



Colliers



Research Report: New York City

# Downtown Office

Q2 2021

Accelerating success.

# Downtown Office Report

Lower Manhattan leasing activity more than tripled, quarter over quarter. Meanwhile, the available inventory increased to a new record-high with negative absorption while the asking rent average was lower since Q1 2021.

## Quarterly Leasing Volume Tripled

Lower Manhattan's Q2 2021 leasing activity (1.17 million square feet) more than tripled since the prior quarter while year-over-year leasing increased by 76.3%. However, Q2 2021 leasing velocity was less than half the pre-pandemic quarterly average (2.68 million square feet) in 2019.

This surge in activity was mostly due to the SEC's 303,000 sq. ft. extension at 200 Vesey Street and The Legal Aid Society's 199,000 sq. ft. renewal and expansion at 40 Worth Street. These two deals accounted for nearly half of Downtown's volume.

With leases by the SEC and The Legal Aid Society, the public sector dominated Downtown leasing during Q2 2021 at 51%. The FIRE (financial services, insurance and real estate) sector followed at 24%, led by Fiserv at 1 Broadway (94,000 sq. ft.).

With leases from the SEC at 200 Vesey Street, Fiserv at 1 Broadway and the National September 11 Memorial & Museum at 200 Liberty Street (42,000 sq. ft.), the WTC (World Trade Center) submarket led Downtown leasing volume during the quarter at 0.53 million square feet.

## Lowest Quarterly Asking Rent Since 2016

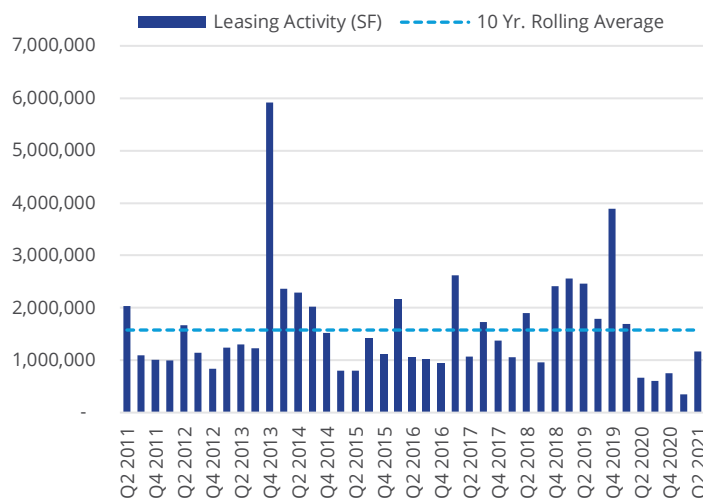
Lower Manhattan's asking rent average decreased by 2.7% since March 2021 to \$58.94/SF, the lowest quarterly average since Q3 2016. The average was also reduced by 10.3% year-over-year and by 10.4% since March 2020.

Most of the available spaces in the 667,000 sq. ft.

## Downtown Market Indicators

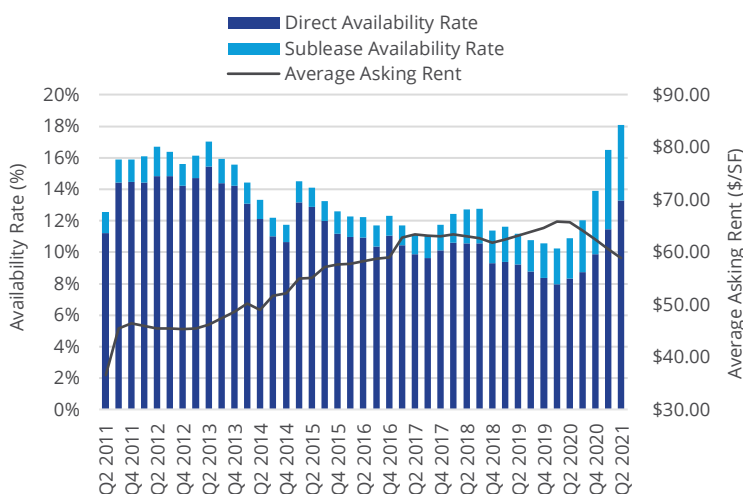
	Q2 2020	Q1 2021	Q2 2021
Availability Rate	10.9%	16.5%	<b>18.1%</b>
Average Asking Rent (\$/SF/YR)	\$65.73	\$60.57	<b>\$58.94</b>
Leasing Activity	661,931	351,008	<b>1,166,882</b>
Net Absorption	(683,349)	(2,855,677)	<b>(1,663,481)</b>

## Leasing Activity



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

## Average Asking Rent and Availability Rate



Source: Colliers

# Downtown Office Report

block listed during Q2 2021 at 80 Pine Street had below-average asking rents while separate large blocks of below-average priced available space were listed at 222 Broadway (473,000 sq. ft.), 195 Broadway (168,000 sq. ft.) and 14 Wall Street (168,000 sq. ft.-sublet). Plus, above-average priced sublet inventory was withdrawn at 225 Liberty Street (192,000 sq. ft.) and 250 Vesey Street (55,000 sq. ft.) while lower-repricing took place in various blocks of space.

Class A asking rents were lower – for the fourth consecutive quarter – by 3.0% to an average of \$59.83/SF. Meanwhile, the Class B asking rent average decreased – for the sixth consecutive quarter – by 2.1% to \$55.30/SF while the Class C was lower by 1.4% to \$44.29/SF. The sublet asking rent decreased by 6.7% during Q2 2021 to \$48.83/SF, the lowest quarterly sublet average since Q1 2017.

Q2 2021 produced lower asking rents across three of Downtown’s five submarkets. The WTC’s 3.5% decrease to \$64.40/SF – the largest percentage drop in Manhattan – was attributed to above-average priced spaces removed at 225 Liberty Street, 250 Vesey Street and 1 Broadway, lower-repricing in the submarket plus below-average priced space listed at 195 Broadway. City Hall (\$55.01/SF), however, had the sharpest year-over-year decrease in Lower Manhattan at 14.1%.

Meanwhile, Tribeca (\$82.52/SF) had the largest percentage gain Downtown, growing by 0.9% since Q1 2021. Tribeca’s asking rent gain mostly stemmed from the removal of below-average priced sublet space at 40 Worth Street (70,000 sq. ft.) and the addition of above-average priced direct space at 32 Avenue of the Americas (77,000 sq. ft.).

Downtown’s post-2000 inventory asking rent average decreased – for the fifth consecutive quarter – by 2.7% to \$80.49/SF.

<sup>1</sup> World Trade Center (15.7%), City Hall (12.3%) and Tribeca (11.6%)

There were eight Downtown contiguous blocks of space greater than 250,000 sq. ft., compared to five in Q1 2021. Pricing for these large blocks decreased by 1.4% to \$59.34/SF, a 0.7% premium to the market average compared to a 0.6% discount in Q1 2021.

## Record-High Availability Rate

Downtown’s Q2 availability rate jumped by 1.6 pp (percentage points) since March 2021 to a record-high 18.1%. Additional large (100,000+ sq. ft.) blocks of inventory were listed at 120 Broadway (sum of multiple smaller blocks) and 140 Broadway. Downtown’s net availability has increased by 76.7% since March 2020.

Absorption for the quarter was negative 1.66 million square feet. Since March 2020, Lower Manhattan’s negative absorption totaled 8.39 million square feet.

Availability tightened or remained stable in three of Lower Manhattan’s five submarkets, the highest quarterly number since Q1 2020.<sup>1</sup> The WTC’s 0.8 pp drop to 15.7% was the largest decrease Downtown.

The Insurance District had the largest percentage point increase in Lower Manhattan – for the second consecutive quarter – growing by 4.7 pp to 23.5% and ending Q2 2021 with the highest availability rate in Manhattan. The jump in availability was due to space listed at 222 Broadway. The Insurance District also had the sharpest yearly gain in Manhattan at 13.7 pp.

Sublet space represented 26.4% of Downtown’s overall availability, lower by 4.1 pp since Q1 2021. For the first time since 2019, Downtown’s sublet supply tightened during the quarter, decreasing by 0.28 million square feet. However, sublet inventory more than doubled since March 2020 after expanding by 2.65 million square feet.

## Top Five Lease Transactions of Q2 2021

Tenant	Address	Size (SF)	Transaction Type
U.S. Securities and Exchange Commission (SEC)	200 Vesey Street	302,525	Extension
The Legal Aid Society	40 Worth Street	198,900	Renewal/Expansion
Fiserv, Inc.	1 Broadway	94,061	New
New York Legal Assistance Group	100 Pearl Street	55,675	Expansion
Industrious	32 Avenue of the Americas	52,518	New

# 480 offices in 67 countries on 6 continents

United States: 160  
Canada: 49  
Latin America: 14  
Asia Pacific: 43  
Australia & New Zealand: 54  
EMEA: 108



**\$3.3B**  
in revenue



**2B**  
square feet under management



**18,000 +**  
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: CIGI) is a leading diversified professional services and investment management company. With operations in 67 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 \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people.

## Contributors:

### **Franklin Wallach**

Senior Managing Director, New York  
+1 212 716 3603  
franklin.wallach@colliers.com

### **Chemerie Cheng**

Managing Director, New York  
+1 212 716 3829  
chemerie.cheng@colliers.com

### **Brennan Yerman**

Director, New York  
+1 212 716 3686  
brennan.yerman@colliers.com



1114 Sixth Avenue  
New York, NY 10036  
+1 212 716 3500  
colliers.com

