



Manhattan availability soars to over 17.2%, its highest level in decades; occupiers have unprecedented opportunity to capitalize on historic levels of available inventory

With both direct and sublease space continuing to flood the market, Manhattan's overall availability rate surged during Q1 2021. An additional 3.4 million square feet (msf) of sublease space came to market, marking the third consecutive quarter that sublease availability has increased by more than 2.5 msf. Sublease inventory now totals 22.0 msf, a 61.7% increase from pre-pandemic levels. An additional 7.9 msf of direct space was added to the market with some notable additions from a few shuttered coworking locations. With these additions, overall market availability rose 570 basis points over the year to 17.2%, its highest level in at least three decades. Abundant short- and long-term options are driving price reductions, many owners proposing historically aggressive rates, concessions and flexibility to secure tenants amid so much competition.

First-quarter leasing off to an expectedly slow start; activity at its lowest on record

Just over 4.0 msf of leases were signed this quarter, down 13.7% from Q4 2020 and 48.5% from Q1 2020. A stronger recovery in activity is anticipated once more of the population is fully vaccinated and there is more clarity in occupier plans - which should happen by Labor Day. New York City recently announced it will bring more than 80,000 city office workers back on May 3rd. Renewals and expansions accounted for 40% of leasing activity during the quarter, down from 64% during the previous quarter. Some occupiers have shown a willingness to execute opportunistic deals in advance of reopening offices later in 2021. Mount Sinai's new lease at 787 Eleventh Avenue was the largest transaction of the quarter, a further boost for the healthcare and life sciences sectors which have garnered significant investment over the past year.

Asking rents decline for fifth-consecutive quarter, concessions continue upward trend

Market-wide asking rents fell by 9.1% over the year to \$76.27 per square foot (psf) with the ongoing addition of lower-priced sublease space and increasing competition for limited demand. Direct asking rents fell 6.9% over the year as landlords began to pitch reduced pricing strategies on new availabilities to compete with comparable and more flexible sublease offerings. Concessions for new, long-term Class A leases increased substantially over the past year; average tenant improvement allowance has increased 15.5% to \$124.85 psf and average free rent has risen 17.4% to 13.5 months. Tenant friendly market dynamics are expected for at least the next 12 to 18 months.

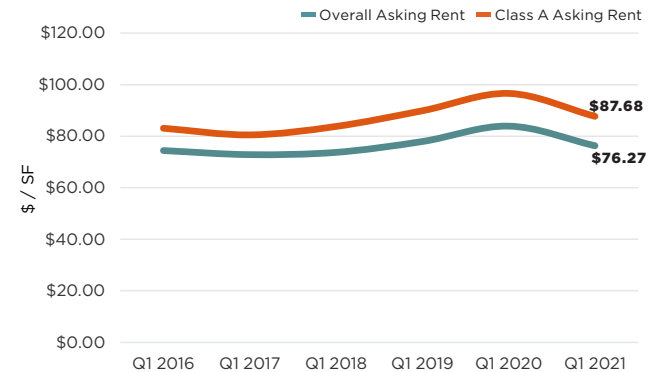
Outlook

- Asking, taking and effective rents will continue to decline in the coming quarters as landlords move from price discovery to wholesale repricing
- The pace of new sublease additions may slow in coming quarters; closure of additional coworking locations plus delivery of new developments will increase overall availability
- Tenants will opportunistically upgrade in the current leasing environment driving a "flight to quality" that leaves a glut of largely commodity space

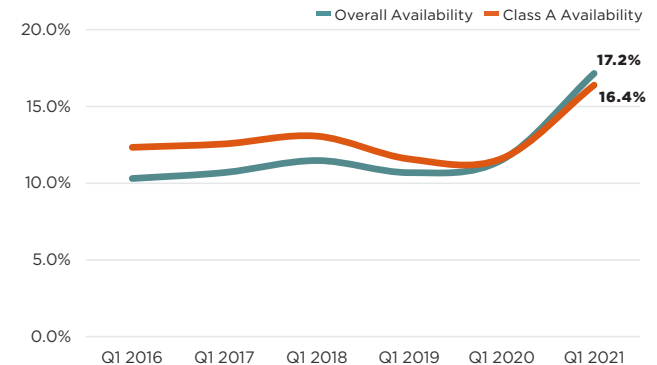
KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	452.7 MSF	464.9 MSF	▲
Availability Rate	11.5%	17.2%	▲
Class A Asking Rental Rate	\$96.60	\$87.68	▼
Class A Taking Rental Rate	\$80.09	\$78.26	▼
Quarterly Leasing Activity	7.9 MSF	4.1 MSF	▼

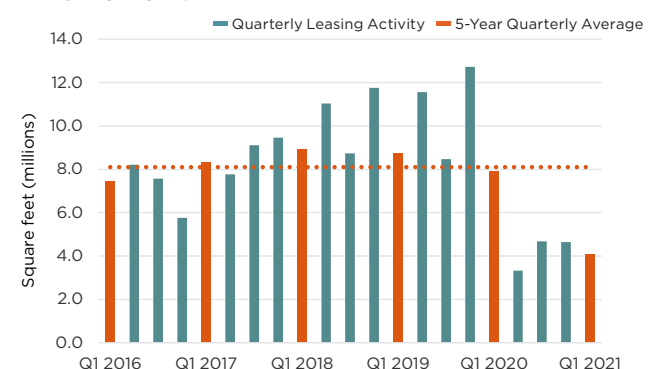
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



TOP 10 LEASING TRANSACTIONS

49.8%

of top transactions were **new locations and relocations** by square footage

31.7%

Financial Services tenants accounted for 31.7% of top transactions by square footage

28.3%

of major transactions occurred in **Grand Central** by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Mount Sinai's Icahn School of Medicine	167,348	787 11th Avenue	New Location	Columbus Circle	Healthcare
Ann Taylor	149,743	7 Times Square	Renewal	Penn Plaza/Times Square South	Retail
Houlihan Lokey	148,233	245 Park Avenue	Renewal and Expansion	Grand Central	Financial Services
Seyfarth Shaw LLP	132,094	620 Eighth Avenue	Renewal	Times Square	Legal Services
AXA	122,700	1345 Avenue of the Americas	Relocation	Columbus Circle	Financial Services
Jennison Associates	120,809	55 E 52nd Street	Relocation	Plaza South	Financial Services
United Nations Joint Staff Pension Fund	112,830	1 Dag Hammarskjold Plaza	Renewal and Expansion	Grand Central	Non-profit
Beam Suntory	99,556	11 Madison Avenue	New Location	Park Avenue South	Retail
Freshly	92,306	63 Madison Avenue	Relocation	Park Avenue South	Retail
International Rescue Committee	88,384	122 E 42nd Street	Renewal	Grand Central	Associations and nonprofits

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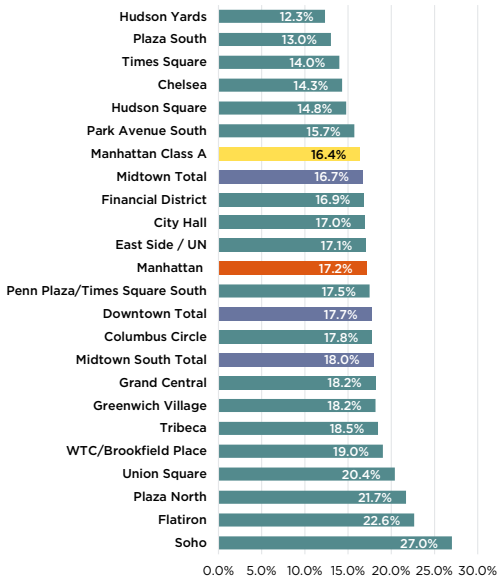
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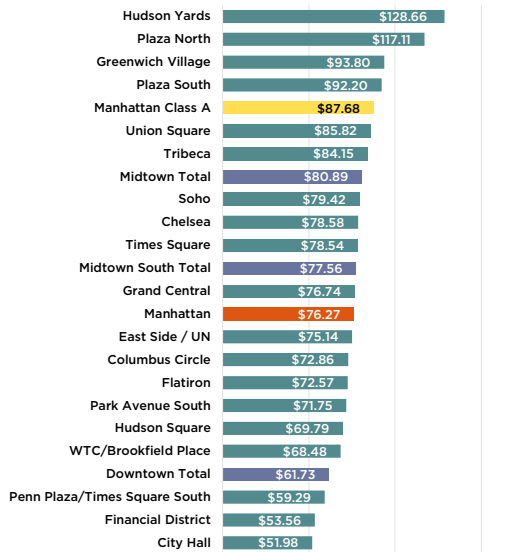
AVAILABILITY RATE COMPARISON

Manhattan Submarkets



RENTAL RATE COMPARISON (\$/SF)

Manhattan Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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