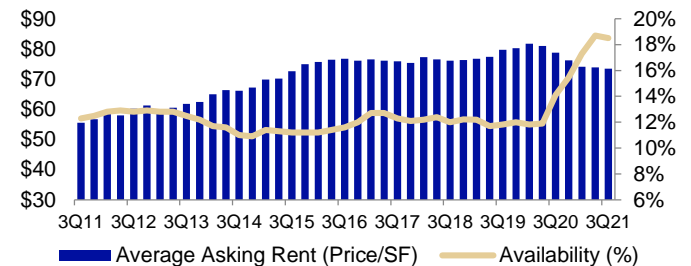
More than 1.1 million square feet of space delivered in the third quarter, led by the Farley Post Office Building. In addition to the 740,000-square-foot redevelopment, other projects that were completed included 1245 Broadway, 205 West 28th Street, 60 Charlton Street, and an expansion at 100 Pearl Street. More than 10 million square feet is slated to deliver across 20 Manhattan properties by the end of next year.

## Current Conditions

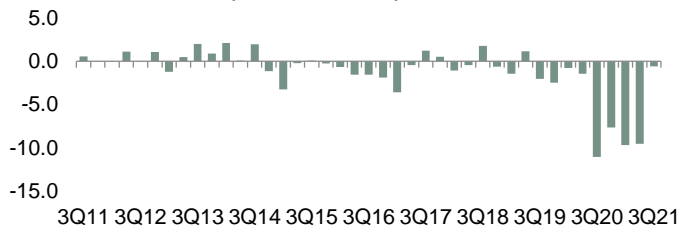
- The availability rate decreased for the second consecutive month, dropping 20 basis points from last quarter to 18.5%.
- Third-quarter activity totaled 7.8 million square feet, the highest amount since the first quarter of 2020 and 32.9% above the quarterly COVID-19 average since the start of the pandemic.
- Manhattan asking rents were stable for the second consecutive quarter, decreasing by just \$0.42/SF, or 0.6%, to \$73.47/SF.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	468.3 MSF	468.0 MSF	461.0 MSF	↑
Availability Rate	18.5%	18.7%	14.1%	↑
Quarterly Net Absorption	-589,250	-9,509,927	-11,012,977	↓
Avg. Ask Rent	\$73.47	\$73.89	\$78.77	↓
Under Const.	13.6 MSF	14.5 MSF	14.3 MSF	↑
Deliveries	1.2 MSF	178,878 SF	1.8 MSF	↑

## Midtown

### Availability and Asking Rents Improve Across Majority of Midtown Submarkets

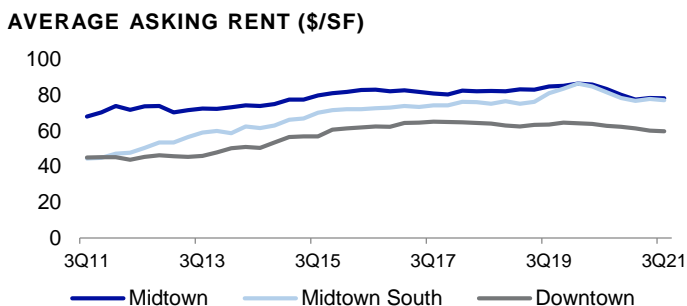
Rents increased in eight of the 11 Midtown submarkets. Meanwhile, the absorption of premium-priced space at 1 Vanderbilt Avenue pushed rents down \$3.23/SF in Grand Central, which outweighed the gains in other submarkets and pushed the average Midtown rental rate down \$0.23/SF from the second quarter. The deals at 1 Vanderbilt Avenue included an expansion by the Carlyle Group and a new lease for a tower floor by UIPath.

The Midtown availability rate fell 30 basis points from last quarter to 17.5%, with declines recorded in eight of the 11 submarkets. The exceptions were the Westside, Murray Hill, and the Penn District – the only submarkets where large blocks were added. The entirety of 636 Eleventh Avenue, spanning 555,000 square feet, is now available for sublease from WPP, as well as 228,000 square feet at 200 Madison Avenue from PVH. Direct blocks were also added at 787 Seventh Avenue and 333 West 34th Street.

Leasing activity totaled 4.8 million square feet, the highest quarterly velocity since 5.5 million square feet was recorded in the first quarter of 2020. Third-quarter velocity was driven by large renewals, led by IPG’s 513,000-square-foot renewal at 100 West 33rd Street. Other significant deals included renewals by Credit Agricole and SVB Leerink at 1301 Avenue of the Americas and New York University at 11 West 42nd Street, as well as an extension and expansion by Lowenstein Sandler at 1251 Avenue of the Americas. The largest direct relocation was for 143,000 square feet at 200 Park Avenue by BDO Seidman, followed by Mintz Levin’s long-term deal at 919 Third Avenue.

Nearly 1 million square feet delivered in Midtown this quarter, as the Farley Post Office and 1245 Broadway opened in the Penn District. Approximately 9.7 million square feet remains under construction in Midtown, all in the Far West Side across four properties: 66 Hudson Boulevard, 50 Hudson Yards, 3 Hudson Boulevard, and 2 Manhattan West. As much as 26 million square feet remains in the pipeline across Midtown.

### Average Asking Rent By Submarket



## Midtown South

### Availability Rates Drop in Four of Five Midtown South Submarkets

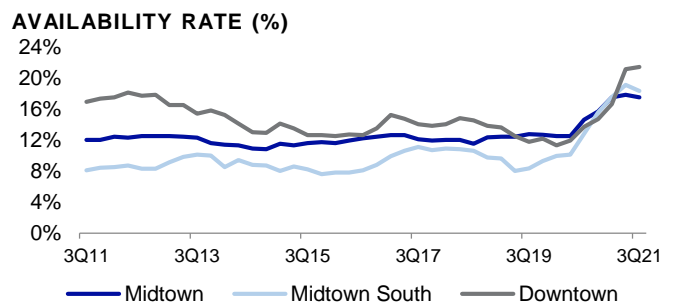
The Midtown South availability rate closed at 18.3%, a quarter-over-quarter decrease of 80 basis points. This was a result of no large block additions, as well as the second strongest quarter of leasing activity since the start of the pandemic. NoHo/SoHo and Hudson Square/Meatpacking recorded the biggest drops in availability from last quarter, falling by 2 and 1.5 percentage points, respectively. There were just two space additions of more than 50,000 square feet across Midtown South this quarter, as 52,000 square feet of direct space came to market at 50 West 23rd Street in Chelsea and a large sublease from Hot97 was listed at 395 Hudson Street.

Asking rents fell in four of the five submarkets, with quarterly declines of more than \$2.00/SF recorded in NoHo/SoHo and Hudson Square/Meatpacking. These drops were caused by the absorption of premium space at 799 Broadway and 40 Tenth Avenue, where New Residential Investment and Westcap Management signed, respectively.

Midtown South leasing activity totaled 1.7 million square feet this quarter, a quarter-over-quarter decline of 8.3%, but just 0.7% below the five-year average. This marked the first time that velocity eclipsed 1.0 million square feet in consecutive quarters since 4Q19 and 1Q20. The largest deal in Midtown South was a 64,516-square-foot sublease at 125 West 25th Street in Chelsea by Cockroach Labs. Google solidified its presence in Midtown South by signing a 58,981-square-foot expansion at 85 Tenth Avenue and purchasing 550 Washington Street for \$2.1 billion, a sign of confidence in New York City’s post-pandemic future.

There were two deliveries in Midtown South this quarter, at 205 West 28th Street and 60 Charlton Street, which added 155,263 square feet to market inventory. An additional 767,304 square feet is expected to deliver in the fourth quarter across six properties. Slated to open in 2023, the 900,000-square-foot redevelopment at 550 Washington Street remains the largest project under construction in Midtown South.

### Availability By Submarket



## Downtown

### Leasing Velocity Improves but Availability Increases

After surging by 450 basis points last quarter, the Downtown availability rate increased by just 30 basis points to 21.4%. This was driven by two direct large blocks additions in Downtown East at 14 Wall Street and 85 Broad Street. Multiple sublease additions also contributed to the increase, including 93,826 square feet from Macmillan at 1 New York Plaza, 76,812 square feet from Nielsen at 85 Broad Street, and 57,439 square feet from Wolters Kluwer at 28 Liberty Street. Downtown quarterly absorption posted at negative 621,115 square feet.

As availability increased Downtown, so did leasing activity, which closed the quarter at 1.3 million square feet, a pandemic-high for

Downtown. The two largest deals of the quarter, a 399,423-square-foot renewal by Fried Frank at 1 New York Plaza and a 137,274-square-foot sublease by DailyPay at 55 Water Street, accounted for 41.3% of total velocity. The largest direct relocation was signed by CedarCares for 66,595 square feet at 32 Avenue of the Americas in Tribeca. Despite the improvement in activity, the quarterly total remains 24.0% below the five-year Downtown average.

Downtown asking rents decreased by \$0.41/SF from the second quarter to \$60.06/SF, a 0.7% drop. This decrease was primarily driven by more high-priced subleases coming off the market at 55 Water Street and 1 World Trade Center, where DailyPay signed and Constellation Agency and Reddit finalized subleases.

### Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Interpublic Group of Companies, Inc. (IPG)	Penn District	100 West 33rd Street	Direct Renewal	513,000
Credit Agricole	Sixth Avenue/ Rockefeller Center	1301 Avenue of the Americas	Direct Renewal	167,000
BDO Seidman, LLP	Park Avenue	200 Park Avenue	Direct New	143,000
Lowenstein Sandler	Sixth Avenue/Rockefeller Center	1251 Avenue of the Americas	Direct Extension & Expansion	125,700
New York University	Grand Central	11 West 42nd Street	Direct Renewal	115,785

### Midtown South Lease Transactions

Tenant	Market	Building	Type	Square Feet
Cockroach Labs	Chelsea	125 West 25th Street	Sublease New	64,516
Regus	Flatiron/Union Square	401 Park Avenue South	Direct New	63,300
Google Inc.	Chelsea	85 Tenth Avenue	Direct Expansion	58,981
Robinhood Markets, Inc.	Chelsea	413-435 West 14th Street	Direct New	46,530
Maven Clinic	Hudson Square/Meatpacking	160-170 Varick Street	Direct New	46,287

### Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Fried, Frank, Harris, Shriver & Jacobson	Downtown East	1 New York Plaza	Direct Renewal	399,724
DailyPay	Downtown East	55 Water Street	Sublease New	137,274
Cedar Cares	Tribeca/City Hall	32 Avenue of the Americas	Direct New	66,595
Constellation Agency	Downtown West	1 World Trade Center	Sublease New	48,000
Reddit	Downtown West	1 World Trade Center	Sublease New	47,848

## 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>293,484,762</b>	<b>9,662,418</b>	<b>17.5%</b>	<b>(391,647)</b>	<b>(8,779,756)</b>	<b>\$83.43</b>	<b>\$58.21</b>	<b>\$78.06</b>
Eastside	24,873,390	0	22.4%	32,077	(786,679)	\$75.80	\$56.48	\$73.19
Far West Side	14,834,159	9,662,418	13.7%	22,186	(1,047,656)	\$146.34	\$89.79	\$136.82
Grand Central	48,897,768	0	16.4%	268,063	(1,270,667)	\$74.88	\$52.73	\$70.16
Murray Hill	7,930,696	0	21.2%	(176,744)	(535,224)	\$63.60	\$46.26	\$59.97
Park Avenue	25,983,580	0	15.1%	89,032	(234,137)	\$111.91	\$68.00	\$103.76
Penn District	22,418,031	0	14.4%	(309,444)	(864,290)	\$69.17	\$55.38	\$62.48
Plaza District	26,205,352	0	18.9%	18,911	(393,239)	\$102.50	\$78.09	\$100.41
Sixth Ave/Rock Center	45,329,301	0	12.7%	80,371	(739,712)	\$84.88	\$59.23	\$79.90
Times Square	14,834,999	0	25.7%	120,462	(1,061,026)	\$84.70	\$62.24	\$82.80
Times Square South	35,996,446	0	18.2%	(46,014)	(1,032,008)	\$54.63	\$49.83	\$53.39
Westside	26,181,040	0	22.5%	(490,547)	(815,118)	\$78.59	\$60.30	\$72.53
<b>Midtown South</b>	<b>79,016,954</b>	<b>3,906,141</b>	<b>18.3%</b>	<b>423,512</b>	<b>(3,515,137)</b>	<b>\$81.56</b>	<b>\$64.69</b>	<b>\$76.99</b>
Chelsea	30,675,281	1,212,167	17.8%	274,973	(1,467,094)	\$74.03	\$64.92	\$71.09
East Village	1,712,321	301,321	31.9%	(37,087)	(217,071)	\$84.42	NA	\$84.42
Flatiron/Union Square	24,193,279	1,015,035	21.8%	(16,760)	(1,448,596)	\$86.79	\$63.93	\$82.03
Hudson Sq./Meatpacking	11,722,369	1,195,431	13.8%	67,757	(192,596)	\$91.88	\$64.93	\$78.46
NoHo/SoHo	10,713,704	182,187	14.3%	134,629	(189,780)	\$78.54	\$67.59	\$77.27
<b>Downtown</b>	<b>95,781,076</b>	<b>20,172</b>	<b>21.4%</b>	<b>(621,115)</b>	<b>(7,659,934)</b>	<b>\$63.19</b>	<b>\$48.86</b>	<b>\$59.65</b>
Downtown East	50,382,484	0	25.8%	(727,333)	(6,474,272)	\$59.79	\$44.29	\$56.38
Downtown West	36,688,566	0	17.8%	9,113	(897,195)	\$67.17	\$55.59	\$63.45
Tribeca/City Hall	8,710,026	20,172	11.2%	97,105	(288,467)	\$82.72	\$39.33	\$77.86
<b>Manhattan</b>	<b>468,282,792</b>	<b>13,588,731</b>	<b>18.5%</b>	<b>(589,250)</b>	<b>(19,954,827)</b>	<b>\$78.39</b>	<b>\$57.06</b>	<b>\$73.47</b>

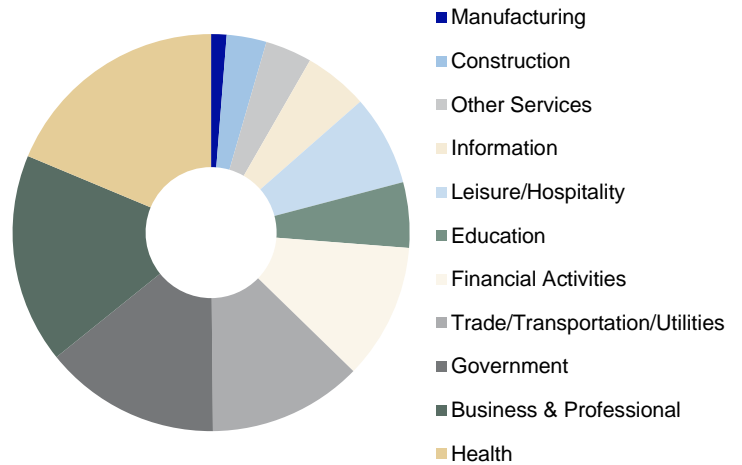
### Economic Conditions

The national unemployment rate has continued to decrease since its peak of 14.4% in April of 2020, closing August at 5.3%. As of September 24th, the four-week moving average was 335,750 initial unemployment insurance claims, falling to the lowest level since the pandemic began. While the national unemployment rate has improved, the New York City unemployment rate has dropped at a much slower pace. It has hovered between 9% and 11% since March, most recently closing at 9.8%.

New York City office employment has seen a much more robust recovery, regaining 94.4% of jobs lost in the immediate aftermath of the pandemic. Although jobs increased by 6,200 from July to August, office-using employment remains down 83,000 jobs since February of 2020. New York City also outpaced the nation's improvements in employment in several industries, including Information; Accommodation and Food Services; Arts, Entertainment, and Recreation; Healthcare and Social Assistance; Retail Trade; and Educational Services.

### Employment By Industry

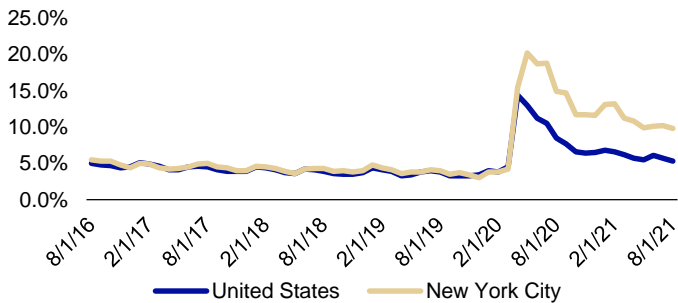
NEW YORK CITY, AUGUST 2021



Source: New York State Department of Labor

### Unemployment Rate

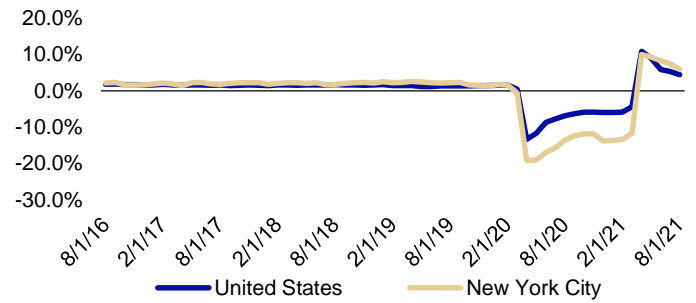
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

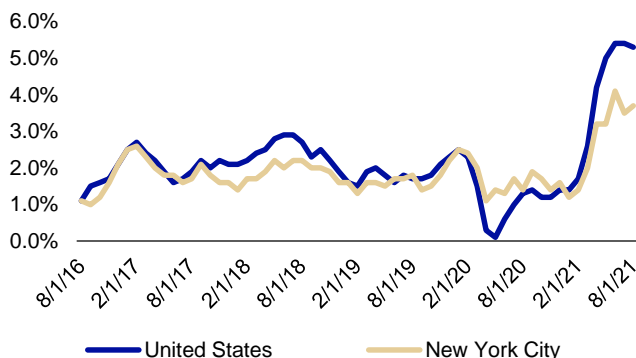
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

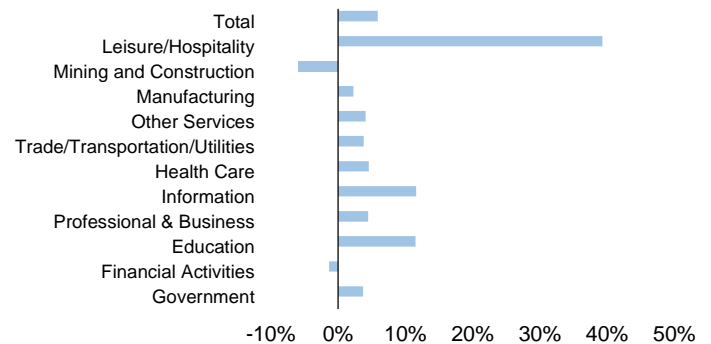
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth By Industry

NYC, AUGUST 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor

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

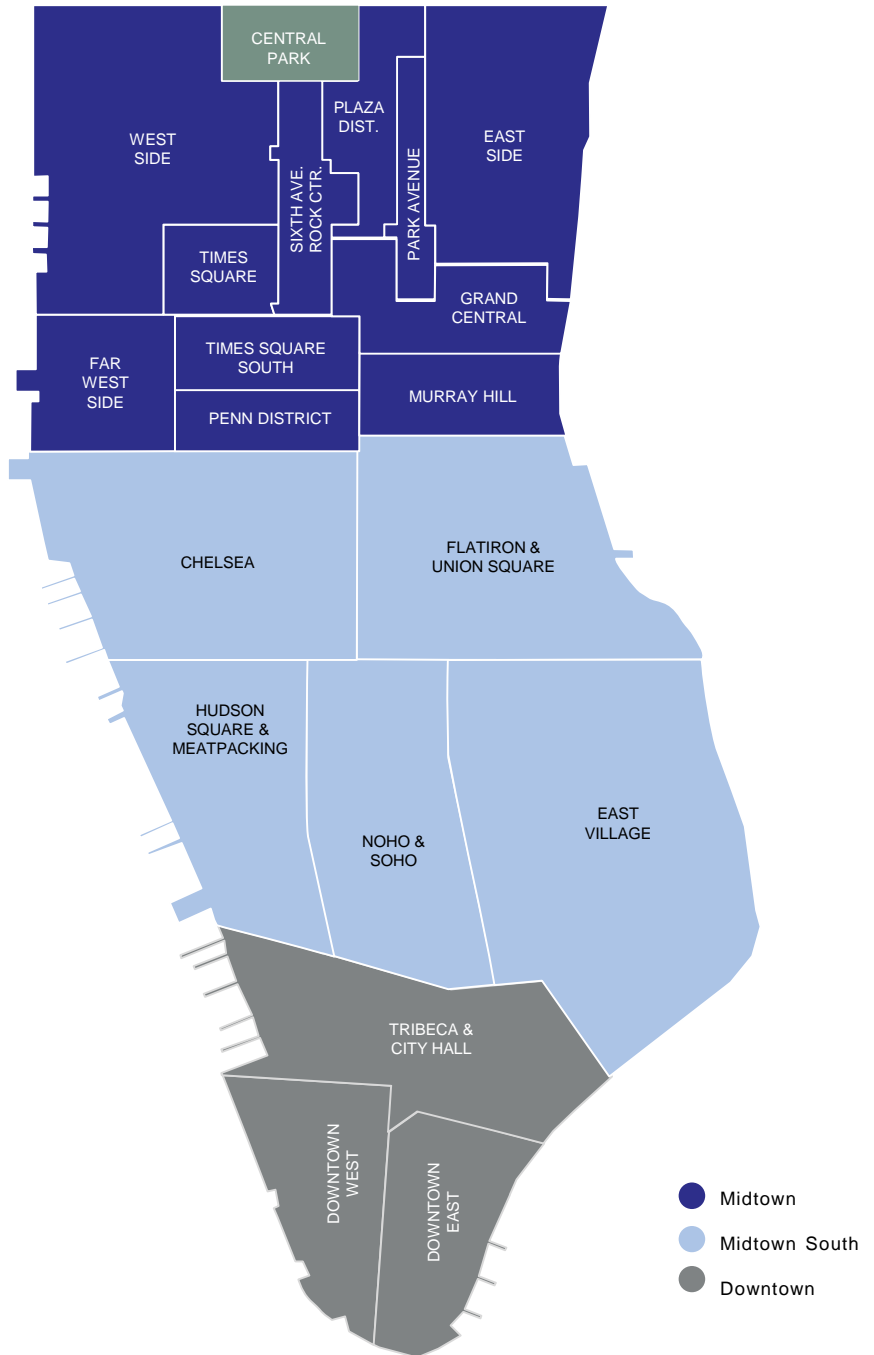
**Stephen Tsamblakos**

Lead Author

**Ronnie Wagner**

Director, Research

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



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