







Market Indicators	2Q 2019	1Q 2020	CURRENT
 AVAILABILITY RATE	7.9%	8.5%	8.7%
 AVERAGE ASKING RENT (\$/SF/YR)	\$79.18	\$77.95	\$77.52
 LEASING ACTIVITY	4,801,925	2,159,982	641,558
 ABSORPTION	424,576	(742,817)	(464,574)

Leasing activity was lower, quarter-over-quarter, as the available inventory increased with negative absorption. The asking rent average decreased since 1Q 2020.

### Lowest Quarterly Leasing Volume Since 2009

Quarter-over-quarter, leasing volume in Midtown South decreased by more than 70.0% to 0.64 million square feet, Midtown South's lowest quarterly leasing volume since 1Q 2009. Year-over-year leasing activity decreased by 86.6% compared to 4.80 million square feet leased in 2Q 2019. Likewise, leasing volume during 1H 2020 (2.80 million square feet) was 60.1% below leasing volume during 1H 2019 (7.02 million square feet).

Mostly driven by new leases from Match Group at 60-74 Gansevoort Street (41,000 SF), Twitch Interactive at 315 Park Avenue South (35,000 SF) and Trustpilot at 5 Penn Plaza (29,000 SF), TAMI (technology, advertising, media and information services) sector tenants led Midtown South's quarterly leasing with a 37% market share. The entertainment/recreation sector followed at 16%, led by MSG's 60,000 SF renewal at Penn 2.

Led by leases from MSG at Penn 2 and Trustpilot at 5 Penn Plaza, the Penn Plaza/ Garment District submarket led leasing activity in Midtown South – for the second consecutive quarter – at 0.21 million square feet. Meanwhile, Hudson Square (0.09 million square feet) leasing volume more than doubled, quarter-over-quarter, fueled by Match Group at 60-74 Gansevoort Street. Hudson Square and Midtown's Times Square submarket (0.82 million square feet) were the only two submarkets in Manhattan with an increase in leasing volume during 2Q 2020.

### Largest \$/ SF Drop in Hudson Yards/ Manhattan West

Midtown South's asking rent average decreased by 0.6% since 1Q 2020 to \$77.52/ SF. The average was lower by 2.1%, year-over-year.

Despite the decrease to the overall average, sublet pricing was functionally stable, decreasing by \$0.01/ SF to \$64.87/ SF. Furthermore, apart from Midtown's Plaza District, the only Manhattan submarkets with asking rent increases during 2Q 2020 were within Midtown South. Pricing in four of Midtown South's eight submarkets increased since the previous quarter.<sup>1</sup> Murray Hill's \$0.72/ SF increase to a post-Great Recession record-high of \$65.30/ SF was the largest \$/ SF increase in Midtown South during the quarter due to the above-average priced 114,000 SF block of space listed at 149 Madison Avenue.

While still the most expensive submarket in Manhattan, Hudson Yards / Manhattan West (\$113.02/ SF) experienced the largest \$/ SF asking rent decrease in Manhattan during 2Q 2020, lower by \$8.85/ SF. The drop in pricing was primarily due to the addition of below-average priced sublet space at 410 Tenth Avenue (151,000 SF).

All three building classes in Midtown South individually had asking rent averages greater than comparably classified buildings in Midtown, though Midtown's overall average (\$85.91/ SF) was higher. The average asking rent for Midtown South Class A space decreased by 1.0% since 1Q 2020 to \$98.28/ SF. At \$70.04/ SF, the Class B average was lower by 0.9%. However, Class C asking rents increased by 1.9% to \$58.20/ SF. Meanwhile, Midtown South's post-2000 inventory asking rent average decreased – for the fifth consecutive quarter – by 0.1% to \$117.89/ SF.

### Fourth Quarter of Negative Absorption + Higher Availability

The availability rate increased – for the fourth consecutive quarter – by 0.2 pp (percentage points) to 8.7%, Midtown South's highest quarterly availability rate in two years. The increase to the available supply was primarily driven by 100,000+ SF blocks listed during the second quarter at 175 Fifth Avenue (205,000 SF), 410 Tenth Avenue and 149 Madison Avenue. Net absorption was negative – also for the fourth consecutive quarter – at 0.46 million square feet. Midtown South last experienced four consecutive quarters of both negative absorption and increasing availability in 2009.

Midtown South's sublet availability rate was stable during the second quarter, remaining at 2.2%. The sublet inventory represented 25.7% of Midtown South's overall availability, down slightly from 26.1% during the first quarter, but still the highest percentage in Manhattan.

Availability tightened or remained flat in three of Midtown South's eight submarkets since 1Q 2020.<sup>2</sup> Soho's 0.8 pp decrease to 12.8% was the most significant pp decrease in Manhattan during the second quarter. Gramercy Park's 1.1 pp increase to 8.5% was the largest availability gain in Midtown South and was driven by the block listed at 175 Fifth Avenue.

There were two contiguous blocks of space greater than 250,000 SF listed in 2Q 2020, unchanged since 1Q 2020. Pricing for these large blocks remained stable at \$102.27/ SF, a 31.9% premium to the market average compared to 31.2% in March 2020.

<sup>1</sup> Note: Gramercy Park (\$87.09/ SF), Soho (\$86.47/ SF), Chelsea (\$75.30/ SF) and Murray Hill (\$65.30/ SF)

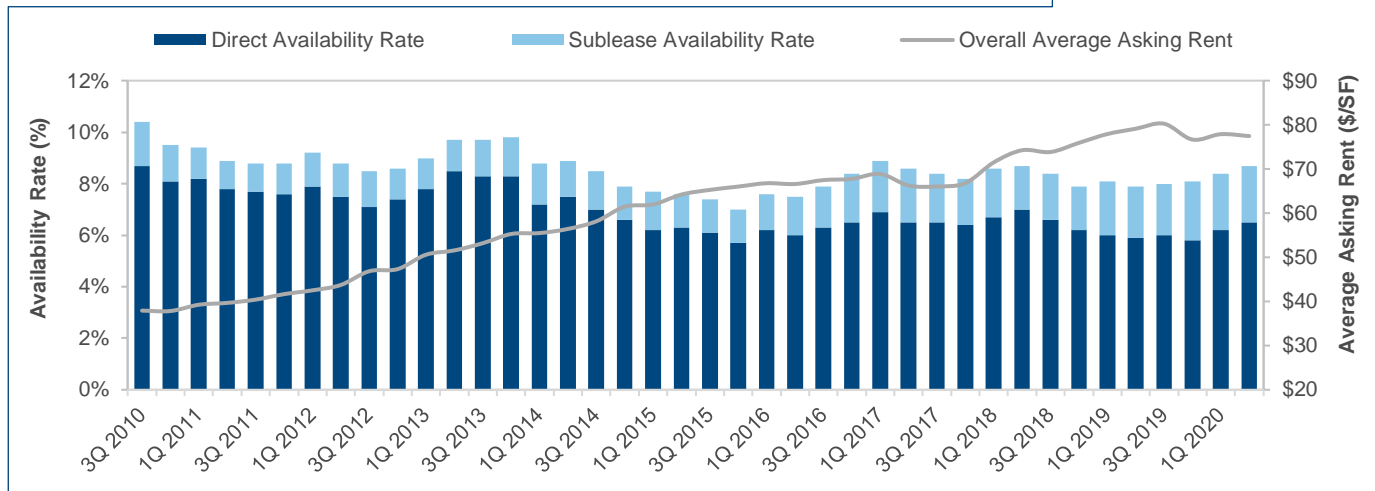
<sup>2</sup> Soho (12.8%), Chelsea (7.4%) and Hudson Square (6.2%)

Note: pp (percentage points)

Note: The availability rate is based on actively marketed space scheduled for tenant build-out within 12 months

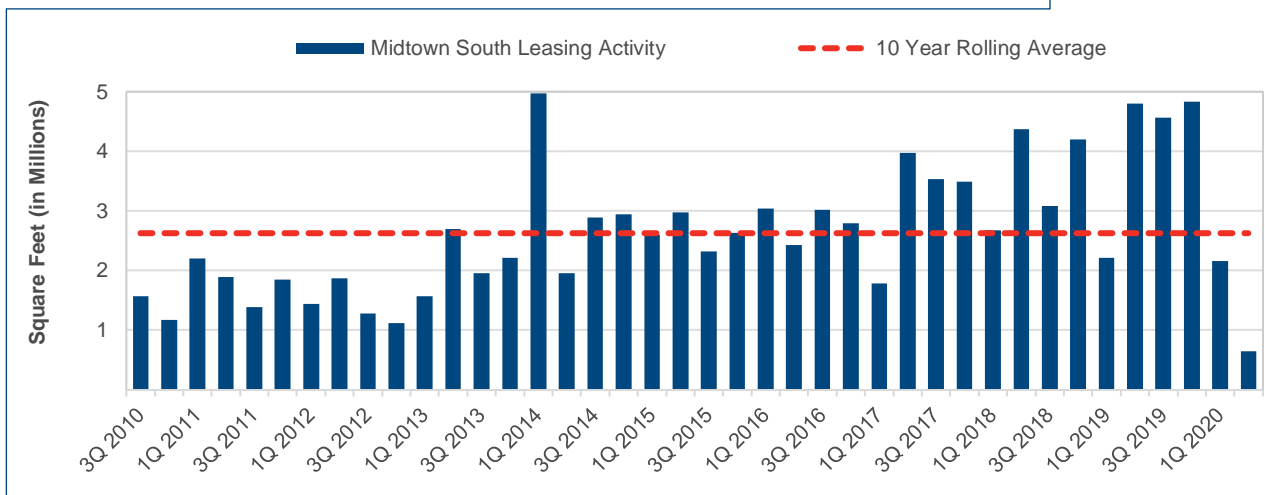


## Midtown South | Overall Average Asking Rent and Overall Availability Rate



Source: Colliers International Research

## Midtown South | Overall Leasing Activity



Source: Colliers International Research

## Midtown South | Top 2Q 2020 Leases

Company	Address	Submarket	Size	Transaction Type
MSG Entertainment Group	Penn 2	Penn Plaza / Garment District	60,475	Renewal
SKIP of New York	601 West 26th Street	Chelsea	46,764	New
Match Group	60-74 Gansevoort Street	Hudson Square	40,593	New
Twitch Interactive	315 Park Avenue South	Gramercy Park	34,844	New
Trustpilot	5 Penn Plaza	Penn Plaza / Garment District	28,641	New

Source: Colliers International Research