



Market Indicators	3Q 2018	2Q 2019	CURRENT
AVAILABILITY RATE	10.5%	9.8%	10.6%
AVERAGE ASKING RENT (\$/SF/YR)	\$84.33	\$84.51	\$86.70
LEASING ACTIVITY	7,346,224	3,924,020	3,188,540
ABSORPTION	(713,906)	432,096	(2,027,729)

Midtown's quarterly leasing volume decreased. Meanwhile, asking rents were higher with more supply, and absorption was negative.

### FIRE Sector Dominates

Midtown's quarterly leasing volume decreased by 18.7% since 2Q 2019 to 3.19 million square feet. Leasing volume fell by more than half, year-over-year. The Plaza District led Midtown leasing at 1.19 million square feet.

WeWork's 362,000 SF new lease at 437 Madison Avenue and Macquarie Group's 269,000 SF renewal at 125 West 55th Street both contributed to the FIRE (financial services, insurance and real estate) sector's 57% third quarter market share. Leasing by TAMI (technology, advertising, media and information services) tenants trailed at 19%.

### Highest Asking Rent Since 2008

Midtown's asking rent average increased by 2.6% since the previous quarter to \$86.70/ SF, the highest asking rent average since 3Q 2008. The average was higher by 2.8% since 3Q 2018. The increase mostly stemmed from above-average priced blocks of space added at One Vanderbilt (665,000 SF) and 151 West 42nd Street (517,000 SF).

Class A asking rents increased by 2.7% since June 2019 to an average of \$89.99/ SF. Class B asking rents decreased by 1.2% to \$62.79/ SF while the Class C average was lower by 1.3% to \$55.82/ SF. The sublet asking rent average had a notable increase, by 5.8% to \$61.43/ SF due to more than 600,000 SF of sublet space from Publicis Groupe listed at 1675 Broadway.

Pricing in four out of Midtown's five submarkets increased, quarter-over-quarter. Grand Central (\$88.02/ SF) and U.N. Plaza (\$72.93/ SF) ended 3Q 2019 with post-recession record high asking rents. Grand Central's \$12.72/ SF asking rent increase during 3Q 2019 – impacted by One Vanderbilt – was the largest \$/ SF asking rent gain in Midtown. At \$97.92/ SF, the Plaza District was the only Midtown submarket with a decrease to the average asking rent, by \$2.10/ SF.

With the additions at One Vanderbilt, Midtown's post-2000 inventory asking rent average increased by 12.2% since 2Q 2019 to \$155.96/ SF, the most expensive post-2000 inventory in Manhattan.

Furthermore, the Madison Avenue corridor's asking rent average increased by \$11.77/ SF since 2Q 2019 to \$110.71/ SF, the largest \$/ SF gain in Midtown. Park Avenue (\$109.96/ SF), meanwhile, had the largest \$/ SF decrease, by \$4.04/ SF.

There were eight Midtown contiguous blocks of space greater than 250,000 SF, up from seven in June 2019. Pricing for these large blocks fell 8.0% to \$102.07/ SF, a 17.7% premium to the market average compared to 31.1% in 2Q 2019.

### Notable Jump in Availability Rate

Midtown's third quarter availability rate was higher by 0.8 pp (percentage points) since June 2019 to 10.6% and was higher by 0.1 pp since 3Q 2018. Absorption for the quarter was negative 2.03 million square feet. This was Midtown's largest quarterly increase in availability and highest quarter of negative absorption in ten years.

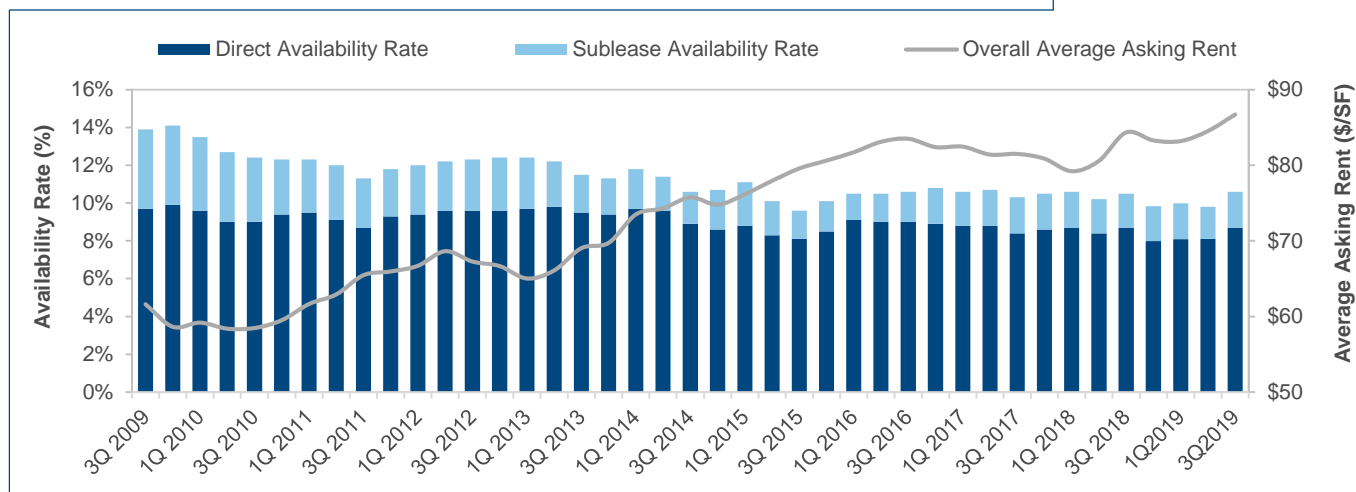
This increase in availability and negative absorption was primarily driven by newly listed inventory at One Vanderbilt, 151 West 42nd Street and 1675 Broadway. Also, several 100,000 SF plus blocks were added to the availability rate at 1095 Avenue of the Americas, 320 Park Avenue, 750 Third Avenue, 711 Third Avenue, 620 Twelfth Avenue and 1301 Avenue of the Americas (sublease from CohnReznick).

Four out of Midtown's five submarkets ended 3Q 2019 with higher availability, while U.N. Plaza (6.3%) was unchanged. Columbus Circle's (12.2%) 1.9 pp increase and Grand Central's (10.7%) 1.4 pp uptick were the highest quarterly pp increases in Midtown.

Along the Avenues, Seventh Avenue's availability tightened by 0.9 pp since June 2019 to 8.0% while Fifth Avenue's decreased by 0.1 pp to 13.6%. Broadway, meanwhile, had the largest quarterly increase in supply, jumping by 4.1 pp to 11.2% due to the available blocks at 151 West 42nd Street and 1675 Broadway.

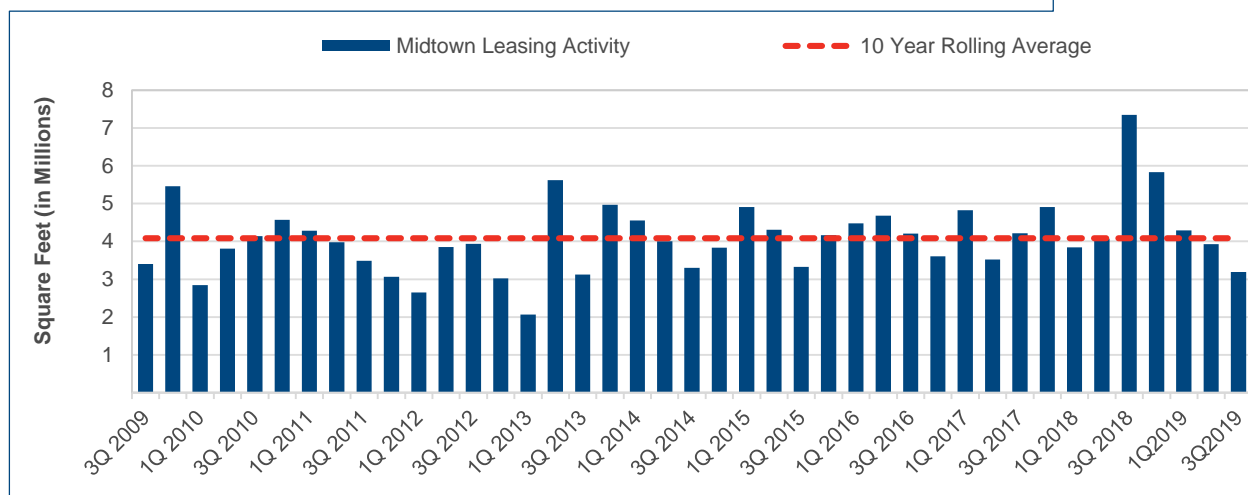
Midtown's sublet availability rate increased by 0.2 pp during 3Q 2019 to 1.9%. Despite the addition of the Publicis block at 1675 Broadway, Midtown sublet supply still represents less than one-fifth of total Midtown availability.

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



Source: Colliers International Research

## Midtown | Overall Leasing Activity



Source: Colliers International Research

## Midtown | Top 3Q 2019 Leases

Address	SF Leased	Tenant	Submarket	Lease Type
437 Madison Avenue	362,197	WeWork	Plaza District	New
125 West 55th Street	269,136	Macquarie Group	Columbus Circle	Renewal
733 Third Avenue	124,327	EisnerAmper	Grand Central	New
1114 Avenue of the Americas	124,300	Israel Discount Bank (IDB)	Times Square	New
40 West 57 <sup>th</sup> Street	109,000	HPS Investment Partners	Plaza District	Renewal/Expansion

Source: Colliers International Research