

Midtown Office Market

Midtown Leasing Activity Reaches Highest Point Since Pre-Covid

Midtown leasing velocity closed the third quarter at 6.6 million square feet, the highest quarterly total since the fourth quarter of 2019. It also was 4.0% above Midtown's five-year historical average from 2015 to 2019. Of the overall space leased this quarter, 5.6 million square feet, or 84.1%, was in Class A space. Approximately 1.5 million square feet, or 19.6%, of the Class A velocity was in trophy assets, a year-over-year improvement of 1.0 million square feet. Despite the improvement in leasing, there was a drop-off throughout the quarter, with activity reaching 3.0 million square feet in July before declining to 1.7 million square feet in September.

The largest deal of the quarter was signed by Nityo Infotech at 1675 Broadway. The firm subleased 547,147 square feet and subsequently listed a substantial portion of it for sublease. KPMG signed the largest direct relocation of the quarter, with a 456,000-square-foot lease at 2 Manhattan West in a consolidation of multiple offices. D.E. Shaw also finalized a 283,000-square-foot lease at 2 Manhattan West in the Far West Side; the Brookfield-developed asset spanning 1.9 million square feet is slated for delivery in the fourth quarter of this year. This follows deals signed by Clifford Chance and Crowell & Moring last quarter.

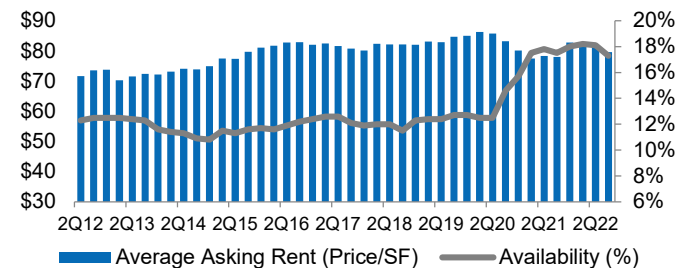
An additional 225,638 square feet of space was leased in Class A new construction, including at 50 Hudson Yards, where Truist Bank and Vista Equity Partners leased 96,850 square feet and 95,000 square feet, respectively. FIS Global leased the entire 62nd floor at One Vanderbilt, spanning 25,488 square feet, and 101 Studios leased 8,300 square feet at 1245 Broadway in the Penn District.

Current Conditions

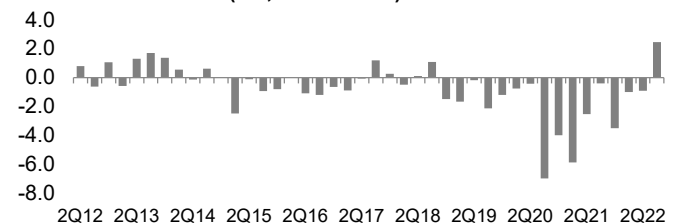
- Leasing velocity was recorded at 6.6 million square feet, a quarter over quarter jump of 14.2%.
- Midtown average asking rents decreased by \$1.83/SF, or 2.2%, from the second quarter, closing at \$79.57/SF, following multiple leases in Class A new construction.
- Quarterly absorption posted positive for the first time in four years, and recorded the highest volume in this market cycle.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	298.2M SF	298.2 MSF	293.4 MSF	↑
Availability Rate	17.3%	18.3%	17.5%	↑
Quarterly Net Absorption	2,468,733	-921,625	-386,247	↓
Avg. Ask Rent	\$79.57	\$81.40	\$78.06	↓
Under Const.	7.0 MSF	6.8 MSF	9.7 MSF	↑
Deliveries	0 SF	2.85 MSF	923,910 SF	↑

Availability Rate Declines to Lowest Point in Nearly Two Years

The Midtown availability rate decrease by 85 basis points quarter over quarter to 17.3%, its lowest point since the fourth quarter of 2020. This comes despite seven block additions across six submarkets of at least 50,000 square feet. Direct blocks were added at 250 Park Avenue, 488 Madison Avenue, 551 Fifth Avenue and 11 Times Square. In addition to Nityo Infotech at 1675 Broadway, JWT/WPP relisted 193,431 square feet at 237 Park Avenue, and Shutterstock made 83,726 square feet available at the Empire State Building. Despite these space additions, the robust surge in leasing activity outpaced availability.

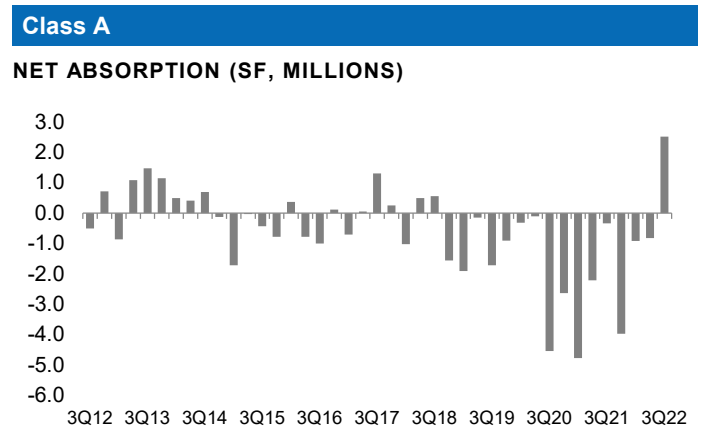
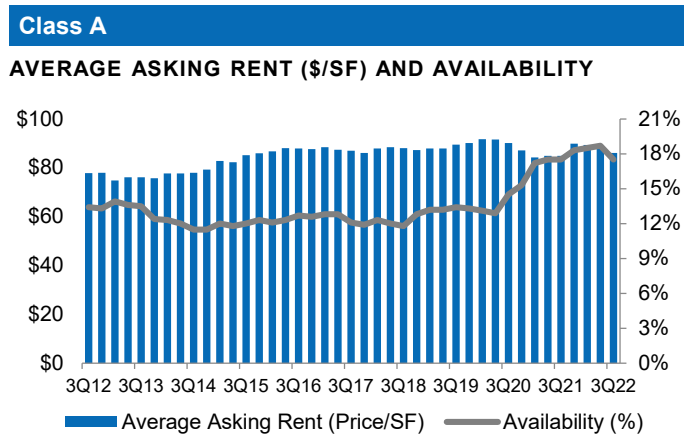
Strong leasing outpacing new availabilities drove quarterly absorption to positive 2,468,733 square feet. It was the first time absorption posted positive in four years, and the highest volume in this market cycle.

Six of the 11 Midtown submarkets recorded a decline in availability. The submarkets with the greatest quarter-over-

quarter changes were the Far West Side and Westside, where large 100,000-square-foot leases took significant blocks of space off the market. The Eastside submarket also recorded a decline of 166 basis points, a boon for Third Avenue, as Memorial Sloan Kettering Cancer Center purchased a 414,317-square-foot condo at 885 Third Avenue.

Rents Remain Stable Across Midtown

Midtown average asking rents closed the quarter at \$79.57/SF, a decrease of \$1.83/SF, or 2.2%, from the second quarter. Rents declined in seven of the 11 submarkets, with the largest drop recorded in the Far West Side for the second consecutive quarter, as rents fell by \$3.87/SF to \$134.27/SF, still the highest of any Manhattan submarket. The notable decline was due to the removal of high-priced space at 2 Manhattan West and 50 Hudson Yards from the market. Park Avenue asking rents were the only submarket in which rents increased by more than \$1.00/ SF, jumping by \$8.57/SF from the second quarter to \$105.49/SF. This change was driven by repricing at 500 Park Avenue, as well as more inexpensive space coming off the market at 230 Park Avenue.



Midtown Lease Transactions*				
Tenant	Market	Building	Type	Square Feet
Nityo Infotech	Westside	1675 Broadway	Sublease New	546,147
KPMG	Far West Side	2 Manhattan West	Direct New	456,000
Memorial Sloan Kettering Cancer Center	Eastside	885 Third Avenue	Condo Sale	414,317
<i>*Condo sale, not accounted for in leasing activity</i>				
DataDog	Times Square South	620 Eighth Avenue	Direct New	331,000
D.E. Shaw	Far West Side	2 Manhattan West	Direct New	283,000

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)
Midtown	298,195,202	7,046,658	17.3%	2,468,773	724,217	\$83.84	\$63.16	\$79.57
Eastside	24,819,196	0	21.5%	353,334	14,825	\$73.94	\$54.91	\$71.28
Far West Side	19,634,299	6,812,418	17.6%	1,387,849	590,455	\$149.07	\$105.71	\$134.27
Grand Central	48,897,768	0	17.8%	-134,689	-621,282	\$73.40	\$55.31	\$69.91
Murray Hill	7,930,696	0	21.9%	-80,558	-34,758	\$63.17	\$44.21	\$60.63
Park Avenue	25,983,580	234,240	12.0%	359,875	365,997	\$116.67	\$63.86	\$105.49
Penn District	22,418,031	0	21.4%	-137,933	-437,076	\$89.43	\$54.78	\$79.34
Plaza District	26,259,546	0	18.5%	-66,116	-401,613	\$96.98	\$90.51	\$96.26
Sixth Ave/Rock Center	45,329,301	0	11.8%	253,741	-121,375	\$84.02	\$60.34	\$78.89
Times Square	14,834,999	0	22.6%	285,195	741,409	\$82.13	\$70.24	\$80.92
Times Square South	35,906,746	0	15.5%	-71,495	146,772	\$53.84	\$44.02	\$51.80
Westside	26,181,040	0	19.8%	319,570	480,863	\$76.18	\$57.84	\$71.22
Midtown South	79,478,298	3,394,459	18.0%	391,887	-688,576	\$83.39	\$70.26	\$80.39
Chelsea	30,878,968	866,492	16.5%	186,661	68,353	\$72.23	\$67.35	\$70.99
East Village	1,712,321	65,764	18.6%	38,117	56,077	\$88.37	\$72.87	\$88.30
Flatiron/Union Square	24,193,279	807,949	21.3%	288,399	118,826	\$87.27	\$68.23	\$82.92
Hudson Sq./Meatpacking	11,986,799	1,654,254	18.7%	131,592	-580,719	\$99.67	\$75.45	\$93.68
NoHo/SoHo	10,706,931	0	14.1%	-252,882	-351,113	\$81.73	\$84.35	\$82.13
Downtown	95,903,759	0	22.2%	-322,848	-1,240,798	\$63.60	\$48.01	\$59.22
Downtown East	50,385,052	0	26.7%	-310,381	-769,025	\$60.43	\$43.86	\$56.49
Downtown West	36,808,681	0	17.8%	179,836	-198,205	\$66.90	\$52.98	\$61.42
Tribeca/City Hall	8,710,026	0	14.7%	-192,303	-273,568	\$81.58	\$49.95	\$76.58
Manhattan	473,577,259	10,441,117	18.4%	2,537,812	-1,205,157	\$79.09	\$59.71	\$74.66

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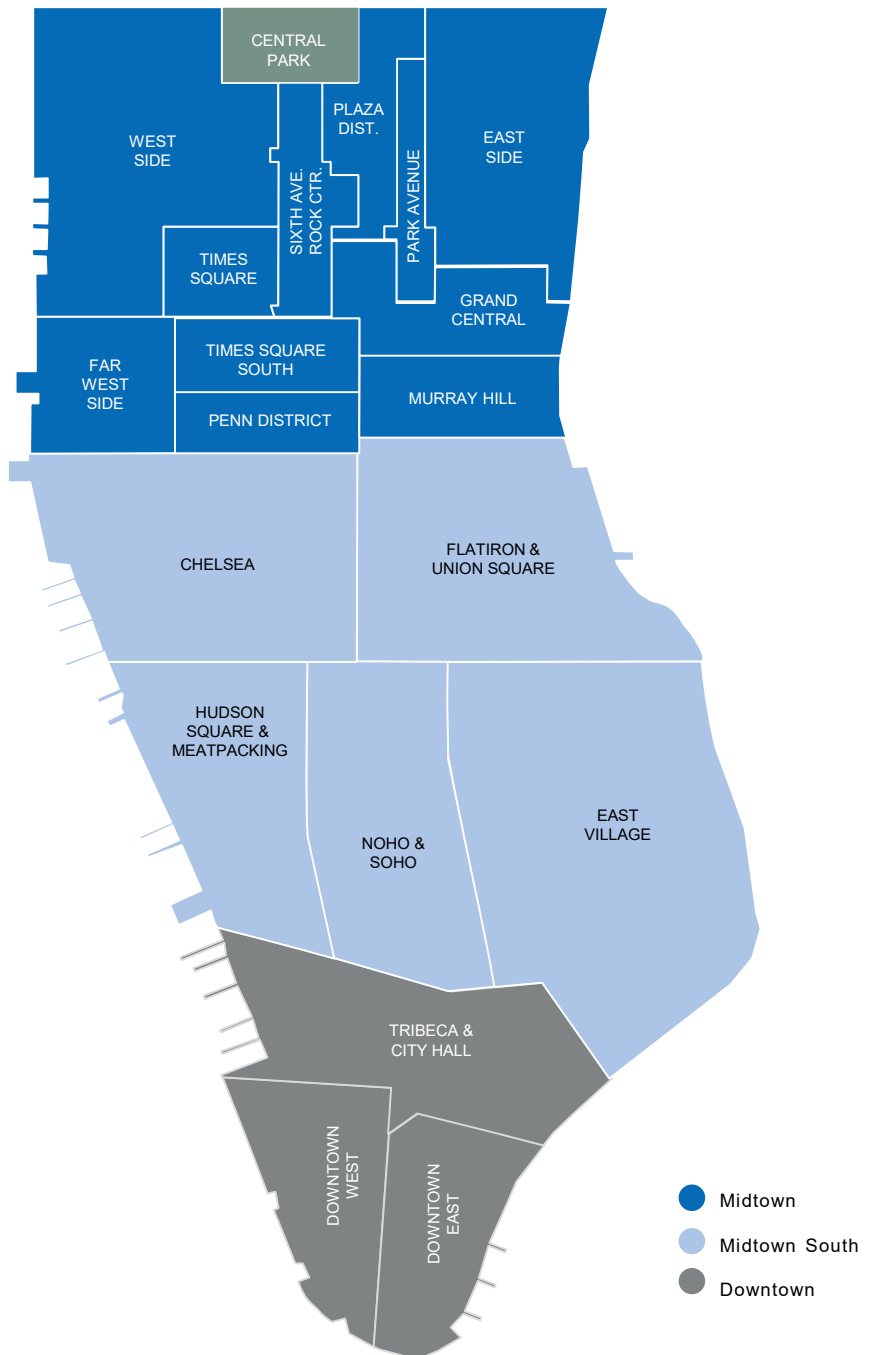
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