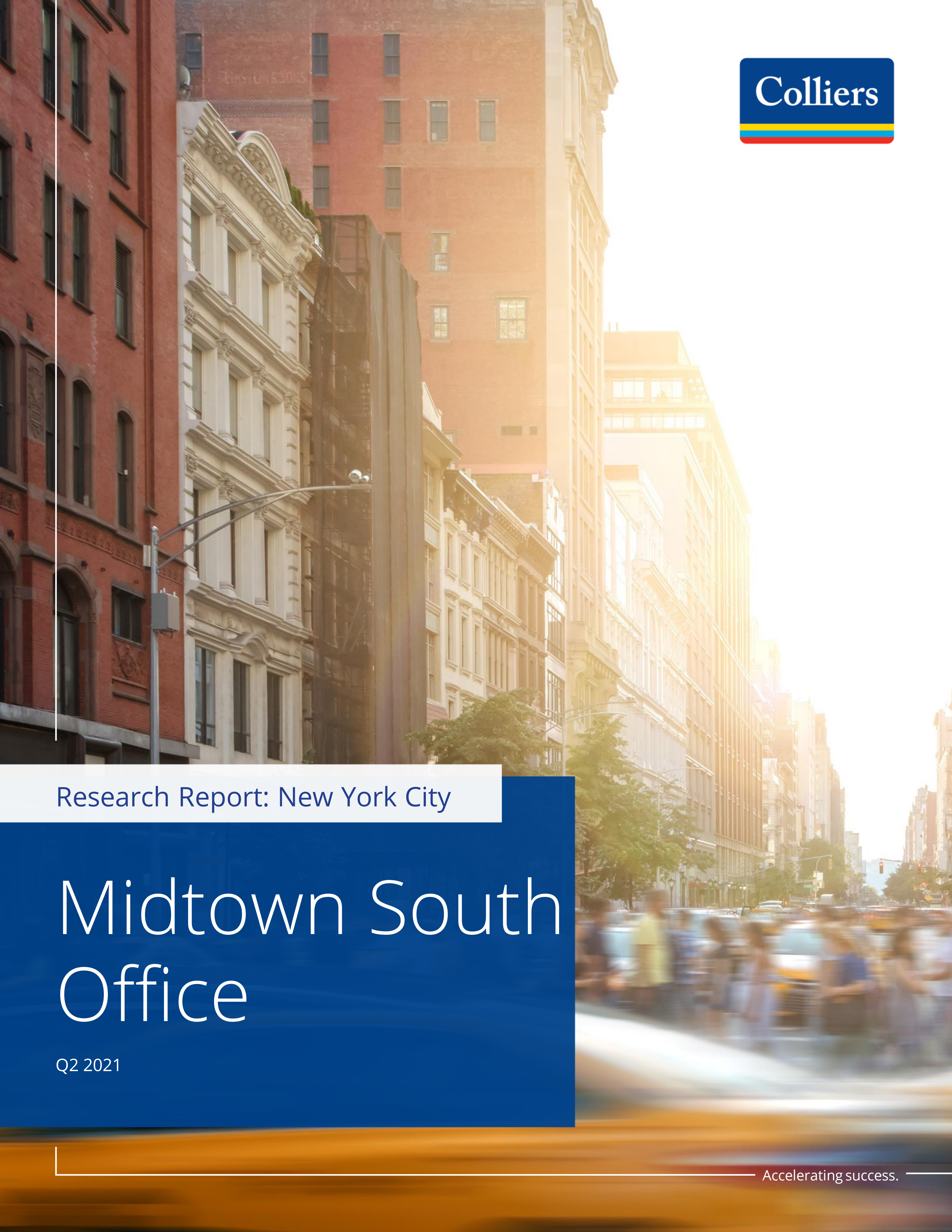


Colliers

Research Report: New York City

Midtown South Office

Q2 2021

Accelerating success.

Midtown South Office Report

Midtown South leasing activity nearly doubled, quarter-over-quarter. Meanwhile, the available inventory increased with negative absorption while the asking rent average also increased since Q1 2021.

Quarterly Leasing Volume Nearly Doubled

Midtown South's quarterly leasing volume nearly doubled since Q1 2021 to 1.63 million square feet and was more than twice the 0.64 million square feet of activity recorded in Q2 2020. However, this was still well below the pre-pandemic quarterly leasing average (4.10 million square feet) in 2019.

Midtown South's Q2 leasing was driven by SPARC Group's 156,000 sq. ft. new lease at Penn 11, Infor's 90,000 sq. ft. renewal/expansion at 635-641 Avenue of the Americas and Anthem's 73,000 sq. ft. new lease at Penn 1.

With leases by Infor at 635-641 Avenue of the Americas and ActionIQ at 11 Madison Avenue (40,000 sq. ft.), the TAMI (technology, advertising, media and information services) sector accounted for the largest share of Midtown South leasing volume at 38%. The consumer goods/retail sector closely followed with a 28% share due to SPARC Group's lease at Penn 11 and a 68,000 sq. ft. renewal/expansion by Burlington Stores Inc. at 1400 Broadway.

Led by leases from SPARC Group, Anthem and Burlington Stores, Penn Plaza/ Garment District led Midtown South leasing volume during the second quarter with 0.59 million square feet.

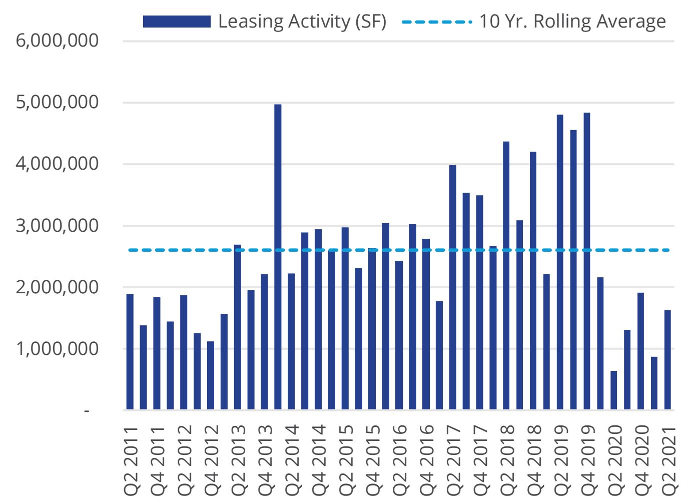
Higher Asking Rents in Six Submarkets

For the second consecutive quarter, Midtown South's asking rent average increased, growing by 2.2% since Q1 2021 to $73.19/SF. Despite the increase over the last two quarters, Midtown South's average was still lower by 6.1% since March 2020 and by 5.6%, year-over-year.

Midtown South Market Indicators

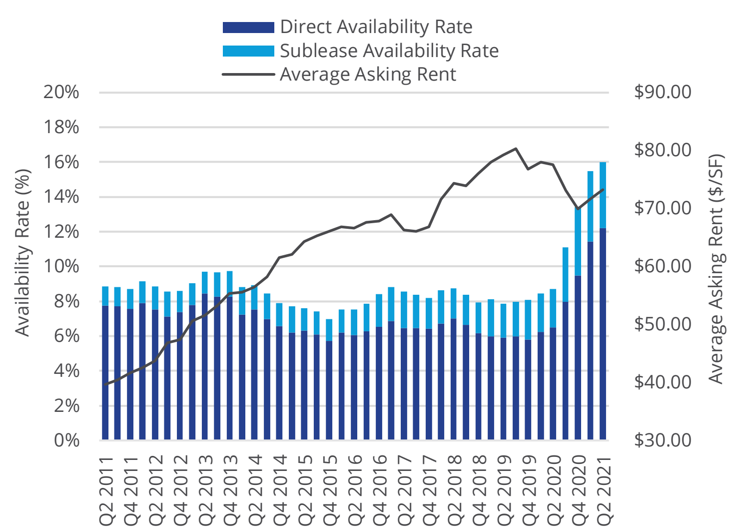
	Q2 2020	Q1 2021	Q2 2021
Availability Rate	8.7%	15.5%	**16.0%**
Average Asking Rent ($/SF/YR)	$77.52	$71.63	**$73.19**
Leasing Activity	641,558	868,450	**1,630,410**
Net Absorption	(464,574)	(5,262,779)	**(921,931)**

Leasing Activity



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

Average Asking Rent and Availability Rate



Source: Colliers

Midtown South Office Report

The increase during the second quarter was fueled by the addition of above-average priced blocks of space at 295 Fifth Avenue (673,000 sq. ft.), 360 Park Avenue South (459,000 sq. ft.), 220 Eleventh Avenue (195,000 sq. ft.), 63 Madison Avenue (162,000 sq. ft.-sublet) and 160-170 Varick Street (132,000 sq. ft.). Additionally, below-average priced 100,000+ sq. ft. sublet spaces were removed from the available inventory at Penn 11, 675 Avenue of the Americas and 1 Soho Square.

Class A asking rents increased by 1.3% since March 2021 to an average of $99.22/SF, on par with the record-high $99.30/ SF average in Q1 2020. Meanwhile, the Class B asking rent grew by 3.4% to $65.59/SF while the Class C average increased by 1.9% to $51.63/SF. This was the first quarterly increase across all three building classes since Q3 2019. The sublet asking rent average decreased – for the fifth consecutive quarter – by 1.3% to $58.09/SF.

Q2 2021 produced higher asking rents in all but two of Midtown South's eight submarkets. Murray Hill ($70.20/SF) had the sharpest percentage increase to the asking rent average in Manhattan during the quarter, jumping by 17.2% to a post-Great Recession record-high. The increase was primarily due to the addition of the 673,000 sq. ft. above-average priced block at 295 Fifth Avenue.

The two submarkets with quarterly decreases were Penn Plaza/Garment ($55.27/SF) and Greenwich Village ($85.36/SF) with 2.3% and 1.1% reductions, respectively. Penn Plaza/ Garment and Greenwich Village also had the sharpest year-over-year asking rent reductions in Manhattan, lower by 20.1% and 18.5%, respectively. The lower-repricing of existing inventory and the addition of below-average priced spaces played a role in Penn Plaza/Garment's drop. However, the largest single factor was the removal of 730,000 sq. ft. of above-average priced space at 390 Ninth Avenue leased to Facebook last year.

Midtown South's post-2000 inventory asking rent average increased by 0.6% to $124.02/SF, once again surpassing Midtown ($104.61/SF) as having the most expensive post-2000 inventory in Manhattan.

[1] Murray Hill (21.9%), Soho (21.3%), Gramercy Park (15.7%), Hudson Yards/Manhattan West (12.6%)

There were 10 Midtown South contiguous blocks of space greater than 250,000 sq. ft., compared to 8 in Q1 2021. Pricing for these large blocks decreased by 5.1% to $113.44/SF, a 55.0% premium to the market average compared to 66.8% in Q1 2021.

Two Submarkets With Availability Above 20.0%

After peaking at a new record-high availability rate of 16.1% in May 2021, Midtown South ended the second quarter at 16.0%, an increase of 0.5 pp (percentage points) since March 2021. Net availability nearly doubled (by 99.5%) since March 2020 – the largest percentage increase within Manhattan's three major markets – and for the first time on record, Midtown South recorded eight consecutive quarters of expanding availability.

Meanwhile, absorption for the quarter was negative 0.92 million square feet. Over the last 15 months, negative absorption totaled 15.11 million square feet.

Availability increased across four of Midtown South's eight submarkets during the quarter.[1] Additionally, Murray Hill (21.9%), Soho (21.3%) and Gramercy Park (15.7%) ended the quarter with the highest post-Great Recession availability rates on record. Midtown South also accounted for two of the four Manhattan submarkets with availability rates above 20.0%. Murray Hill had the leading percentage point increase in availability across Manhattan since the prior quarter (5.9pp). Meanwhile, Murray Hill's 11.1 pp year-over-year increase was the largest in Midtown South.

Sublet space represented 23.6% of Midtown South's overall availability, a decrease of 2.5 pp since the previous quarter while total sublet supply shrank by 0.54 million square feet. However, since March 2020, sublet inventory increased by 3.17 million square feet.

Top Five Lease Transactions of Q2 2021

Tenant	Address	Size (SF)	Transaction Type
SPARC Group	Penn 11	155,634	New
Infor	635-641 Avenue of the Americas	90,428	Renewal
Anthem, Inc.	Penn 1	72,721	New
Burlington Stores Inc.	1400 Broadway	68,307	Renewal/Expansion
Fashionphile Group, LLC	601 West 26th Street	60,571	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.

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