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COMMERCIAL REAL ESTATE SERVICES

MIDYEAR 2022
MANHATTAN OFFICE MARKET REPORT

HIGHLIGHTS

UNEMPLOYMENT
6.2% NYC
3.6% U.S.

FEDERAL FUNDS RATE
1.5% - 1.75%
VS. 0-0.25% A YEAR AGO

INFLATION RATE
8.6%
VS 5.0% A YEAR AGO

OFFICE OCCUPANCY
41.2% IN NYC
VS. 21.9% A YEAR AGO

SUBWAY RIDERSHIP
2.9M
AVERAGE DAILY RIDERS IN JUNE
UP 35% FROM A YEAR AGO

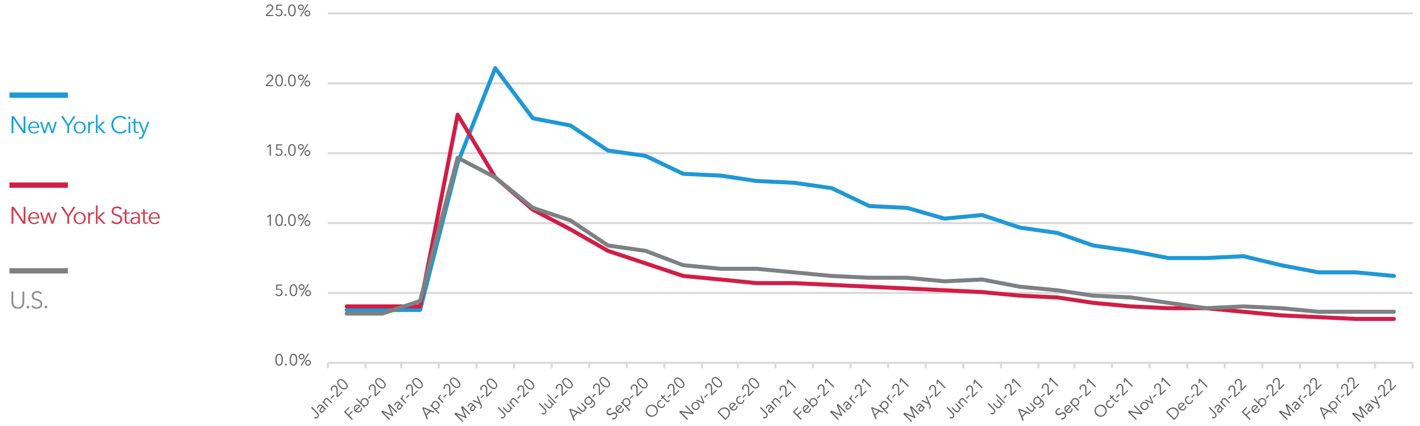
ECONOMIC UPDATE

New York City's unemployment rate of 6.2% as of May 2022 continued to lag New York State and U.S. levels and remained significantly elevated from the February 2020 pre-pandemic rate of 3.7%. As the epicenter of the pandemic, disruption in New York City's employment was more drastic than the State overall and the nation. The City lost 971,800 jobs between February and April 2020, or 20.6% of total nonfarm employment, compared to 16.1% in the U.S. As of May 2022, only 77% of pandemic job losses have been recovered in New York City, relative to 98% recovery nationwide. Jobs, and the resulting consumer spending they engender, are key demand side drivers affecting the Manhattan office market.

Employment, however, is not the only factor affecting office leasing decisions - inflation, interest rate hikes, and concern about a possible recession are weighing on demand for office space. Inflation hit a 41-year high in May 2022 at 8.6%, leading the Federal Reserve to increase interest rates to a range of 1.5% - 1.75% to combat demand without sparking a recession. The effects of this are already evidenced in the housing sector, with mortgage applications dropping dramatically due to rate hikes, as well as in the investment sales space where it will take some time for pricing and demand to adjust.

Despite these pressures, New York City's recovery remains a mixed picture. May's unemployment rate declined 4.1 percentage points from a year ago, and the City has recovered 98,000 jobs year to date. According to keycard swipe data from Kastle Systems, New York City's office occupancy in the last week of June was 41.2%, up from 21.9% a year ago and marginally below the U.S. rate of 43.8%. The tourism sector, which accounts for 7% of city-wide jobs, is showing signs of recovery, with hotel occupancy reaching 85.1%% mid-June. Weekday subway ridership continues to climb, with June averaging 2.9 million daily riders, a 35% increase from the previous year.

UNEMPLOYMENT RATE



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LEASING ACTIVITY

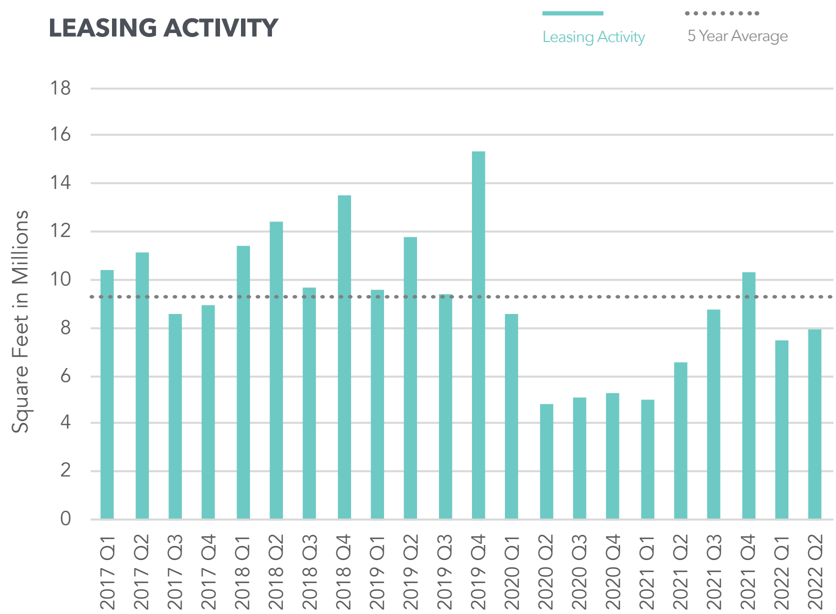
Manhattan leasing activity remained steady in the first two quarters of the year but has tapered off slightly from a strong second half of 2021 when leasing totaled 19.0 million SF. Year-to-date, leasing activity totaled 15.5 million square feet in Manhattan, a 34.2% increase from the same period last year but down 30.5% from the pre-pandemic (2017-2019) level. Despite the year-over-year increase, the office market has not fully recovered from the pandemic. Stress from supply chain issues, the war in Ukraine, growing inflation, a slow return to office, lingering fears of a recession and job consolidation could cause a continued lag in leasing activity, as is evidenced by the first two quarters in Manhattan.

These dynamics are consistent across the three major market segments of Midtown, Midtown South, and Downtown. Midtown, the largest office market segment with 324.2 million SF of inventory, drove leasing activity this year at 9.7 million SF. Midtown South followed with 3.99 million SF. The Downtown office market, however, remains stagnated. In fact, it was the only major segment with leasing activity at a 5-year low, with just 550,000 SF leased in the second quarter. Comparatively, pre-pandemic Downtown averaged 2.0 million SF leased per quarter.

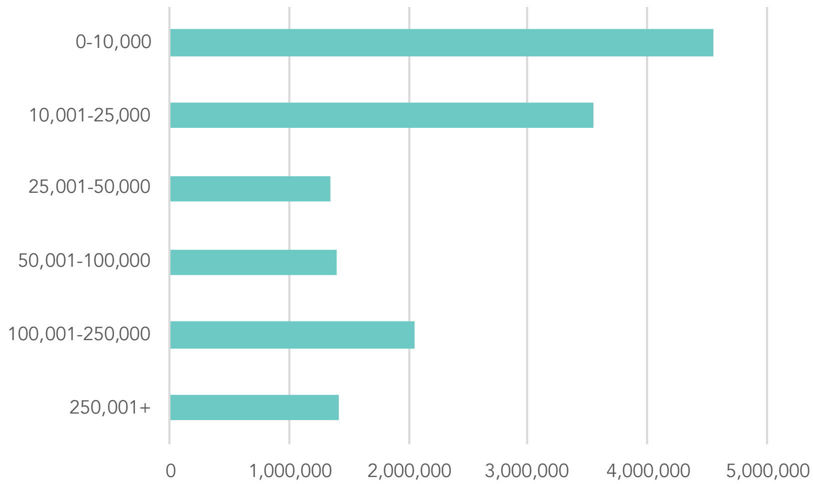
Midyear leasing activity continued to be driven by traditional industries. Of the 10 largest office leases in Manhattan, 5 were FIRE and 3 were TAMI. Manhattan is also seeing a resurgence of law firm leasing, most notably Clifford Chance's signing of 144,000 SF at 2 Manhattan West.

Year-to-date, 62.1% of square footage leased was for deals under 50,000 SF.

LEASING ACTIVITY



2022 YTD LEASING ACTIVITY BY DEAL SIZE



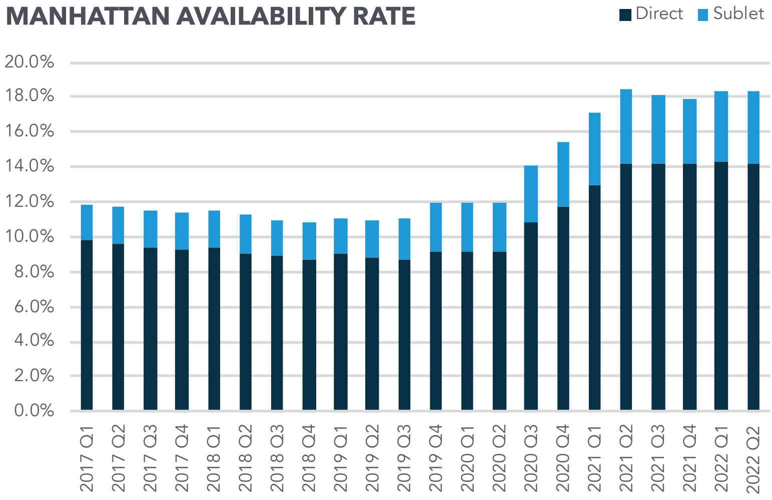
AVAILABILITY

Manhattan's availability rate has remained relatively flat at a high rate for 6 consecutive quarters, ending Q2 2022 at 18.3%. This is up 62% from its pre-pandemic (2017-2019) average of 11.3%. Availability rates rose sharply in the second half of 2020 in the midst of the pandemic and have stabilized at this level, which is reflected in all asset classes. For high-quality, trophy space, however, availability in Manhattan is only 14.1%%, over 4 points below the Class A average.

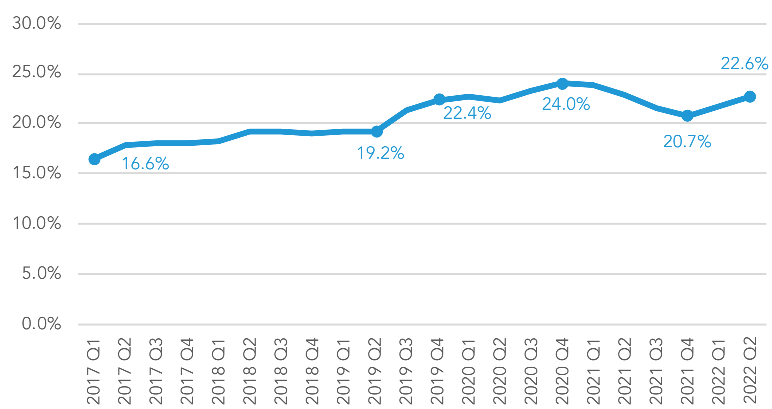
2022 year-to-date has seen 4.3 million SF in new construction delivered, with the majority of deliveries in Midtown. Significant new space added to the market included 2.9 million SF at 50 Hudson Yards and 690,000 SF at 425 Park Avenue.

On the whole, sublet space that came to market in the period immediately preceding the pandemic and during the height of COVID has not been absorbed. Sublet availability as a share of the total market began to rise during 2019 and is now on par with Q4 2019 levels at 22.6%. This is 3.5 percentage points above the pre-pandemic three-year average but down from the pandemic peak of 24.0% in Q4 2020. By way of comparison, an average market historically would see approximately 20% of availability as sublet. At the end of Q2 2022, Downtown had the highest amount of sublet space as a share of total availability at 28.3%. This is yet another indicator of the challenges the Downtown market faces.

MANHATTAN AVAILABILITY RATE



SUBLET SHARE OF TOTAL AVAILABILITY



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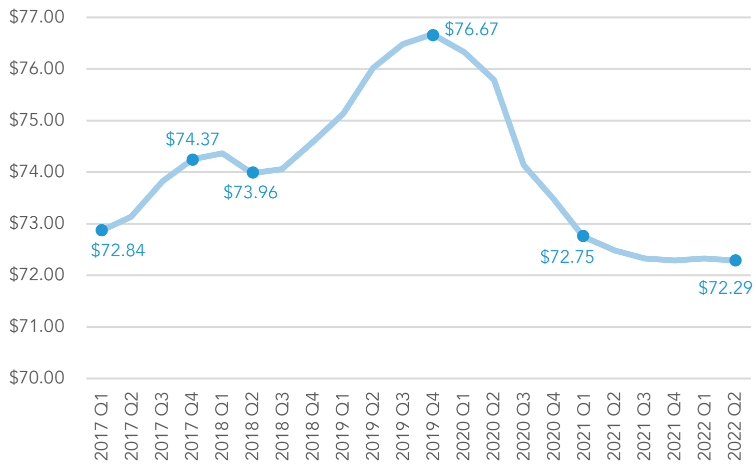
MARKET RENTS

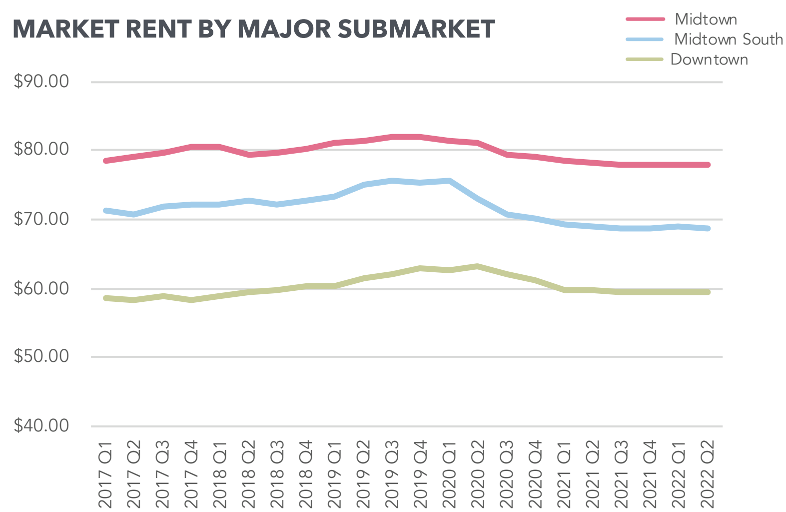
Manhattan market rents have remained flat at a 5-year low for six consecutive quarters after a significant decline at the height of the pandemic. Pre-pandemic rents peaked in Q4 2019 at $76.72 PSF and are now $72.29 PSF, a 5.7% decline. This decline is mainly driven by the Class B and Class C markets, with only marginal declines in Class A rents across all major segments. Class A rents at the end of Q2 2022 were $81.04 PSF, less than a $1 decline from the 5-year and pre-COVID averages. Comparatively, Class B&C rents at the end of the quarter were $56.22 PSF, a decline of $4.46 PSF (7.4%) from the 5-year average and $5.85 PSF (9.4%) from pre-COVID levels.

The largest price drop was in Midtown South, with Class B&C rents at $60.68 PSF, an 8.4% decline from pre-pandemic levels. This drove down the overall market rent by 5.6% from pre-COVID levels to $68.83 PSF. Notably, at $87.89 PSF, Midtown South Class A rents exceeded Midtown's Class A rents of $86.58 PSF. However, Midtown continues to command the highest overall office market rents at $77.94 PSF, with Hudson Yards outpacing all other segments at $98.55 PSF. Downtown market rents have remained stable at $59.48 PSF, primarily due to steady Class A rents. For the Downtown Class B and Class C markets, rent declines paralleled other markets.

MANHATTAN MARKET RENT



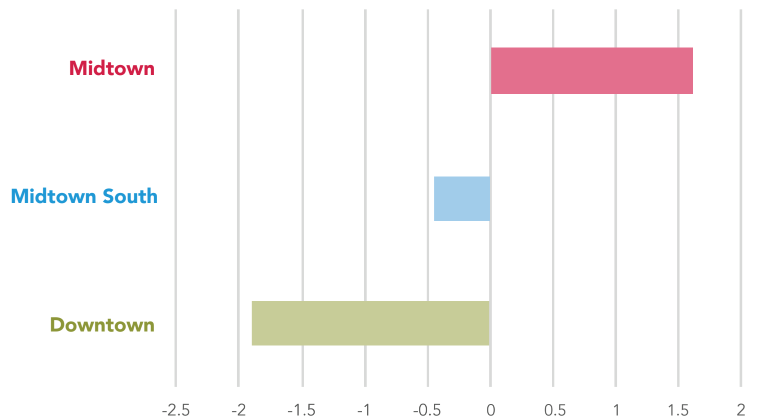
MARKET RENT BY MAJOR SUBMARKET



NET ABSORPTION

There has been tremendous negative net absorption due to COVID with just one quarter in the last eight showing positive absorption. Since 2020, 21.3 million SF of space has come to market, reflecting new deliveries, lease rollovers, and significant sublet space being placed on the market. For Manhattan overall, year-to-date net absorption totaled negative 731,219 SF. Midtown was the only major submarket of the three with positive net absorption, totaling 1.2 million SF. However, in a positive sign for the market, Midtown saw a significant turnaround from the same period last year when negative net absorption totaled 6.1 million SF. Midtown South and Downtown saw negative net absorption of 442,206 SF and 1.9 million SF respectively. Recent large blocks of sublet space that came to market this year included 453,000 SF at 30 Hudson Yards, 139,000 SF at 5 Manhattan West, and 109,500 SF at 225 Park Avenue South.

2022 YTD NET ABSORPTION



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MIDTOWN

	2022 YTD	2021 (full year)	2020 (full year)	2019 (full year)
LEASING ACTIVITY	9,970,469	18,855,729	15,532,957	25,893,184
AVAILABILITY	17.9%	17.6%	16.0%	12.6%
MARKET RENT	$77.94	$77.99	$78.95	$81.97
NET ABSORPTION	1,607,518	-7,936,479	-2,686,619	5,634,979

With 9,970,469 SF leased this year, Midtown had the highest deal volume of the three major segments. Grand Central, the largest submarket at 60.7 million SF, drove leasing with year-to-date activity of 1.9 million SF. Fifth/Madison and Avenue of the Americas/Rockefeller Center followed with 1.4 million SF and 1.1 million SF leased respectively. The largest deals in Midtown this year included an unknown tenant signing a sublease at 1675 Broadway for 546,147 SF at the end of the quarter, Tiffany & Co's 283,814 SF lease at 200 Fifth Avenue, and HSBC's 263,875 SF lease at 66 Hudson Boulevard.

Compared to the same period last year, availability declined in 7 of the 10 Midtown submarkets and overall availability declined marginally to 17.9% from 18.2%. Availability rose in Hudson Yards, the West Side, and Penn Plaza, primarily driven by new construction deliveries and lease rollovers. 3.8 million SF of new construction was delivered in Midtown this year, including 2.9 million SF at 50 Hudson Yards and 690K SF at 425 Park Avenue. At the end of Q2 2022, Park Avenue had the lowest availability rate at 12.3%, a 2.9 percentage point decline year over year.

Market rents declined marginally across all Midtown submarkets, resulting in an end of period rent of $77.94 PSF. Hudson Yards and Park Avenue commanded the highest market rents at $98.55 and $96.88 followed by Fifth/Madison with $94.90, indicating the persisting strong demand for new and high-quality product in the market. Not surprisingly, the Garment District commanded the lowest rents at $50.48, consistent with historical trends. However, somewhat surprisingly, the Garment District saw over 1 million SF of leasing in the first half of 2022, making it one of the market's most active subsegments. Market rents for Class A properties in Midtown averaged $86.58 PSF, unchanged from pre-COVID levels, while market rents for Class B&C properties in Midtown declined 11.3% over the same period to $54.12 PSF.

Midtown was the only major market with year-to-date positive absorption totaling 1.2 million SF, a dramatic increase from the same time last year when net absorption totaled negative 6.1 million SF. Hudson Yards drove positive net absorption in Midtown due to the delivery of 50 Hudson Yards, partially pre-leased by BlackRock for 1 million SF and Facebook for 1.2 million SF.

TOP LEASING TRANSACTIONS

1675 BROADWAY
546,147 SF
9 YEARS
SUBLEASE, NEW

66 HUDSON BOULEVARD
263,875 SF
20 YEARS
DIRECT, NEW
HSBC

100 PARK AVENUE
236,036 SF
15 YEARS
DIRECT, NEW
AlphaSights

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MIDTOWN SOUTH

	2022 YTD	2021 (full year)	2020 (full year)	2019 (full year)
LEASING ACTIVITY	3,990,550	6,627,809	4,196,098	10,025,717
AVAILABILITY	18.3%	18.0%	15.4%	9.1%
MARKET RENT	$68.83	$68.73	$70.10	$75.29
NET ABSORPTION	-442,206	-2,498,067	-3,700,357	-892,244

2022 year-to-date, Midtown South leasing activity totaled 3,990,550 SF, a 68.2% year-over-year increase but a 19.5% decline from pre-Covid levels. Leasing activity was concentrated in Madison/Union Square, Chelsea/Flatiron, and Park Avenue South, with 1.0 million SF, 961K SF, and 933K SF leased respectively. Two of the largest deals of the year, IBM's lease for 328,000 SF at 1 Madison Avenue and Tiffany & Co.'s 283,814 SF lease at 200 Fifth Avenue, occurred in Midtown South. Despite the large Class A deals, leasing activity was dominated by Class B&C properties, totaling 2.7 million SF in 2022. This compares to 1.3 million SF across Class A properties. It should be noted, however, that this is partly a function of the fact that 73% of Midtown South product is Class B&C.

At the close of Q2 2022, Midtown South's availability rate was 18.3%, a 0.5 percentage point decline from the same period last year but doubled from the year-end 2019 pre-COVID level of 9.1%. Soho/Lower East Side exhibited the sharpest decline in availability of 5.5 percentage points from the previous period to 17.1%, while Hudson Square experienced the sharpest increase in availability of 3.3 percentage points to 15.7%.

Market rents in Midtown South ended the quarter at $68.83 PSF, consistent with recent quarters but down from $72.91 PSF pre-COVID. Notably, market rents for Class A properties in Midtown South were $87.89 PSF, outpacing Midtown's Class A rents. Greenwich Village/Noho/Meatpacking commanded the highest Class A market rents of all Manhattan submarkets at $100.56 PSF. Greenwich Village/Noho/Meatpacking also commanded the highest overall market rents of all Midtown South submarkets at $76.35 PSF. Chelsea/Flatiron had the lowest overall market rents in Midtown South at $64.25 PSF, but had the second highest Class A market rents at $98.21 PSF.

Net absorption in Midtown South was negative in the first half of 2022 at negative 442K SF. It was, however, dramatically lower than the same time last year (-2.9 million SF). Soho/Lower East Side and Madison/Union Square experienced positive net absorption this year while all other Midtown South submarkets had negative net absorption.

TOP LEASING TRANSACTIONS

1 MADISON AVENUE
328,000 SF
16 YEARS
DIRECT, NEW
IBM

200 FIFTH AVENUE
283,814 SF
10 YEARS
DIRECT, RENEWAL
TIFFANY & CO.

11 W 19TH STREET
236,036 SF
DIRECT, RENEWAL
TORY BURCH

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DOWNTOWN

	2022 YTD	2021	2020	2019
LEASING ACTIVITY	1,519,785	5,049,524	4,010,595	10,275,946
AVAILABILITY	19.3%	18.3%	13.3%	11.9%
MARKET RENT	$59.48	$59.41	$61.12	$62.97
NET ABSORPTION	-1,896,531	-4,420,521	631,436	1,087,505

Downtown leasing activity in the first half of 2022 totaled just 1,519,785 SF, with the first quarter outpacing the second quarter at 969,648 SF. Downtown was the only major segment of the three with year-to-date leasing activity below the same period last year (a 62% decline). Two-thirds of Downtown's 2022 leasing activity occurred in the Financial District, the largest Downtown office submarket with 57.8 million SF of inventory. Year-to-date, only one Downtown lease transaction, MJHS's 138,374 SF at 55 Water Street, exceeded 100,000 SF.

With this low volume of lease transactions, Downtown's availability rate of 19.3% at the close of Q2 2022 reflected a 5-year high and a 53.1% increase from the pre-pandemic (2017-2019) availability rate of 12.6%. The Financial District exhibited the highest availability of all Manhattan submarkets at 26.2%, while City Hall had the lowest availability rate at 11.3%. No new construction has been underway Downtown since Q2 2020, suggesting that this growth in availability is a function of lease expiry, slowed leasing activity, and the addition of sublet space to the market.

Downtown market rents at the close of Q2 2022 were $59.48 PSF and have remained static for six consecutive quarters. This reflected a marginal $0.50 decline from the pre-COVID average. Market rents for Downtown's Class A product were $62.51 PSF, slightly above their pre-COVID level of $61.80 PSF. Conversely, Downtown's Class B&C market rents were $51.58 PSF midyear 2022, down $3.66 PSF (6.6%) from pre-pandemic levels. Tribeca commanded the highest Downtown market rents at $73.30 PSF, while City Hall commanded the lowest at $54.05 PSF.

Downtown's year-to-date net absorption totaled a substantial negative 1.9 million SF and has been negative for six consecutive quarters, reflecting the pandemic's impact on Downtown office market dynamics. By way of comparison, pre-pandemic, net absorption averaged positive 261,085 per quarter. The World Trade Center was the only Downtown submarket with positive year-to-date net absorption at 17,759 SF. The Financial District drove negative absorption with negative 1.5 million SF year-to-date.

TOP LEASING TRANSACTIONS

55 WATER STREET
138,374 SF
30 YEARS
DIRECT, NEW
MJHS

80 PINE STREET
58,814 SF
3 YEARS
DIRECT, NEW
National Urban League

225 LIBERTY STREET
49,743 SF
6 YEARS
SUBLEASE, NEW

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SUBMARKET STATISTICS

	Submarket	Inventory	Under Construction	Leasing Activity	Availability Rate	Availability Class A	Availability Class B&C	Market Rent	Market Rent Class A	Market Rent Class B&C	Net Absorption
MIDTOWN	**Avenue of the Americas/ Rockefeller Center**	55,262,173	0	1,120,462	14.2%	13.4%	20.7%	$85.97	$89.27	$59.93	-96,390
MIDTOWN	**East Side**	30,533,852	0	808,014	18.7%	21.7%	8.4%	$72.62	$76.27	$60.43	32,751
MIDTOWN	**Fifth/Madison**	29,465,527	0	1,359,424	22.3%	22.9%	17.8%	$94.90	$98.75	$66.35	329,294
MIDTOWN	**Garment District**	24,021,442	0	1,065,783	16.0%	18.8%	15.6%	$50.48	$65.76	$48.39	198,228
MIDTOWN	**Grand Central**	60,753,575	615,782	1,929,653	18.4%	18.8%	17.0%	$73.63	$78.54	$56.25	-400,533
MIDTOWN	**Hudson Yards**	13,959,746	6,719,950	636,252	18.0%	18.0%	20.8%	$98.55	$99.57	$46.97	2,363,907
MIDTOWN	**Park Avenue**	26,285,549	1,871,767	921,933	12.3%	12.2%	16.6%	$96.88	$97.93	$66.39	907,376
MIDTOWN	**Penn Plaza**	31,125,395	0	782,112	22.9%	21.2%	23.7%	$59.57	$74.39	$51.61	-228,391
MIDTOWN	**Times Square**	28,453,096	0	920,418	19.0%	18.9%	21.7%	$77.31	$80.30	$54.47	-926,069
MIDTOWN	**West Side**	24,310,123	0	426,418	18.8%	17.5%	20.0%	$68.46	$82.82	$54.96	-572,655
MIDTOWN	**Midtown**	**324,170,478**	**9,207,499**	**9,970,469**	**17.9%**	**17.7%**	**18.4%**	**$77.94**	**$86.58**	**$54.12**	**1,607,518**
MIDTOWN SOUTH	**Chelsea/Flatiron**	33,708,466	829,635	960,765	19.1%	28.5%	17.0%	$64.25	$98.21	$56.56	-155,463
MIDTOWN SOUTH	**Greenwich Village/ Noho/Meatpacking**	10,699,094	116,428	451,953	16.3%	16.1%	16.4%	$76.35	$100.56	$64.16	-192,847
MIDTOWN SOUTH	**Hudson Square**	11,007,575	2,767,227	170,794	15.7%	11.1%	19.8%	$74.72	$81.95	$68.30	-199,069
MIDTOWN SOUTH	**Madison/ Union Square**	24,925,986	0	1,054,551	19.9%	20.2%	19.7%	$67.46	$85.32	$58.60	188,990
MIDTOWN SOUTH	**Park Avenue South**	16,437,068	0	932,825	18.3%	14.9%	20.6%	$69.09	$80.21	$61.84	-315,329
MIDTOWN SOUTH	**Soho/Lower East Side**	7,528,839	0	419,662	17.1%	27.1%	15.4%	$72.22	$85.86	$69.81	231,512
MIDTOWN SOUTH	**Midtown South**	**104,307,028**	**3,713,290**	**3,990,550**	**18.3%**	**18.7%**	**18.2%**	**$68.83**	**$87.89**	**$60.68**	**-442,206**
DOWNTOWN	**City Hall**	23,580,606	0	136,568	11.3%	16.2%	7.7%	$54.05	$57.37	$51.64	-310,089
DOWNTOWN	**Financial District**	57,822,993	0	1,001,085	26.2%	28.9%	18.1%	$56.10	$58.76	$48.07	-1,492,557
DOWNTOWN	**Tribeca**	7,899,519	0	7,940	13.6%	12.7%	14.4%	$73.38	$82.07	$64.70	-111,644
DOWNTOWN	**World Trade Center**	28,521,773	0	374,192	13.6%	14.0%	0.0%	$66.93	$67.45	$47.98	17,759
DOWNTOWN	**Downtown**	**117,824,891**	**0**	**1,519,785**	**19.3%**	**21.8%**	**12.9%**	**$59.48**	**$62.51**	**$51.58**	**-1,896,531**
	Manhattan	**546,302,397**	**12,920,789**	**15,480,804**	**18.3%**	**18.7%**	**17.4%**	**$72.29**	**$81.04**	**$56.22**	**- 731,219**

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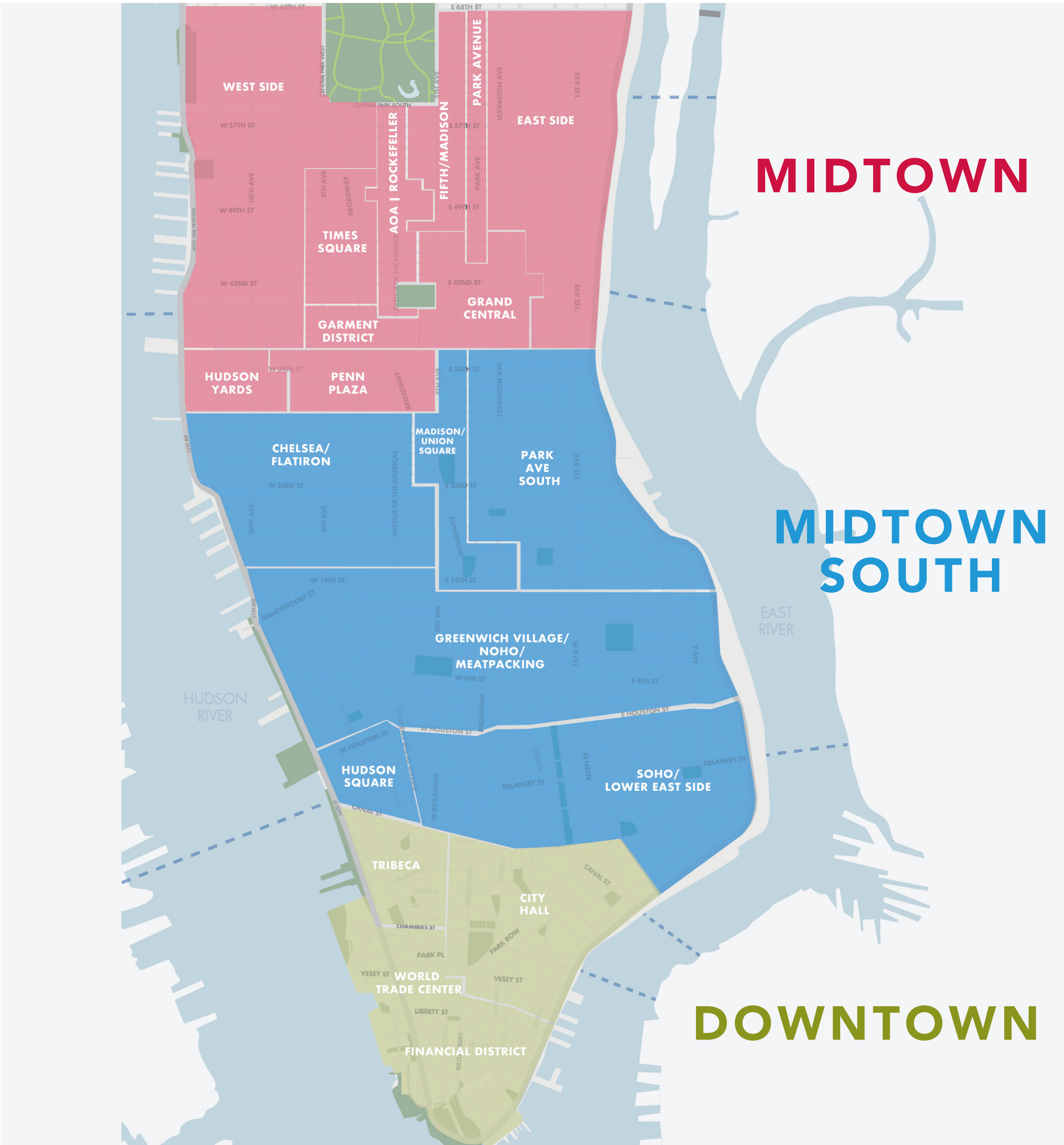

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