

An aerial photograph of Manhattan, New York, showing the dense skyline of skyscrapers and the lush greenery of Central Park. A semi-transparent white overlay covers the left half of the image, containing the title and logo.

2020 MARKET OVERVIEW MANHATTAN OFFICE

CBRE



2020 STATE OF THE MANHATTAN OFFICE MARKET

LEASING ACTIVITY

Monthly activity is ↓ 78% from 5-year average and year-over-year activity is ↓ 58%

Most transactions delayed, some proceeding slowly

NER LEADING RENT DECLINE

NER is down 12% since March, versus a 4% asking rent dip

Most completed transactions have seen net effective reduction from Pre-COVID economic terms

RENEWALS VS. RELOCATIONS

Renewals trending upward

Renewals are for significantly shorter lease terms

CONSTRUCTION PIPELINE

11.3 MSF currently under construction

51% pre-leased

22.8 MSF in various stages of the planning process

SUBLEASE AVAILABILITY

Meaningful increase in sublease availability

Numerous rumored sublet spaces coming to market

FLEX PROVIDERS

In flux (rent payment, headcount, leased space)

Many “reimagining their offering”

SLOW LEASING, NEW SUBLEASE AVAILABILITIES, AND DECREASING RENTS REFLECT DOWNWARD PRESSURE ON THE MARKET

Source: CBRE Research. Data as of December 1, 2020.

A LOOK BACK: MANHATTAN OFFICE MARKET WAS IN A STRONG POSITION HEADING INTO THIS CRISIS

MANHATTAN HISTORICAL ANNUAL STATISTICS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020
LEASING (MSF)	27.9	22.3	24.9	29.9	28.1	22.9	28.4	32.4	31.6	11.9
RENEWALS (MSF)*	10.7	11.9	11.3	9.2	5.2	8.5	8.3	6.1	8.0	6.6
TOTAL VELOCITY (MSF) LEASING + RENEWALS*	38.6	34.2	36.2	39.1	33.3	31.4	36.7	38.5	39.6	18.5
ABSORPTION (MSF)	6.3	(5.9)	0.2	5.4	(0.8)	(3.9)	(0.5)	1.7	(2.1)	(15.0)
OCCUPANCY (MSF)	337.7	342.9	344.0	353.8	356.6	347.5	352.7	363.4	368.1	353.1
AVAILABILITY RATE	10.7%	11.9%	11.8%	10.3%	10.4%	11.5%	11.5%	10.8%	11.2%	14.8%
ASKING RENT (PSF)	\$53.11	\$58.84	\$63.22	\$67.05	\$71.85	\$72.76	\$72.91	\$73.36	\$80.43	\$78.03

■ HIGH ■ LOW

*Revisions were made to renewal data for Midtown and Midtown South, which affected leasing velocity and renewals in select years prior to 2015.

Source: CBRE Research.

NEW DEAL VOLUME DURING PANDEMIC MONTHS AT UNPRECEDENTED LOWS






APRIL-NOVEMBER DIRECT NEW DEAL ACTIVITY: 2020 VS. 2019

APRIL THRU NOVEMBER TOTALS ⁽¹⁾

YEAR	COUNT	SQ FT.	AVG. DEAL SIZE	AVG. TERM LENGTH (YRS)
2019	185	12,163,645	65,749	12.0
2020	29	2,357,418	81,291	11.6

(1) Includes new direct leases (relocations and expansions) 15K+ RSF and larger.

2020 NOTABLE NEW DEALS | APRIL – NOVEMBER

TENANT	LOCATION	RSF	COMPLETED
	390 Ninth Avenue (Farley)	730,000	August-20
 U.S. SECURITIES AND EXCHANGE COMMISSION	100 Pearl Street	241,171	April-20
	151 W 42nd Street	232,138	May-20
	28 Liberty	217,638	July-20
	32 Old Slip	85,526	May-20

Source: CBRE Research. Data as of December 1, 2020.

SHORT TERM RENEWALS DOMINATE DURING PANDEMIC MONTHS – PAVING THE WAY FOR PENT UP DEMAND IN 2024, 2025




APRIL-NOVEMBER DIRECT RENEWAL ACTIVITY: 2020 VS. 2019

APRIL THRU NOVEMBER TOTALS ⁽¹⁾





YEAR	COUNT	SQ FT.	AVG. DEAL SIZE	AVG. TERM LENGTH (YRS)
2019	51	7,038,973	138,019	9.3
2020	54	4,342,759	80,421	5.4

(1) Includes 15K+ RSF direct deals where any portion of the transaction is a renewal.

2020 NOTABLE LT RENEWALS | APRIL – NOVEMBER (5+ YEARS)

TENANT	LOCATION	RSF	TERM (YRS)	COMPLETED
 BNP PARIBAS	787 Seventh Ave	322,586	20	August-20
 GOODWIN	620 Eighth Ave	216,419	5	July-20
ALLEN & OVERY	1221 A of A	143,331	5	May-20
OWL ROCK	399 Park Ave	50,196	9	April-20
	1114 A of A	40,907	5.5	April-20

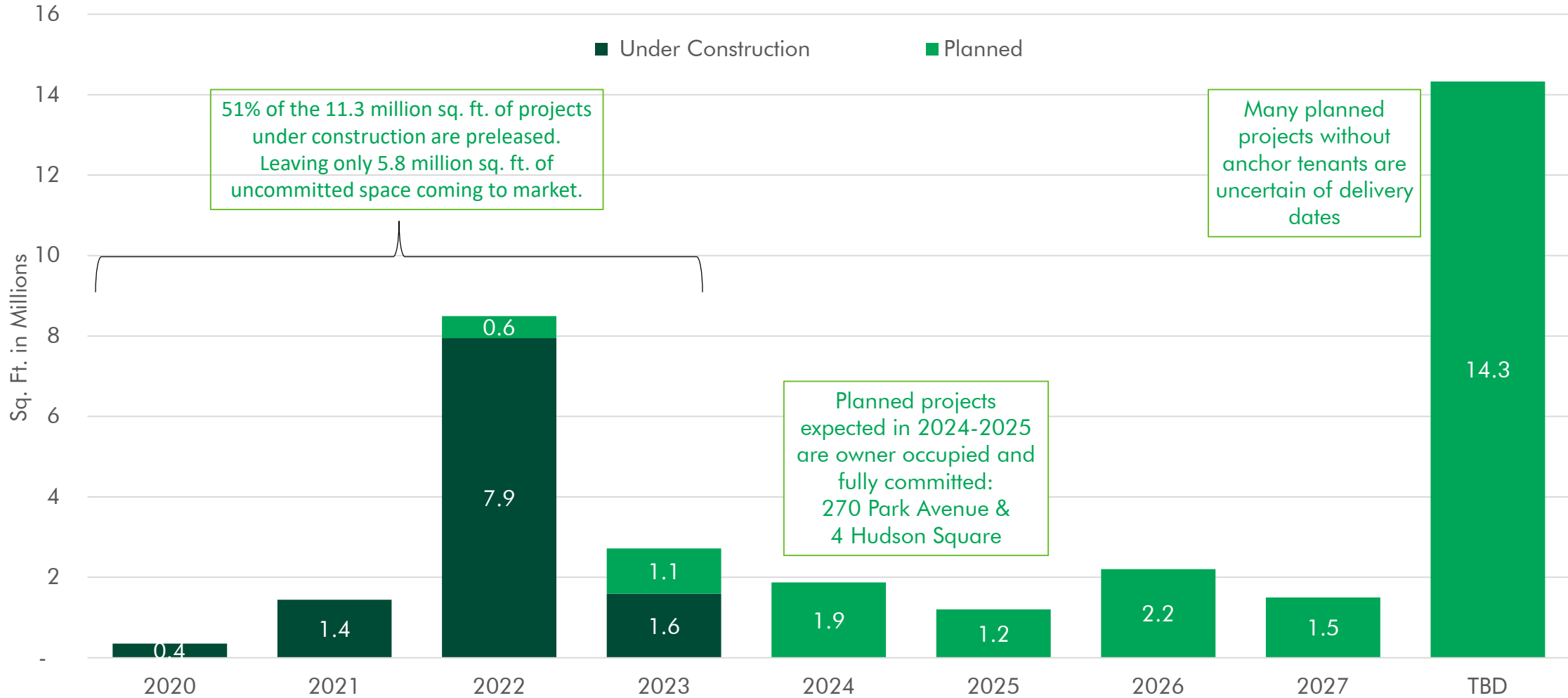
2020 NOTABLE ST RENEWALS | APRIL - NOVEMBER (<5 YEARS)

TENANT	LOCATION	RSF	TERM (YRS)	COMPLETED
NBCUniversal	1221 A of A	339,833	1	June-20
STROOCK	180 Maiden Lane	191,368	1	July-20
 quinn emanuel quinn emanuel urquhart & sullivan, llp	51 Madison Ave	159,562	3	June-20
 P / W / P PERELLA WEINBERG PARTNERS	767 Fifth Ave	~125,000	1.17	August-20
 Mitsubishi	655 Third Ave	120,075	3	May-20
	32 Old Slip	65,796	3	April-20

Source: CBRE Research. Data as of December 1, 2020.

GROUND UP CONSTRUCTION PROJECTS CURRENTLY UNDERWAY TOTAL 11.3 MSF

GROUND UP CONSTRUCTION : UNDERWAY AND PLANNED 2020-2027+



Source: CBRE Research. Data as of December 1, 2020.



METRICS OF RECOVERY

- IS NEW YORK ON THE ROAD TO RECOVERY?

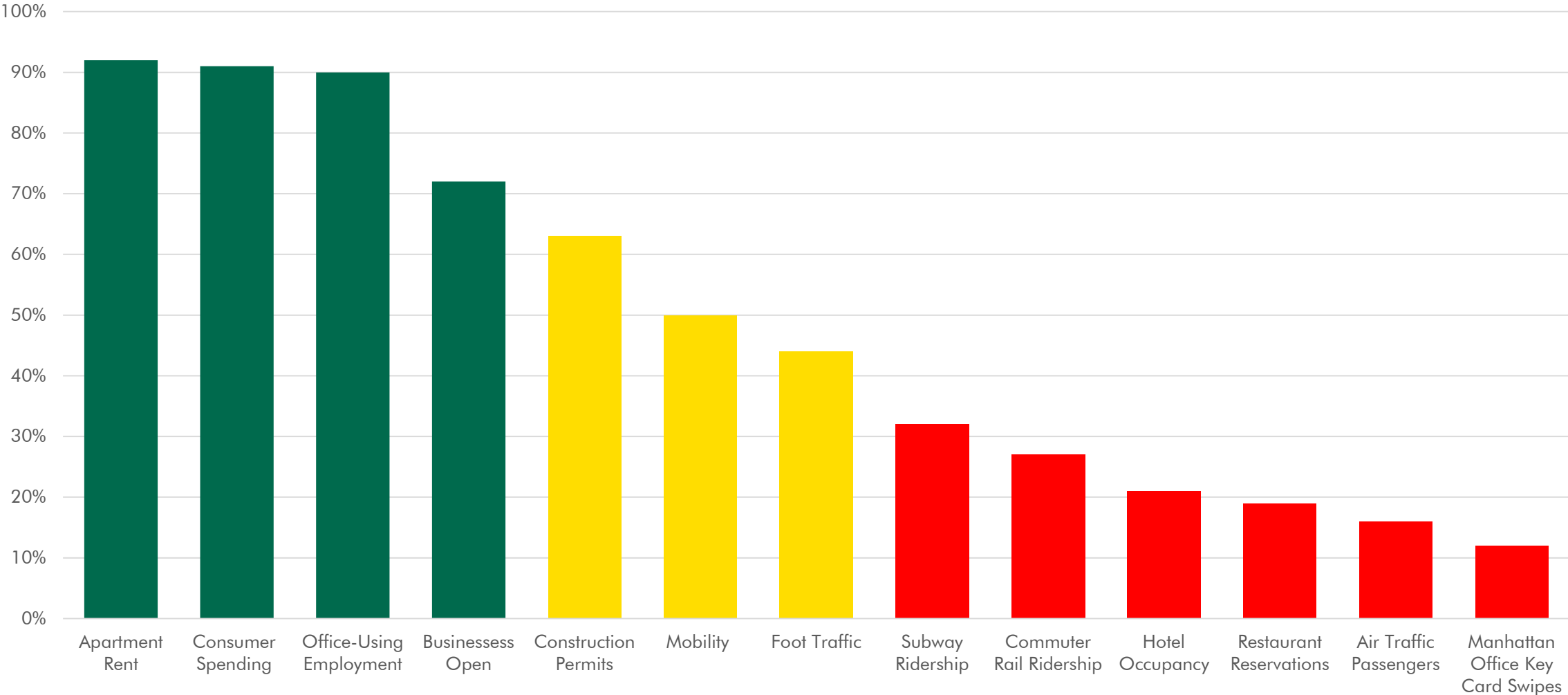
MANY OF NYC'S RECOVERY INDICATORS ARE STILL LAGGING

PERCENTAGE RETURNED TO PRE-COVID LEVELS

75% or more

50-75%

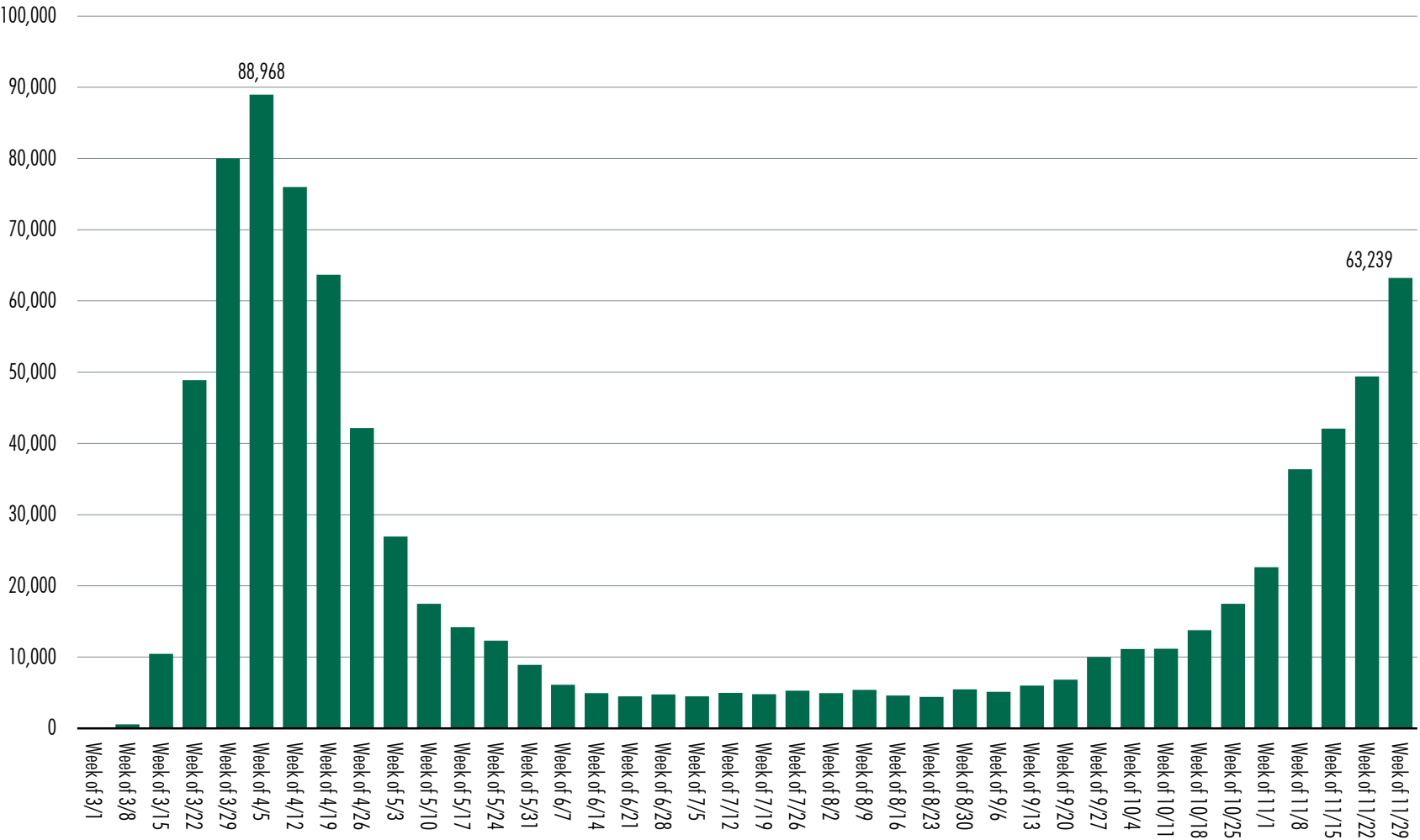
50% or less



Source: Data as of November 9, 2020. CBRE Recovery Report 2020. [Click here](#) for a link to the report.

ARE WE HAVING A SECOND WAVE? TRI-STATE NEW INFECTION RATES ARE CLIMBING BUT REMAIN BELOW THE NATIONAL LEVEL

NEW COVID-19 CASES IN THE NEW YORK AREA



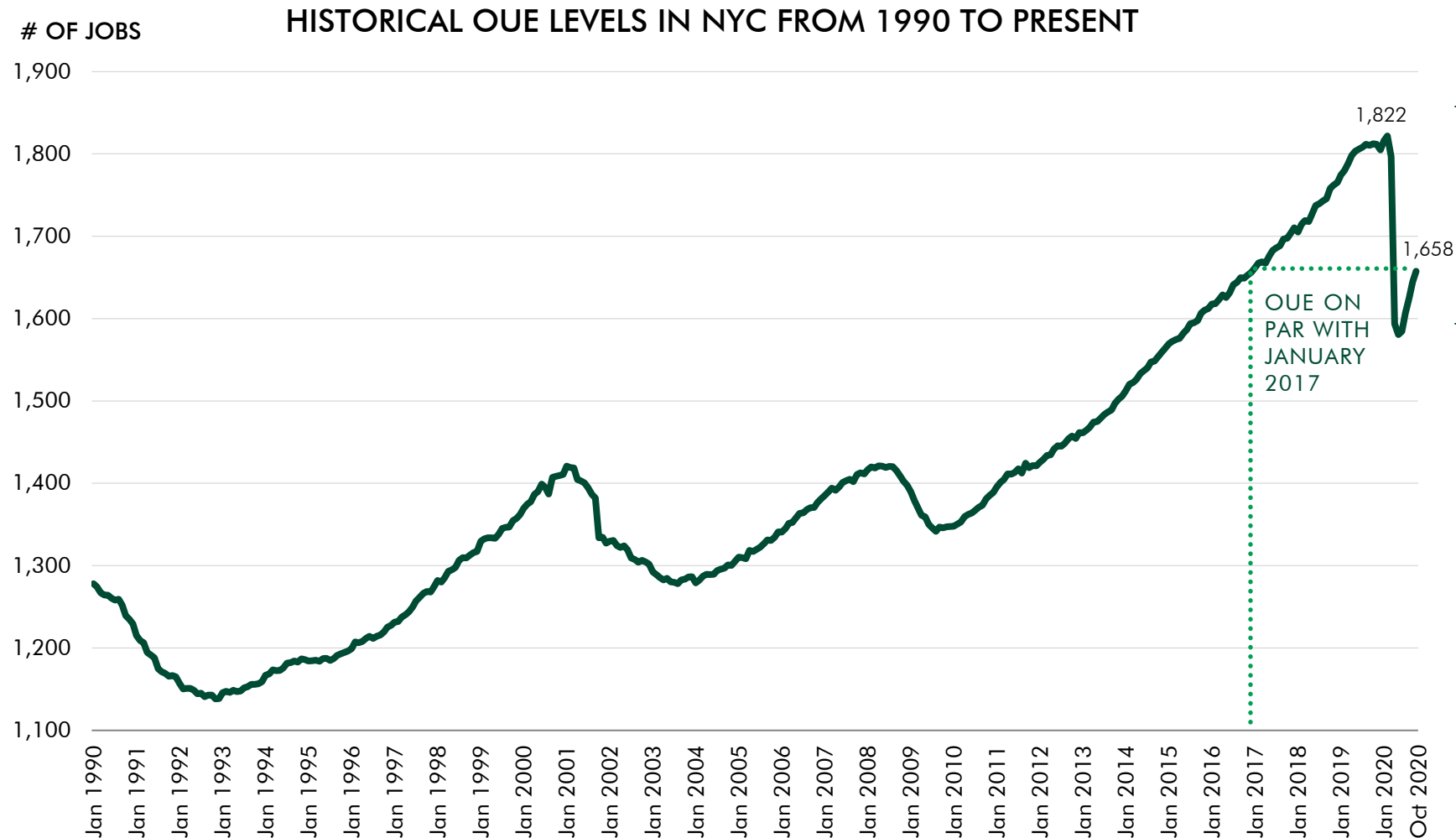
Source: CBRE Research, The New York Times.

29%

below peak weekly infections set in April
Most recent data: December 6, 2020

- NYC test positivity rate dropped from peak of roughly 60% in early April to a low of 1% in September.
- NYC rates climbing back up and averaging about 4% daily for the most recent week.
- Rates on the rise throughout the region, U.S., and in Europe.
- Reinstatement of restrictions underway in many locations including closure of NYC public schools.
- NY Governor Andrew Cuomo set a benchmark infection rate of 1% as being necessary to continue with the state’s reopening and rising infections could bring additional restrictions.

OUE DECLINED SHARPLY EARLY ON, SLOWLY COMING BACK UP NYC OFFICE USING EMPLOYMENT (OUE)



91%

NYC office-using employment compared to pre-COVID peak

Most recent data: October 2020

OUE CHANGED:

FEB-MAY: - 241,200 (13.2%)

JUNE-OCTOBER: + 73,000 4.6%

TOTAL SINCE FEBRUARY: - 164,100 (9.0%)

NYC Unemployment rate reached **13.2%** in October 2020, 630 basis points behind the national rate of 6.9%

New York City's office-using employment (OUE) fell by 13.2% to a low of about 1.58 million in May, driven by contractions in administrative, finance, insurance, and real estate positions.

Note: Numbers include both layoffs and furloughs.

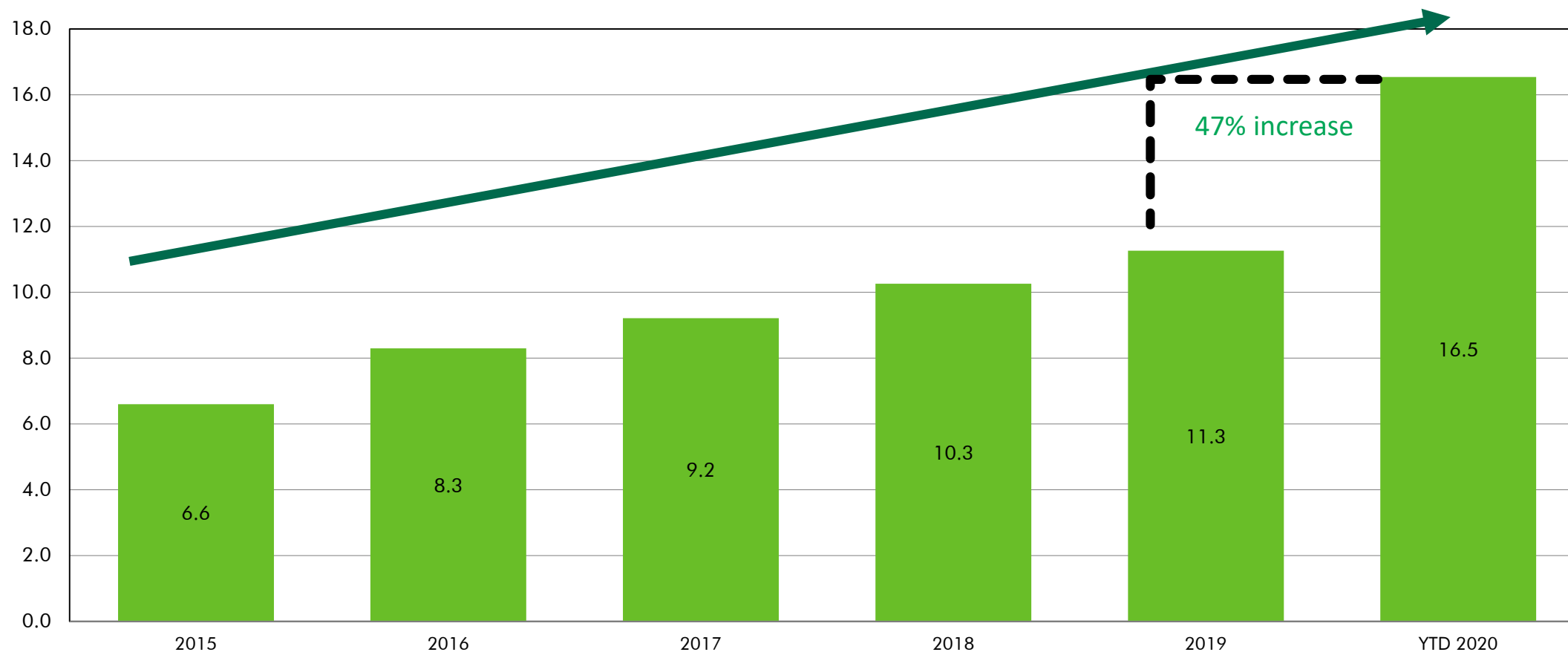
Source: CBRE Research. Data as of November 1, 2020.



SUBLEASE SPACE ADDITIONS ARE
GREATLY IMPACTING THE
MARKET

MANHATTAN SUBLEASE SPACE HAS ADDED A NET 5.2 MSF SINCE YEAR-END 2019 (+47%)

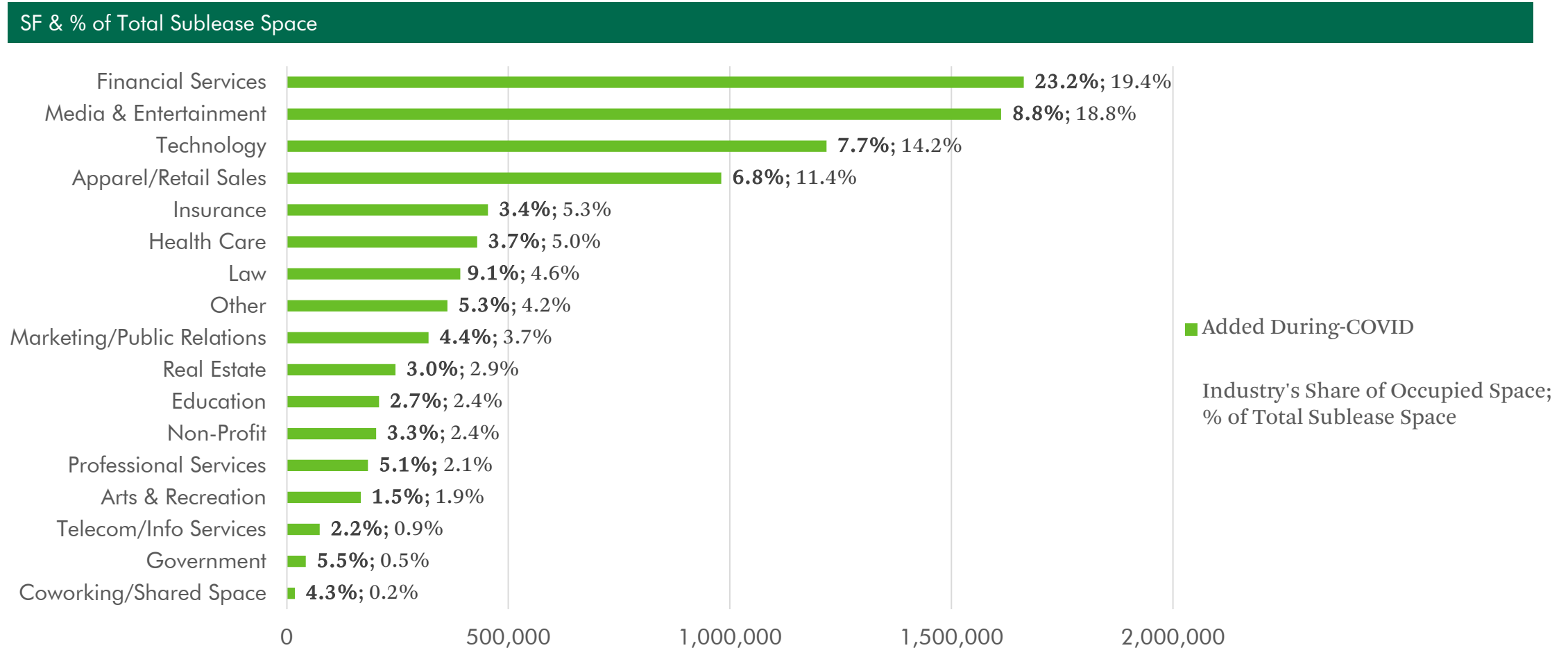
SUBLET AVAILABLE SPACE



Source: CBRE Research. Data as of December 1, 2020.

MEDIA, TECH AND APPAREL/RETAIL SECTORS HAVE ADDED AN OUTSIZED SHARE OF SUBLEASE SPACE DURING-COVID

AVAILABLE SUBLEASE SPACE ADDED DURING-COVID BY INDUSTRY



Bold percentages represents the industry's share of the occupied space in Manhattan.

Any space without a known sublessor is omitted from this analysis.

Source: CBRE Research. Data as of December 1, 2020.

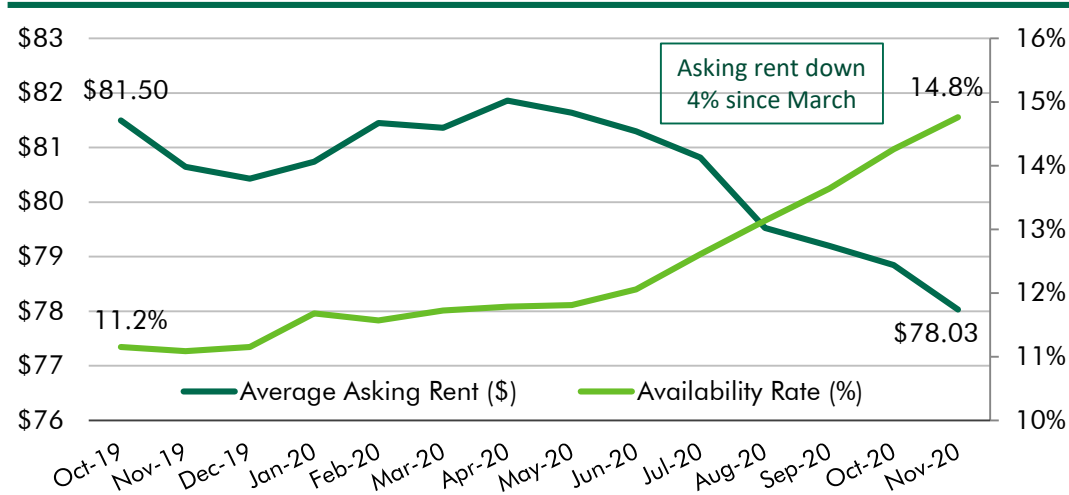
A wide-angle photograph of the Manhattan skyline at sunset. The sky is filled with dramatic, orange and yellow clouds. The city's skyscrapers are silhouetted against the bright horizon. In the foreground, the Hudson River is visible, with a bridge and a pier extending into the water. A semi-transparent white box with a green L-shaped graphic is overlaid on the left side of the image, containing the text.

WHAT HAS HAPPENED TO MANHATTAN RENTS?

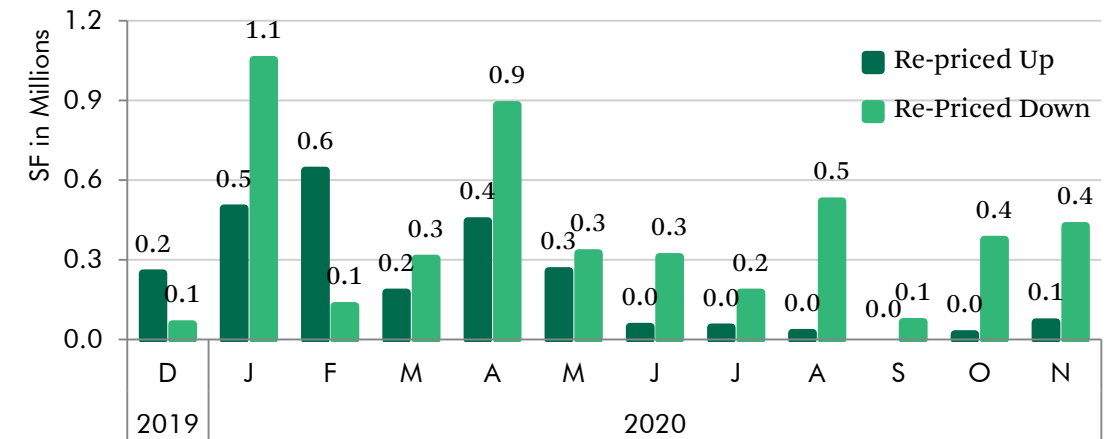
ASKING RENT STEADILY FALLING, BUT NER HAS SEEN GREATEST PANDEMIC DECLINE

KEY MANHATTAN RENT TRENDS – SUMMARY VIEW

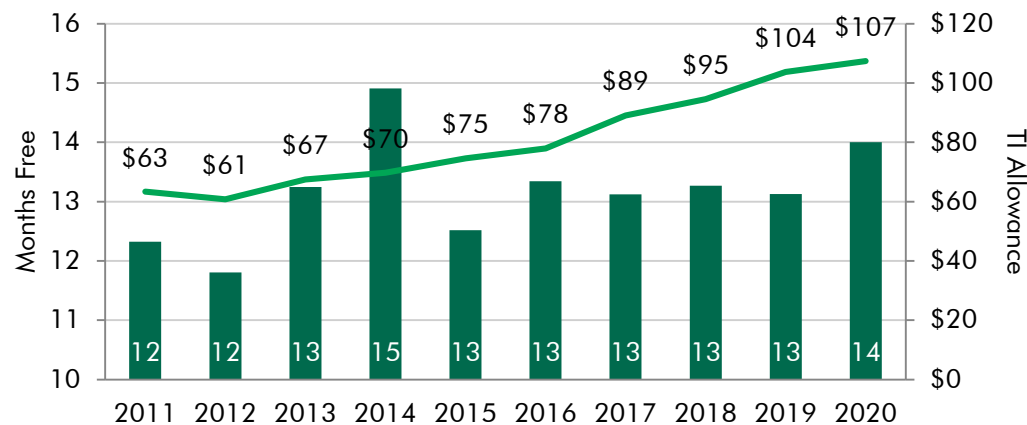
ASKING RENT DROPPING AMID RISING AVAILABILITY



DOWNWARD REPRICING CONTINUES UNABATED

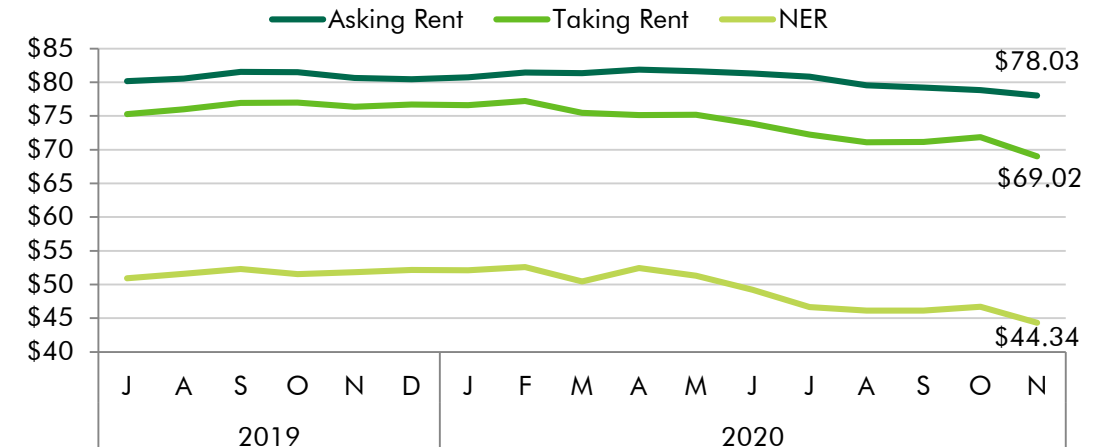


CONCESSIONS HAVE INCREASED 4% SINCE YE 2019



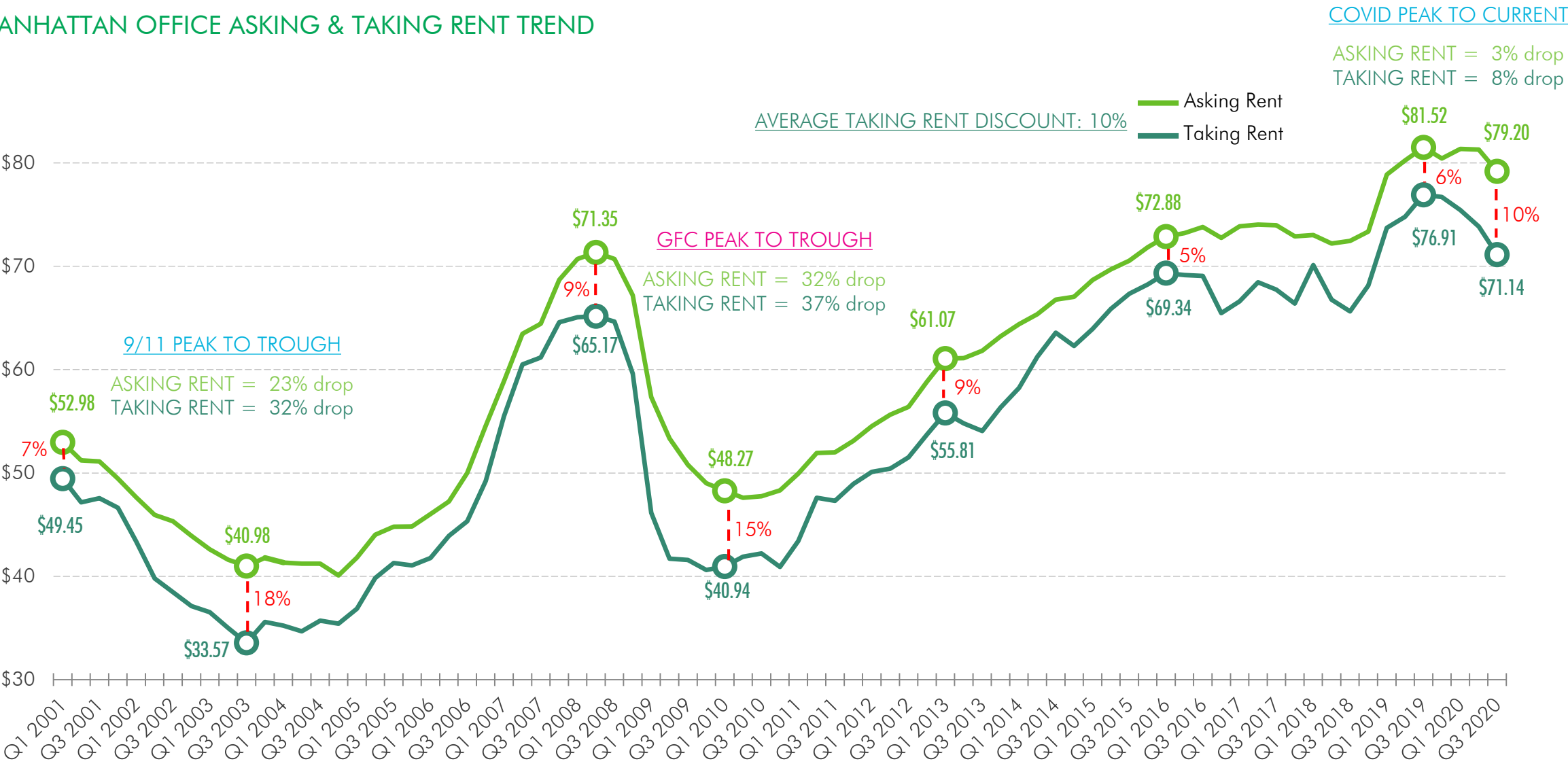
Source: CBRE Research. Data as of December 1, 2020.

NER HAS FALLEN THE MOST SINCE MARCH, BY 12%



DURING RECESSIONS TAKING RENTS DECLINE MORE THAN ASKING RENTS

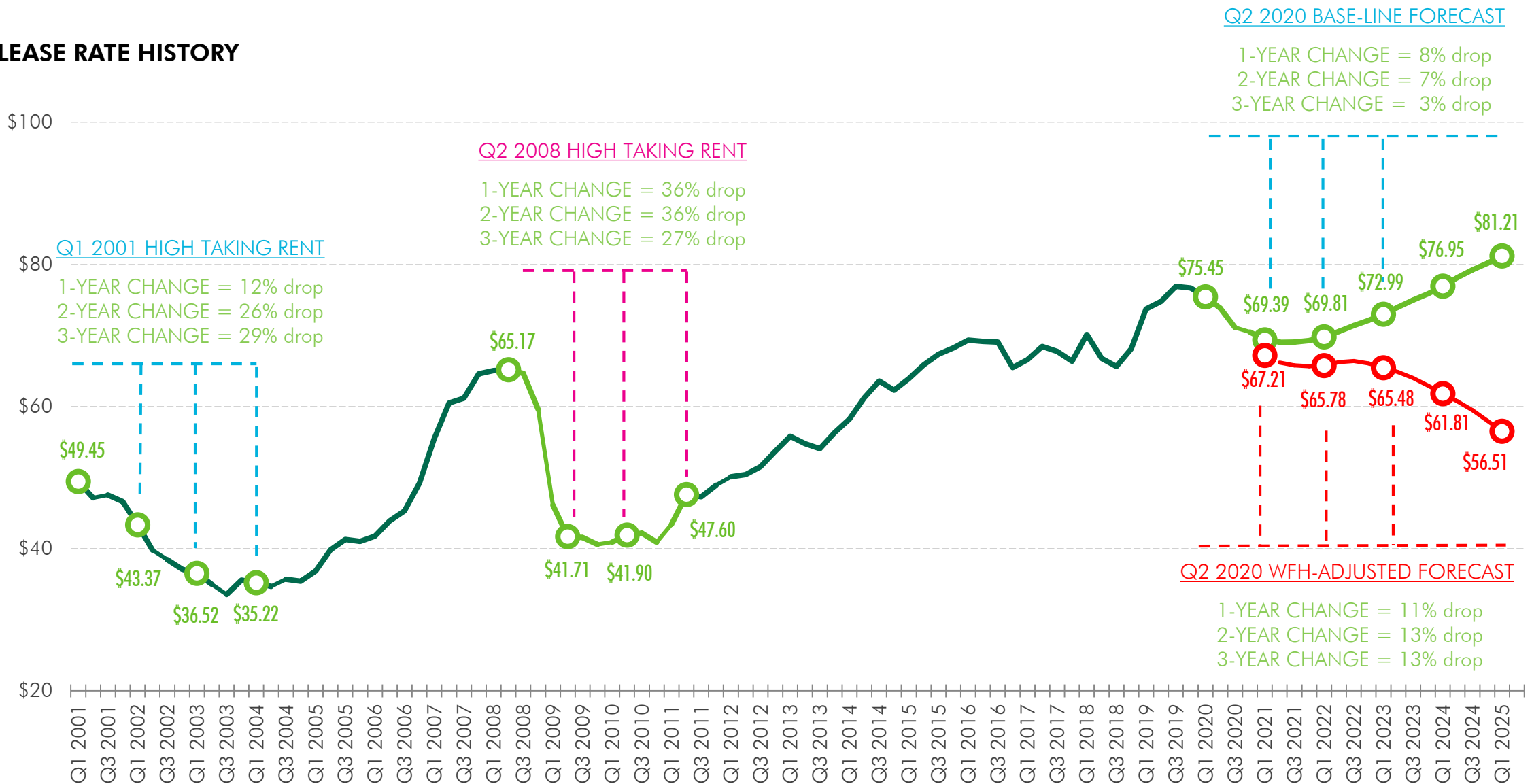
MANHATTAN OFFICE ASKING & TAKING RENT TREND



Source: CBRE Research. Forecast data is updated as of Q2 2020 but Q1 2020 is the starting point for year-over-year comparisons. Taking rent is the actual, initial base rent in a lease agreement – concessions are not factored in.

MANHATTAN OFFICE TAKING RENT TREND WITH FORECAST

LEASE RATE HISTORY



SOURCE: CBRE Research. Forecast data is updated as of Q2 2020 but Q1 2020 is the starting point for year-over-year comparisons. Taking rent is the actual, initial base rent in a lease agreement – concessions are not factored in.



OTHER CONSIDERATIONS

- ADDITIONAL MARKET EXPECTATIONS
- FUTURE DEMAND



ADDITIONAL MARKET EXPECTATIONS

- » Anticipate Manhattan rents dropping 17 – 20% bottoming out in 2022/2023
- » Increase in renewals as a percentage of leasing activity over the next 2-3 years
- » Short-term deferrals on tenant occupancy decisions will lead to more competition for space in 2023/2024
- » Heightened competition to secure large tenants as landlords aim to fill and/or anchor new construction and planned developments
- » Preference for new or renovated product with new technologies and state of the art mechanical systems
- » Increased WFH strategies will be implemented across all industries
- » Space needs will decline generally by 10-20% (excluding any additional reductions in workforce)
- » Increase in geographical diversity by some larger firms to mitigate impact of future business disruptions

WHEN WILL DEMAND PICK UP?



- » In markets like NYC where there is a heavy reliance on mass transit, we are unlikely to see significant return to offices until there is a vaccine in wide circulation – which looks to be on track for spring of 2021.
- » Until then, leasing will be depressed at or around Q3 levels, but after that, we should see leasing volume begin a gradual but steady recovery.
- » Office demand will lag the economic recovery by about 12-18 months, which means it could be until late 2022/early 2023 before we see leasing volumes come back near pre-COVID levels.
- » That said, there could be a boost in demand thereafter, based on pent-up demand and the flurry of short-term renewals we saw in 2020.