



## Demand reaches its highest quarterly total in two years, Omicron impact remains unknown

New York's office market gained significant steam in the fourth quarter as leasing activity surged to its highest level since the start of the COVID-19 pandemic. Demand totaled 9.3 million square feet (msf) for the quarter, up 20.8% from the third quarter and higher than the pre-pandemic fourth quarter average of 9.0 msf. New locations and relocations accounted for 74% of total leasing activity, another sign that tenants are finalizing long-term plans for office use and committing to significant amounts of space for the future. Physical office occupancy increased steadily after Labor Day, and peaked at 37% on December 1, per data from Kastle Systems. However, the new Omicron variant presents an additional layer of uncertainty going forward as occupancy has pulled back slightly in recent weeks and companies mull postponing return-to-office plans.

### Availability rises modestly as new space additions outweigh declines in available sublease space

Fueled by new deliveries nearing completion, the market's overall availability rate ticked up 20 basis points (bps) from one quarter ago to 18.6% in the fourth quarter. The availability rate has increased 710 bps since the start of the pandemic, and a supply-demand imbalance in the market persists. Major new additions like 60 Wall Street and 2 Manhattan West, which are both now within 12 months of occupancy, helped drive direct available space up 2.5 msf in the fourth quarter. New additions have outpaced both the strong leasing activity and declining sublease inventory to force the market availability rate higher. Sublease space has declined 11.7% since peaking at 22 msf in Q1 2021 and is currently down to 19.5 msf. This trend of new premium space additions forcing the availability rate higher is likely to continue in the quarters ahead as major blocks at 345 Hudson Street and 919 Third Avenue, among others, come to market. Tenant preference for newer, highly-amenitized space in prime locations will keep pricing at premiums for top-tier space, and options scarce, despite elevated market availability.

### Asking rents rise for the first time in eight quarters on the strength of premium space additions

Average asking rents increased 1.3% in the fourth quarter to \$76.03 per square foot (psf), the first quarterly asking rent gain in eight quarters. Overall asking rents remain 9.4% short of pre-pandemic levels but are likely to increase modestly in the coming quarters as the mix of available space shifts away from sublet and toward direct space. Midtown asking rents fell behind Midtown South in the third quarter, but grew 1.9% on the quarter to \$81.19 psf, retaking the lead from Midtown South. Downtown asking rents increased as well, due largely to the 1.6 msf in added space at 60 Wall Street.

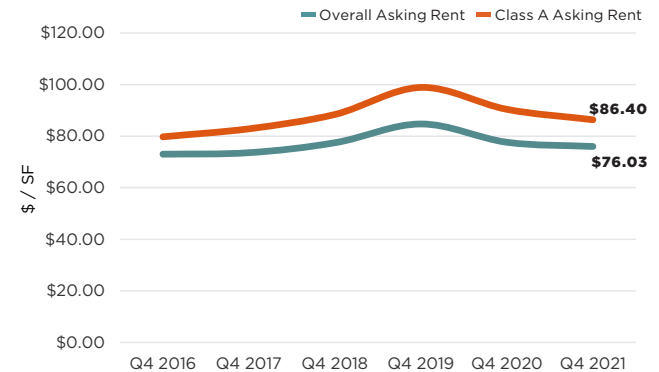
### Outlook

- Availability should continue to creep higher in coming quarters as the ongoing supply-demand imbalance persists, despite the reduction in available sublease listings
- Class A space will continue to see an outsized share of leasing activity as tenants prioritize modern amenity packages and HVAC systems
- Competition among occupiers for Class A, premium space will continue to drive asking rents up at the top-end of the market, though concession offerings will increase as well to incentivize transactions closing

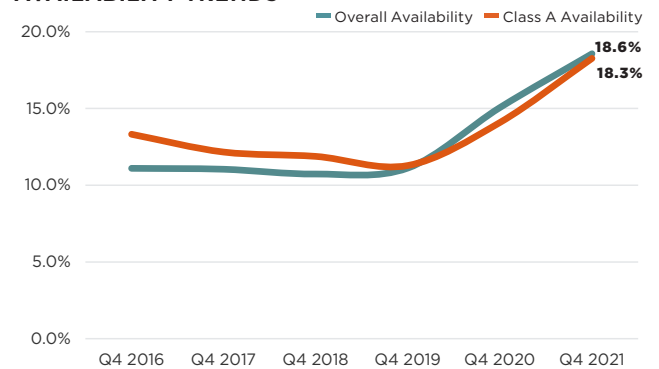
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	456.2 MSF	<b>470.2 MSF</b>	▲
Availability Rate	15.1%	<b>18.6%</b>	▲
Class A Asking Rental Rate	\$90.42	<b>\$86.40</b>	▼
Sublease Available SF	18.6 MSF	<b>19.5 MSF</b>	▲
Quarterly Leasing Activity	4.6 MSF	<b>9.3 MSF</b>	▲

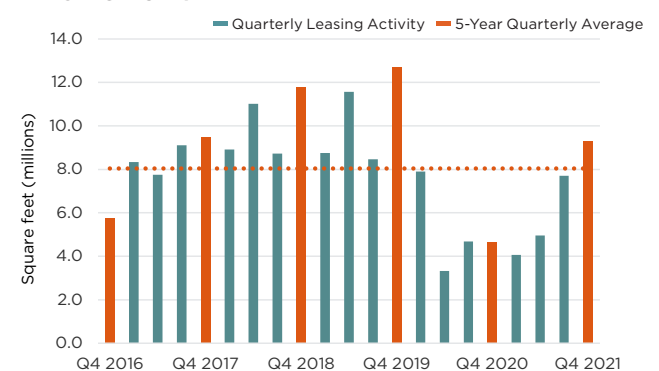
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



TOP 10 LEASING TRANSACTIONS

55.0%

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

52.4%

**TAMI sector** tenants accounted for 52.4% of top transactions by square footage

29.8%

of major transactions occurred in **Penn Plaza/Times Square South** by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
MSG Entertainment	428,000	2 Penn Plaza	Renewal	Penn Plaza/Times Square South	Personal Services and Recreation
NBCUniversal	339,833	1221 Avenue of the Americas	Renewal	Times Square	TAMI
Chubb	241,647	550 Madison Avenue	Relocation	Plaza North	Financial Services
Dechert	241,000	1095 Avenue of the Americas	Renewal	Penn Plaza/Times Square South	Legal Services
Roku	237,333	5 Times Square	Relocation	Times Square	TAMI
Bloomberg	191,207	919 Third Avenue	Expansion	East Side / UN	TAMI
Venable	157,811	151 W 42nd Street	Relocation	Times Square	Legal Services
Microsoft	145,010	122 Fifth Avenue	New Location	Flatiron	TAMI
Verizon Communications	142,938	155 Delancey Street	Relocation	Soho	TAMI
CLEAR	119,226	85 Tenth Avenue	Relocation	Chelsea	TAMI

Source Savills Research

For more information, please contact us:

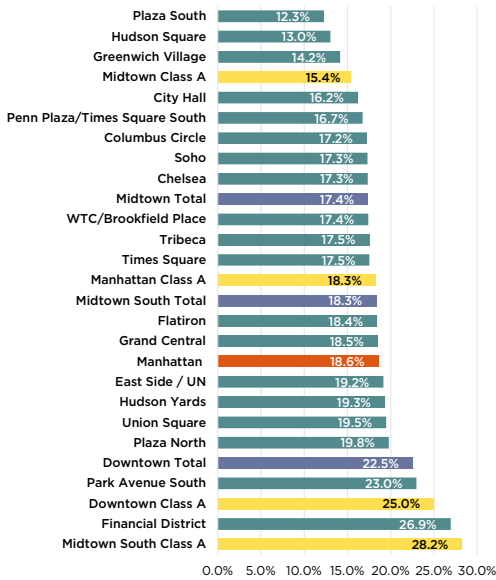
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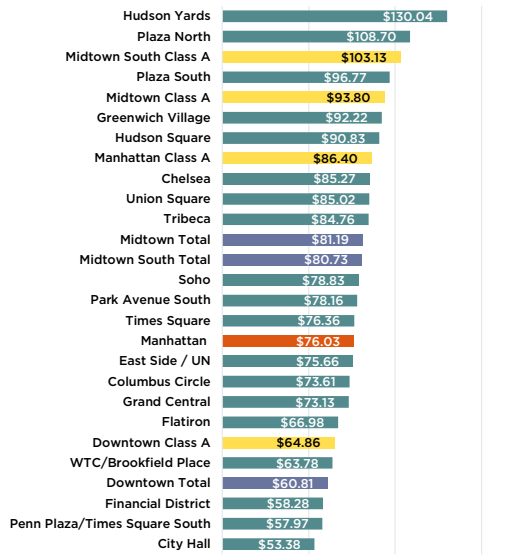
AVAILABILITY RATE COMPARISON

Manhattan Submarkets



RENTAL RATE COMPARISON (\$/SF)

Manhattan Submarkets



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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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