



Manhattan's availability at highest level in decades; \$57.3 billion worth of inventory potentially up for repricing or repurposing

In the fourth quarter, the rapid addition of both direct and sublease space pushed overall market availability to 15.1%, up 400 basis points over the year. With office properties trading at a market average of \$837 per square foot (psf) during the fiscal year preceding COVID-19, and 68.4 million square feet (msf) of space currently available, a potential \$57.3 billion worth of office space may need to be repurposed to fit current tenant demands or have rental rates marked-to-market in order to relet in the current environment. A shift to further flexibility is undeniable. Even before the pandemic's onset, occupiers were focused on incorporating a flexible range of workplace product offerings and locations for agility and resilience, estimated at 10%-30% of total space needs. With surging sublease space (18.6 msf currently available), occupiers will be able to further leverage an abundance of shorter-and flexible-term options, as well as opportunities to explore premium product at a discount. Owners with abundant direct availability will need to find a way to compete.

Fourth-quarter leasing volume falls to just 46% of the market's 20-year quarterly average

Just 4.6 msf of space was leased in Q4, less than half of the market's 20-year average quarterly total of 10.0 msf. This brought 2020's annual volume to 20.5 msf, marking a year-over-year decline of 64% and the lowest level experienced in at least two decades. Tenants that were active in the market opted for renewals or shorter-term commitments and benefited from substantial concession packages. The vaccine rollout gives some hope that there is a light at the end of the tunnel. However, it will still be several quarters before workers return to the office in earnest and the full implication of demand shifts due to work-from-home or new location strategies can be seen.

Asking rents drop as market reconciles with surging supply

Market-wide asking rents fell by 8.4% over the year to \$77.63 psf as lower-priced sublease space continued to flood the market and as newly added direct space was repriced to remain competitive. This marks the first time that asking rents have dipped below \$80.00 psf since 2018 and the spread between asking and taking rents has narrowed (currently \$70.46 psf overall for all classes). As discounted sublease space remains a viable alternative, direct asking rents will continue to experience significant downward pressure through 2021.

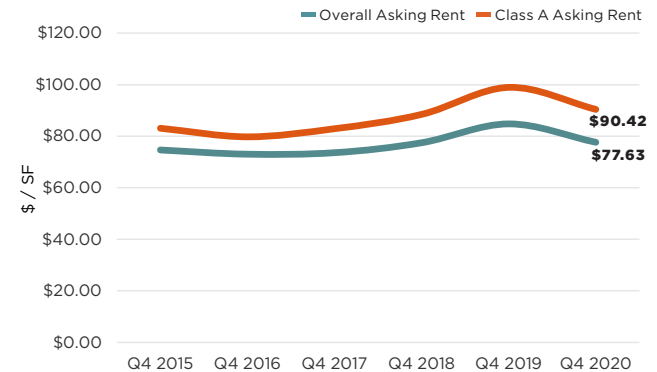
Outlook

- Asking and taking rents will continue to drop as availability surges, particularly once demand picks up and true price discovery can occur
- Sustained low interest rates provide opportunity for owners to finance additional investments in product to meet occupier demand for flexibility
- Well-capitalized landlords with assets designed for today's workplace and workforce will outperform obsolete office product more than usual

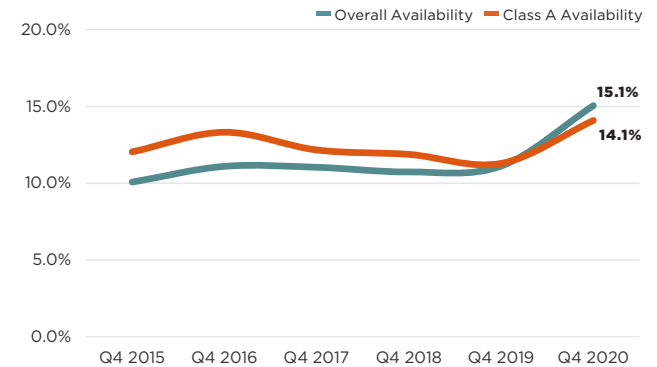
KEY STATISTICS

	Q4 2019	Q4 2020	y-o-y Change
Inventory	453.1 MSF	454.4 MSF	▲
Availability Rate	11.1%	15.1%	▲
Class A Asking Rental Rate	\$98.94	\$90.42	▼
Class A Taking Rental Rate	\$83.10	\$84.63	▲
Quarterly Leasing Activity	12.7 MSF	4.6 MSF	▼

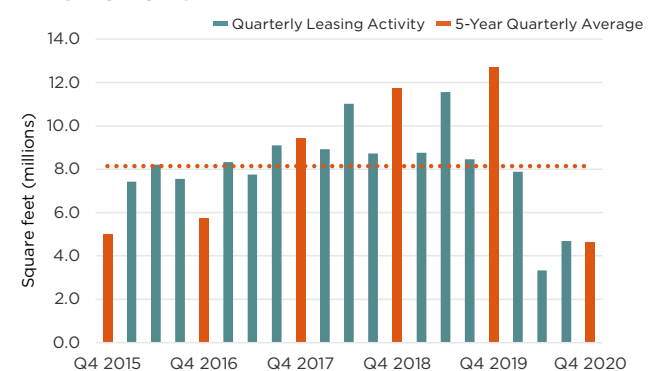
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



TOP 10 LEASING TRANSACTIONS

7 of 10

top transactions were renewals

39.6%

Financial Services tenants accounted for 39.6% of top transactions by square footage

30.4%

of major transactions occurred in Grand Central by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
NYU Langone	632,628	One Park Avenue	Renewal	Park Avenue South	Healthcare
Morgan Stanley	536,520	522 Fifth Avenue	Sale-Leaseback	Grand Central	Financial Services
Centric Brands	212,154	350 Fifth Avenue	Renewal	Penn Plaza/Times Square South	Retail
New York City Council	157,092	250 Broadway	Renewal	City Hall	Government
Travelers Insurance	133,479	485 Lexington Avenue	Renewal	Grand Central	Financial Services
Apple	116,526	11 Penn Plaza	Expansion	Penn Plaza/Times Square South	TAMI
Noom	113,422	450 W 33rd Street	Relocation	Hudson Yards	TAMI
Li & Fung	103,500	350 Fifth Avenue	Renewal	Penn Plaza/Times Square South	Financial Services
Thomson Reuters	99,853	3 Times Square	Renewal	Times Square	TAMI
Loews Corporation	99,245	655 Madison Avenue	Renewal	Plaza I	Financial Services

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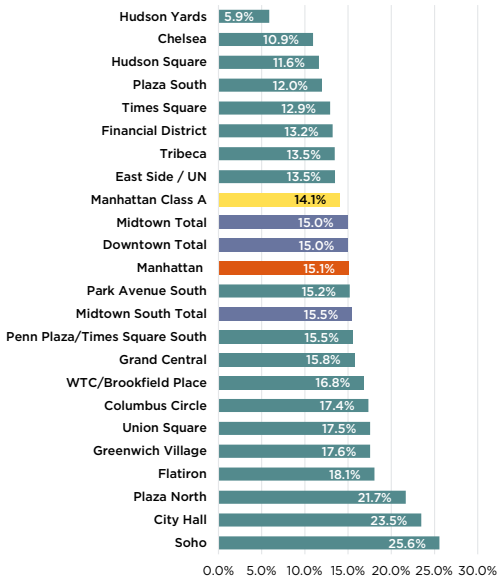
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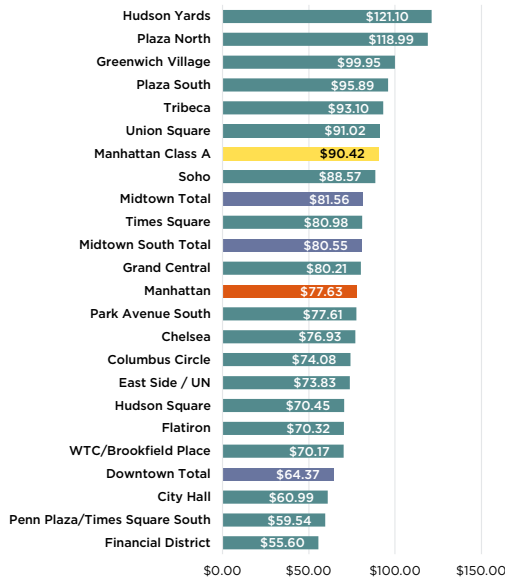
AVAILABILITY RATE COMPARISON

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.

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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