

MIDTOWN OFFICE MARKET

MARKET ACTIVITY HALTS DUE TO ONGOING PANDEMIC

The second quarter was fully affected by the COVID-19 pandemic. In Manhattan, the quarter started with a work-from-home order and ended with the governor's phased reopening plan that allowed landlords and tenants to prepare for a return to the office at reduced capacity. With most non-essential tenants not using the office, second quarter market conditions either stalled or worsened, as social distancing regulations limited activity and business confidence faltered with companies bracing for continued uncertainty.

Midtown availability remained steady at 12.5% due to minimal leasing activity and space additions during the quarter. An increase in sublease availability offset a decline in direct availability. As tenants are unsure of their future, plans are emerging to place unused space on the market for sublease. There were 10 sublease spaces greater than 20,000 square feet added to the market this quarter for a total of 549,320 square feet, the largest of which was First Republic Bank's 151,408-square-foot block at 410 Tenth Avenue. There are also 243,554 square feet of sublease space expected to be added to the market imminently with over 200,000 additional square feet rumored to be added when offices fully reopen.

With sublease space rising in the Midtown market, overall asking rents fell \$0.52/SF quarter over quarter to \$85.76/SF. Inexpensive space was added to the market by Ogilvy & Mather at 636 Eleventh Avenue and Global Brands Group at 350 Fifth Avenue. The reduction in asking rents was also influenced by high-priced space being leased at 151 West 42nd Street.

Midtown leasing activity fell to the lowest quarterly total in over 15 years with just 1.9 million square feet leased, trailing the previous low by 798,056 square feet. Leasing output for the first half of 2020 reached 7.1 million square feet, less than half of the velocity from one year ago. Despite the low leasing activity, first half output is greater than that of the same period during 2009, following the Global Financial Crisis, by 18.7%.

The largest second quarter deal was completed by TikTok for 232,138 square feet at 151 West 42nd Street. This was the only new deal completed in Midtown this quarter for more than 100,000 square feet. Many tenants, such as Allen & Overy and Mitsubishi International Corporation decided to renew or extend their leases short term with the plan to reassess their needs in the near future. Over 40% of second quarter leasing activity was from renewals and/or extensions. Allen &

CURRENT CONDITIONS

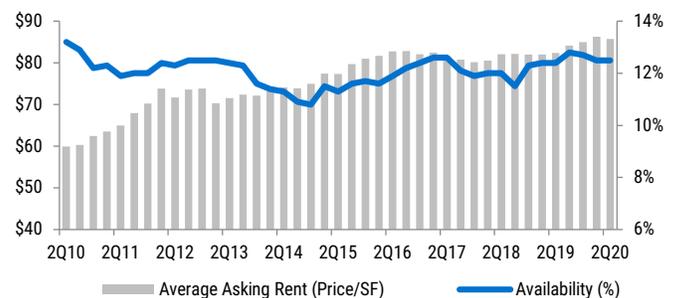
Total availability remained steady at 12.5%, but sublease availability increased with more space expected in the coming months.

Leasing activity fell to 1.9 million square feet, 40.6% of which were renewals and/or extensions, while tenant requirements are down 16.4% quarter over quarter.

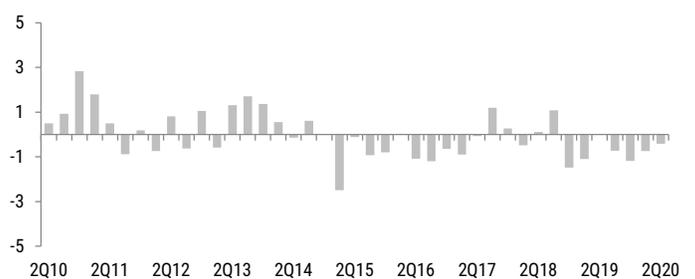
Several deals were re-traded during the second quarter, increasing concessions for tenants after the onset of the pandemic.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	288 MSF	289 MSF	283 MSF	↑
Availability Rate	12.5%	12.5%	12.4%	↑
Quarterly Net Absorption	-408,189	-744,315	20,735	↓
Average Asking Rent	\$85.76	\$86.28	\$82.27	↓
Under Construction	13.1 MSF	13.1 MSF	15.3 MSF	↑
Deliveries	0 MSF	0.1 MSF	2.7 MSF	↑

Overy signed a five-year renewal for 143,331 square feet at 1221 Avenue of the Americas and Mitsubishi completed a one-year extension for 120,075 square feet at 655 Third Avenue.

Although construction has resumed following the governor's halt work order, no new developments were completed in Midtown during the second quarter. Despite delays in several projects, there are still 2.7 million square feet expected to be completed by the end of 2020, including 1 Vanderbilt Avenue and the Farley Post Office.

OFFICE DEALS RE-TRADED FOLLOWING ONSET OF COVID-19

Many deals that were ongoing before the onset of COVID-19 were re-traded to increase concessions for the tenant after the pandemic began. Of the re-traded deals post-COVID-19, 83.3% were located in Midtown and 40% of them were renewals or extensions. The average re-trade in Midtown focused on concessions, with a \$0.57/SF reduction in base rent, a \$9.68/SF increase in work allowance and 4.3 additional months of free rent. The revised terms of these deals resulted in a \$2.21/SF reduction in net effective rents. These deals averaged 12,889 square feet.

TAMI TENANTS DRIVING ADDITIONS OF SUBLEASE SPACE

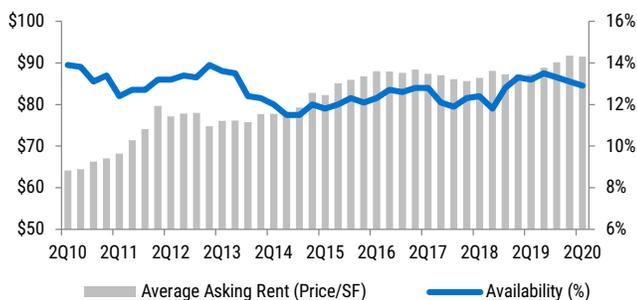
Of the three major markets, Midtown had the lowest amount of sublease space added or coming to the market, but sublease availability still rose 10 basis points. There were 11 sublease spaces added to the market after the onset of COVID-19 and six additional spaces expected to be added in the coming months for a total of 840,268 square feet. Of all these spaces, 53.4% of the total square footage has been from the TAMI sector, followed by 31.5% from financial services tenants. There are eight TAMI tenants that have put space on the market or are planning to dispose of space soon, led by Lyft, which is expected to add 103,638 square feet at 441 Ninth Avenue.

TENANT REQUIREMENTS DECREASE

During the second quarter, seven tenants in the market located in Midtown put their requirements on hold for a total of 890,000 square feet. The average size of requirement on hold is 127,143 square feet, led by the leisure, legal services and financial services sectors. There has been a decrease of 24 tenant requirements quarter over quarter and a 16.4% decline in total square footage of Midtown requirements. Several tenants have also signed short-term renewals and extensions with plans to reenter the market in 2021.

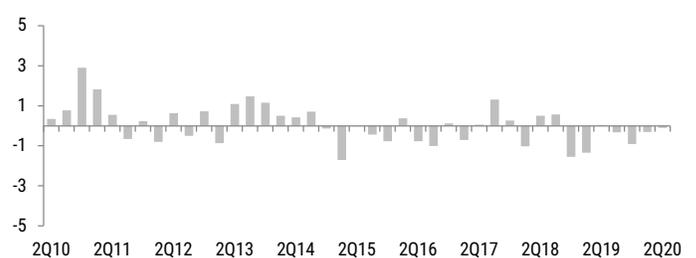
Class A

Average Asking Rent (\$/SF) and Availability



Class A

Net Absorption (Square Feet, Millions)

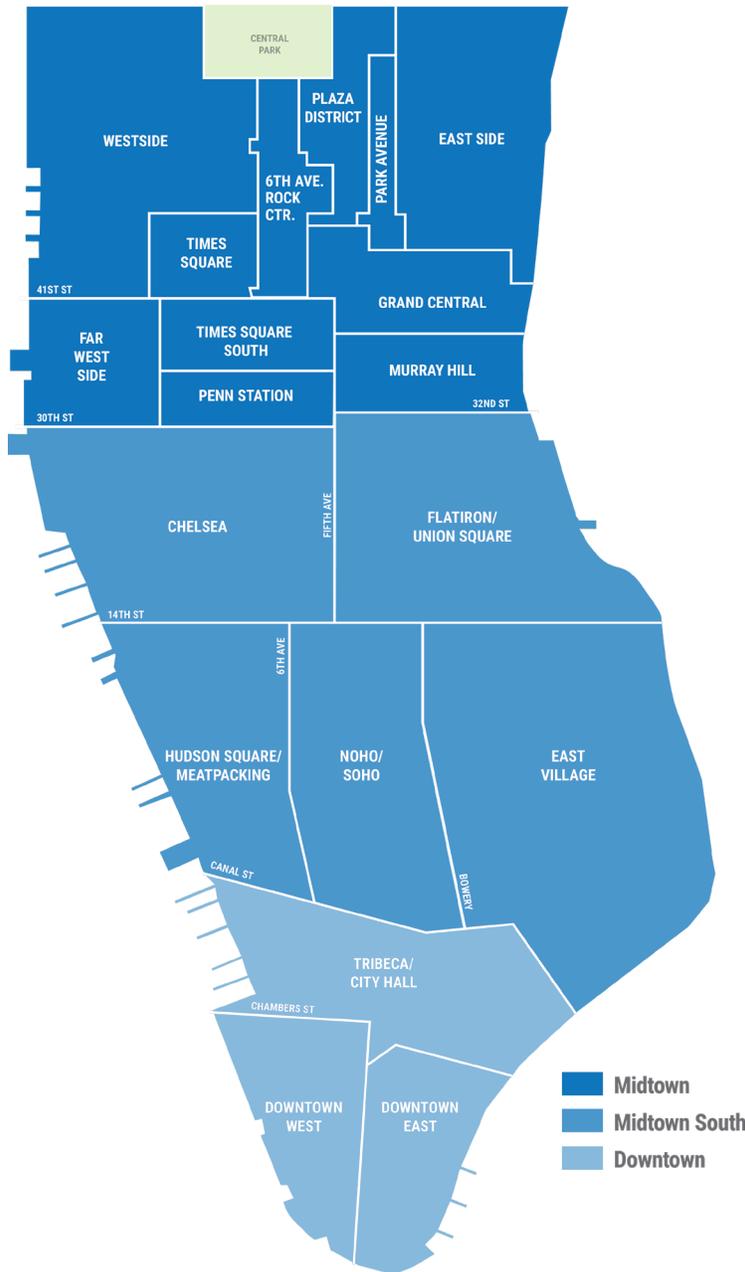


MIDTOWN LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
TikTok	151 West 42nd Street	Times Square	Direct New	232,138
Allen & Overy LLP	1221 Avenue of the Americas	Sixth Avenue/Rockefeller Center	Direct Renewal	143,331
Mitsubishi International Corporation	655 Third Avenue	Grand Central	Direct Extension	120,075
Remedy Partners	685 Third Avenue	Grand Central	Sublease New	74,349
Colliers	1114 Avenue of the Americas	Sixth Avenue/Rockefeller Center	Direct New	59,052

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	288,330,125	13,114,527	12.5%	-408,189	-1,152,504	\$89.45	\$67.44	\$85.76
Eastside	24,359,163	0	16.3%	-34,106	69,949	\$78.09	\$53.92	\$76.20
Far West Side	11,748,159	9,662,418	6.3%	-164,543	-118,606	\$118.08	\$85.36	\$108.97
Grand Central	47,556,123	1,732,955	11.5%	11,034	-120,108	\$93.19	\$59.81	\$89.46
Murray Hill	7,837,204	0	11.3%	-13,807	-73,371	\$64.32	\$55.52	\$62.78
Park Avenue	26,969,382	705,244	11.2%	-129,497	21,032	\$115.13	\$74.62	\$109.65
Penn Station	22,054,602	923,910	11.9%	-12,924	214,039	\$94.22	\$61.86	\$83.62
Plaza District	26,733,087	0	16.7%	-72,388	-284,477	\$110.21	\$103.75	\$109.30
Sixth Ave/Rock Center	45,231,157	90,000	9.9%	139,701	-54,123	\$89.04	\$67.96	\$85.84
Times Square	14,663,247	0	15.6%	254,045	238,107	\$78.89	\$68.06	\$77.75
Times Square South	35,474,092	0	9.7%	-238,594	-290,270	\$57.97	\$52.87	\$56.89
Westside	25,703,909	0	17.8%	-147,110	-754,676	\$84.19	\$64.71	\$79.12
Midtown South	76,593,740	2,936,281	10.1%	-503,311	-1,229,563	\$88.93	\$71.51	\$84.69
Chelsea	28,558,736	1,016,469	9.3%	-293,176	-597,130	\$71.29	\$69.65	\$70.75
East Village	1,772,657	414,435	25.8%	-2,422	-10,585	\$97.19	\$59.00	\$96.89
Flatiron/Union Square	24,669,706	268,560	11.4%	-94,597	-307,270	\$92.79	\$69.64	\$88.82
Hudson Sq./Meatpacking	11,797,533	988,866	7.5%	-80,611	-289,125	\$109.17	\$78.29	\$94.94
NoHo/SoHo	9,795,108	247,951	9.1%	-32,505	-25,453	\$99.80	\$66.96	\$96.79
Downtown	95,332,765	80,000	11.9%	-482,259	222,099	\$65.69	\$57.83	\$63.83
Downtown East	49,946,372	80,000	10.5%	-42,165	203,478	\$58.33	\$49.20	\$56.27
Downtown West	36,676,367	0	14.3%	-419,193	66,663	\$69.56	\$64.79	\$68.23
Tribeca/City Hall	8,710,026	0	9.1%	-20,901	-48,042	\$87.53	\$71.02	\$87.07
Manhattan	460,256,630	16,130,808	11.9%	-1,393,759	-2,159,968	\$84.64	\$65.65	\$80.98



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