TRANSWESTERN

MIDTOWN MANHATTAN OFFICE MARKET

Q3 2024

TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (NYC)	5.2	5.1	↑	7.5	↔
NET ABSORPTION (Thousands SF)	2,904.6	1,400.4	↑	(612.5)	↑
OVERALL VACANCY RATE	15.8%	14.8%	↑	12.6%	↔
OVERALL VACANT SF (MSF)	44.9	42.5	↑	35.6	↔
UNDER CONSTRUCTION (MSF)	0.3	0.2	↔	6.6	↔
ASKING RENT (PSF)	$83.04	$81.48	↑	$80.34	↑
SALES VOLUME (Millions)	$637.1	$205.0	↑	$1,005.6	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

MIDTOWN LEASING IMPROVES AGAIN

Midtown leasing topped 6.1 million square feet in Q3, accounting for almost 75% of Manhattan deal activity. Transactions included ten leases at or above 100,000 SF, led by a 1 million SF renewal and expansion by Blackstone at 345 Park Avenue. Both Class A and Class B saw positive absorption, contributing to the highest quarterly result in at least a decade, and availability dropped to its lowest point since late 2020. Asking rents continued their upward momentum as both new and newly renovated spaces remained in demand.

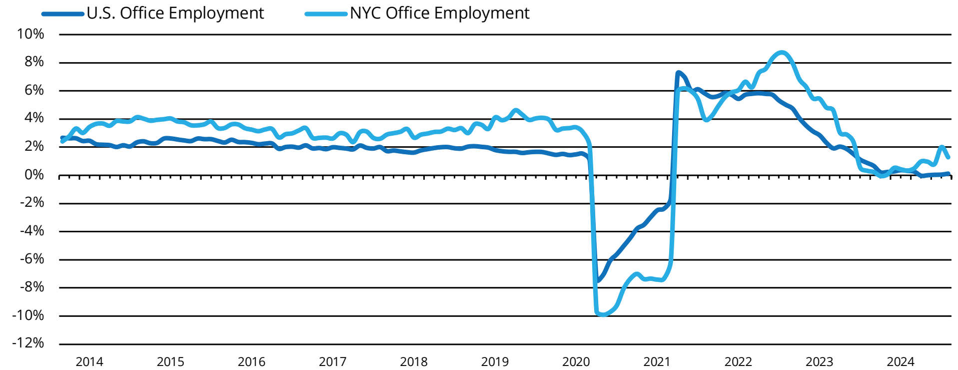
“This quarter’s strong leasing figure, particularly the year-to-date number up 31% compared to last year, bears out the increased enthusiasm that has been noticeable in the market,” said Patrick Heeg, Partner, Transwestern. “We’ve been seeing leasing decisions being made faster, increased touring activity, and greater openness to longer terms. As tenants solidify their in-office work plans, they are in a much better position when entering lease negotiations.”

ECONOMY

NYC's office jobs continue to increase ahead of the national pace

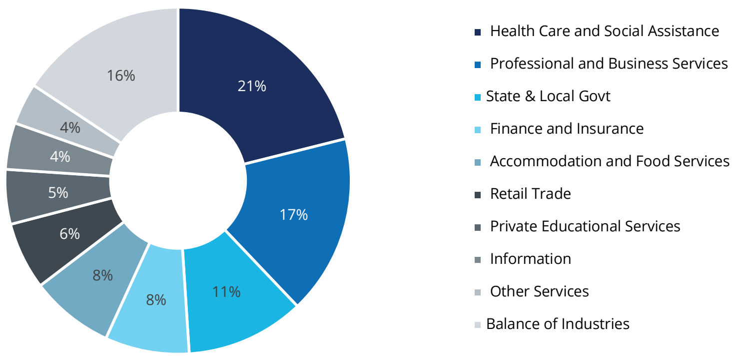
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Most recently, jobs grew 1.3% from a year ago, accelerating from the pace seen in late 2023 and early 2024.
- On a national level, growth in office-using jobs has plateaued over the last six months; employment in these sectors increased just 0.1% year-over-year.
- The unemployment rate in New York City currently stands at 5.2%, the upper edge of the tight range it has occupied for the last two years. The national unemployment rate is 4.1%, compared with its early 2020 bottom of 3.5%.
- The Health Care & Social Assistance industry continues to dominate NYC's job creation with almost 92,000 new jobs over the past year. This far surpasses all other sectors, but significant increases were also seen in the Accommodation & Food Services sector and the Private Educational Services sector. On the downside, some of the larger office-using sectors coped with a net loss of jobs over the past year.
- Traditional office-using sectors are getting back on track, even as hybrid work has become the most common structure for these jobs. Meanwhile, New York's diverse business economy provides a strong foundation that will continue to propel the city forward in late 2024 and into 2025.

Y-O-Y CHANGE IN OFFICE JOBS



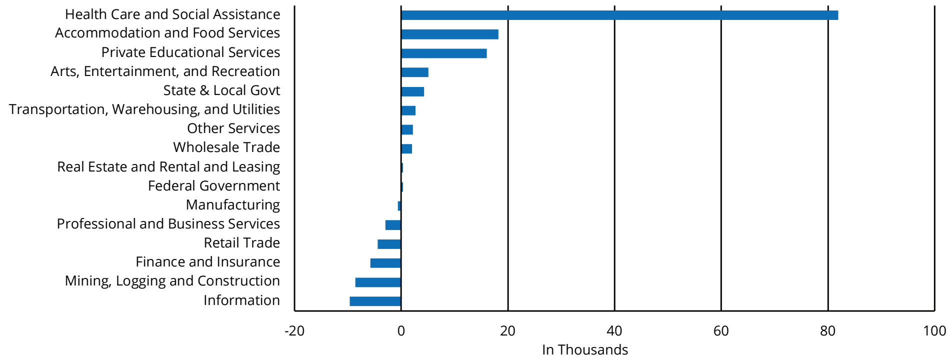
SHARE OF EMPLOYEES BY INDUSTRY

New York City | August 2024



Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



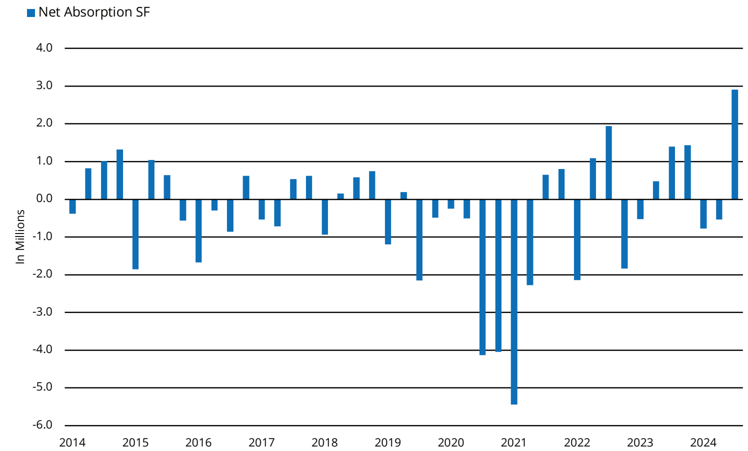
Source: Bureau of Labor Statistics, NYS Department of Labor, Transwestern

NET ABSORPTION

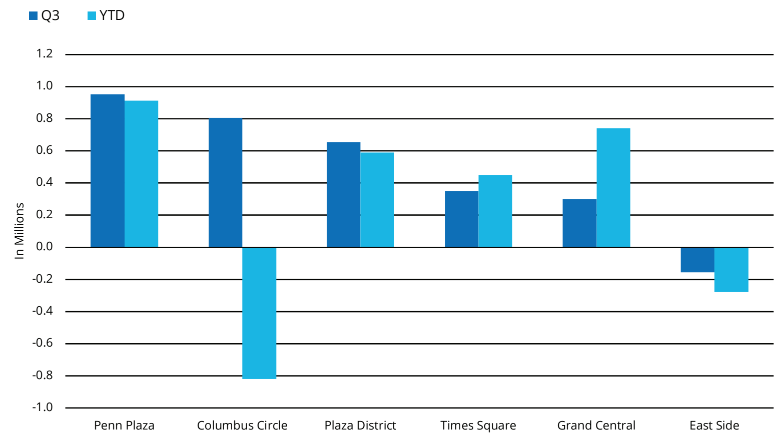
Absorption soars on leasing and restructuring

- Midtown absorption was a sky-high 2.9 MSF in Q3, with positive results in nearly every submarket. The strong showing in both Class A & Class B assets was generated by robust leasing combined with the removal of space at buildings preparing for conversion or renovation. Year-to-date absorption measured 1.6 MSF, compared with 1.4 MSF during the same period in 2023.
- Penn Plaza had the strongest absorption in Midtown at 950,900 SF. Deals included Yeshiva University's 150,000 SF leasehold condo at 1 Herald Square, Convene's 72,000 SF sublet at 30 Hudson Yards, PubMatic's 60,400 SF renewal and expansion at 498 Seventh Avenue and Roivant Sciences' 54,700 SF lease at PENN 1.
- The Plaza District snagged five sizeable deals, though several were renewals and did not weigh heavily on absorption, which totaled 654,600 SF. The largest leases were Blackstone's 1 MSF renewal and expansion at 345 Park Avenue; a 373,000 SF renewal from Christie's at 20 Rockefeller Plaza; a 149,450 SF hybrid sublet and direct lease from Elliott Investment Management at 280 Park Avenue; a 146,000 SF renewal and expansion by Balyasny Asset Management at 767 Fifth Avenue; and a 109,300 SF direct deal from LVMH for swing space at 590 Madison Avenue.
- The Times Square submarket saw subleases from Atlas Search (55,700 SF) and Rabobank (58,800 SF), both at 151 W 42nd Street. In the Columbus Circle submarket, absorption was boosted by a 98,000 SF sublease from Gen II at 1675 Broadway.
- Most of the largest leases signed in Midtown this quarter were long-term renewals, many with an expansion component. This indication of continued confidence bodes well for improved submarket absorption as we finish the year and move into 2025.

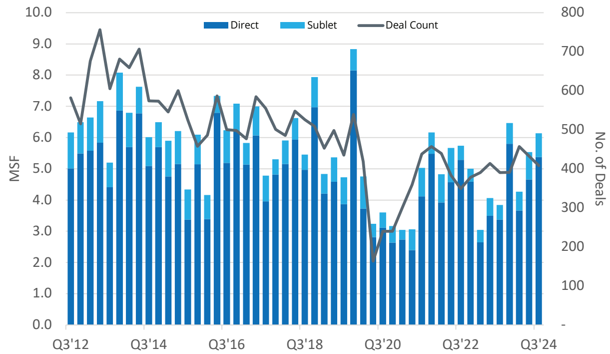
NET ABSORPTION - MIDTOWN



NET ABSORPTION BY SUBMARKET



MIDTOWN LEASING ACTIVITY



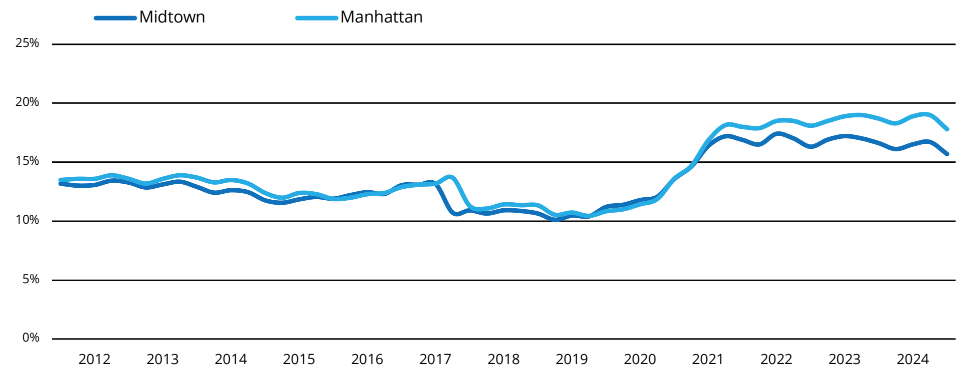
Source: CoStar, Transwestern

AVAILABILITY

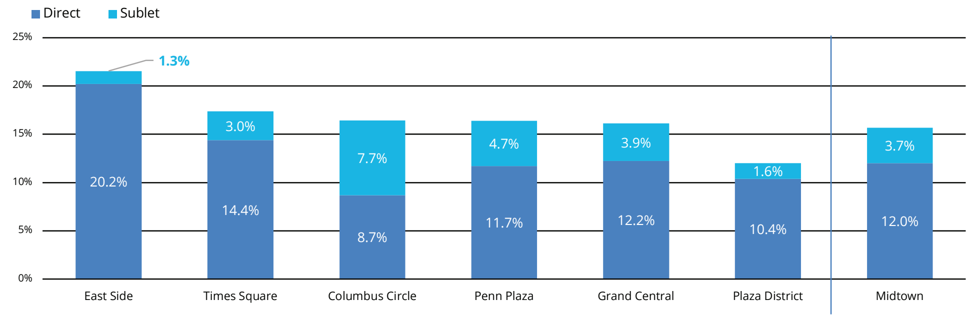
Midtown direct and sublet availability decrease

- Midtown's overall availability rate decreased by 1 percentage point [pp] to 15.7% in Q3 2024, the lowest since late 2020. In comparison, the submarket's average availability from 2015 to 2020 was 11.5%.
- Both sublet and direct availability decreased from Q2, with sublet availability retreating to 3.7%. Two of Midtown's submarkets, the East Side and the Plaza District, have sublet availability rates below 2.0%, some of the lowest levels in Manhattan.
- The Plaza District also has the lowest overall availability in all of Manhattan at 12.0%. Availability decreased 1.0 pp from Q2 on strong leasing combined with space withdrawals, including a 270,000 SF block removed at 135 East 57th Street.
- Columbus Circle saw the biggest decrease in availability from Q2, falling 2.7 pp to 16.4%. In addition to healthy leasing, the submarket benefited from the withdrawal of 588,800 SF at 135 West 50th Street after the tower was auctioned off in July. However, Columbus Circle's sublet availability of 7.7% is the highest in Manhattan, with four properties having at least 100,000 SF of sublet space on offer.
- There were two large blocks added in the Times Square submarket, including nearly 604,000 SF at 330 West 42nd Street, where space that had previously been withdrawn was listed as available once again. Helping to counteract the additions, a block of 755,000 SF was withdrawn at 5 Times Square, where partial residential conversion is being considered. Submarket availability decreased 0.7 pp to 17.4%.
- As the flight to quality continues to tighten availability levels at Midtown's trophy assets, we expect Class B to take on some of the overflow. Excess sublet space remains a concern, but current conditions still favor tenants who are actively looking for a home in the submarket.

SUBMARKET AVAILABILITY VS MANHATTAN



SUBMARKET AVAILABILITY



Source: CoStar, Transwestern

UNDER CONSTRUCTION

Development and redevelopment seek a balance

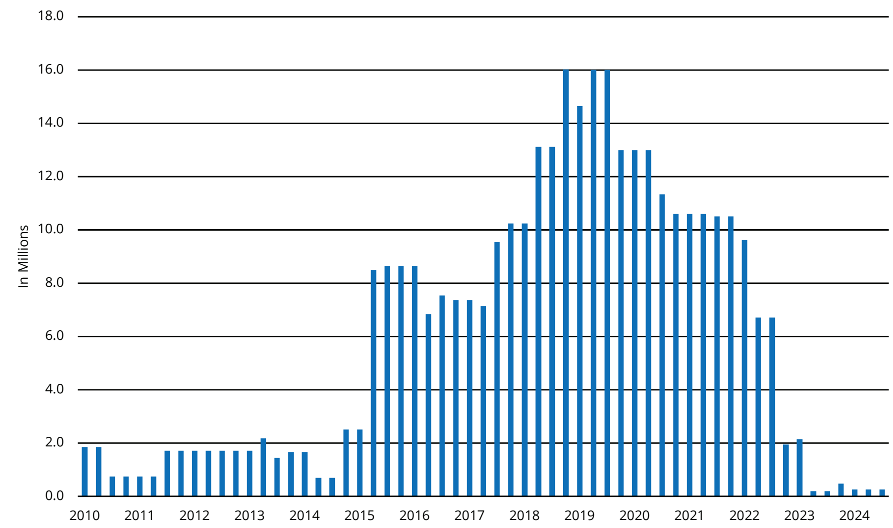
- New office construction in Midtown remains near its lowest level in more than a decade. Active new construction includes 125 West 57th Street (260,000 SF), the first new core addition to the Columbus Circle submarket since 2014, and a 211,000 SF tower at 520 Fifth Avenue in the Times Square submarket, which just topped out in October. In a promising sign, ground was broken on a new MTA entrance at 343 Madison Avenue in Grand Central, though the proposed building has yet to find an anchor.

- Amid the dearth of new construction, existing assets are relying on renovations and capital improvements in order to compete for tenants. In Penn Plaza, PENN 2 has nearly 1.3 MSF of recently renovated space available while the East Side's 850 Third Avenue was an early recipient of an M-CORE tax abatement, designed to finance renovations at aging properties.

- In addition, there is nearly 10 million SF of new office product proposed in Midtown, dominated by several multi-use projects with large office components. These include the 2.6 MSF Commodore at 175 Park Avenue; a 1.2 MSF tower at 70 Hudson Yards; the 1.8 MSF Citadel Enterprise building at 350 Park Avenue; and a 1.5 MSF tower at 570 Fifth Avenue. Getting these projects underway depends on improvement in both market sentiment and economic conditions, as well as the likelihood of securing of an anchor tenant.

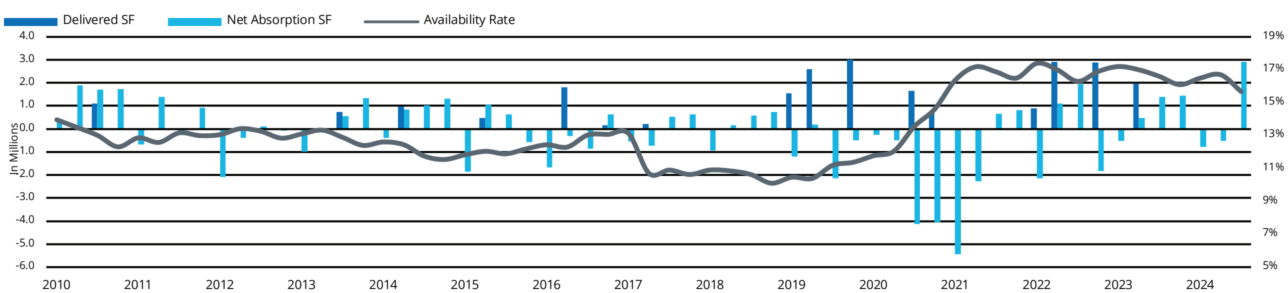
- In the meantime, the pipeline of "ready to lease" new construction opportunities remains extremely limited. It will be important to monitor whether continued demand for top tier assets, coupled with the lack of new stock, will lead to increased activity in secondary markets and Class B buildings.

UNDER CONSTRUCTION - MIDTOWN



UNDER CONSTRUCTION BY SUBMARKET

DELIVERY IMPACT ON KEY INDICATORS



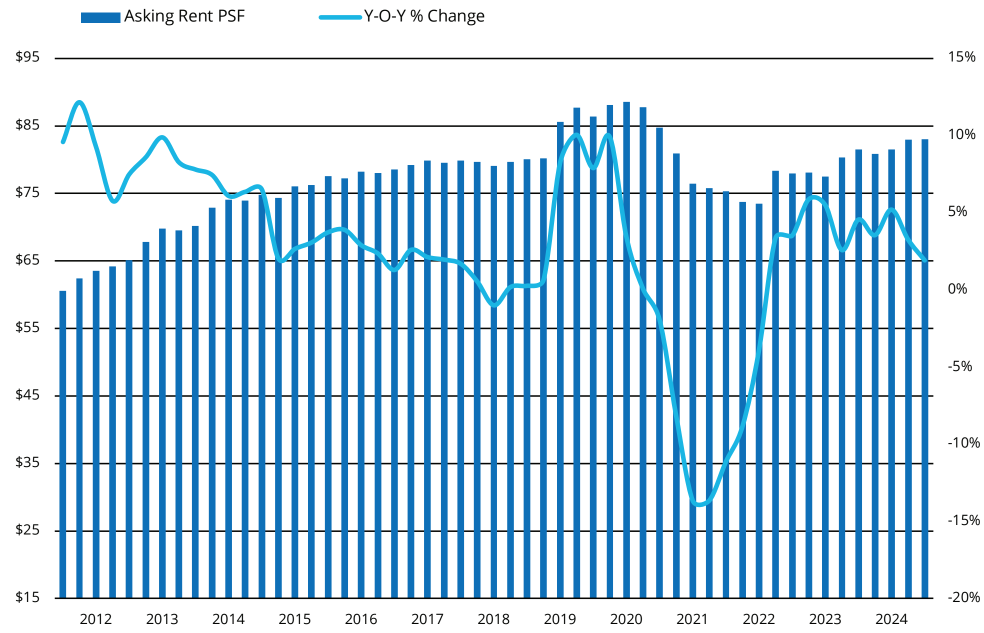
Source: CoStar, Transwestern

RENTAL RATES

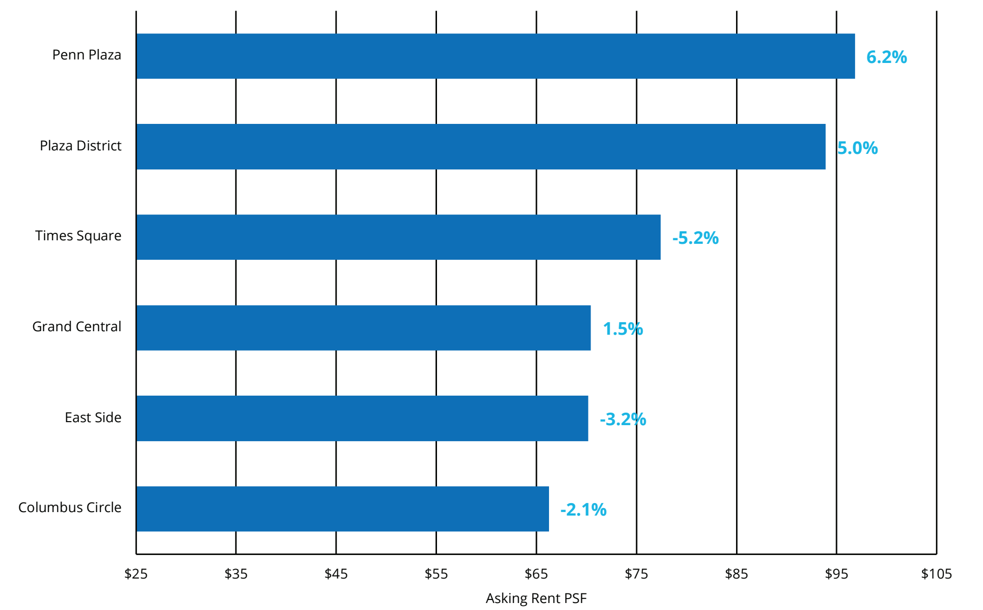
Asking rents still rising

- Midtown's average asking rent grew 0.1% from Q2, reaching $83.04 PSF in the third quarter. Rents are up 1.9% from a year ago, marking a tenth straight quarter of year-over-year growth.
- Recent rent growth can be largely attributed to high asking prices at new and renovated trophy assets like 550 Madison Avenue, 9 West 57th Street, 30 Hudson Yards, Lever House (390 Park Avenue), and 425 Park Avenue. Most of these have significantly large blocks of space available, with asking rates over $200 PSF. Average Class A rents recently surpassed $88 PSF, within 4% of their early 2020 peak and 2.9% higher than their year-ago level.
- Meanwhile, the excess sublet space that has been applying downward pressure on asking rates has begun to ease. Midtown's available sublet space peaked at 12.5 MSF in early 2023, and has since decreased by nearly 2.1 MSF, removing a sizeable amount of this lower-priced space from the submarket average.
- Despite fluctuating market conditions, the newest trophy and Class A+ spaces are asking for and receiving premium prices as upgraded amenity offerings become the new norm. The other side of this coin is that we are seeing increased opportunities for tenants in terms of asking rents and concessions at non-trophy and Class B assets, particularly those with high vacancies and those not well situated for public transportation.

ASKING RENT - MIDTOWN



ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



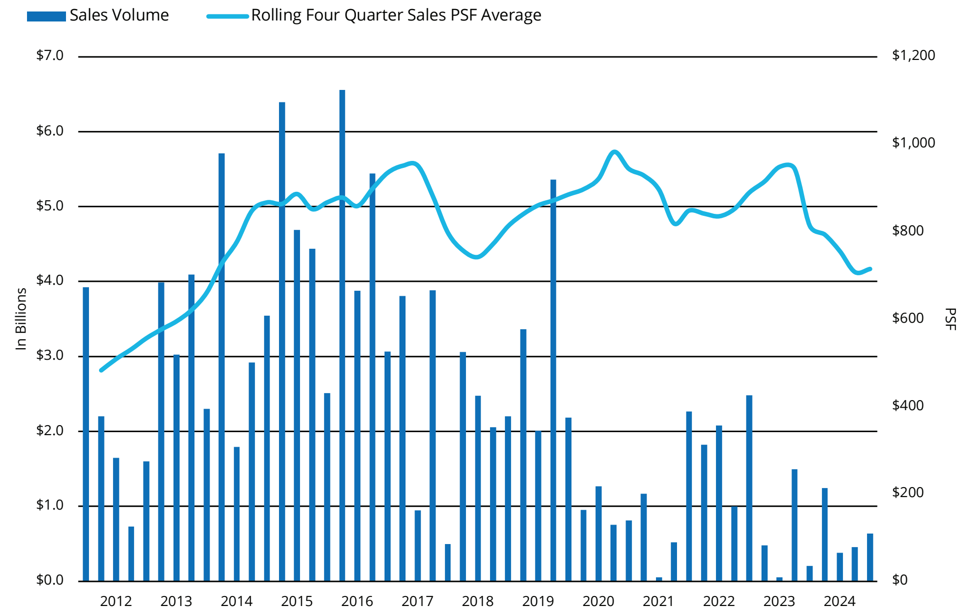
Source: CoStar, Transwestern

SALES

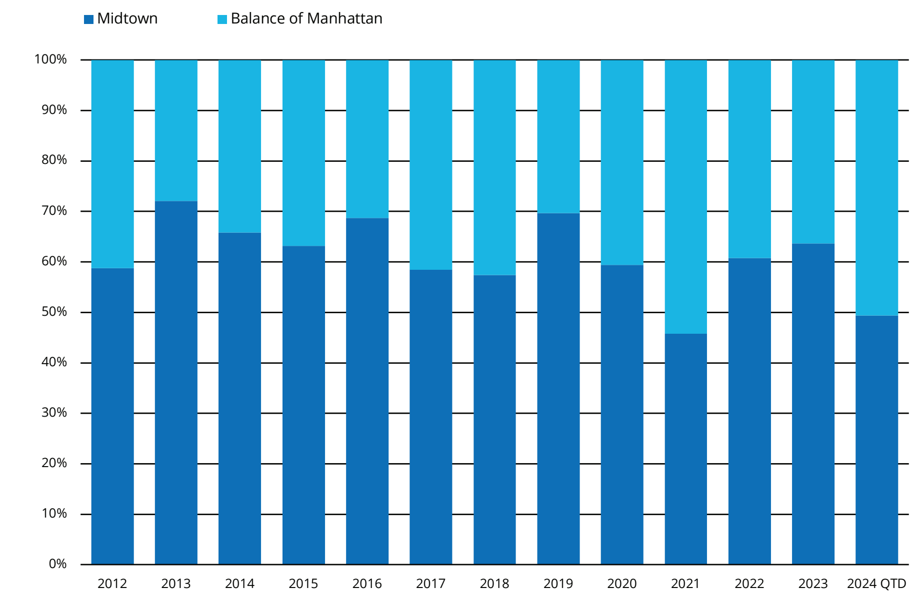
Office sales transactions gaining momentum

- Midtown office sales improved further in Q3, reaching $637.1 million, though this is well below the $1.0 billion quarterly average recorded over the last five years. Total volume for the first three quarters of 2024 was $1.5 billion, compared with $1.8 billion during the same period of 2023.
- Midtown's Grand Central submarket was the site of three major sales this quarter. Hines and JPMorganChase purchased 250 Park Avenue for $320.2 million, translating to pricing of $690 PSF. The building is adjacent to Chase's new headquarters, currently under construction. David Werner and Metro Loft bought a minority interest in Pfizer's former headquarters at 219 East 42nd Street, scheduled for a residential transformation; pricing came in at $640 PSF. Finally, a minority interest in the MetLife Building at 200 Park Avenue sold to Irvine Co. for an undisclosed sum.
- Another notable transaction was the auction sale of 135 West 50th Street in Columbus Circle, which fetched just $8.7 million, compared with its 2006 sale price of $332.5 million. Pricing for the 920,000 SF tower translated to less than $10 PSF. New owner Thakkar Developers has not announced definitive plans for the property, which is only 35% occupied.
- Other sales included 655 Madison Avenue, which traded for $159.4 million, and the headquarters of the Archdiocese of New York at 1011 First Avenue, which sold for $100 million. These deals closed in October and will be included in Q4 statistics; both are slated to become residential properties.
- Lingering uncertainty in the current economic climate has left investors reluctant to take on more debt and more risk, citing limited liquidity and ongoing price discovery, though some are scooping up distressed assets at bargain prices. The recent interest rate cut will help attract more activity, but debt remains costly, and we expect investors will proceed with caution over the next few quarters.

SALES VOLUME - MIDTOWN



MIDTOWN % OF MANHATTAN SALES VOLUME



Source: Real Capital Analytics, Transwestern

NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BLACKSTONE	345 Park Ave	Plaza District	Renewal / Expansion	1,019,100
CHRISTIE'S	20 Rockefeller Plaza	Plaza District	Renewal / Expansion	373,000
WILLKIE FARR & GALLAGHER	787 Seventh Ave	Columbus Circle	Renewal	333,450
ARES MANAGEMENT	245 Park Ave	Grand Central	Renewal / Expansion	284,550
CBRE	200 Park Ave	Grand Central	Renewal / Expansion	180,000

NOTABLE NEW AVAILABILITIES

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
330 W 42ND ST	Times Square	603,800	Direct
1290 AVE OF THE AMERICAS	Times Square	158,500	Direct
909 THIRD AVE	East Side	125,600	Direct
1325 AVE OF THE AMERICAS	Columbus Circle	125,250	Sublet
633 THIRD AVE	Grand Central	98,600	Direct

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
200 PARK AVE*	Grand Central	undisclosed	3,021,000	undisclosed	Irvine Co.	Tishman Speyer
250 PARK AVE	Grand Central	$320,152,500	464,000	$690	Hines, JPMorganChase	AEW Capital
219 E 42ND ST*	Grand Central	$240,000,000	375,000	$640	David Werner RE, Metro Loft	DWS Group Americas, SWIB, Alexandria

* = Minority Sale

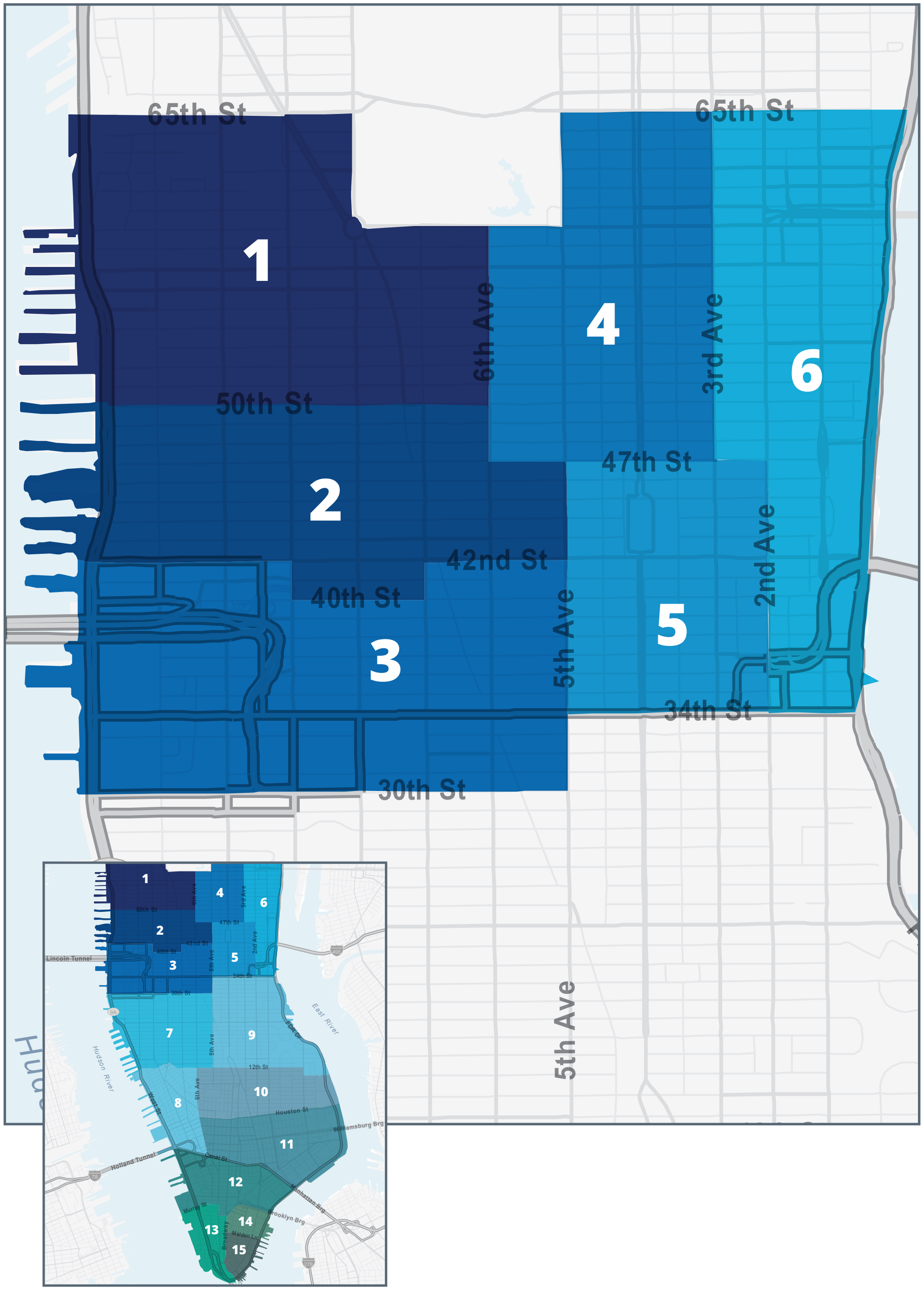
Source: CoStar, Real Capital Analytics, Transwestern

MARKET INDICATORS

All Classes of Space | Q3 2024

SUBMARKET	INVENTORY SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	OVERALL AVAILABILITY RATE	OVERALL VACANCY RATE	CLASS A AVERAGE RENT PSF	CLASS B AVERAGE RENT PSF	OVERALL AVERAGE RENT PSF
COLUMBUS CIRCLE	30,549,882	805,817	-820,181	16.4%	14.4%	$68.37	$58.34	$66.24
EAST SIDE	14,849,946	-156,537	-277,673	21.5%	19.0%	$70.61	$65.72	$70.20
GRAND CENTRAL	57,375,025	299,702	739,884	16.1%	15.8%	$69.23	$76.79	$70.45
PENN PLAZA	69,304,624	950,858	911,665	16.4%	17.3%	$116.79	$55.43	$96.82
PLAZA DISTRICT	69,946,554	654,633	589,868	12.0%	13.5%	$94.33	$86.04	$93.90
TIMES SQUARE	42,075,058	350,138	450,993	17.4%	17.1%	$81.99	$58.06	$77.44
MIDTOWN TOTAL	**284,101,089**	**2,904,611**	**1,594,556**	**15.7%**	**15.8%**	**$88.09**	**$61.65**	**$83.04**

Source: CoStar, Transwestern



NEW YORK OFFICE SUBMARKETS

Midtown
1 Columbus Circle
2 Times Square
3 Penn Plaza
4 Plaza District
5 Grand Central
6 East Side

Midtown South
7 Chelsea/Flatiron
8 Hudson Square
9 Gramercy Park
10 Greenwich Village
11 SoHo

Downtown
12 City Hall/Tribeca
13 World Trade Center
14 Insurance District
15 Financial District

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Manhattan. This report includes single-tenant and multi-tenant Class A and B office properties with at least 100,000 SF in Midtown, 50,000 SF in Midtown South, and 75,000 SF in Downtown.

FOR MORE INFORMATION

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ABOUT TRANSWESTERN

Part of the Transwestern companies, Transwestern Real Estate Services (TRS) strives to add value for investors, owners, and occupiers across all commercial property types. Fueled by a holistic perspective of the real estate life cycle, agility and creativity are hallmarks of our approach, while vast national resources and sound market intelligence underpin customized recommendations and property solutions.

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