

DOWNTOWN OFFICE MARKET

RELOCATIONS DRIVE ACTIVITY EVEN AS VELOCITY DROPS TO A HISTORIC LOW

Downtown velocity slowed dramatically in the third quarter, recording just 521,705 square feet of leasing activity and a 49.2% drop from last quarter. Additionally, Downtown activity declined as other markets saw an improvement, with an upswing in renewals and short-term extensions driving Midtown and Midtown South in particular. However, Downtown trended differently, as relocations drove more than 90% of square footage leased. Capco signed the quarter's sole renewal over 10,000 square feet; the consulting firm renewed its 48,700-square-foot office at 77 Water Street in September. Overall, the market also saw a drop in average deal size by more than 57% quarter over quarter.

AIG signed the quarter's largest deal Downtown, completing a long-awaited 217,638-square-foot transaction at 28 Liberty Street where they will relocate their Downtown operations after vacating 175 Water Street. Remarkable Foods will relocate to 4 World Trade Center after signing a 68,673-square-foot sublease in September, absorbing two floors on the market from Hudson River Trading. The majority of Downtown's remaining activity came from relocations of smaller tenants like FuseFX, a visual effects company that will move from Soho/Noho to 15,072 square feet at 32 Old Slip, and the Nathan Cummings Foundation, which signed a 13,751-square-foot lease at 120 Wall Street and will relocate from the Far West Side. Year to date, relocations accounted for 74.8% of Downtown's activity, compared to a 62.5% share in Manhattan overall.

RISE IN AVAILABILITY LAGS OTHER MARKETS DESPITE DRAMATIC RISE IN SUBLEASE SPACE

The availability rate rose to 13.7%, reflecting a 180 basis point increase from last quarter and the highest rate since the end of 2018. While Downtown's availability rate logged its biggest quarterly increase since fourth quarter 2001, it rose less sharply than in Midtown and Midtown South, where availability rose 210 and 270 basis points, respectively. Notably, there were no subleases listed over 100,000 square feet Downtown, in contrast to two blocks added last quarter. About 836,000 square feet of sublease space came online, with the largest additions at One World Trade Center, where 75,213 square feet is available from Moody's, and at One New York Plaza, where WellCare has listed 68,000 square feet. This mirrors a Manhattan-wide trend: There have been just nine sublease additions over 100,000 square feet, in contrast to 75 additions over 20,000 square feet since the pandemic began.

Sublease availability is up 120 basis points since the first quarter to 3.8%, and supply has surpassed levels from the 2008 recession.

CURRENT CONDITIONS

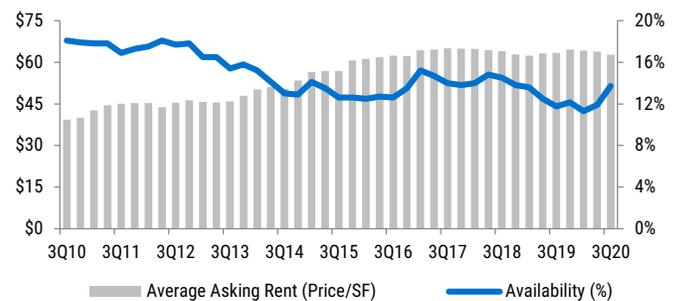
The availability rate increased to 13.7%, posting its largest quarterly jump since fourth quarter 2001.

Downtown overall average asking rent has dropped 2.3% since the first quarter but recorded a shallower decline than the rest of Manhattan.

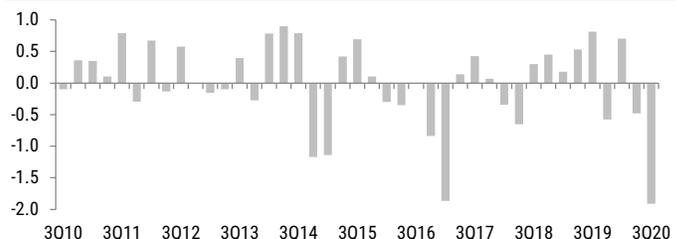
Leasing activity dropped to a historic low, but more than 90% of signed deals by square footage came from relocations.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

| | Current Quarter | Prior Quarter | Year Ago Period | 12 Month Forecast |
|--------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory | 95.4M | 95.3M | 95.0M | ↔ |
| Availability Rate | 13.7% | 11.9% | 11.7% | ↑ |
| Quarterly Net Absorption | -1,909,998 | -482,259 | 935,799 | ↓ |
| Average Asking Rent | \$62.73 | \$63.83 | \$63.45 | ↓ |
| Under Construction | 80,000 | 80,000 | 310,000 | ↓ |
| Deliveries | 0 | 0 | 0 | ↓ |

175 WATER STREET IS LATEST FULL-BUILDING AVAILABILITY DOWNTOWN

In addition to sublease additions, more than 685,000 square feet of direct space was added to the market at 175 Water Street, the former longtime home of AIG. The building is currently slated to undergo a full renovation. It was the only block over 100,000 square feet added in the third quarter Downtown, but was the second largest Manhattan addition after the 881,167-square-foot block at 3 Times Square. 175 Water Street is the latest addition in a series of formerly owner-occupied or single-user dominated buildings that have come to market Downtown. Other recent examples include the recently renovated 15 Laight Street, former home of the Tribeca Film Festival, and One Broadway, former offices of Kenyon & Kenyon, where 196,833 square feet is available in the building and is scheduled to finish renovations in early 2021. There are two other significant properties in the pipeline, including 60 Wall Street—where GIC and Paramount Group are planning a repositioning of the 1.6 million-square-foot tower following Deutsche Bank’s move to Columbus Circle—and 111 Wall Street, where a redevelopment of the 975,129-square-foot tower is anticipated following Citibank’s departure.

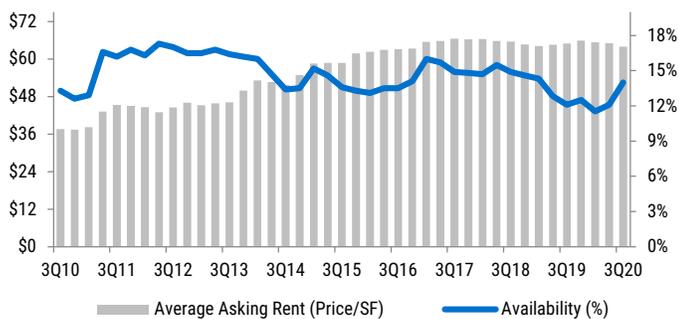
DOWNTOWN’S COMPETITIVE PRICING ADVANTAGE HELPS YIELD SMALLEST DROP IN RENTS MANHATTAN-WIDE

Downtown pricing has remained largely steady since the pandemic began, as the majority of landlords have yet to make significant asking rent reductions. While asking rents are a lagging indicator of the pandemic’s impact on the market, Downtown has experienced the shallowest decline among Manhattan’s markets so far. However, this could also be an early indicator that Downtown may hold its value as tenants in other markets become increasingly price sensitive and seek the value proposition of Downtown, akin to what happened during the Financial Crisis.

The overall average asking rent is now \$62.73/SF, down 2.3% from the first quarter, compared to a 5.5% and 3.6% drop in Midtown South and Midtown, respectively. Since the first quarter, Downtown’s average direct asking rent has fallen less than one percent, while the average sublet asking rent is now down 4.1%. During the same period, sublease space rose 74.5% in Downtown East, where the average sublet asking rent is now \$48.91/SF. Sublease space is also up 28.1% since the first quarter in Downtown West, where sublet space carries a 13.1% discount to direct space, a gap that has widened since the beginning of the year.

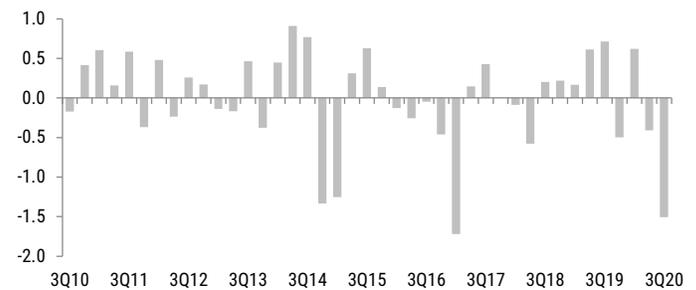
Class A

Average Asking Rent (\$/SF) and Availability



Class A

Net Absorption (Square Feet, Millions)

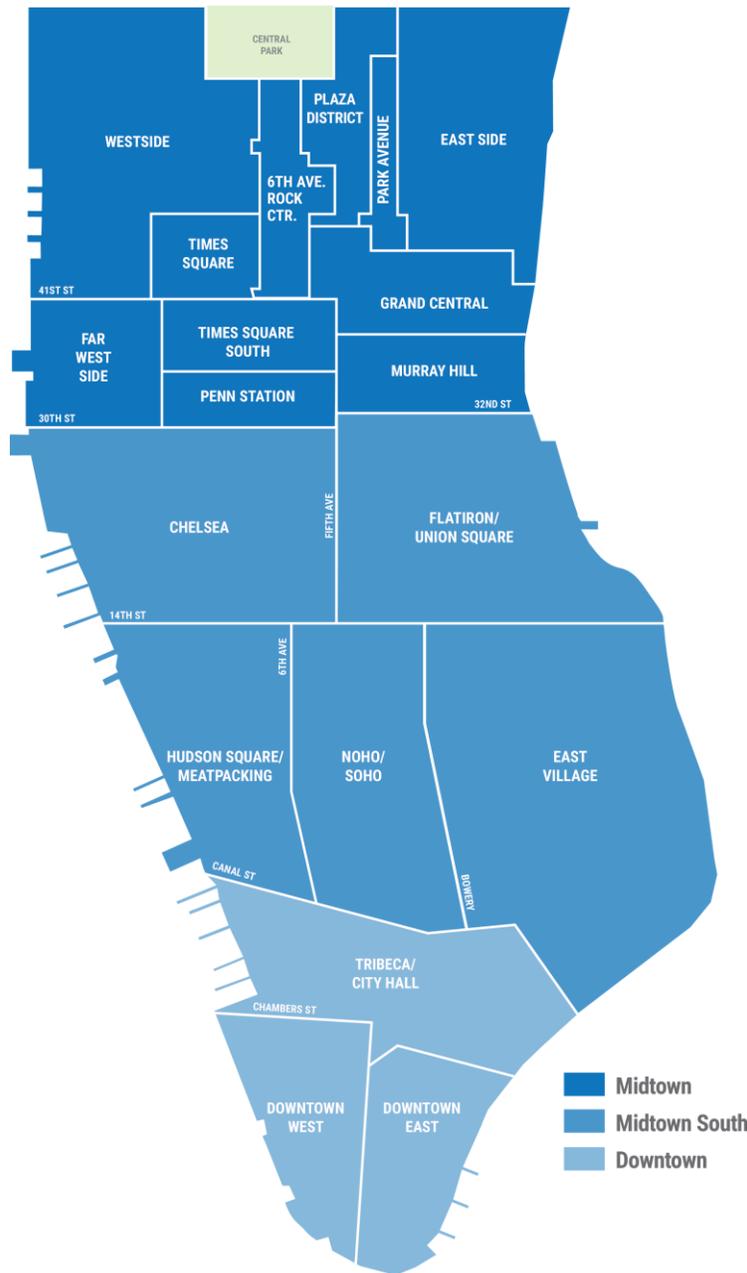


DOWNTOWN LEASE TRANSACTIONS

| Tenant | Building | Submarket | Type | Square Feet |
|-------------------------|----------------------|---------------|----------------|-------------|
| AIG | 28 Liberty Street | Downtown East | Direct New | 217,638 |
| Remarkable Foods, Inc. | 4 World Trade Center | Downtown West | Sublease New | 68,673 |
| Capco | 77 Water Street | Downtown East | Direct Renewal | 48,700 |
| Network Capital Funding | 1 World Trade Center | Downtown West | Sublease New | 20,464 |
| FuseFX | 32 Old Slip | Downtown East | Direct New | 15,072 |

SUBMARKET STATISTICS

| | 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 | 289,259,696 | 11,381,572 | 14.6% | -6,922,194 | -8,074,698 | \$87.45 | \$64.66 | \$83.20 |
| Eastside | 24,359,163 | 0 | 20.0% | -932,415 | -862,466 | \$79.93 | \$53.83 | \$77.84 |
| Far West Side | 12,128,159 | 9,662,418 | 10.3% | -508,587 | -627,193 | \$124.60 | \$79.34 | \$113.14 |
| Grand Central | 47,556,123 | 0 | 13.4% | -1,027,682 | -1,147,790 | \$89.46 | \$56.16 | \$84.65 |
| Murray Hill | 7,837,204 | 0 | 12.9% | -153,871 | -227,242 | \$64.63 | \$52.87 | \$61.65 |
| Park Avenue | 26,969,382 | 705,244 | 13.1% | -458,688 | -437,656 | \$118.17 | \$75.10 | \$110.68 |
| Penn Station | 22,054,602 | 923,910 | 10.1% | 310,794 | 524,833 | \$72.99 | \$60.23 | \$67.29 |
| Plaza District | 26,678,433 | 0 | 18.1% | -382,551 | -667,028 | \$107.80 | \$95.21 | \$106.13 |
| Sixth Ave/Rock Center | 45,329,301 | 90,000 | 11.7% | -907,220 | -961,343 | \$88.75 | \$66.36 | \$84.58 |
| Times Square | 14,693,247 | 0 | 19.2% | -1,199,302 | -961,195 | \$80.22 | \$70.60 | \$79.27 |
| Times Square South | 35,913,022 | 0 | 14.4% | -1,453,523 | -1,743,793 | \$58.28 | \$52.11 | \$56.89 |
| Westside | 25,741,060 | 0 | 18.6% | -209,149 | -963,825 | \$82.21 | \$64.89 | \$77.70 |
| Midtown South | 76,348,900 | 2,903,755 | 12.8% | -2,141,046 | -3,370,609 | \$86.40 | \$69.63 | \$81.58 |
| Chelsea | 28,613,736 | 983,943 | 11.9% | -756,223 | -1,353,353 | \$70.51 | \$69.59 | \$70.20 |
| East Village | 1,774,180 | 414,435 | 29.0% | -54,510 | -65,095 | \$94.55 | \$59.00 | \$94.30 |
| Flatiron/Union Square | 24,678,706 | 268,560 | 13.9% | -647,910 | -955,180 | \$90.27 | \$70.21 | \$86.15 |
| Hudson Sq./Meatpacking | 11,409,520 | 988,866 | 11.1% | -406,706 | -695,831 | \$110.99 | \$69.23 | \$85.28 |
| NoHo/SoHo | 9,872,758 | 247,951 | 11.9% | -275,697 | -301,150 | \$95.71 | \$69.48 | \$92.62 |
| Downtown | 95,425,530 | 80,000 | 13.7% | -1,909,998 | -1,687,899 | \$65.45 | \$55.29 | \$62.73 |
| Downtown East | 50,039,137 | 80,000 | 13.1% | -1,354,887 | -1,151,409 | \$58.53 | \$48.91 | \$56.07 |
| Downtown West | 36,676,367 | 0 | 15.6% | -481,755 | -415,092 | \$70.33 | \$61.11 | \$67.49 |
| Tribeca/City Hall | 8,710,026 | 0 | 9.6% | -73,356 | -121,398 | \$86.39 | \$68.65 | \$84.92 |
| Manhattan | 461,034,126 | 14,365,327 | 14.1% | -10,973,238 | -13,133,206 | \$83.07 | \$63.24 | \$78.75 |



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