



Midtown South Office Market

Availability Rate Increases as Market Softens Following Strong Third Quarter

The Midtown South availability rate increased to 18.8%, a surge of 80 basis points quarter over quarter. There were three large-block additions across the market. These included two sublease listings at 90 Fifth Avenue and One Hudson Square, as well as a direct block spanning 105,468 square feet at 625 Avenue of the Americas. After availability rates decreased in four of the five Midtown South submarkets last quarter, there were four increases this quarter to close the year. NoHo/SoHo and Hudson Square/Meatpacking recorded the greatest quarter-over-quarter jumps, increasing by 280 and 170 basis points, respectively. Although Flatiron/Union Square was the lone submarket in which availability declined, falling 80 basis points to 20.5%, it maintained the highest rate across Midtown South.

Leasing Activity Slows Substantially

Following last quarter's strong leasing velocity, which eclipsed two million square feet and marked the second highest total since the third quarter of 2019, activity fell back down to earth in the fourth quarter, closing at 1.3 million square feet. This marked a quarter-over-quarter decrease of 38.1%. The largest deal of the quarter was a 177,000-square-foot renewal signed by Medidata Solutions at 350 Hudson Street Jay Suites signed a 60,000-square-foot lease at 159 West 25th Street in Chelsea, the largest direct new deal of the quarter.

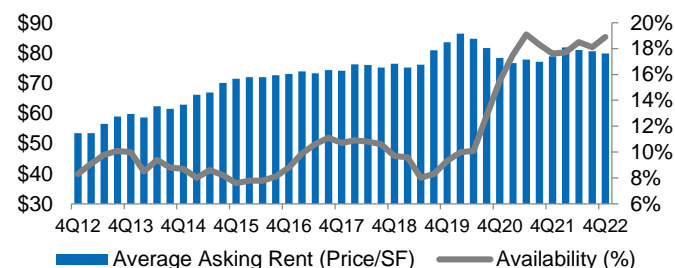
New construction continued to be a draw for tenants in Midtown South this quarter, which was led by Zero Irving. The development along 14th Street in Flatiron/Union Square attracted five new tenants this quarter for just shy of 100,000 square feet. Leases were also finalized at 512 West 22nd Street and 520 West 20th Street in Chelsea, as well as at 809 Broadway in NoHo/SoHo.

Current Conditions

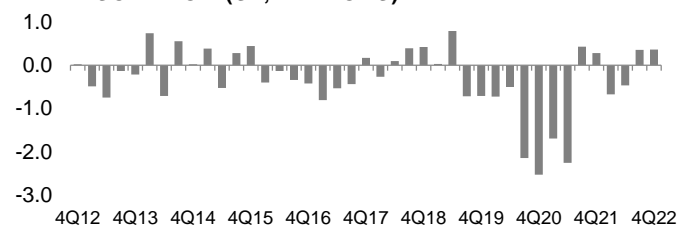
- The availability rate jumped by 80 basis points quarter over quarter to 18.9%, with increasing rates in four of five submarkets.
- Leasing velocity slowed to 1.3 million square feet, a decrease of 38.1% from the third quarter.
- Midtown South asking rents closed the year at \$79.79/SF, a decline of \$0.76/SF from the third quarter.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	80.4 MSF	79.5 MSF	79.0 MSF	↑
Availability Rate	18.9%	18.1%	17.5%	↓
Quarterly Net Absorption	361,316	351,411	281,303	↑
Avg. Ask Rent	\$79.79	\$80.55	\$76.60	↑
Under Const.	4.0 MSF	3.4 MSF	3.9 MSF	↑
Deliveries	0 SF	174,623 SF	182,187 SF	↑

Asking Rents Decline, with Biggest Drop in Hudson Square/Meatpacking

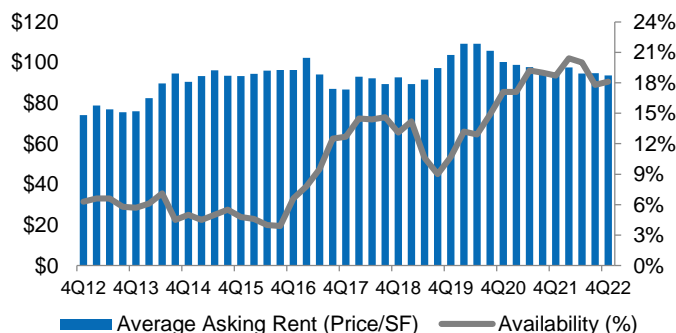
Average asking rents declined by \$0.76/SF quarter over quarter to \$79.79/SF. Hudson Square/Meatpacking recorded the most dramatic decline, as rents fell by \$3.46/SF from last quarter, following the addition of more than 80,000 square feet of sublease space at One Hudson Square. Flatiron/Union Square rents decreased by \$0.61/SF quarter over quarter to \$82.31/SF. The decline was caused by a reduction of high-priced sublease space in the submarket, after space was leased at 63 Madison Avenue. Average sublease rents in the submarket became the most affordable in Midtown South after falling by \$3.72/SF to \$64.51/SF. Rents in Chelsea and NoHo/SoHo saw limited change, closing the year at \$71.61/SF and \$82.30/SF, respectively. Chelsea rent recorded a \$0.33/SF rise in direct rates, partially attributed to the 105,468 square foot large block addition of high-priced space at 625 Avenue of the Americas.

Construction Pipeline Remains Robust

Seventeen projects are currently under construction across Manhattan, 11 of which are in Midtown South, spanning just over 4.0 million square feet. While there are large projects, such as Google's 550 Washington Street and SL Green's 1 Madison Avenue, each of which surpass a million square feet, most developments in Midtown South are boutique assets below 100,000 square feet. These include 3 Saint Marks Place, 132 West 14th Street, 76 Eighth Avenue, 1162 Broadway, and 99 Tenth Avenue. These assets, slated to deliver over the coming years, are spread across four Midtown South submarkets, except for NoHo/SoHo, which is home to the recently delivered 799 Broadway.

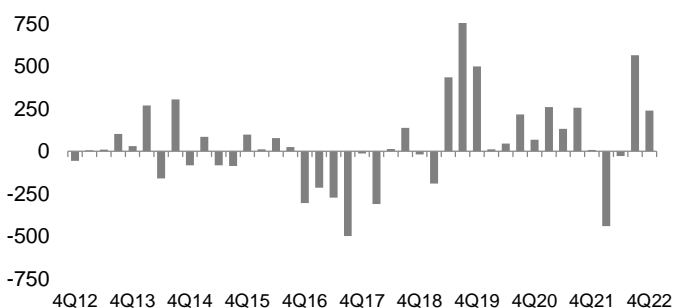
Class A

AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



Class A

NET ABSORPTION (SQUARE FEET, THOUSANDS)



Midtown South Lease Transactions

Tenant	Building	Submarket	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

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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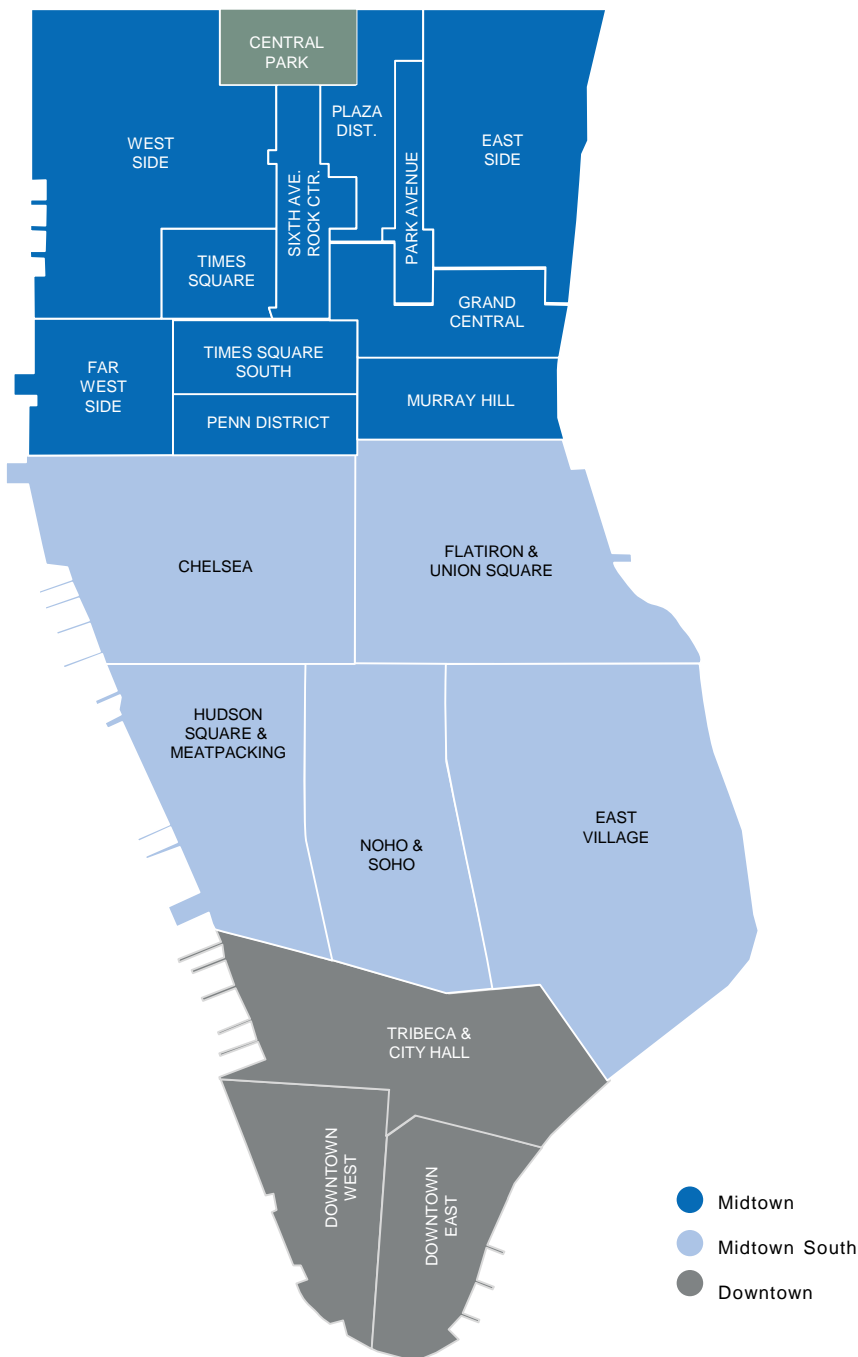
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