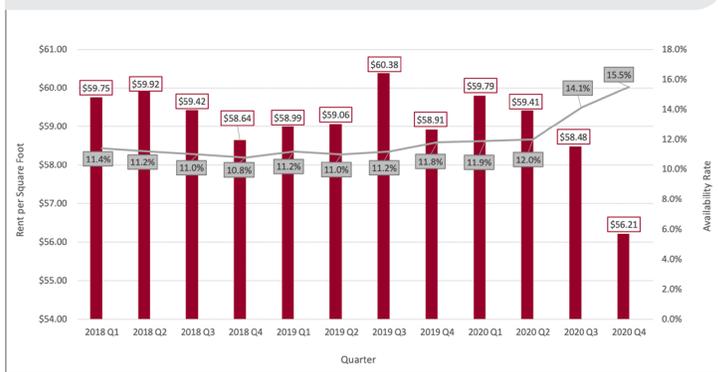


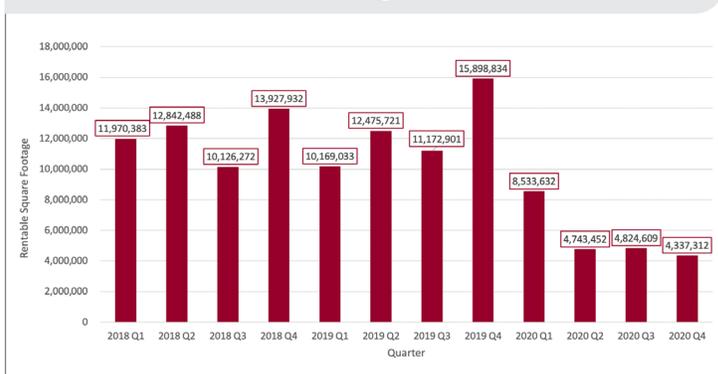
Manhattan's Office Availability Reaches Highest Rate in Decades

Leasing Volume Continues to Decline

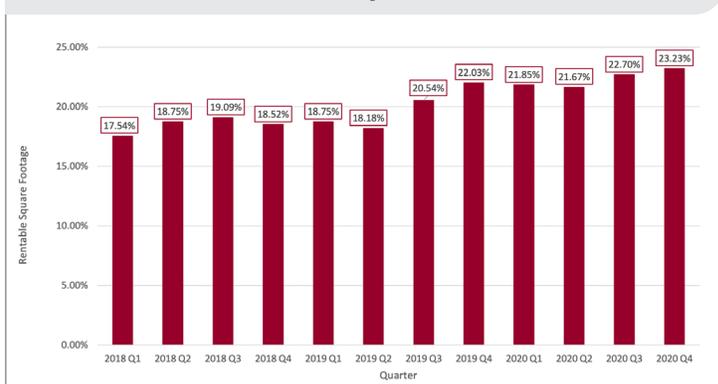
Overall Average Availability Rate and Taking Rent



Total Leasing Volume



Overall Rate of Sublet Space to Total Available



In Q4 2020, the continued addition of direct and sublet office space to an already bloated inventory coupled with anemic leasing velocity pushed overall market availability to 15.5% (vs 11.8% in Q4 2019).

Overall leasing volume in Manhattan decreased over by 10% from Q3 2020 to 4.33MM square feet (SF), which is less than half of the 20-year average. Midtown saw 3.3MM SF of leasing activity during Q4 2020, a nearly 65% Y-o-Y decrease, helping to push the Midtown availability rate to 16.5%. The record-high availability figures in Midtown, specifically in the Plaza and Garment Districts, may be responsible for stronger leasing volumes in those neighborhoods compared to other submarkets, as landlords continue to decrease effective rents to lure the few tenants in the market. Both neighborhoods each have approximately 15MM SF of direct and sublease space available, helping to push average Midtown taking rent down by 12% Y-o-Y. Tenants who once were unable to afford Class-A space in these submarkets are taking advantage of current discounts and upgrading. Midtown South's availability rate reached a high of 15.7%. Q4 2020 marks the second consecutive quarter that sublet space as a percentage of overall availability has topped 28% in Midtown South, helping to drive down average taking rents by 6% from Q3 2020. Downtown Manhattan saw less than 400,000 SF of transactions during Q4. Taking rents for downtown sublet space averaged 13% less than direct rents, placing additional pressure on landlords. Average taking rent Downtown ended the quarter 5.5% lower than a year prior.

Seven of the top ten leasing transactions in Q4 were renewals, implying that landlords with vacant space are competing for the few tenants in the market with increasingly generous concession packages, continuing the decline in net-effective rents. 82% of new leases in Midtown in 2020 had tenant improvement allowances of over \$100, and free rent increased to 14 months on average. Lease renewal activity remains elevated as tenants continue to defer long-term space decisions, and landlords are accepting extremely short term renewal offers. Renewals in Midtown are 79% above the five-year average, and made up 36% of total leasing volume in Midtown South.

Total sublet inventory increased over 10% from Q3 2020, reaching 21.5MM SF, which accounts for 23% of Manhattan's overall available space. Adding to market inventory are several new construction projects over 50,000 SF that are expected to be completed in Midtown in 2021, and 14.6MM SF of office under construction in the overall market.

New York City unemployment numbers improved in Q4, with overall unemployment decreasing to 11.4%, down from a high of 20.3% at the end of Q2. While this is a positive metric for overall economic health, a continued drop in unemployment will do little to benefit office landlords, as less than 20% of job losses during 2020 were from office-using industries, as opposed to over 80% during the 2008 recession.

While the Covid-19 vaccine rollout is sure help Manhattan's office demand outlook, office workers will likely wait for widespread adoption and proof of immunity before a sizable return to in-person work. Weekday ridership figures for LIRR and Metro-North remain down 70-80% from 2019 totals, as workers who can avoid commuting and in-person work continue to do so. It will be at least several quarters until workers return to office buildings above the sub-20% occupancy numbers seen throughout the pandemic, and the implication of work-from-home and changing preferences can be fully realized.

Top 10 Manhattan Leasing Transactions

TENANT	SQUARE FEET	ADDRESS	LEASE TYPE	SUBMARKET	INDUSTRY
	632,628	One Park Avenue	Renewal	Park Avenue South	Healthcare
	536,520	522 Fifth Avenue	Sale / Leaseback	Grand Central	Finance
	212,154	350 Fifth Avenue	Renewal	Penn Plaza	Retail
	157,092	250 Broadway	Renewal	City Hall	Government
	133,479	485 Lexington Avenue	Renewal	Grand Central	Finance
	116,526	11 Penn Plaza	New / Expansion	Penn Plaza	TAMI
	113,422	450 West 33rd Street	New / Relocation	Hudson Yards	TAMI
	103,500	350 Fifth Avenue	Renewal	Penn Plaza	Finance
	99,853	3 Times Square	Renewal	Times Square	TAMI
	99,245	655 Madison Avenue	Renewal	Plaza District	Finance