



Manhattan office market report

Q2 2022

**AVISON
YOUNG**

Office market trends

Available sublet space reaches record levels

Record levels of sublet space are hitting the market, causing total availability to reach 18.6%. Direct availability decreased by 20 basis points (bp) to 14.1% (73.6 million square feet) while sublease availability increased by 30bp to 4.5% (23.4 million square feet) from Q1 2022. Showing no signs of slowing down, the availability rate should continue to increase throughout the year.

This rapid increase in sublease supply is furthering the supply and demand imbalance.

New construction should drive more supply additions: 26.4 million square feet (msf) proposed and under construction, 9.4 msf of which will be delivered this year (5.1 msf pre-leased).

Large transactions fuel increased leasing activity

Quarterly leasing activity, 6.9 msf, is showing signs of continued growth. Q1 and Q2 2022 leasing activity totaled 14.9 msf, a 25.2% increase from Q1 and Q2 2021. Fifty-three leases exceeding 50,000 sf were signed from Q3 2020 to Q2 2021, while 79 leases exceeding 50,000 sf were signed from Q3 2021 to Q2 2022, a 49.1% increase. This data demonstrates that large-scale tenants are continuing to drive demand growth and should remain on this upward trend in conjunction with greater citywide return-to-office efforts. However, in the 10 years leading up to COVID, first-half-year leasing activity has averaged 20.2 msf. YTD leasing activity is 14.9 msf, 26.2% below the historical average.

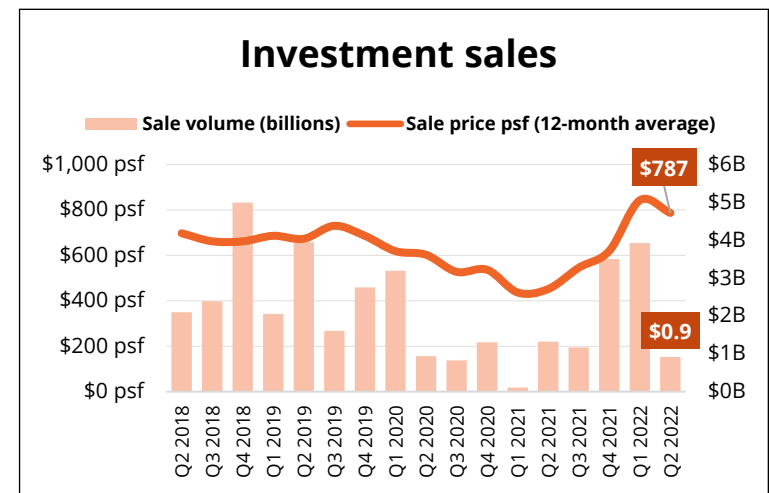
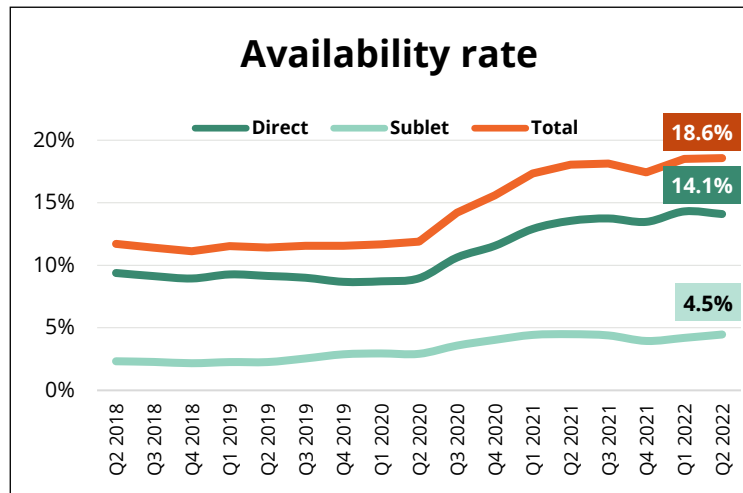
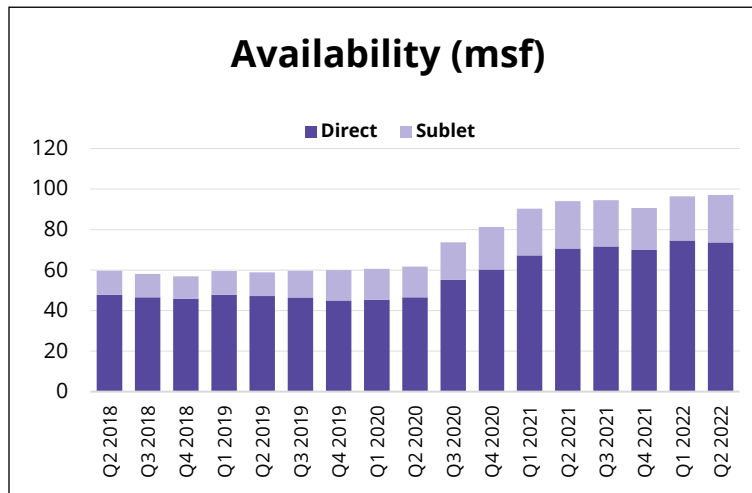
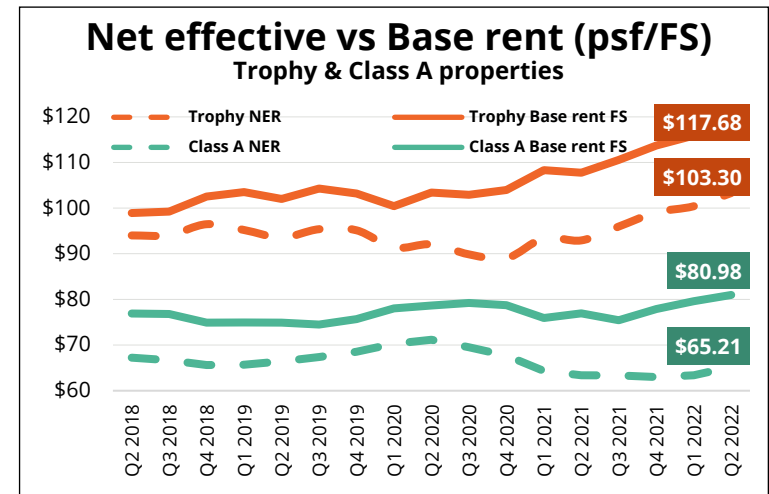
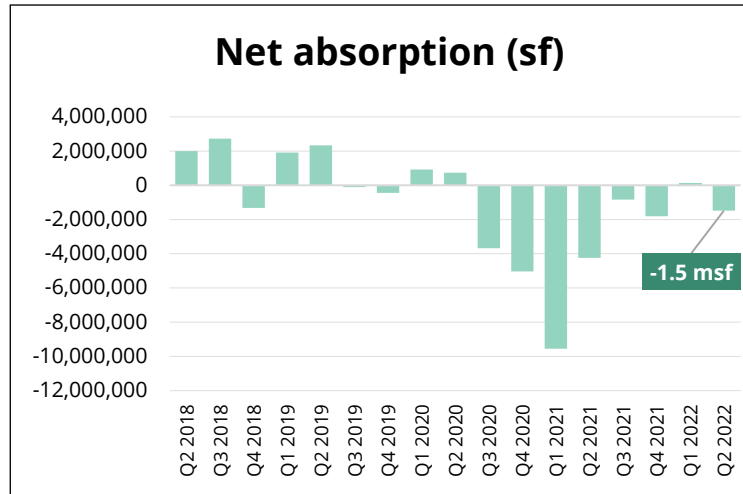
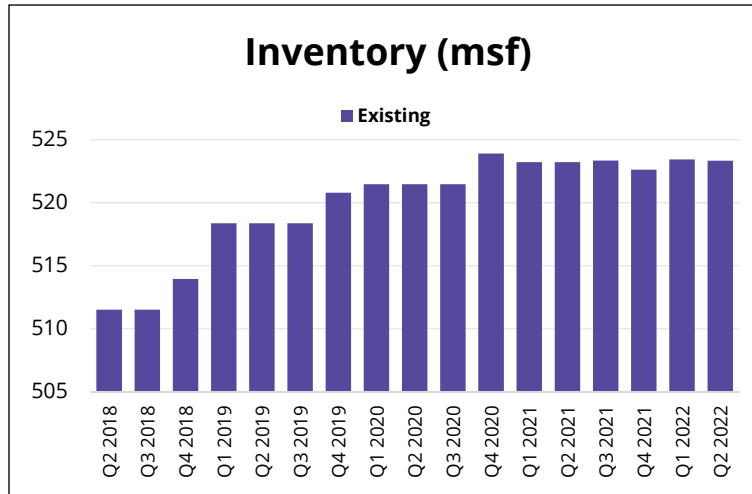
Trophy assets continue to capture outsized share of demand

Trophy properties, the top 10.0% of the market, have captured a sizable 30.9% of leases to date in 2022. Large-scale tenants are continuing to trade up by relocating to similar or higher-quality offerings, providing stronger post-COVID negotiating leverage and an increased focus on talent attraction and retention. This is further increasing the rental performance gap between asset classes. Since March 2020, Trophy net effective rents have increased by 13.1% to \$103.30 psf, Class A net effective rents have decreased by 7.2% to \$65.21 psf, and Class B and C net effective rents have decreased by 1.3% to \$56.49 psf.

Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.



Office market indicators



Note: Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%.
 Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.

Office market activity

Recent leasing activity

Tenant name	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Blackstone	601 Lexington Avenue	Midtown East	Apr 2022	330,000	Renewal/Expansion	Direct
Facebook	770 Broadway	Greenwich Village	Apr 2022	300,000	Expansion	Direct
Tiffany & Co.	200 Fifth Avenue	Flatiron District/ Gramercy Park	Apr 2022	287,393	Renewal	Direct
HSBC	66 Hudson Boulevard	Hudson Yards	Apr 2022	265,000	New	Direct
Katz Digital Media	125 West 55 th Street	Central Park	May 2022	227,201	Renewal	Direct

Recent sales activity (\$100M+)

Buyer	Address	Sale date	Sale price	Sale price psf	Seller(s)
SL Green	450 Park Avenue	May 2022	\$445,000,000	\$1,329	Oxford Properties, Crown Acquisitions
RFR Holding, Penske Media	475 Fifth Avenue	May 2022	\$291,000,000	\$1,054	Nuveen, Norges Bank Investment Management
ZG Capital Partners, Rialto Capital	45 East 53 rd Street	April 2022	\$105,000,000	\$954	MEK Management Services

Large contiguous space availabilities added in Q2 2022

Address	Submarket	Space type	Block size (sf)	Date available
30 Hudson Yards	Hudson Yards	Sublet	452,869	Immediate
611 Broadway	Greenwich Village	Direct	245,813	Immediate
5 West 13 th Street	Greenwich Village	Direct	146,948	Feb 2023
5 Manhattan West	Hudson Yards	Sublet	139,332	Immediate

Office market stats by submarket

By Submarket	Inventory (sf)	Total %	Availability		Net Absorption (sf)		SF Under	Average Asking Rent (psf)
			Direct %	Sublet %	2Q22	YTD	Construction	Total
Central Park	30,675,635	17.3%	15.2%	2.1%	-67,653	410,176	-	\$126.96
Grand Central	85,448,890	17.5%	14.3%	3.3%	-418,209	-422,437	39,487	\$79.45
Hudson Yards	11,701,720	36.5%	25.7%	10.8%	-527,724	-254,411	7,727,265	\$173.70
Midtown Core	57,916,395	12.2%	9.0%	3.2%	211,727	633,830	1,871,767	\$103.52
Midtown East	23,548,872	20.0%	17.7%	2.3%	-10,347	-84,750	-	\$89.57
Midtown West	4,149,155	33.7%	12.3%	21.4%	-	-21,679	-	\$82.72
Murray Hill	11,405,325	21.6%	16.5%	5.1%	-14,803	94,702	-	\$69.62
Penn Station	50,878,165	17.7%	13.1%	4.6%	203,666	220,642	188,910	\$63.58
Times Square	34,941,170	24.1%	19.2%	4.9%	57,760	-61,249	-	\$76.55
Midtown Total	310,665,327	18.6%	14.5%	4.1%	-565,583	514,824	9,827,429	\$85.78
Chelsea	16,886,878	27.3%	20.6%	6.7%	-231,150	-586,468	929,307	\$67.15
East Village	517,510	58.7%	31.8%	26.8%	-123,708	-123,708	322,560	\$139.15
Flatiron District/Gramercy Park	40,281,976	17.7%	13.0%	4.7%	-8,111	-14,055	-	\$76.24
Greenwich Village	7,497,767	17.0%	15.8%	1.2%	-371,550	-302,733	-	\$77.95
Hudson Square	11,913,719	17.3%	11.6%	5.6%	65,933	-281,230	2,521,986	\$63.31
Lower East Side	2,382,494	23.3%	22.3%	1.0%	97,117	132,783	174,623	\$83.49
Meatpacking District	8,238,954	6.2%	4.7%	1.5%	-10,586	133,197	-	\$117.73
SoHo	6,455,246	15.8%	12.2%	3.5%	-5,490	111,050	-	\$94.58
West Village	585,244	3.8%	3.2%	0.6%	-7,330	-5,830	37,000	-
Midtown South Total	94,759,788	18.5%	13.9%	4.6%	-594,875	-936,994	3,985,476	\$76.62
City Hall	15,849,102	7.5%	6.2%	1.3%	-2,339	46,080	-	\$64.91
Financial District	45,756,846	24.9%	19.2%	5.7%	-127,269	-257,642	-	\$63.51
TriBeCa	7,994,884	13.5%	9.6%	4.0%	-2,716	-135,752	-	\$145.97
Water Street Corridor	18,893,724	24.4%	15.1%	9.4%	-78,860	-718,142	-	\$65.19
World Trade Center	26,125,107	13.6%	7.6%	6.1%	-108,398	123,037	267,227	\$94.18
Downtown Total	114,619,663	19.1%	13.4%	5.7%	-319,582	-942,419	267,227	\$70.13
Upper East Side	1,151,541	4.3%	3.2%	1.1%	-2,051	-2,679	-	-
Upper West Side	2,147,989	3.3%	2.6%	0.6%	-350	-1,548	-	\$43.84
Manhattan Total	523,344,308	18.6%	14.1%	4.5%	-1,482,441	-1,368,816	14,080,132	\$80.92

Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.
 Note: Asking rents for some blocks are undisclosed, therefore certain submarkets may not have asking rents.

For more market insights
and information visit
avisonyoung.com

Mitti Liebersohn

President and Managing Director
NYC Operations
+ 1 212 729 7734
mitti.liebersohn@avisonyoung.com

Dorothy Alpert

Principal and Tri-State President
+ 1 212 729 7127
dorothy.alpert@avisonyoung.com

Danny Mangru

NYC Regional Manager
Innovation & Insight Advisory
+ 1 212 729 4560
danny.mangru@avisonyoung.com