

Despite Delta variant fears, leasing reached its highest quarterly total since the onset of the pandemic

New York's office market exhibited signs of vitality during the third quarter as demand surged and availability held steady. Leasing activity measured 7.7 million square feet (msf) for the quarter, up 55.8% from the second quarter, even as many companies delayed their return-to-office plans on the heels of Delta variant concerns. While leasing activity has remained below historical levels since early 2020, demand during the quarter was just below the 8.1 msf third-quarter-average during the five years preceding the pandemic. Renewed interest in office space was not limited to leasing activity—physical office occupancy for the New York Metro measured 28.1% in September, according to Kastle Systems, the highest level since the beginning of the pandemic and up from 13.9% in March. While demand improved significantly, it has not begun to chip away at market's bloated availability, which will likely remain well-above historical averages for the foreseeable future.

Availability rate holds steady, but remains at an all-time high despite decreasing sublease space

Manhattan's availability rate stands at 18.4% for the second-consecutive quarter, compared to the market's five-year average of 10.8% prior to COVID-19. This ends an eight-quarter surge in availability that pre-dated the coronavirus outbreak. Since the beginning of the pandemic, the market's availability rate has risen by 690 basis points (bps) as demand remained well-below supply. While available sublease space soared in 2020, it is now 5.6% below its peak during the first quarter of 2021. Conversely, direct space dominated newly available supply in 2021 with the amount of available direct space up 31.2% year-to-date. Geographical differences persisted as Downtown's availability rate rose by 40 bps to reach 21.0%, while Midtown South's tightened by 120 bps to 18.7% and Midtown's increased by 20 bps to 17.5%.

Asking rents drop slightly, effective rents continue to decline

Even as demand strengthened, average asking rents decreased by 0.7% during the third quarter to reach \$75.08, per square foot (psf) down 10.5% since Q1 2020. Class A asking rents also dropped by 0.7% over the quarter and are 11.6% below pre-COVID levels. Landlords continue to push asking prices, however, taking rents and concessions have further widened the gap between asking and effective rents. Asking rents in Midtown South rose 0.2% over the quarter to \$80.13 psf, surpassing Midtown (down 0.9% to \$79.67 psf) for the first time since 2019. Meanwhile Downtown asking rents dropped 1.0% to \$59.18 psf.

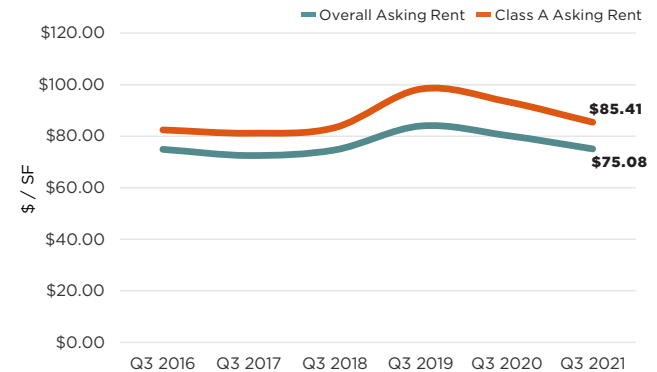
Outlook

- Availability may increase again in coming quarters as two 1.5-msf blocks at 2 Manhattan West and 60 Wall Street fall within 12 months of tenant occupancy
- Even if demand continues to rebound, the market will not likely reach supply-demand equilibrium for several quarters given the amount of space currently available
- Effective rents will continue to decline in the coming quarters as owners continue to face competition to attract and retain tenants

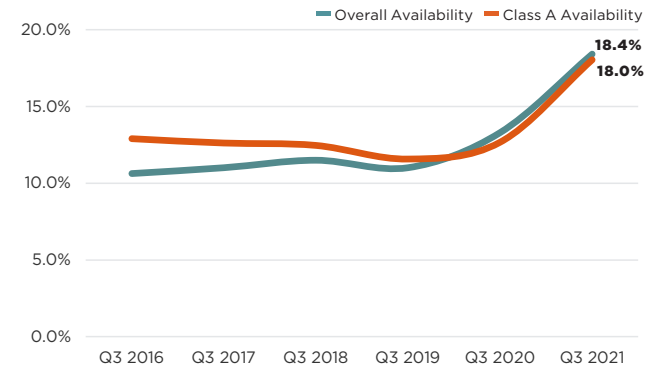
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	455.0 MSF	468.0 MSF	▲
Availability Rate	13.3%	18.4%	▲
Class A Asking Rental Rate	\$93.43	\$85.41	▼
Sublease Available SF	16.1 MSF	20.8 MSF	▲
Quarterly Leasing Activity	4.7 MSF	7.7 MSF	▲

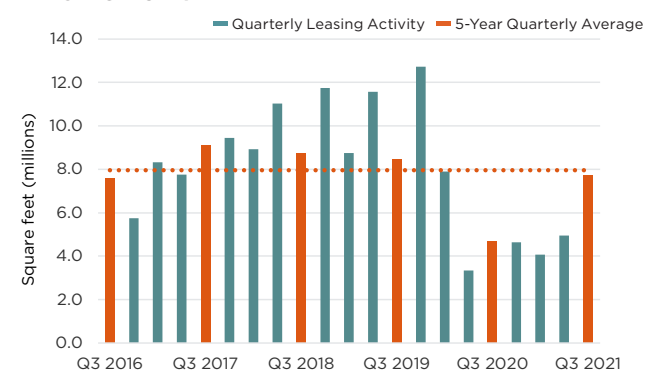
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



TOP 10 LEASING TRANSACTIONS

74.3%

of top transactions were **renewals** by square footage

32.6%

Legal services sector tenants accounted for 32.6% of top transactions by square footage

28.0%

of major transactions occurred in **Financial District** by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Interpublic Group (IPG)	513,000	100 W 33rd Street	Renewal	Penn Plaza/Times Square South	TAMI
Fried Frank	399,724	1 New York Plaza	Renewal	Financial District	Legal Services
Credit Agricole	167,000	1301-1315 Avenue of the Americas	Renewal	Columbus Circle	Financial Services
BDO USA LLP	142,736	200 Park Avenue	Relocation	Grand Central	Professional Services
DailyPay	137,274	55 Water Street	Relocation	Financial District	Financial Services
Lowenstein Sandler LLP	125,000	1251 Avenue of the Americas	Renewal	Times Square	Legal Services
New York University	115,825	11 W 42nd Street	Renewal	Grand Central	Education
SVB Leerink	112,000	1301-1315 Avenue of the Americas	Renewal and Expansion	Columbus Circle	Financial Services
Wells Fargo	103,997	100 Park Avenue	Renewal	Grand Central	Financial Services
Mintz Levin Cohn Ferris	101,394	919 Third Avenue	Relocation	East Side / UN	Legal Services

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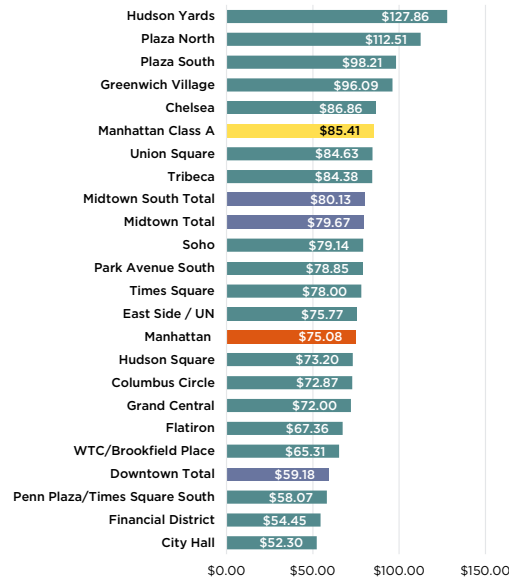
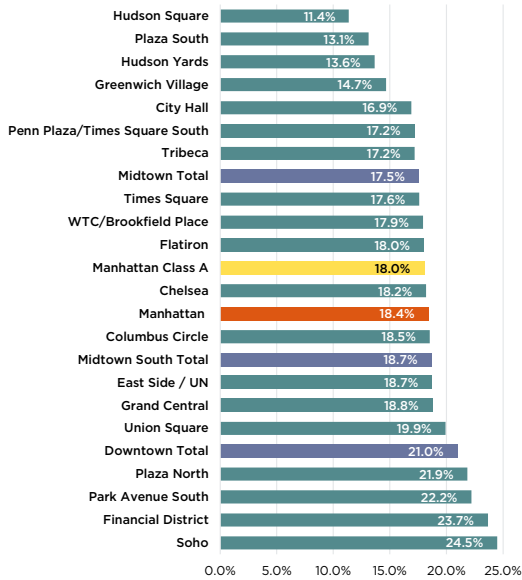
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AVAILABILITY RATE COMPARISON

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.

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