



Colliers

Research Report: New York City

Manhattan Office

Q4 2021

Accelerating success.

Manhattan Office Report

Manhattan's leasing volume grew by 19.3%, quarter-over-quarter. Meanwhile, availability increased with negative absorption but higher pricing.

The arrival of the COVID-19 pandemic drove New York City's unemployment rate from 4.2% in March 2020 to a record-high 20.2% two months later.¹

Since then, New York City's unemployment rate was cut by more than half, decreasing by 12.0 pp (percentage points) to 8.0% as of November 2021. Over the last 12 months, the unemployment rate was lower by 3.7 pp. Additionally, New York City's 5.6% annual private sector job growth bettered the growth nationally (at 4.6%) and at the state level (at 4.3%).²

Full-Year Volume Up Nearly One-Third

At 8.63 million square feet, leasing volume increased – for the fourth consecutive quarter – by 19.3%. This was also Manhattan's strongest quarter of activity since late-2019. Leasing volume more than doubled from the 4.16 million square feet of activity in Q4 2020. Additionally, Q4 2021 demand was above Manhattan's five-year rolling average (8.28 million square feet) as well as the ten-year average (8.13 million square feet).

Furthermore, full-year leasing volume (24.96 million square feet) rose by 31.6% since the prior year, the strongest yearly growth since 2013. However, Manhattan's 2021 leasing volume was still 41.9% below the pre-pandemic leasing volume in 2019 (42.97 million square feet).

Manhattan's FIRE (financial services, insurance and real estate) sector led leasing by industry during the quarter with a 35% share of activity. Within the FIRE sector, approximately 1% of Manhattan's fourth quarter volume included leases by flex/coworking companies, comparable to the 2% share during Q3 2021, 3% share during Q2 2021 and 1% share during Q1 2021. At 30%, the TAMI (technology, advertising, media and information

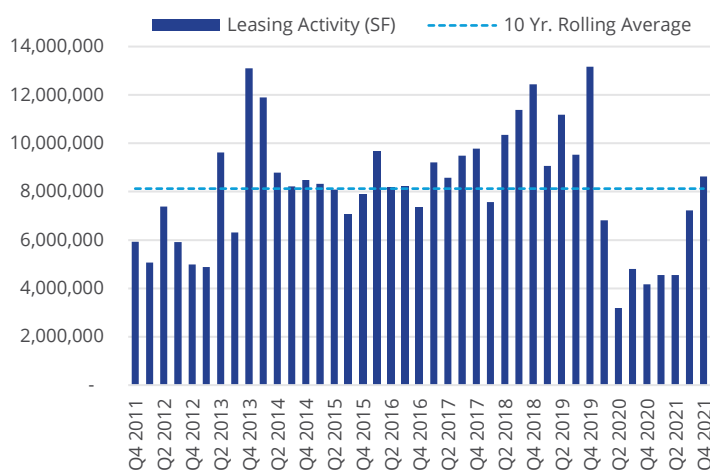
¹ Source: New York State Department of Labor. Unemployment data is non-seasonally adjusted and no data is listed pre-1976.

² Source: New York State Department of Labor.

Manhattan Market Indicators

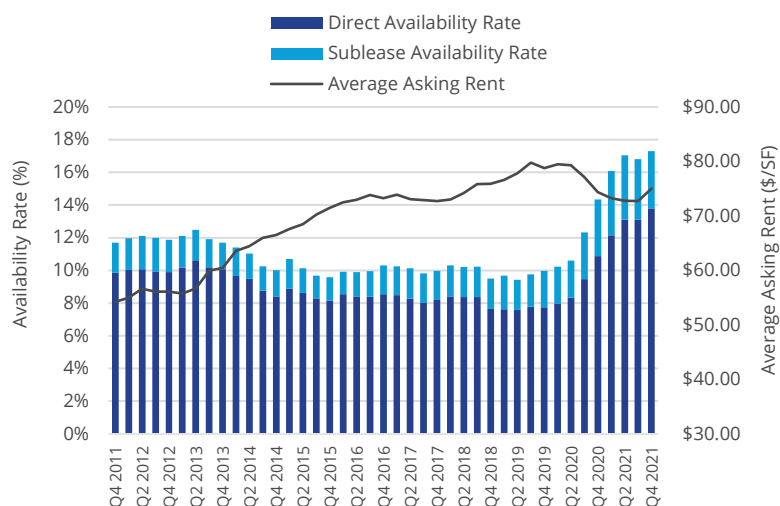
	Q4 2020	Q3 2021	Q4 2021
Availability Rate	14.3%	16.8%	17.3%
Average Asking Rent (\$/SF/YR)	\$74.39	\$72.74	\$75.00
Leasing Activity	4,161,532	7,231,598	8,626,325
Net Absorption	(10,615,379)	870,436	(2,265,625)

Leasing Activity



Source: Colliers. Excludes deals less than 5,000 sq. ft.

Average Asking Rent and Availability Rate



Source: Colliers

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services) sector closely followed FIRE with the second-highest share of office leasing volume during Q4 2021.

Sharpest Quarterly Jump in Pricing Since 2014

After six consecutive quarterly decreases, Manhattan's asking rent average increased by 3.1% during Q4 2021 to \$75.00/SF. This was the sharpest quarterly jump in pricing since 2014, primarily driven by the addition of several large (100,000+ SF) blocks of above-average priced space in new construction/major renovations and other Class A product. Additionally, large blocks of below-average priced sublet space were withdrawn from the market. The asking rent average also increased in Midtown, Midtown South and Downtown, quarter-over-quarter. Manhattan's asking rent average grew by 0.8% since year-end 2020 but was lower by 5.6% since the start of the COVID-19 pandemic in March 2020.

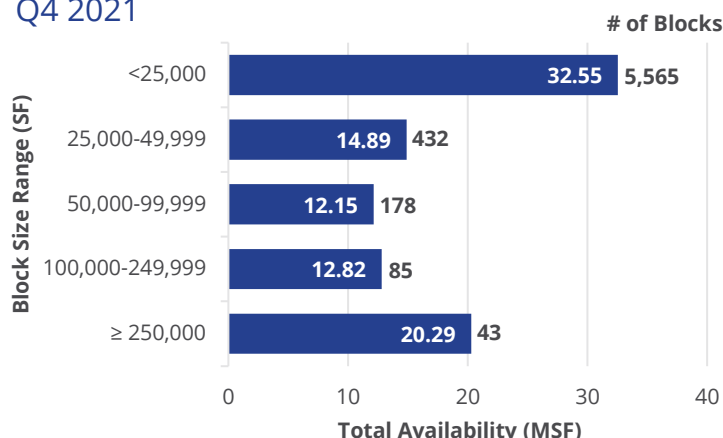
The asking rent average increased or remained stable in 10 of Manhattan's 18 submarkets since Q3 2021 while 7 submarkets recorded increases, year-over-year. Additionally, Hudson Yards/ Manhattan West (\$134.24/SF), U.N. Plaza (\$69.82/SF) and Murray Hill (\$68.29/SF) ended the year with asking rents above their respective Q1 2020 pre-pandemic averages.

The average sublet asking rent (\$56.56/SF) increased by 0.1% since Q3 2021 while the direct asking rent average (\$79.61/SF) recorded its first quarter-over-quarter increase since Q1 2020, by 3.0%. The direct average asking rent grew by 0.7% since December 2020 but was lower by 5.4% since March 2020. During the same periods, the sublet average declined by 5.2% and 10.2%, respectively.

The average weighted rental abatement period for new direct deals and expansions in full-year 2021 grew to 14.5 months compared to 13.1 months as the full-year average in 2020. The average abatement period for renewals increased to 8.6 months compared to 6.2 months in 2020. Meanwhile, the full-year 2021 average tenant improvement allowance for direct new deals and expansions (\$124.24/SF) was 8.4% above the full-year 2020 average, while the allowance for renewals (\$62.28/SF) was 21.9% above the 2020 average.

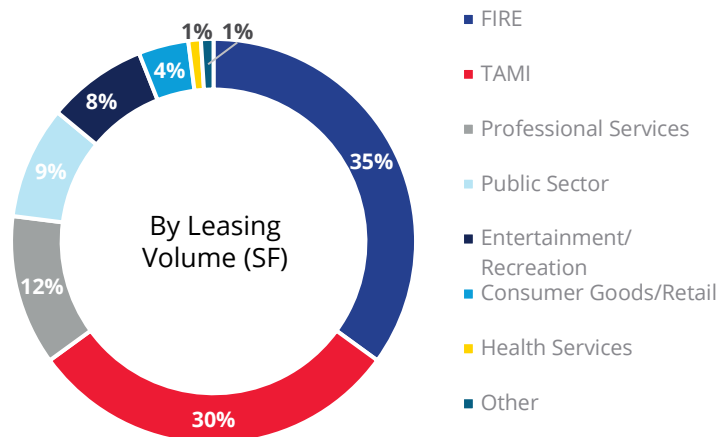
The gap between asking rents and starting rents continued to spread post-pandemic, growing by a notable margin to 12.3% in full-year 2021, compared to the full-year 2020 average of 10.2% and the pre-COVID 2019 average of 6.4%.

Available Blocks of Space Q4 2021



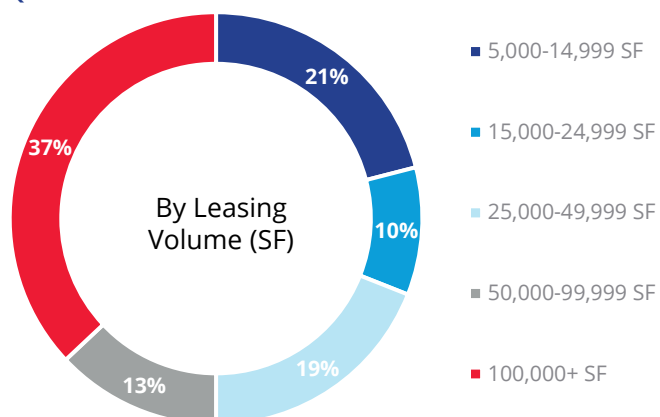
Source: Colliers

Leasing Activity by Industry Q4 2021



Source: Colliers

Leasing Activity by Size Q4 2021



Source: Colliers

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New Record-High Availability Rate

The availability rate expanded by 0.5 pp to a new record-high of 17.3% while availability rose by 3.0 pp, year-over-year. Manhattan's available supply has increased by 22.9% since December 2020 and by 72.2% since March 2020 to a total of 92.71 million square feet.

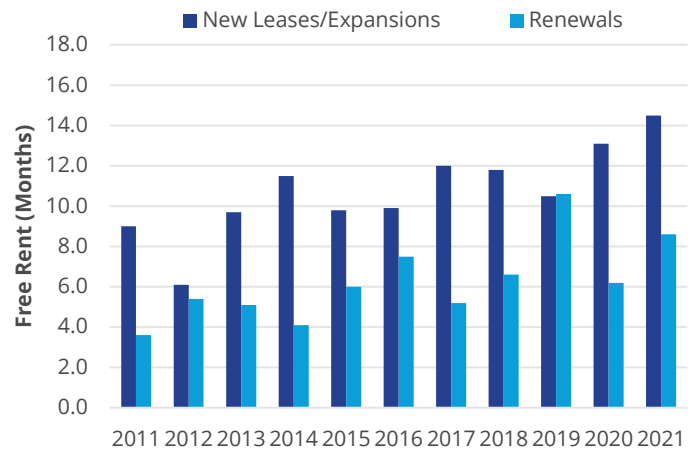
Despite record-high availability in Manhattan, the availability rate tightened or remained stable across 9 of Manhattan's 18 submarkets, but this was a notable decrease from 13 submarkets in the previous quarter.

Manhattan's sublet availability – totaling 18.56 million square feet – shrank by 1.38 million square feet during Q4 2021, the third consecutive quarterly net decrease to sublet supply as well as the largest quarterly drop since 2015. Sublet space represented 20.0% of Manhattan's total availability, down from 22.0% three months earlier. Although supply shrank by 12.2% since the post-pandemic quarterly peak in Q1 2021, Manhattan's total sublet availability increased by 1.8% since December 2020 and by 55.9% since March 2020.

There were 43 Manhattan listings with over 250,000 sq. ft. of contiguous space, substantially more than 39 during Q3 2021 and 19 during Q4 2020. Pricing for these large blocks increased by 7.4% since September 2021 to \$92.50/SF, a 23.3% premium to the market average compared to 18.4% in Q3 2021.

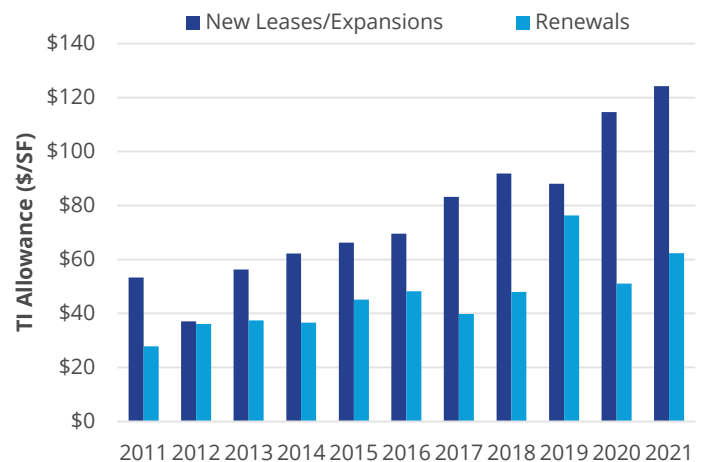
Manhattan's Q4 2021 net absorption was negative at 2.27 million square feet while yearly net absorption was negative 17.30 million square feet. By comparison, there was 23.02 million square feet of negative net absorption in 2020. Absorption since March 2020 totaled negative 38.86 million square feet, larger than the entire Downtown Los Angeles office market (35.90 million square feet).

Average Free Rent



Source: Colliers. Concession average based on direct deals with 5+ year term.

Average TI Allowance



Source: Colliers. Concession average based on direct deals with 5+ year term.

Top Five Lease Transactions of Q4 2021

Tenant	Address	Size (SF)	Transaction Type
MSG Entertainment Group	Penn 2	428,000	New
NBCUniversal Media	1221 Avenue of the Americas	339,833	Extension
ViacomCBS	51 West 52 nd Street	283,917	New
Signature Bank	1400 Broadway	280,182	Expansion/Extension
Chubb	550 Madison Avenue	241,647	New

Manhattan Office Market Overview

Submarket	Inventory	Overall Availability Rate	Leasing Activity (Q4 2021)	Net Absorption (Q4 2021)	Overall Average Asking Rent	Class A Average Asking Rent	Class B Average Asking Rent
Midtown	240,490,945	16.8%	4,751,900	672,842	\$79.95	\$83.58	\$61.88
Columbus Circle	33,209,949	15.2%	182,208	168,194	\$72.41	\$72.70	\$73.52
Grand Central	57,612,797	18.5%	733,879	(173,945)	\$72.15	\$73.90	\$53.14
Plaza District	85,075,637	17.1%	1,732,141	(398,368)	\$94.09	\$96.12	\$64.82
Times Square	61,019,208	16.1%	1,908,220	1,082,926	\$72.40	\$79.19	\$56.41
U.N. Plaza	3,573,354	6.6%	195,452	(5,965)	\$69.82	\$69.82	-
Midtown South	189,783,190	16.6%	2,882,149	(1,711,243)	\$78.63	\$104.98	\$67.08
Chelsea	44,170,284	15.3%	664,567	433,403	\$71.51	\$101.36	\$65.29
Gramercy Park	27,262,152	15.9%	248,969	(315,323)	\$77.31	\$88.13	\$73.76
Greenwich Village	6,164,861	9.5%	71,883	115,506	\$88.98	\$146.51	\$72.59
Hudson Square	13,338,294	16.7%	32,668	(735,646)	\$82.73	\$101.88	\$75.16
Hudson Yards/ Manhattan West	20,530,491	22.8%	129,505	(1,912,277)	\$134.24	\$137.90	\$68.54
Murray Hill	14,147,626	22.5%	154,213	(32,898)	\$68.29	\$59.91	\$76.10
Penn Plaza/ Garment District	55,094,435	14.9%	1,239,434	465,142	\$54.74	\$70.05	\$53.66
Soho	9,075,047	16.0%	340,910	270,850	\$78.86	\$93.50	\$78.01
Downtown	107,010,181	19.6%	992,276	(1,227,224)	\$60.15	\$61.43	\$54.52
City Hall	7,388,358	12.0%	158,663	45,924	\$55.31	\$58.51	\$51.82
Financial District	42,581,826	25.6%	209,619	(1,453,247)	\$57.79	\$58.70	\$51.59
Insurance District	11,005,632	22.8%	76,026	110,031	\$56.23	\$57.90	\$47.18
Tribeca	8,319,366	10.7%	-	(18,364)	\$81.27	\$159.73	\$70.03
World Trade Center	37,714,999	15.3%	547,968	88,432	\$64.25	\$66.71	\$50.07
Manhattan	537,284,316	17.3%	8,626,325	(2,265,625)	\$75.00	\$81.41	\$63.97

480 offices in 65 countries on 6 continents

United States: 160

Canada: 49

Latin America: 14

Asia Pacific: 43

Australia & New Zealand: 54

EMEA: 108



\$3.6B

In revenue



2B

Square feet under management



15,000 +

professionals

Colliers' statistical sample set for Manhattan totals 537 million square feet and includes all commercial office properties with at least 25,000 sq. ft. of office space, from 59th Street to the Battery and river to river. Colliers' availability rate includes only office space scheduled for tenant build-out within 12 months. In tracking leasing activity, Colliers includes all lease types: renewals, expansions, relocations, and the occasional sale-leaseback.

About Colliers

Colliers (NASDAQ, TSX: CIG) is a leading diversified professional services and investment management company. With operations in 65 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.6 billion (\$4.0 billion including affiliates) and \$46 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

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