



Midtown Office Market

Midtown Leasing Activity Rebounds

Midtown leasing velocity in the fourth quarter totaled 5.5 million square feet, an increase of 15.7% from the third quarter. This marks the highest total since the fourth quarter of 2019. Activity was also just above the 10-year quarterly average of 5.5 million square feet, propelled by large renewals signed by Madison Square Garden at PENN 2, NBC at 1221 Avenue of the Americas, and Dechert at 3 Bryant Park.

Midtown average asking rents increased by \$4.73/SF, or 6.1%, quarter over quarter to \$82.79/SF, the highest level in five quarters. The large jump in rents was primarily due to the addition of PENN 2, 66 Hudson Boulevard, and 2 Manhattan West to the market. These properties led to quarter-over-quarter increases in submarket asking rents of \$18.40/SF and \$9.71/SF in the Penn District and Far West Side, respectively.

Although the availability rate decreased in seven of the 11 Midtown submarkets, the overall Midtown availability rate increased by 50 basis points from the third quarter to 18.0%. This was a result of 10 contiguous large block additions of at least 100,000 square feet, six of which were in the Far West Side. Four blocks within 66 Hudson Boulevard came to market this quarter, including a 153,973-square-foot sublease from Pfizer, as well as another two at 2 Manhattan West. These two new developments added 2.9 million square feet to available space in Midtown. A block spanning 1.3 million square feet at PENN 2 also came to market, boosting the Penn District availability rate up 4.4 percentage points from last quarter to 18.8%.

As Available Sublease Space Declines, Direct Blocks Come to Market

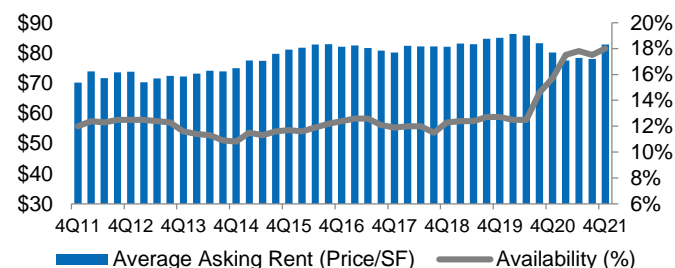
The sublease availability rate in Midtown fell 50 basis points quarter over quarter to 3.4%, its lowest levels in five quarters. Available sublease space fell by 1.3 million square feet to 10.0 million square feet at the end of the fourth quarter. While sublease space dropped, numerous direct blocks were added to the market. In addition to the seven blocks in new construction, there were also two space additions spanning entire buildings as 607,153 square feet at 330 West 42nd Street in Times Square and 580,000 square

Current Conditions

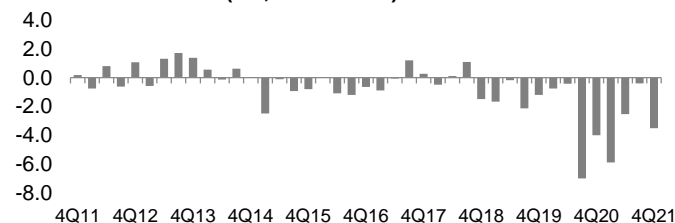
- Midtown average asking rents increased by \$4.73/SF, or 6.1%, from the third quarter to \$82.79/SF.
- Leasing velocity was recorded at 5.5 million square feet, a 15.7% improvement from the third quarter, and a pandemic-high for Midtown.
- The Midtown availability rate increased by 50 basis points to 18.0%, as several large blocks came to market in the Far West Side.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	298.2 MSF	293.4 MSF	289.6 MSF	↑
Availability Rate	18.0%	17.5%	15.7%	↑
Quarterly Net Absorption	-3,488,981	-391,647	-3,980,116	↓
Avg. Ask Rent	\$82.79	\$78.06	\$80.11	↓
Under Const.	9.7 MSF	9.7 MSF	11.4 MSF	↑
Deliveries	0 SF	923,910 SF	0 MSF	↑

feet at 522 Fifth Avenue, formerly occupied by Morgan Stanley, in Grand Central came to market. A two-floor block was also added at 2 Park Avenue in Murray Hill, pushing submarket availability up a percentage point, to 22.2%.

Approximately 9.7 million square feet remains under construction, all in the Far West Side, across four developments. Three of the four, 50 Hudson Yards, 66 Hudson Boulevard, and 2 Manhattan West, are expected to deliver in 2022, bringing 7.7 million square feet to market, more than 4.0 million of which has been pre-leased. Tens of millions of square feet remains in the pipeline, including 2.1 million square feet at 175 Park Avenue, 1.3 million square feet at 5 East 51st Street, and 753,000 square feet at 343 Madison Avenue.

Leasing Activity Surges to Pandemic-High

In addition to the three large renewals by Madison Square Garden, NBC, and Dechert, several other deals also led to the jump in velocity. Chubb signed the market's largest relocation, anchoring the redeveloped 550 Madison Avenue. Bloomberg finalized a six-floor expansion at 919 Third Avenue spanning 191,000 square feet. In Times Square, Venable LLP and The Office of the Comptroller of the Currency signed new leases, moving to 151 West 42nd Street and 7 Times Square, respectively.

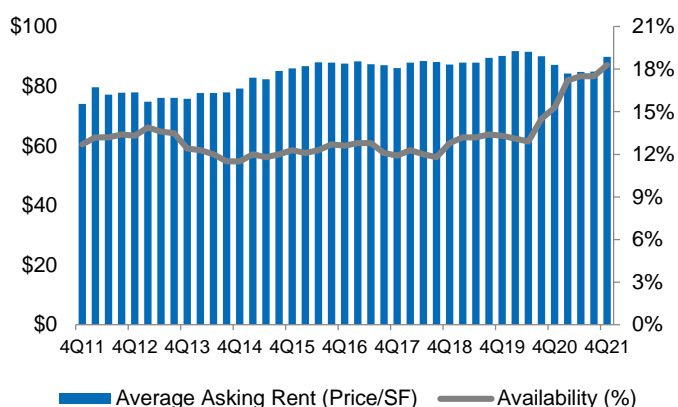
Several new leases were also signed in new construction. Multiple leases were finalized at 1 Vanderbilt Avenue, where Flexpoint Ford, Edwards Capital, and Stone Point Capital completed transactions for a total of 55,226 square feet. At 66 Hudson Boulevard, Turner Construction signed a 75,217-square-foot lease for the third floor in the development it is helping to build. At 1245 Broadway in the Penn District, A24 Films signed a four-floor deal for 41,114 square feet. At 50 Hudson Yards, ServiceNow signed for 31,000 square feet and XTX Markets signed for 13,207 square feet on partial floors. Two leases were also signed at 425 Park Avenue, where GTCR and Maverick Capital each completed two-floor deals for 27,800 square feet.

Rents Adjust in Five Midtown Submarkets

Following the addition of new supply to market inventory in the Far West Side and the Penn District, those two submarkets became among the most expensive in Manhattan, with asking rents closing the year at \$146.53/SF and \$100.95/SF, respectively. While those submarkets saw large quarter-over-quarter increases, Times Square, Park Avenue, and the Plaza District each saw asking rents decline. These decreases were a result of Class A space being leased up, including at 151 West 42nd Street, 425 Park Avenue, 550 Madison Avenue, and 711 Fifth Avenue, as well as repricing at 5 Times Square.

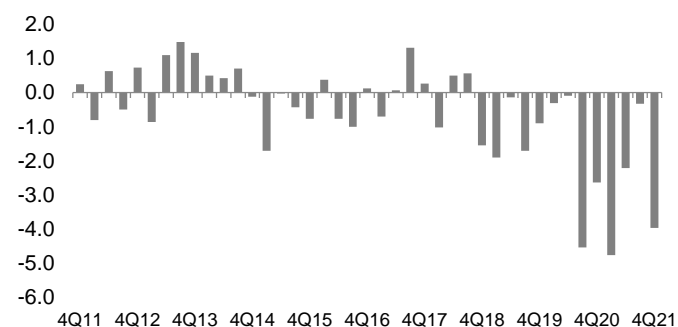
Class A

AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



Class A

NET ABSORPTION (SF, MILLIONS)



Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
MSG Sports & Entertainment, LLC	Penn District	PENN 2	Direct Renewal & Expansion	429,022
NBC Universal	Sixth Avenue/Rockefeller Center	1221 Avenue of the Americas	Direct Renewal	339,833
Chubb	Plaza District	550 Madison Avenue	Direct New	241,647
Dechert LLP	Sixth Avenue/Rockefeller Center	1095 Avenue of the Americas	Direct Renewal	241,000
Bloomberg, LP	Eastside	919 Third Avenue	Direct Expansion	191,000

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	298,284,902	9,662,418	18.0%	(3,488,981)	(12,268,737)	\$88.18	\$58.94	\$82.79
Eastside	24,873,390	0	22.2%	7,132	(779,547)	\$75.91	\$57.64	\$73.78
Far West Side	19,634,299	9,662,418	24.7%	(2,919,698)	(3,967,354)	\$152.26	\$91.13	\$146.53
Grand Central	48,897,768	0	16.4%	(372,911)	(1,643,578)	\$75.29	\$54.76	\$71.40
Murray Hill	7,930,696	0	22.2%	(123,202)	(658,426)	\$63.46	\$46.10	\$59.95
Park Avenue	25,983,580	0	13.6%	228,274	(5,863)	\$107.61	\$65.63	\$100.95
Penn District	22,418,031	0	18.8%	(1,062,554)	(1,926,844)	\$93.67	\$54.98	\$80.88
Plaza District	26,205,352	0	17.1%	379,030	(14,209)	\$100.23	\$76.83	\$98.05
Sixth Ave/Rock Center	45,329,301	0	11.7%	377,062	(362,650)	\$83.88	\$60.88	\$79.75
Times Square	14,834,999	0	28.7%	(346,295)	(1,407,321)	\$81.48	\$59.13	\$79.70
Times Square South	35,996,446	0	16.9%	160,859	(871,149)	\$54.85	\$48.67	\$53.37
Westside	26,181,040	0	21.3%	183,322	(631,796)	\$77.70	\$60.83	\$72.27
Midtown South	79,010,181	3,468,312	17.6%	281,303	(3,233,834)	\$83.39	\$66.93	\$78.90
Chelsea	30,675,281	911,000	17.2%	146,268	(1,320,826)	\$74.17	\$65.76	\$71.52
East Village	1,712,321	301,321	21.9%	170,454	(46,617)	\$86.25	NA	\$86.25
Flatiron/Union Square	24,193,279	1,049,035	22.1%	(187,201)	(1,635,797)	\$90.36	\$65.77	\$85.25
Hudson Sq./Meatpacking	11,722,369	1,206,956	14.5%	(109,486)	(302,082)	\$86.27	\$71.12	\$78.68
NoHo/SoHo	10,706,931	0	11.1%	261,268	71,488	\$83.57	\$63.57	\$81.42
Downtown	95,781,076	20,172	21.0%	(325,557)	(7,985,491)	\$63.55	\$48.44	\$60.02
Downtown East	50,382,484	0	25.5%	(129,523)	(6,603,795)	\$59.59	\$43.98	\$56.24
Downtown West	36,688,566	0	17.0%	(177,141)	(1,074,336)	\$68.65	\$55.45	\$64.78
Tribeca/City Hall	8,710,026	20,172	11.4%	(18,893)	(307,360)	\$83.75	\$43.94	\$79.37
Manhattan	473,076,159	13,150,902	18.5%	(3,533,235)	(23,488,062)	\$81.91	\$57.84	\$76.86

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

Alison Baumann

Associate Director, Research

Michael Miceli

Associate Director, Research

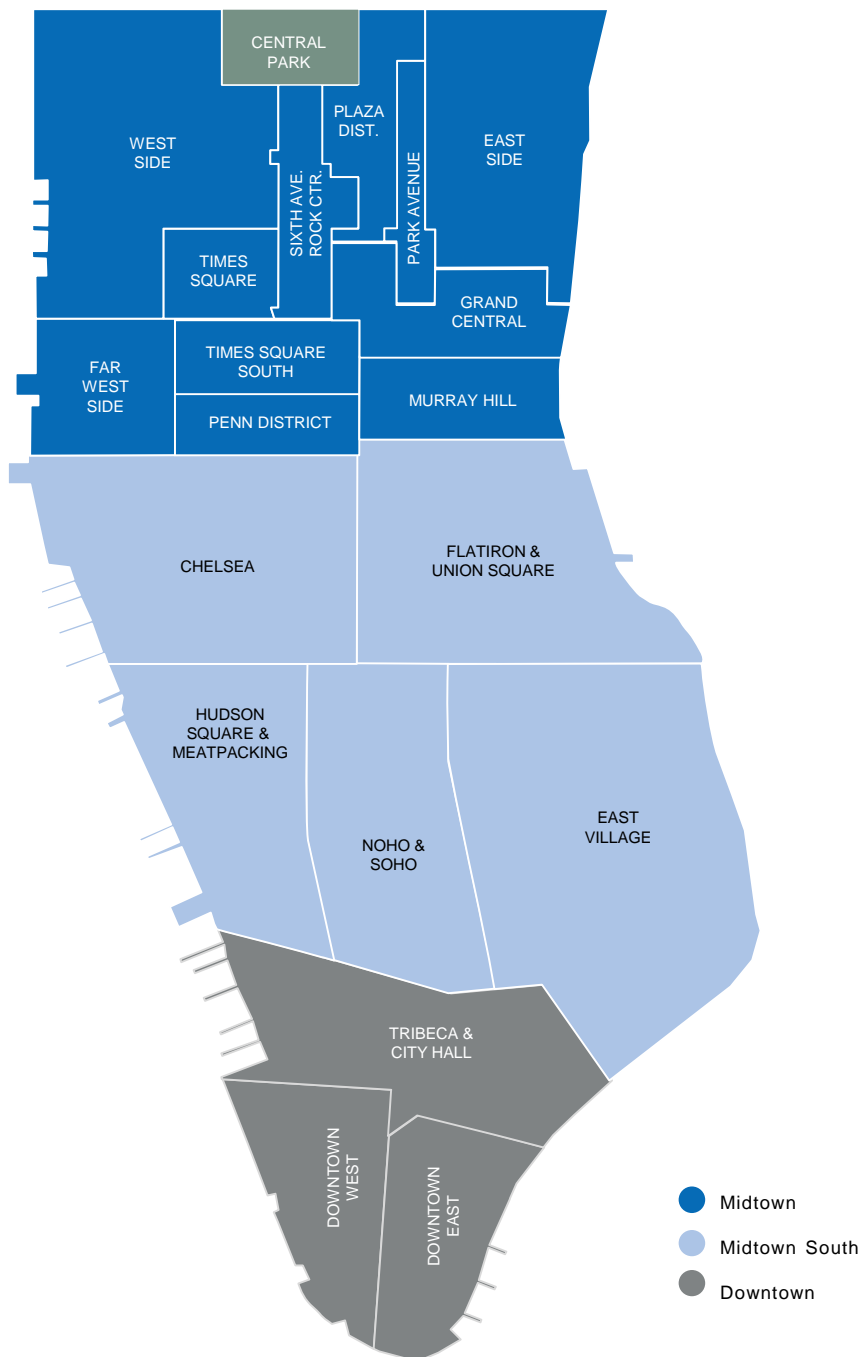
Stephen Tsamblakos

Lead Author

Ronnie Wagner

Director, Research

nrmk.com



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