

# Downtown Manhattan Office Market

## Large Renewals Dominate Activity as Relocations Dwindle

Two large renewals inked in the fourth quarter helped yield an uptick in leasing volume over last quarter and accounted for more than 50.0% of Downtown's total velocity. Justworks inked the largest fourth quarter deal with a two-year extension for 264,938 square feet at 55 Water Street. In addition, the New York City Council finalized the second largest deal with a long-term renewal for 157,092 square feet at 250 Broadway. Despite two significant renewals, year-end activity remained significantly below the long-term average. Downtown ended 2020 with 3.7 million square feet of activity, an 83.7% drop from 2019 and 63.9% below the ten-year average. Three additional renewals rounded out the top five deals of the fourth quarter, including two short-term renewals: The Topps Company renewed its 66,684-square-foot lease at 1 Whitehall Street and Vibrant Emotional Health completed a 24-month renewal for 18,821 square feet at 50 Broadway. CLS Bank also signed a 38,743-square-foot renewal at 32 Old Slip for an additional six years.

In 2020, Downtown's leasing activity demonstrated the increased preference of tenants to renew or extend over relocating, a trend seen throughout Manhattan. Overall, Downtown saw 10 deals over 75,000 square feet this year, with half from tenants renewing or extending their leases, up from a 28.0% share of such deals in the prior year. Downtown's shift to renewals and extensions through the pandemic was less dramatic than other markets. More than two thirds of deals over 75,000 square feet in Midtown and Midtown South came from renewing tenants. Overall, Downtown recorded five relocations over 75,000 square feet in 2020, including deals from AIG, the U.S. Securities & Exchange Commission and Policygenius, which were all finalized after the onset of the pandemic.

## Pace of Space Additions Moderates in Fourth Quarter

The Downtown availability rate rose to 14.7% by the end of the fourth quarter, the highest level since the second quarter of 2018, and reflected a 340 basis-point increase since the first quarter. However, the acceleration slowed slightly through the fourth quarter with the 100 basis-point rise, trailing the 180 basis-point jump in the prior quarter. This increase was moderated by the lack of direct space additions over 100,000 square feet and a slight slowdown in sublease space additions.

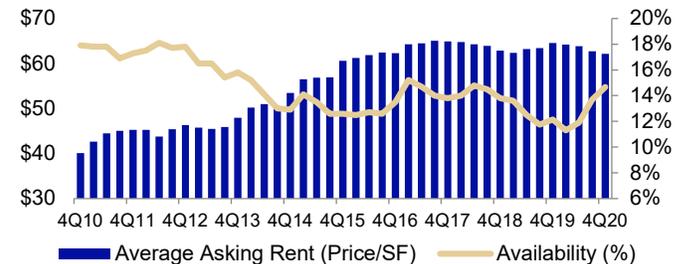
**NEWMARK**

## Current Conditions

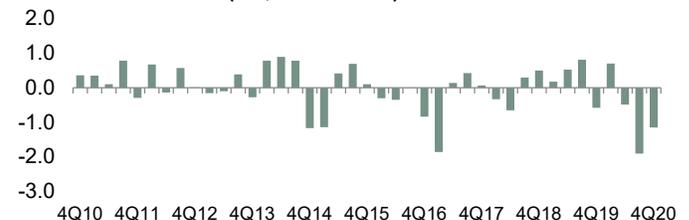
- Leasing velocity increased by 18.0% from the third quarter, driven by two large renewals, while still down dramatically from the long-term average.
- Asking rents declined by 320 basis points from the first quarter, but posted the smallest decline among Manhattan markets.
- Available sublease space reached 4.3 million square feet, its highest level since the first quarter of 2003.

## Market Analysis

### ASKING RENT AND AVAILABILITY



### NET ABSORPTION (SF, MILLIONS)



## Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	95.4 MSF	95.4M	95.3M	↑
Availability Rate	14.7%	13.7%	12.2%	↑
Quarterly Net Absorption	-1,153,133	-1,909,998	-579,050	↓
Avg. Ask Rent	\$62.12	\$62.73	\$64.54	↓
Under Const.	80,000 SF	80,000	0	↑
Deliveries	0 SF	0	130,000	↓

## RESEARCH Q4 2020

More than 746,500 square feet of sublease space came online in the fourth quarter, dominated by two large block additions: Standard & Poor's placed more than 205,000 square feet on the market at 55 Water Street and more than 107,012 square feet is now available for sublease from MSCI at 7 World Trade Center. While Standard & Poor's is the largest single sublease block addition Downtown since the pandemic began, total quarterly additions dipped slightly from the 836,133 square feet added in the third quarter. Although there is still approximately 500,000 square feet of potential sublease space expected to come to the Downtown market in the coming months, the pipeline of these anticipated additions is showing signs of decelerating. Even if all this space was added to the market this quarter, the sublease inventory would not yet surpass the historic high of 5.5 million square feet on the market at the end of 2001.

### Average Asking Rents Hold Steady from Third Quarter Bucking Manhattan-wide Trend

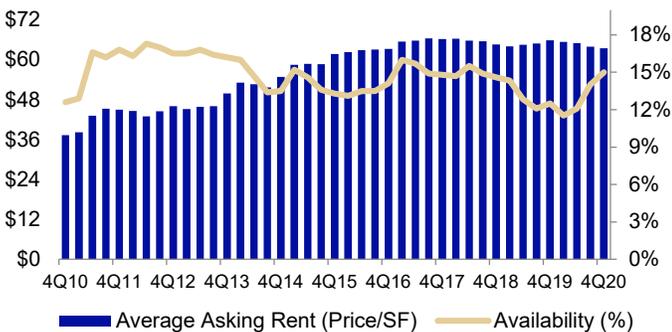
At the end of the fourth quarter, Downtown's average asking rent was \$62.12/SF, after declining less than one percent from the previous quarter. Overall, Downtown's average asking rent has declined 3.2% from the first quarter, with most of this decline attributed to the addition of competitively priced sublease space.

Pricing for direct space has held largely steady across the Downtown market throughout the pandemic, while the addition of more than 1.9 million square feet of sublease space has led to a \$3.00/SF decline in sublease asking rents during the same period. Downtown West has accounted for the bulk of these competitive sublease space additions, driving this small drop in asking rents. In the fourth quarter, the average asking rent for sublease space in Downtown West fell to \$58.95/SF, falling below \$60.00/SF for the first time since the first quarter of 2018.

Even as the pandemic continues and its full impact on the office market remains unknown, Downtown's asking rents are showing early signs of staying power after exhibiting the smallest decline among Manhattan markets in a tumultuous year. At the same time as Downtown's overall average asking rent decreased 3.2%, Midtown and Midtown South average asking rents fell 7.2% and 9.3%, respectively, with declines across both direct and sublease space in these markets. Concessions increased Manhattan-wide as landlords sought to incentivize tenants to close deals in 2020. However, Downtown also displayed a shallower decline in net effective rents year over year, as compared to other markets, with a less than one percent drop year over year.

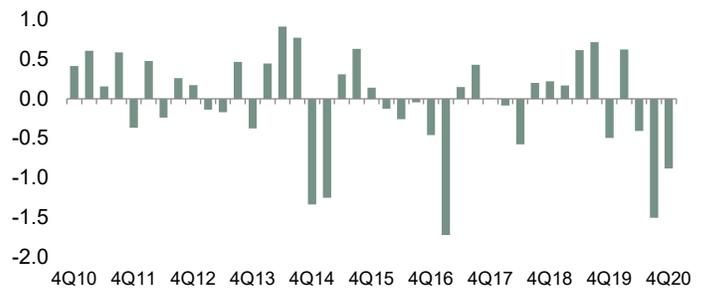
### Class A

#### AVERAGE ASKING RENT (\$/SF) AND AVAILABILITY



### Class A

#### NET ABSORPTION (SQUARE FEET, MILLIONS)



### Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Justworks, Inc.	55 Water Street	Downtown East	Direct Extension	264,938
New York City Council	250 Broadway	Downtown East	Direct Renewal	157,092
The Topps Company	1 Whitehall Street	Downtown East	Direct Renewal	66,684
CLS Bank	32 Old Slip	Downtown East	Direct Renewal	38,743
Vibrant Emotional Health	50 Broadway	Downtown East	Direct Extension	18,821

## Submarket Statistics

Market	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)
<b>Midtown</b>	<b>289,684,138</b>	<b>11,381,572</b>	<b>15.7%</b>	-3,980,116	-12,094,553	<b>\$85.08</b>	<b>\$61.09</b>	<b>\$80.11</b>
Eastside	24,177,246	0	20.3%	-213,593	-1,076,059	\$78.11	\$55.48	\$75.63
Far West Side	12,128,159	9,662,418	9.6%	37,465	-589,728	\$121.30	\$76.76	\$111.58
Grand Central	47,556,123	0	15.3%	-1,104,827	-2,252,617	\$84.33	\$56.35	\$78.70
Murray Hill	7,837,204	0	15.5%	-207,855	-435,097	\$63.70	\$49.97	\$59.67
Park Avenue	27,151,299	705,244	14.7%	-407,926	-845,582	\$113.99	\$74.65	\$105.15
Penn District	22,418,031	923,910	12.0%	-450,392	74,441	\$71.01	\$59.66	\$65.55
Plaza District	26,678,433	0	18.9%	-352,767	-1,019,795	\$108.30	\$83.99	\$105.83
Sixth Ave/Rock Center	45,329,301	90,000	11.7%	-233,569	-1,112,521	\$86.10	\$65.42	\$82.19
Times Square	14,693,247	0	19.9%	-208,282	-1,169,477	\$80.04	\$66.44	\$78.43
Times Square South	35,901,183	0	16.9%	-772,280	-2,638,203	\$57.56	\$46.97	\$54.83
Westside	25,741,060	0	18.8%	-66,090	-1,029,915	\$79.28	\$65.02	\$75.71
<b>Midtown South</b>	<b>76,647,322</b>	<b>3,351,397</b>	<b>15.5%</b>	-2,520,604	-5,891,213	<b>\$83.71</b>	<b>\$66.82</b>	<b>\$78.33</b>
Chelsea	28,843,736	685,110	15.0%	-1,111,005	-2,464,358	\$72.00	\$65.26	\$69.49
East Village	1,774,180	480,199	29.6%	-10,341	-75,436	\$84.83	\$59.00	\$84.66
Flatiron/Union Square	24,529,578	1,015,035	15.9%	-614,490	-1,569,670	\$89.36	\$65.41	\$83.15
Hudson Sq./Meatpacking	11,589,120	988,866	14.7%	-466,054	-1,161,885	\$97.80	\$69.89	\$83.02
NoHo/SoHo	9,910,708	182,187	14.7%	-318,714	-619,864	\$85.96	\$71.55	\$83.48
<b>Downtown</b>	<b>95,425,530</b>	<b>80,000</b>	<b>14.7%</b>	-1,153,133	-2,841,032	<b>\$65.39</b>	<b>\$54.63</b>	<b>\$62.12</b>
Downtown East	50,039,137	80,000	13.8%	-493,663	-1,645,072	\$58.48	\$49.25	\$55.87
Downtown West	36,676,367	0	17.0%	-585,815	-1,000,907	\$70.39	\$58.95	\$66.32
Tribeca/City Hall	8,710,026	0	9.9%	-73,655	-195,053	\$84.77	\$68.39	\$83.23
<b>Manhattan</b>	<b>461,684,138</b>	<b>14,812,969</b>	<b>15.5%</b>	-7,653,853	-20,826,798	<b>\$81.24</b>	<b>\$60.69</b>	<b>\$76.21</b>

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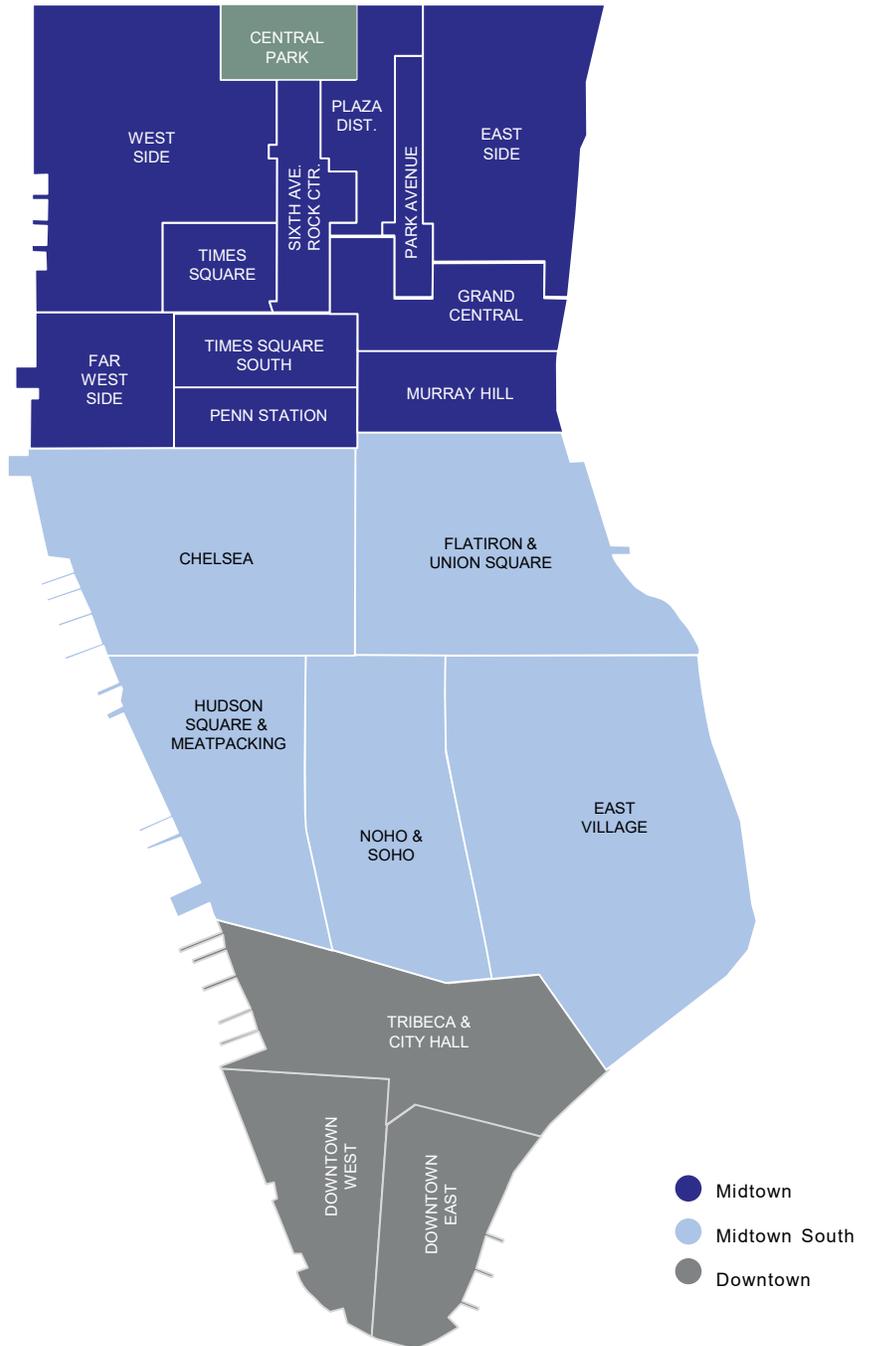
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