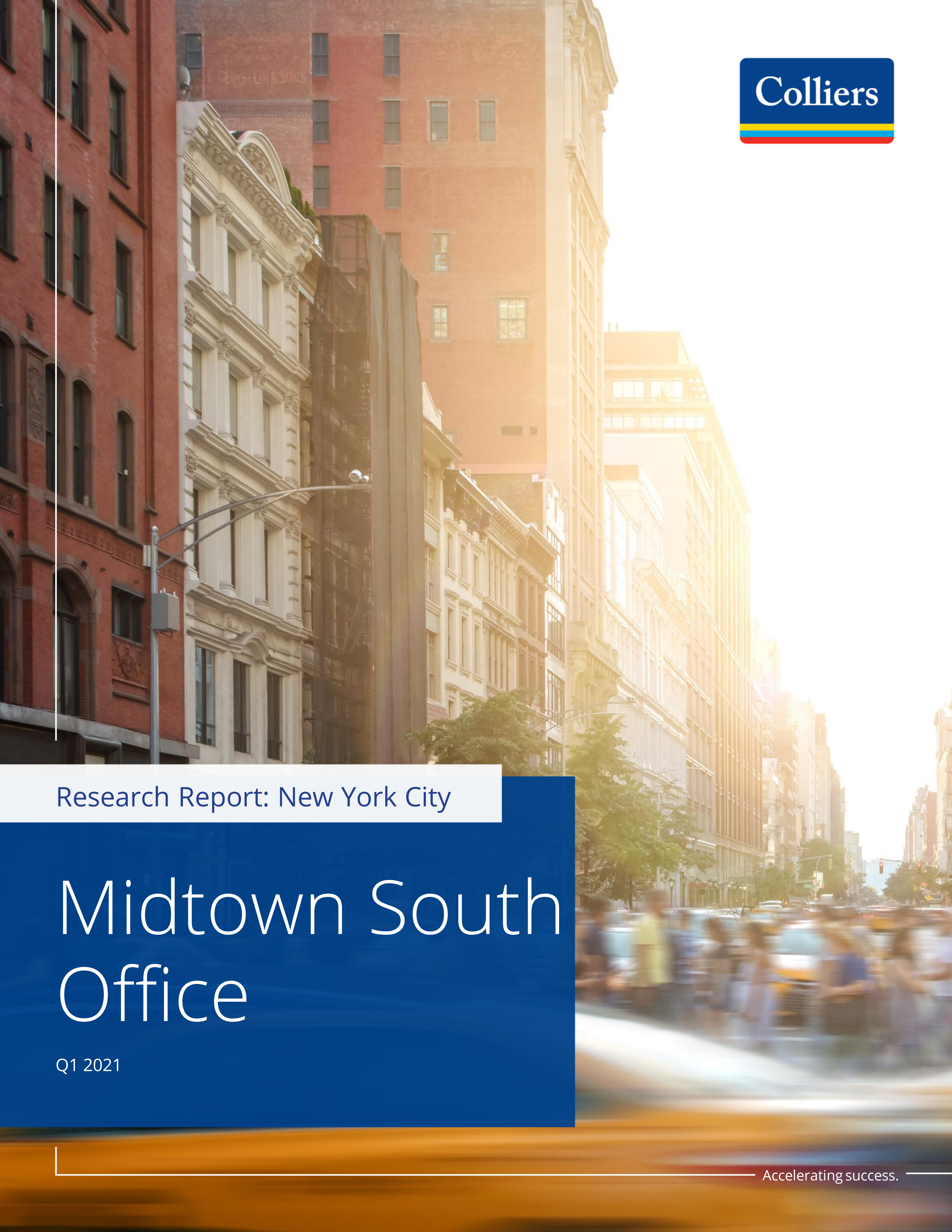


Research Report: New York City

Midtown South Office

Q1 2021

Accelerating success.

Midtown South Office Report

Midtown South leasing activity decreased by more than one-half, quarter over quarter. Meanwhile, the available inventory increased to a record-high with negative absorption while the asking rent average increased since Q4 2020.

Leasing Volume Down More Than Half

Midtown South's quarterly leasing volume decreased by more than one-half since Q4 2020 to 0.87 million square feet. Additionally, year-over-year leasing activity shrank by nearly 60.0% and was almost 80.0% less than the pre-pandemic quarterly leasing average (4.10 million square feet) in 2019.

Unlike Q4 2020 leasing volume – which included NYU Langone's 633,000 sq. ft. renewal at 1 Park Avenue – Q1 2021 leasing volume did not include any 250,000+ sq. ft. transactions. Midtown South's Q1 leasing was instead driven by Beam Suntory's 100,000 sq. ft. new lease at 11 Madison Avenue and Freshly's 92,000 sq. ft. lease at 28 East 28th Street.

With leases by Beam Suntory and Freshly, the consumer goods/retail sector drove Midtown South leasing with a 47% share of activity during Q1 2021. The FIRE (financial services, insurance and real estate) sector followed at 17% with several smaller (< 25,000 sq. ft.) leases.

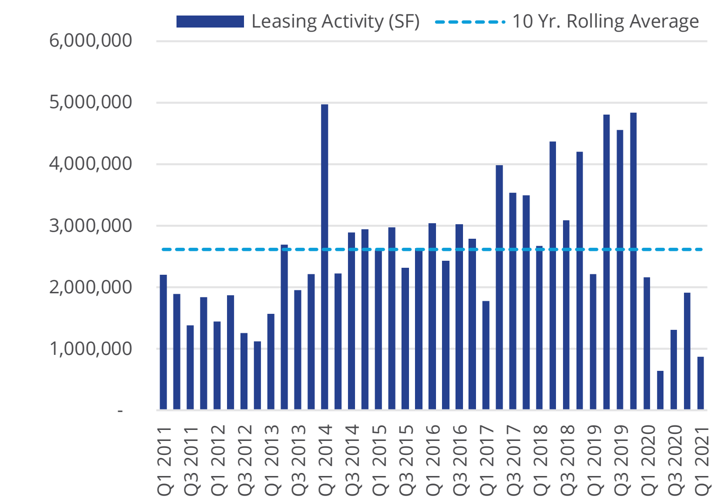
Led by transactions from Beam Sumtory, Freshly, General Assembly (40,000 sq. ft. at 915 Broadway) and Transit Wireless (32,000 sq. ft. at 1400 Broadway), the Penn Plaza/ Garment District (0.27 million square feet) and Gramercy Park (0.26 million square feet) submarkets accounted for the largest share of Midtown South leasing volume during Q1.

Higher Asking Rent Since Q4 2020

After three consecutive quarterly decreases, Midtown South's asking rent average increased by

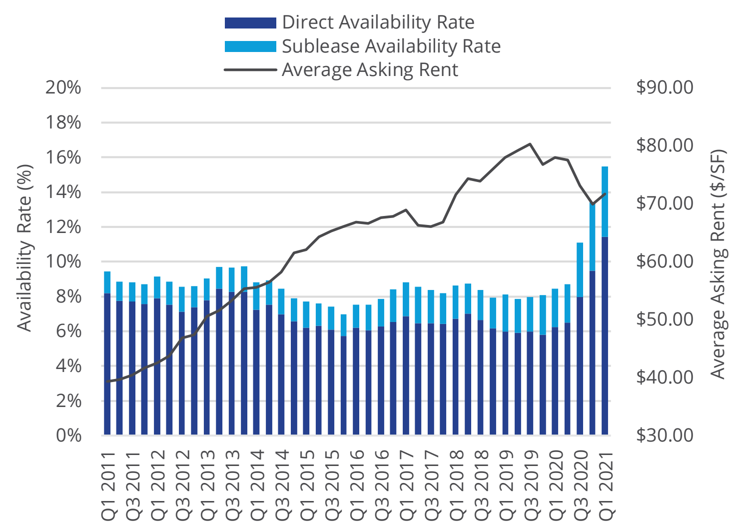
Midtown South Market Indicators			
	Q1 2020	Q4 2020	Q1 2021
Availability Rate	8.5%	13.4%	**15.5%**
Average Asking Rent ($/SF/YR)	$77.95	$69.95	**$71.63**
Leasing Activity	2,159,982	1,913,033	**868,450**
Net Absorption	(742,817)	(4,196,187)	**(5,262,779)**

Leasing Activity



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

Average Asking Rent and Availability Rate



Source: Colliers

Midtown South Office Report

2.4% since Q4 2020 to $71.63/SF. Above-average priced 250,000+ sq. ft. and 100,000+ sq. ft. blocks of inventory – including major renovations and new construction – were added at 122 Fifth Avenue, 66 Hudson Boulevard, 85 Tenth Avenue, 130 Mercer Street, 330 West 34th Street, Penn 1 (multiple smaller blocks), 5 Manhattan West (sublet), 601 West 26th Street and 341 Ninth Avenue. Despite the increase, Midtown South's average was lower by 8.1% since March 2020.

Class A asking rents increased by 4.8% since December 2020 to an average of $97.92/SF. Meanwhile, the Class B asking rent average decreased – for the fourth consecutive quarter – by 1.7% to $63.45/SF while the Class C average was lower by 4.4% to $50.69/SF. Driven by lower-repricing of 100,000+ sq. ft. and 50,000-99,999 sq. ft. sublet blocks at 410 Tenth Avenue, 1 Soho Square and 125 West 25th Street, the sublet asking rent average was lower by 2.8% during Q1 2021 to $58.86/SF.

Q1 2021 produced lower asking rents across five of Midtown South's eight submarkets. Soho's asking rent average ($73.92/SF) decreased by 5.9% since Q4 2020 – the largest percentage drop in Midtown South – driven by lower-repricing at Essex Crossing (353,000 sq. ft.) and below-average priced space listed at 130 Mercer Street (102,000 sq. ft.). The Penn Plaza/ Garment submarket ($56.59/SF) had the sharpest yearly decrease to the asking rent average in Manhattan, lower by 19.7% since March 2020.

Hudson Yards/ Manhattan West's asking rent average increased – for the third consecutive quarter – by 5.3% to $125.19/SF, the largest percentage increase in Manhattan during the quarter. The increase was primarily due to the addition of above-average priced space at the under-construction 66 Hudson Boulevard (1.29 million square feet).

Midtown South's post-2000 inventory asking rent average increased by 3.2% to $123.33/SF, once again surpassing Midtown ($118.60/SF) as having the most expensive post-2000 inventory in Manhattan.

There were eight Midtown South contiguous blocks of space greater than 250,000 sq. ft., compared to three in Q4 2020. Because of additions at 341 Ninth Avenue and 66 Hudson Boulevard, pricing rose by 13.1% to $119.50/SF, a 66.8% premium to the market average compared to 51.1% in Q4.

Record-High Availability Rate

The quarterly availability rate rose by 2.1 pp (percentage points) since December 2020 to a record-high 15.5%. Additional 100,000+ sq. ft. blocks of available inventory were added during the quarter at 350 Fifth Avenue (sublet) and 214 West 29th Street. Net availability grew by 93.4% since March 2020 – the largest percentage increase within Manhattan's three major markets – and for the first time on record, Midtown South recorded seven consecutive quarters of expanding availability.

Absorption for the quarter was negative 5.26 million square feet, higher than the 4.20 million square feet of negative absorption in Q4 2020. Over the last 12 months, negative absorption totaled 14.19 million square feet.

Availability increased across all eight Midtown South submarkets during the quarter. Additionally, five submarkets ended 2020 with the highest post-Great Recession availability rates on record.[1] Hudson Yards/ Manhattan West (12.3%) had the largest quarterly increase (4.2 pp) in Midtown South due to additions at 66 Hudson Boulevard and 5 Manhattan West. However, the Chelsea submarket had the leading year-over-year percentage point increase in Manhattan with the rate more than doubling from 7.5% to 16.8%.

Sublet space represented 26.1% of Midtown South's overall availability, a decrease of 3.4 pp since December 2020. However, Midtown South's total sublet supply increased by 0.56 million square feet during Q1 2021 and since March 2020, sublet inventory increased by 3.71 million square feet.

[1] Soho (21.1%), Chelsea (16.8%), Penn Plaza/ Garment District (16.4%), Murray Hill (16.0%) and Gramercy Park (13.2%)

Top Five Lease Transactions of Q1 2021

Tenant	Address	Size (SF)	Transaction Type
Beam Sumtory	11 Madison Avenue	99,556	New
Freshly	28 East 28th Street	92,306	New
General Assembly	915 Broadway	40,158	Renewal
Transit Wireless	1400 Broadway	32,499	New
SUNY Empire State College	4 Park Avenue	29,747	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

Colliers

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