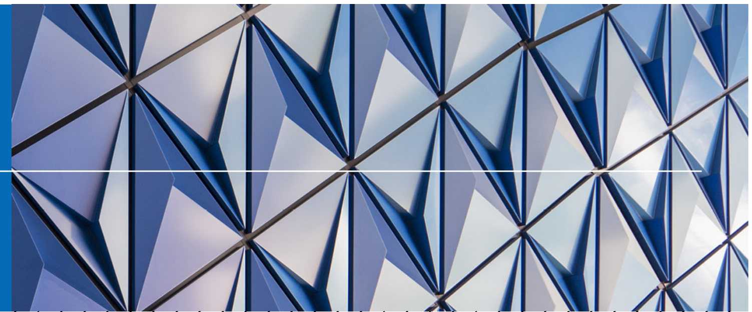


RESEARCH 4Q 2021

Manhattan Office Market

Leasing Activity Increases for Fourth Consecutive Quarter, Setting Another Pandemic High

The office market ended the year with a strong fourth quarter, despite the rise of the Omicron variant which may moderate momentum. Manhattan leasing activity reached 8.3 million square feet in the fourth quarter, bringing 2021 velocity to 28.1 million square feet. Leasing activity this year surpassed 2020 levels by approximately 5 million square feet, or 20.9%. Both Midtown and Downtown set pandemic highs for leasing, fulfilling expectations of pent-up demand in the second half of 2021. Fourth-quarter activity was bolstered by 13 leases over 100,000 square feet leases, 11 of which were signed in Class A buildings. The flight to quality has grown over the course of the pandemic, with leases signed in trophy product growing as a percentage of overall velocity from 7.7% in 2020 to 13.1% in 2021.

The Manhattan availability rate remained stable quarter over quarter at 18.5%. There were 12 contiguous large block additions this quarter, the majority of which were in Midtown. Midtown South and Downtown saw their availability rates decline by 70 basis points and 40 basis points, respectively. Seven submarkets recorded declines in availability rates of at least 100 basis points from the third quarter. While the overall availability rate was stable, the sublease availability rate declined quarter over quarter by 40 basis points to 3.9%. Despite improvement in leasing activity and declining availability from the third quarter, fourth-quarter absorption posted at negative 3,533,235 square feet, largely due to 4.8 million square feet of new supply.

Manhattan average asking rents increased for the first time in seven quarters, increasing by $3.39/SF from the third quarter to $76.86/SF. Asking rents have now rebounded to 94.1% of pre-pandemic levels. Rents increased quarter over quarter in 11 of the 19 submarkets, with the largest improvements posted in the Penn District and the Far West Side, where new supply came to market.

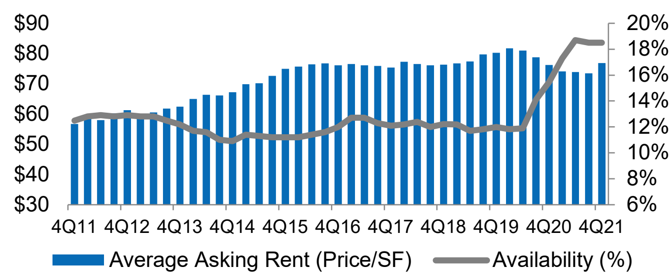
The lone fourth-quarter delivery was at 799 Broadway in NoHo/SoHo, adding 182,187 square feet to market inventory. Approximately 11.8 million square feet is slated to deliver across Manhattan over the next 24 months, with 66 Hudson Boulevard, 50 Hudson Yards, 2 Manhattan

Current Conditions

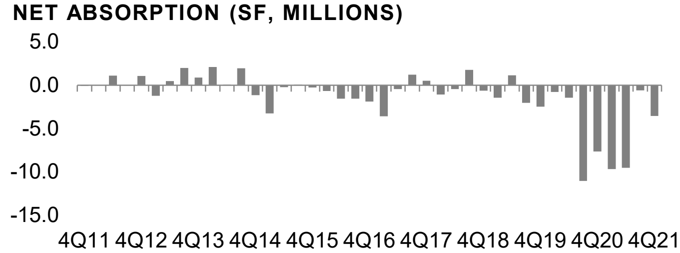
- Fourth-quarter leasing velocity totaled 8.3 million square feet, 29.8% above the quarterly average since the start of the pandemic.
- The availability rate was stable at 18.5%, as space additions in Midtown were offset by large deals in Midtown South and Downtown.
- Manhattan asking rents increased by $3.39/SF, or 4.6%, to $76.86/SF, bolstered by new construction in Midtown.

Market Analysis

ASKING RENT AND AVAILABILITY



NET ABSORPTION (SF, MILLIONS)



Market Summary

	Current Quarter	Prior Quarter	Prior Year	12-Month Forecast
Total Inventory	473.1 MSF	468.3 MSF	461.7 MSF	↑
Availability Rate	18.5%	18.5%	15.5%	↑
Quarterly Net Absorption	-3,533,235	-589,250	-7,653,853	↓
Avg. Ask Rent	$76.86	$73.47	$76.21	↓
Under Const.	13.2 MSF	13.6 MSF	14.8 MSF	↑
Deliveries	0.2 MSF	1.2 MSF	0 MSF	↑

NEWMARK

Midtown

Midtown Average Asking Rents and Availability Rate Increase Following New Construction Additions

Midtown average asking rents increased by $4.73/SF from the third quarter to $82.79/SF. This followed particularly strong quarter-over-quarter improvements of $18.40/SF in the Penn District and $9.71/SF in the Far West Side. These significant jumps were caused by seven large block additions within three new Midtown developments: 66 Hudson Boulevard, 2 Manhattan West, and PENN 2. These space additions also contributed to an increase of 11 percentage points in Far West Side availability and 4.4 percentage points in the Penn District. There was also a 3-percentage-point increase in the Times Square availability rate, as the entirety of 330 West 42nd Street, spanning 607,153 square feet, came to market. As a result, the overall Midtown availability rate increased by 50 basis points from the third quarter to 18.0%. Fourth-quarter absorption of negative 3.5 million square feet drove the 2021 Midtown total down to negative 12.3 million square feet.

Midtown leasing activity surged 15.7% quarter over quarter to 5.5 million square feet, the highest quarterly velocity since the start of the pandemic. As in the third quarter, velocity was driven by large long-term renewals, led by Madison Square Garden's renewal for 429,002 square feet at PENN 2. Other notable renewals were also finalized by NBC at 1221 Avenue of the Americas and Dechert at 3 Bryant Park. Chubb signed this quarter's largest relocation, taking 241,647 square feet as the anchor tenant at the redeveloped 550 Madison Avenue. Two other large leases were finalized in Times Square by Venable at 151 West 42nd Street for 158,000 square feet and by The Office of the Comptroller of the Currency at 7 Times Square for 108,400 square feet.

In addition to the nearly 9.7 million square feet of space already under construction in the Far West Side across four properties, several other projects remain in the pipeline. These include 175 Park Avenue, 343 Madison Avenue, and 415 Madison Avenue.

Midtown South

Availability Rates Decrease in Three of Five Midtown South Submarkets Despite Declining Leasing Velocity

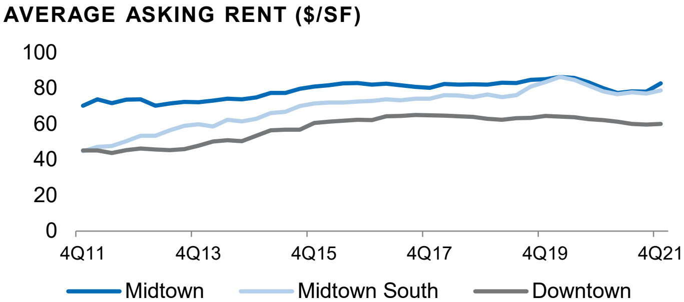
The Midtown South availability rate closed at 17.6%, a quarter-over-quarter decrease of 70 basis points. This marked the second straight quarter that availability fell by at least 70 basis points. This was also the second consecutive quarter in which there were no contiguous large block additions of at least 100,000 square feet. In the East Village, the availability rate dropped by 10 percentage points from last quarter to 21.9%, as Verizon's 140,000-square-foot lease at Essex Crossing took a large block of space off the market. In NoHo/SoHo, the availability rate decreased by 320 basis points from the third quarter to 11.1%, the lowest of any Manhattan submarket.

The drop in availability coincided with several large transactions, as fourth-quarter velocity reached 1.5 million square feet. The largest lease was signed by Microsoft at 122 Fifth Avenue for 150,000 square feet, followed by Verizon's 140,000-square-foot deal at 155 Delancey Street, and Clear Secure's lease for 120,000 square feet at 85 Tenth Avenue. Other notable deals included leases signed in new construction by Melio at Zero Irving, Stripes Group at 40 Tenth Avenue, Puravida Investments at 412 West 15th Street, and Tidal at 799 Broadway. Although activity eclipsed 1 million square feet for the third straight quarter, fourth-quarter velocity declined 12.8% from third-quarter totals.

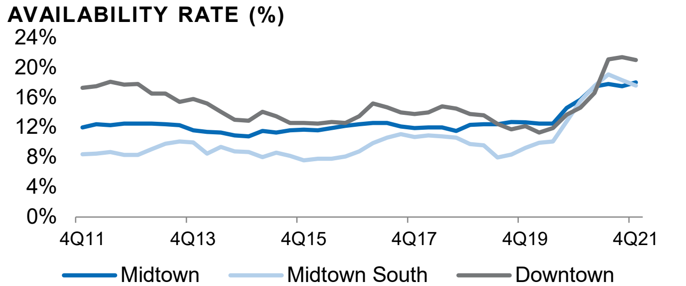
Asking rents increased in each of the five Midtown South submarkets, with the largest increases of $4.15/SF and $3.22/SF recorded in NoHo/SoHo and Flatiron/Union Square, respectively. These improvements were caused by multiple space additions along Madison Avenue and rent increases in several Class B properties.

Following the delivery of 799 Broadway this quarter, approximately 3.5 million square feet remains under construction in Midtown South. Nine properties are slated to deliver in 2022, including the 630,000-square-foot Morgan North redevelopment, Zero Irving, and 145 Delancey Street.

Average Asking Rent By Submarket



Availability By Submarket



Downtown

Availability Rate Declines as Subleases Taken off the Market and Leasing Improves

The Downtown availability rate decreased by 40 basis points to 21.0%, propelled by a drop of 70 basis points in the Downtown West sublease availability rate. The lone large sublease addition this quarter was approximately 477,122 square feet at 1 World Trade Center by Conde Nast. Also contributing to the decline in the availability, Downtown leasing reached a pandemic high of 1.3 million square feet. Brown Brothers Harriman & Co.'s 190,000-square-foot renewal at 140 Broadway was the largest deal of the quarter, while Orchard Technologies signed the largest relocation of the quarter, taking 107,395 square feet deal at 195 Broadway.

Although Downtown set a pandemic high for leasing activity, the improvement was marginal, up just 5.5% from the third quarter. Velocity remained 22.3% below the five-year Downtown average.

Downtown asking rents increased by $0.37/SF from the third quarter to $60.06/SF, a 0.6% increase, largely driven by direct asking rent increases of $1.33/SF and $1.51/SF in Downtown West and Tribeca/City Hall, respectively.

Midtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
MSG Sports & Entertainment, LLC	Penn District	PENN 2	Direct Renewal & Expansion	429,022
NBC Universal	Sixth Avenue/Rockefeller Center	1221 Avenue of the Americas	Direct Renewal	339,833
Chubb	Plaza District	550 Madison Avenue	Direct New	241,647
Dechert LLP	Sixth Avenue/Rockefeller Center	1095 Avenue of the Americas	Direct Renewal	241,000
Bloomberg, LP	Eastside	919 Third Avenue	Direct Expansion	191,000

Midtown South Lease Transactions

Tenant	Market	Building	Type	Square Feet
Microsoft Corporation	Chelsea	122 Fifth Avenue	Direct New	150,000
Verizon	East Village	155 Delancey Street	Direct New	140,000
Clear Secure Inc.	Chelsea	85 Tenth Avenue	Direct New	120,000
DoubleVerify	NoHo/SoHo	462 Broadway	Direct New	87,500
Andreessen Horowitz (a16z)	NoHo/SoHo	200 Lafayette Street	Direct New	33,560

Downtown Lease Transactions

Tenant	Market	Building	Type	Square Feet
Brown Brothers Harriman & Co.	Downtown East	140 Broadway	Direct Renewal	190,000
Orchard Technologies	Downtown West	195 Broadway	Direct New	107,443
Hudson River Trading	Downtown West	3 World Trade Center	Direct Expansion	75,297
US Attorney's Office	Downtown West	86 Chambers Street	Direct Renewal	72,258
Barkbox	Downtown East	120 Broadway	Direct New	51,705

Submarket Statistics

Market	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Midtown	**298,284,902**	**9,662,418**	**18.0%**	**(3,488,981)**	**(12,268,737)**	**$88.18**	**$58.94**	**$82.79**
Eastside	24,873,390	0	22.2%	7,132	(779,547)	$75.91	$57.64	$73.78
Far West Side	19,634,299	9,662,418	24.7%	(2,919,698)	(3,967,354)	$152.26	$91.13	$146.53
Grand Central	48,897,768	0	16.4%	(372,911)	(1,643,578)	$75.29	$54.76	$71.40
Murray Hill	7,930,696	0	22.2%	(123,202)	(658,426)	$63.46	$46.10	$59.95
Park Avenue	25,983,580	0	13.6%	228,274	(5,863)	$107.61	$65.63	$100.95
Penn District	22,418,031	0	18.8%	(1,062,554)	(1,926,844)	$93.67	$54.98	$80.88
Plaza District	26,205,352	0	17.1%	379,030	(14,209)	$100.23	$76.83	$98.05
Sixth Ave/Rock Center	45,329,301	0	11.7%	377,062	(362,650)	$83.88	$60.88	$79.75
Times Square	14,834,999	0	28.7%	(346,295)	(1,407,321)	$81.48	$59.13	$79.70
Times Square South	35,996,446	0	16.9%	160,859	(871,149)	$54.85	$48.67	$53.37
Westside	26,181,040	0	21.3%	183,322	(631,796)	$77.70	$60.83	$72.27
Midtown South	**79,010,181**	**3,468,312**	**17.6%**	**281,303**	**(3,233,834)**	**$83.39**	**$66.93**	**$78.90**
Chelsea	30,675,281	911,000	17.2%	146,268	(1,320,826)	$74.17	$65.76	$71.52
East Village	1,712,321	301,321	21.9%	170,454	(46,617)	$86.25	NA	$86.25
Flatiron/Union Square	24,193,279	1,049,035	22.1%	(187,201)	(1,635,797)	$90.36	$65.77	$85.25
Hudson Sq./Meatpacking	11,722,369	1,206,956	14.5%	(109,486)	(302,082)	$86.27	$71.12	$78.68
NoHo/SoHo	10,706,931	0	11.1%	261,268	71,488	$83.57	$63.57	$81.42
Downtown	**95,781,076**	**20,172**	**21.0%**	**(325,557)**	**(7,985,491)**	**$63.55**	**$48.44**	**$60.02**
Downtown East	50,382,484	0	25.5%	(129,523)	(6,603,795)	$59.59	$43.98	$56.24
Downtown West	36,688,566	0	17.0%	(177,141)	(1,074,336)	$68.65	$55.45	$64.78
Tribeca/City Hall	8,710,026	20,172	11.4%	(18,893)	(307,360)	$83.75	$43.94	$79.37
Manhattan	**473,076,159**	**13,150,902**	**18.5%**	**(3,533,235)**	**(23,488,062)**	**$81.91**	**$57.84**	**$76.86**

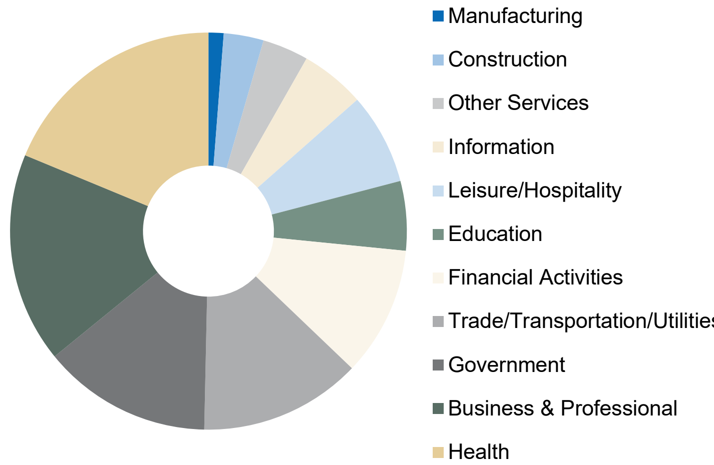
Economic Conditions

The national unemployment rate continued to decrease, reaching 3.9%, its lowest point since February 2020. Although the unemployment rate decreased, concerns remain surrounding labor force participation and inflation. The national consumer price index soared by 6.8% year over year, with a 5.0% increase recorded in New York City.

The New York City unemployment rate reached its lowest point since March 2020, closing November at 8.0%. Office-using employment increased by 9,300 jobs month over month, reaching its highest levels since March 2020. This marked the second consecutive month of office-using job growth in New York City, which has now recovered to 95.3% of pre-pandemic levels. This also marked the second straight month of overall job growth for New York City, a month-over-month improvement of 22,100 jobs.

Employment By Industry

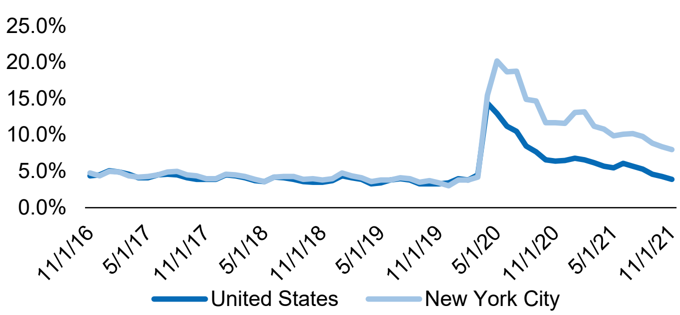
NEW YORK CITY, NOVEMBER 2021



Source: New York State Department of Labor

Unemployment Rate

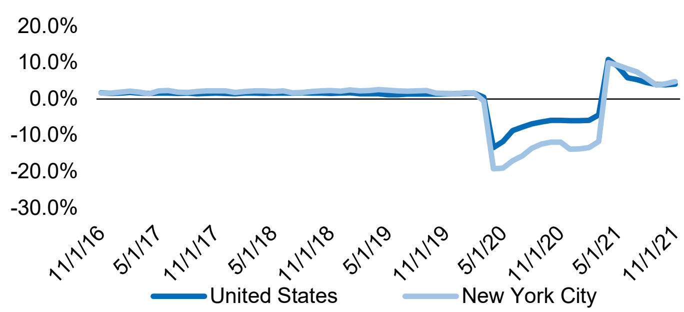
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

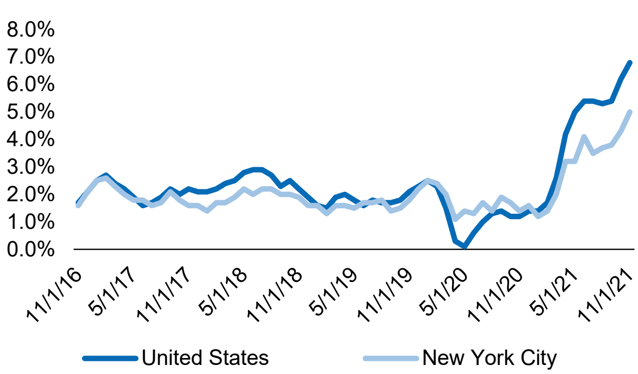
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

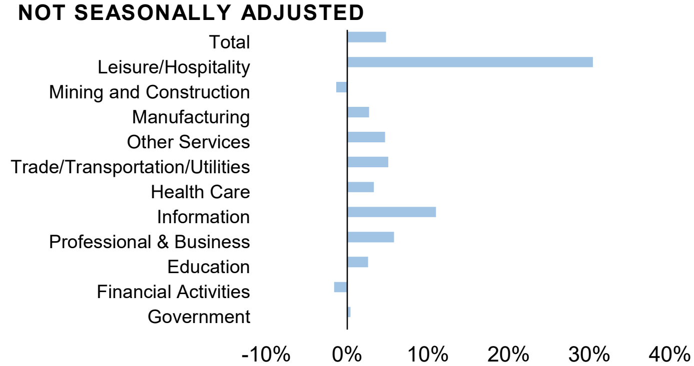
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NYC, NOVEMBER 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor

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