

Manhattan Office Market

Fourth-Quarter Activity Slows, as Availability Rate Increases and Annual Absorption Posts Negative

Leasing activity closed the fourth quarter at 5.9 million square feet, a 42.5% decrease quarter over quarter. This marked the lowest total velocity in seven quarters and brought year-to-date activity to 32.9 million square feet. Of that total, 69.7% was leased in Class A space, a year-over-year improvement of approximately 570 basis points, continuing the trend of flight to quality. Although activity declined significantly in the fourth quarter, annual activity increased by 15.2% year over year.

Driven by several new large-block additions, the Manhattan availability rate increased by 30 basis points quarter over quarter to 18.7%. Fifteen listings of at least 100,000 square feet came to market this quarter, eight of which were subleases. Direct blocks became available at 555 West 57th Street, PENN1, 511 Fifth Avenue, 120 Park Avenue, 120 Broadway, 625 Avenue of the Americas, and 350 Fifth Avenue. After posting positive in the third quarter, quarterly absorption reverted negative, closing the fourth quarter at 256,953 square feet. This brought the annual total to negative 1,548,954 square feet.

Manhattan asking rents decreased by \$0.44/SF, or 0.6%, from the third quarter to \$74.29/SF. Both Midtown and Midtown South recorded declining asking rents, with the most severe changes of more than \$1.50/SF occurring in the Far West Side, Hudson Square/Meatpacking, Park Avenue and Grand Central. Overall asking rents Downtown increased however, with slight improvements recorded across each of the three submarkets. Manhattan average asking rents registered \$7.42/SF, or 9.1%, below the pre-pandemic high of \$81.71/SF.

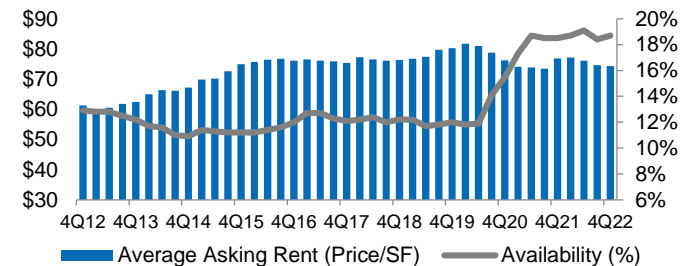
Approximately 10.8 million square feet remains under construction across 17 sites. Nearly 80.0% of the new inventory is slated to deliver in 2023. This includes assets across various submarkets, such as Two Manhattan West, 550 Washington Street, and 1 Madison Avenue.

Current Conditions

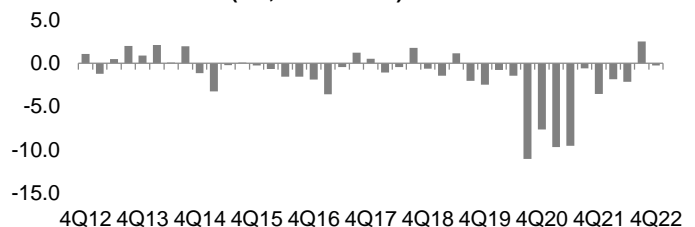
- The Manhattan availability rate increased by 30 basis points quarter over quarter to 18.7%. Annual absorption posted at negative 1.6 million square feet.
- Direct average asking rents decreased by \$0.69/SF from the third quarter, with declines reported across two of the three markets.
- Leasing activity closed 2022 at 32.9 million square feet, a 15.2% improvement from last year.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	474.2 MSF	473.6 MSF	472.7 MSF	↑
Availability Rate	18.7%	18.4%	17.3%	↓
Quarterly Net Absorption	-346,347	2,537,812	-3,587,268	↑
Avg. Ask Rent	\$74.29	\$74.73	\$74.06	↓
Under Const.	10.8 MSF	10.4 MSF	13.2 MSF	↓
Deliveries	0 SF	174,623 SF	182,187 SF	↑

Midtown

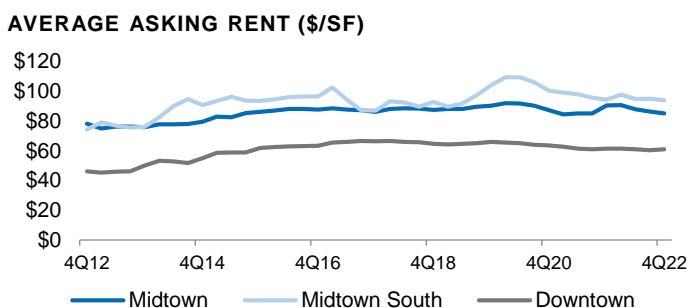
Leasing Activity Falls Significantly From Third Quarter

Midtown leasing activity decreased quarter over quarter by more than 2.8 million square feet, a drop of 41.1%. Velocity declined over the course of the quarter and failed to eclipse 1.0 million square feet in two of the three months. The largest transaction of the quarter was a combined 1,152,046 square foot deal at 1211 Avenue of the Americas with Fox Corporation and News Corp renewing 665,837 square feet and 486,209 square feet, respectively. Grand Central and Sixth Avenue were the biggest centers of activity this quarter, accounting for a combined 50.2% of the space leased in Midtown. Other top leases in those submarkets included Kohlberg Kravis Roberts & Co's expansion at 30 Hudson Yards, Outfront Media's sublease at 90 Park Avenue, and MSG Networks' renewal at 11 Penn Plaza. Notable transactions beyond those submarkets included Stephens' deal at the newly renovated 660 Fifth Avenue and Pandora Jewelry's move to Manhattan from Baltimore, with a new deal at 1540 Broadway.

The overall Midtown availability rate increased by 30 basis points from the third quarter, to 17.7%. Increases were recorded in eight submarkets following 15 new listings of at least 50,000 square feet. Of the 15, four were in Grand Central, where availability jumped by 100 basis points from last quarter, and three apiece in the Far West Side, Penn District, and Westside. The other blocks were in Times Square and Sixth Avenue/Rockefeller Center. As a result of the drop-off in activity and increase in large blocks, quarterly absorption posted negative at 1,026,865 square feet, bringing annual Midtown absorption to negative 233,550 square feet.

Midtown average asking rents decreased by \$0.97/SF from the third quarter to \$78.61/SF, the largest drop across the three markets. Rents declined in eight of the 11 Midtown submarkets, with the largest decrease once again recorded in the Far West Side. Average asking rents fell \$3.66/SF as leases were signed in new construction, including 66 Hudson Boulevard, 1 Manhattan West, and 2 Manhattan West.

Average Asking Rent By Submarket



Midtown South

Availability Surges as Leasing Velocity Stagnates

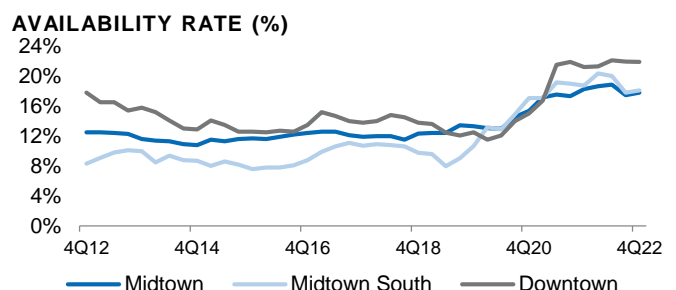
The Midtown South availability rate increased by 80 basis points quarter over quarter, to 18.9%. This followed increases of more than 100 basis points in three of the five submarkets: NoHo/SoHo, Hudson Square/Meatpacking, and Chelsea. Bolstered by more than 500,000 square feet of velocity, Flatiron/Union Square was the only Midtown South submarket in which availability declined from the third quarter, dropping 90 basis points to 20.5%.

Leasing activity totaled just 1.2 million square feet, its lowest level since the first quarter of 2021 and a 38.1% drop quarter over quarter. While the largest transaction of the quarter was a renewal by Medidata Solutions for 177,000 square feet at 350 Hudson Street, the largest direct new deal was for just 60,000 square feet by Jay Suites. Zero Irving in Flatiron/Union Square continued to be a boon for activity, with five leases signed for a combined 97,234 square feet. Tenants included Alpine Investors, GameChanger Media, Sigma Computer Services, and Alchemy Properties. Other leases signed in new construction included David Zwirner Gallery's deal for three floors at 520 West 20th Street and Catalio Capital Management's lease for 12,000 square feet at 512 West 22nd Street.

Midtown South asking rents closed at \$79.79/SF, a decrease of \$0.76/SF quarter over quarter. Average rental rates declined by \$3.46/SF in Hudson Square/Meatpacking to \$90.22/SF, as more than 80,000 square feet of sublease space was added to the market at One Hudson Square.

While 1 Madison Avenue, anchored by IBM, is the largest project under construction in Midtown South, several other developments are also in the works. In Hudson Square/Meatpacking, 555 Greenwich Street, 132 West 14th Street, and 76 Eighth Avenue are all under construction. Boutique sites are also being raised in Flatiron/Union Square at 1162 Broadway, in Chelsea at 99 Tenth Avenue, and in the East Village at 3 Saint Marks Place. More than four million square feet will deliver over the next three years.

Availability By Submarket



Downtown

Downtown Asking Rents Tick Upwards Across All Three Submarkets

The Downtown availability rate dropped by 30 basis points from last quarter, coming in at 21.8%. This followed just two large space additions at 28 Liberty Street and 120 Broadway in Downtown East, where availability increased by 10 basis points from the third quarter, and one large block addition at 250 Vesey Street in Downtown West. With few new additions to the market, the Downtown West availability rate dropped 50 basis points, and the Tribeca/City Hall availability rate declined by 200 basis points.

After Downtown leasing activity closed the third quarter at a post-Covid high, it came back to earth in the fourth quarter, closing at 631,503 square feet. Of that amount, 74.5% was in Class A product. The largest deal of the quarter was a renewal signed at 32

Avenue of the Americas by Lumen for 68,304 square feet. Other notable deals included Vibrant Emotional Health's lease at 80 Pine Street and subleases at 1 World Trade Center by Scale Facilitation and CLO Virtual Fashion.

Downtown asking rents increased by \$0.31/SF from the third quarter to \$59.59/SF. Rents increased across each of the three submarkets, as Tribeca/City Hall rents jumped by \$0.76/SF, Downtown East increased by \$0.59/SF, and Downtown West inched up by \$0.20/SF.

111 Wall Street, formerly occupied by Citi, is currently under renovation. Upon its completion in 2023, more than one million square feet of new Class A product will be added to the market. Additionally, office-to-residential conversion plans were announced for 25 Water Street, formerly known as 4 New York Plaza.

Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
News Corp. / Fox Corporation	Sixth Avenue/ Rockefeller Center	1211 Avenue of the Americas	Direct Renewal	1,152,046
Kohlberg Kravis Roberts & Co.	Far West Side	30 Hudson Yards	Direct Expansion	219,395
Outfront Media	Grand Central	90 Park Avenue	Sublease New	65,816
MSG Networks	Penn District	11 Penn Plaza	Direct Renewal	60,976
Olayan Group America	Plaza District	550 Madison Avenue	Direct New	49,476

Midtown South Lease Transactions

Tenant	Market	Building	Type	Square Feet
Medidata Solutions, Inc.	Hudson Square/Meatpacking	350 Hudson Street	Direct Renewal	177,000
Jay Suites	Chelsea	159 West 25th Street	Direct New	60,000
David Zwirner Gallery	Chelsea	520 West 20th Street	Direct New	36,000
Alpine Investors	Flatiron/Union Square	124 East 14th Street	Direct New	29,042
GameChanger Media	Flatiron/Union Square	124 East 14th Street	Direct New	25,000

Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Lumen	Tribeca/City Hall	32 Avenue of the Americas	Direct Renewal	68,304
Vibrant Emotional Health	Downtown East	80 Pine Street	Direct New	59,550
Scale Facilitation	Downtown West	1 World Trade Center	Sublease New	36,099
US Census Bureau	Downtown West	25 Broadway	Direct New	21,977
CLO Virtual Fashion	Downtown West	1 World Trade Center	Sublease New	17,238

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	8,574,658	17.7%	-1,026,865	-233,500	\$82.69	\$64.13	\$78.61
Eastside	24,819,196	0	20.8%	203,686	218,511	\$73.54	\$54.31	\$71.09
Far West Side	19,634,299	6,812,418	19.6%	-394,400	61,257	\$148.48	\$106.45	\$130.61
Grand Central	48,897,768	0	18.8%	-471,924	-1,093,206	\$72.59	\$53.19	\$68.09
Murray Hill	7,930,696	0	22.5%	-51,977	-86,935	\$62.77	\$43.81	\$60.16
Park Avenue	25,983,580	234,240	11.2%	129,789	495,786	\$112.60	\$64.33	\$100.16
Penn District	22,418,031	0	22.0%	-252,140	-567,333	\$90.13	\$54.43	\$79.82
Plaza District	26,259,546	1,528,000	18.0%	-104,723	-296,890	\$97.06	\$85.03	\$95.83
Sixth Ave/Rock Center	45,329,301	0	12.0%	-39,122	29,361	\$83.81	\$56.02	\$78.56
Times Square	14,834,999	0	24.7%	-86,143	425,481	\$79.63	\$76.66	\$79.26
Times Square South	35,906,746	0	16.3%	-37,307	109,465	\$53.66	\$46.25	\$52.00
Westside	26,181,040	0	19.9%	-132,050	471,003	\$75.70	\$58.97	\$70.83
Midtown South	80,379,292	4,047,984	18.9%	361,316	-531,130	\$83.51	\$68.14	\$79.79
Chelsea	31,234,320	866,492	17.8%	-65,403	-94,528	\$73.28	\$67.10	\$71.61
East Village	1,712,321	65,764	18.9%	-4,194	51,883	\$87.07	\$72.87	\$87.01
Flatiron/Union Square	24,578,340	1,461,474	20.5%	490,643	609,469	\$87.49	\$64.51	\$82.31
Hudson Sq./Meatpacking	11,986,799	1,654,254	20.4%	48,682	-532,037	\$98.66	\$70.81	\$90.22
NoHo/SoHo	10,867,512	0	16.9%	-108,412	-565,917	\$82.52	\$81.14	\$82.30
Downtown	95,666,759	1,036,154	21.8%	319,202	-873,718	\$63.48	\$49.57	\$59.59
Downtown East	50,148,052	1,036,154	26.8%	-43,597	-774,592	\$60.51	\$45.97	\$57.17
Downtown West	36,808,681	0	17.2%	179,820	-8,537	\$66.89	\$53.97	\$61.62
Tribeca/City Hall	8,710,026	0	12.7%	182,979	-90,589	\$83.00	\$48.08	\$77.34
Manhattan	474,241,253	13,658,796	18.7%	-346,347	-1,638,348	\$78.52	\$60.74	\$74.29

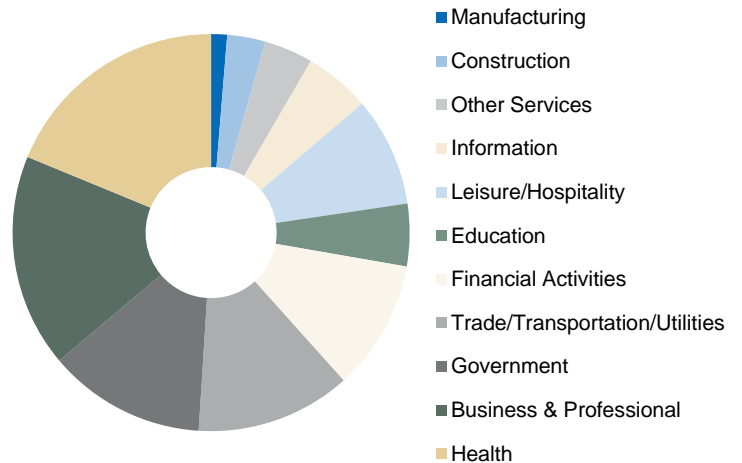
Economic Conditions

The national unemployment rate continues to remain steady, closing November at 3.7%, showing no change compared to the previous month. While unemployment remains durable, inflation continues to be elevated. The national Consumer Price Index increased by 7.1% year over year, with New York City's CPI closing at a more modest 5.9%. The Fed recently raised interest rates an additional 50 basis points as anticipated. Interest rates are expected to rise in the next quarter as the Fed continues to combat inflation.

The New York City unemployment rate dropped significantly, closing at 4.2% in November, down 120 basis points from last quarter. November's unemployment recorded the lowest rate since April 2020. New York City job growth was up 4.8% year over year, driven by the hospitality industry as well as the health care and manufacturing sectors

Employment By Industry

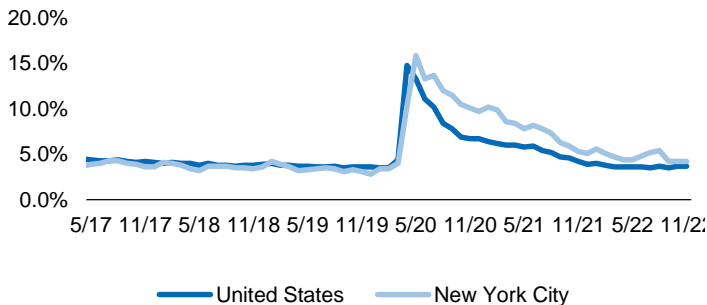
NEW YORK CITY, NOVEMBER 2022



Source: New York State Department of Labor

Unemployment Rate

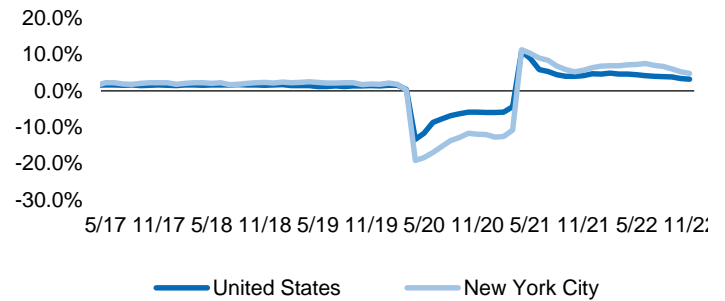
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

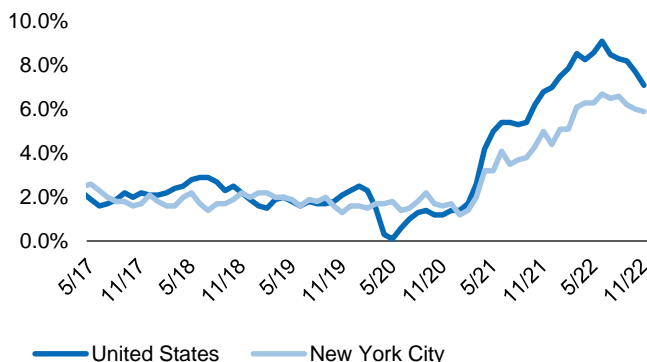
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

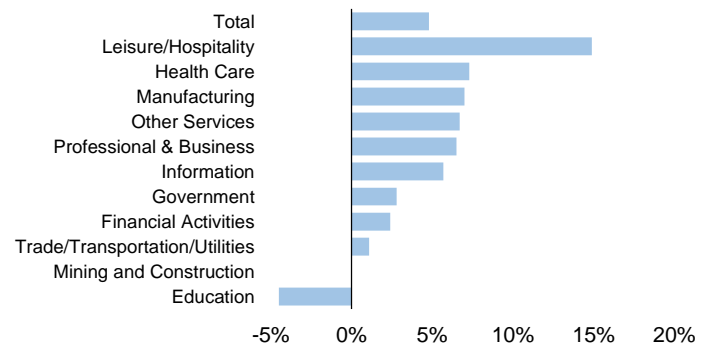
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NYC, NOVEMBER 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor

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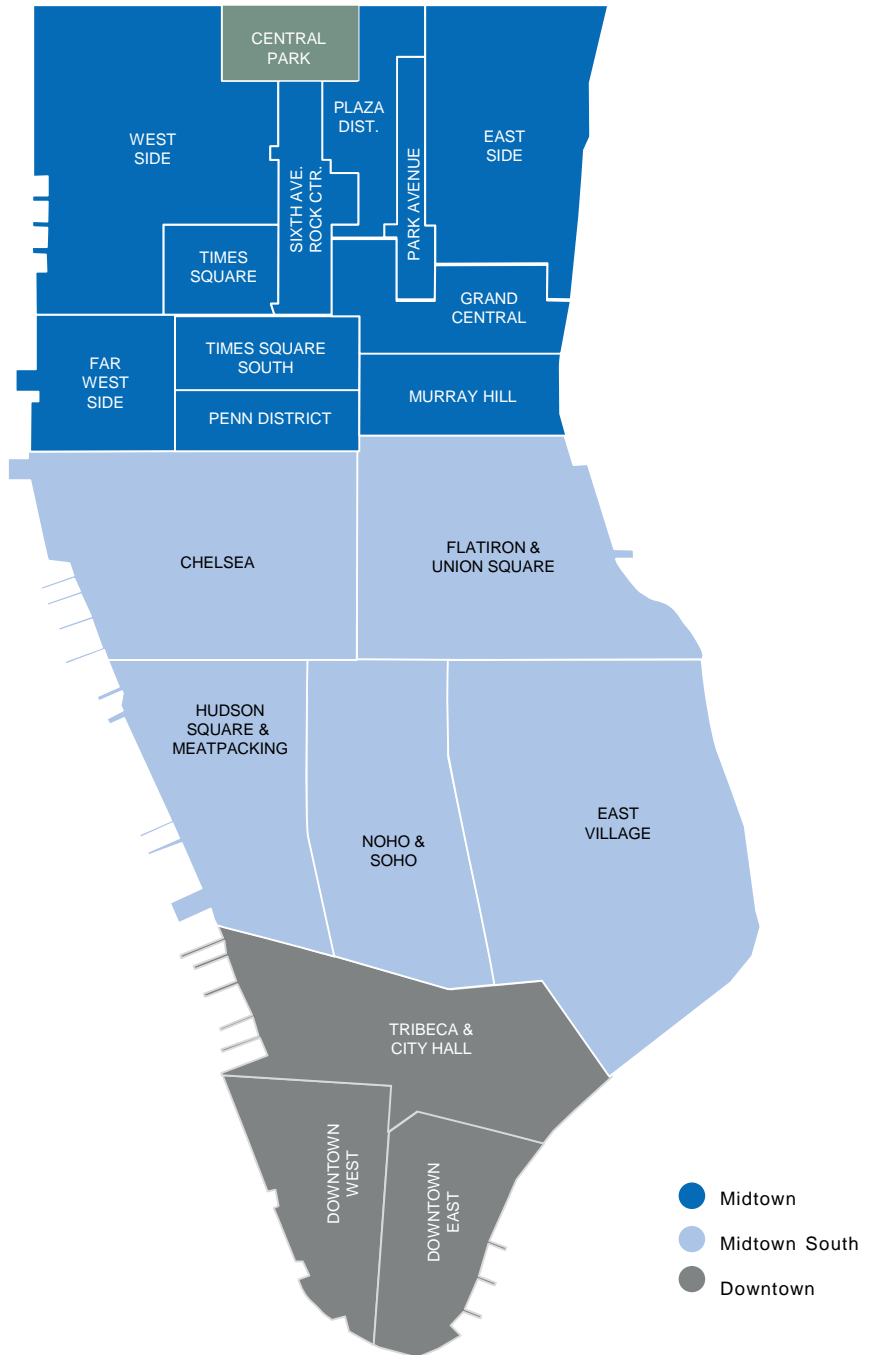
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective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

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