

Midtown Office Market

Midtown Leasing Velocity Decreases to Close Out 2022

After setting a three-year high for leasing velocity last quarter, activity closed the fourth quarter at 3.9 million square feet. This marks a decline of 41.1% from last quarter. Despite the drop-off, Midtown activity increased for the second consecutive year, closing 2022 at 22.2 million square feet, a year-over-year improvement of 23.2%. Of that total, approximately 18.3 million square feet, or 87.3%, was in Class A assets, a year-over-year improvement of 4.4 million square feet, or 3.1 percentage points.

Leasing slowed quarter-over-quarter due to limited activity in October and November, picking up in December as activity surpassed the previous two months combined. 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. Velocity in Sixth Avenue/Rockefeller Center, which totaled 1,468,741 square feet, accounted for 36.8% of quarterly activity. The Grand Central submarket accounted for 13.4% of the space leased, bolstered by deals such as Outfront Media's two-floor sublease at 90 Park Avenue and AECOM's 45,000-square-foot renewal at 100 Park Avenue.

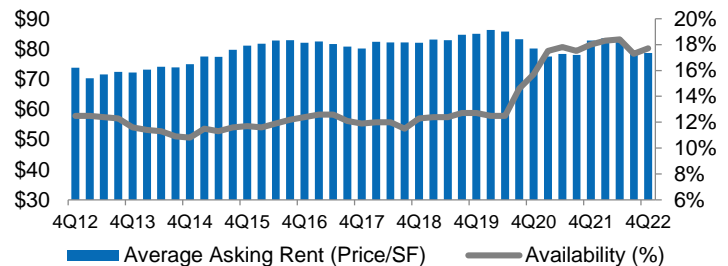
There were 14 leases signed in new construction this quarter, totaling 423,018 square feet. Deals included Kohlberg Kravis Roberts' expansion for 219,395 square feet at 30 Hudson Yards, Stephens' lease for 35,821 square feet at 660 Fifth Avenue, Baker Tilly's 27,000-square-foot lease at 66 Hudson Boulevard, as well as other deals at 1 Vanderbilt Avenue, 1 Manhattan West and 2 Manhattan West. Transactions were also finalized in boutique new construction, including at 1245 Broadway and 106 W. 56th St.

Current Conditions

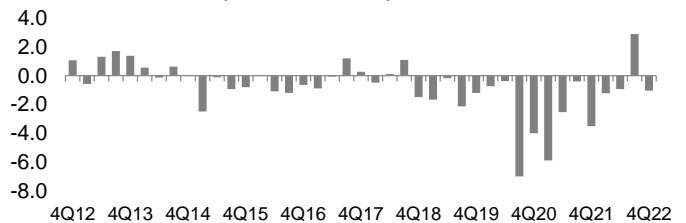
- Fourth-quarter leasing activity was recorded at 3.9 million square feet, a decline of 41.1% from last quarter.
- Midtown average asking rents decreased by \$0.97/SF from the third quarter, closing the year at \$78.61/SF.
- The Midtown availability rate increased 40 basis points quarter over quarter to 17.7%, amid a surge in new large blocks.

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	298.2M SF	298.2 MSF	↑
Availability Rate	17.7%	17.3%	17.5%	↑
Quarterly Net Absorption	-1,026,865	2,468,733	-3,484,981	↓
Avg. Ask Rent	\$78.61	\$79.58	\$77.48	↓
Under Const.	8.6 MSF	7.0 MSF	9.7 MSF	↑
Deliveries	0 SF	0 SF	0 SF	↑

Availability Rate Ticks Up Following Two-Year Low

The Midtown availability rate increased by 40 basis points quarter over quarter to 17.7% after reaching a two-year low of 17.3% last quarter. This increase in availability was driven by nine new listings of more than 100,000 square feet across Midtown, several of which were subleases. The Visiting Nurse Service of NYC listed 266,690 square feet at 220 East 42nd Street and Guardian Life Insurance listed 148,811 square feet across three floors at 10 Hudson Yards. Additional blocks were added at 31 West 52nd Street, 555 West 57th Street, PENN1, 511 Fifth Avenue, 120 Park Avenue, 150 East 42nd Street, and 350 Fifth Avenue.

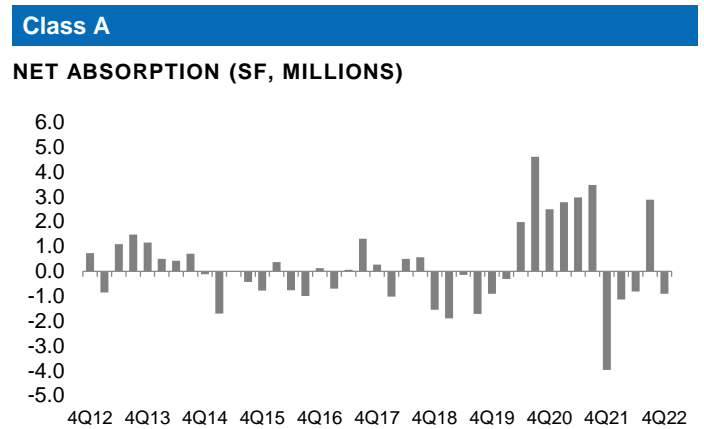
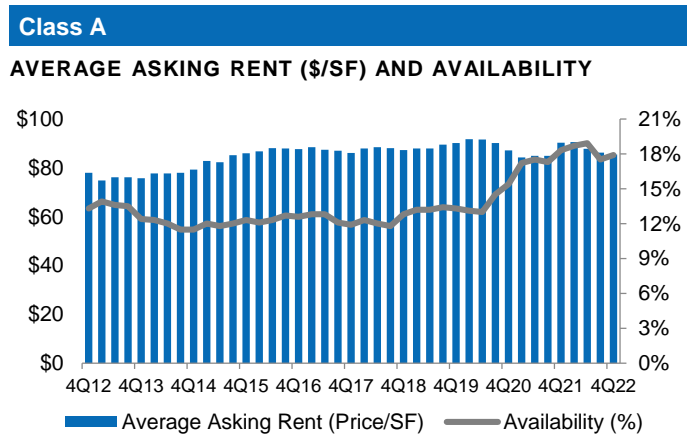
Although eight of the 11 Midtown submarkets recorded increases in availability, the largest quarter-over-quarter jumps, of more than 100 basis points, were recorded in the Far West Side, Penn District, and Grand Central. Times Square remains the most challenged submarket with an availability rate of 24.7%, while Park Avenue boasts the lowest in Midtown, at 11.2%.

Absorption posted positive in December, but it was not enough to offset the large blocks that came to market in Midtown this quarter. Quarterly absorption totaled negative 1,026,865 square feet, bringing annual absorption to negative 233,500 square feet.

Asking Rent Decline Varies by Submarket

Midtown average asking rents closed the year at \$78.61/SF, a decrease of \$0.97/SF from the third quarter. Rents declined in eight of the 11 submarkets, but some saw some larger swings than others. The largest changes were in the Far West Side, Plaza District, Park Avenue, and Grand Central, which each recorded declines of more than \$1.50/SF.

Class A asking rents declined for the fifth consecutive quarter, closing the year at \$84.99/SF, or 7.4% below pre-Covid levels. This decrease is largely a result of the flight to quality seen across Midtown. With Class A space accounting for a greater share of deals being done, higher-priced space is being taken off the market reducing asking rents.



Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Fox Corporation	Sixth Avenue/ Rockefeller Center	1211 Avenue of the Americas	Direct Renewal	665,837
News Corp.	Sixth Avenue/ Rockefeller Center	1211 Avenue of the Americas	Direct Renewal	486,209
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

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

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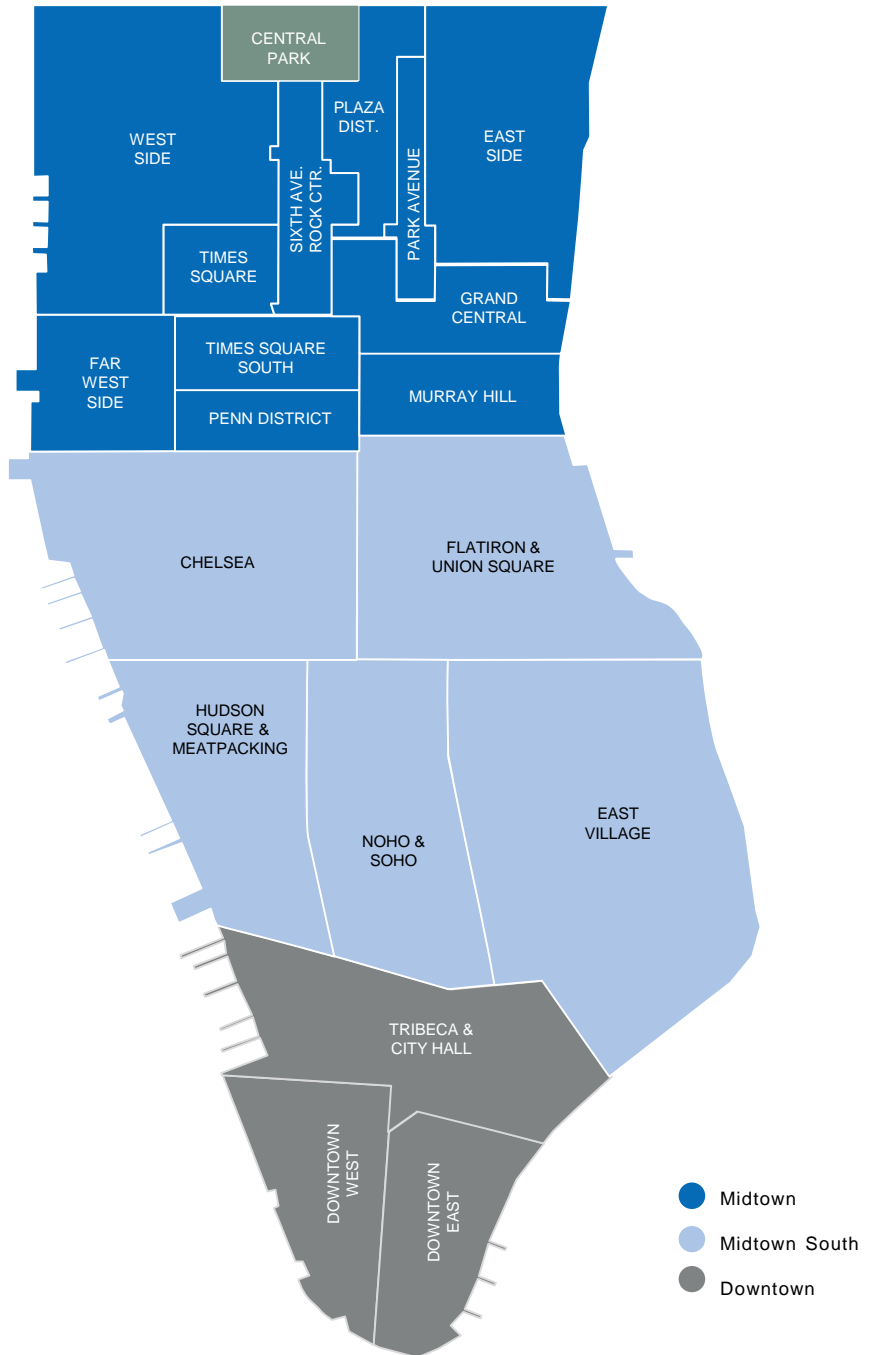
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